



THE STAR

## ASX Announcement

24 October 2019

**THE STAR ENTERTAINMENT GROUP LIMITED**  
**ACN 149 629 023**

**ANNUAL GENERAL MEETING**  
**THURSDAY 24 OCTOBER 2019**

### **CHAIRMAN'S ADDRESS**

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Ladies and gentlemen, welcome again to The Star Entertainment Group Limited's ninth Annual General Meeting.

Importantly, it is our first in Brisbane.

How appropriate given the game-changing Queen's Wharf Brisbane project is now moving at pace.

We look forward with excitement to 2022 and the planned opening of what will be Australia's most unique integrated resort with an extraordinary blend of contemporary and heritage buildings.

A project that will help cement The Star Entertainment Group as Australia's leading integrated resort company.

Our Chief Executive Officer, Matt Bekier, will provide more detail on the specifics of the Queen's Wharf capital works that have taken place over the past year.

More broadly, the 2019 financial year saw ongoing expansion of our high-quality tourism, entertainment and gaming assets across Sydney, the Gold Coast and Brisbane.

This continued expansion was coupled with strong domestic results.

Importantly, The Star's growth strategy continues to be supported by the ongoing development of a strategic alliance with our Hong Kong-based joint venture partners, Chow Tai Fook and Far East Consortium.

The 2019 financial year marked five years of this valued relationship – and it was the three point six billion-dollar Queen's Wharf Brisbane bid that was the original vehicle for the creation of this partnership.

I would now like to take the opportunity to update you – our shareholders – on another of our joint venture development projects.

The Star Gold Coast has the potential to be a global tourism and entertainment destination that will rival Queen's Wharf for scale and be an absolute beacon to drive increased visitation and substantial economic benefits to the region.

Our Masterplan will put the property at the necessary level to compete with the biggest and best Integrated Resorts around the world.

Our commitment to Queensland and the Gold Coast is well documented.

We could, when completed, boast more than nine billion dollars' worth of tourism assets and investments into south-east Queensland. More than nine billion dollars.

The Masterplan will also deliver thousands of jobs for the Gold Coast. We expect each of the new five towers will create around 1,800 construction jobs.

Once operational, there will be an additional 3,000 jobs at the Gold Coast.

This is a significant jobs opportunity – a wonderful catalyst for employment across a diverse range of roles.

The Government, however, continues to speculate about a second casino on the Gold Coast.

The Star's position has always been – we support investment in tourism assets on the Gold Coast – but the Gold Coast market is too small for two casinos.

We are not alone in this assessment of the market.

The introduction of another local casino competitor would force us to defend our local market share at the expense of driving incremental interstate and international tourism.

This has been a distraction for some 7 years.

The process has yielded nothing but considerable cost – tens of millions of dollars – to Governments and proponents, and is impacting our business, weighing on our share price.

So, today, I want to outline plans we hope will result in the delivery of investment in tourism and jobs at the Gold Coast in place of talk of processes without outcomes.

There is broad agreement that the Gold Coast needs more tourism assets that drive more traffic into south-east Queensland. Traffic that can be monetised by many tourism operators.

To that end, and in the hope of breaking the deadlock of 7 years, we are reaching out to the Queensland Government.

We are sharing with them our unilateral commitment for investment into such assets in return for certainty around maintaining the Gold Coast as a one casino city – just like Brisbane.

Let me now explain to you the level of investment and commitment we are prepared to extend by way of the following proposal.

There are three top line elements:

The first is a contractual arrangement to deliver in stages the two billion-dollar-plus Masterplan for The Star Gold Coast.

This includes construction of five towers alongside our existing hotels The Star Grand and The Darling.

The first tower – including a Dorsett hotel – is under construction. We are in apartment pre-sales for Tower 2, which will house a world-renowned five-star hotel brand.

I can also reveal today that Tower 5 would feature a five-star hotel and potentially a Sky Park tourism playground with adventure, entertainment and luxury dining attractions.

The Masterplan in its entirety would deliver significant new food and beverage offerings to create an unparalleled dining precinct for the Gold Coast.

There will be retail outlets, infinity pools, gyms, a world-class day spa, an outdoor function centre for up to 1000 people and apartments which can be added to the short-term accommodation supply on Broadbeach Island.

The second element in our offer to Government is an investment of up to \$100 million for the expansion and upgrade of the Gold Coast Convention and Exhibition Centre.

This is an investment that could have the project commence immediately after an agreement is reached.

It's not work that might be somewhere down the track. It's real and we're ready to commit here and now.

That's a timeline a long-running process is incapable of promising or delivering.

It also means more jobs and the opportunity for the Gold Coast to enhance – as soon as possible – its competitive positioning in the corporate event and conference market.

Given GCCEC is a Government asset, the detail of any works would be for Government to determine.

But there is a 6000-seat venue at GCCEC which has hosted major international acts in the past – so a significant facelift will also provide the Gold Coast with an opportunity to attract some of the world's biggest musical acts.

These investments will grow gaming tax revenues. We would suggest a portion of gaming tax revenues from The Star Gold Coast operations each year could be reserved to secure, promote and market new events, conventions and shows.

We propose the fund be managed by Tourism and Events Queensland with participation from The Star.

The third element covers new tourism experiences at the Sheraton Grand Mirage beachfront resort.

This involves refreshing the existing property, potentially with new restaurant, bar and gym while also developing a beach club.

This element is in its early stages of development, however we may also seek approvals for a quality low rise resort development on a site adjoining the Sheraton Grand Mirage, to include tourism and residential components.

Obviously, this level of commitment to the Gold Coast from The Star would require exclusivity arrangements which we would similarly discuss with Government.

Moving to NSW, we are expecting the Independent Planning Commission to announce in the next few weeks a decision on our tower proposal at The Star Sydney.

We are committed to bringing one of the world's most sought-after hotel brands back to Sydney, while also creating a stunning new dining precinct and delivering world-class resort amenities that would resonate globally.

This project would also be the catalyst for more than 1000 jobs.

Tourism Australia research forecasts tell us there is a wave of international visitors who can be drawn to this country if we have the right attractions.

More luxury hotel rooms are a major component.

Our attempts to boost tourism through the construction of a Ritz-Carlton hotel and apartments met with a disappointing recommendation to reject from the Department of Planning.

We can only hope the challenges we have faced trying to secure approval do not translate into an opportunity missed for Australian tourism.

Turning to the 2019 financial year results, and Statutory NPAT for the Group was 198 million dollars, up 33.7% on the prior year after significant items.

In normalised terms – which sees the average win rate of 1.35% applied to the International VIP Rebate Business rather than the actual win rate of 1.38% – the full year normalised NPAT result was 224 million dollars after equity accounted investments, but before significant items.

This was down 8.4% on FY18.

Considering the business performance overall, and the strength of the Company's balance sheet, the Board declared a final dividend of 10 cents per share fully franked.

This took total dividends for the year to 20.5 cents per share fully franked.

This total dividend amount is in line with FY2018 and reflects a payout ratio of 84% of normalised NPAT.

On behalf of the Board, I congratulate and thank Matt Bekier and the management team on their dedication to

making The Star Entertainment Group Australia's leading integrated resort company and returning value to shareholders.

I also thank my fellow directors on the Company's well-established Board of Directors for their ongoing commitment.

Importantly today, thank you to all shareholders for your support of the Company's vision and strategy.

We look forward to another year of growth and continued successful execution of our exciting capital works program.

In closing, and to mark the first AGM in Brisbane, I would like to remind you all how the Queen's Wharf project will be at the forefront of an extraordinary transformation for this city.

***(Play QWB fly-through)***

## **MANAGING DIRECTOR AND CEO'S ADDRESS**

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Ladies and gentlemen, I'm delighted to be here in Brisbane today.

It's the city that has offered The Star Entertainment Group the privilege of delivering a truly transformational project for Queensland.

Queen's Wharf Brisbane is a once-in-a-lifetime development opportunity.

Together with our partners Chow Tai Fook and Far East Consortium, it's a 3.6 billion-dollar investment to create a world-class precinct for local, interstate and international visitors.

The development has four hotels, over 50 restaurants, cafes and bars; 12 football fields of open space; a Sky Deck overlooking the river and the CBD; a moonlight cinema; a pedestrian bridge to South Bank; and hopefully a zipline across the water.

This will be the finest integrated resort in Australia and a tourism and entertainment destination to match the best anywhere around the globe.

We won the right to develop Queen's Wharf in 2015.

***(Play time lapse video of QWB excavation)***

Four years on, we are on time and on budget to open the doors of the integrated resort in 2022.

Demolition and excavation are complete and structural work is now well underway.

We will soon unveil the first completed public spaces – Mangrove Walk and Waterline Park.

The Queen's Wharf vision is fast becoming reality.

Executing on our significant capital works program for south-east Queensland also continued at The Star Gold Coast.

***(Play time lapse video of The Dorsett tower excavation)***

Construction commenced on a 53-storey mixed use Dorsett hotel and residential tower.

This will deliver a third hotel to the property, alongside The Star Grand and The Darling.

In November last year, we gained approval for our development Masterplan for Broadbeach Island from the Queensland Government. This will allow, at our discretion, for the development of a further four towers.

In Sydney, the new Grand Foyer opened with an art, light and water installation as its showpiece.

The Sovereign Resort upgrade is also progressing to plan with completion expected in the final quarter of FY2020.

As John mentioned earlier, we are waiting to hear whether the Independent Planning Commission will approve our application to develop a Ritz Carlton tower at The Star Sydney.

This has been a four-year journey through the Department's planning process.

I will now turn to some of the other significant achievements our company delivered last year:

- The Dow Jones Sustainability Index ranked The Star as the global leader in its Casino & Gaming category for the fourth successive year
- We were also rated as one of the Top 25 companies in the world – and second in Australia – for our approach to Diversity & Inclusion
- We achieved Silver Employer status in the Australian Workplace Equality Index
- The Star Culinary Institute now has more than 100 apprentice chefs enrolled
- We have committed to an Aboriginal native bee honey production business on Minjerribah – North Stradbroke Island, working alongside the Quandamooka people
- Our sustainability initiatives included removing more than seven and a half million plastic straws per year as part of a single use plastic reduction commitment
- The Darling Hotel on the Gold Coast won best deluxe accommodation at the National Australian Hotels Association Awards for Excellence
- The Darling Hotel in Sydney continued to hold a Forbes 5-Star rating for the third year running – and is still the only luxury hotel in NSW to hold that status
- And Paul Carmichael of Momofuku Seiobo at The Star Sydney was named Gourmet Traveller's Chef of the Year

Please turn your attention to the screens to see what's behind some of these successes.

***(Play compilation video)***

Let me now review our financial results for FY19.

We had a strong first half and a more challenging second half last year, impacted by domestic consumer sentiment and global economic softening.

In this difficult environment, we enjoyed record domestic gaming results which were underpinned by market share gains at the Gold Coast and Brisbane and reasonable growth in Sydney across both slots and tables.

Domestic Private Gaming Rooms were the highlight in Sydney, with visitation up 12.4%, compensating for a Main Gaming Floor affected by capital works.

The International VIP Rebate business produced mixed results. While we delivered 10% growth in unique visitation on FY18, normalised revenue was down 30.7% on the pcp due to substantially lower spend per customer. Statutory International VIP Rebate business revenue declined at a lower rate of 17.6% due to a higher comparable win rate.

When macro market conditions improve, we are confident this ongoing increase in unique patrons and our diversification into new geographies and customer segments will drive a return to earnings growth from this business.

Operating costs were flat last year.

During FY19 we also introduced Centres of Excellence in Gaming and Marketing to streamline operations and further improve decision making.

This focus on greater efficiency, agility and outstanding guest service led to a group-wide organisational restructure to reflect the more challenging trading environment.

I'm pleased to report that as a business we have adapted and moved almost seamlessly to this new way of working.

Turning to trading in FY20, and for the period from 1 July to 21 October 2019, group domestic revenue is up 1.5% on pcp, with growth in both Sydney and Queensland.

Group International VIP Rebate business normalised revenue is up on pcp for the same period.

- Front money is flat on pcp.
- A low actual win rate experienced in the FY20 year to date is negatively impacting statutory results.

De-risking initiatives have been implemented, including restructure benefits of around 45 million dollars annualised run rate by end of the first half FY20.

Normalised group EBITDA for the first half FY20 is expected to be between 300 million dollars and 310 million dollars.

Our priorities for the 2020 financial year are clear. We plan to:

- Execute on the Centre of Excellence operating model and lock in the cost savings
- Deliver on the investment strategy
- Manage the competitive environment and
- Improve capital efficiency

In closing, I would like to thank the Board and management team for their ongoing support.

I also extend my gratitude to our 9000 team members whose commitment is key to our ongoing success; to our investors for their continued support; and to the millions of guests who visited us again this year.

We hope they continue to enjoy the considerable improvements we are making to our properties.

I now pass back to John for the formal business of today's meeting.