



THE STAR

## ASX Announcement

Thursday 16 April 2020

### COVID-19 RESPONSE – UPDATE ON MITIGATION ACTIONS

The Star Entertainment Group Limited (ASX code: SGR) (**The Star**) refers to its 25 and 31 March 2020 announcements regarding the COVID-19 related directives requiring the closure of all non-essential businesses and the impacts on The Star's operations, and the deferral of the 1H FY2020 dividend and changes to its dividend policy.

The shutdown of The Star's properties from Monday 23 March 2020 will continue to have a material impact on our business. This announcement provides an update on The Star's mitigation actions to minimise the impact of the shutdown and to conserve liquidity.

Managing Director and Chief Executive Officer Matt Bekier said: "The Star is implementing necessary and wide-ranging measures to strengthen the balance sheet and preserve liquidity in the current exceptional circumstances. The shutdown continues to have a significant impact on our people and their families, and the Group welcomes the Australian Government's support, particularly the JobKeeper Payment program. Our focus remains on preserving the Group's solid financial position and operating flexibility to resume operations quickly when the current COVID-19 restrictions begin to lift."

#### **\$200 million additional liquidity**

The Star has executed an additional debt funding facility with existing relationship banks for \$200 million. The additional facility has a 12-month term and strengthens the Group's liquidity position.

Including the new facility, The Star has available cash and undrawn debt facilities of ~\$700 million. This provides sufficient liquidity for an extended period of shutdown of the Group's properties.

The estimated cash requirements under a shutdown are:

- ~\$220 million in total under a 3-month shutdown (to 30 June 2020).
- ~\$320 million in total under a 6-month shutdown (to 30 September 2020).

These estimates include operating expenses, draw down by employees on accrued annual and long service leave entitlements, payables offset by receivables, interest payments, and capital expenditure payments including joint venture contributions (further details in this announcement). Actual cash payments in these periods may vary due to timing and other differences.

To further assist liquidity, as previously announced, the 1H FY2020 dividend has been deferred, with the dividend reinvestment plan (**DRP**) maintained but with a 1.5% discount, and The Star will underwrite the **DRP**.

#### **Waiver of debt covenants at 30 June 2020**

In addition to the new facilities, The Star has also secured agreement from all its debt providers for a full waiver of its gearing and interest cover covenants at the next covenant testing date of 30 June 2020.

As a condition for the waiver, cash dividends will not be paid until gearing (Net Debt/ trailing 12-month statutory EBITDA) is below 2.5 times (amount, tenor and interest rate terms of existing debt facilities are materially unchanged).

### **Operating costs and capital expenditure reduced**

The Star has implemented actions to substantially reduce operating costs and capital expenditures that will impact the remainder of FY2020 and FY2021.

#### ***Operating costs***

Further to its 25 March 2020 announcement, The Star has completed staffing requirements for the period that its properties are shutdown. This has resulted in ~8,500 staff being stood down, including the termination of contractors and casuals obtained through labour hire agencies.

- From April 2020 until current restrictions start to lift, The Star's monthly operating expenses are estimated to be ~\$10 million, comprising payments to employees who are not stood down, asset security, technology and other fixed costs.
- These expenses exclude other potential provisions, non-cash items and interest costs.
- In addition, the Group currently has ~\$70 million in provisions for employee benefits (accrued annual leave and long service leave entitlements) which may be accessed by employees.
- For the remainder of FY2020, non-executive director fees have been reduced by 50%, with the Chief Executive Officer's salary reduced by 40%. Other senior executives have also agreed to reductions. These reductions will remain under review depending on the period of shutdown.

The Star has applied to access the JobKeeper Payment program as an eligible employer. The program is expected to result in the Group receiving from the ATO a wage subsidy of \$1,500 per fortnight per eligible employee.

#### ***Capital expenditure (excluding joint venture contributions)***

The Star has reduced expected Group capital expenditure for FY2020 and FY2021 as follows:

- **FY2020:** ~\$25 million reduction versus the ~\$250 million guidance at the 1H FY2020 results, an ~25% saving for 2H FY2020 versus prior plans. The majority of the 2H FY2020 capital expenditure relates to Sydney Sovereign Resort, which is expected to complete in May 2020. As at 1 April 2020, ~\$35 million remains to be spent.
- **FY2021:** significant reduction on ~\$175 million guidance provided at the 1H FY2020 results.  
Actual capital expenditure in FY2021 will depend upon the timing of the re-opening of The Star's properties, any ongoing operational restrictions (including spatial distancing requirements), and the speed of the recovery to a normal trading environment.

#### ***Joint venture contributions***

The Star's expected joint venture contributions for FY2020 and FY2021 are as follows:

- **FY2020:** expected to be ~\$175 million, at the low end of the range provided at the FY2019 full year results. As at 1 April 2020, ~\$35 million remains to be spent.
- **FY2021:** expected to be ~\$150 million, in line with the range provided at the FY2019 full year results.

The expected FY2020 and FY2021 joint venture contributions largely relate to Queen's Wharf Brisbane and the first joint venture tower at The Star Gold Coast. Construction at these projects is currently not affected by Government directives and continues to progress to plan.

Equity contributions for these two projects are expected to complete as follows:

- First tower of The Star Gold Coast masterplan – by June 2020. Project level debt funding of \$260 million is in place, as previously disclosed.

- Queen’s Wharf Brisbane – in 2H FY2021. Commitments for project level debt funding of \$1.6 billion have been received, as previously disclosed.

The Star will continue to monitor the COVID-19 situation and the impacts on The Star’s business. At this time, we are unable to reliably advise of the impacts on financial performance for FY2020 due to the uncertain duration of the current circumstances.

**Business interruption insurance**

The Star has lodged a claim under its business interruption insurance policy in relation to the shutdown of its properties and is working through the claim process. The cost and cashflow expectations outlined in this announcement do not assume any insurance proceeds.

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Chairman John O’Neill AO said: “These unprecedented challenges have had a considerable human impact. To temporarily stand down more than 90% of our dedicated workforce will be the most painful decision our senior management is ever likely to encounter. As a Board, and as a management team, there was no hesitation in reducing directors’ fees and senior executive salaries. Also, I want to congratulate our CEO, Matt Bekier, and our management team for implementing the measures required to position the Group for a rapid operational return once restrictions start to lift. Our cash and undrawn debt facilities are certainly at a robust level, providing a high level of security as the business community continues to navigate uncertain times.”

**Authorised by:**

The Board of Directors

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