THE STAR

ASX AND MEDIA RELEASE

29 February 2024

THE STAR ENTERTAINMENT GROUP H1 FY24 RESULTS[1]

H1 FY24 HIGHLIGHTS

- **H1 FY24 revenue and earnings broadly consistent with Q4 FY23 and inline with AGM commentary.**
- **Normalised EBITDA of $114 million achieved with net profit after tax (before significant items) of $25 million – trading in January 2024 is in-line with H1 FY24.**
- **Continued progress on remediation in the period – Remediation Plan approved in Queensland.**
- **Proposed NSW casino duty rate uncertainty resolved – new arrangements remove considerable uncertainty introduced in December 2022 and protect the jobs of thousands of Sydney team members.**
- **Debt refinancing and equity raising completed – all existing debt cancelled with new debt secured on more favourable terms to The Star.**
- **Queen's Wharf Brisbane litigation with Multiplex settled – expected phased opening of the property from August 2024.**
- **Sale of Sheraton Grand Mirage completed – proceeds of $56 million generated.**

THE HALF-YEAR IN REVIEW

- **Revenue and earnings:**
  - Normalised[2] EBITDA of $114 million was broadly consistent with Q4 FY23 performance.
  - Statutory net profit of $9 million (after significant items of $16 million net of tax).
  - Revenue and earnings at all properties now reflects the implementation of necessary uplift in the control environment (resulting in an increased number of guest exclusions and reflecting the introduction of time play management of guests), higher levels of risk and compliance resourcing, higher remediation costs and increased competition together with a weaker discretionary spending environment.
  - Main gaming floor performance across all properties and product segments held up well.
  - Premium gaming areas were more significantly impacted reflecting the shift of revenue mix from premium gaming areas to the main gaming areas.
  - Non-gaming performance has been solid with strong hotel occupancy levels.
  - Significant items of $16 million primarily reflect regulatory, legal costs and equity raising and debt refinancing costs offset by the profit on the sale of assets.

	H1 FY24 $'million	H1 FY23 $'million	% change to pcp
Net Revenue	865.7	1,013.2	▼ 14.6%
EBITDA[2] (before significant items)	113.6	199.7	▼ 43.1%
EBIT[2] (before significant items)	51.4	98.9	▼ 48.0%
NPAT[2] (before significant items)	25.0	43.6	▼ 42.7%
Significant items (after tax)	(15.9)	(1,307.6)	▼ 98.8%
NPAT (statutory)	9.1	(1,264.0)	▲ >100.0%

[1] This release should be read in conjunction with The Star Entertainment Group Limited's H1 FY24 Results Presentation and Directors' Report and Interim Financial Report for the half year ended 31 December 2023.
[2] Normalised results reflect the underlying performance of the business and exclude significant items. Refer to Note A5 of the Interim Financial Report for a reconciliation of significant items.

- **Focus on remediation and returning to suitability:**
  - The Star's Remediation Plan has been approved in Queensland.
  - Deloitte completed an independent Root Cause Analysis on 3 August 2023 of the failings identified in the Gotterson and Bell reviews.
  - The highly respected, The Ethics Centre, completed an intensive culture review on 29 June 2023 and its recommendations have been integrated into The Star's Remediation Plan.
  - Queensland has extended the deferral of the 90-day suspension of the Company's casino licences for Treasury Brisbane and The Star Gold Coast to 31 May 2024 and the Special Manager's appointment to 8 December 2024.
  - The NSW Independent Casino Commission (**NICC**) has extended the Manager appointment for The Star Sydney casino to 30 June 2024 – The NICC has indicated that it intends this to be the final extension.
  - There has been a significant uplift in resources and processes in AML, Safer Gambling and Risk Management functions.
  - The Group has adopted a new strategic "North Star" as well as new Purpose, Values and Principles statements.
  - The Group continues to execute its culture reform program which is expected to be a multi-year uplift exercise.
  - The Group commenced an organisational restructure designed to create a simpler framework with more decision-making power at a property level, while maintaining appropriate oversight from a Group level.
  - The entire Board has been replaced with all current Non-executive Directors appointed as Directors since 1 July 2022, and the senior leadership team is continuing to be refreshed with 7 key new external appointments.
  - Participating in the Bell Two Inquiry in an open, transparent and facilitative manner.
- **Resolution of a number of major business challenges:**
  - **NSW casino duty rates** – Agreement formalised with the NSW Government to amend the casino duty rates creating a sustainable path forward for The Star Sydney – the arrangements seek to protect the jobs of thousands of NSW team members and to enable The Star to continue the important ongoing remediation work required to restore its suitability in NSW.
  - **Debt refinancing and equity raising completed** – Successfully raised $750 million in additional equity and $450 million in new debt facilities providing The Star with a strengthened balance sheet with no debt maturities until FY28 and a more flexible covenant package.
  - **Queen's Wharf Brisbane Multiplex litigation settled** – Destination Brisbane Consortium (50% owned by The Star) has entered into a settlement deed with Multiplex to settle all outstanding matters previously subject to proceedings and adjudication applications. This will enable Queen's Wharf Brisbane to have a phased opening from August 2024.
- **Other initiatives completed:**
  - Completed the previously announced ~$100 million cost-out program – headcount reduced by ~500 people with no reduction in risk, compliance and safer gambling roles.
  - The risk, compliance and safer gambling teams have increased to 197 full time employees from 44 at September 2021.
  - Sold the Sheraton Grand Mirage Resort Gold Coast for $192 million with The Star receiving net cash proceeds of $56 million for its 50% share in the property.

THE STAR SYDNEY

Results overview

	H1 FY24 $'million	H1 FY23 $'million	% change to pcp
Total Revenue	450.0	541.2	▼ 16.9%
EBITDA (before significant items)	37.4	87.4	▼ 57.2%
EBIT (before significant items)	4.0	30.2	▼ 86.8%

- Trading and financial performance continues to be impacted by several factors, including:

- Necessary uplift in the control environment increasing the number of excluded guests together with the effects of time play management of guests.
- Certain operating restrictions impacting guest experiences (such as a reduced level of complimentary services and benefits in private gaming areas) impacting the performance of both EGMs and table games for most of the reporting period – complimentary services and benefits in private gaming areas resumed in November 2023 following a comprehensive risk assessment and implementation of an enhanced control environment.
- Weaker consumer discretionary spending.
- Reduced relative competitive position versus NSW pubs and clubs and increased competition from a new casino in Sydney.
- A step-up in risk and compliance resourcing and remediation costs.

- These factors resulted in total revenue being down 16.9% on the pcp with table games down 20.9%, EGMs down 15.9% and non-gaming revenue down 4.9% - premium gaming areas were significantly impacted with the mass gaming areas showing resilience.
- Operating expenses were down 6.8% on the pcp reflecting the benefit of the cost-out program but partly offset by the step-up in EBA rates and the necessary increase in risk, compliance and remediation costs.
- Normalised EBITDA of $37.4 million was down 57.2% on the pcp.

THE STAR GOLD COAST

Results overview

	H1 FY24 $'million	H1 FY23 $'million	% change to pcp
Total Revenue	238.1	275.6	▼ 13.6%
EBITDA (before significant items)	44.6	66.2	▼ 32.6%
EBIT (before significant items)	26.3	35.6	▼ 26.1%

- Total revenue was impacted by the normalisation of consumer spend on the Gold Coast with the benefit of the post-Covid spending surge experienced in FY23 abating as Australians resumed international travel, resulting in a drop-off in domestic leisure travel.
- Gaming revenue was impacted by necessary uplift in the controls environment resulting in an increased number of guest exclusions together with effects of time play management of guests and increased competition from pubs and clubs.
- Revenue was down 13.6% on the pcp with EGMs down 15.1%, table games down 22.5% and non-gaming revenue down 6.7%. Similar to The Star Sydney, the premium gaming areas experienced a significant decrease in revenue while the mass gaming areas held up well.
- The hospitality revenue result for the half was a solid result considering it cycled over the record revenue achieved in the pcp (hotel occupancy levels were 83% compared to 86% in the pcp).
- Operating expenses were down 4.7% on the pcp reflecting the benefit of the cost-out program partly offset by the step-up in EBA rates and the necessary increase in risk, compliance and remediation costs.
- Normalised EBITDA of $44.6 million was down 32.6% on the pcp and normalised EBIT of $26.3 million was down 26.1% on the pcp.

TREASURY BRISBANE

Results overview

	H1 FY24 $'million	H1 FY23 $'million	% change to pcp
Total Revenue	177.6	196.4	▼ 9.6%
EBITDA (before significant items)	31.6	46.1	▼ 31.5%
EBIT (before significant items)	21.1	33.1	▼ 36.3%

- As with The Star's other properties, performance in the half now reflects the implementation of necessary uplifted control environment resulting in higher rates of exclusions and effects of time play management of guests.
- Unlike Sydney and Gold Coast, visitation to the CBD is still subdued following Covid with overall Brisbane CBD occupancy rates at ~70% which translated to lower visitation of Treasury (pcp: ~65%).

- Furthermore, increased competition from larger pubs and clubs who underwent large scale renovation projects, introduced loyalty programs and greater promotional activity saw market share move from Treasury to pubs and clubs.
- Revenue was down 9.6% on the pcp with EGMs down 10.4%, table games down 9.8% and non-gaming revenue down 2.8%. Although premium gaming areas were again the largest contributor to the decreased revenue, Treasury Brisbane delivered flat revenue growth for the mass gaming area.
- Hospitality revenue in the half was solid with hotel revenue flat, and F&B revenue slightly down on a strong pcp (hotel occupancy levels of 95% were achieved compared to 97% in the pcp).
- Operating expenses were up slightly at 0.4% on the pcp reflecting the benefit of the cost-out program but partly offset by the step-up in EBA rates, the necessary increase in risk, compliance and remediation costs and costs associated with the Queen's Wharf pre-opening team.
- Normalised EBITDA of $31.6 million was down 31.5% on the pcp and normalised EBIT of $21.1 million was down 36.3% on the pcp.

BALANCE SHEET AND CAPEX

- Post the $450 million debt refinancing and $750 million equity raising, the Balance Sheet has been strengthened with no debt maturities until FY28 and all previous existing debt cancelled.
- The new debt facility provides The Star with more a flexible covenant package to support ongoing operations and funding requirements.
- Net cash position of $171 million as at 31 December 2023 from a net debt position of $596 million at 30 June 2023.
- Available liquidity on hand of $586 million in cash and undrawn debt facilities as at 31 December 2023 (versus $517 million at 30 June 2023).
- No dividend declared[3].
- H1 FY24 capex of $34 million - well below depreciation and amortisation of $62 million.
- Joint venture equity contributions of $14 million for Gold Coast Tower 2.

H2 FY24 UPDATE

- Early H2 FY24 revenue and EBITDA is broadly consistent with the first half and only slightly softer than the same period in the prior year.
- The Group EBITDA run rate of $20 million per month has been maintained in January 2024 noting expected seasonally lower performance for the remainder of FY24.
- In the period 1 January 2023 to 31 January 2024:
  - **Group** EBITDA was down 6.5% on pcp.
  - **Sydney** EBITDA was down 1.3% on pcp.
  - **Gold Coast** EBITDA was down 4.2% on pcp.
  - **Brisbane** EBITDA was down 20.0% on pcp.
- The previously announced ~$100 million cost-out program is complete with the benefit to be fully reflected in FY24 operating expenses partly offset by the previously advised increase in EBA rates and the step-up in risk, compliance and remediation costs.
- Remediation costs in FY24 are expected to be ~$45 million with H2 FY24 costs higher than the first half due to the ramp-up in resourcing in line with the Remediation Plan milestones.
- H1 FY24 earnings reflect the increase in NSW casino duty rates – the total impact for FY24 is expected to be ~$10 million.
- Provision of complimentary services and benefits in Sydney private gaming areas resumed in November 2023.
- Following settlement of the dispute with Multiplex, Queen's Wharf Brisbane is expected to open progressively from August 2024.
- Updated FY24 capex guidance of $80 million to $100 million which is being strictly managed.
- FY24 projected joint venture equity contributions to be ~$174 million[4] and are expected to be ~$227 million in FY25.

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[3] *Dividends suspended until adjusted net Debt/EBITDA leverage ratio is below 1.5x, resolution of AUSTRAC civil proceedings and completion of QWB debt refinancing and there are no default or review events.*
[4] *Relates to equity contributions for Queen's Wharf Brisbane and Gold Coast Tower 2*

PRIORITIES FOR H2 FY24

- **Remediation Measures**
  - Continued key focus on executing against the Remediation Plan – demonstrating to regulators that The Star is capable of returning to suitability.
  - Maximise the number of milestones delivered in H2 FY24 demonstrating our commitment to remediation with quality of milestones externally assured by independent reviewer. Noting ultimately it will be for the relevant regulator in each jurisdiction to make its own assessment on the adequacy of the completion of the milestones.
  - Continued focus on safer gambling and AML/CTF uplift along with culture transformation.

- **Operations**
  - Focus on lifting operational performance.
  - Sustain the benefits of the cost reduction program and operational initiatives.
  - Manage the competitive environment in Sydney and Queensland.
  - Seek regulatory and government understanding of the need to adopt competitive neutrality in operating conditions within Queensland and New South Wales.
  - Prepare for the introduction of cash limits and carded play.
  - Resolution of AUSTRAC proceedings and historic underpaid casino duty in NSW.

- **Major Projects**
  - Queen's Wharf Brisbane – complete construction, manage costs, prepare for the phased opening from August 2024.
  - Gold Coast – progress the construction of Tower 2.

- **Asset Sales**
  - Continue to progress the formal market process for the sale of the Treasury Brisbane assets.
  - Consideration of the sale of other non-core assets.

COMMENTARY

In commenting on the result, Group CEO and Managing Director, Robbie Cooke stated:

> "*While the Group continues to operate in a challenging regulatory environment, The Star has achieved a number of significant milestones in the period. The Group's Remediation Plan was approved in Queensland. The resolution of the proposed increase to NSW casino duty rates has removed significant uncertainty for our Sydney property and has protected thousands of jobs for our team members in New South Wales.*
>
> *"We have strengthened our Balance Sheet with the successful raising of $750 million of additional equity and $450 million in new debt facilities. Importantly also, our Queen's Wharf Brisbane joint venture settled the outstanding litigation with Multiplex – removing considerable uncertainty and distraction enabling the project team to focus solely on the delivery of this transformational precinct that will showcase Brisbane to locals as well as interstate and international visitors.*
>
> *"Notwithstanding these achievements, there is still much work to be done. Remediation remains our number one priority. We continue to uplift our risk management, safer gambling and AML capabilities and are starting to embed greater accountability and more robust governance. We have invested in enhancing our control environments and are operationalising and embedding these controls. We are improving our financial crime management and have commenced the introduction of significant harm minimisation measures. Our remediation program will track and hold us accountable to the multi-year program we are committed to delivering.*
>
> *"In terms of trading performance, earnings have maintained the run rate experienced on exiting Q4 FY23 with EBITDA of $114 million in the half. The start of this calendar year has seen revenue and earnings continue to track our first half run rate.*
>
> *"Despite the challenges of the past 18 months, as a team we are progressing and continuing to work hard to do all that we possibly can to restore our suitability and earn back trust. As a team we are*

committed to our strategic 'North Star' looking to deliver sustainable outcomes for our guests, our team members, the communities in which we exist and our shareholders, by providing entertainment, gaming, and leisure experiences in a safe, responsible, and ethical way."

"We welcome the inquiry called in New South Wales to assist the NICC in forming a view as to what (if any) action it should take in respect of The Star Pty Ltd (the holder of our NSW licence), prior to the end of the Manager's appointment on 30 June 2024. This inquiry will provide an objective forum in which The Star will be able to demonstrate in NSW it is capable of returning to suitability with particular reference to the actions that have been put in place since the Bell report was published on 13 September 2022. The Star intends to participate in the inquiry in an open, transparent and facilitative manner".

Authorised by:

The Board of Directors

For further information:

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ANNEXURE A
FINANCIAL PERFORMANCE - H1 FY24

	H1 FY24 $'m	H1 FY23 $'m		Variance %
Revenue				
Domestic gaming revenue	683.3	820.2	▼	16.7%
Non-gaming revenue	176.4	186.8	▼	5.6%
Other revenue	6.0	6.2	▼	3.2%
Net Revenue	**865.7**	**1,013.2**	▼	**14.6%**
Gaming taxes and levies	(210.5)	(243.6)	▼	13.6%
Operating expenditure	(541.6)	(569.9)	▼	5.0%
EBITDA[5] (before significant items)	**113.6**	**199.7**	▼	**43.1%**
Depreciation and amortisation	(62.2)	(100.8)	▼	38.3%
EBIT[5] (before significant items)	**51.4**	**98.9**	▼	**48.0%**
Share of net profit/(loss) from associate	3.7	(1.8)	▲	>100.0%
Net funding costs	(18.6)	(33.6)	▼	44.6%
Tax expense (before significant items)	(11.5)	(19.9)	▼	42.2%
Net profit after tax (before significant items)	**25.0**	**43.6**	▼	**42.7%**
Significant items (after tax)[2]	(15.9)	(1,307.6)	▼	98.8%
Statutory net profit after tax	**9.1**	**(1,264.0)**	▲	**>100.0%**
Earnings per share[6] (cents)	0.4	(133.2)	▲	>100.0%
Dividends per share (cents)	N/A	N/A		

KEY BALANCE SHEET METRICS AT 31 DECEMBER 2023

Balance Sheet	At 31 December 2023
Gross Debt	$300.4 million
Net Debt[7]	($171.1 million)
Net Debt / EBITDA (statutory)	N/A
Net Debt / EBITDA (normalised)	N/A
Cash and cash equivalents	$436.3 million

[5] *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 Interim Financial Report for a reconciliation of significant items.*
[6] *Earnings per share based on weighted average number of shares on issue.*
[7] *Net debt shown as interest bearing liabilities (excluding lease liabilities of $35.2m), less cash and cash equivalents less the net impact of derivative financial instruments.*