THE STAR

ASX AND MEDIA RELEASE

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23 February 2023

1H FY23 RESULTS AND CAPITAL STRUCTURE INITIATIVES[1]

1H FY23 REVIEW

- **Queensland properties performed strongly whilst Sydney performance soft**
  - Normalised[2] EBITDA of $200m and normalised net profit of $44m
  - Statutory EBITDA of $200m (excluding significant items) and statutory net loss of $1.26bn (including significant items, which include The Star Sydney impairment of $988m[3])
  - Queensland properties performed strongly throughout the period and achieved record domestic revenues; however, The Star Sydney was impacted by regulatory-driven operational changes and increased competition
  - Gold Coast domestic revenue was up 30% on pre-COVID[4] levels, which was its highest property revenue performance on record. Brisbane domestic revenue was up 9% on pre-COVID[4] levels while The Star Sydney was down 14% on pre-COVID[4] levels
  - Urgent focus during the period on remediation actions to support return to suitability

1H FY23 Financial Highlights	Statutory		Normalised[2]	
	$m	*vs pcp*	*$m*	*vs pcp*
Gross Revenue	1,013	74%	1,013	75%
EBITDA (before significant items)	200	551%	200	579%
EBIT (before significant items)	99	Nmf[5]	99	Nmf[5]
NPAT (before significant items)	44	Nmf[5]	44	Nmf[5]
Statutory NPAT	(1,264)	Nmf[5]	-	-

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[1] This release should be read in conjunction with The Star Entertainment Group Limited's 1H FY23 Results Presentation and Directors' Report and Financial Report for the six months ended 31 December 2022 and, to the extent relevant, The Star's Capital Structure Initiatives and Equity Raising Investor Presentation announced today (**Investor Presentation**)
[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] Reflects recent operational and regulatory changes, and proposed increases to casino duty rates. For further information see 'Legislative and regulatory changes' and 'Taxation risks and casino duty rates' in the 'Key risks' section of Investor Presentation on pages 34 and 37
[4] Pre-COVID comparator period is financial year ended 30 June 2020 (**FY20**)
[5] Not meaningful

- **FY23 earnings outlook**
  - As previously disclosed, FY23 underlying EBITDA is expected to be $330m to $360m[6]
  - This includes estimated remediation costs of $35m to $45m (~50% expected to be recurring from FY24)
  - Business improvement initiatives are estimated to contribute ~$40m to the Group's operating performance on an annualised basis in the future (not included in FY23 guidance)
- **Capital structure initiatives**
  - The Star has today announced the following capital structure initiatives:
    - **Equity Raising:** $800m equity raising, comprised of a ~$685m 3 for 5 pro rata accelerated non-renounceable entitlement offer and a ~$115m institutional placement
    - **Covenant Relief**: Covenant relief secured from both bank lenders and USPP noteholders through to June 2025[7]
  - Net proceeds from the Equity Raising will be used to repay debt and increase liquidity
  - Capital structure initiatives provide increased financial flexibility to meet capital requirements provisioned for and help navigate a range of operating and regulatory uncertainties

THE STAR SYDNEY

- Trading performance has been adversely impacted by several factors, including increased operating restrictions and strengthened controls from mid-September 2022 following the Bell Review and amendments to the NSW Casino Control Act. This saw an increase in the number of excluded patrons and a reduced level of complimentary services and benefits in private gaming areas, impacting both EGMs and table games performance
- The Star Sydney has also been impacted by increased competition and a step-up in remediation costs
- Domestic revenue was down 14% on pre-COVID[8] levels with EGMs up 1%, tables down 22% and non-gaming revenue down 10%
- Normalised EBITDA was $87m[9] and normalised EBIT was $30m[9]

Normalised[10]	**1H FY23** ***$m***	**1H FY22** ***$m***	***vs pcp***
Gross Revenue	541	239	127%
EBITDA[9]	87	(25)	Nmf[11]
EBIT[9]	30	(84)	Nmf[11]

[6] Dependent upon a number of factors which are uncertain at this time. For further information see '2H FY23 Trading Update and FY23 outlook', below
[7] Covenant relief is conditional on completion of the announced Equity Raising. The Group obtained an amendment from USPP debt holders to exclude the financial impact of penalties on covenants at 31 December 2022
[8] Pre-COVID comparator period is FY20
[9] Earnings are not directly comparable to the pcp given the closure of The Star Sydney from 1 July 2021 to 10 October 2021
[10] 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
[11] Not meaningful

THE STAR GOLD COAST

- Domestic revenue was up 30% on pre-COVID[12] levels, which was its highest property revenue performance on record
- Record performances across EGMs, main tables, food & beverage and hotels
- EGM revenue up 36% and tables down 11% on pre-COVID[12] levels
- Non-gaming revenue up 67% on pre-COVID[12] levels with new amenities and the return of domestic tourism and The Star's conferencing business on the Gold Coast
- Normalised EBITDA of $66m, up 157% on pcp, and normalised EBIT of $36m

Normalised[13]	1H FY23 *$m*	1H FY22 *$m*	*vs pcp*
Gross Revenue	276	180	53%
EBITDA	66	26	157%
EBIT	36	(5)	Nmf[14]

BRISBANE

- Domestic revenue was up 9% on pre-COVID[12] levels
- Record performances across EGMs, main tables and hospitality
- Normalised[13] EBITDA of $46m, up 60% on pcp, and normalised EBIT of $33m

Normalised[13]	1H FY23 *$m*	1H FY22 *$m*	*vs pcp*
Gross Revenue	196	161	22%
EBITDA	46	29	60%
EBIT	33	15	115%

BALANCE SHEET AND CAPEX (BEFORE CAPITAL STRUCTURE INITIATIVES)

- Net debt of $1.11bn as at 31 December 2022
- Gearing of 2.7x (Net Debt / LTM EBITDA) as at 31 December 2022
- Liquidity on hand of $554m in cash and undrawn facilities as at 31 December 2022
- No interim dividend declared[15]
- 1H FY23 capex of $76m; well below D&A of $101m over the same period
- FY23 capex guidance remains ~$150m in addition to projected JV equity contributions of ~$115m[16]
- Significant items of $1.3bn as at 31 December 2022 include impairment of the Sydney goodwill and property assets, penalties and costs associated with the ongoing regulatory reviews (legal, consultants and other costs)

[12] Pre-COVID comparator period is FY20
[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% on actual turnover, taxes and revenue share commissions and are before significant items
[14] Not meaningful
[15] Dividends suspended until The Star reaches its long term target leverage range of 2.0x-2.5x, returns to suitability and all of the Group's casino licences are in full force and effect. For further information see 'Dividends and other distributions may fluctuate or may not be paid' in the 'Key risks' section of Investor Presentation on page 53
[16] Includes an additional equity contribution for Queen's Wharf Brisbane and Gold Coast Tower 2

- Sydney impairment reflects operational changes and strengthened controls implemented following the Bell Review and amendments to the NSW Casino Control Act, and the proposed increase in NSW casino duty rates from FY24[17]

2H FY23 TRADING UPDATE AND FY23 OUTLOOK

- Consistent with the earnings guidance of 13 February 2023, early 2H FY23 trading is broadly consistent with 2Q FY23:[18]
  - **Gold Coast**: domestic revenue up 24% vs. pre-COVID
  - **Brisbane**: domestic revenue up 5% vs. pre-COVID
  - **Sydney**: domestic revenue down 17% vs. pre-COVID
  - **Group**: domestic revenue down 4% vs. pre-COVID
- As previously disclosed, based on current trading performance and the outlook for the remainder of the second half, FY23 underlying EBITDA is expected to be $330m to $360m
- The end of year position will be dependent upon a number of factors which are uncertain at this time, including regulatory settings relating to complimentary services in The Star Sydney's private gaming areas, the level of inbound international tourism, and general consumer discretionary spending behaviour
- The guidance includes estimated remediation costs of $35m to $45m in FY23, of which ~50% are expected to be recurring from FY24
- The guidance is provided on the basis that market conditions and the regulatory environment do not materially change
- The Star intends to implement a number of focused operational initiatives designed to improve its trading performance, which are estimated to contribute ~$40m to the Group's operating performance (on an annualised basis), including:
  - Uplifting The Star Sydney's revenue performance
  - Implementing measures to improve The Star Sydney's operating efficiency and cost control
  - Enhancing the customer experience at The Star Sydney
  - Actions to respond to the Group's competitive position in Sydney including loyalty benefits and pricing
- These initiatives are expected to contribute only marginally in the last quarter of the FY23 period, and no impact is assumed in the above FY23 guidance
- The Group will continue its urgent focus on remediation actions to support The Star's return to suitability. In this regard, The Star has paused the work of Allen & Overy until such time as there is a regulator approved or endorsed remediation plan as outlined in The Star's announcement on 24 November 2022

[17] See 'NSW Casino Duty Rates', below
[18] Pre-COVID comparator period is FY20

NSW CASINO DUTY RATES

The Star and the NSW Government are in discussions on the implementation of the proposed changes to NSW casino duty rates.

The Star understands the proposed changes will require legislation to be passed by the NSW Parliament, unless the NSW Government and The Star reach agreement.

It is uncertain to what extent the announced amendments may change. For this reason, there is also uncertainty about the impact of the proposed tax changes on The Star's operations in NSW. The changes as currently proposed are likely to have a significant impact on The Star's earnings and operations.

CAPITAL STRUCTURE INITIATIVES

Today, The Star has announced the following capital structure initiatives:

- **Equity Raising:** $800m equity raising, comprised of a ~$685m 3 for 5 pro rata accelerated non-renounceable entitlement offer and a ~$115m institutional placement
- **Covenant Relief:** Covenant relief secured from both bank lenders and USPP noteholders through to June 2025[19]

Net proceeds from the Equity Raising will be used to repay debt and increase liquidity:[20]

- Pro forma Net Debt of $341m (reduction of $770m) as at 31 December 2022
- Pro forma Net Debt / normalised EBITDA of 0.8x (reduction of 1.9x) as at 31 December 2022
- Pro forma liquidity of $754m (increase of $200m) as at 31 December 2022

The Star's strategic partners, Chow Tai Fook Enterprises Limited and Far East Consortium International Limited, have provided binding pre-commitments for approximately $80m, which equates to their functional pro-rata entitlement in the Equity Raising. The balance of the Equity Raising is underwritten.

These capital structure initiatives provide increased financial flexibility to meet capital requirements provisioned for and navigate a range of operating and regulatory uncertainties.

The Star will target 2.0x – 2.5x leverage over the long-term, with an ongoing focus on capital structure optimisation, refinancing initiatives, asset monetisation and liquidity position.

Dividends will be suspended until The Star reaches its long-term target leverage range of 2.0x – 2.5x, returns to suitability and all of the Group's casino licences are in full force and effect.[21]

PRIORITIES FOR THE YEAR AHEAD

Remediation Measures

- Comprehensive and urgent focus on remediation actions
- Repair and strengthen The Star's relationships with relevant regulators and other stakeholders in NSW and Queensland
- Take steps to remediate and return to suitability to hold casino licences in NSW and Queensland
- Complete new senior executive and Board appointments

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[19] Covenant relief is conditional on completion of the Equity Raising. The Group obtained an amendment from USPP debt holders to exclude the financial impact of penalties on covenants at 31 December 2022

[20] Pro forma as at 31 December 2022. Net debt shown as interest bearing liabilities (excluding lease liabilities of $40m) less cash and cash equivalents ($109m) less the net impact of derivative financial instruments ($45m). EBITDA shown on a trailing 12 months basis, excluding significant items. Pro forma liquidity position includes $109m of cash and $645m of pro forma undrawn bank facilities

[21] For further information see 'Dividends and other distributions may fluctuate or may not be paid' in the 'Key risks' section of the Investor Presentation on page 53

Operations

- Continue discussions with the NSW Government in relation to the implementation of the proposed increases in casino duty rates in NSW
- Secure competitive neutrality with respect to operating conditions in Sydney
- Manage the competitive impact in Sydney
- Refocus on operating efficiencies, including earnings enhancements in Sydney

Major Projects

- Queen's Wharf Brisbane – progress construction, manage costs and any further construction delays, prepare for the proposed phased opening of the precinct and progress any applicable claims (including between DBC and the contract builder)
- Gold Coast – progress the construction of Tower 2
- Sydney – assess potential development opportunities

Asset Sales

- Seek to sell non-core assets
- Complete the sale of the Treasury Brisbane buildings and the Union St Pyrmont property
- Undertake the sale of the Sheraton Grand Mirage Resort Gold Coast
- Explore opportunities to unlock the underlying value of the Group's property portfolio

COMMENTARY

Group CEO and Managing Director, Robbie Cooke said:

"*We have been pleased with the ongoing strength of trading across our Queensland-based properties while trading at The Star Sydney has been impacted by operational changes associated with the outcome of the Bell Review and increased competition.*

Our focus has been and remains on working constructively with our regulators and the NSW Manager and Queensland Special Manager to urgently remediate our businesses as we seek to return to suitability.

Our key priority is to regain the trust and confidence of our community and demonstrate to our regulators that we are suitable to hold our casino licences. To that end, we continue to support the NSW Premier's industry-wide initiatives around cashless gaming and improved harm minimisation."

For further information:

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KEY FINANCIALS – SIX MONTHS TO 31 DECEMBER 2022

Statutory[22]		***vs pcp***
Gross Revenue	$1,013m	74%
EBITDA	$200m	551%
EBIT	$99m	Nmf[23]
NPAT	($1,264m)	Nmf[22]
Earnings Per Share[24]	(133.2 cps)	Nmf[22]
Normalised[25] **(Underlying)**		***vs pcp***
Gross Revenue	$1,013m	75%
- Sydney	$541m	127%
- Gold Coast	$276m	53%
- Brisbane	$196m	22%
EBITDA	$200m	579%
- Sydney	$87m	Nmf[22]
- Gold Coast	$66m	157%
- Brisbane	$46m	60%
EBIT	$99m	Nmf[22]
- Sydney	$30m	Nmf[22]
- Gold Coast	$36m	Nmf[22]
- Brisbane	$33m	115%
NPAT (after equity accounted investments)	$44m	Nmf[22]
Dividend per share		
Total dividends per share (fully franked)	N/A	N/A
Balance sheet		
Gross Debt	$1,305m	
Net Debt[26]	$1,111m	
Net Debt / EBITDA (statutory)	2.7x (Net Debt / LTM EBITDA)	
Net Debt / EBITDA (normalised)	2.7x (Net Debt / LTM EBITDA)	

[22] 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 A5 of the Financial Report for a reconciliation of significant items
[23] Not meaningful
[24] Earnings per share based on weighted average number of shares on issue
[25] 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. 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 A5 of the Financial Report for a reconciliation of significant items
[26] Net debt shown as interest bearing liabilities (excluding lease liabilities of $39.8m), less cash and cash equivalents less the net impact of derivative financial instruments

Important Notice

This announcement contains certain “forward-looking statements”. The words “forecast”, “estimate”, “likely”, “anticipate”, “believe”, “expect”, “project”, “opinion”, “predict”, “outlook”, “guidance”, “intend”, “should”, “could”, “may”, “target”, “plan”, “project”, “consider”, “foresee”, “aim”, “will”, “seek” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements, and include statements in this announcement regarding the potential impact of regulatory outcomes and pecuniary penalties, class action proceedings (and any contingent liabilities associated with those matters), the outcome of the Equity Raising, the use of proceeds, the future performance of The Star, The Star’s outstanding debt, and The Star’s outlook for financial year ending 30 June 2023 (**FY23**).

Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of The Star and its related bodies corporate and affiliates and each of their respective directors, officers, employees, partners, consultants, contractors, agents, advisers and representatives. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

Investors are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the significant volatility, uncertainty and disruption caused by the regulatory issues impacting The Star.

Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may vary materially from those expressed or implied in those statements and any projections and assumptions on which these statements are based. These statements may assume the success of The Star’s business strategies including following completion of the Equity Raising, the success of which may not be realised within the period for which the forward-looking statements may have been prepared, or at all.

No guarantee, representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns, statements or tax treatment in relation to future matters contained in this announcement. The forward-looking statements are based only on information available to The Star as at the date of this announcement. Except as required by applicable laws or regulations, none of The Star, its representatives or advisers undertake any obligation to provide any additional or updated information or revise the forward-looking statements or other statements in this announcement, whether as a result of a change in expectations or assumptions, new information, future events, results or circumstances.

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This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. This announcement should not be distributed or released in the United States.

Neither the entitlements nor the new ordinary shares of The Star (**New Shares**) have been, or will be, registered under the U.S. Securities Act of 1933, as amended (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up by, and the New Shares may not be offered or sold, directly or indirectly, in the United States or to any person acting for the account or benefit of a person in the United States (to the extent that the person holds shares for the account or benefit of a person in the United States), except in transactions exempt from, or not subject to the registration requirements of the U.S. Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States.

Financial information

Pro forma financial information. This announcement contains pro forma historical financial information to show the impact of the Equity Raising. The pro forma information has not been audited or reviewed by The Star’s auditors. The pro forma financial information provided in this announcement is for illustrative purposes only and is not represented as being indicative of The Star’s (nor anyone else’s) views on its future financial condition and/or performance. The pro forma financial information has been prepared on the basis set out in the Investor Presentation. Investors should note that the pro forma financial information has not been prepared in accordance with, and does not purport to comply with, Article 11 of Regulation S-X under the U.S. Securities Act.

Non-IFRS measures. Investors should also be aware that certain financial measures included in this announcement are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC and also 'non-GAAP financial measures' within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under AAS and International Financial Reporting Standards (**IFRS**). For example, management believes that normalised results reflect the underlying performance of the business and are used internally by management to assess the performance of the business. Significant items are excluded from the normalised results.

Those non-IFRS financial information/non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information/non-GAAP financial measures may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS.

Investors are cautioned not to place undue reliance on any non-IFRS financial information/non-GAAP financial measures included in this announcement. Non-IFRS measures and current trading information for FY23 have not been subject to auditor or review.