

SKYCITY Entertainment Group Limited

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1 May 2019

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)
MACQUARIE INVESTMENT CONFERENCE PRESENTATION, INCLUDING
TRADING UPDATE**

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

The investor presentation includes a trading update on pages 18 and 19.

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

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Yours faithfully



Jo Wong
Company Secretary

SKYCITY Entertainment Group Limited Macquarie Investment Conference Sydney

Investor Presentation
1 May 2019



SKYCITY Overview

- Owner and operator of gaming, entertainment and hospitality facilities in New Zealand and Australia
- Long-term exclusive casino licences
- Two major projects – NZICC/Horizon Hotel and Adelaide expansion
- Listed on NZX and ASX with current market capitalisation of ~\$2.7bn
- Investment grade BBB- credit rating from S&P
- Strong focus on corporate social responsibility
- Significant experience in developing and operating integrated entertainment precincts
- Experienced senior management team

Our Business

Location	Licences	Activities Summary
Auckland, New Zealand	Exclusive casino licence to 2048*	1,877 EGMs, 150 tables, 240 ATGs ~630 hotel rooms ~20 restaurants and bars ~3,000 employees
Hamilton, New Zealand	Exclusive casino licence to 2027*	339 EGMs, 23 tables ~400 employees
Queenstown, New Zealand	SKYCITY Queenstown Casino licence to 2025* Wharf Casino Casino licence to 2024*	SKYCITY Queenstown 86 EGMs, 12 tables Wharf Casino 74 EGMs, 6 tables ~100 employees
Adelaide, South Australia, Australia	Exclusive casino licence to 2035 (for entire state of SA) Full casino licence term to 2085	828 EGMs ¹ , 82 tables ² , 67 ATGs ~1,200 employees 1) Allowance for 1,500. 2) Allowance for 200

Diversified business by activity and geography – currently ~3,100 EGMs, ~270 tables, ~630 hotel rooms and ~5,000 employees across the group

*SKYCITY can apply to renew a New Zealand casino venue licence for further periods of 15 years under the Gambling Act (NZ)

Our Locations



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



*Exclusive casino licence to 2048**



*Exclusive casino licence to 2027**



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

Long-term exclusive casino licences secured in all jurisdictions

*SKYCITY can apply to renew a New Zealand casino venue licence for further periods of 15 years under the Gambling Act (NZ)

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/skill-based 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’

VISION

To be the leader in gaming, entertainment and hospitality in our communities

BUSINESS GOALS



Improve our operating performance



Optimise our existing portfolio



Grow and diversify our business

CHARACTER & CULTURE GOALS



Offer a great and safe place to work

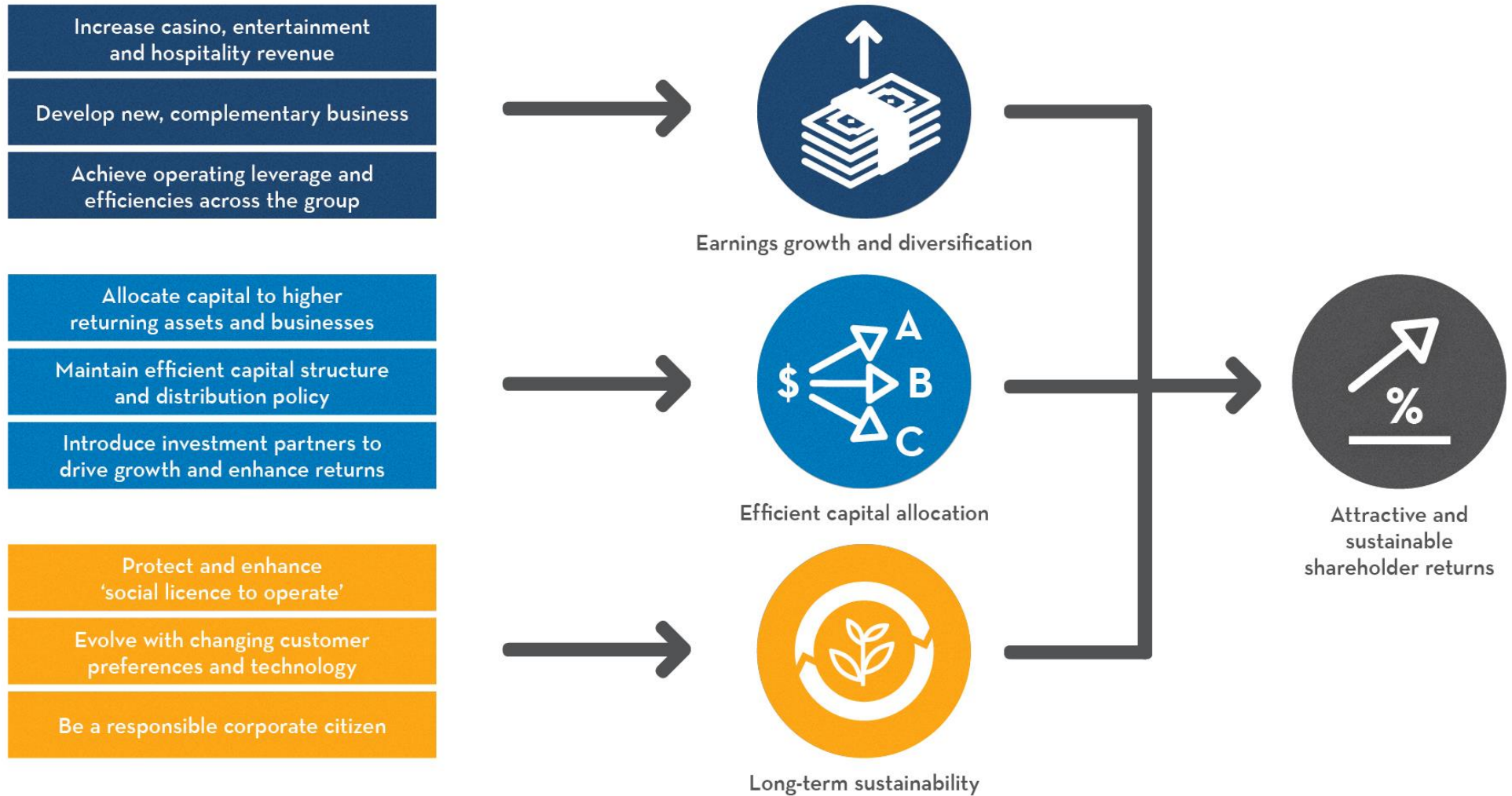


Always put customers first



Be responsible leaders in our communities

Creating Long-Term Value



Corporate Social Responsibility Priorities



OUR PEOPLE

Inspire our People - A great place to work where our people are empowered to grow and achieve

OUR CUSTOMERS

Host Responsibly - Ensuring safe and enjoyable experiences for our customers, staff and our communities



OUR COMMUNITIES

Develop and Contribute to our Communities - Serving a social purpose by investing in the local economies and communities in which we operate

OUR ENVIRONMENT

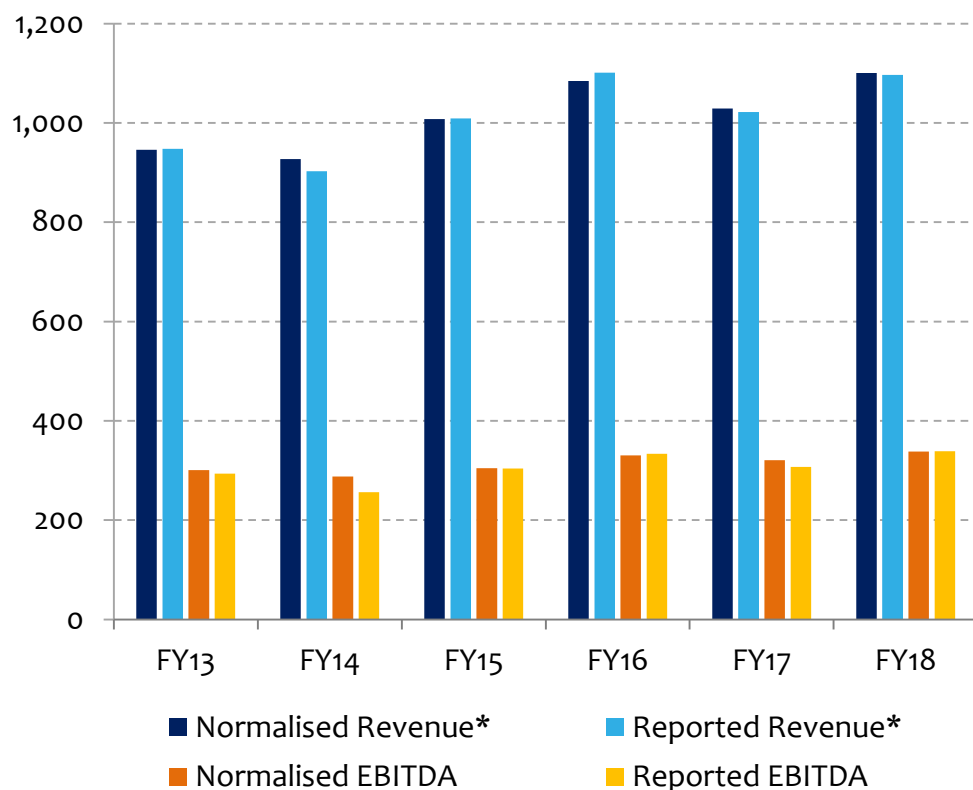
Conserve the Environment - Reducing our environmental footprint



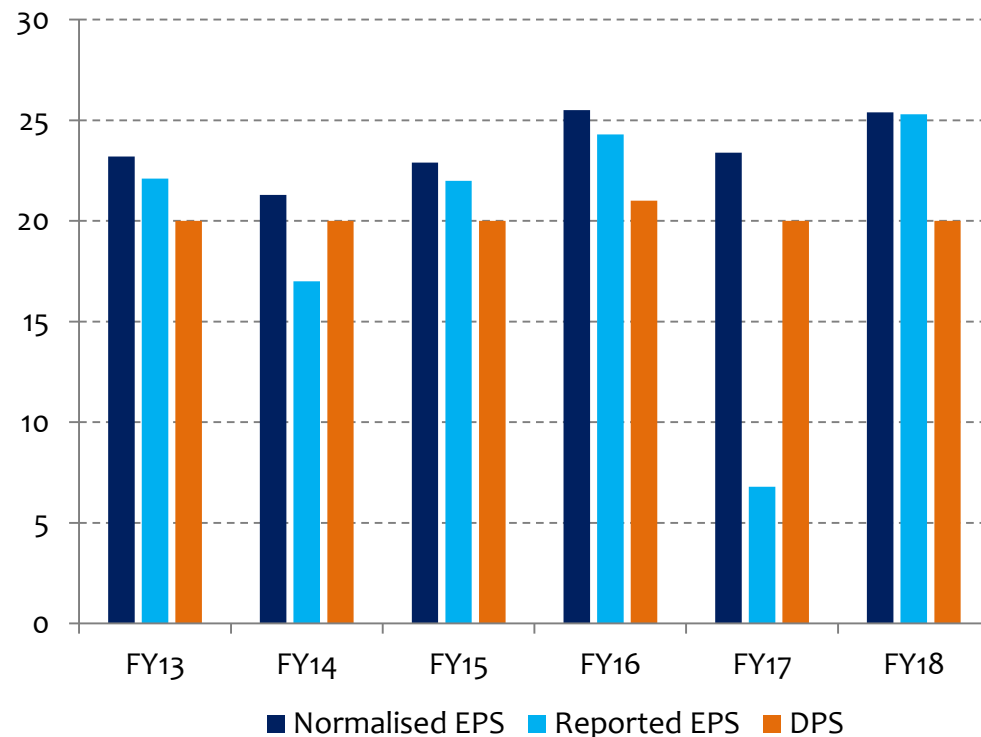
OUR SUPPLIERS

Source Ethically and Responsibly - Sourcing responsibly and locally

Group Revenue and EBITDA: FY13–FY18 (\$m)



Group EPS and DPS: FY13–FY18 (cps)



Stable earnings over last 5-6 years with attractive dividend yield (5-6%)

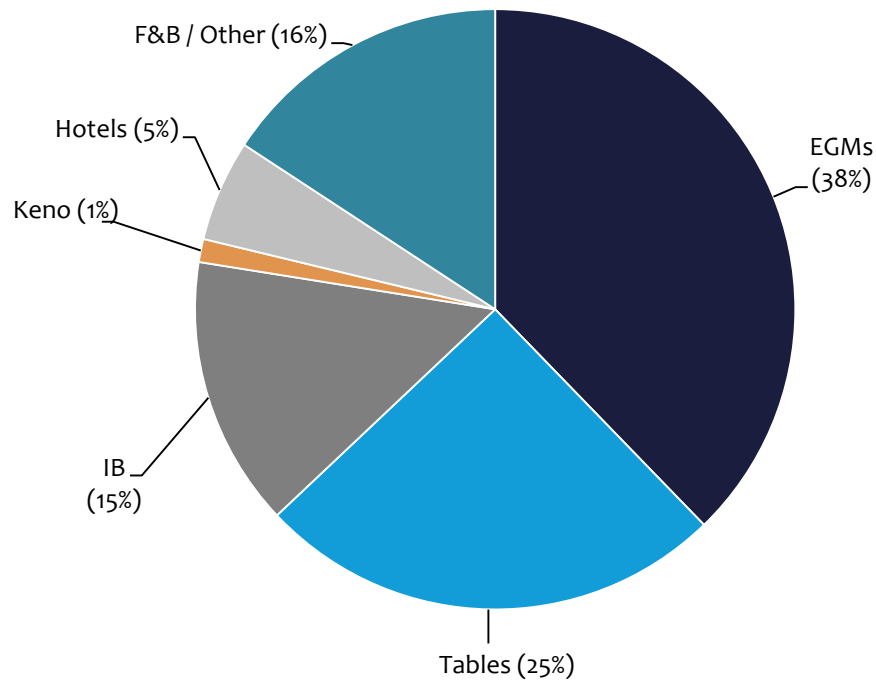
* Including Gaming GST

Note: Reconciliation between normalised and reported results for each of the periods quoted above (FY13-FY18) can be found in various investor presentations on SKYCITY's corporate website

Key Value Drivers

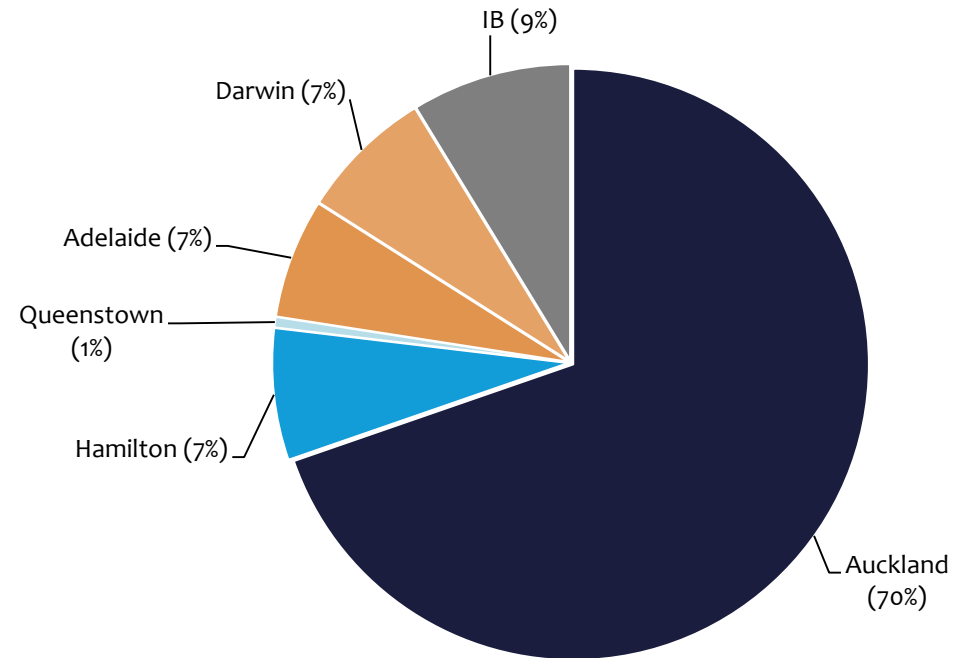
FY18 group revenue by business activity (%):

Group reported revenue¹ = \$1,097m



FY18 group EBITDA by property (%):

Group reported EBITDA² = \$339m



Local gaming (EGMs and Tables) is the key value driver for the group

Diversified business geographically, yet Auckland generates over 70% of group EBITDA

(1) Including Gaming GST

(2) EBITDA before corporate costs but after gaming taxes + restated corporate costs / operating expenses to reconcile to FY18 investor presentation. Includes SKYCITY Darwin which was sold to Delaware North for A\$188m on 4 April 2019

Capital Allocation Framework

Overview

- Committed to maintaining BBB- credit rating and current dividend policy (20cps or 80% of normalised NPAT)
- Priorities for allocation of capital (in order) – stay-in-business capex, growth investments, debt repayments, dividends, capital returns
- Growth investments required to achieve internal return benchmarks – 12% post-tax IRR and 9% post-tax ROIC (year 3)
- Focused on capital discipline and improving returns

Capital management

- Bank debt fully repaid at 30 April following Darwin sale and Federal Street car park sale, leaving \$470m of fixed term debt
- On-market buy-back commenced during April
 - Board approval to buy up to \$50m of shares
 - Expect to buy more shares (up to 5% of total shares) once Auckland car park concession sale settles
 - As at 30 April, have bought \$3m of shares at average price of \$3.97
 - Buy-back expected to partially offset EPS dilution from asset sales and be value-enhancing for shareholders

Optimise Our Existing Portfolio

- Sale of Federal St car park (\$40m) now settled
- Binding agreement to sell long-term concession over car parks in Auckland to Macquarie Principal Finance for \$220m
 - Care Park appointed by Macquarie to operate car parks
 - Transaction value enhancing for SKYCITY – sale price implies FY20 EBITDA multiple of 12.5x
 - Plan to recycle capital into higher returning investments and strategic opportunities
 - Expect transaction to settle by 31 July 2019, following satisfaction of certain conditions
- Sale of Darwin (A\$188m) to Delaware North now settled
 - Little Mindil (adjacent beach front land) currently under conditional offer (A\$11m book value)



Optimise Our Existing Portfolio (cont.)

- Ongoing concept development and feasibility analysis for Auckland master planning
 - Opportunities for further accommodation, F&B, new gaming spaces and entertainment
 - Intend to introduce development partners to unlock value in precinct
- Land acquired for future hotel development in Queenstown – OIO application being reviewed
- Progressing master plan in Hamilton to leverage riverbank opportunity
 - Includes potential hotel development, F&B and entertainment
 - EGM business capacity constrained during peak periods
 - Applied to Gambling Commission for change in product mix (3 tables for 60 EGMs)



NZICC and Horizon Hotel Project

- Significant investment in future of Auckland – NZICC, 300 room/5 star hotel, additional car parks and F&B/retail
- Investment to support growth in tourism expenditure from international/domestic visitors
- ~30-year casino licence extension (to 2048) to underpin long-term value for property
- Contractual completion deadlines passed for both NZICC and Horizon Hotel
 - Expect Horizon Hotel to complete within 12 months
 - Expect NZICC to open in second half of 2020
- Subject to resolving ACP claim, total project cost for SKYCITY (net of liquidated damages) not expected to be materially above original budget (\$703m)



Adelaide Expansion

- Plan to transform the Adelaide Casino
- Riverbank precinct to be centre of entertainment in Adelaide
- Significant opportunity to grow market share and turn around underperforming casino
- Project on-time and on-budget
- Total project costs remain at A\$330m (including contingency)
- Expect adjacent car park to be opened contemporaneous with expansion in 1H21 (September 2020)
- Master planning continues for existing building – new F&B venue to open in 2019
- New Adelaide GM (David Christian) brings significant experience in managing integrated casino and hospitality properties



Adelaide Riverbank Precinct



Other Growth Opportunities

- Progressing strategy to grow hotel business
 - Medium-term focus on existing casino precincts (i.e. Auckland, Hamilton, Queenstown)
 - Remain keen to introduce investment partner for existing and new hotels
- Online casino strategy well progressed
 - Led by Online Director (Steve Salmon)
 - Close to confirming offshore partner
 - Support future regulation in NZ
- Non-gaming attractions/partnerships secured for Auckland (e.g. All Blacks, Weta)
 - Ensure long-term relevance and attract new customers (i.e. families, millennials)
 - Further opportunities for F&B and entertainment being considered



Group

- As previously indicated, domestic and international economic environment becoming more challenging including increased cost pressure
- YTD to 28 April 2019:
 - Group normalised revenue up 4% vs. pcip (up 6% excluding Darwin)
 - Domestic revenue (ex IB) flat vs. pcip (up 2% excluding Darwin)
 - Group reported revenue down 2% vs. pcip due to low IB win rate (flat excluding Darwin)

New Zealand

- 2H19 YTD revenue in Auckland was slightly up vs. pcip – positive EGM activity (revenue +8%) offset by weaker table games and non-gaming performance (in particular hotels)
- Stable revenue performance in Hamilton in 2H19 YTD vs. strong comparative period

Australia

- Weaker revenue performance in Adelaide in 2H19 YTD due to increased disruption from construction works
- Darwin (now sold) slightly below expectations in 3Q19 due to continuation of challenging economic conditions

International Business

- YTD IB turnover of \$11.6bn (+33% vs pcip) – growth rates moderating in 2H19 YTD due to stronger comparatives
- Still expect to achieve turnover of around \$13– \$14bn for FY19
- YTD win rate of 0.90% vs. theoretical of 1.35%

- Given 2H19 YTD trading and earlier settlement of Darwin sale, now expect group normalised EBITDA to be flat for FY19 vs. pcg
- Excluding Darwin for all of FY18 and FY19, expect FY19 group normalised EBITDA to be up around 2% vs. pcg
- Group normalised NPAT for FY19 expected to be slightly below the pcg (previously slightly above), reflecting increase in effective tax rate (\$6m impact)
- Difficult to provide guidance for FY19 reported earnings due to unpredictability of IB win rate and uncertainty around other non-recurring items (e.g. gain from Auckland car park concession sale)

Key Investment Themes

1

Significant opportunity to unlock value by leveraging strong platform (exclusive long-term licences)

2

High quality of earnings – low downside risk with positive medium-term earnings outlook

3

On-going focus on effective capital allocation and improving returns

4

Focus on leveraging and maximising existing assets/casino licences

5

Strong management team in place – energised, focused on execution and delivery

6

Executing strategic plan

- All information included in this presentation is provided as at May 2019
- 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

