

3 June 2020

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RE: SKYCITY ENTERTAINMENT GROUP LIMITED (SKC)
UPDATE ON COVID-19 IMPACTS AND RECENT TRADING

Please find **attached** an update on the impacts of COVID-19 and recent trading following the re-opening of the company's New Zealand properties (excluding Wharf Casino) on 14 May 2020.

Authorised by:



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MARKET RELEASE

SkyCity Entertainment Group Limited (SKC.NZX/SKC.AX)

3 June 2020

Update on COVID-19 Impacts and Recent Trading

Trading Update Since Re-Opening

As previously announced, SkyCity re-opened its New Zealand casino, entertainment and accommodation facilities in Auckland, Hamilton and Queenstown (excluding the Wharf Casino) on 14 May 2020.

Trading has been encouraging at the New Zealand properties in the period to 31 May 2020 (which included the Queen's Birthday weekend), led by good performances from the gaming businesses in Auckland and Hamilton. Key features of trading over this 18-day period have been:

- The domestic gaming businesses in Auckland and Hamilton have achieved good performances, ahead of internal expectations, particularly in electronic gaming machines (EGMs), despite limited capacity, restrictions around mass gatherings and physical distancing requirements. EGM revenues in Auckland and Hamilton over the period represented 80% (on a like-for-like basis) of the average daily revenue in the eight months to 29 February 2020. Table revenues have been improving from a slow start (reflecting physical distancing requirements) and recent performance (in the last week) in Auckland reflects a return to around 50% of normal domestic business.
- Hotel occupancy has averaged around 32% over the period, with much higher occupancy on weekends (up to 90%) due to special offers to customers. Average room rates are currently around 35% lower than pre COVID-19 rates.
- Food and beverage revenues have been growing steadily in line with expectations, but remain significantly below pre COVID-19 levels.
- The revenues achieved, coupled with tight cost control, have resulted in the Auckland and Hamilton properties being profitable and cash positive over the period. The New Zealand Government's wage subsidy continues to be helpful in supporting staff that will only be fully deployed when the country moves to Alert Level 1.
- SkyCity Online Casino continues to trade strongly with over 21,000 customer registrations as at 31 May 2020 and was profitable in April and May 2020.

The health and safety of customers and staff remains a key focus and SkyCity is committed to adhering to the Ministry of Health's guidelines for operating at Alert Level 2 in New Zealand. Consequently, entry to all SkyCity's New Zealand casinos continues to be

restricted to SkyCity Premier Rewards members only pending further guidance from the Ministry of Health.

Moving to Alert Level 1 in New Zealand

The New Zealand Government recently signalled that the Alert Level 2 settings will be reviewed on 8 June 2020 and that a decision on moving to Alert Level 1 will be considered no later than 22 June 2020. At Alert Level 1, restrictions on mass gatherings and physical distancing requirements are expected to be further relaxed, which may allow events, promotions and promotional draws to recommence at SkyCity's New Zealand properties.

Although international travel borders are expected to remain closed at Alert Level 1, the reopening of the trans-Tasman border between New Zealand and Australia appears increasingly likely over the next few months.

Staff Restructuring in New Zealand

Although early trade has been positive, SkyCity still expects that its business will be smaller and domestically focused for the short to medium term and, therefore, its employee base needs to be downsized to reflect this.

SkyCity is part-way through a consultation process on a proposal to reduce its New Zealand workforce by around 700 rostered (waged) employees (as previously flagged to the market on 12 May 2020), which is intended to ensure that SkyCity's businesses are well prepared to operate in the new post COVID-19 environment. This restructure is expected to be completed by the middle of June 2020.

SkyCity expects total annualised cost savings of around \$50 million once the full restructuring has been implemented for both salaried employees and rostered (waged) employees (around 900 in total).

Re-Opening of Adelaide Casino

SkyCity's Adelaide Casino remains closed. However, based on the South Australian Government's current three-stage approach to easing the COVID-19 restrictions, SkyCity expects to be able to re-open some food and beverage outlets from next week and Adelaide Casino in late June or early July 2020.

Development works on the Adelaide Casino expansion project and associated master planning projects continue to progress well and remain on-budget and on-time.

Funding Plan

As previously flagged, SkyCity continues to progress the development of a funding plan to support the business over the medium-term. SkyCity expects to finalise its funding plan over the next few weeks after taking into account the trading performance of its New Zealand properties since re-opening.

SkyCity continues to have a strong liquidity position with around \$330 million of cash and undrawn debt facilities currently available as at 31 May 2020. SkyCity does not expect to require any waivers for its 30 June 2020 debt covenants.

SkyCity will provide further updates as new material information becomes available.

ENDS

For more information, please contact:

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