SKYCITY
ENTERTAINMENT GROUP

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1 May 2018

Client Market Services
NZX Limited
Level 1, NZX Centre
11 Cable Street
WELLINGTON

Copy to:

ASX Market Announcements
Australian Stock Exchange
Exchange Centre
Level 6
20 Bridge Street
Sydney NSW 2000
AUSTRALIA

RE: SKYCITY ENTERTAINMENT GROUP LIMITED (SKC) INVESTOR DAY PRESENTATION, TRADING UPDATE AND ADJUSTMENTS TO HISTORICAL INTERNATIONAL BUSINESS TURNOVER

Please find **attached** a copy of the investor presentation to be delivered by the company at the Macquarie Investor Conference in Sydney today.

The investor presentation includes a trading update for the period to 28 April 2018 and information regarding adjustments to historical International Business turnover.

For any further information concerning the investor presentation, please contact:

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Yours faithfully

Jo Wong
Company Secretary

Macquarie Investor Conference

Investor Presentation

1 May 2018

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Our business

Location	Opened / Acquired	Activities Summary
Auckland, NZ	Opened in 1996	1,877 EGMs, 150 tables, 240 ATGs ~630 hotel rooms ~20 restaurants and bars ~3,000 employees
Hamilton, NZ	Opened in 2002 Acquired 100% ownership in 2005	339 EGMs, 23 tables ~400 employees
Queenstown, NZ	**SKYCITY Queenstown** Acquired 100% ownership in 2012 **Wharf Casino** Acquired in 2013	**SKYCITY Queenstown** 86 EGMs, 12 tables **Wharf Casino** 74 EGMs, 6 tables ~100 employees
Adelaide, South Australia, Australia	Acquired in 2000	900 EGMs*, 70 tables** ~1,200 employees *Allowance for 1,500. **Allowance for 200.
Darwin, Northern Territory, Australia	Acquired in 2004	600 EGMs, 40 tables (no limits) 152 hotel rooms ~800 employees

Diversified business by activity and geography – currently ~4,100 EGMs, ~300 tables, ~800 hotel rooms and ~6,000 employees across the group

Our licences

SKYCITY DARWIN

Exclusive casino licence to 2036 (for top 700kms of NT)

ADELAIDE CASINO

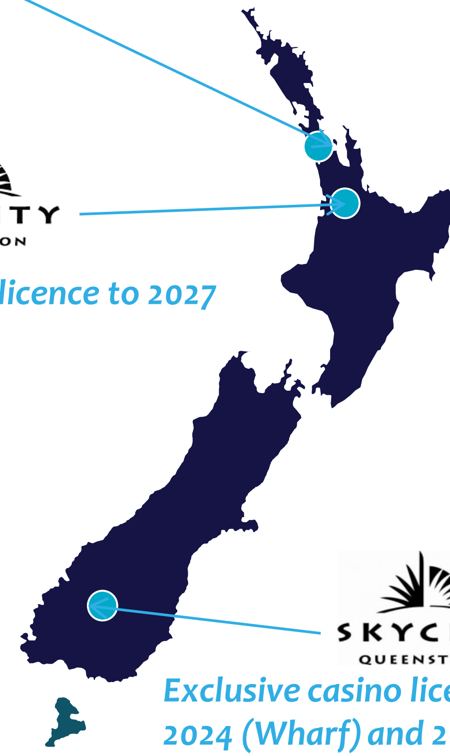
Exclusive casino licence to 2035 (for entire state of SA) – full licence term to 2085

SKYCITY AUCKLAND

Exclusive casino licence to 2048

SKYCITY HAMILTON

Exclusive casino licence to 2027



SKYCITY QUEENSTOWN

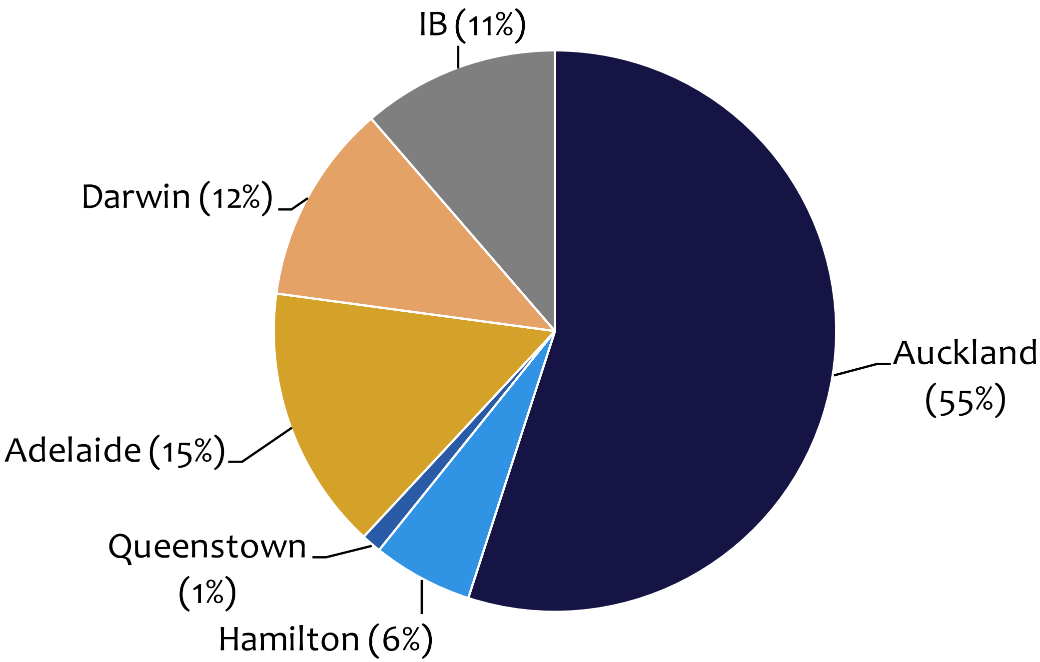
Exclusive casino licences to 2024 (Wharf) and 2025 (Queenstown)

Long-term exclusive casino licences secured in all jurisdictions

Where do we generate value for shareholders?

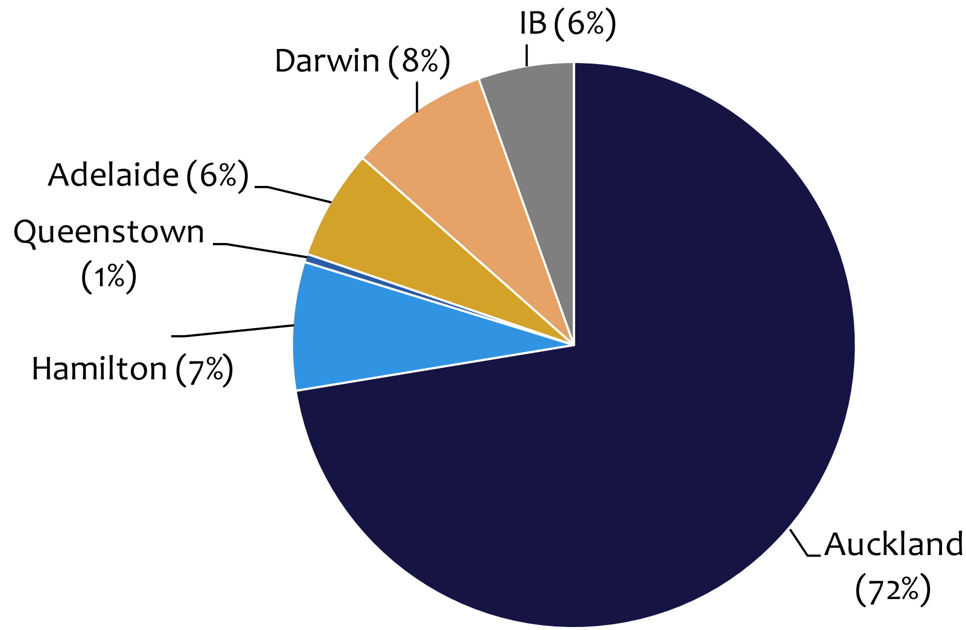
FY17 group revenue by property (%):

<u>Group normalised revenue = $1,029m</u>



FY17 group EBITDA by property (%):

<u>Group normalised EBITDA = $320m(1)</u>



Diversified business geographically, yet Auckland generates over 70% of group EBITDA. Auckland earnings benefit from contributions from higher margin businesses (i.e. gaming and hotels)

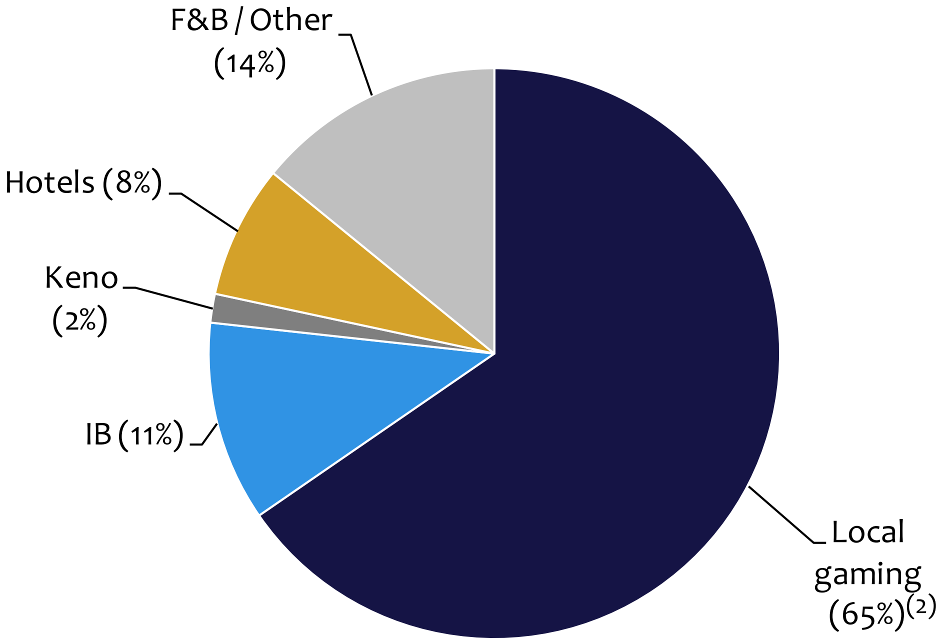
(1) EBITDA before corporate costs but after gaming taxes + restated corporate costs / operating expenses to reconcile to FY17 investor presentation

Where do we generate value for shareholders?

SKYCITY

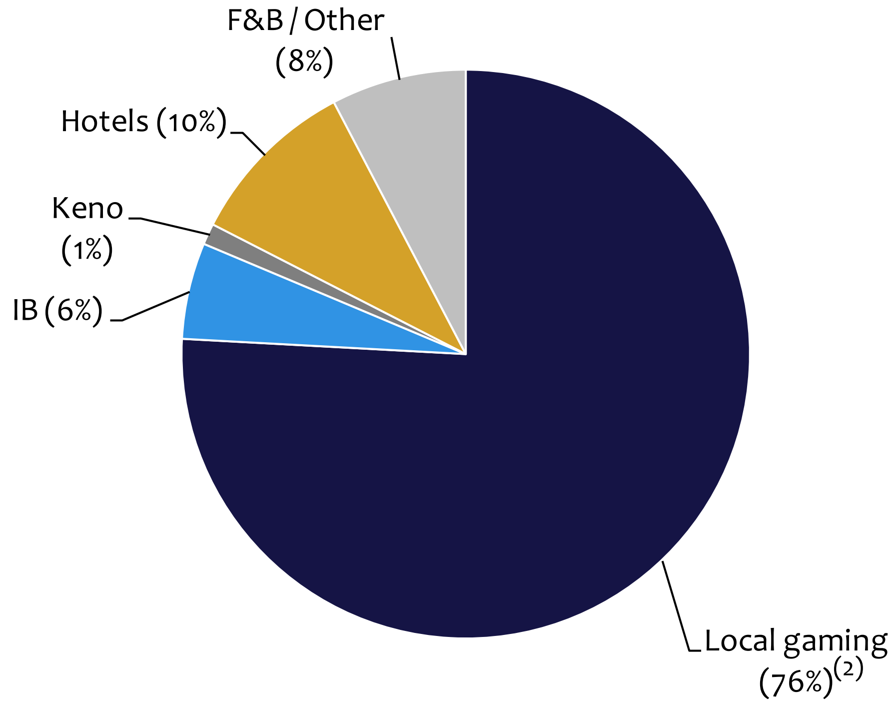
FY17 group revenue by business activity (%):

Group normalised revenue = $1,029m



FY17 group EBITDA by business activity (%):

Group normalised EBITDA = $320m(1)



Local gaming (EGMs and tables) is the key value driver for the group, generating ~75% of EBITDA. Hotels are the second most significant earnings contributor

(1) EBITDA before corporate costs but after gaming taxes + restated corporate costs / operating expenses to reconcile to FY17 investor presentation.
Local gaming includes EGM and tables revenue (ex IB) and contribution (ex IB) derived from casual visitors, members of loyalty programme, non-carded premium play and domestic and international tourists

Industry trends

1. Traditional land-based casinos typically exhibiting modest growth (outside of Asia)
2. Requirement to continually diversify offering to compete and capture broader customer base
3. Capital investment required to sustain / grow business – need to consider alternative models to improve returns
4. Alternative forms of gaming (i.e. online, AR / VR, social gaming) and entertainment becoming increasingly popular
5. Positive secular growth trends in Asia with growing (and increasingly mobile) middle-class
6. Enhanced focus on social licence to operate

Industry going through a period of change globally – requirement to diversify to remain relevant. Difficult to sustain above cost of capital returns due to on-going requirement to invest to retain social licence to operate

Strategic overview

SKYCITY

Key value drivers

- We are good at operating land-based casinos, hotels, F&B, conventions and broader entertainment, but only casinos and hotels deliver meaningful earnings and value
- Complementary activities (i.e. F&B, conventions) contribute to overall success of casinos and hotels
- Maximise returns when all competencies are integrated and come together

Existing assets

- Requirement to execute major projects well and achieve acceptable return on capital
- Focus on leveraging and maximising potential of existing assets
- Further operational improvements to be derived from existing businesses
- Opportunity for performance improvement from investment in customer / loyalty / digital / IT initiatives

Capital allocation and financial settings

- Balance sheet constrained to meaningfully pursue new growth opportunities outside of releasing capital from existing assets
- Intention to go "asset-lighter" to improve returns and to allocate capital more efficiently – monetise selected property assets, divest non-core businesses and co-invest in new developments with suitable partners
- Committed to dividend policy – dividends important to significant proportion of shareholder base

Strategic overview

New forms of entertainment	■ Important to provide entertainment which appeals to existing and new customers ■ Intention to broaden emphasis on entertainment beyond traditional gaming (i.e. All Blacks experience, e-sports, AR / VR, online gaming, skill-based gaming) ■ Requirement to be fast followers of best global ideas of technology relevant to existing and future operations
Potential future diversification	■ Maintain focus on NZ and Australia ■ Reduce reliance on Auckland over time – Adelaide expansion, IB growth, online gaming and monitor land-based casino opportunities as they arise ■ Strong outlook for hotels in NZ and Australia – exploring opportunities to grow hotel business utilising an "asset-lighter" strategy
Customer / loyalty / digital	■ Customer demographics and behaviour changing and evolving ■ Need to adapt and leverage new channels / offerings to ensure on-going relevance ■ Data analytics / technology increasingly important to attract and retain customers
CSR / people / sustainability initiatives	■ Focus on social licence to operate, community / people / youth development initiatives ■ Widely recognised as responsible corporate citizen

Portfolio review – NZ

SKYCITY AUCKLAND

- Casino licence extension to 2048 underpins long-term value for key property
- NZICC and Hobson St hotel project – important to execute well and leverage benefits
- Master planning – incorporates opportunities for further accommodation, F&B, new gaming spaces, and broader entertainment
- Additional property has been acquired – intention to consolidate control over precinct
- Sale of Federal St car park progressing well
- Continue to evaluate options with CBRE to monetise main site car parks

SKYCITY HAMILTON

- Strong financial performance over past 3-4 years
- Positive outlook for Hamilton and broader Waikato region
- Master planning commenced – reviewing opportunities to enhance existing property

SKYCITY QUEENSTOWN

- Two small properties
- Considering options to leverage potential of casino licences and improve offering (particularly IB)
- Strong outlook for domestic and international tourism

Portfolio review – Australia & International Business

ADELAIDE CASINO

- Expansion should significantly increase revenue and earnings at the property and deliver acceptable return
- Upgrades to existing property important to ensure integration between old and new buildings and maximise overall returns
- Stable management team now in place

SKYCITY DARWIN

- Continue to evaluate strategic options
- Goldman Sachs testing potential for full sale – encouraging early interest from broad range of potential buyers
- If sale can be concluded proceeds used to repay debt (in short-term) and fund strategic / growth initiatives
- If no sale, then would continue to own a stable, cash generative business

HORIZON

- Remain committed to growing IB – positive long-term outlook
- Targeting IB to represent greater share of group EBITDA – up to 15%
- New management team making a positive impact
- Will continue to invest prudently in business

Project update – NZICC & Hobson St hotel

- Now expect completion December 2019
- Expect SKYCITY's investment in the projects to be in-line with original budget (~$703m)
- Remain comfortable with contractual arrangements
- Construction contracts provide for liquidated damages which should mitigate losses through delay
- Expect first stage of NZICC car park (~600 spaces) to be completed before end of June
- 3 major NZICC bookings secured since March (in addition to 6 previously announced) – continue to work on numerous leads and opportunities

View of NZICC and Hobson St hotel (from Nelson St)

Project update – Adelaide Expansion

- Letter of intent signed with preferred construction firm – expect to sign construction contract during May
  - Contract to be largely fixed-price, lump-sum – build only
  - Total project budget remains ~A$330m (including appropriate contingency)
- Expect early works programme to be completed by mid-May
- Main construction works to commence before end of June
- Expect car park to be opened contemporaneous with expansion in 1H21

Expansion – view from Station Road

Expansion – view from Station entry

Project update – Auckland master plan

- Multi-year vision for the precinct
- Opportunities for further accommodation, F&B, new gaming spaces, and entertainment (including broader emphasis on non-gaming entertainment)
- Critical property acquisitions complete
- Investment partly growth, partly to ensure on-going relevance of CBD and our precinct
- Intend to introduce development partners to unlock value in precinct – consistent with "asset-lighter" strategy
- Near-term priority completing property acquisitions and progressing concept development and feasibility analysis

Group financial profile

- Near-term growth to be achieved by improving operating performance of existing assets
- Medium-term earnings profile largely driven by major projects
- Earnings from NZICC and Hobson St hotel project unlikely to offset higher depreciation and net interest following project completion in FY20
- Expect significant increase in Adelaide's EBITDA following completion of expansion in FY21
  - Should meet or exceed higher depreciation and net interest following project completion
  - Property likely to take 3-4 years post expansion to reach full potential
- Potential increase to effective tax rate from FY19 (cf. accounting workshop at 2018 investor day)
- Maintain prudent capital structure during investment phase of major projects and release capital from existing assets to fund new strategic / growth initiatives
- Maintain dividends at current levels and grow as EPS increases in the future (ex projects)

Financial settings

Gearing

- Committed to maintaining BBB- S&P credit rating
- Maximum gearing of 3x Net Debt / EBITDA (including capitalised leases)
- Expect total debt to peak at around $1bn in FY20, with S&P gearing peaking at slightly above 2.5x

Dividends

- Committed to maintaining existing dividend policy
- 80% payout ratio based on NPAT adjusted for capitalised interest, subject to minimum 20cps per annum
- Continue to operate DRP at 2% discount, subject to capital released from existing assets

Capital allocation

- Capital allocated to support strategic initiatives and maintain existing assets
- Seeking to move to "asset-lighter" approach
- Target minimum post-tax IRR for all growth projects of 12% (current WACC around 9%)

Adjustment to historical turnover for IB

- Recently uncovered an error in the calculation of turnover in IB over the past three years
  - Related to one infrequently used junket programme
  - Arose from incorrect coding of the programme resulting in it being treated as “non-neg” rather than cash
  - Impact was to overstate turnover in FY16, FY17 and 1H18, with corresponding reductions in normalised revenue and earnings for IB and the group over these periods
- <u>No changes to reported earnings and financial statements</u>
- Already implementing appropriate changes to systems and procedures to prevent a repeat of this issue in future periods
- Remain on-track to achieve at least $10bn in turnover for FY18 despite turnover adjustment in 1H18
- Impact on normalised results for FY16, FY17 and 1H18 is summarised in Appendix

Trading update

Group
- YTD to 28 April 2018 group normalised revenue up 4.6% vs. pcp, with domestic revenue (ex IB) up 2.6%
- 1 January to 28 April 2018 (2H18 YTD) group normalised revenue up 7.2%, with domestic revenue (ex IB) up 2.1%

New Zealand
- Auckland performed well in 3Q18, but impacted by weaker table games performance during April
- Stable performance in Hamilton 2H18 YTD, with strong non-gaming performance offsetting slightly weaker gaming activity

Australia
- Increased premium gaming activity and operating efficiencies improving performance in Adelaide 2H18 YTD
- Darwin has stabilised and delivering improved performance 2H18 YTD (despite Keno 10-spot being won twice during the period (~A$1m reseed, per prize) vs. no wins in pcp)

International Business
- Remain on-track to achieve at least $10bn in turnover for FY18 despite turnover adjustment in 1H18
- Record activity over Chinese New Year period, with $9.7bn of turnover YTD
- YTD EBITDA margin of around 19%, reflecting increased use of junkets and corresponding reduction in credit risk
- YTD win rate of 1.25%, relative to the theoretical of 1.35%

Outlook
- Expect to achieve around 3% growth in normalised group EBITDA in FY18 vs. pcp

Key investment themes

SKYCITY

1. Significant opportunity to unlock value leveraging strong platform
2. Opportunities to improve performance of existing businesses
3. On-going focus on effective capital allocation and improving returns on capital – intention to go “asset-lighter”
4. Focus on leveraging and maximising existing assets / casino licences before we go looking for more
5. Stable management team now in place – energised, focused on execution and delivery
6. Refreshed group strategy continues to be refined and finalised – further update at FY18 results

Appendix

Appendix: Adjustment to historical turnover for IB

	FY15	FY16			FY17			1H18		
International Business	**No change**	**Previously Disclosed**	**Revised**	**Change**	**Previously Disclosed**	**Revised**	**Change**	**Previously Disclosed**	**Revised**	**Change**
Turnover ($bn)	9.3	12.4	12.3	-0.1	8.7	8.6	-0.1	4.8	4.4	-0.4
Normalised Revenue ($m)	125.6	166.9	165.8	-1.1	116.8	115.1	-1.7	64.8	59.3	-5.5
Normalised EBITDA ($m)	26.4	33.5	32.6	-1.0	19.6	18.5	-1.1	14.0	9.4	-4.6
Actual Win (%)	1.36%	1.49%	1.50%	0.01%	1.25%	1.27%	0.02%	1.55%	1.70%	0.15%

	FY15	FY16			FY17			1H18		
SKYCITY Group	**No change**	**Previously Disclosed**	**Revised**	**Change**	**Previously Disclosed**	**Revised**	**Change**	**Previously Disclosed**	**Revised**	**Change**
Normalised Revenue ($m)	1,007.7	1,084.1	1,083.0	-1.1	1,030.6	1,028.9	-1.7	545.0	539.5	-5.5
Normalised EBITDA ($m)	304.9	330.1	329.1	-1.0	321.5	320.4	-1.1	175.8	171.2	-4.6
Normalised NPAT ($m)	134.1	152.7	152.0	-0.7	154.6	153.8	-0.8	90.3	87.0	-3.3
Normalised EPS (cps)	22.9	25.5	25.4	-0.1	23.3	23.2	-0.1	13.5	13.0	-0.5

Note: Adjustments only impact normalised results and not reported results or financial statements

Disclaimer

- All information included in this presentation is provided as at 1 May 2018
- This presentation includes a number of forward-looking statements. Forward-looking statements, by their nature, involve inherent risks and uncertainties. Many of those risks and uncertainties are matters which are beyond SKYCITY's control and could cause actual results to differ from those predicted. Variations could either be materially positive or materially negative
- This presentation has not taken into account any particular investors investment objectives or other circumstances. Investors are encouraged to make an independent assessment of SKYCITY
- All figures in NZ$ unless otherwise stated

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