



THE STAR

## ASX Announcement

23 August 2017

### THE STAR ENTERTAINMENT GROUP ANNOUNCES PLACEMENT OF LONG-TERM NOTES

The Star Entertainment Group Limited (ASX code: SGR) (“**The Star**” or “**Group**”) announces that following strong support from its existing US Private Placement (“USPP”) investors the Group has completed a tender of 73% of existing USPP notes and successfully placed new long-term USPP notes totalling approximately A\$433 million (US\$338 million).

The tender of existing USPP notes (“**2011 Notes**”)<sup>1</sup> and issue of new notes, with 10 year and 8 year maturities, extend the Group’s debt maturity profile, reduce financing costs on a like-for-like basis and lower the refinancing requirements of the Group. The successful outcome of the tender and new issue reflects the strong credit position of the Group.

Following the placement, the Group’s average drawn debt maturity has increased by 3 years to 5.2 years<sup>2</sup> with total USPP notes increased to A\$550 million from A\$430 million. The extended debt maturity profile more appropriately matches the Group’s long term assets and supports the Group’s planned capital investment programs.

The tender of the 2011 Notes and restructure of related currency and interest rate hedges will also reduce the Group’s interest expense over the remaining term of the 2011 Notes. The Group estimates that its average blended cost of debt on all USPP notes following the new issue will be approximately 5%, down from over 9% on the 2011 Notes<sup>2</sup>. Interest expense on the USPP notes is expected to reduce by approximately \$17 million (excluding one-off costs) in FY18 as a result of the transaction<sup>3</sup>.

A one-off loss<sup>4</sup> of approximately \$30-34 million (post tax) related to the crystallisation of an existing obligation for the out of the money interest rate swaps and other costs related to the transaction is expected in FY2018.

The Star Group Chief Financial Officer, Chad Barton said: “We are delighted to have received such strong support from our existing investors in the restructure of our notes. The success of this transaction is a testament to the continued strength of our business and balance sheet, the quality of our properties and support for our existing growth projects underway and planned for the Group.”

#### Tender of 2011 Notes

The Group has repurchased US\$335 million (A\$313<sup>5</sup> million equivalent) of the 2011 Notes. The tender equates to 73% of the existing notes on issue. The 2011 Notes had been hedged with cross-currency and interest rate swaps which have been restructured together with the tender.

<sup>1</sup> US\$460 million notes which were issued in 2011 (A\$430 million)

<sup>2</sup> Cost of debt on the 2011 Notes based on AUD fixed cost incurred in FY17 after including the impacts of cross currency and interest rate swaps.

<sup>3</sup> Pro-forma full year reduction in expense calculated relative to the case that the 2011 Notes and related hedges stayed in place to maturity, based on the 2011 principal of A\$430 million.

<sup>4</sup> This one-off loss is a result of the transaction and will be recognised as a significant item in the FY2018 financial results.

<sup>5</sup> A\$313 million equivalent includes the value of cross currency swaps entered into in 2011 at A\$1.07 to swap the USD principal payment into AUD.

The notes not tendered will remain in place and existing hedges will remain in place proportional to the outstanding principal so that US\$125 million of remaining notes (A\$117m) are 100% hedged.

2011 Notes	Maturity date	Before tender		After tender		Total tendered	
		US\$m	A\$m	US\$m	A\$m	US\$m	A\$m
Series A	Jun-18	100	94	20	19	80	75
Series B	Jun-21	360	336	105	98	255	238
<b>Total</b>		<b>460</b>	<b>430</b>	<b>125</b>	<b>117</b>	<b>335</b>	<b>313</b>

#### Issue of new notes

The new issue will consist of two maturities across tenors of 8 and 10 years. Details of the maturities are outlined below:

- Approximately A\$64 million (US\$50 million) with an 8 year term maturing in August 2025; and
- Approximately A\$369 million (US\$288 million) with a 10 year term maturing in August 2027.

#### For more information contact:

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