

16 November 2021

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

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ASX Market Announcements
Australian Stock Exchange
Exchange Centre
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20 Bridge Street
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AUSTRALIA

**RE: SKYCITY ENTERTAINMENT GROUP LIMITED (SKC)
UBS INVESTOR CONFERENCE PRESENTATION**

Please find **attached** a copy of the investor presentation to be delivered by the company at the UBS Australasia Virtual Conference today.

The investor presentation includes an update on the impacts of COVID-19 on page 19 and an update on trading and the FY22 outlook on page 20.

For further information concerning the presentation, please contact:

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SkyCity Entertainment Group Limited

UBS Australasia Investor Conference
Investor Presentation

16 November 2021

Introduction

1

FY22 YTD trading impacted by Covid-19 disruptions, particularly in Auckland

2

Solid performance post opening Adelaide expansion, but challenging operating environment since July 2021 due to Covid-19 disruptions

3

Online casino performing strongly – significant omnichannel opportunity in NZ (subject to regulation)

4

Covid-19 protection framework replacing Alert Level system in NZ – expect Auckland to reopen by late November/early December 2021

5

NZICC/Horizon Hotel project progressing and working closely with Fletcher Construction

6

\$230m of available liquidity and key terms agreed with financiers for covenant waivers/relief for December 2021 and June 2022 testing periods

7

Strong Management team in place – process underway to appoint new Chair

8

Responding to AUSTRAC investigation of Adelaide – enhancing Group-wide AML controls

SkyCity Overview (1 of 2)

1

Founded in 1996 – leading gaming, entertainment and hospitality operator in NZ and South Australia

2

Key activities – casinos (land-based and online), restaurants and bars, hotels, attractions and convention facilities

3

Launched online casino in August 2019 and completed Adelaide expansion in December 2020

4

Major project to complete – NZICC/Horizon Hotel in Auckland

5

Significant private sector employer (around 4,200 staff across the business) – diverse workforce in terms of age, gender and ethnicity

6

Listed on NZX and ASX with current market capitalisation around \$2.4bn⁽¹⁾

7

Focus on being a good corporate citizen – responsible gaming, AML, community, sustainability and people

⁽¹⁾ As at close of business on 15 November 2021

SkyCity Overview (2 of 2)



Exclusive casino licence in Adelaide to 2035 – full licence term to 2085

Exclusive casino licence in Auckland to 2048⁽¹⁾

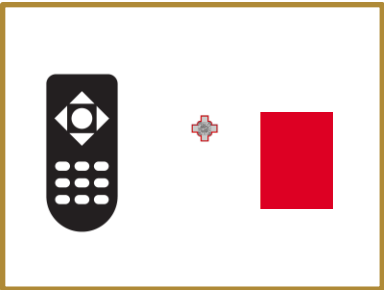
skyCITY

skyCITY

Exclusive casino licence in Hamilton to 2027⁽¹⁾



NZ online casino via SkyCity Malta



skyCITY

Exclusive casino licences to 2024 (Wharf) and 2025 (Queenstown)⁽¹⁾

Exclusive casino licences secured at all sites – casino licence to 2048 at key Auckland property

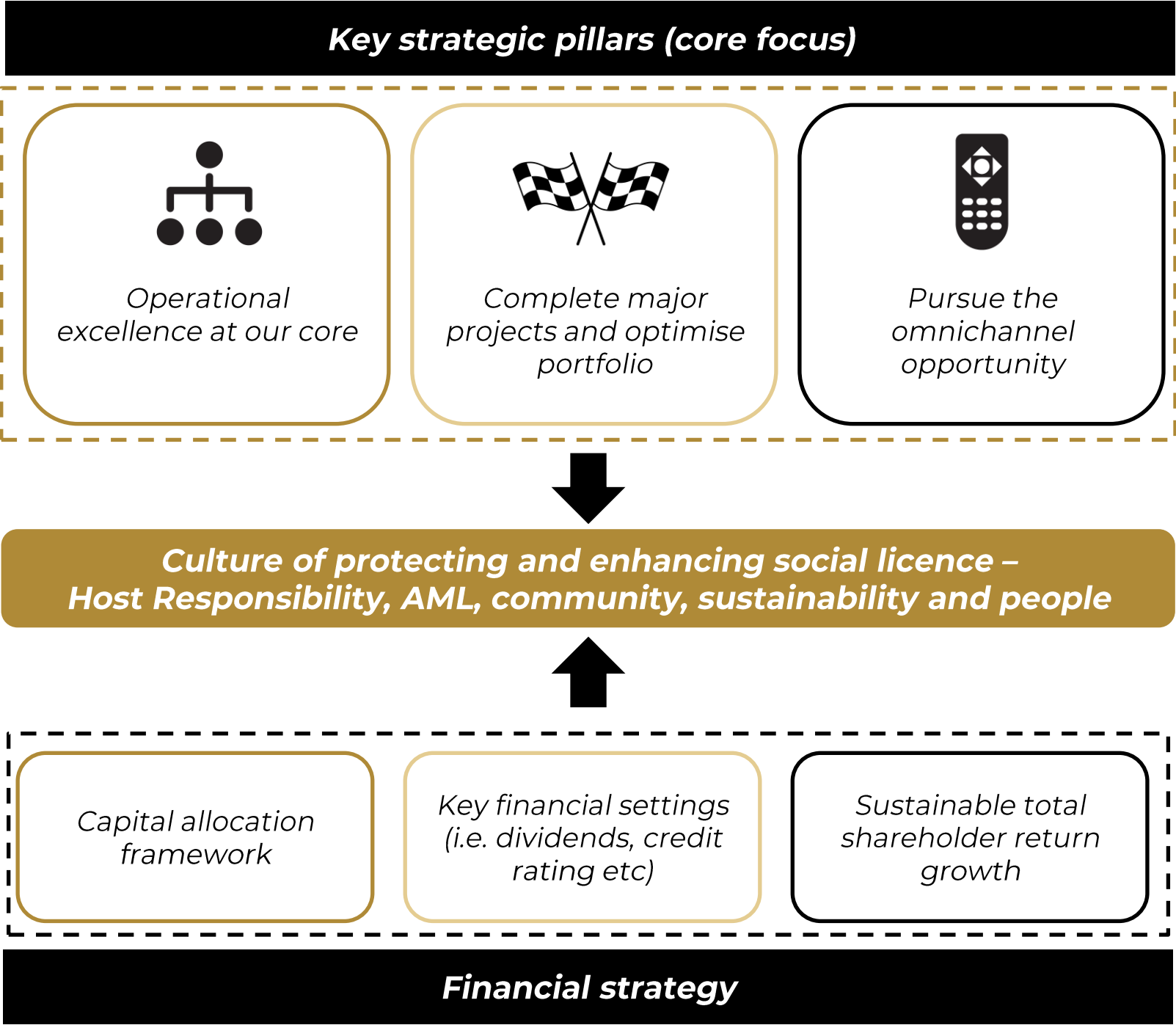
⁽¹⁾ Each NZ casino licence can be renewed for further periods of 15 years pursuant to the NZ Gambling Act 2003



Competitive Advantages

- Strong brand/reputation
- Stable regulatory and country risk in key NZ market
- Exclusive casino licences (with rights of renewal in NZ) and significant entertainment destinations
- Resilient operating model, particularly local gaming
- Well established and credible casino operator, with strong probity credentials
- Being good corporate citizen embedded in culture
- Strong exposure to expected recovery in global travel/tourism sector

Group Strategic Plan



- Focus on continuous improvement in operational performance (and investments to support this)
- Focus on maximising value of exclusive casino licences
- Execute Adelaide expansion and NZICC/Horizon Hotel project and leverage benefits
- Unique opportunity to monetise omnichannel and consolidate on leadership position in gaming industry
- Focus on growing free cashflows
- Critical to protect/enhance social licence to operate
 - Focused on enhancing Group-wide Host Responsibility and AML controls
- Continue to monitor/evaluate adjacent opportunities

Near-Term Priorities

1

Navigate through ongoing uncertainty of Covid-19 operating environment

2

Return business to FY19 earnings and grow from there

3

Respond to AUSTRAC investigation of Adelaide

4

Enhancement of Host Responsibility programme and AML controls

5

Optimise Adelaide expansion – focus on local and interstate business (when borders reopen)

6

Progress NZICC/Horizon Hotel reinstatement with Fletcher Construction

7

Pursue online gaming opportunity in NZ

8

Ongoing effective cost and capital discipline

Management Team



Michael Ahearne
Chief Executive
Officer



Callum Mallett
Chief Operating
Officer – NZ



Claire Walker
Chief People &
Culture Officer



David Christian
Chief Operating
Officer – Australia



Julie Amey
Chief Financial
Officer



Jo Wong
General Counsel &
Company Secretary



Matt Ballesty
Chief Casino
Officer



Nirupa George
Chief Corporate
Affairs Officer



Steve Salmon
Managing Director
Online (UK-based)



Glen McLatchie
Chief Information
Officer



Michelle Baillie
GM Hamilton



Jono Browne
GM Queenstown



Simon Jamieson
Group GM NZICC
Development &
Tourism



Stewart Neish
Group GM
International
Gaming



Ben Kay
GM Strategy &
Investor Relations

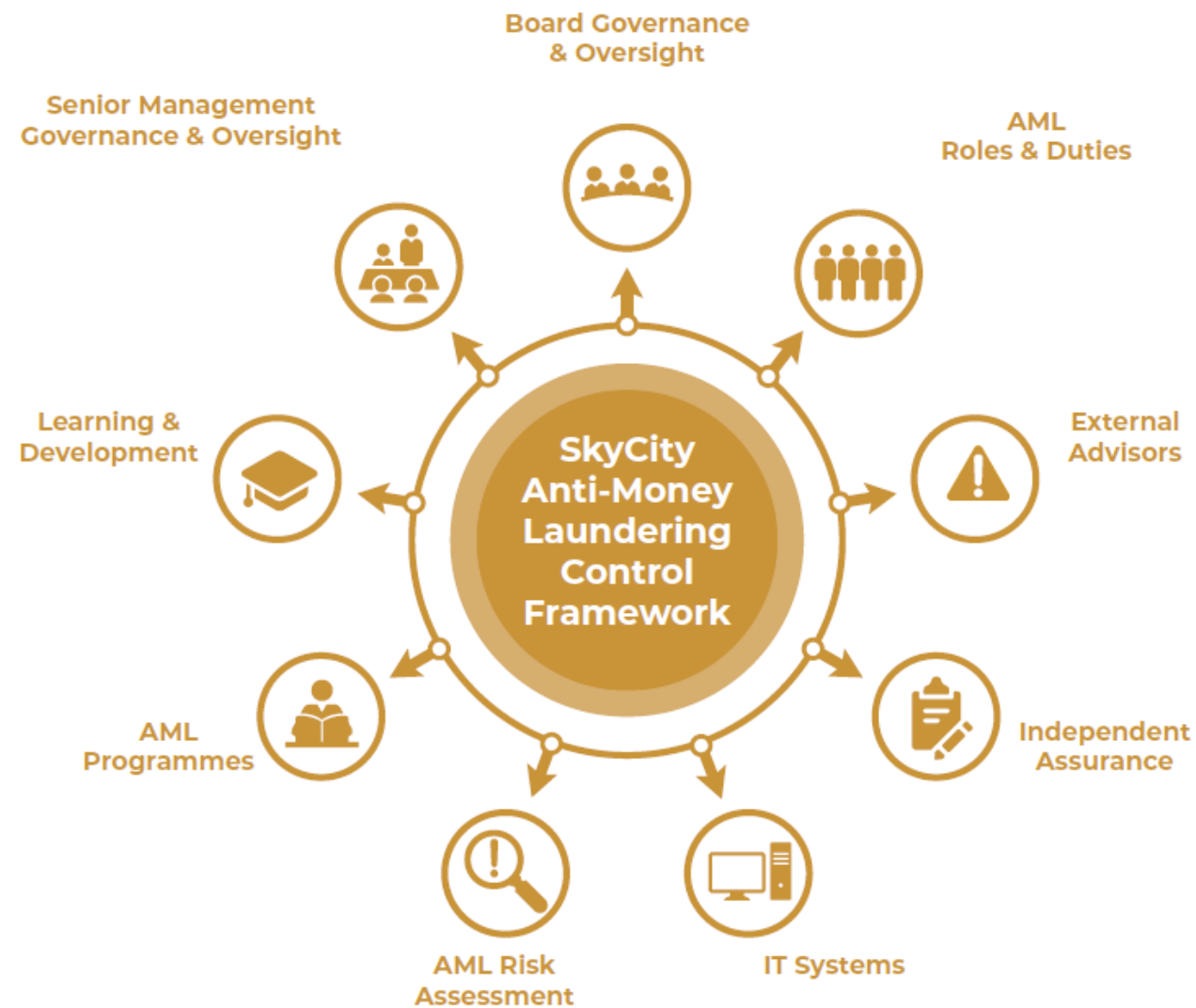
Strong management team in place under CEO – mix of operational and corporate experience

Host Responsibility



- Promotion of responsible/safe gaming at heart of business
- Board (Sustainability) Committee oversees Harm Minimisation framework
- Internal governance group meets monthly to consider Host Responsibility matters
- Regular engagement with regulators on effectiveness of Host Responsibility programme
- Leverage technology to support programme – facial recognition at all properties

AML Controls



- Heightened regulatory scrutiny around AML compliance
- ASTRAC investigation of Adelaide ongoing
 - Steering Committee established to respond to investigation
 - Meeting with ASTRAC team regularly and responding to information requests
 - Fully committed to addressing ASTRAC's concerns
 - Timetable for finalisation of investigation remains unclear
- Progressing enhancement programme
 - Senior AML leader appointed in Adelaide – further resourcing of NZ and Adelaide AML teams underway
 - Ongoing improvements in governance and investment in ICT systems/KYC processes

NZICC/Horizon Hotel Project

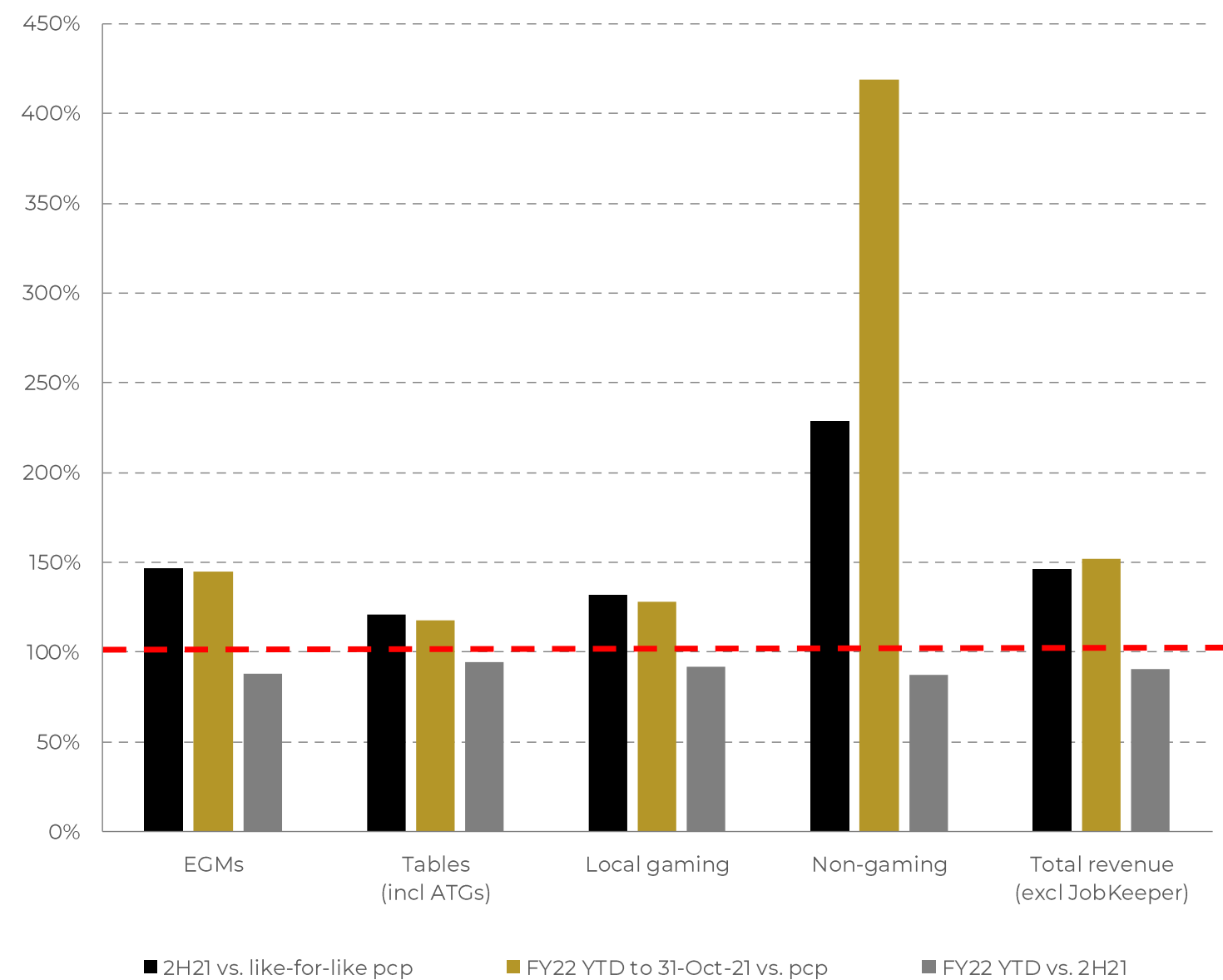


View from Hobson St – new linkway bridge

- Significant investment in future of Auckland
- Project secured exclusive casino licence for key Auckland property out to 2048 and other gambling concessions
- NZICC fire causing significant project delays, exacerbated by ongoing Covid-19 restrictions in Auckland
- Reinstatement works progressing, but slower than expected
- Latest Fletcher Construction programme indicates completion of Horizon Hotel during 2024 and NZICC early 2025
- Remain comfortable with contractual position on project
- No material change to previous guidance for total project costs (around \$750m)
- Around \$120m of net capex still to spend as at 31 October 2021 (excl reinstatement works funded by insurance)

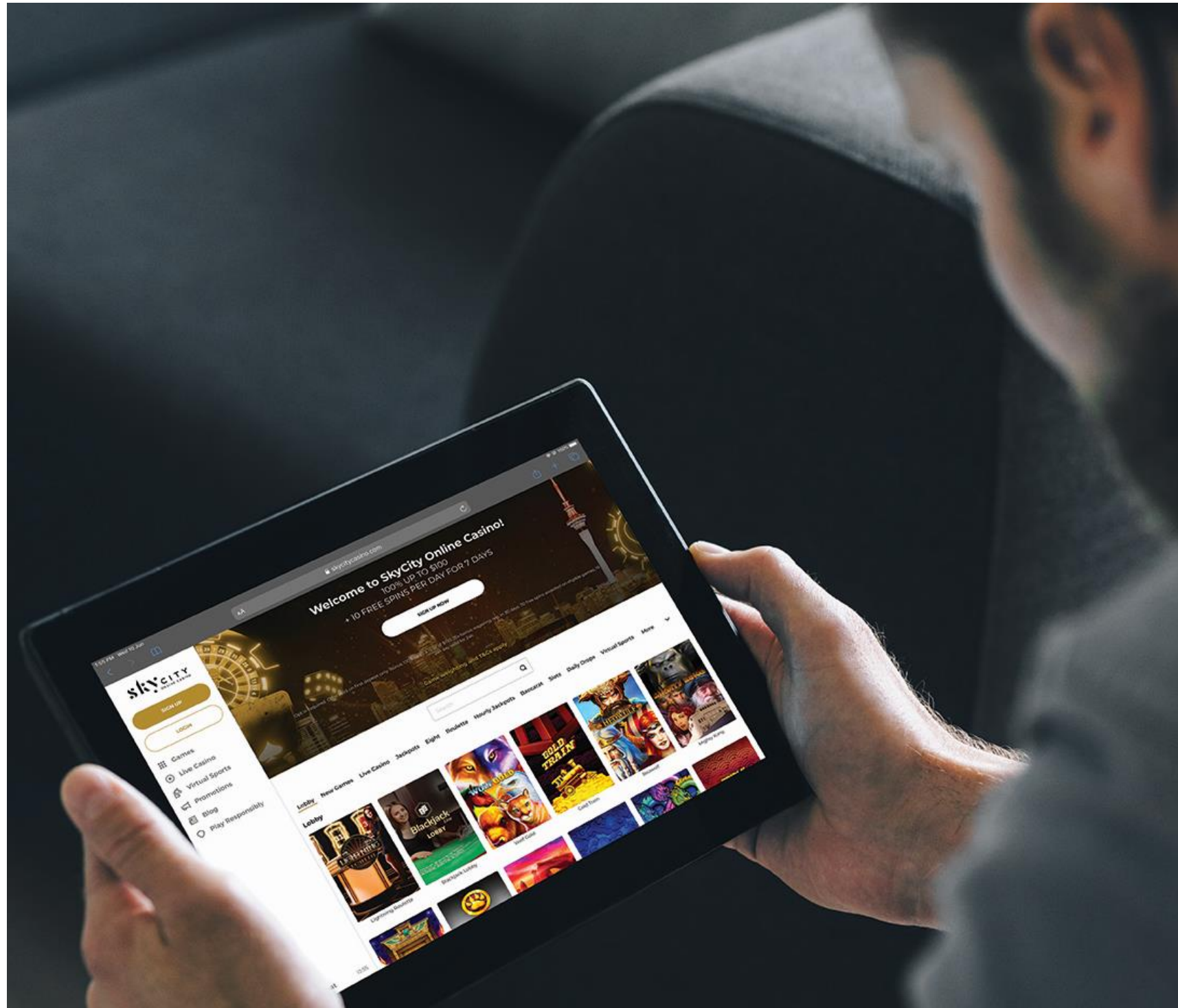
Adelaide Expansion

SkyCity Adelaide: like-for-like revenue by activity:
1 January 2021 to 31 October 2021



- Expansion opened in December 2020
- Total revenue up around 50% post expansion vs. like-for-like pcp
 - Solid local gaming activity
 - Benefiting from regulatory reforms, particularly note acceptors
 - Non-gaming facilities popular with customers
- FY22 YTD to 31 October 2021 performance slightly below 2H21 trends
 - Challenging operating environment due to Covid-19 disruptions and ongoing interstate border closures
 - Weekend peaks, weekdays quieter due to subdued CBD visitation
 - Strong performance from pubs & clubs over recent months
- Festival Plaza car park completed and 750 bays (leased) handed over – integrated with casino and hotel precinct

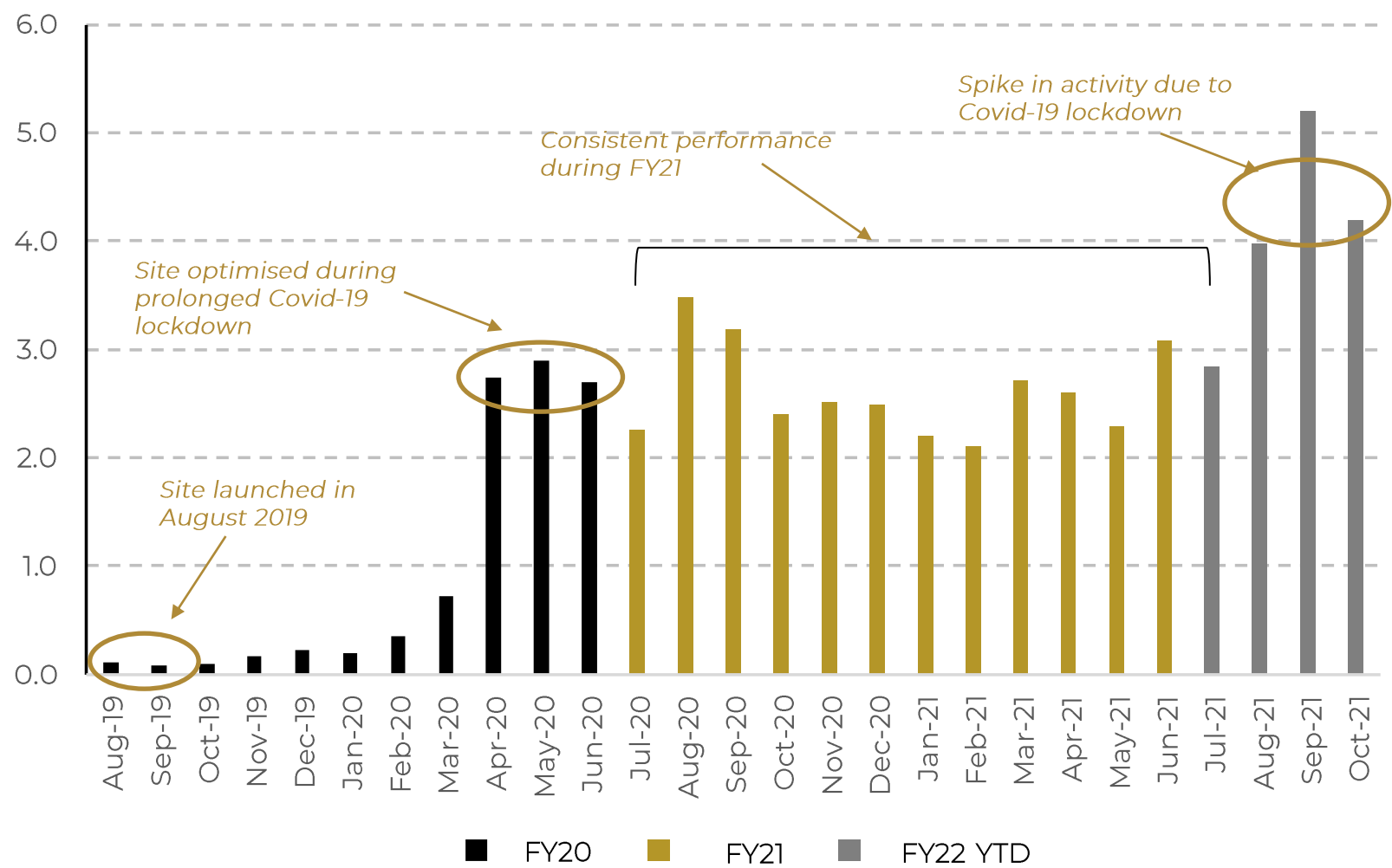
Online Casino (1 of 2)



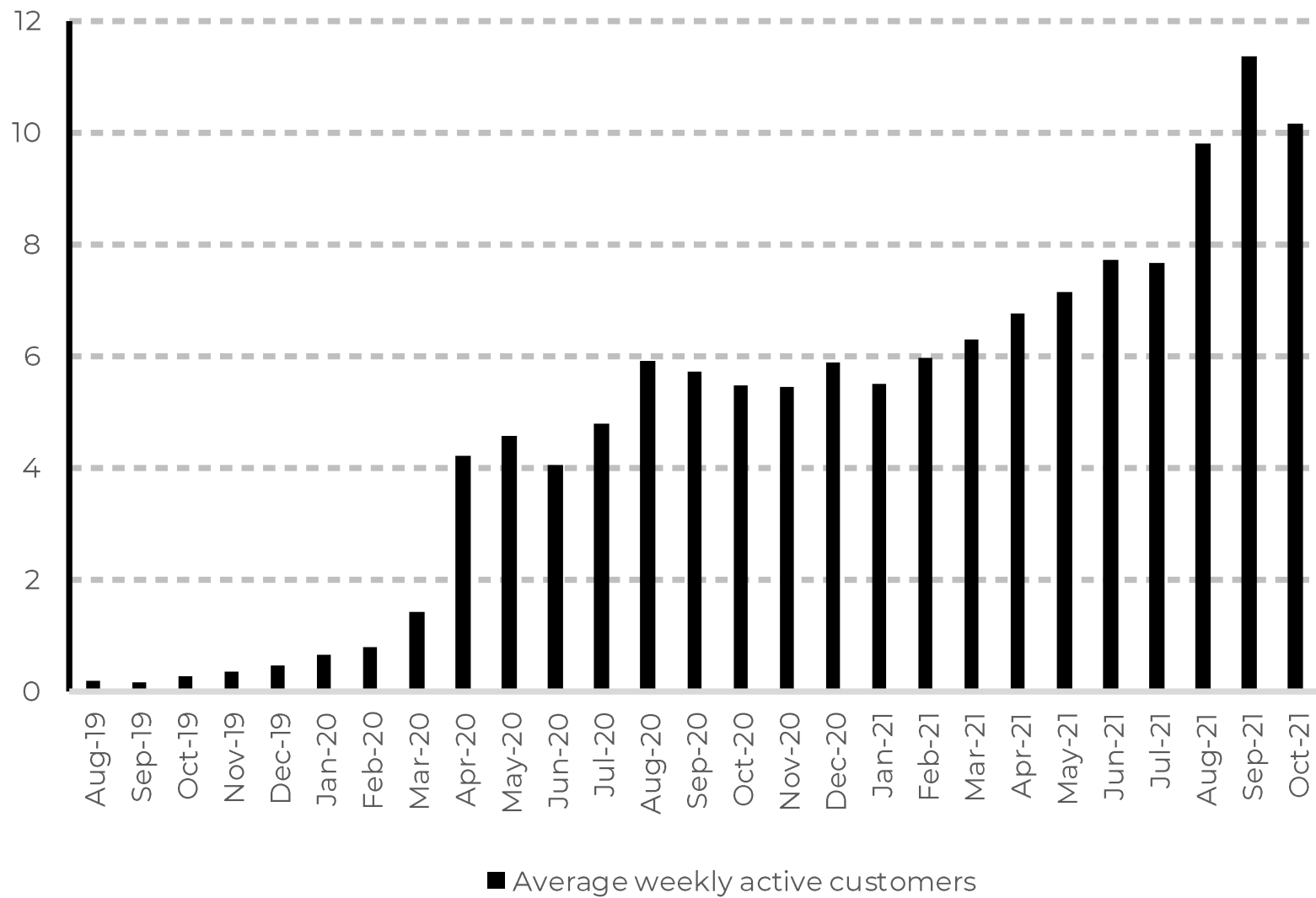
- NZ online casino market estimated to be in excess of \$300m in annual revenue
 - Increasingly targeted by offshore operators with advertising restrictions being circumvented or ignored
- Optimising offshore venture with GiG, despite operational constraints
- Support future regulation in NZ
 - Emphasis needs to be on protecting harm and community benefits
 - Significant omnichannel opportunity for SkyCity if online market regulated
 - DIA policy review ongoing – optimistic for clarity on potential regulatory reform during 1H 2022
- Growth in online gambling significant global industry theme
 - Numerous jurisdictions regulating online gambling
 - Transition from physical to online across most industries – exacerbated by impact of Covid-19
 - Valuation multiples for online gaming companies trading at significant premium to land-based casinos (i.e. DraftKings, Penn Gaming, Flutter etc.)

Online Casino (2 of 2)

**Monthly gross gaming revenue⁽¹⁾:
FY20-FY22 YTD to 31 October 2021 (\$m)**



**Weekly active customers⁽²⁾:
FY20-FY22 YTD to 31 October 2021 (000s)**



Strong performance from online casino since inception – spike in activity from August 2021 due to Covid-19 lockdown in NZ

(1) Gross gaming revenue pre-adjustments for significant jackpot wins and/or bonusing
(2) Weekly active customers = unique customer visits to online casino

Other Strategic Projects

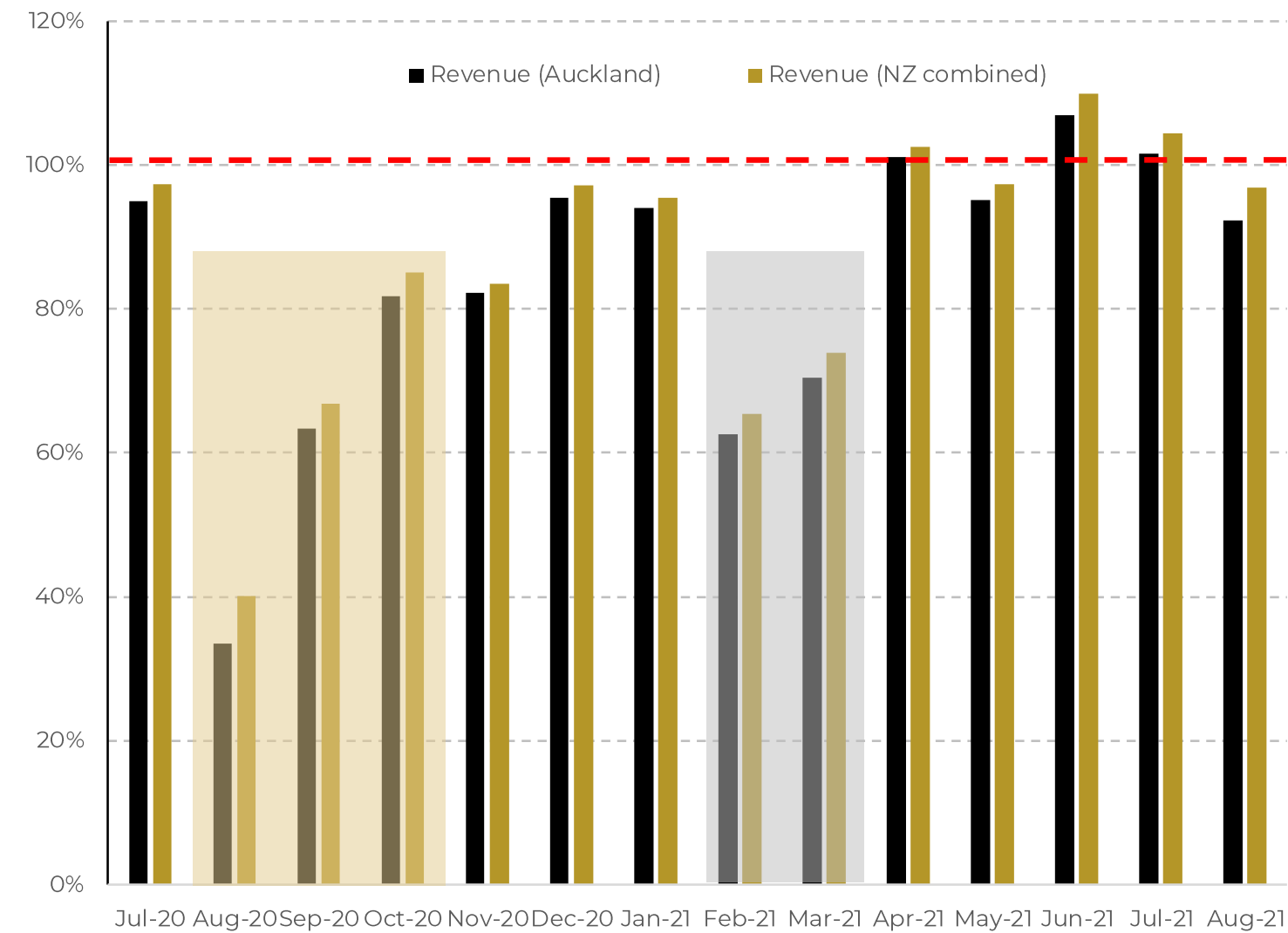


VIP Eight

- Sold e-Sports business Let's Play Live Media (LPL) on 31 August 2021
 - LPL to remain tenant at Auckland (broadcasting studio in Sky Tower)
- Progressing sale of certain other non-core assets (i.e. Little Mindil land in Darwin and non-operational property in NZ)
- Leveraging benefits of investments in Auckland when open
 - Refurbishment of premium gaming rooms
 - New main gaming floor bar (Flare) and food court (Food Republic)
 - All Blacks Experience and Weta Workshop "Unleashed"

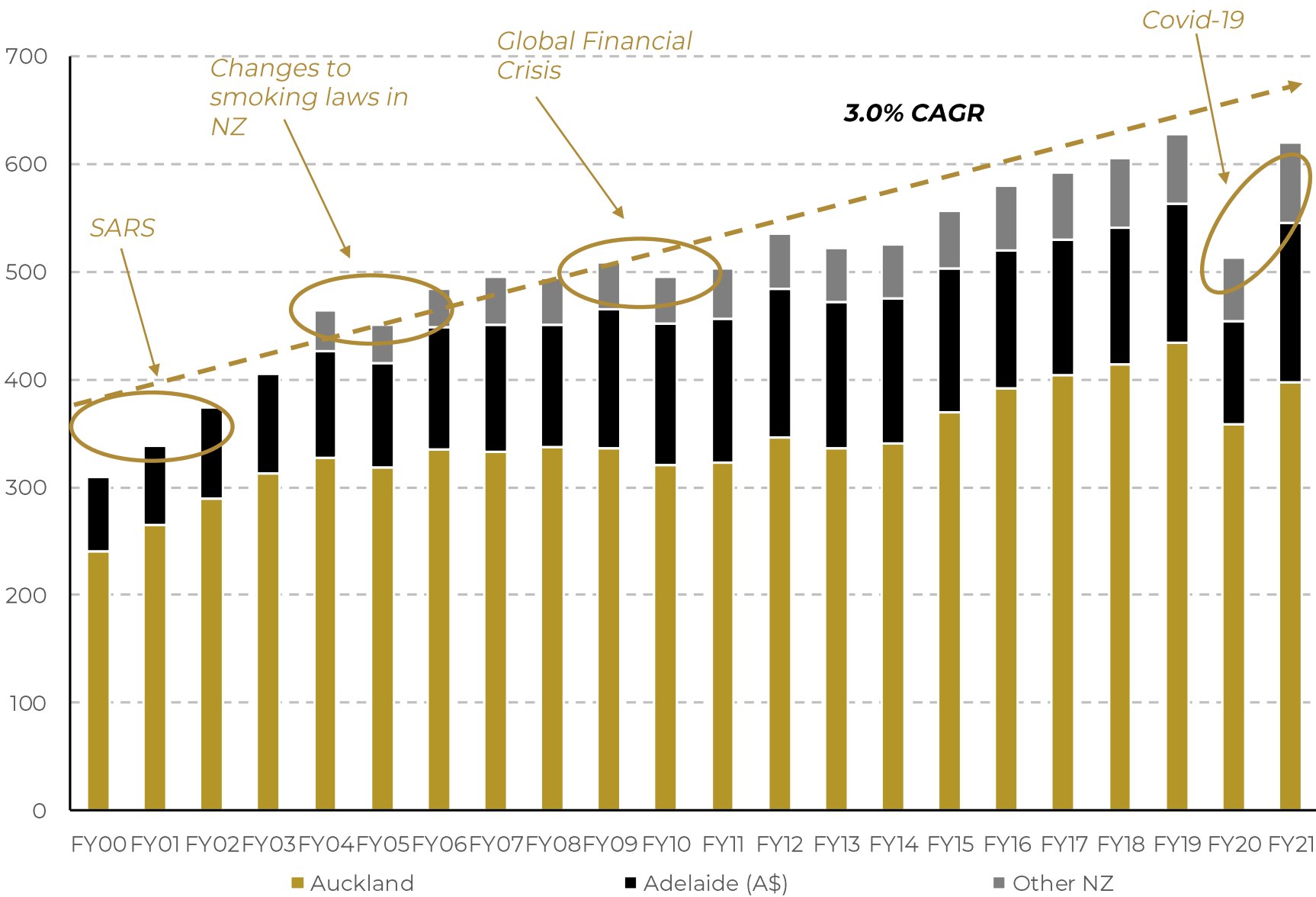
Financial Resilience (1 of 2)

NZ combined revenue vs. pre-Covid-19 average:
July 2020-August 2021 (\$m)⁽¹⁾



- Auckland closed for 19 days during August 2020 (Alert Level 2 for 37 days)
- Hamilton and Queenstown at Alert Level 2 for 41 days
- Auckland closed for 10 days during February/March 2021 (Alert Level 2 for 11½ days)
- Hamilton and Queenstown at Alert Level 2 for 10 days

Group local gaming revenue: FY00-FY21 (\$m)⁽²⁾



(1) Analysed period for August 2021 for 16 days prior to NZ going into Alert Level 4 on 17 August 2021
(2) Excludes gaming revenue from Darwin Casino, Christchurch Casino and other NZ casinos prior to FY04 for comparability

Financial Resilience (2 of 2)

Operations

- Resilient local gaming revenue over the last 20 years (through several cycles)
- Local gaming activity quick to rebound following property closures
 - Trading with no restrictions in-line or above pre-Covid-19 levels during FY21
- Clear pathway for earnings to return to FY19 levels when fully operational (and grow from there)
 - Domestic gaming-led, particularly in Auckland, with benefits of investment in Adelaide and online casino being realised
 - Leveraged to recovery in travel/tourism sector as international borders reopen

Funding

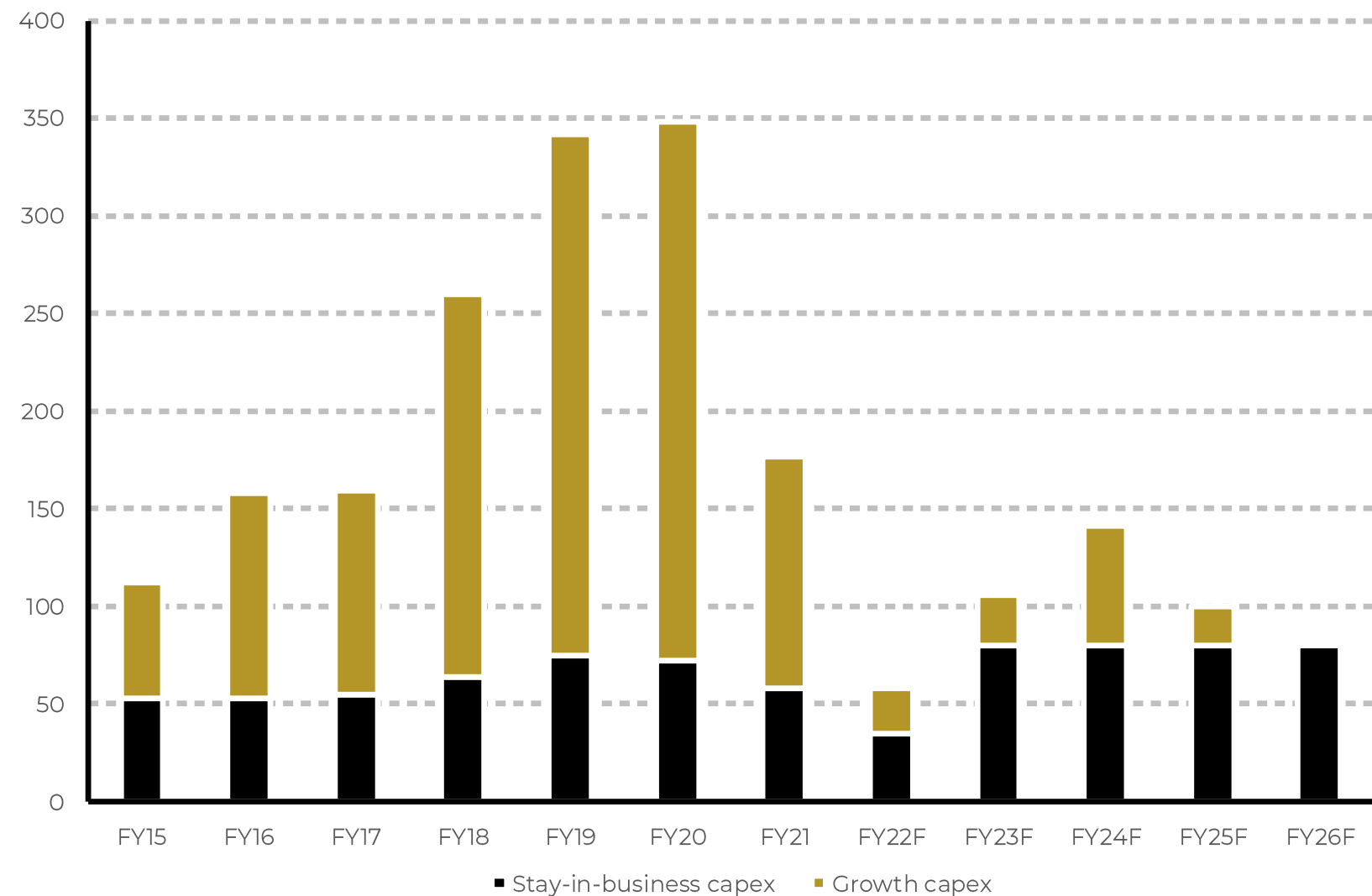
- Balance sheet in strong position
 - Net hedged debt⁽¹⁾ as at 31 October 2021 of \$648m (increase of \$58m from 30 June 2021)
 - Available liquidity of \$230m to fund commitments and withstand one-off events and/or Covid-19 disruptions
 - Significant asset backing with in excess of \$2bn⁽²⁾ land & buildings owned across the Group, mainly in Auckland
- Key terms agreed with financiers for covenant waivers/relief for December 2021 and June 2022 testing periods
 - Full waiver for December 2021 gearing covenant
 - June 2022 gearing covenant to be tested on 2x 2H22 EBITDA basis (as opposed to LTM)
 - Not able to pay dividend whilst in reliance on waivers/relief
 - Expect to finalise documentation with financiers by end of November 2021

(1) Including lease-related liabilities

(2) Market value as at 30 June 2021 which includes NZICC/Horizon Hotel "as built"

Capital Allocation

Total capex⁽¹⁾: FY15-FY26F (\$m)



- Capex peaked in FY19 and FY20
- Adelaide expansion completed
- Around \$120m of net capex remaining on NZICC/Horizon Hotel project
 - Excludes reinstatement costs funded via insurance
- Focused on effective cost and capital discipline
- Ongoing land-based stay-in-business capex of around \$60-80m per annum
 - Required to maintain and refurbish existing properties
 - Significant reduction to FY22 stay-in-business capex
- 5-year (FY15-FY19) average and FY21 free cashflow (pre-capex) around \$250m⁽²⁾

SkyCity transitioning to low-capex cycle post completion of major developments – expect significant cashflow generation as earnings recover

(1) Excludes capex on NZICC/Horizon Hotel reinstatement funded via insurance
(2) Includes annual cash funding costs

Update on Covid-19

- NZ and South Australian Government's strategy to reopening remains fluid
- Auckland at Alert Level 3 (Step 2) – property remains closed
 - Hamilton to reopen at Alert Level 2 on 17 November 2021
 - Rest of NZ (incl Queenstown) at Alert Level 2
- Covid-19 protection framework replacing Alert Level system in NZ
 - Expect Auckland to step into “Red” setting when DHBs meet 90% fully vaccinated target (by late November/early December 2021)
 - Under “Red” setting, event facilities and hospitality (including casinos) able to open with vaccination certificates but with restrictions (similar to Alert Level 2)
 - Rest of NZ to step into framework when all NZ DHBs meet 90% fully vaccinated
 - Domestic travel expected to resume before end of 2021
 - SkyCity to require vaccination certificates for staff and customers for entry to all sites in NZ
 - Regional/national lockdowns not contemplated under framework
- Adelaide open to public, but capacity subject to maximum patronage (around 5k pax)
 - Covid-Safe plan for businesses/public activities expected for the foreseeable future – social distancing, capacity limits, indoor mask wearing etc.
 - Interstate borders with NSW and Victoria expected to reopen during November 2021 for fully vaccinated travelers
- No meaningful international tourism activity expected for duration of FY22
- Online casino net beneficiary of Alert Level escalation in NZ

Trading Update and FY22 Outlook

Trading Update

- FY22 YTD trading impacted by Covid-19 disruptions, particularly in Auckland
 - 1H22 earnings materially impacted by difficult trading conditions
- EBITDA impact of Auckland being closed around \$1m per day
- Queenstown and Adelaide performances subdued when open due to operating restrictions
- Online casino performing strongly (ref. page 14)

FY22 Outlook

- Changeable operating settings and outlook due to Covid-19
 - Unable to provide detailed earnings guidance at this time
- Local gaming businesses in NZ expected to perform well when open
- Focus on leveraging benefits from Adelaide expansion
- Expect continued positive performance from online casino
- Tourism-related businesses to continue to be negatively impacted by international border closures
- Ongoing cost and capital discipline

Key Investment Themes

1

Exclusive casino licences in attractive gaming markets – leading local businesses

2

High-quality/defensive earnings – resilient performance when open

3

Strong financial position and significant asset backing

4

Adelaide expansion and NZICC/Horizon Hotel to underpin medium-term earnings growth – opportunity to become omnichannel operator

5

Positively exposed to expected recovery in gaming, tourism and hospitality sectors

6

Major capital investment programme concluding – strong cashflow generation expected over the medium-term

7

Sustainable business over the long-term



Disclaimer

- All information included in this presentation is provided as at 16 November 2021
- 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 investor's investment objectives or other circumstances. Investors are encouraged to make an independent assessment of SkyCity
- All figures in this presentation are in NZ Dollars (NZ\$) unless otherwise stated

