



THE STAR

ASX Announcement

29 October 2024

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2024

The Star Entertainment Group Limited (ASX: SGR) (**The Star, the Group or the Company**) today announced its quarterly activities report for the first quarter ended 30 September 2024. This announcement should be read in conjunction with the Unaudited Appendix 4C – Quarterly Cash Flow Report also released to ASX today.

SUMMARY

- Q1 FY25 revenue of \$351 million (down 18% versus pcp) and Q1 FY25 EBITDA loss of \$18 million
- There continues to be a deterioration in operating performance from a challenging operating environment and the continued implementation of mandatory carded play and cash limits
- The Star Brisbane commenced its phased opening from 29 August 2024. The Star no longer receives any contribution from Treasury Brisbane Casino which was permanently closed on 25 August 2024
- Following the end of the quarter, as announced to the ASX on 17 October, the NICC imposed a \$15 million pecuniary penalty on The Star, payable in three equal instalments on 31 December 2024, 31 March 2025 and 30 June 2025. The Group continues to engage constructively with the NICC in respect of The Star Sydney and its operations while its licence remains suspended
- The Star had available cash at 30 September 2024 of \$149 million (including Treasury Brisbane proceeds of \$60.5 million received on 27 September 2024)
- The Star continues to work with its lenders to finalise long-form documentation for the new debt facility which will provide up to \$200 million in additional liquidity, subject to conditions precedent. For further details please refer to the Unaudited Appendix 4C and the Company's previous ASX Announcement on 25 September 2024

FINANCIAL SUMMARY

Group

	QUARTERLY FINANCIALS (A\$m)			CHANGE	
	Q1 FY25	Q4 FY24	Q1 FY24	vs. Q4 FY24 (last quarter)	vs. Q1 FY24 (pcp)
Revenue	\$351	\$393	\$428	(11%)	(18%)
EBITDA ¹	(\$18)	\$23	\$62	(177%)	(130%)

- The impact of a more challenging consumer environment, loss of market share and the impact of changed business practices continue to negatively impact top-line performance

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By property

	QUARTERLY FINANCIALS (A\$m)			CHANGE	
	Q1 FY25	Q4 FY24	Q1 FY24	vs. Q4 FY24 (last quarter)	vs. Q1 FY24 (pcp)
The Star Sydney					
Revenue	\$186	\$208	\$221	(11%)	(16%)
EBITDA	(\$21)	\$3	\$22	(850%)	(194%)
The Star Gold Coast					
Revenue	\$108	\$102	\$118	+6%	(9%)
EBITDA	\$7	\$10	\$23	(33%)	(70%)
The Star Brisbane²					
Operator Fee Revenue	\$4	n/a ²	n/a ²	n/a ²	n/a ²
EBITDA	(\$7)	n/a ²	n/a ²	n/a ²	n/a ²
Treasury Brisbane²					
Revenue	\$53	\$83	\$89	n/a ²	n/a ²
EBITDA	\$2	\$10	\$17	n/a ²	n/a ²

The Star Sydney

- Revenue continues to trend downward, with a \$4.4m impact from system outages in July 2024. The challenging consumer environment and changes in business practices have weighed heavily on gaming, particularly in the premium segment
- In the 50 days prior to the introduction of mandatory carded play and cash limits on 19 August 2024, revenue was down 11% compared to the FY24 average, and 6% below the 4Q24 average. Since 19 August 2024, revenue declined a further 12%. Electronic gaming machines have also faced significant pressure from competitive venues, evidenced through revenue losses and limiting market share recovery

The Star Gold Coast

- With fully carded play and cash limits not yet introduced revenue has stabilised and the anticipated seasonal uplift materialised in the quarter, albeit from a lower base. Hospitality revenue is up 10% on 4Q FY24 (1Q FY24 up 11% on 4Q FY23) and Gaming revenue, although impacted by system outages, up 3% (FY24 up 6%). Ongoing higher remediation and regulatory costs continue to impact EBITDA. Excluding these, margins were slightly improved on 4Q FY24

Treasury Brisbane

- Treasury Brisbane Casino closed on Sunday 25 August 2024
- Treasury Brisbane Casino's earnings have been replaced by The Star Brisbane operator fee in the Group's consolidated reported revenue and EBITDA
- Treasury Hotel and carpark continue to operate with a small monthly contribution

The Star Brisbane

- The staged opening of The Star Brisbane commenced from Thursday 29 August 2024

² The Treasury Brisbane Casino closed on Sunday 25 August with the staged opening of The Star Brisbane commencing on 29 August 2024.

- The financial results for The Star Brisbane are recognised at Destination Brisbane Consortium (Joint Venture 50% owned by The Star). The Star recognises the operator fee as revenue and allocated corporate cost to The Star Brisbane as the associated expense. Property earnings for The Star Brisbane are recognised as a share of profit from investment in associates and is not included in The Star's EBITDA
- Property performance:
 - From opening on Thursday 29 August to 30 September 2024 (33 days):
 - Revenue generated by the Managed Integrated Resort was \$45.9 million
 - EBITDA for the Managed Integrated Resort was \$4.5 million. This excludes some centralised DBC costs including gaming supervisory levy and insurance
 - The initial stage of The Star Brisbane includes The Star Grand hotel, the main gaming floor and premium gaming rooms, Event Centre (strong bookings to date, including multi year contracts), Sky Deck, pedestrian bridge, public realm and certain Food & Beverage (F&B) outlets
 - Further F&B venues, the leisure deck and retail spaces will open progressively throughout FY25

Operating expenses

	QUARTERLY FINANCIALS (A\$m)			CHANGE	
	Q1 FY25	Q4 FY24	Q1 FY24	vs. Q4 FY24 (last quarter)	vs. Q1 FY24 (pcp)
Operating expenses	\$287	\$289 ³	\$261	(1%)	10%

- Operating expenses were \$83 million in September 2024 (down from \$106 million in August). The decline in operating expenses predominantly reflects:
 - Closure of The Treasury Brisbane (\$13 million) on 25 August 2024
 - Volume related reductions (\$3 million)
- As announced on 26 September 2024, the Group has now commenced the cost out program targeting at least \$100 million of initial annualised costs savings, with implementation targeted by March 2025

LIQUIDITY UPDATE

- Available cash as at 30 September 2024 was \$149 million⁴ (\$130 million at 31 August 2024⁵)
- Net proceeds of \$60.5 million from the sale of Treasury Brisbane Casino building was received on Friday, 27 September 2024
- The aggregated amount of payments to related parties and their associates included in the September 2024 quarterly cashflows from investing activities was \$96.5 million. This related to equity contributions of \$91.5 million in Destination Brisbane Consortium Integrated Resort joint venture (DBC) (of which the Group owns 50% and is the operator through an agreement with DBC) and \$5.0 million in relation to the transfer of liabilities to DBC in relation to the operation of The Star Brisbane
- Further to the update provided to ASX on 25 September 2024, the Group continues to finalise the long-form documentation required to access the new debt facilities, which comprises two tranches of \$100 million each. The first tranche is expected to be available to be drawn, subject to conditions precedent (including long-form documentation), until 20 December 2024

³ Adjusted to exclude benefit in June from a \$16m provision release in operating expenses, mainly bonus accruals

⁴ Comprising total cash balance of approx. \$233 million less approx. \$37 million of restricted cash (excluding cage cash) and approx. \$47 million of cage cash

⁵ Comprising total cash balance of approx. \$212 million less approx. \$30 million of restricted cash (excluding cage cash) and approx. \$52 million of cage cash

OPERATIONAL UPDATE

Mandatory carded play & cash limits

- Sydney:
 - Mandatory carded play and \$5,000 cash limits commenced in certain areas of the gaming floor on 19 August 2024
 - Carded play and \$5,000 cash limits were fully implemented across the entire gaming floor on 19 October 2024
 - Cash limits will reduce to \$1,000 by 19 August 2025
 - Post implementation of mandatory play and cash limits, the daily average revenue to 21 October 2024 is down 11.9% compared to the daily average revenue for the 4 weeks prior to 19 August 2024

- Queensland casinos:
 - Legislation introducing mandatory carded play, mandatory pre-commitments and cash limits passed in the Queensland Parliament in March 2024
 - The timing of implementation remains subject to the finalisation of Regulations

The Star is currently engaging with the Queensland Regulator to agree the timing.

Authorised by:

The Board of Directors

For further information:

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

The Star Entertainment Group Limited

ABN

85 149 629 023

Quarter ended ("current quarter")

30 September 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	338,546	338,546
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(99,480)	(99,480)
(c) advertising and marketing	(11,863)	(11,863)
(d) leased assets	(2,235)	(2,235)
(e) staff costs	(190,841)	(190,841)
(f) administration and corporate costs	(55,284)	(55,284)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2,228	2,228
1.5 Interest and other costs of finance paid	(8,068)	(8,068)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(26,996)	(26,996)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(24,421)	(24,421)
(d) investments	(91,500)	(91,500)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	78,523	78,523
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	9,400	9,400
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(4,990)	(4,990)
2.6	Net cash from / (used in) investing activities	(32,989)	(32,989)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(6,138)	(6,138)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(6,138)	(6,138)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	299,577	299,577
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(26,996)	(26,996)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(32,989)	(32,989)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(6,138)	(6,138)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	233,454	233,454

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	233,454	-
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	233,454	-

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	(96,490)
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	334,000	334,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	334,000	334,000
7.5	Unused financing facilities available at quarter end		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>Existing syndicated Australian bank debt (unsecured) at market interest rates (BBSY plus 6%).</p> <p>The Star's existing \$450 million facility was reduced to \$334 million which is fully drawn.</p> <p>On 25 September 2024 the Group executed a commitment letter for a new debt facility (of up to \$200 million, in two tranches) which will become effective upon completion of long-form documentation and satisfaction of various conditions precedent. The new facility comprises two tranches of \$100 million each:</p> <ul style="list-style-type: none"> • first tranche is expected to be available to be drawn until 20 December 2024, subject to conditions precedent; and • second tranche is subject to additional conditions precedent but, if satisfied, would be expected to be available to be drawn from the end of December 2024, and have a 4-month availability period following the drawing of the first tranche. <p>The Star's lenders have agreed to provide covenant waivers for the two testing dates, being 30 September 2024 and 31 December 2024, with the waiver for the latter date being subject to execution of long-form documentation for the new debt facility and other customary conditions.</p> <p>The all-in coupon for the new facility is 13.50% per annum (assuming cash pay is elected), and the existing \$300 million term facility has been repriced to this level:</p> <ul style="list-style-type: none"> • the Group has the flexibility to capitalise a component of the interest at its election; and • there is a reduction in the coupon subject to the Group's Adjusted Net Leverage Ratio falling below 4.0x. <p>The new debt facility will involve the granting to the lender group of security over the Group's regulated entities (subject to regulatory approval)</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(26,996)
8.2 Cash and cash equivalents at quarter end (item 4.6)	233,454
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	233,454
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	8.6
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: n/a	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: n/a	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: n/a	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 October 2024

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.