THE STAR

ASX AND MEDIA RELEASE

29 August 2023

FY23 HIGHLIGHTS[1]

- **The Star achieved normalised FY23 EBITDA slightly above previously announced guidance.**
- **Underlying performance has stabilised – early H1 FY24 trading is broadly in line with Q4 FY23.**
- **Non-cash impairment arising from changed operating conditions, increased casino duty rates, increase in discount rate and softness in earnings.**
- **Proposed NSW casino duty rate uncertainty now resolved – new arrangements impact expected to be ~$10m in FY24.**

THE YEAR IN REVIEW

- **Earnings above previously announced guidance**
  - Normalised[2] EBITDA of $317m – slightly above announced guidance range ($280m to $310m) – normalised net profit of $41m.
  - Statutory net loss of $2.44bn (including significant items of $2.48bn net of tax).
  - Queensland properties started FY23 strongly post Covid, Gold Coast softened in the second half reflecting a general weakening in domestic tourism to the region.
  - The Star Sydney impacted by uplifted controls (resulting in increased guest exclusions), higher levels of risk and compliance resourcing, certain operating restrictions, increased competition and weaker consumer discretionary spending.
  - Significant items of $2.82bn primarily include non-cash impairment of The Star Sydney, The Star Gold Coast and Treasury ($2.17bn), ongoing regulatory and legal costs ($595m)[3] debt restructuring costs ($54m) and redundancy costs ($16m).

	FY23 Statutory		FY23 Normalised[2]	
	$m	*% chg vs pcp*	*$m*	*% chg vs pcp*
Gross Revenue	1,868	22%	1,868	23%
EBITDA (before significant items)	317	34%	317	35%
EBIT (before significant items)	122	318%	122	356%
NPAT (before significant items)	41	230%	41	224%
Statutory NPAT	(2,435)	(1103%)	-	-

- **Focus on remediation**
  - Primary focus on remediation steps and actions in the year.
  - Significant uplift in resources in AML, Safer Gambling and Risk domains.
  - Refresh of senior executive team and Board.
  - All internal controls in NSW replaced in 8 month project involving 546 unique controls.
  - Completed external culture review (The Ethics Centre) and root cause review (Deloitte).

[1] This release should be read in conjunction with The Star Entertainment Group Limited's FY23 Results Presentation and Directors' Report and Financial Report for the twelve months ended 30 June 2023.
[2] Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business, noting The Star has suspended all rebate business. Normalised results are adjusted using an average win rate of 1.35% on actual turnover, taxes and revenue share commissions and are before significant items.
[3] Including NICC and OLGR fines, AUSTRAC civil proceedings, unpaid NSW casino duty and costs associated with ongoing regulatory review.

- Comprehensive draft Remediation Plan submitted.

- **NSW casino duty rates**
  - In-principle agreement reached with the NSW Government to amend the casino duty rates to resolve the flawed proposal by the former NSW Treasurer.
  - Whilst resulting in an uplift in duty payable (FY24 estimated ~$10m), the arrangements help create a sustainable path forward compared to the original proposal.
  - The in-principle arrangements are designed to protect the jobs of thousands of NSW team members.
- **Other initiatives**
  - Completed the previously announced ~$100m cost-out program, with the benefit largely reflected in Q4 FY23 operating expenses. Headcount reduced by ~500 (no reduction in risk and compliance roles).
  - Agreement reached to sell the Sheraton Grand Mirage Resort Gold Coast for $192m, subject to purchaser obtaining approval for liquor licence transfer.
  - Completed $800m equity raise, $779m net proceeds applied to repay and/or cancel debt facilities.
  - Debt refinancing process is in progress and The Star intends to provide an update on the process in coming months.

THE STAR SYDNEY

- Trading and financial performance has been adversely impacted by several factors, including:
  - uplifted controls from mid-September 2022 increasing the number of excluded 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;
  - weaker consumer discretionary spending;
  - increased competition from Crown and less regulated NSW clubs; and
  - a necessary step-up in risk and compliance resourcing and remediation costs.

  Sydney revenue was up 26.5% on pcp with EGMs up 30%, tables up 19% and non-gaming revenue up 49%.
- Normalised EBITDA of $127m was up 57% on pcp and normalised EBIT was $18m.

Normalised[4]	FY23 *$m*	FY22 *$m*	*% chg vs pcp*
Gross Revenue	984	781	26%
EBITDA	127	81	57%
EBIT	18	(37)	149%

THE STAR GOLD COAST

- Gold Coast revenue was up 20% on pcp with EGMs up 9%, tables up 7% and non-gaming revenue up 52%.
- Normalised EBITDA of $107m was up 20% on pcp and normalised EBIT of $46m was up 77% on pcp.
- The Star Gold Coast started the year strongly benefiting from a surge in domestic tourism and consumer spending post Covid along with a return in convention business, however this performance softened in H2 FY23 impacted by:
  - a rebound in outbound travel competing with domestic tourism;
  - uplifted controls resulting in an increased number of excluded guests; and

[4] Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business, noting The Star has suspended all rebate business. Normalised results are adjusted using an average win rate of 1.35% on actual turnover, taxes and revenue share commissions and are before significant items.

- weaker consumer discretionary spending.

Normalised[4]	FY23 $m	FY22 $m	% chg vs pcp
Gross Revenue	509	424	20%
EBITDA	107	89	20%
EBIT	46	26	77%

BRISBANE

- Strong start to FY23 with a slight slowdown in the second half.
- Brisbane revenue was up 15% on pcp with EGMs up 17%, tables up 8% and non-gaming revenue up 34%.
- Normalised EBITDA of $83m was up 29% on pcp and normalised EBIT of $58m was up 52% on pcp

Normalised[4]	FY23 $m	FY22 $m	% chg vs pcp
Gross Revenue	375	326	15%
EBITDA	83	65	29%
EBIT	58	38	52%

BALANCE SHEET AND CAPEX

- Net debt of $596m as at 30 June 2023.
- Gearing 1.9x (Net Debt / LTM EBITDA) as at 30 June 2023.
- Liquidity on hand of $517m in cash and undrawn facilities as at 30 June 2023.
- No final dividend declared[5].
- FY23 capex $126m, below guidance of $150m and well below D&A of $195m.
- Significant items of $2.82bn as at 30 June 2023 predominantly include:
    - non-cash impairment of The Star Sydney, The Star Gold Coast and Treasury Brisbane;
    - ongoing regulatory and legal costs;
    - debt restructuring costs; and
    - redundancy costs.

H1 FY24 UPDATE

- Early H1 FY24 trading is broadly consistent with Q4 FY23.
- In the period from 1 July 2023 to 22 August 2023:
    - **Sydney**: revenue is down 23% on pcp but up 3% on Q4 FY23[6];
    - **Gold Coast**: revenue is down 17% on pcp but up 5% on Q4 FY23[7];
    - **Brisbane**: revenue is down 14% on pcp and down 2% on Q4 FY23[8];
    - **Group**: revenue is down 20% on pcp but up 3% on Q4 FY23[9].
- FY24 capex guidance is expected to be $100m to $120m, in addition to projected JV equity contributions of ~$159m[10].
- The previously announced ~$100m cost-out program is complete, with the benefit largely reflected in Q4 FY23 operating expenses.
- Remediation costs are expected to be $35m to $45m in FY24 (in line with FY23 and noting the foreshadowed 50% reduction in remediation costs is not expected to occur until FY26).

[5] Dividends suspended until The Star reaches its long-term target leverage range of 2.0-2.5x, returns to suitability and all of the Group's casino licences are in full force and effect
[6] FY23 June quarter average daily revenue
[7] FY23 June quarter average daily revenue
[8] FY23 June quarter average daily revenue
[9] FY23 June quarter average daily revenue
[10] Relates to equity contributions for Queen's Wharf Brisbane and Gold Coast Tower 2

DEBT REFINANCING

- Process to refinance existing debt facilities is underway.
- The resolution of the uncertainty around the increased NSW casino duty rates helps facilitate this process.
- The Star intends to provide an update on the debt refinancing process in coming months.

PRIORITIES FOR THE YEAR AHEAD

- **Remediation Measures**
  - Comprehensive and urgent focus on remediation actions.
  - Working towards returning to suitability.
  - Repair and strengthen The Star's relationships with relevant regulators and other stakeholders in NSW and Queensland.
  - Continued focus on safer gambling and AML / financial crime uplift along with culture transformation.
- **Operations**
  - Sustain the benefits of the recent cost reduction and operational initiatives.
  - Complete the refinancing of existing debt funding arrangements.
  - Complete recruitment of executive roles.
  - Manage the competitive impact in Sydney (Crown and less regulated NSW clubs).
  - Prepare for the introduction of cashless and carded play.
  - Resolution of AUSTRAC proceedings.
- **Major Projects**
  - Queen's Wharf Brisbane – complete construction, manage costs, prepare for the phased opening.
  - Gold Coast – progress the construction of Tower 2.
- **Asset Sales**
  - Complete the sale of the Sheraton Grand Mirage Resort Gold Coast.
  - Commence a formal market process for the sale of the Treasury Brisbane assets.

COMMENTARY

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

> "*To say it has been a challenging year completely understates the lived experience at The Star over the last 12 months. The consequences flowing from the damage to our social licence are felt daily by team members on multiple levels, reinforcing the critical need to understand the privilege and responsibility that comes with holding a casino licence. The ancillary challenges that have arisen in the year, and there are many, all follow from the breaches of trust identified in the Bell and Gotterson reports.*
>
> *As a team we are determined to earn back the trust and confidence of our community including our regulators, governments, shareholders, employees and guests. We fully understand the responsibility involved in holding our licences and are committed to transforming our leadership and culture. This journey has started and we know there is still a lot to be done.*
>
> *Remediation is our number one priority. We have commenced the uplift in our risk management, safer gambling and AML capability 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 our overall approach to harm minimisation. Our remediation program will track and hold us accountable to the multi-year program we are committed to delivering.*

In terms of trading performance our statutory EBITDA for FY23 was $317 million, up 34% on the prior year, and slightly above the top end of the previously announced guidance range. Our statutory net loss was $2.4 billion.

The resolution of the NSW casino duty proposed increase has removed significant uncertainty in relation to FY24 and beyond for our Sydney operation and has protected the jobs of thousands of NSW team members."

Authorised by:
The Board of Directors

For further information:

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KEY FINANCIALS – TWELVE MONTHS TO 30 JUNE 2023

Statutory[11]		***% chg vs pcp***
Gross Revenue	$1,868m	22%
EBITDA	$317m	34%
EBIT	$122m	318%
NPAT	($2,435m)	(1103%)
Earnings Per Share[12]	(212cps)	(894%)
Normalised[13] (Underlying)		***vs pcp***
Gross Revenue	$1,868m	22%
- Sydney	$984m	26%
- Gold Coast	$509m	20%
- Brisbane	$375m	15%
EBITDA	$317m	35%
- Sydney	$127m	57%
- Gold Coast	$107m	20%
- Brisbane	$83m	29%
EBIT	$122m	356%
- Sydney	$18m	149%
- Gold Coast	$46m	77%
- Brisbane	$58m	52%
NPAT (after equity accounted investments)	$41m	224%
Dividend per share		
Total dividends per share (fully franked)	N/A	N/A
Balance sheet		
Gross Debt	$757m	
Net Debt[14]	$596m	
Net Debt / EBITDA (statutory)	1.9x (Net Debt / LTM EBITDA)	
Net Debt / EBITDA (normalised)	1.9x (Net Debt / LTM EBITDA)	

[11] 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 A7 of the Financial Report for a reconciliation of significant items
[12] Earnings per share based on weighted average number of shares on issue
[13] Normalised results reflect the underlying performance of the business as they remove the inherent win rate volatility of the International VIP Rebate business, noting The Star has suspended all rebate business. Normalised results are adjusted using an average win rate of 1.35% of turnover, taxes and revenue share commissions and are before significant items. 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 A7 of the Financial Report for a reconciliation of significant items
[14] Net debt shown as interest bearing liabilities (excluding lease liabilities of $36.8m), less cash and cash equivalents less the net impact of derivative financial instruments