



THE STAR

## ASX AND MEDIA RELEASE

Thursday, 17 February 2022

### THE STAR ENTERTAINMENT GROUP (ASX:SGR) 1H FY2022 RESULTS<sup>1</sup>

#### HIGHLIGHTS

- **Earnings materially impacted by COVID-19 related restrictions**
  - Normalised<sup>2</sup> EBITDA of \$29m and normalised net loss of \$74m
  - Statutory EBITDA of \$31m (pre significant items) and statutory net loss of \$74m (post significant items)
  - COVID-19 related property shutdowns, operating restrictions and border closures materially impacted revenues and earnings
- **Strong performance in Sydney upon re-opening, Queensland stable, Dorsett Gold Coast**
  - The Star Sydney recorded strong revenue growth upon re-opening on 11 October 2021 with revenue up 29% on pcp
  - Queensland Casinos' revenue was stable on pcp when open, despite the border closures and COVID-19 related restrictions
  - Group non-gaming revenue was up 10% on pcp
  - Opened the Dorsett Gold Coast Hotel and additional F&B facilities in December 2021
  - Strong apartment pre-sales Gold Coast Tower 2 (94% pre-sold)
- **Operating expenses**
  - Operating expenses up 5% on pcp to \$401m<sup>3</sup>
  - Costs reflect COVID-19 related inefficiencies and investment in staff to position the properties for re-opening
  - The previously announced cost reduction program has been materially completed
- **Debt covenant amendments, strong liquidity position, asset sales continue to progress**
  - Received full waiver of debt covenants for the December 2021 testing date and an amendment of the covenant ratios for the June 2022 testing date
  - Substantial liquidity - \$520m in cash and undrawn facilities as at 31 December 2021
  - Asset sale processes continuing
    - VIP jet sold in 1H FY2022 for ~\$40m
    - Entered into an agreement for the sale of an interest in the Treasury Brisbane assets for \$248m ex GST
    - Continuing work on the potential sale and leaseback (or similar transaction) of a minority holding in The Star Sydney property

<sup>1</sup> This release should be read in conjunction with The Star Entertainment Group Limited's 1H FY2022 Results Presentation and Directors' Report and Financial Report for the six months ended 31 December 2021

<sup>2</sup> Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% on actual turnover, taxes and revenue share commissions, unless otherwise stated, and are before significant items

<sup>3</sup> Adjusting for JobKeeper in the prior period

1H FY2022 Financial Highlights	Statutory		Normalised	
	\$m	vs pcp		vs pcp
Gross Revenue	581	(23%)	580	(22%)
EBITDA (before significant items)	31	(87%)	29	(87%)
EBIT (before significant items)	(72)	(157%)	(74)	(162%)
NPAT (before significant items)	(73)	(208%)	(74)	(215%)
Statutory NPAT	(74)	(249%)	-	-

## Overview of 1H FY2022

Chairman John O'Neill AO said: "The Group continued executing its strategy well in the context of the extraordinary COVID-19 related challenges. The fundamental earnings prospects for The Star's domestic business remain attractive. They are underpinned by valuable long-term licences in compelling locations while the transformation of our properties into globally competitive integrated resorts is nearing completion.

"The Star remains committed to maintaining a balance sheet that positions the Group for the post COVID-19 recovery. The Board has not declared an interim dividend for 1H FY2022 given the continuing impacts of COVID-19 on the business and, consistent with the December 2021 covenant waiver, cash dividends cannot be paid until gearing is below 2.5 times."

## Sydney

- Earnings significantly impacted by the property shutdown and COVID-19 related operating restrictions
- Strong domestic revenues on re-opening, up 28% on pcp from 11 October 2021, and approaching pre-COVID levels in November/December with strong improvement in mass revenues
- Non-gaming revenue up 46.5% on pcp from 11 October 2021

Normalised	1H FY2022	
	\$m	vs pcp
<b>Gross Revenue</b>	239	(39%)
<b>EBITDA</b>	(25)	(124%)
<b>EBIT</b>	(84)	(282%)

## Gold Coast

- Earnings materially impacted by property shutdowns, COVID-19 related operating restrictions and border closures
- Domestic revenue up 6% on pcp with non-gaming revenue up 35% despite the shutdowns and more onerous operating restrictions as compared to the prior period
- The revenue performance reflects strong growth in peak periods (weekends/holidays) and softer performance in off-peak periods given the lack of interstate visitation
- Slots market share up

Normalised	1H FY2022	
	\$m	vs pcp
<b>Gross Revenue</b>	180	5%
<b>EBITDA</b>	26	(50%)
<b>EBIT</b>	(5)	(125%)

## Brisbane

- Earnings impacted by the property shutdowns and COVID-19 related operating restrictions
- Domestic revenue down 11%, impacted by the shutdowns and more onerous COVID-19 related operating restrictions as compared to the prior period
- Non-gaming revenue up 10% on pcp
- Softer CBD visitation impacted property visitation mid-week

Normalised	1H FY2022	
	\$m	vs pcp
<b>Gross Revenue</b>	161	(11%)
<b>EBITDA</b>	29	(57%)
<b>EBIT</b>	15	(71%)

## Balance sheet and capex

- Net debt increased by \$52m during the period and net leverage increased to 5.2x given the impact of the property shutdowns and operating restrictions
- Substantial liquidity - \$520m in cash and undrawn facilities as at 31 December 2021
- Received full waiver of debt covenants for the December 2021 testing date and an amendment of the covenant ratios for the June 2022 testing date
- 1H FY2022 capex \$66m, below D&A of \$103m, JV equity contributions \$11m
- FY2022 capex guidance remains \$125-150m with additional JV contributions of around \$35m

## Priorities for the year ahead

- AUSTRAC enforcement investigation – The Star will continue to fully co-operate with AUSTRAC in relation to its requests for information and documents and the investigation
- ILGA Review – the review of The Star Sydney is underway and the report to ILGA is expected by 30 June 2022
- Cashless gaming – advance a roadmap towards cashless gaming alternatives
- Sydney slots – seek to advance our proposal to government to increase the number of slots at Sydney
- Progress the asset sale opportunities
- Complete the opening of the Dorsett Gold Coast, continue to progress the construction of Tower 2, consider the timing of Tower 3 post the completion of the Tower 1 apartment settlements
- Continue to progress the construction of the QWB IRD, seek to resolve the builder claim, prepare for the opening of the IRD
- Sydney – advance the masterplan for development opportunities

## Trading Update and 2H FY2022 Outlook

- Early 2H FY2022 trading has continued to be impacted by COVID-19 and the prevalence of the Omicron variant
- Omicron has had a material impact on visitation and the supply of products and services, however, this impact peaked in mid-January and has progressively eased
- In the period from 1 January 2022 to 13 February 2022, Group revenue is up 7% on pcp
  - Sydney revenue is up 20% on pcp with gaming revenue up 17% and non-gaming revenue up 46%
  - Queensland revenue is down 6% on pcp with gaming revenue down 12% on pcp and non-gaming revenue up 32%

Managing Director and Chief Executive Officer, Matt Bekier said: “Comprehensive actions to mitigate the impact of COVID-19 were implemented, safeguarding staff and customers. The properties reacted effectively to the many changes to operating conditions throughout the period.

“Execution of our long-standing growth strategy continued to plan over 1H FY2022. The Dorsett Gold Coast Hotel opened in December 2021 and The Star Residences, also in Tower 1, are scheduled to open in 4Q FY2022. Gold Coast Tower 2 apartment sales remain strong with 94% of the apartments pre-sold.

“Queen’s Wharf Brisbane is anticipated to open progressively from mid CY2023. 64% of the gross floor area has been built out and the fit-out of the gaming floor is progressing.

“The past year has demonstrated how resilient our business is and how quickly customers return when the properties are allowed to open and operate under varying forms of restrictions. This gives us great confidence as vaccination levels increase and a return to normality approaches.

We would like to thank all of our guests and dedicated employees who have remained with us through these difficult times.”

**For further information:**

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## Key Financials – Six months to 31 December 2021

Statutory <sup>3</sup>		Variance to pcp
Gross Revenue	\$581m	(23%)
EBITDA	\$31m	(87%)
EBIT	(\$72m)	(157%)
NPAT	(\$74m)	(249%)
Earnings Per Share <sup>4</sup>	(7.8 cps)	(247%)
Normalised <sup>5</sup> (Underlying)		Variance to pcp
Gross Revenue	\$580m	(22%)
- Sydney	\$239m	(39%)
- Gold Coast	\$180m	5%
- Brisbane	\$161m	(11%)
EBITDA	\$29m	(87%)
- Sydney	(\$25m)	(124%)
- Gold Coast	\$26m	(50%)
- Brisbane	\$29m	(57%)
EBIT	(\$74m)	(162%)
- Sydney	(\$84m)	(282%)
- Gold Coast	(\$5m)	(125%)
- Brisbane	\$15m	(71%)
NPAT (after equity accounted investments)	(\$74m)	(215%)
Dividend per share		
Total dividends per share (fully franked)	N/A	N/A
Balance sheet		
Gross Debt	\$1,401m	
Net Debt <sup>6</sup>	\$1,223m	
Net Debt/ EBITDA (statutory)	5.2x (12-month trailing statutory EBITDA)	
Net Debt/ EBITDA (normalised)	5.2x (12-month trailing normalised EBITDA)	

<sup>3</sup> EBITDA and EBIT are before equity accounted investment profits/ losses and significant items. Statutory NPAT is after equity accounted investment profits/ losses and significant items. Refer to Note A5 of the Financial Report for a reconciliation of significant items.

<sup>4</sup> Earnings per share based on weighted average number of shares on issue.

<sup>5</sup> Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business. Normalised results are adjusted using an average win rate of 1.35% of turnover, taxes and revenue share commissions, unless otherwise stated. Normalised EBITDA and Normalised EBIT are before equity accounted investment profits/ losses and significant items. Normalised NPAT is after equity accounted investment profits/ losses and before significant items. Refer to Note A5 of the Financial Report for a reconciliation of significant items

<sup>6</sup> Net debt shown as interest bearing liabilities (excluding lease liabilities of \$46m), less cash and cash equivalents less the net impact of derivative financial instruments.