

7 November 2019

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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, INCLUDING UPDATES ON NZICC AND TRADING**

Please find **attached** a copy of the presentation to be delivered by the company at its Investor Day in Adelaide, Australia, today.

The presentation includes:

- (a) an update on the New Zealand International Convention Centre (NZICC) and Horizon Hotel project following the recent fire at the NZICC on pages 72 – 74; and
- (b) a trading update on page 106.

For any further information concerning the presentation, please contact:

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Yours faithfully



Jo Wong  
Company Secretary

# SkyCity Entertainment Group Limited

2019 Investor Day

Adelaide, South Australia

7 November 2019



skyCITY

# Disclaimer

- All information included in this presentation is provided as at 7 November 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 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\$ unless stated otherwise
- Some totals may not sum due to rounding

## 2019 Investor Day

### Agenda

Time (ACDT)	Event	Speaker	Location
By 8.30am	Registration/refreshments	-	Adelaide Convention Centre
8.45am	Welcome/opening remarks	Rob Campbell/Ben Kay	Adelaide Convention Centre
9.15am	Adelaide expansion	Bruce Carter/Exec. team	Adelaide Convention Centre
10.30am	Precinct partners – panel session	Various	Adelaide Convention Centre
11am	Tour of expansion site	-	Adelaide Casino
12.30pm	Break: lunch	-	Adelaide Convention Centre
1pm	Update on Group strategy (part 1)	Executive team	Adelaide Convention Centre
2.30pm	Break: afternoon tea	-	Adelaide Convention Centre
2.45pm	Update on Group strategy (part 2)	Executive team	Adelaide Convention Centre
4pm	Closing remarks	Graeme Stephens	Adelaide Convention Centre
From 5.30pm	Baccarat tournament	-	Adelaide Casino
From 7.30pm	Dinner	-	Sean's Kitchen

# Today's Presenters



*Rob Campbell, Chair*



*Bruce Carter, Deputy  
Chair*



*Graeme Stephens, CEO*



*Michael Ahearne, COO*



*Rob Hamilton, CFO*



*Claire Walker, Chief  
People & Culture Officer*



*Stewart Neish, GM,  
International Gaming*



*David Christian, GM,  
Adelaide Casino*



*Ben Kay, GM, Corporate  
Development & IR*



*Nick Jones, Exec. Director,  
Destination Development, SATC*



*Brenton Cox, CFO,  
Adelaide Airports*



*Mark Devine, Acting  
CEO, Renewal SA*

# Welcome and Opening Remarks

*(Rob Campbell, Ben Kay)*



# Welcome

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- “Welcome to Country” (David Christian, GM, Adelaide Casino)
- Thank you for your attendance
- Appreciate your ongoing support
- Agenda and housekeeping
- Today’s presenters
- Opportunities for Q&A at end of each session

# Aspirations for the Day

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1

Update on Adelaide expansion

2

Progress update on Group strategic plan

3

Provide clarity on strategic priorities for next 1-2 years

4

Articulation of longer-term strategic opportunities/considerations

5

Enhanced appreciation of SkyCity's long-term value proposition

6

Provide perspectives from the Boardroom (Chair and Deputy Chair)



# NZICC Fire – Chair's Thoughts

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- Significant fire at NZICC site
- Difficult for NZICC team who have worked hard over many years to deliver the project
- Good response across the business to deal with challenging situation
- Grateful for support of fire and emergency services
- SkyCity Auckland fully operational
- Will be some time before impact of fire on project completion dates can be determined
- SkyCity and Fletcher Construction committed to delivering the NZICC to the standard agreed with the NZ Government
- Expect to make further market updates as more information comes available

# Board's Commitment to Shareholders

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Oversee development/execution of Group strategy

Focus on effective capital allocation and governance around major investments

Optimise value from existing assets

Ensure long-term sustainability of business – protect/enhance social licence

Deliver attractive and sustainable shareholder returns – lift TSR

Protect interests of all stakeholders

# Board's Scorecard

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Sound financial performance being achieved

Strong platform to unlock value and leverage growth potential

Group strategy focused on leveraging core competencies and exclusive licences

Robust financial position – critical to remain disciplined and recognise/manage risk

Strong management team in place, focused on delivery of strategic plan

Pleasing to be recognised for progress across key CSR/sustainability initiatives

# 5 Year Aspirations

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Significant increase in earnings following completion of major projects in Adelaide and Auckland

Growing presence in online/digital channels

Steady and growing free cash flow and dividends

Industry-leading CSR/sustainability practices

Enhanced Hamilton and Queenstown properties

Highest standards of corporate governance

# Adelaide Expansion

*(Bruce Carter, David Christian and  
Graeme Stephens)*



# Introduction – Deputy Chair



*Bruce Carter, Deputy Chair*

- Joined SkyCity as Director in 2010
- Based in Adelaide
- Founding partner of Ferrier Hodgson in Adelaide and formerly partner of Ernst & Young
- Chair of Audit and Risk Committee and Adelaide Expansion sub-committee, member of Governance and Nominations Committee
- Wide-ranging Directorships across number of Australian and US private companies and Government institutions

## Activities of Adelaide Expansion Sub-Committee

Oversee delivery of expansion

Responsible for modernisation of existing casino and integration with expansion

Maintain relationships with SA Government and private stakeholders

# Economic Outlook – Adelaide (SA)

SA economy holding up despite broader Australia slowdown

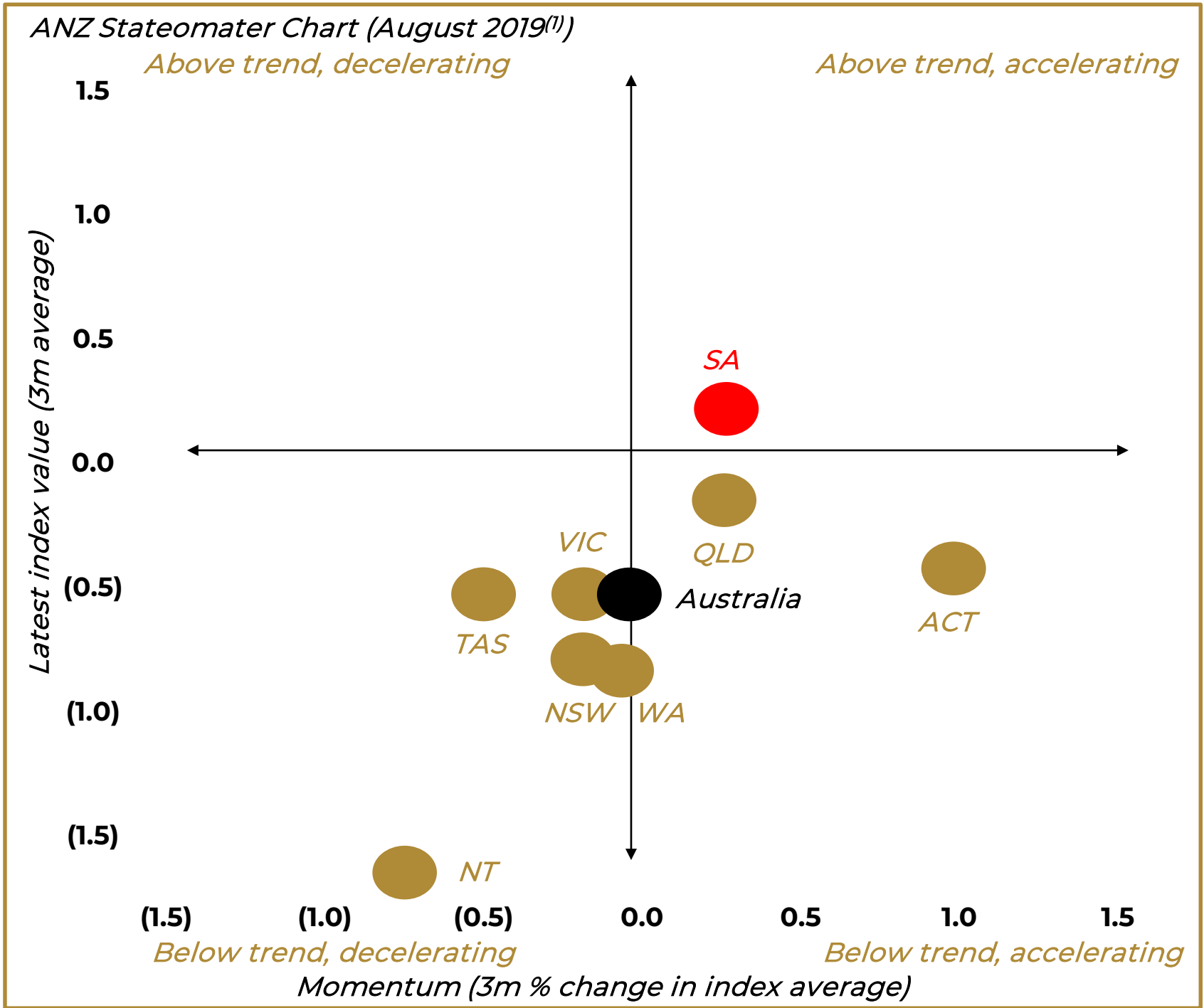
Construction activity/major infrastructure projects (i.e. defence, resources, transport) to support economy over medium-term

Tourism expenditure (both domestic and international) at record levels

Adelaide consistently ranked in top 10 most livable cities in the world (Mercer)

Residential and commercial real estate more affordable than other capital cities in Australia

Population growth edging higher – international student enrolments rising



(1) SA Government (Treasury)  
Index comprised of population growth, GSP, unemployment rate and retail sales

# Adelaide Expansion – Our Vision/Thesis

## Investment Rationale

- Transform Adelaide Casino into a world-class casino and entertainment complex
- Significant opportunity to grow market share and turnaround an underperforming casino
- Project represents a significant investment in the future of Adelaide – long-term exclusive licence to 2035 (full licence term to 2085)

## Key Value Drivers

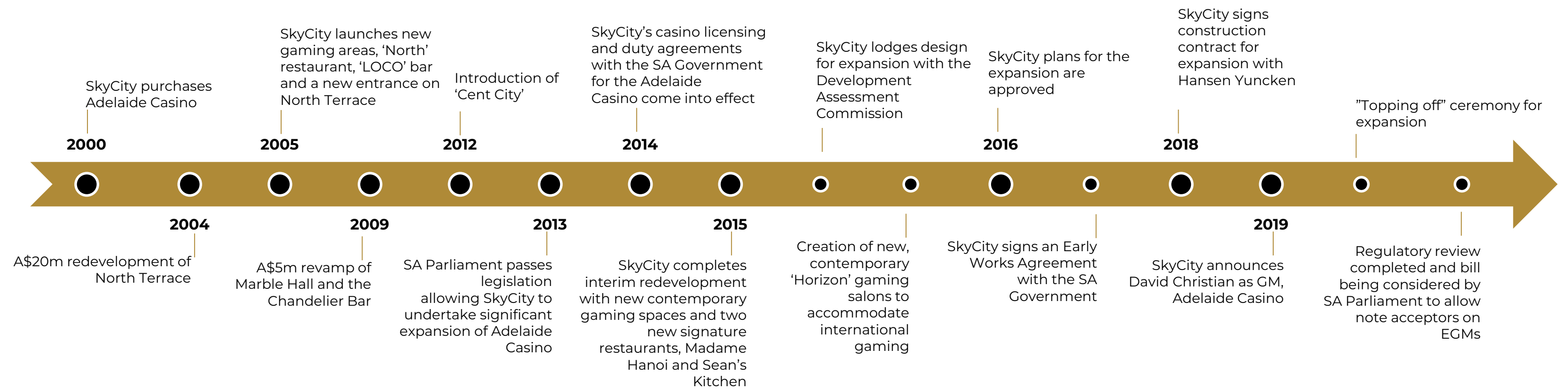
- Key value driver of the project is the significant expected increase in gaming activity (combination of local, interstate and IB)
- New hotel, F&B, car park and broader precinct to be significant demand drivers and complement core activities
- Riverbank precinct to be the centre of entertainment for Adelaide

## Value Proposition

- Regulatory environment supports investment case (note acceptors offer potential upside)
- Project expected to deliver significant incremental earnings and required return
- Property likely to take 3-4 years to reach full earnings potential post opening

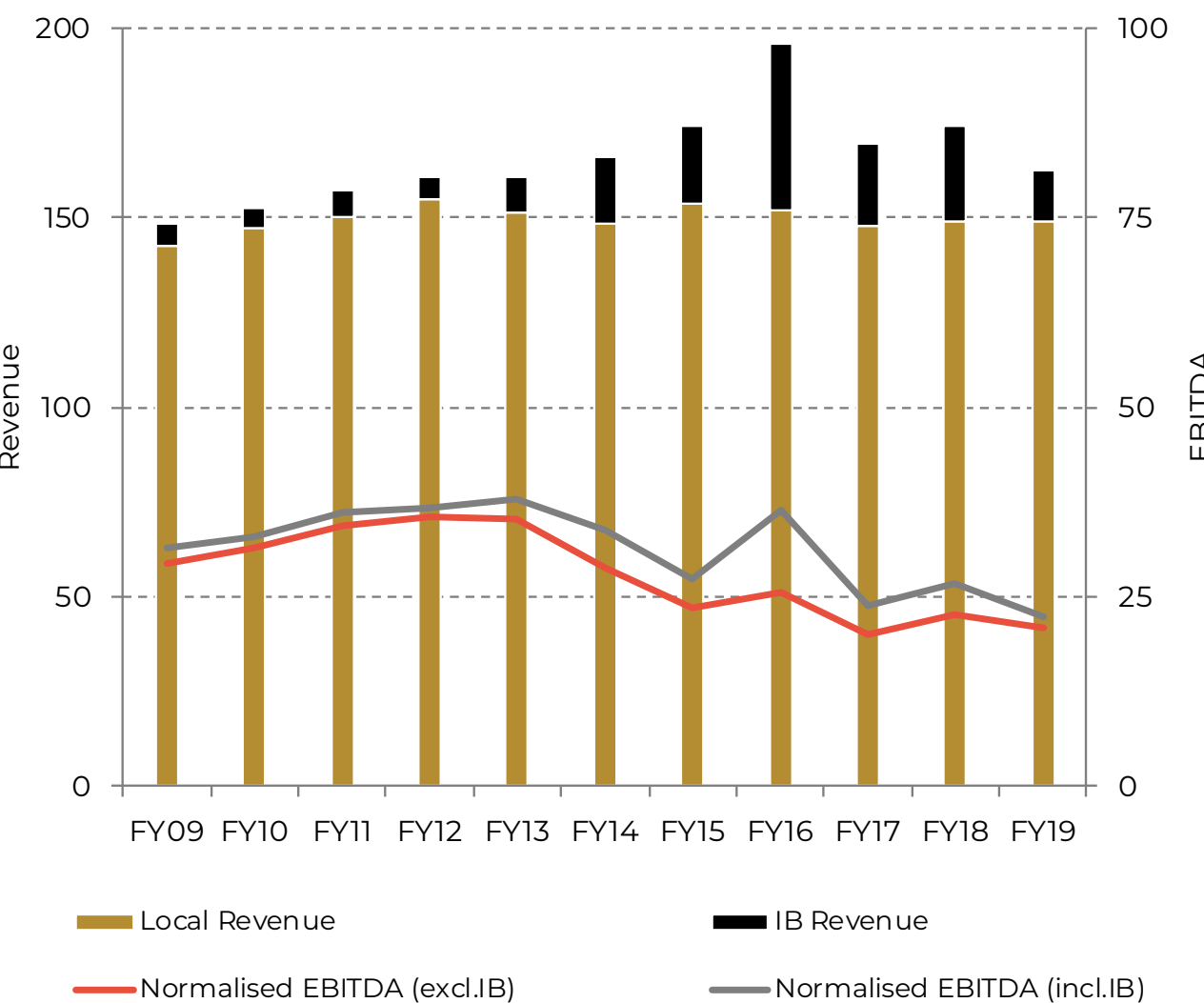


# Our Journey in Adelaide (so far...)

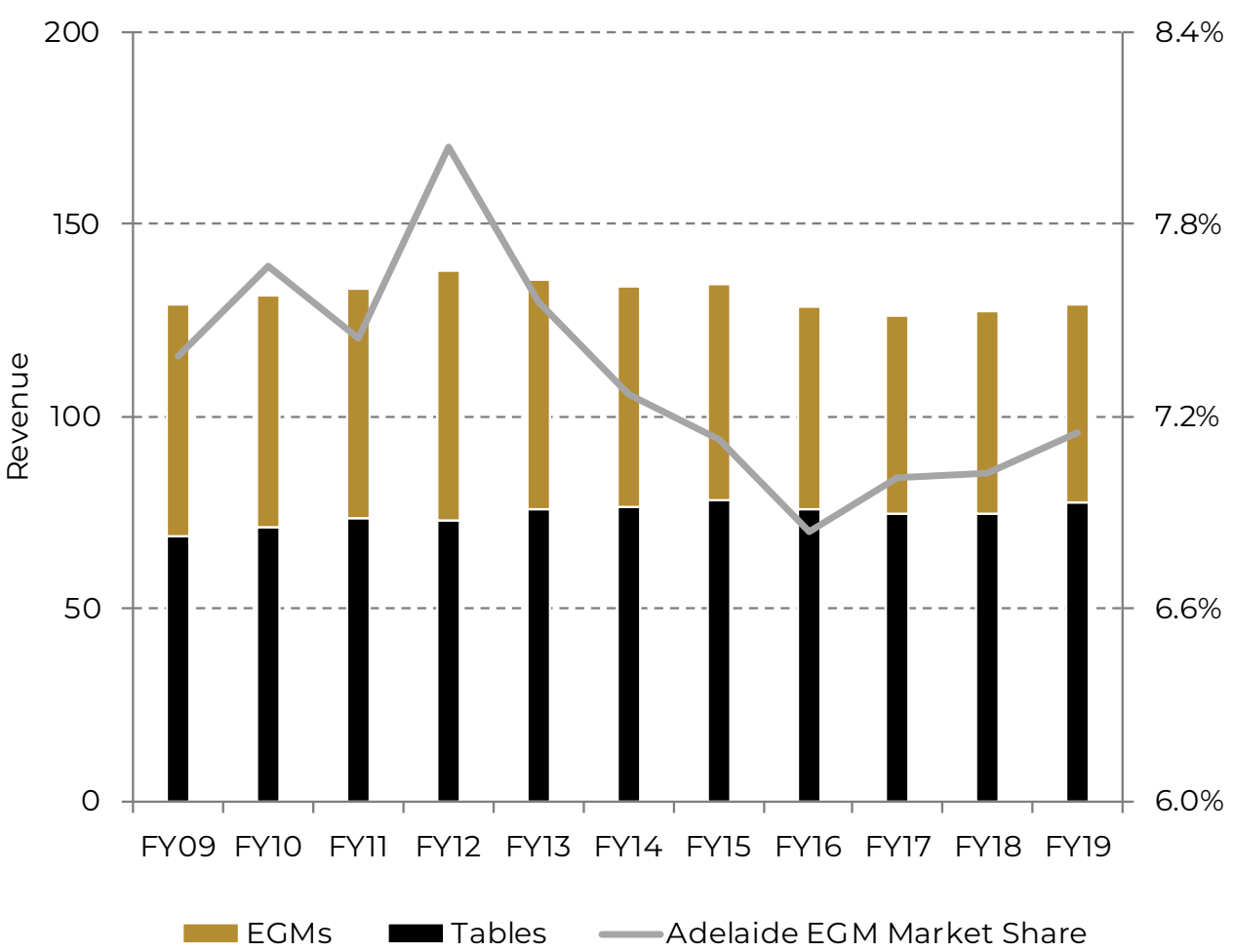


# Our Track Record

**Adelaide Casino normalised revenue and EBITDA (A\$m):  
FY09-FY19**



**Adelaide Casino local gaming revenue (A\$m) and EGM market share  
(%): FY09-FY19**



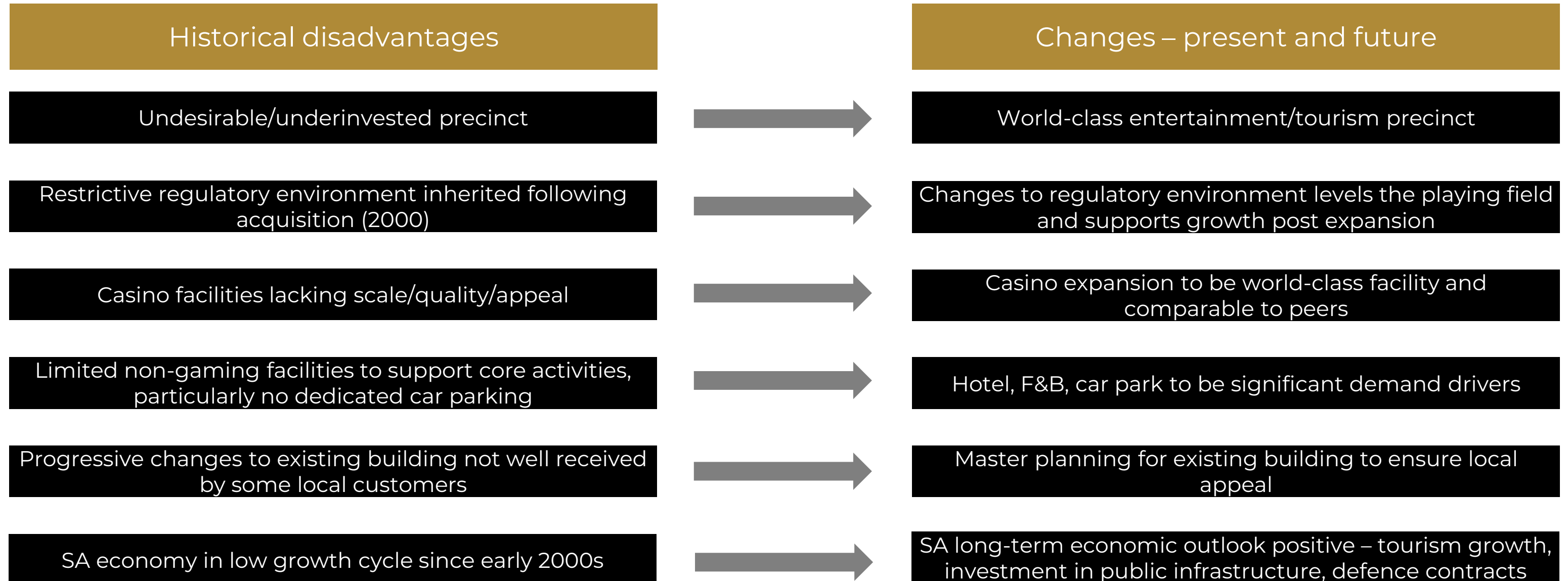
Source: Company information

Source: Company information

*Flat revenue/earnings and gaming market share over the last 5-10 years – SkyCity has always been attracted to long-term potential for Adelaide Casino if level playing field can be delivered and structural issues addressed*

# Adelaide Expansion – Thesis Revisited

- Historical disadvantages being addressed through investment, precinct enhancements and regulatory changes



# Adelaide Expansion – Regulatory Environment

	Old	New
Licence term expiry	■ 2085	■ No change
Casino exclusivity	■ 2015	■ 2035
Gaming taxes (including GST)	<ul style="list-style-type: none"> <li>■ EGMs: 43.5% (main floor and premium)</li> <li>■ Tables: 10.0% (including IB)</li> </ul>	<ul style="list-style-type: none"> <li>■ EGMs: Main floor – 50.0%, Premium – 20.0%</li> <li>■ Tables: Main floor – 12.5%, Premium – 10.0%, IB – 10.0%</li> <li>■ Gaming tax rate certainty to 2035</li> </ul>
Gaming entitlements	<ul style="list-style-type: none"> <li>■ Up to 995 EGMs</li> <li>■ Up to 90 tables</li> </ul>	<ul style="list-style-type: none"> <li>■ Up to 1,500 EGMs</li> <li>■ Up to 200 tables</li> <li>■ Up to 300 ATGs (interchangeable with tables at a ratio of 20:1)</li> </ul>
Gaming technology	<ul style="list-style-type: none"> <li>■ Coin operated EGMs</li> <li>■ No TITO or cashless gaming</li> </ul>	<ul style="list-style-type: none"> <li>■ TITO in premium rooms and cashless gaming on main floor</li> <li>■ Potential for note acceptors on all EGMs by end of FY20 (following completion of regulatory review – bill being considered by SA Parliament)</li> </ul>
Premium gaming	<ul style="list-style-type: none"> <li>■ Limitations around bet/jackpot size</li> <li>■ Heavily restricted premium access – onerous qualification requirements</li> </ul>	<ul style="list-style-type: none"> <li>■ Unlimited bet size and jackpots (only venue in SA which can accept bets above A\$5 on EGMs)</li> <li>■ Improved premium access – discretion to invite up to 1,000 prospective customers to qualify in premium rooms and threshold to qualify lowered</li> </ul>



**CBD, hotels,  
retail/commercial  
precincts**

**Existing heritage  
building**

**Adelaide Casino  
expansion**

**Adelaide Convention  
Centre**

**Adelaide Festival Centre**

**Proposed 20-storey  
office tower**

**1,500 space car park  
(below ground)**

**Festival Plaza**

**Adelaide Oval, via  
bridge across the River  
Torrens**



# Adelaide Expansion – Riverbank Precinct

*Adelaide Convention Centre*



- Significant expansion completed in 2019
- Capacity of up to 4,000 pax
- Owned/operated by SA Government

*Festival Plaza*



- A\$600m investment by Walker Corporation and SA Government
- Includes 1,500 car park, F&B/retail and revitalisation of public realm
- Scheme contemplates 20 floor office tower

*Adelaide Oval*



- World-class sporting/events stadium
- 50,000 pax capacity
- Regular events (summer and winter)

*Hotels on/near precinct*



- 300 room Intercontinental Hotel adjacent to casino
- 2,000+ hotel rooms to be added to Adelaide CBD over next 5 years

*River Torrens footbridge*



- Significantly improved river crossings
- Busiest thoroughfare in Adelaide (on event days)
- Will connect into Festival Plaza and casino precinct

*Adelaide Festival Centre*



- Multi-use entertainment venue – A\$90m refurbishment underway
- Offers shows/theatre/conferences
- Owned/operated by SA Government

# Adelaide Expansion – Existing Building Changes

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- Revitalisation of existing gaming spaces that will appeal to local market
- Refurbishment, expansion and relocation of restaurants & bars
  - The Guardsman (F&B venue) due to open early 2020
- Creation of live entertainment venues (to appeal to younger demographic)
- Effective connection and circulation between the expansion and the existing heritage building
- Enhanced façade emphasising heritage aspects of the building and improvements to public realm
- Improvements to back of house areas



Alpha Gaming



Chandelier Bar



The Guardsman



Northern Gaming







*Significant enhancements to public realm on North Terrace and external façade of building*

# Adelaide Expansion – New Facilities/Product

	Current	New
Gaming	<ul style="list-style-type: none"> <li>■ Main gaming floor</li> <li>■ Marble Hall</li> <li>■ Dedicated premium rooms (4-5 years old)</li> <li>■ Modest IB offering</li> </ul>	<ul style="list-style-type: none"> <li>■ Significantly expanded gaming and entertainment facilities</li> <li>■ Multi-level casino podium</li> <li>■ ~35% increase in gaming product post expansion (~1,100 EGMs, ~130 tables (including 30 for IB) and ~130 ATGs) – flexibility to increase over time if required</li> <li>■ New gaming spaces (both main floor and premium)</li> <li>■ Best-in-class games and gaming systems</li> <li>■ Dedicated IB offering (4 salons)</li> </ul>
Non-gaming	<ul style="list-style-type: none"> <li>■ Casino F&amp;B</li> <li>■ Two signature restaurants – Sean’s Kitchen and Madame Hanoi</li> <li>■ No accommodation</li> <li>■ No convention/function facilities</li> <li>■ No destinational entertainment</li> <li>■ No car parking</li> </ul>	<ul style="list-style-type: none"> <li>■ Boutique all-suite hotel (~120 rooms), including dedicated IB accommodation</li> <li>■ Wellness centre (including pool and gym)</li> <li>■ Additional signature restaurants and bars/cafes (including rooftop bar)</li> <li>■ Function spaces (to accommodate up to 750 pax) and meeting rooms</li> <li>■ 1,500 space car park adjacent to casino, of which 750 spaces to be exclusively leased to SkyCity</li> </ul>



*Expansion (at night)*



*Expansion (from Festival Plaza)*



*Rooftop Bar*

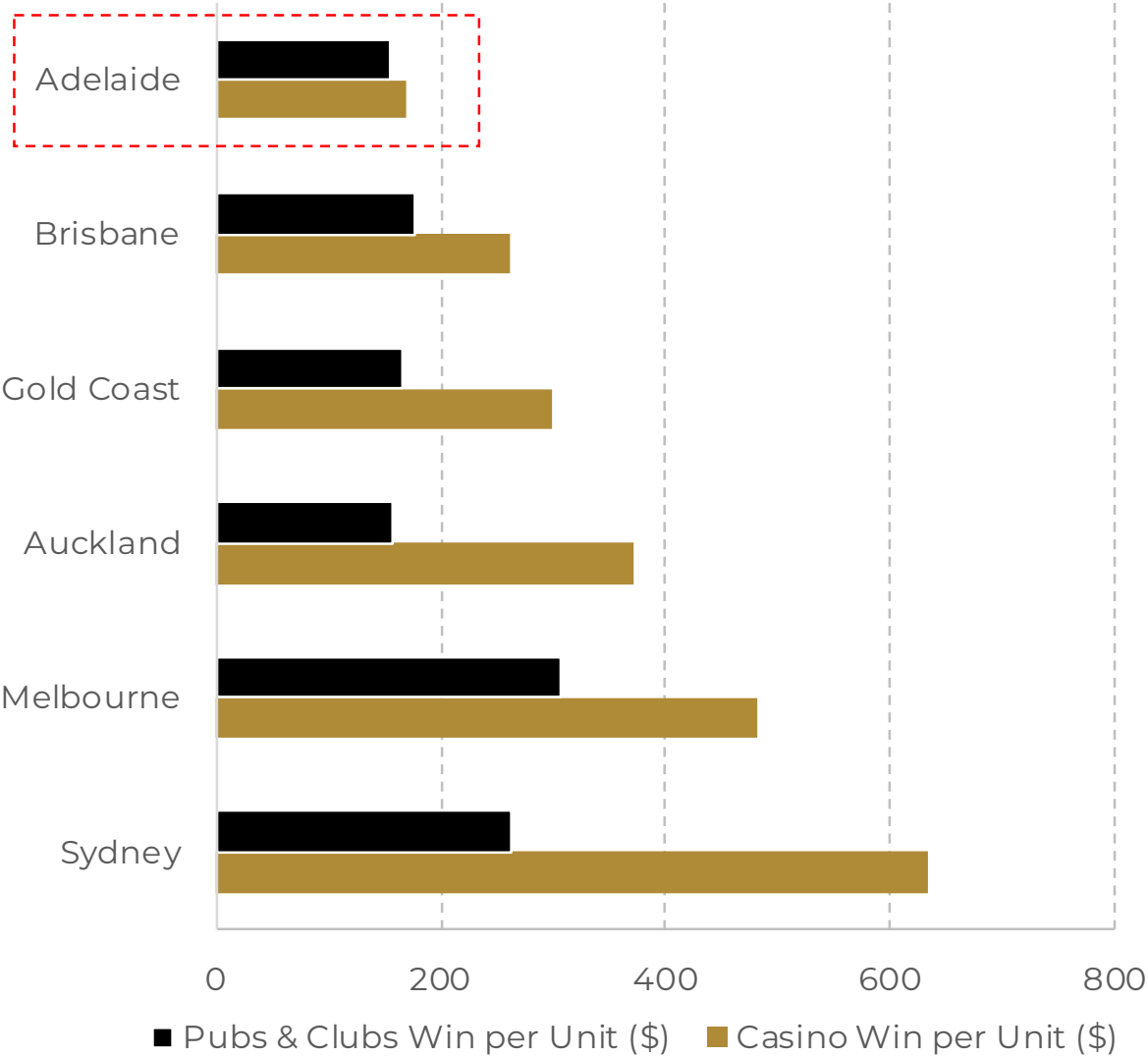


*Standard hotel room*



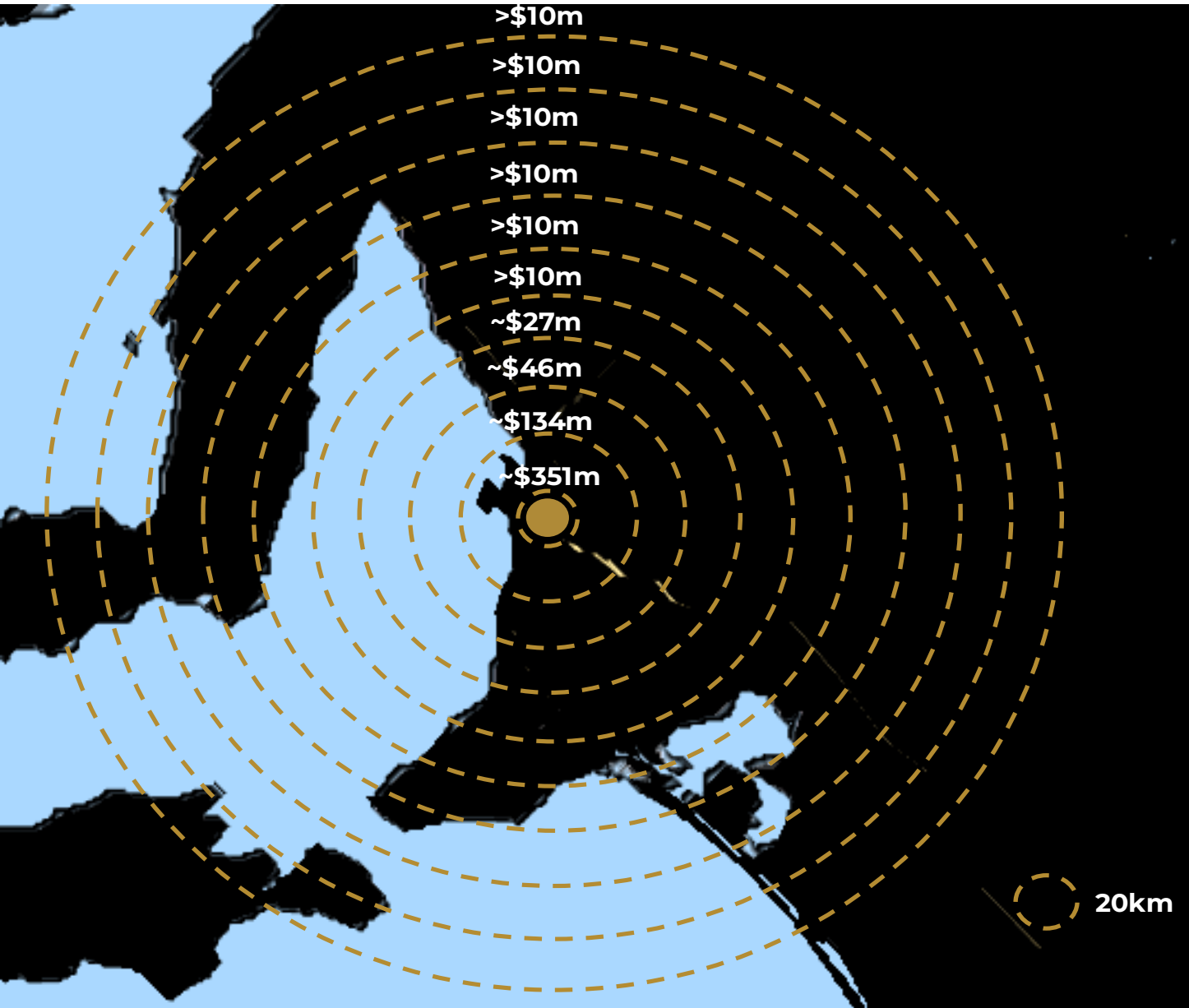
# Opportunity – Local Gaming (1 of 3)

Australian and NZ casino vs. pubs & clubs EGM win per unit A\$: FY19



Source: Company reports

Adelaide (SA) EGM market (A\$m): FY19

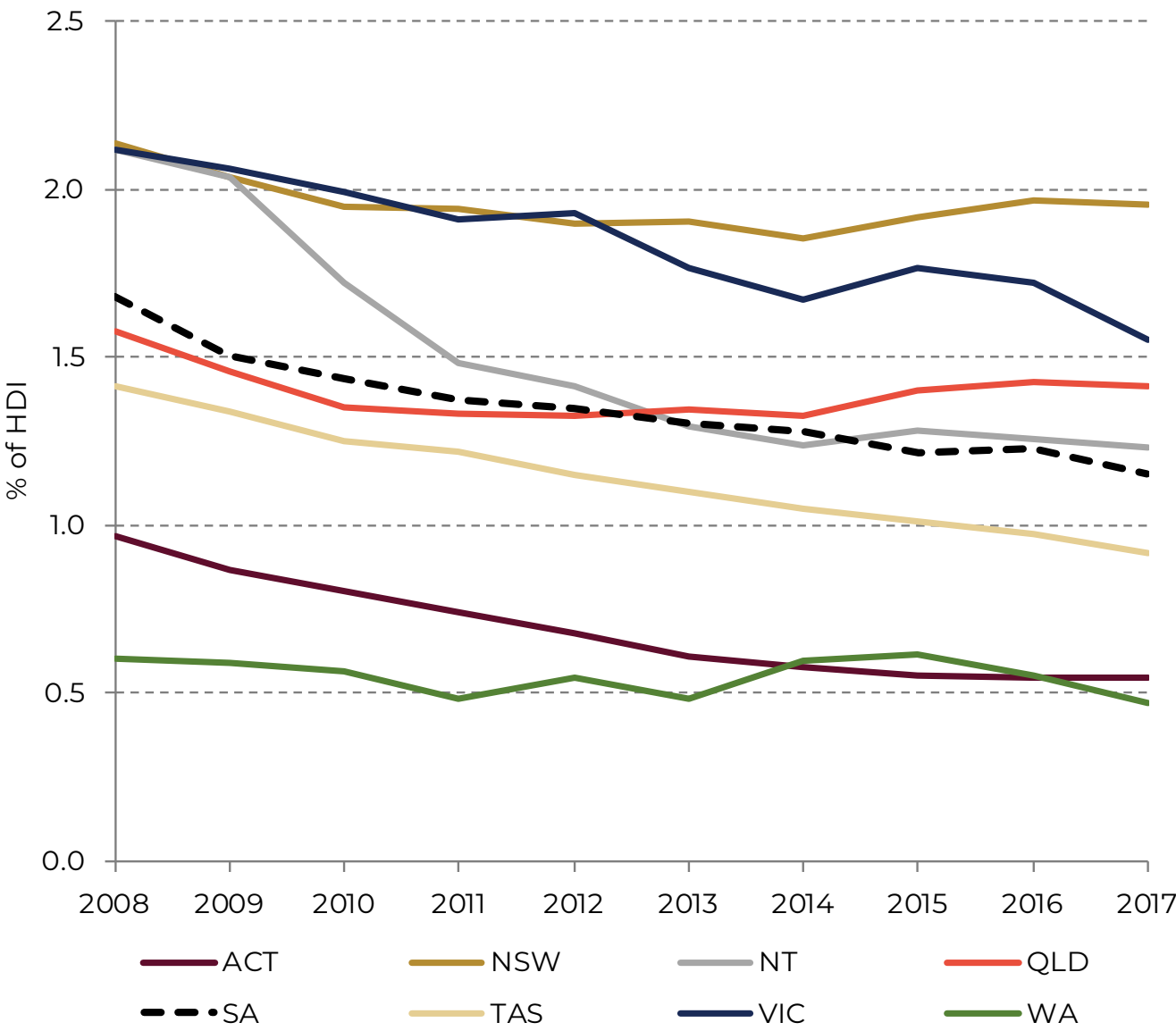


Source: Adelaide University

*Adelaide Casino under-penetrated in terms of EGM win per unit and market share vs. peers due to historical disadvantages (which are being addressed)*

# Opportunity – Local Gaming (2 of 3)

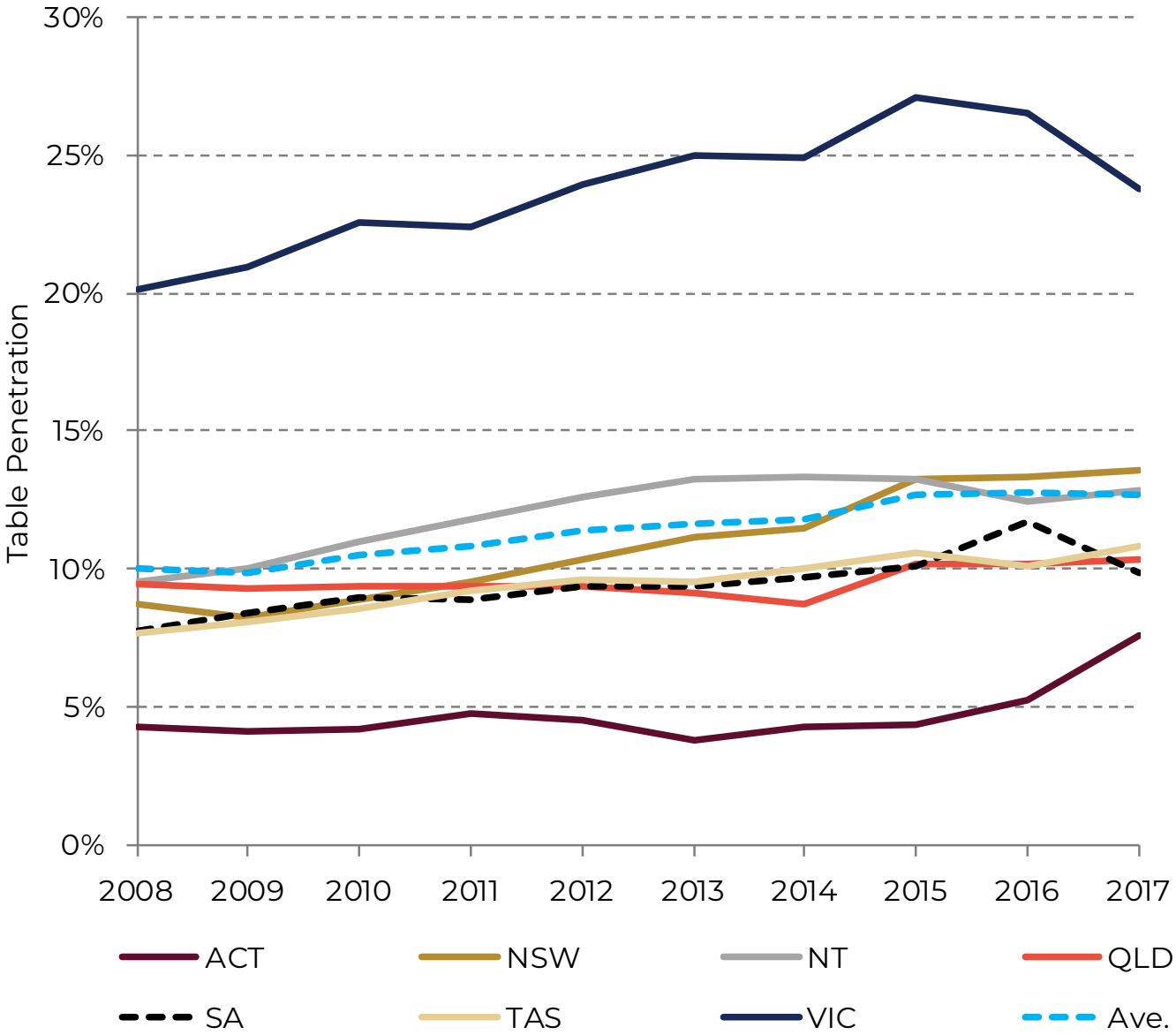
Gaming expenditure as a % of HDI for Australian states:  
2008-2017<sup>(1)</sup>



Source: Queensland Government gaming statistics

(1) Gaming expenditure as a % of HDI = Total State gaming revenue (casino and pubs & clubs)/Total State Household Disposable Income

Tables games (excl IB) penetration for Australian states (%):  
2008-2017<sup>(2)</sup>



Source: Company reports, Queensland Government gaming statistics

(2) Table games penetration = Tables games revenue (excl IB)/Total State gaming revenue (casino and pubs & clubs)



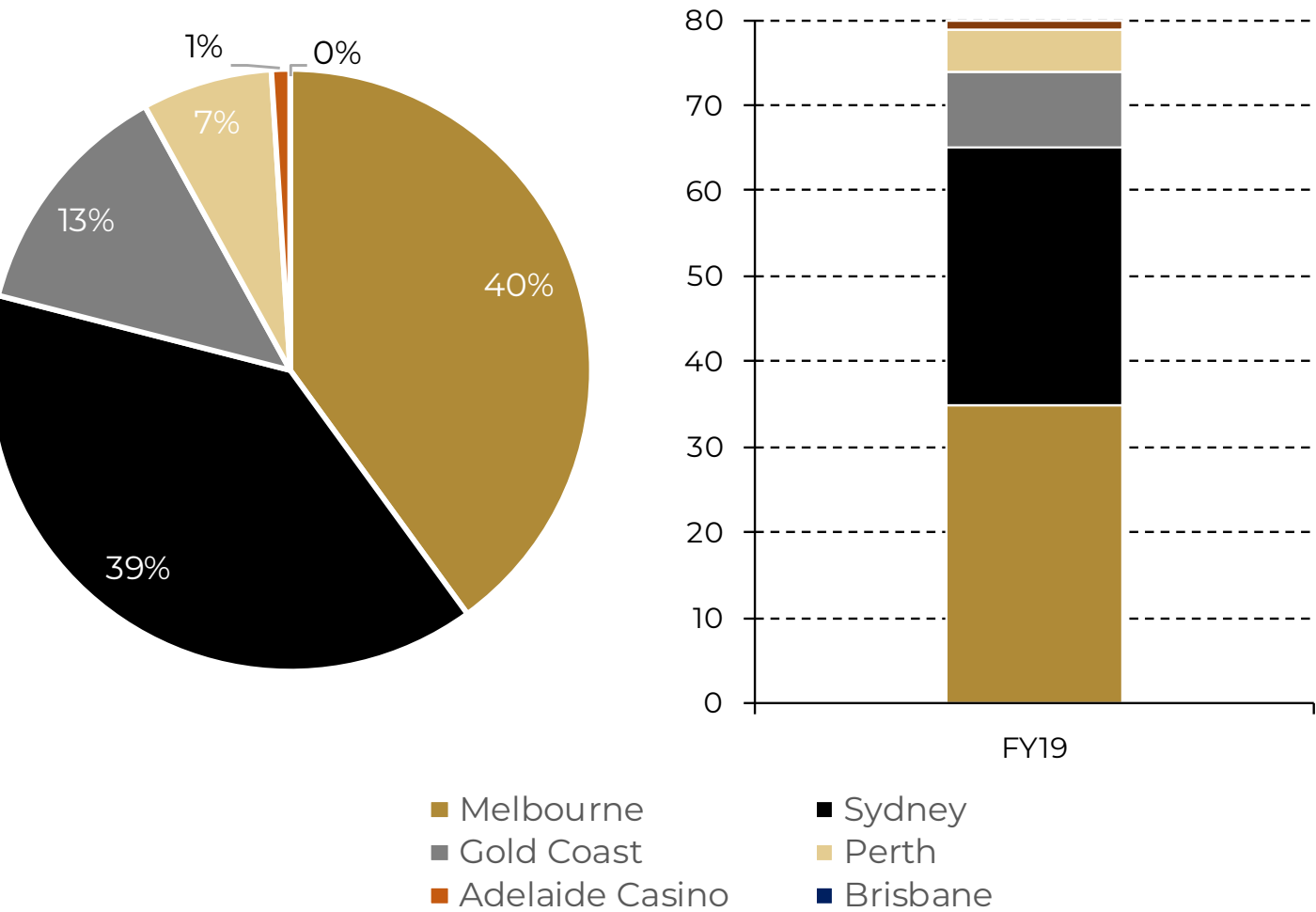
# Opportunity – Local Gaming (3 of 3)

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- Significant local gaming market/propensity to gamble
  - A\$500m of EGM revenue within 50km of casino (A\$700m in SA)
  - Gaming expenditure as % of HDI in SA comparable with other Australian states (just not at casino historically)
  - Local demographics (age, ethnicity etc.) similar to number of Australian states with significant casino gaming expenditure (i.e. Western Australia, Queensland)
- Opportunity to significantly lift EGM market share through leveraging new facilities, differentiated product and car parking adjacent to property
  - EGMs at comparable properties historically yield a meaningful (2-3x) win per unit premium to pubs & clubs (ref. Adelaide Casino win per unit same as pubs & clubs currently)
  - Targeting doubling of EGM market share in SA (currently 7%)
- Opportunity to address sizable interstate EGM market given proximity to Sydney and Melbourne, and leveraging new hotel/key events
- Important to lift table games utilisation/yields (key value driver for property) – low penetration vs. comparable properties to be addressed by expansion and car parking
- ATGs an exciting growth opportunity as player adoption improves (Statewide exclusivity over ATGs)

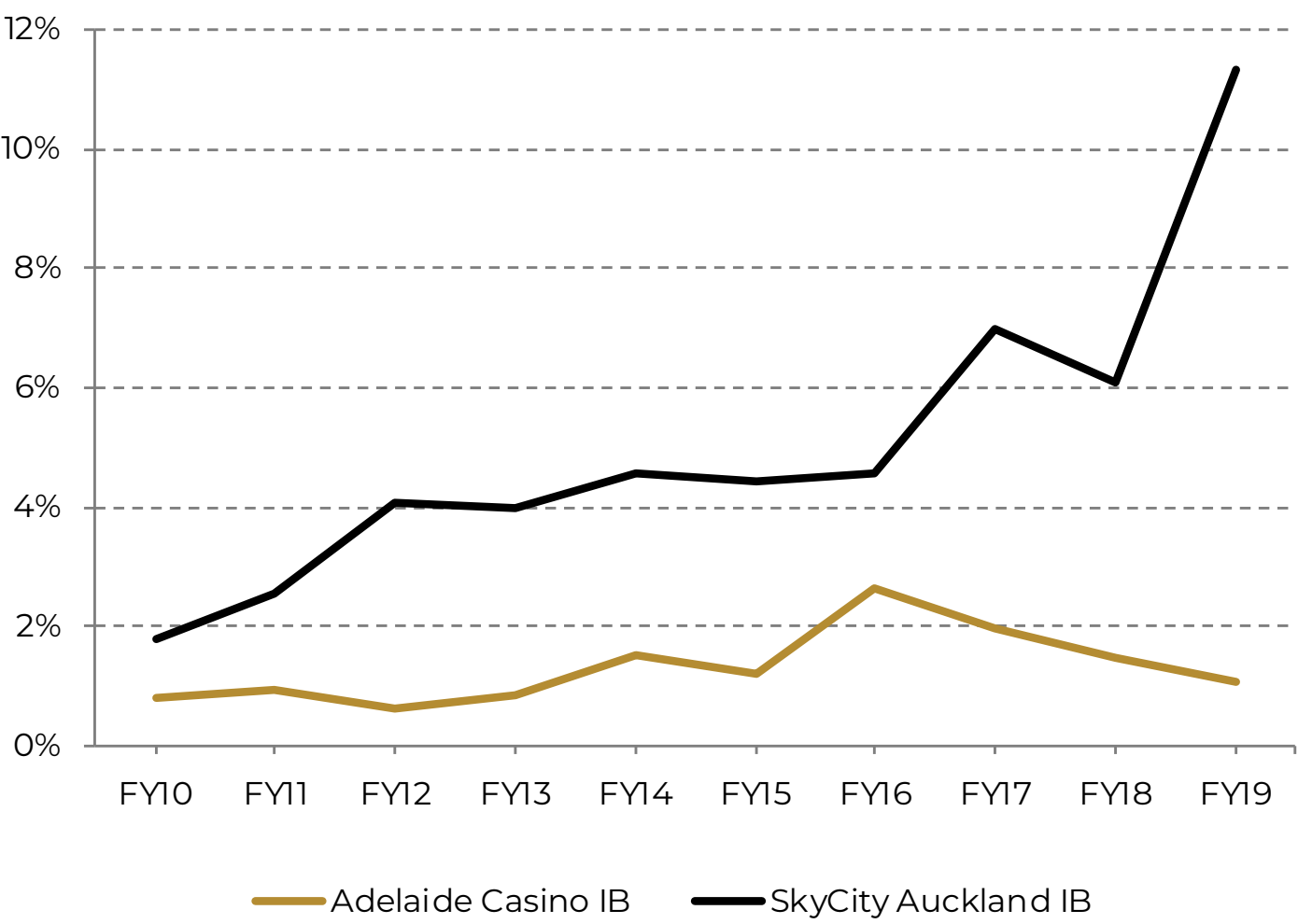
# Opportunity – International Business (1 of 2)

**Total Australian IB market (A\$bn) and market share (%): FY19**



Source: Company reports, Macquarie Bank research

**SkyCity Auckland and Adelaide Casino IB market share (%): FY10-FY19**



Source: Company information

***Adelaide Casino has a significant opportunity to increase its share of the Australian and NZ IB market as Auckland has done over the last 10 years – A\$60bn+ of IB turnover (FY19) within a 90 min flight of Adelaide (i.e. Sydney/Melbourne)***

# Opportunity – International Business (2 of 2)

- Historically challenging for Adelaide to address IB market due to lack of accommodation and limited gaming facilities
- New IB facilities to be best in Group and comparable to peers
- Adelaide an attractive location for VIPs – improving connectivity, unique experiences (i.e. Barossa, Kangaroo Island) and safe/clean/green
- Opportunity to cross-sell Adelaide to existing IB customers and originate new customers via Asian sales team
- Proximity to significant casino resorts (and new developments) in Australia, particularly Sydney and Melbourne
  - Adelaide a credible additional destination on multi-stop visit
  - Short flight and no visa requirements



*Maggie Beer Farm, SA*



*Port Noarlunga Beach, SA*



*Barossa Valley, SA*

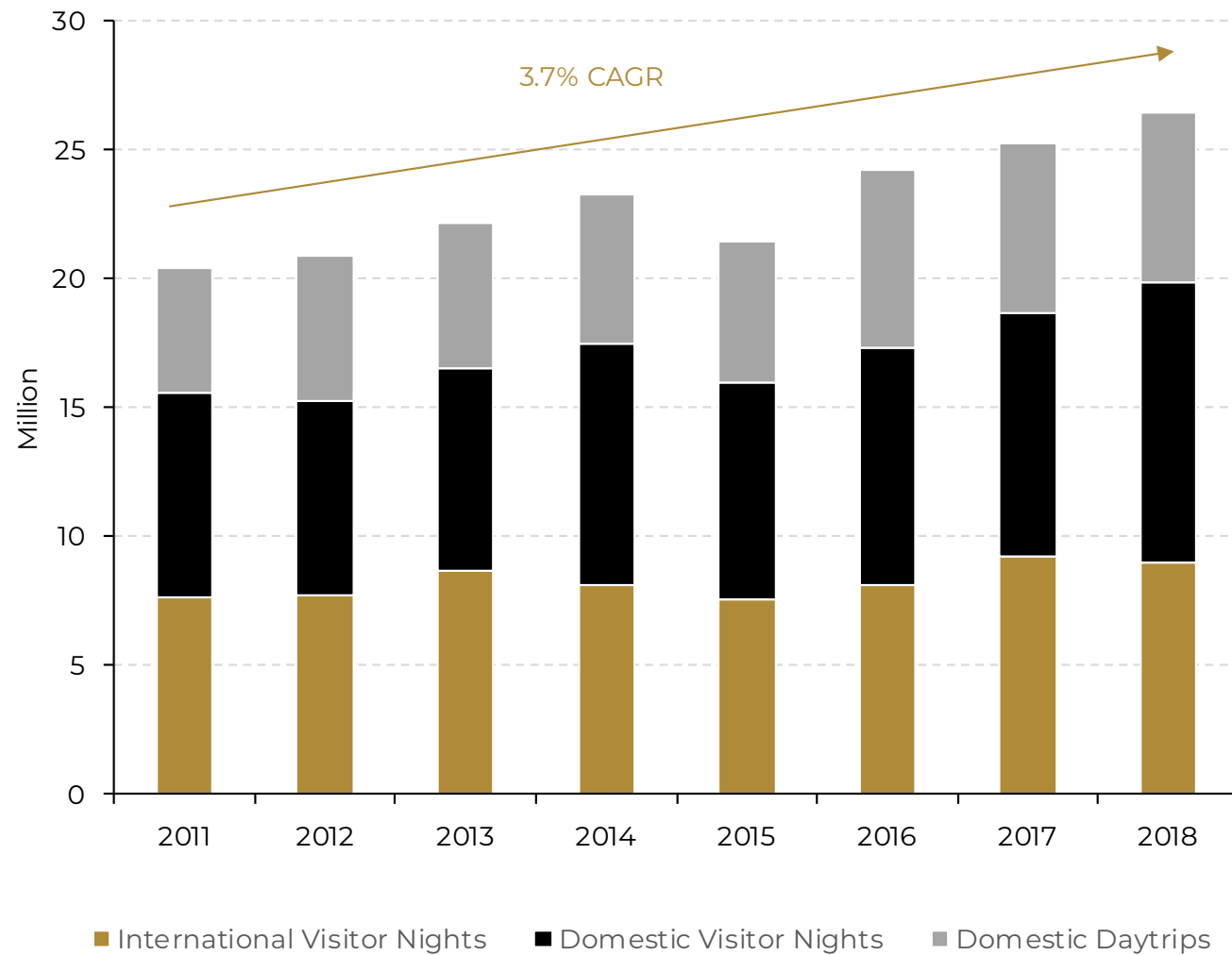


*Kangaroo Island, SA*



# Opportunity – Non-Gaming (1 of 2)

## Adelaide visitor nights (domestic and international): 2011-2018

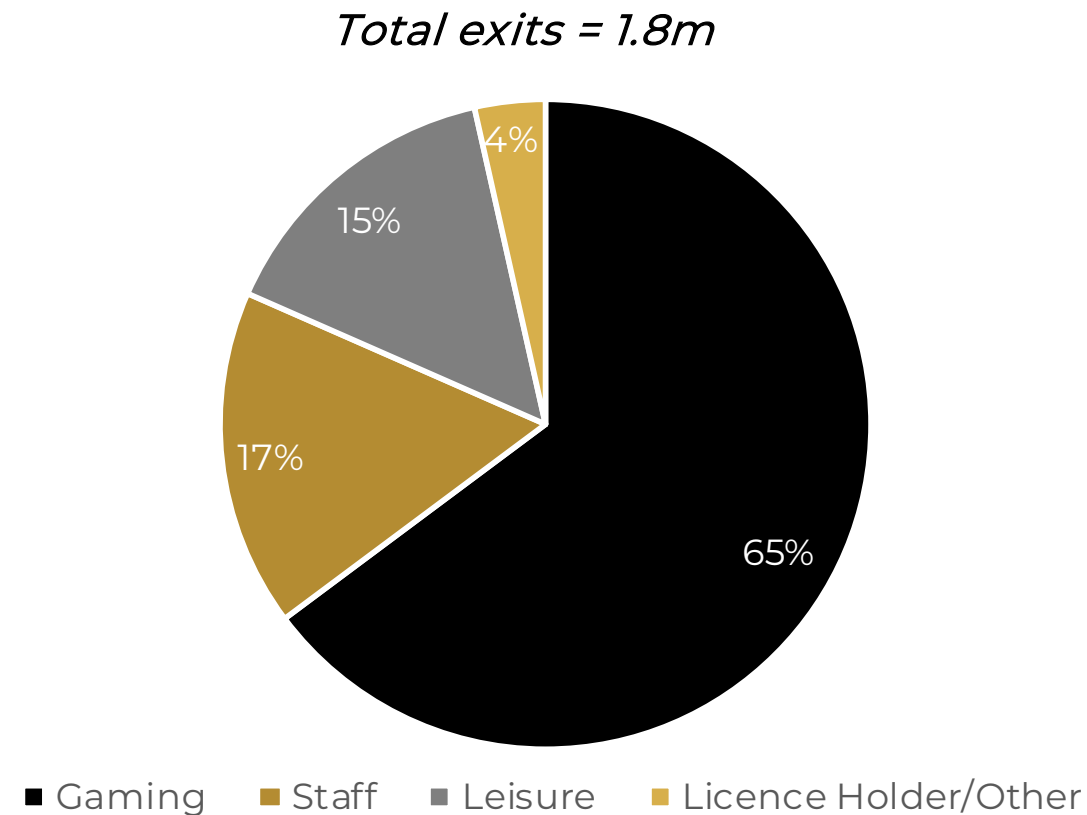


Source: SA Tourism Commission

- International and domestic visits have been growing strongly over the last 5-10 years
- Positive outlook for visitor nights in SA
- Boutique all-suite hotel, comparable to product in Melbourne and Sydney
- Expect hotel to trade strongly and deliver market-leading RevPar and margins
- Hotel to support core gaming business and be significant driver of demand, especially VIP/IB
- Expect ~20% of room nights (on average) to be non-cash (i.e. complementary for gaming customers)
- F&B and other non-gaming businesses to make more meaningful contribution to earnings

# Opportunity – Non-Gaming (2 of 2)

## SkyCity Auckland car park volumes by user group: FY19

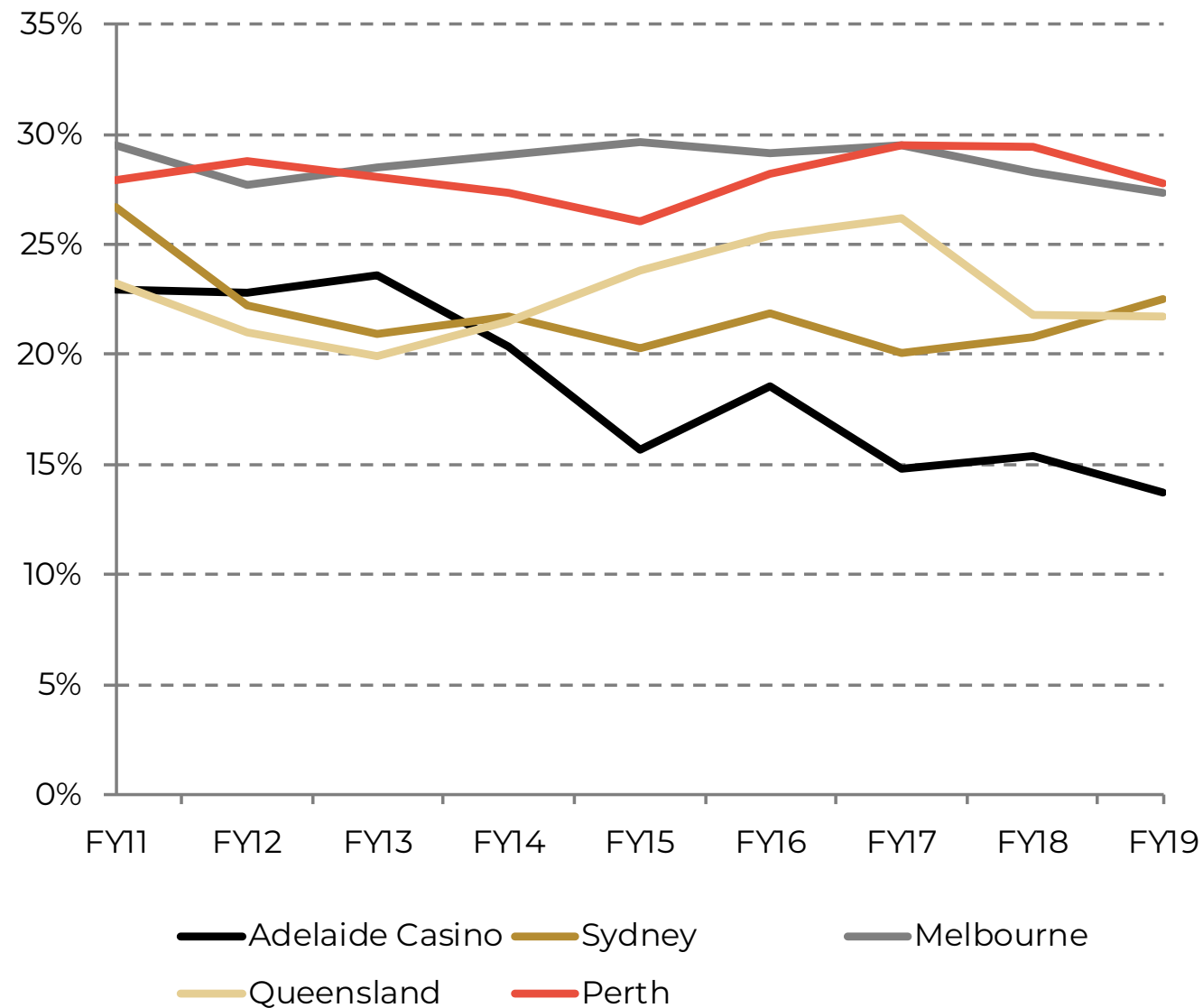


Source: Company information

- Car park critical to thesis – no dedicated car parking historically
- SkyCity to exclusively lease 750 spaces (of 1,500) adjacent to casino
  - Direct underground access
  - No plans to manage car park – potential to access non-leased car parks during peak trading periods
  - Car park lease costs ~A\$4.7m per annum
- Car park key activator for gaming business – correlation between car park utilisation and gaming spend
  - Addresses convenience offered by pubs & clubs
  - Premium customers to be provided free car parking
  - Discounted parking promotional tool for loyalty
  - Below-market car parking high value reward
- ~80%+ of car park volumes at SkyCity Auckland traditionally captive gaming/loyalty/leisure customers

# Opportunity – Margins

**Adelaide Casino normalised EBITDA margin (incl IB) (%) vs. Australian peers: FY11-FY19**



- Expect margins of around 20% (including IB) (comparable with peers) post expansion underpinned by:
  - Increased contribution from higher margin businesses (i.e. gaming and hotels)
  - Realising benefits of lower premium and IB gaming tax rates
  - Operating efficiencies and economies of scale

Source: Company reports

# Project Update

- Good progress with project on-time and on-budget
- “Topping off” of new facility in September – hotel/casino levels and public spaces well established
- Continue to have positive working relationship with Hansen Yuncken
- Total project costs remain at A\$330m (including contingency)
- Completion expected in September 2020 (in time for T20 Cricket World Cup)
- Walker Corporation advancing car park development at Festival Plaza however possibility it will be a few months delayed
  - Interim car parking solution being considered for key customers at opening



# Opportunity – Financial Returns

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- Expect expansion to deliver required return (12% post-tax IRR and 9% ROIC by year 3)
- Feasibility analysis based on comparison to counterfactual had SkyCity not proceeded with expansion
- Material lift in earnings required to deliver required return – incremental earnings to be underpinned by:
  - Significant increase in gaming market share (local, interstate and IB)
  - Market-leading hotel RevPar and margins
  - F&B and other non-gaming businesses making more meaningful contribution
  - Leveraging benefits of increased visitation to enhanced Riverbank precinct
  - Improved margins and operating efficiencies
- Expect property to take 3-4 years to reach full potential
- Confident project value enhancing for shareholders



# Preparing for Opening

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# Adelaide Expansion – Closing Remarks

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Opportunity to turnaround underperforming casino

Project progressing on-time and on-budget

Significant addressable market to unlock  
(combination of local, interstate and IB)

Plans for operationalisation and opening well advanced

World-class precinct and positive long-term economic  
outlook for Adelaide

Project expected to deliver significant incremental  
earnings and required return

# Precinct Partners – Panel Session

*(SATC, Adelaide Airports, Renewal SA)*

*(Panel Moderator: Ben Kay)*





# Precinct Partners – Introduction to Panel



- SATC assists in securing economic and social benefits for SA through promoting the State as a tourism destination and further developing the visitor economy
- Tourism expenditure exceeded A\$7bn in the year to March 2019 and visitor nights exceeded 30m for the first time
- Positive outlook for tourism in SA underpinned by appeal of location and increased penetration of Asia/China markets



*Nick Jones*



- Principal airport in SA
- 5<sup>th</sup> busiest airport in Australia – 10m passengers during 2018
- Fastest growing airport in Australia (by international arrivals)
- Service multiple domestic and international ports (including China/Hong Kong, Singapore, Dubai, NZ)



*Brenton Cox*



- Government organisation focused on CBD/urban renewal projects
- Overseen significant transformation of Riverbank precinct in Adelaide over last 5-6 years
- Focused on facilitating development opportunities to enhance CBD through public/private partnerships
- Vision for Adelaide to be most liveable city in the world



*Mark Devine*

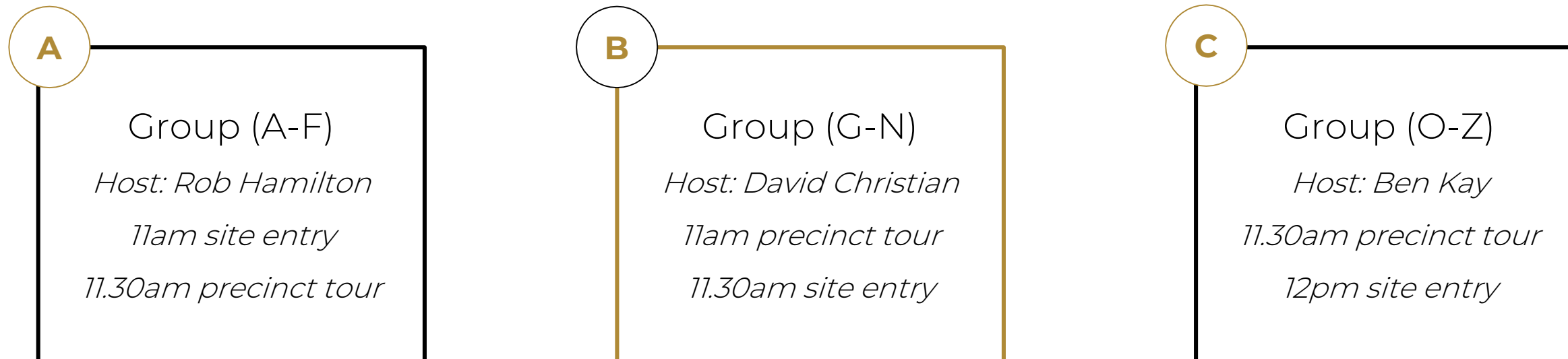
# Tour of Expansion Site



# Tour of Expansion Site

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- Split into 3 groups (by surname)
- Required to wear hard hat/steel-capped shoes/long-sleeved shirt to access expansion site
- Phased approach to site entry – 30 min gap between groups (Group A: 11am, Group B: 11.30am, Group C: 12pm)
- Plan to walk perimeter of Riverbank precinct (before or after site visit, depending on timing)
- Please try and keep up with group hosts
- Required to be back by no later than 12.30pm for lunch to be served and presentations to recommence



# Break: Lunch



# Strategic Overview

*(Graeme Stephens)*





# Group Strategic Plan

## *Our Vision*

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

### *Our Business Goals*



Improve  
our operating  
performance



Optimise  
our existing  
portfolio



Grow and  
diversify our  
business



Offer a great  
and safe  
place to work



Always put  
customers  
first



Be responsible  
leaders in our  
communities

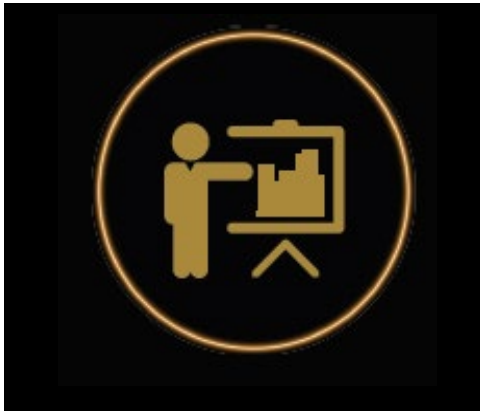
# Progress – Business Goals

## Improve our operating performance



- Record (normalised) financial performances achieved in FY18 and FY19
- Improved performances across all business units (including Adelaide on like-for-like basis)
- Stable operating margins despite cost pressures across the business
- Strong growth in VIP/IB gaming

## Optimise our existing portfolio



- Progressed Adelaide expansion on-time and on-budget
- Good momentum on NZICC & Horizon Hotel project prior to fire
- Successfully executed asset sales (Darwin/Auckland car parks) – \$450m in total proceeds
- Good progress across master planning initiatives in Auckland/Hamilton/Queenstown

## Grow and diversify our business



- Launched online gaming business via partnership with Gaming Innovation Group (GiG)
- Progressed/refined strategy to grow hotel business – launched hotels group and new management company
- Secured key non-gaming attractions for Auckland precinct (All Blacks, Weta Workshop)



# Progress – Character & Culture Goals

**Offer a great  
and safe place  
to work**



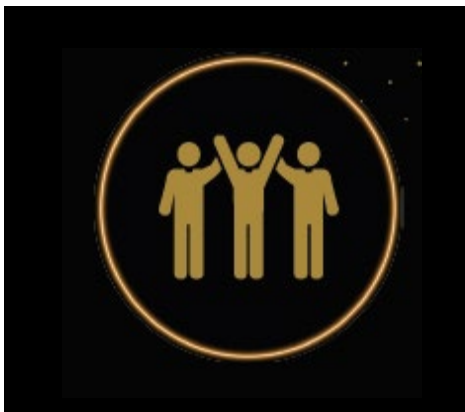
- Implementing Health & Safety plan – focus on building awareness and preventing harm
- New values agreed with staff – “Own it, Share it, Live it”
- Being recognised for Diversity & Inclusion – Deloitte Top 200 award
- Increasing minimum wage in NZ (\$20 by 2020)

**Always put  
customers first**



- Ongoing investment in ICT/digital – launch of mobile app/web-based platform
- Continue to refine/enhance host responsibility program (facial recognition)
- Refreshed brand launched

**Be responsible  
leaders in our  
communities**



- Refocused Community Trusts (particularly on youth initiatives/employment)
- Taken leadership position on climate change – carbon neutral in NZ (Adelaide during 2020)
- Prioritising ethical sourcing and local suppliers



# Distributions to Stakeholders (FY19)



**\$301**<sub>m</sub> in  
**salaries &  
wages** to staff



**\$161**<sub>m</sub> in  
**taxes to  
Government**  
*(NZ and  
Australia)*



**\$342**<sub>m</sub>  
**capital  
invested** across  
the business

*“Better communities at the heart of what we’re doing”*



**\$14**<sub>m</sub>  
in **community  
contributions,  
levies and  
sponsorships**



**\$178**<sub>m</sub>  
in **payments to  
suppliers**  
*(mainly local)*



**\$136**<sub>m</sub> of  
**dividends paid**  
to shareholders

# FY20/FY21 Strategic Priorities

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Complete Adelaide expansion and leverage benefits

Confirm plan for recommissioning of NZICC & Horizon Hotel project following fire

Consolidate opportunity to address online casino market in NZ

Progress master planning initiatives in Auckland/Hamilton/Queenstown

Focus on VIP/premium gaming and CXM initiatives

Continue to invest in/enhance key CSR/sustainability initiatives

*Group strategic plan still relevant – critical to stay focused on completing major projects and enhancing shareholder returns*

# Strategic/Industry Themes – Two Years On (1 of 2)

Traditional land-based gaming maturing with exception of VIP/premium

Online gaming growing significantly (and faster than land-based) – several jurisdictions have legalised/regulated online casinos/sports betting or plan to do so

Positive secular growth trends in China/Asia, with a growing middle class

Increased levels of industry consolidation (both land-based and online) as companies pursue diversification and synergies

Increased regulatory creep and focus/scrutiny on social licence

Challenges remain for companies to sustain above cost of capital returns – requirement to increasingly diversify/invest to sustain/grow earnings and remain relevant

# Strategic/Industry Themes – Two Years On (2 of 2)

US/China trade war and global recession fears impacting sentiment around global gaming stocks (particularly those with levered balance sheets)

Gaming REITs expanding their presence in US with institutional investors pushing for further real estate monetisation

Las Vegas/Macau continue to shift towards more non-gaming and attractions to stay relevant

Potential for significant expansion in attractive land-based gaming markets (e.g. Japan)

Consolidation between product suppliers/manufacturers less prevalent, industry searching for growth/competitive advantage

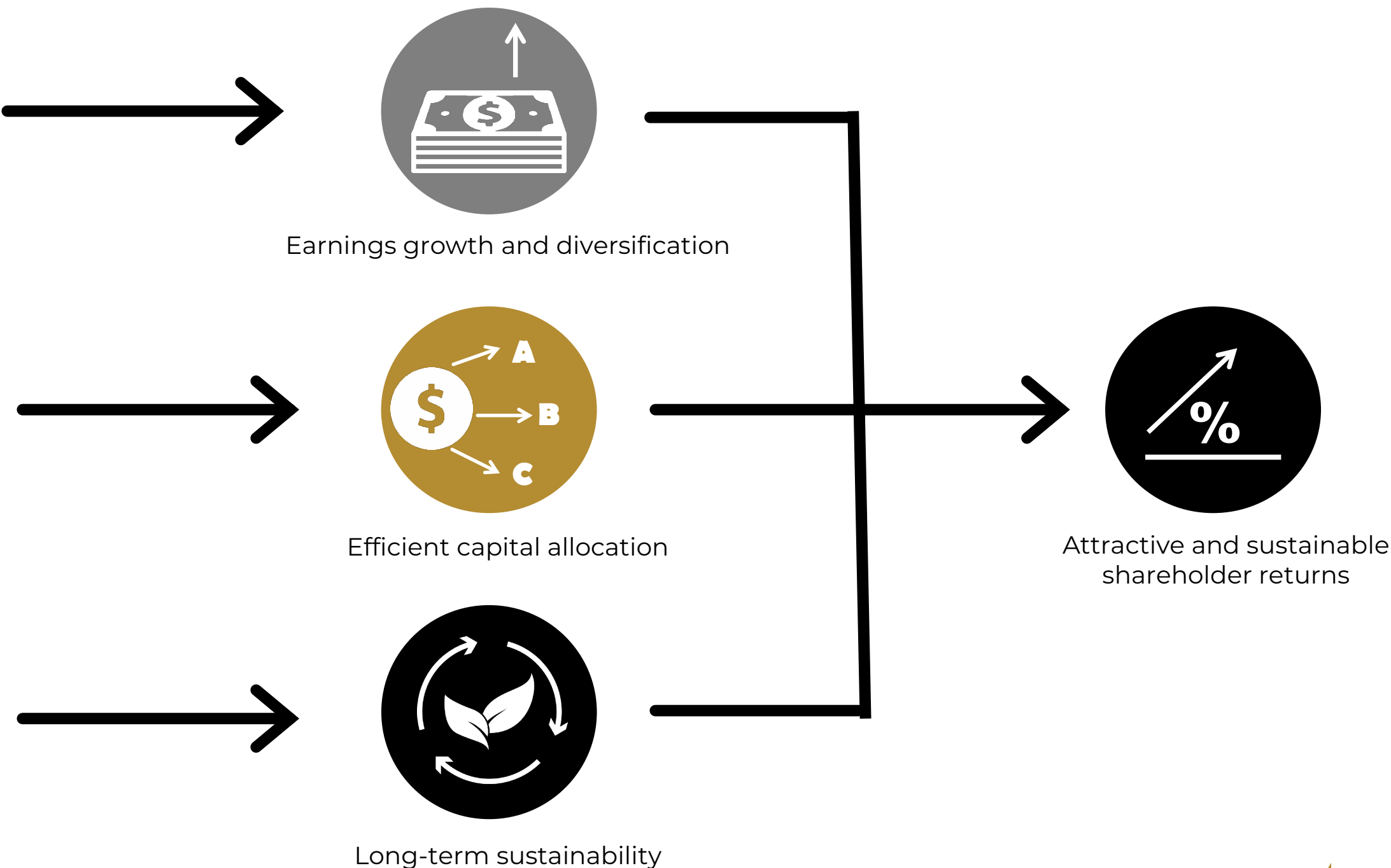
*Shareholders increasing their focus on SkyCity's strategic priorities after completion of major projects, particularly against backdrop of a dynamic, changing industry landscape*

# Long-Term Value Proposition

- Increase casino, entertainment and hospitality revenue
- Develop new, complementary business
- Achieve operating leverage and efficiencies across the Group

- Allocate capital to higher returning assets and businesses
- Maintain efficient capital structure and distribution policy
- Introduce investment partners to drive growth and enhance returns

- Protect and enhance social licence to operate
- Evolve with changing customer preferences and technology
- Be a responsible corporate citizen



# Improve Our Operating Performance

*(Michael Ahearne, Stewart Neish)*





# What's Worked? COO's Perspectives 2 Years in...

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- Improved focus on marketing/promotions driving visitation and loyalty
- Investment in new product and greater emphasis on leveraging data
- Benefits of product mix and floor layout being recognised
- Improved performance in EGMs pleasing given importance to Group earnings and value (and against backdrop of online casino growth in NZ)
- Better collaboration and information sharing across the Group (silos removed)
- Better preparedness to address disruption from capital works
- Improved discipline around cost management
- Strong team focused on delivery/execution

# Operational Leadership Team



*Callum Mallett, Exec GM,  
Hospitality, SkyCity Auckland  
20 years experience in tourism,  
hospitality and gaming*



*Matt Ballesty, Exec GM,  
Gaming, SkyCity Auckland  
20 years experience across  
Macau, US, Canada and  
Australia*



*Brad Burnett, GM, SkyCity  
Hotels Group  
Significant international  
experience in managing and  
operating hotels*



*David Christian, GM, Adelaide  
Casino  
30 years experience across  
Australia, NZ and Singapore*



*Michelle Baillie, GM, SkyCity  
Hamilton  
20 years experience across  
range of operational roles at  
SkyCity. Waikato CEO of the  
Year (2017)*



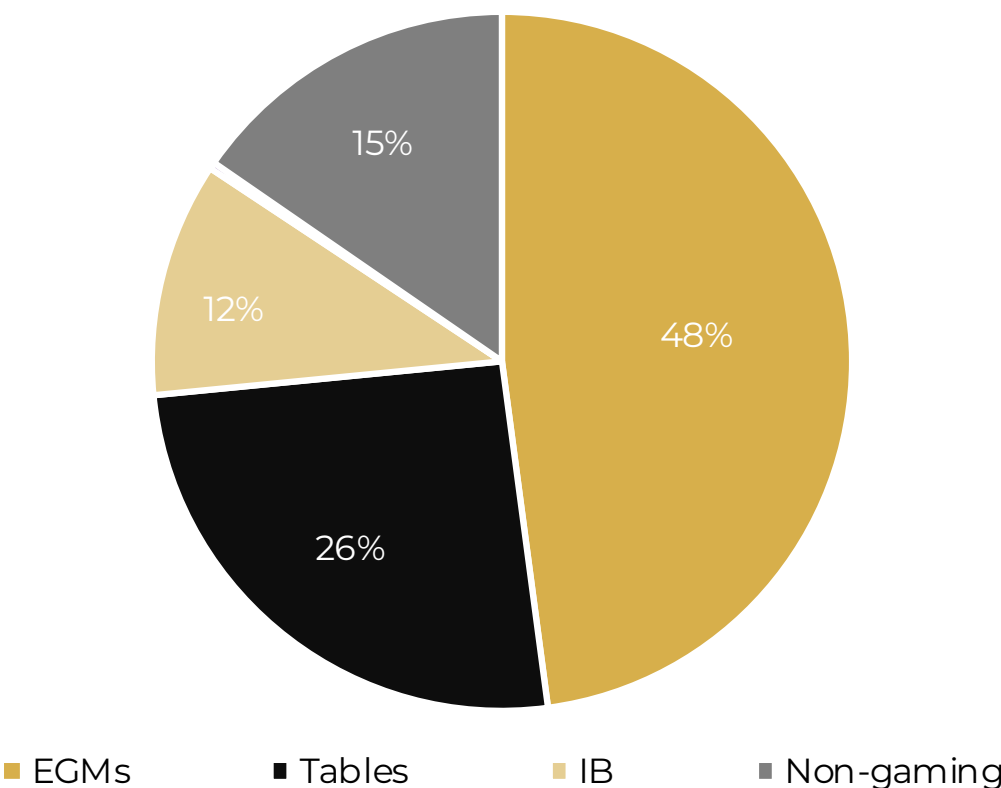
*Jono Browne, GM, SkyCity  
Queenstown  
20 years experience in tourism,  
hospitality and gaming*



*Steve Salmon, Online Director,  
SkyCity Malta  
20 years of global online  
gaming and wagering  
experience*

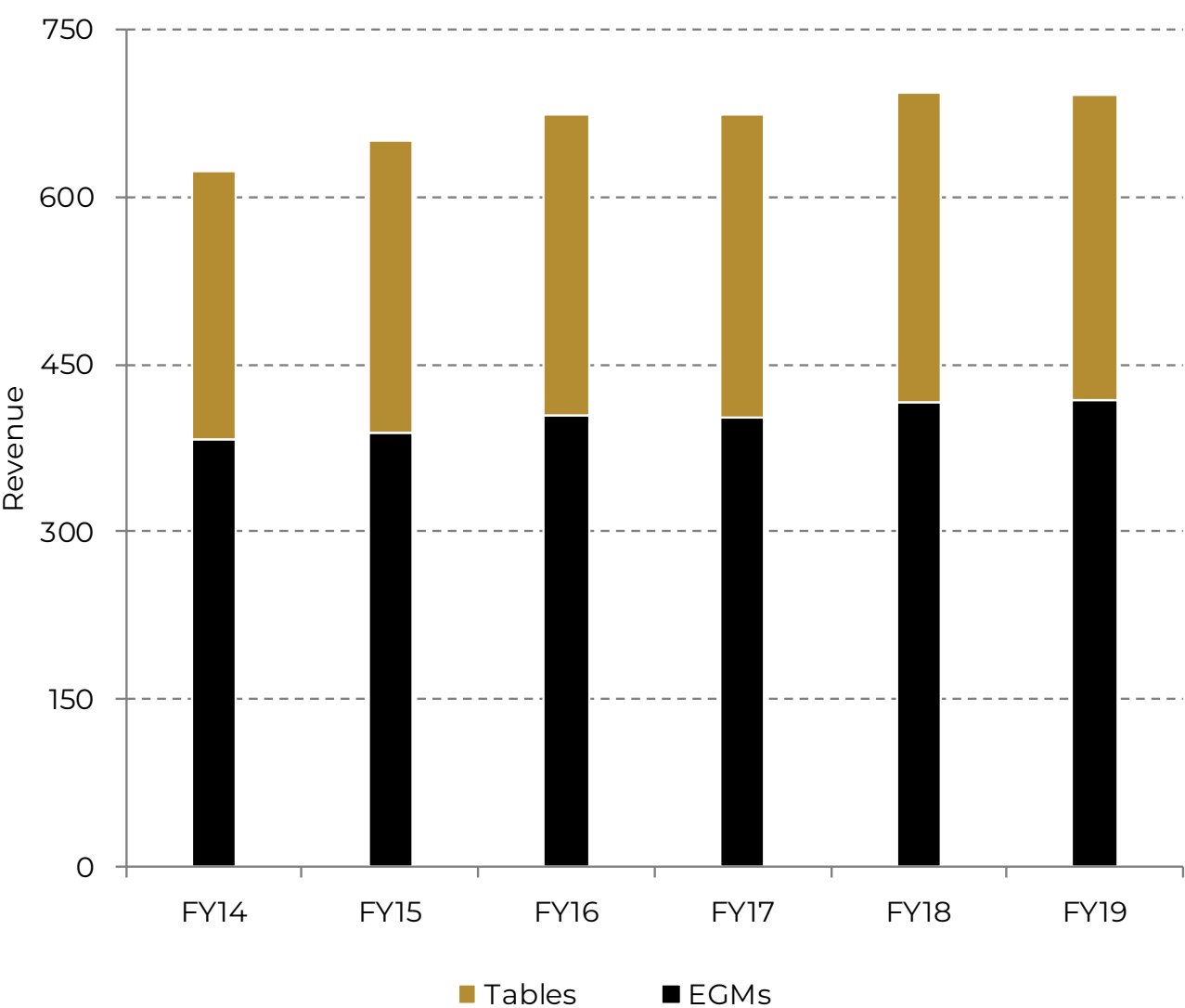
# Key Value Drivers

Group normalised EBITDA by activity (%): FY19 (\$343m)



Source: Company information

Group EGMs and table games (excl IB) revenue (\$m): FY14-FY19



Source: Company information

*Local gaming (EGMs and table games) continues to be key value driver for the Group but with IB making larger contributions – EGMs continue to perform well, particularly in Auckland and Hamilton*

# Customer Trends/Themes

Casinos/integrated resorts continue to be a source of entertainment/socialising

Online/alternative forms of gaming gaining popularity globally

Traditional forms of gaming being challenged to remain popular with younger demographic

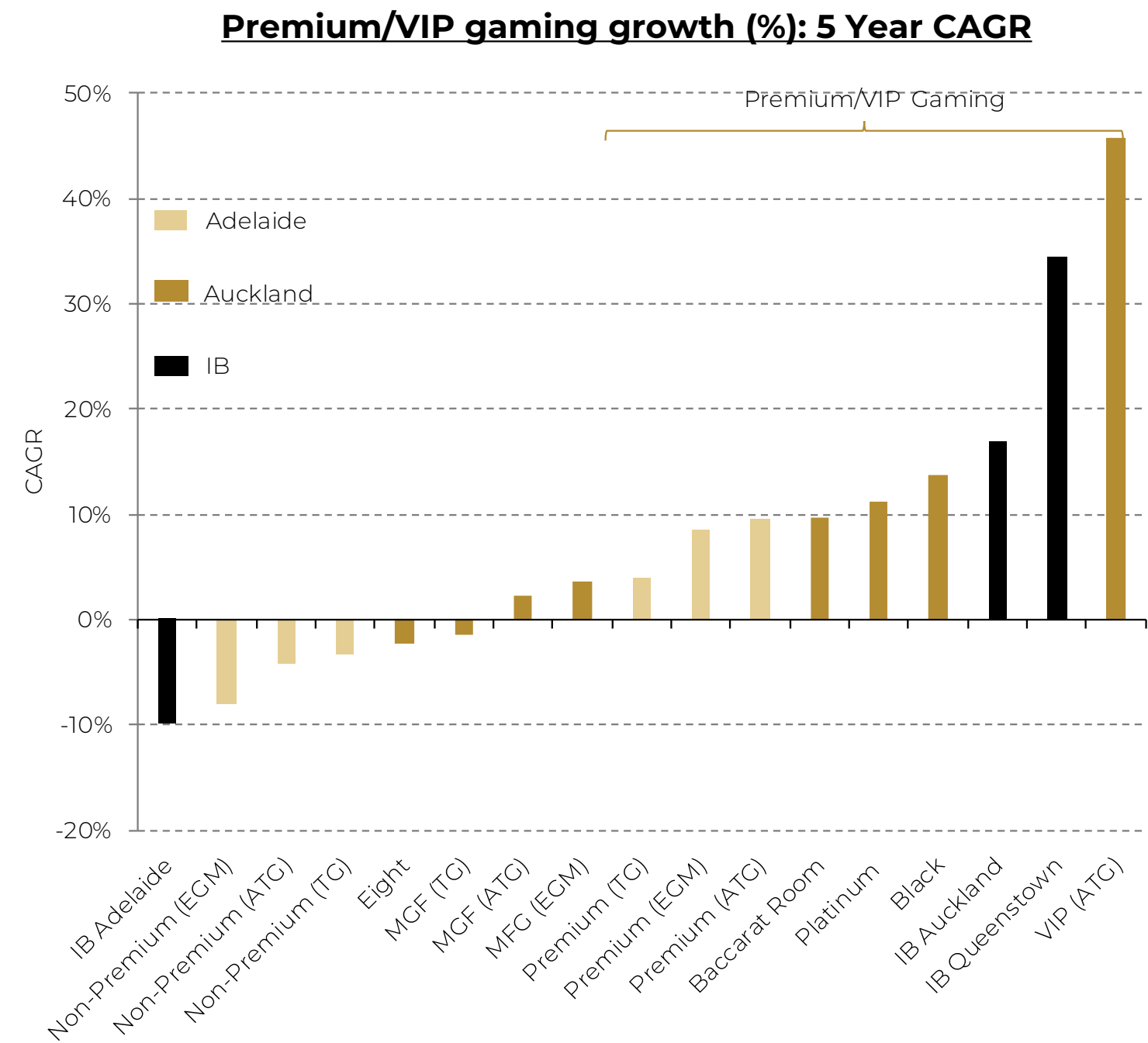
Marketing/promotional initiatives important to appeal to new (and retain existing) customers

Rewards/recognition important to retain loyalty, particularly for VIPs

Digital offering viewed as critical to enhance end-to-end experiences – 50%+ of world population now own a smartphone

*Customer requirements evolving due to online/digital disruption and changes to generational preferences*

# Premium/VIP Gaming



Source: Company information

- Premium/VIP segments fastest growing parts of land-based casinos
- Trend applies to both EGMs and table games
- Growth driven by positive demographic/economic factors in Auckland, customer acquisition, investment in international/interstate EGMs and improved premium access in Adelaide
- Future initiatives should support continued growth in premium/VIP
  - Investment in new facilities in Auckland during FY20 (April 2020 completion)
  - Opening of Adelaide expansion
  - Product innovations (i.e. Lucky 6)
  - Continue investment in international/interstate EGMs business



# Product Initiatives – EGMs

## New games and links

- Launching new product consistently
- Engaging marketing campaigns to create exciting launch events

**DOLLAR \$TORM**

**PLAYER'S CHOICE PEARL EDITION**

**MONOPOLY**  
*HOTEL Tycoon*

**Oriental GOLD OX**

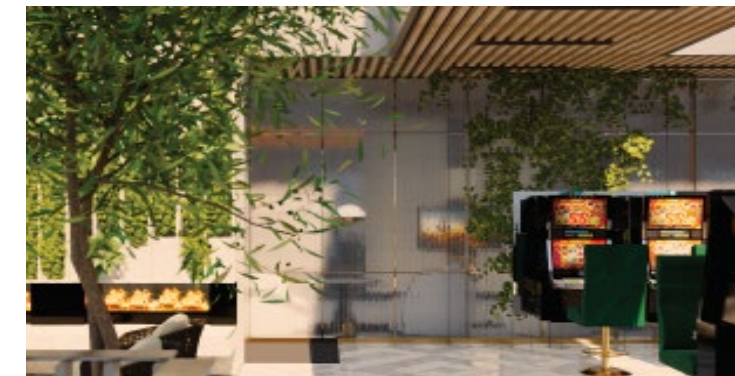
## Creation of new zones – improved wayfinding

- Consistent “New Game Zone” graphics
- Additional jackpot signage to showcase new linked product



## Grow and enhance VIP/premium

- Ultra Black: new VIP salons in Auckland as part of investment in premium facilities during FY20
- Increased outdoor gaming at existing Black/Platinum rooms in Auckland

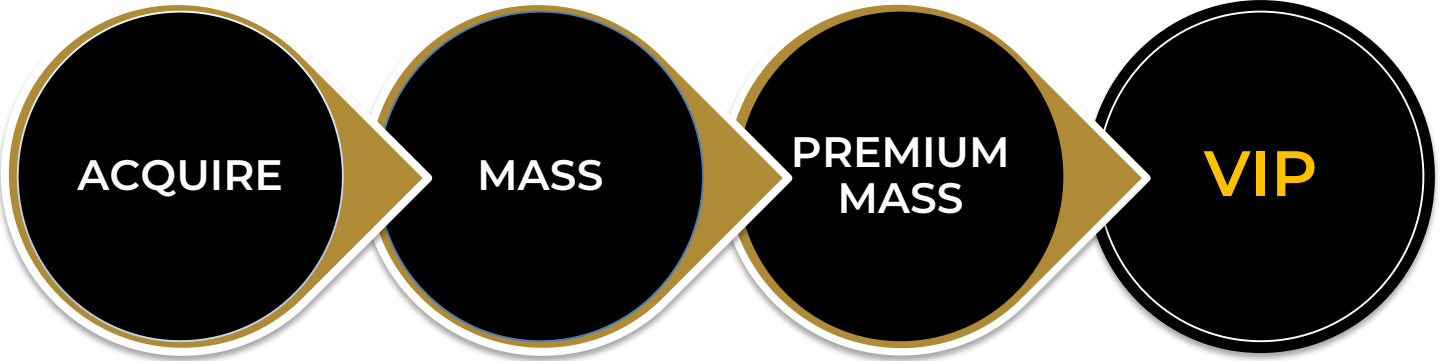




# Product Initiatives – Table Games

## Leveraging loyalty and tiers promotion

- Effective customer segmentation
- Yield management through loyalty tiers promotion



## New product and innovations

- Introduce/leverage new products and game derivatives (i.e. Lucky 6, Tiger 6)



## Productivity improvements

- Improve table connectivity, surveillance and game integrity
- Data capture, reduce non-productive time for staff and enhance asset protection



# Product Initiatives – ATGs

## Enhanced signage

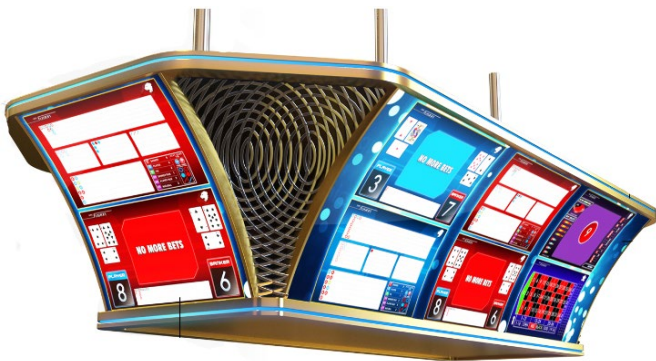
- Signage improvements across all sites
- Terminals to face result displays

## Enhanced branding/customer recognition

- Specific branding to ensure customer recognition and underpin promotions/future marketing campaigns

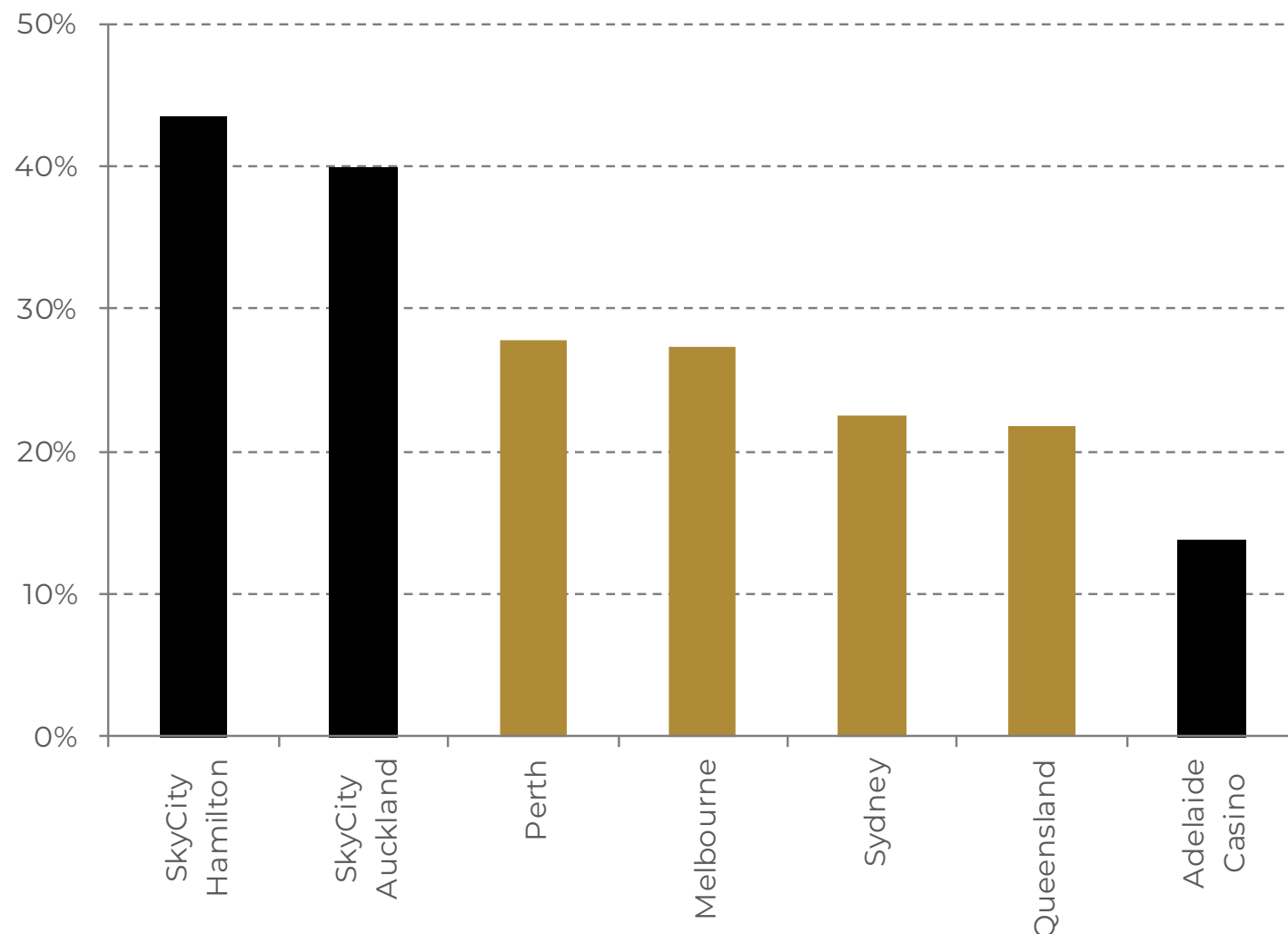
## Phased introduction of new product

- Introduction of product into premium gaming rooms
- Alleviating demand for traditional table games at peak periods whilst adding versatility to the casino floor



# Operating Model Review

**Australian and NZ casino normalised EBITDA margins (incl IB) by property (%): FY19**



Source: Company reports

- Remain focused on achieving operating efficiencies where possible to offset cost pressures
- FY19 Group normalised EBITDA consistent with pcg (30.6%)
- SkyCity Auckland and SkyCity Hamilton margins compare favourably vs. peers on like-for-like basis (Adelaide Casino significantly below peers)
- Cost reviews completed annually – costs being progressively removed as opportunities arise
- Group margins to be impacted by new openings (i.e. Adelaide expansion and over time NZICC & Horizon Hotel) and establishing new businesses (i.e. online casino)

# Key Operational Strategies for FY20/FY21

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Further investment in product/mix/configuration  
(ref. pages 59-61)

Leverage loyalty/digital capability/data analytics to  
improve customer yields

Leverage new premium gaming spaces once  
completed (levels 8-9 in Auckland)

Enhance CXM through customer service and innovation

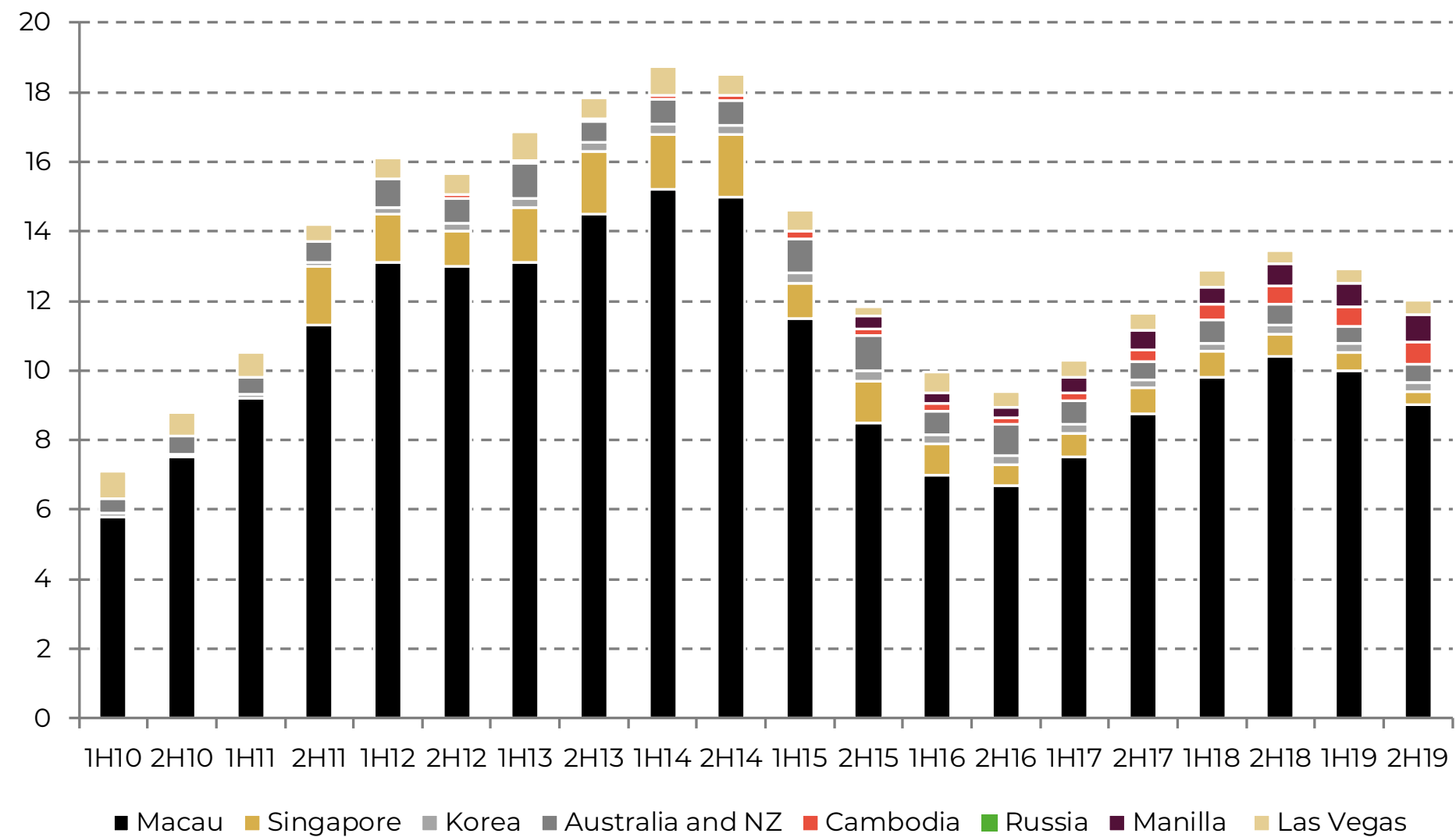
Prepare for opening of Adelaide expansion

Focus on cost control and operating leverage



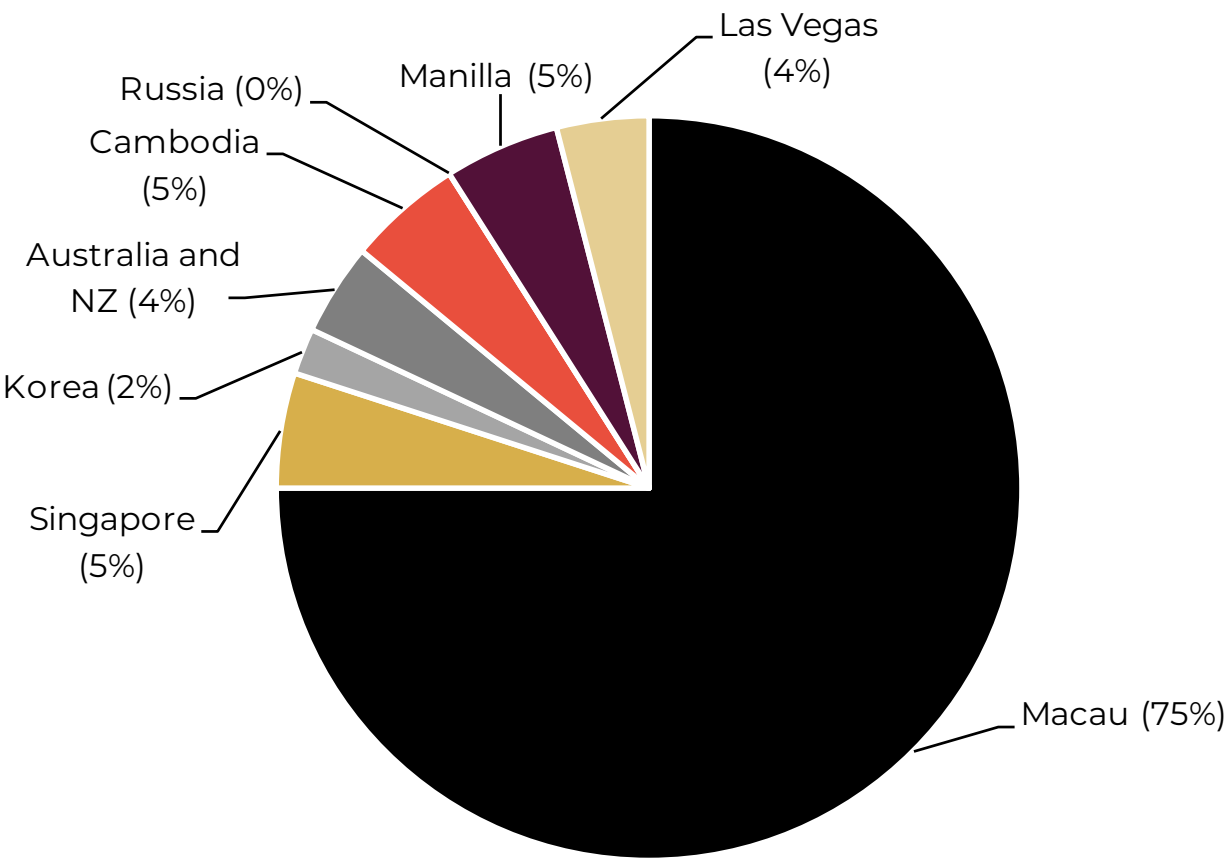
# International Business – Global Market

Global IB revenue (US\$bn): FY10-FY19



Source: Macquarie Bank research

Global IB market share (%): FY19



Source: Macquarie Bank research

*Significant global market for IB (US\$25bn in revenue in FY19) but 25% below industry peak (FY14) – dominated by Macau, Australia and NZ small player globally (<5%)*

# International Business – Sector Themes

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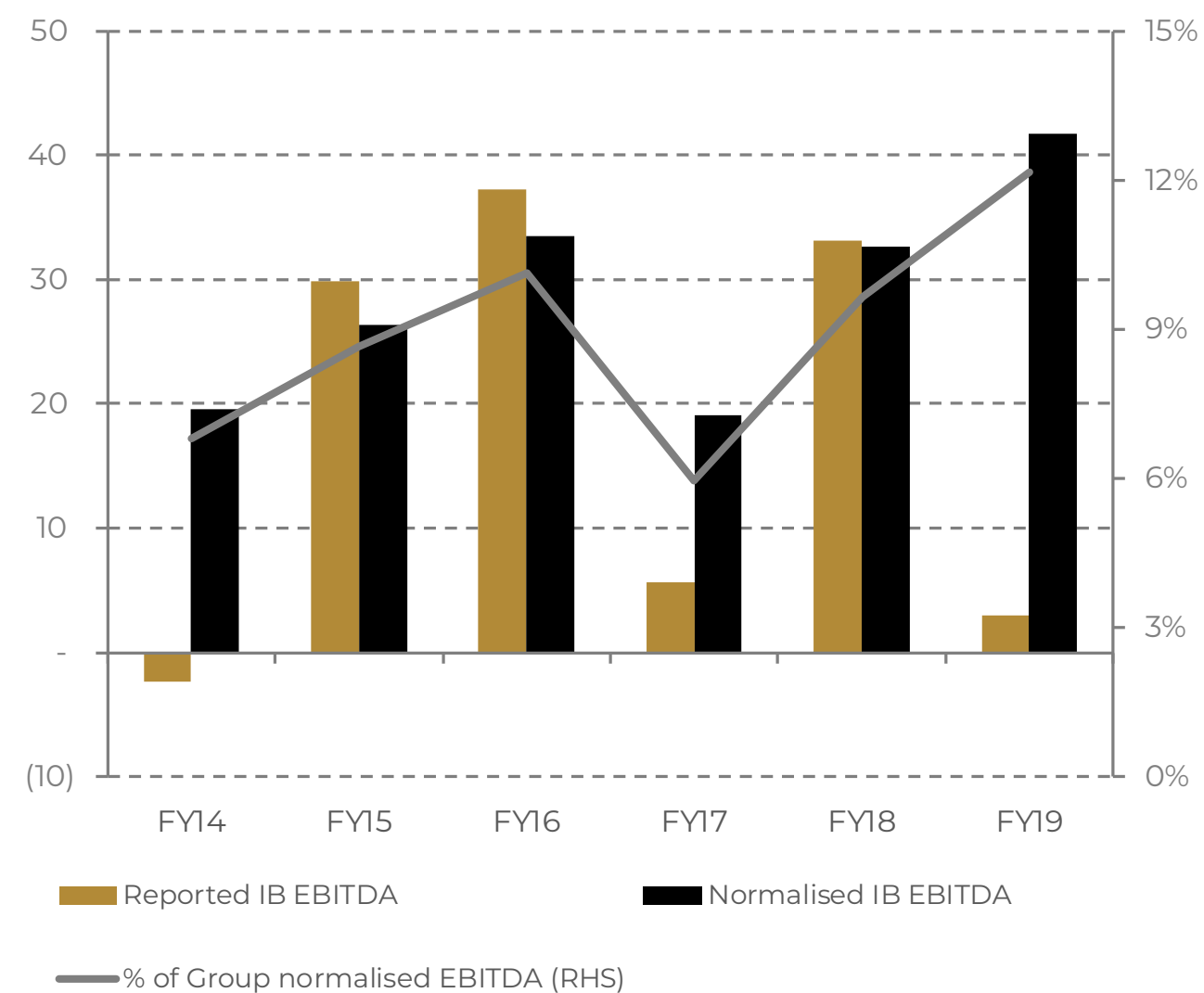
- Strong long-term secular outlook for North/Southeast Asia
  - Latent demand, increasing wealth creation, improving connectivity
  - Increasingly mobile (150m outbound trips from China in 2018)
  - Gaming expenditure in China as % of GDP 0.28% vs. US at 0.36% (8bps growth represents US\$10bn of gross gaming revenue)<sup>(1)</sup>
  - External/geo-political factors and regulatory changes can cause volatility but important to look through cycle
- Australian and NZ market attractive for VIPs and grown significantly over last 5-10 years
  - Significant addressable market in Asia-Pacific region and opportunity to take share
  - New casino resorts in attractive gaming locations (i.e. Sydney, Brisbane, Adelaide)
  - Australia and NZ consistently rank in top 10 most desired international destinations for Chinese tourists (including VIPs)

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*(1) Wynn Resorts investor day presentation (2019)*

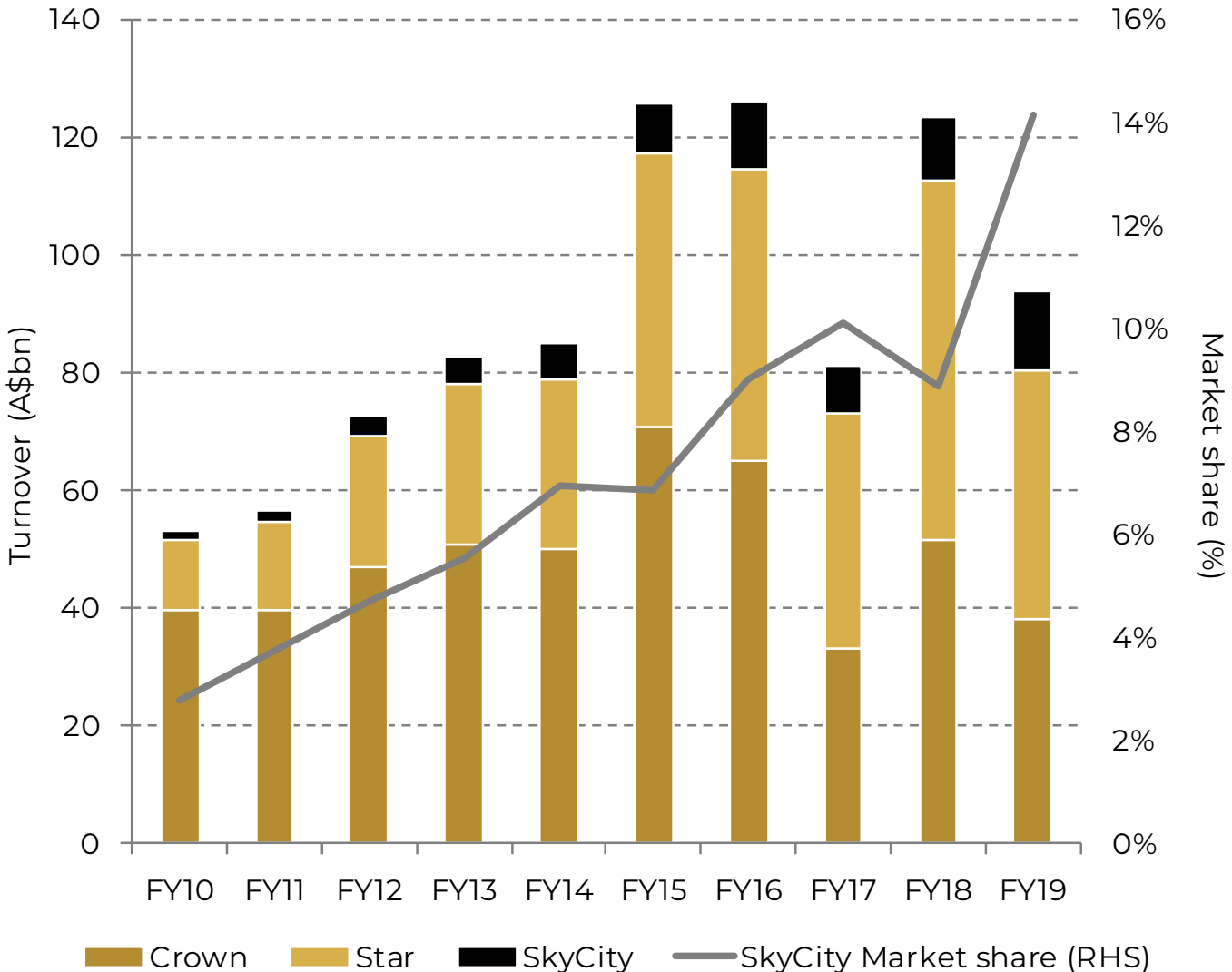
# International Business – SkyCity Overview

**SkyCity IB EBITDA (\$m) and % of Group normalised EBITDA: FY14-FY19**



Source: Company information

**Australian and NZ IB Market (A\$bn) and SkyCity market share (%): FY10-FY19**



Source: Company information

*Australian and NZ IB turnover peaked in FY16, followed by volatility from FY17-FY19 – **SkyCity has been steadily growing its share since FY10 with IB making increasing contributions to Group normalised EBITDA (12% in FY19)***

# International Business – SkyCity Outlook

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- Record FY19 turnover and normalised EBITDA (albeit benefiting from lower win rate)
  - 2<sup>nd</sup> largest EBITDA contributor for Group (behind Auckland)
  - Remain predominately a direct business (70% of FY19 turnover)
  - Improvements in EBITDA margins, benefiting from operating leverage and low bad debts
- High performing sales team under leadership of John Chong in Asia (significant industry experience)
- Significant focus on KYC/AML (both prospective and new customers)
- Committed to the business for the long-term
  - Pursuing sustainable growth – targeting IB to represent around 15% of Group normalised EBITDA
  - Will continue to invest prudently in the business
  - Conservative approach to credit
  - Margins sustainable at around 20%

# International Business – Growth Opportunities

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Grow and diversify customer base – reduce reliance on small number of larger players

Leverage new facilities in Adelaide post expansion and proximity to eastern seaboard of Australia

Continue to deliver high-quality customer service

Progress proposed Queenstown VIP gaming/hotel development

Leverage sales team in Asia to further unlock significant addressable market

Further investment in IB as part of Auckland master plan



# Optimise Existing Portfolio

*(Graeme Stephens)*



# Asset Sale Programme

## Darwin Casino



- Sold Darwin Casino to Delaware North for A\$188m in April 2019
- Property deemed non-core and ex-growth
- Sale price 8x pro-forma FY19 EBITDA
- Conditional sale agreement signed for Little Mindil (adjacent beach front land, book value A\$11m)

## Federal St car park



- Sold Federal St car park to ICD Property for \$40m in April 2019
- Car park off precinct and no longer required with NZICC car park being developed
- Record car park transaction in Auckland CBD in terms of \$per m<sup>2</sup>
- ICD intend to develop mixed-use accommodation tower (including ground floor retail)

## Auckland car parks



- Sold long-term concession (to 2048) over Auckland car parks to Macquarie Principal Finance for \$220m in August 2019
- Sale price 12.5x pro-forma FY19 EBITDA
- Complex, bespoke transaction – Care Park (subsidiary of Far East Consortium) appointed car park manager
- Availability regime to protect ongoing access for key SkyCity customers



# NZICC & Horizon Hotel – Investment Thesis

- Significant investment in future of Auckland and NZ
- Significant job creation once operational
- Investment will support long-term growth in tourism expenditure
- New infrastructure to be significant demand driver for Auckland precinct (i.e. casino, hotels, F&B, Federal St)
- Horizon Hotel expected to generate meaningful incremental earnings
- Casino licence extension (to 2048)
- Expect NZICC to be earnings neutral but to generate ~1m incremental visits to precinct per year



# NZICC & Horizon Hotel – Project Update (1 of 2)

---

- Fire at NZICC site on Tuesday 22 October 2019
- Project had good momentum prior to fire with Fletcher Construction and SkyCity collaborating well
- Good response from crisis management team
  - SkyCity Auckland fully operational
  - Currently no access to NZICC car park for staff (and Nelson St entry/exit remains closed) – reduced customer parking capacity
- Fletcher Construction has resumed control of site
  - Team appointed to investigate cause of fire
  - Some time until extent of damage assessed and engineering/insurance reviews completed
- Expect fire (and damage) to result in material delays to completion dates
  - Delays likely to impact ability for NZICC to host conferences in 2021 – impact beyond 2021 not yet known
  - Immediate priority on recommissioning NZICC car park for staff and reopening Nelson St entry/exit

# NZICC & Horizon Hotel – Project Update (2 of 2)

---

- SkyCity has until 1 January 2023 to complete the NZICC under existing commitments with NZ Government
- At this stage, no change to contractual position with Fletcher Construction
  - Fletcher Construction required to complete project
  - Fletcher Construction and SkyCity committed to delivering the NZICC in accordance with the NZ Government's requirements
- SkyCity has appropriate project insurance in place (ref. page 74)
  - External advisors engaged to assist with managing claims and assessing damage and rebuild required, to ensure SkyCity's interests are protected
  - SkyCity will provide further updates on actual/potential insurance claims as new information becomes available
- At this stage, SkyCity is not expecting any material change to previous guidance for total project costs



# NZICC & Horizon Hotel – Project Insurance

## Contract works insurance

- Indemnity against loss or damage suffered to the NZICC and/or Horizon Hotel
- Fletcher Construction and sub-contractors are insured parties under the policy for their respective rights, interests and liabilities
- Lead insurer is a subsidiary of a leading global firm and has an AA- insurer financial strength rating given by S&P Global Ratings
- Policy covers contract works (both NZICC & Horizon Hotel) and additional sums for consultant fees, debris removal and cost inflation for un-built elements at time of incident
- Limits increased (in consultation with Fletcher Construction) in 2018 having regard to revised estimated reinstatement costs

## Public liability insurance

- Policy covers legal liability to 3<sup>rd</sup> parties arising from the NZICC & Horizon Hotel project
- Fletcher Construction and sub-contractors are insured parties under the policy for their respective rights, interests and liabilities
- Lead insurer is a subsidiary of a leading global firm and has an AA- insurer financial strength rating given by S&P Global Ratings

# Master Planning – Auckland

- Multi-year vision for precinct
- Positive long-term fundamentals in Auckland – population and tourism growth and ongoing CBD/urban renewal
- Significant option value embedded in precinct
  - 2,500m<sup>2</sup> of land available to be developed (corner of Victoria and Federal St's)
  - Underutilised property able to be monetised (i.e. theatre site, mezzanine level of main casino site)
- Opportunities for further accommodation, F&B, new gaming spaces and entertainment
- Ongoing concept development and feasibility analysis
- Highly attractive investment opportunity for any property developer should external capital be required
- Chief Property Officer (Peter Alexander) joined in early 2019



# Non-Gaming Attractions

- Partnering with two iconic brands in Auckland – All Blacks and Weta Workshop
  - Attractions to appeal to broad customer base and ensure long-term relevance
  - Interactive/immersive customer experiences leveraging world-class technology (i.e. AR/VR)
  - Auckland convention centre (to be replaced by NZICC) to accommodate both attractions (SkyCity to be landlord, no capital commitment)
- Further opportunities for non-gaming entertainment being consider across precinct
- Recently acquired 100% of Let's Play Live Media (previously owned 40%) – NZ's leading broadcaster and operator of esports





# Master Planning – Hamilton/Queenstown

- Continue to evaluate development opportunities in Hamilton and Queenstown
- Riverbank opportunity in Hamilton includes potential hotel development, gaming expansion and entertainment
- Land acquired in Queenstown for future hotel development – 1 hectare of lakefront property with views of Remarkables
  - Opportunity for high-end hotel with VIP gaming
  - Popular location with tourists and VIPs
- Both developments require regulatory changes before proceeding
  - Public hearing to consider application to vary licence conditions (60 EGMs to be substituted for 3 tables) in Hamilton on 19 November 2019
  - Require approval to relocate one Queenstown casino licence to new site and extend Hamilton (2027) and Queenstown (2024 and 2025) licence terms



# Break: Afternoon Tea





# Grow & Diversify Our Business



# Hotel Strategy

*(Rob Hamilton)*



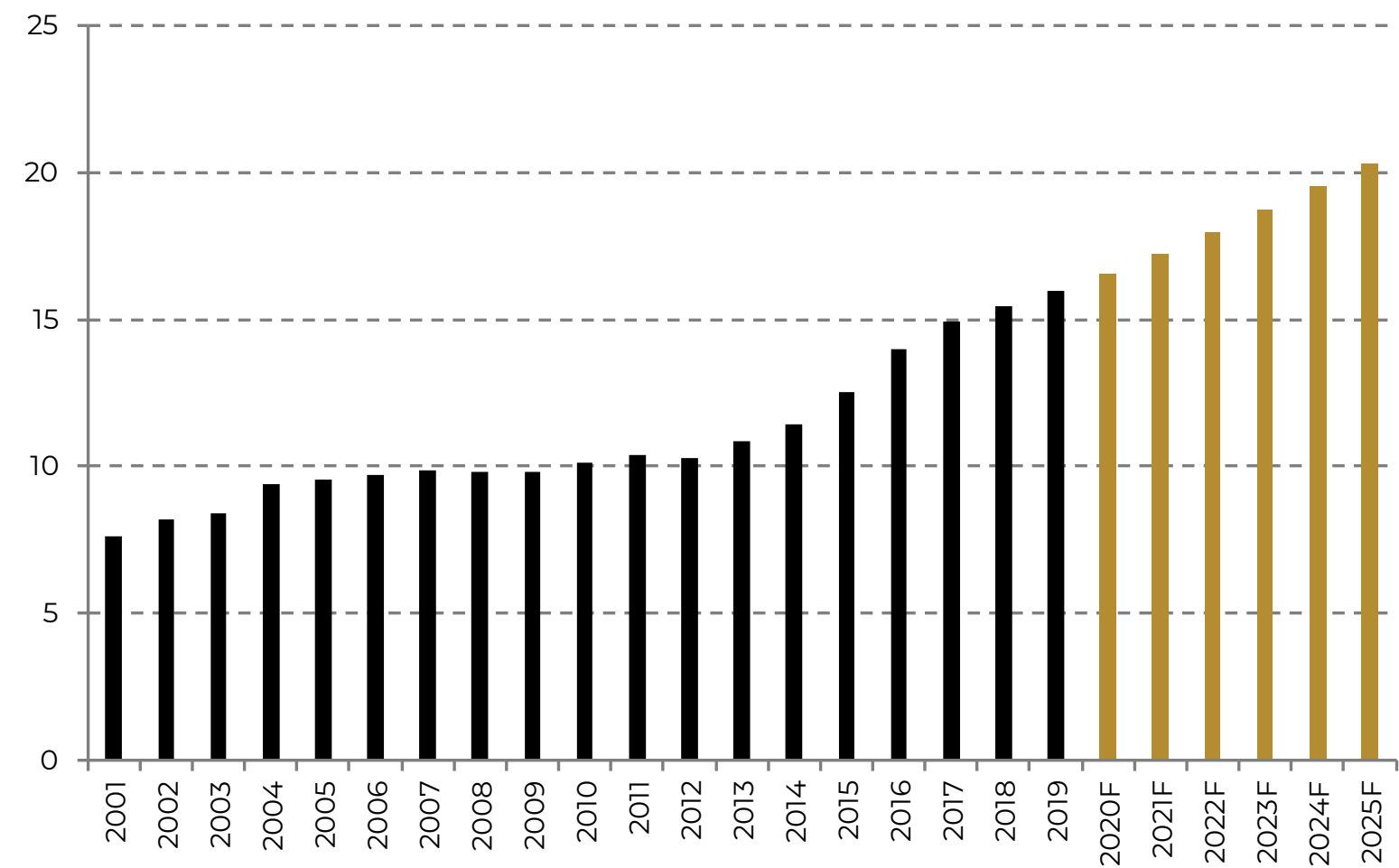
# Strategic Context

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- Limited opportunity to scale core gaming business in NZ and Australia
- Hotels key component of integrated offering and to support core activities
- Significant operating expertise in managing hotels and well recognised hotel brand
- Competitive advantage given scale/location of precincts
- Two successful hotels in Auckland and new hotels under development in Adelaide and Auckland
- Opportunity to expand hotel business through further developments in Auckland/Hamilton/Queenstown and hotel management opportunities
- Highly attractive asset class which attracts global investor demand for NZ opportunities

# Long-Term Demand Thesis

**NZ visitor arrivals (domestic and international) (m): 2001-2025F**



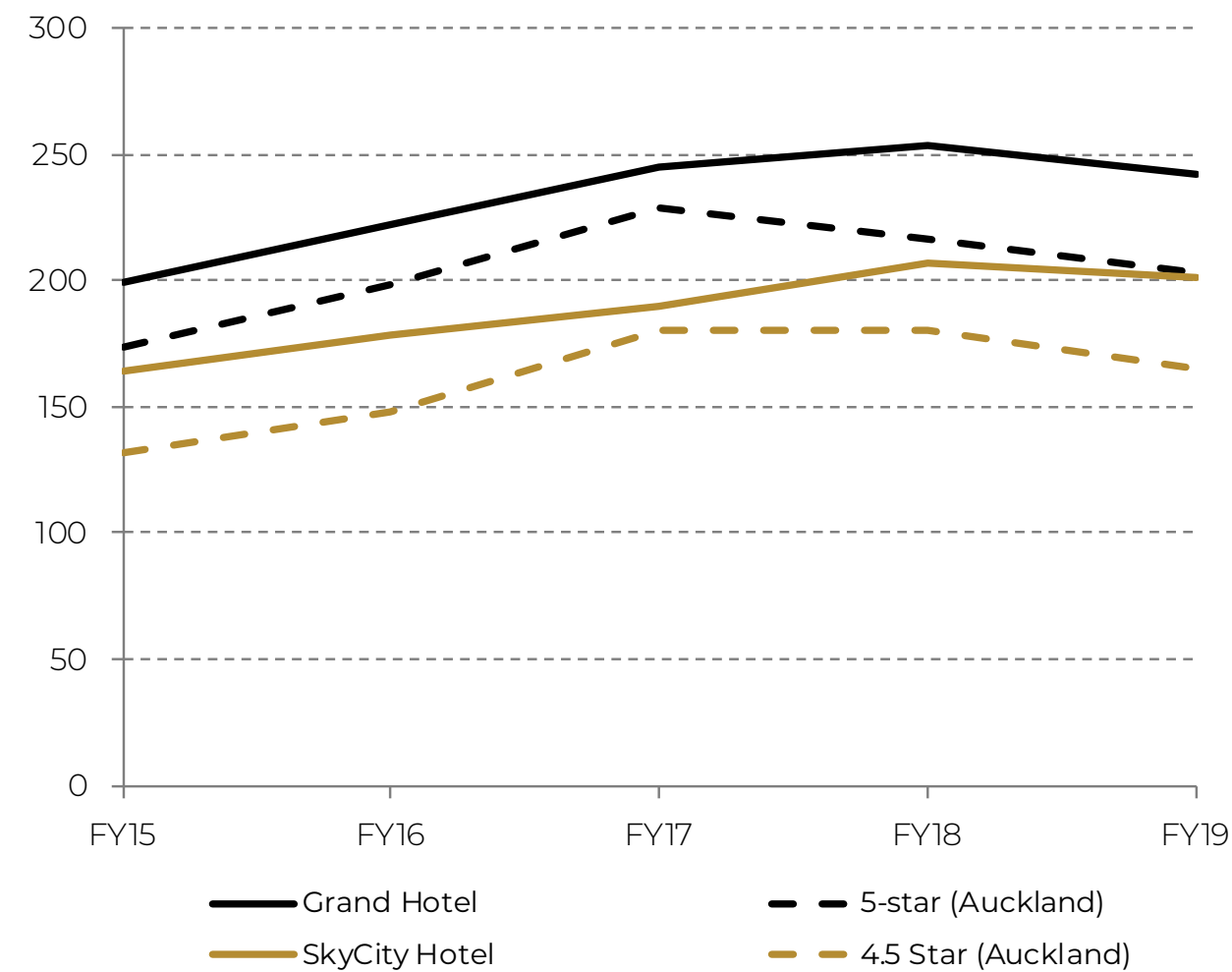
Source: MBIE, Tourism NZ

(1) Horwath HTL

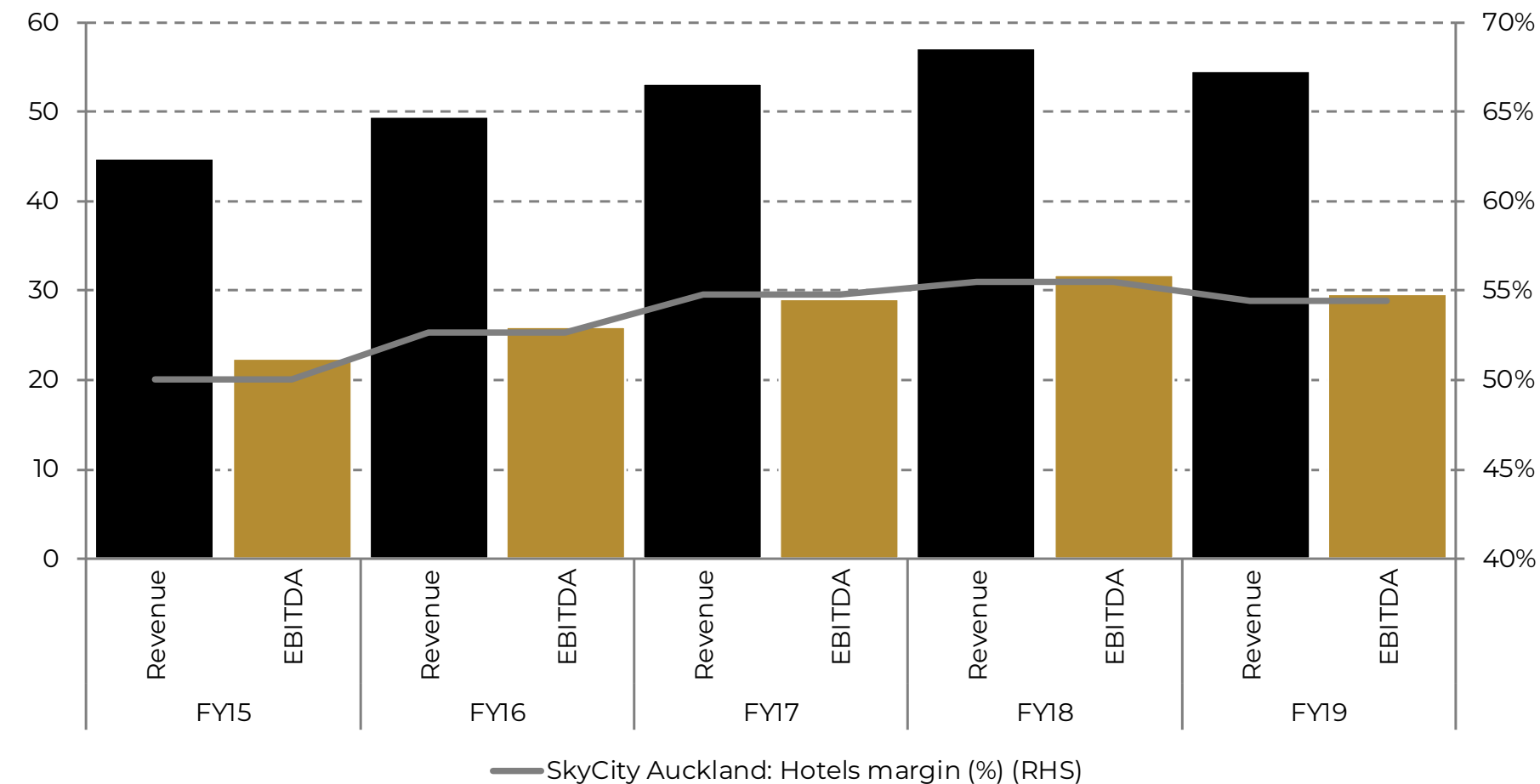
- Positive outlook for hotel demand in NZ (and Australia)
  - Global tourism boom driven by growing China/Asian middle class
  - Increasing airline capacity/visitor arrivals
  - Global reputation as a safe travel destination
  - Key tourism infrastructure under development
  - Strong economic growth and demographic trends
  - Stable currency
- Rooms nights in Auckland expected to increase by 30% to 2025<sup>(1)</sup>
- Hotel occupancy in Auckland 5 star market expected to remain 80%+ over next 10 years, despite supply increases<sup>(1)</sup>

# SkyCity Hotels – Track Record of Success

**SkyCity Auckland hotels: RevPar vs. market: FY15-FY19**



**SkyCity Auckland hotels revenue and EBITDA (\$m) and margin (%): FY15-FY19**



Source: Company information

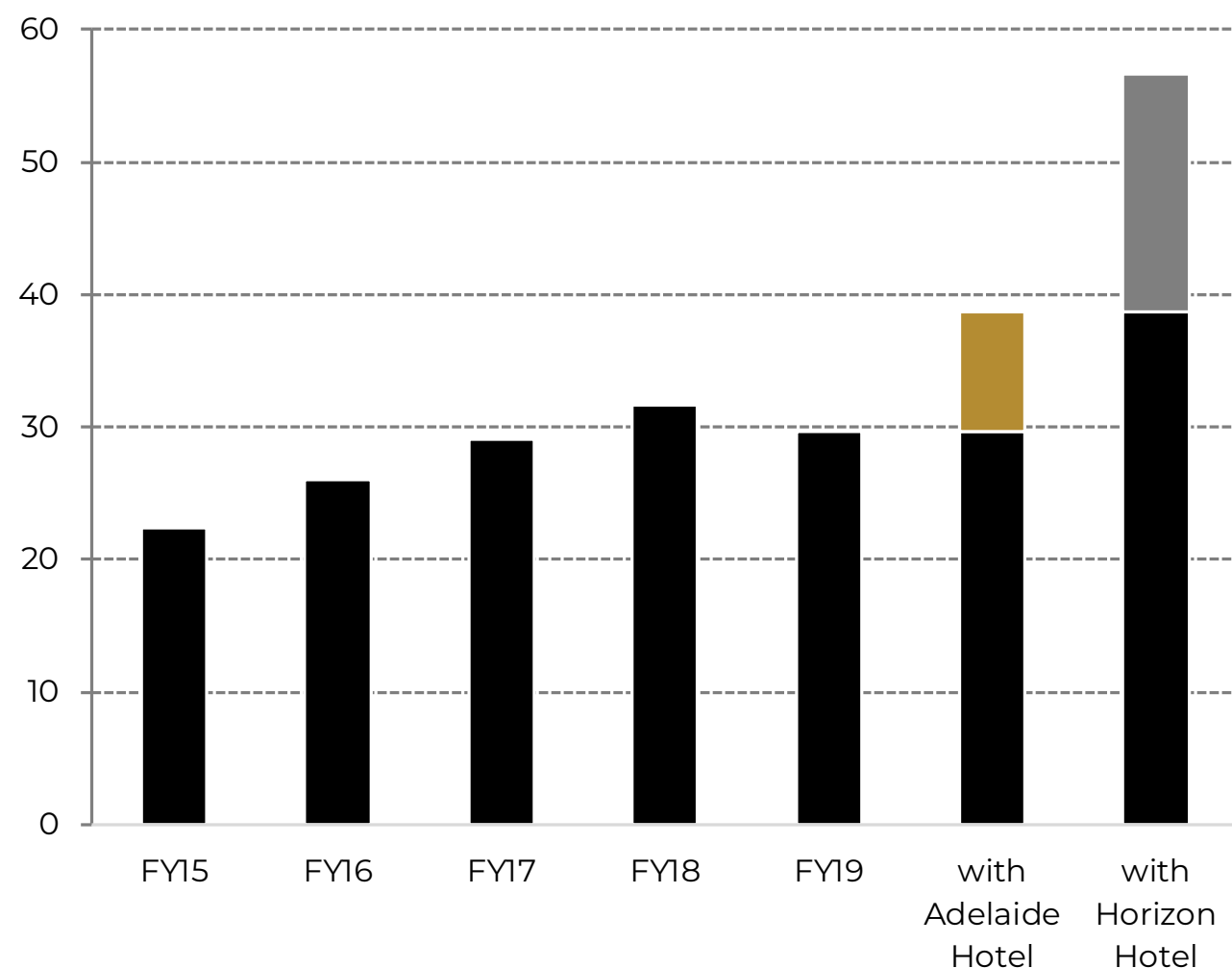
Source: Company information

*SkyCity has delivered market-leading RevPar at its existing Auckland hotels and attractive returns (with margins of around 50%, including hotel management services)*



# SkyCity Hotels – Outlook

## SkyCity Hotels EBITDA outlook (including Adelaide Hotel and Horizon Hotel) (\$m)



Source: Company information

- SkyCity Hotels expected to deliver \$55m-\$60m in EBITDA post completion of major projects in Adelaide and Auckland
  - Hotels to be 2<sup>nd</sup> largest business activity behind gaming
- Exploring opportunities for further hotel developments in NZ (focused on existing precincts)
  - ~\$500m of potential hotel development across Auckland/Hamilton/Queenstown being evaluated
  - Potential for meaningful incremental earnings from these future developments
- Hotel capitalisation rates in Australia and NZ currently around 6-7% (equivalent of 12-13x EBITDA)

# Future Opportunity and Strategic Priorities

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- Focus on evaluating opportunities in existing precincts
- Internal restructure underway to transparently disclose/position hotel portfolio as standalone business
- Hotel management business established
  - Primary function to manage SkyCity Hotels Group
  - External management opportunities to be considered if attractive and provides competitive advantage
- Continue to assess optimal funding model to support strategy
  - Internal restructure to allow for potential future external investment (but preserve ongoing management)
  - No current need/plan to monetise hotels (business or real estate)
  - Investment partner may be considered for hotel component of Auckland master plan
  - Able to fund Hamilton/Queenstown from existing facilities and future cash flows (subject to regulatory change and feasibility analysis justifying investment) but may seek partner to enhance returns

# Online Strategy

*(Michael Ahearne)*



# Strategic Themes

Significant growth in online gaming globally vs. land-based

Transition from offline to online across most industries – gaming no different

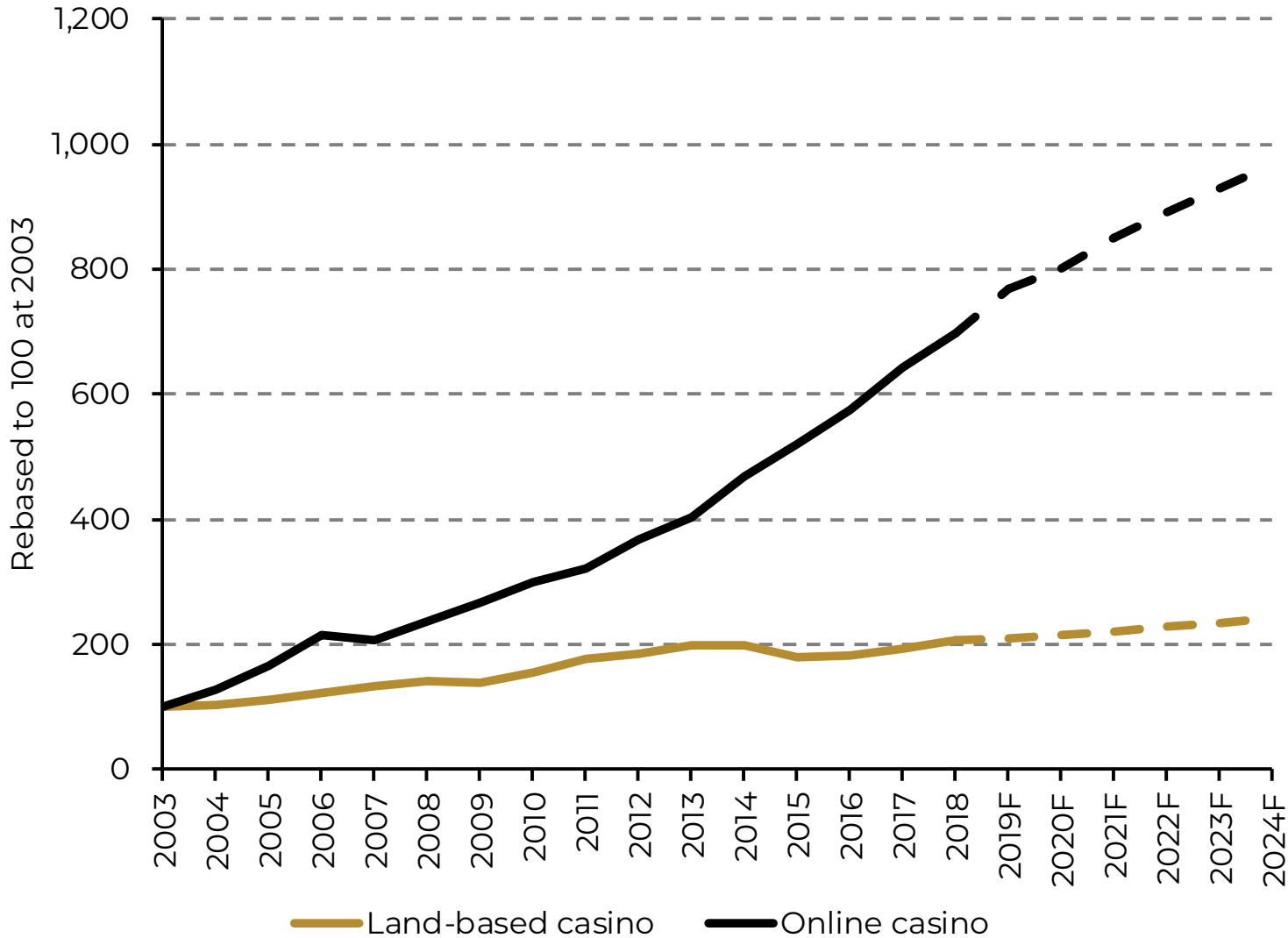
Significant web and mobile penetration in most economies (both developed and undeveloped)

Number of jurisdictions regulating online gaming (or planning to do so)

Opportunity for land-based operators to offer multi-channel gaming offering and capture greater share of wallet

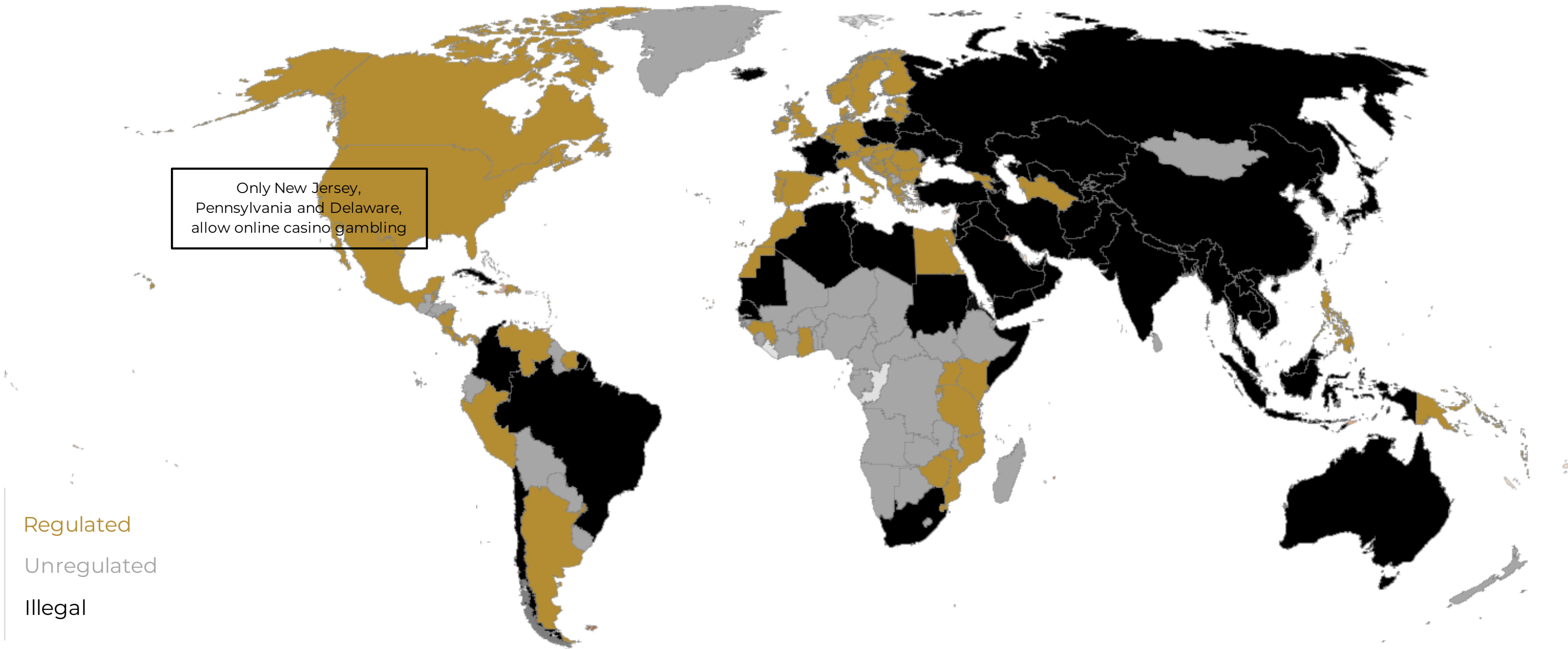
Significant expertise and world-class online platform providers based in Europe

**Global land-based vs. online gaming revenue growth (%): 2003-2024F**



Source: H2 Gambling Capital

*Global Online Gambling (including casinos) Regulation (as at November 2019)*



*Regulation of online gambling is a growing trend globally, particularly in developed economies with existing land-based casino operators (alongside other gambling activities i.e. wagering, lotteries etc.)*



# Online Casinos – Case Study (New Jersey (NJ), US)

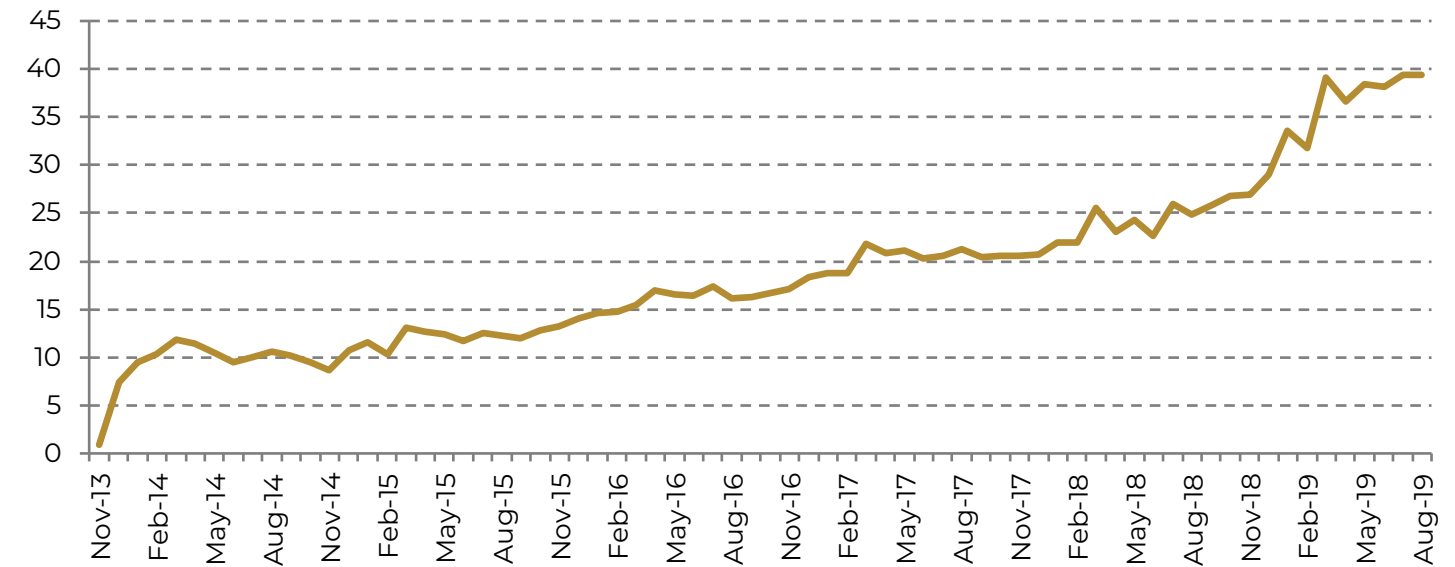
## Journey to online gambling regulation

- 1976 – NJ legalises casinos, restricted to Atlantic City
- 1978 – First casinos become operational
- 2011 – NJ legislature passes a bill to allow online gambling within the State
- 2011 – US Justice department issues legal opinion that the Federal Wire Act only prohibits online sports betting, not online casino games
- 2013 – Revised bill permitting online casinos is approved by NJ legislature

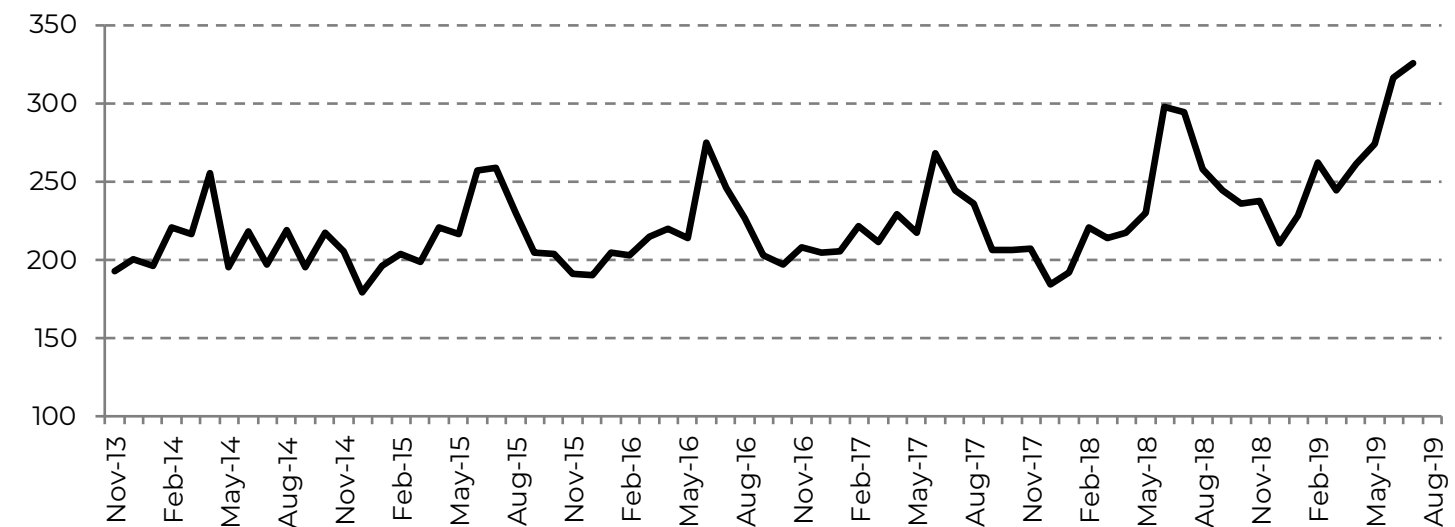
## Regulatory framework

- Legalises online casinos for an initial 10 year period (to 2023)
- Restricts operations to Atlantic City's land-based casinos
- 15% tax on online gambling revenue (8% on land-based)
- Gambler has to play from a computer/tablet/smartphone within NJ and be older than 21 years
- Loyalty points/awards required to be redeemed at land-based casino

**New Jersey online casino revenue (US\$m): 2013-2019**



**New Jersey total casino revenue (US\$m): 2013-2019**



Source: Play NJ. Com

# New Jersey Case Study – Thoughts/Observations

---

Significant growth in NJ online casino revenue post regulation (LTM revenues of US\$400m)

Total NJ casino market (land-based and online) grown post establishing online market – land-based growth +5% per year

Effective channeling of online customer to existing sites given multiple options

Majority of operators have partnered with European platform providers (i.e. GiG/Hard Rock, Gamesys/Tropicana)

Operators effective in geo-blocking non-NJ residents from participating

Significantly increased gaming tax revenue for State and no discernible new incidence of problem gaming

# NZ Online Casino Market – “Outside In” Perspective

Significant unregulated online gaming market developed over last 10 years - +\$250m in annual gross gaming revenue<sup>(1)</sup>

Current legislation allows for offshore operators to address NZ online gaming market

Majority of offshore operators not adhering to principles of Gambling Act 2003 (the “Act”) – emphasis on protecting harm/community benefits

Advertising restrictions often being circumvented (or ignored) by offshore operators with limited (if any) consequences

Mature market with a number of sites in operation

Land-based casinos being disrupted and no level playing field available under the Act

*(1) Regulus report + industry feedback*

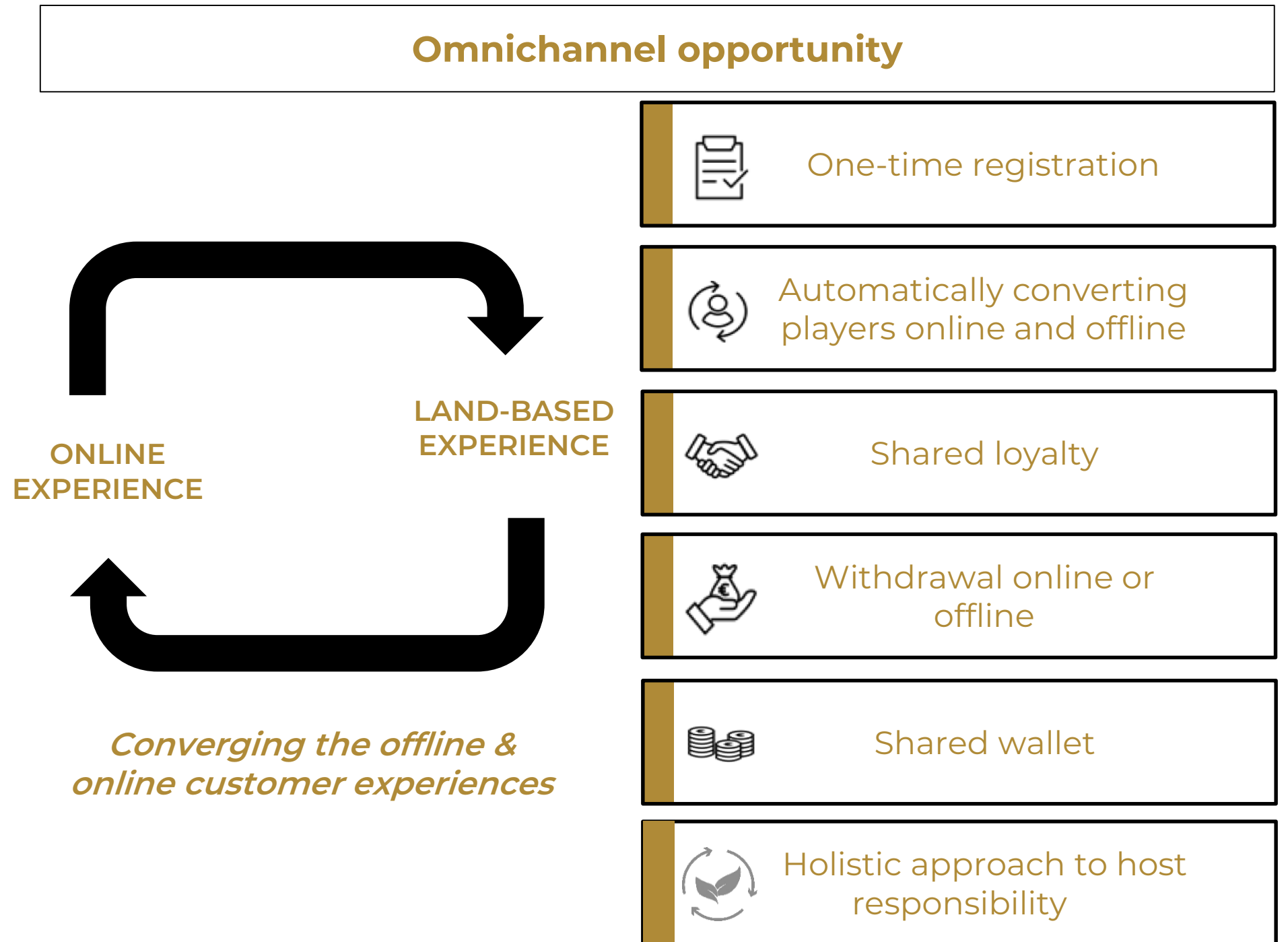
# SkyCity Pathway to Market

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- Online casino launched in August 2019 via Malta-based subsidiary
  - ~1,500 sign ups to date, with sequential growth month-on-month since launch
- Partnership with GiG provides turnkey online solution for NZ customers
  - GiG provide technical platform, gaming content, managed services and front-end development
  - Venture structured as a revenue share arrangement – majority of operating costs variable or directly linked to revenue
  - Agreement with GiG allows for SkyCity to assume B2C (i.e. customer facing) components in regulated market
- Strategic (but conservative) entry into industry which is complementary to land-based operations
  - SkyCity's online site offers best-in-class host responsibility and trusted brand name
  - Actively avoiding the sales and marketing tactics adopted by existing offshore operators
  - Not expecting to monetise in any meaningful way pre-regulation
- Support future regulation in NZ
  - NZ gambling regulator (DIA) commenced public consultation (submissions closed 30 September 2019)
  - Regulation would be consistent with global trends (i.e. Belgium, New Jersey, Pennsylvania, Switzerland, UK, Nordics)

# Long-Term Opportunity – “Omnichannel”

- Potentially significant long-term opportunity if online market regulated in NZ and SkyCity granted licence(s)
- Online gaming expected to continue to grow faster than land-based
- Unique opportunity to provide omnichannel gaming experience for NZ customers – greater share of wallet, active cross-sell between land-based and online, grow lifetime value of customers
- Online casino businesses typically operate at margins in excess of 20%, so high-quality of earnings
- Will ensure long-term relevance for core gaming business





# Sustainability

*(Claire Walker)*



# Commitment to Sustainability (1 of 2)

---

Sustainability increasing in importance for asset owners

Casino industry needs to be doing more than most to justify social licence

Strive to be responsible member of every community in which we operate

Materiality assessment critical in allocation of time/effort/capital into sustainability initiatives

Important to succeed across both financial and non-financial capitals

Recognition of sustainability as ethical underpin of casino industry

# Commitment to Sustainability (2 of 2)



				
Customers	People	Communities	Suppliers	Environment
<u>Be responsible hosts</u>	<u>Inspire our people</u>	<u>Grow our communities</u>	<u>Source responsibly</u>	<u>Protect the environment</u>

*“The aim of SkyCity is to be a business which succeeds in financial, social and environmental terms in the long-run” <sup>(1)</sup>  
(Rob Campbell, SkyCity Chair)*

(1) FY19 SkyCity Annual Report

# Sustainability Framework



- Be responsible hosts >>>>> Happy, safe customers
- Ensure safe and enjoyable opportunities for customers/staff/communities



- Inspire our people >>>>> Great, safe place to work
- Create a great place to work where people are empowered to grow and achieve



- Grow our communities >>>>> Thriving local communities
- Serve a social purpose by investing in local economies and communities



- Source responsibly >>>>> Consistent ethical sourcing
- Commit to highest standards of sourcing ethically, responsibly and locally



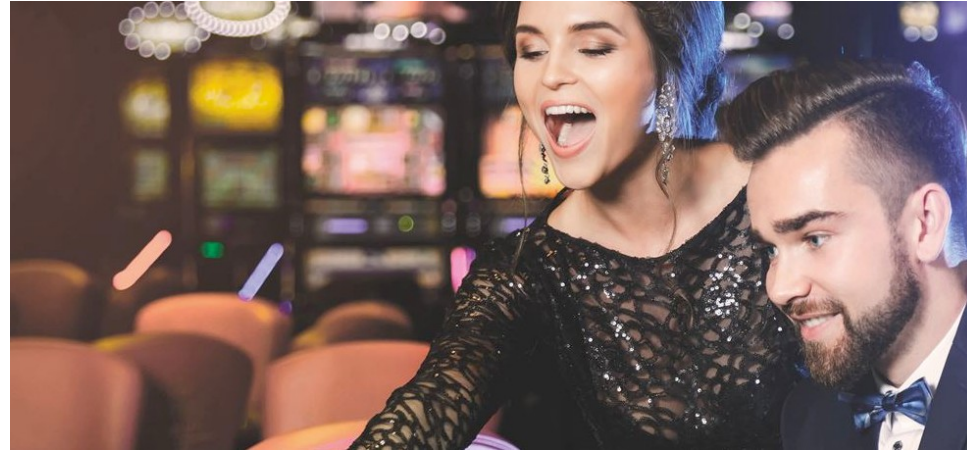
- Protect the environment >>>>> Significantly lower emissions
- Actively reduce waste and minimise environmental impact

# Culture & Character Goals – Progress



## Offer a great and safe place to work

- Implementing Health & Safety plan – focus on building awareness and preventing harm
- New values agreed with staff – “Own it, Share it, Live it”
- Being recognised for Diversity & Inclusion – Deloitte Top 200 award
- Increasing minimum wage in NZ (\$20 by 2020)
- Actively promoting women into leadership positions



## Always put customers first

- Ongoing investment in ICT/digital – launch of mobile app/web-based platform
- Continue to refine/enhance host responsibility programme (facial recognition)
- Refreshed brand launched
- Review of loyalty programme/CRM ongoing



## Be responsible leaders in our communities

- Taken leadership position on climate change – carbon neutral in NZ (Adelaide during 2020)
- Prioritising ethical sourcing and local suppliers
- Actively reducing waste to landfill
- Ongoing investment in youth development/employment initiatives (Project Nikau)
- Extensive sports and community sponsorship programmes

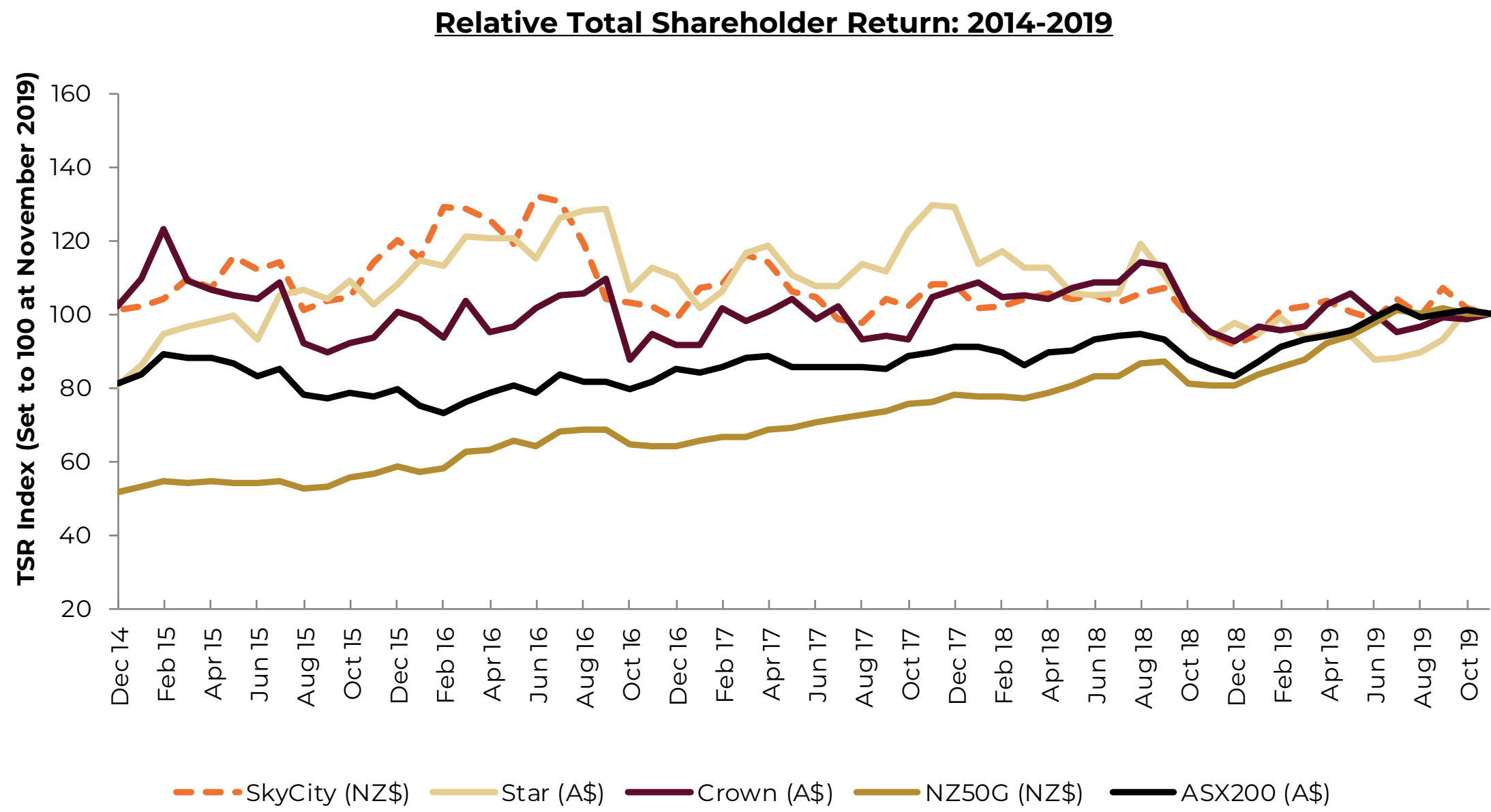


# Financial Overview

*(Rob Hamilton)*



# TSR Performance



*TSR performance has been flat over the past five years, with the expected earnings uplift from major capital investments yet to be fully achieved – must improve TSR performance over next five years*

Source: Yahoo Finance

# Capital Allocation Framework

*"The primary task of the SkyCity Board is the efficient allocation of capital."*

*Rob Campbell, SkyCity Chair's Review, Annual Report 2019*

**Key Objectives:** Consistent with strategic goals – efficient capital allocation, maximise sustainable shareholder returns

## **Sources of Capital**

- Operating cash flows
- Cash balances
- Debt issues
- Asset sales
- Equity issues



## **Uses of Capital**

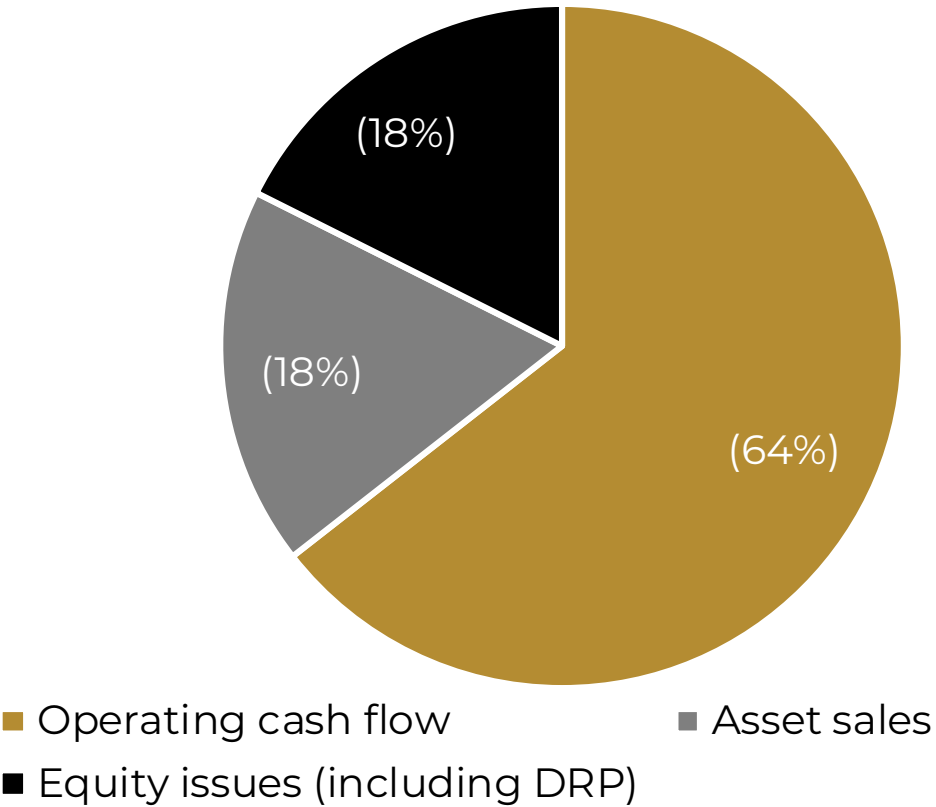
- Stay-in-business capex
- Growth investments
- M&A opportunities
- Debt repayments
- Dividends
- Capital returns

## **Financial Settings:**

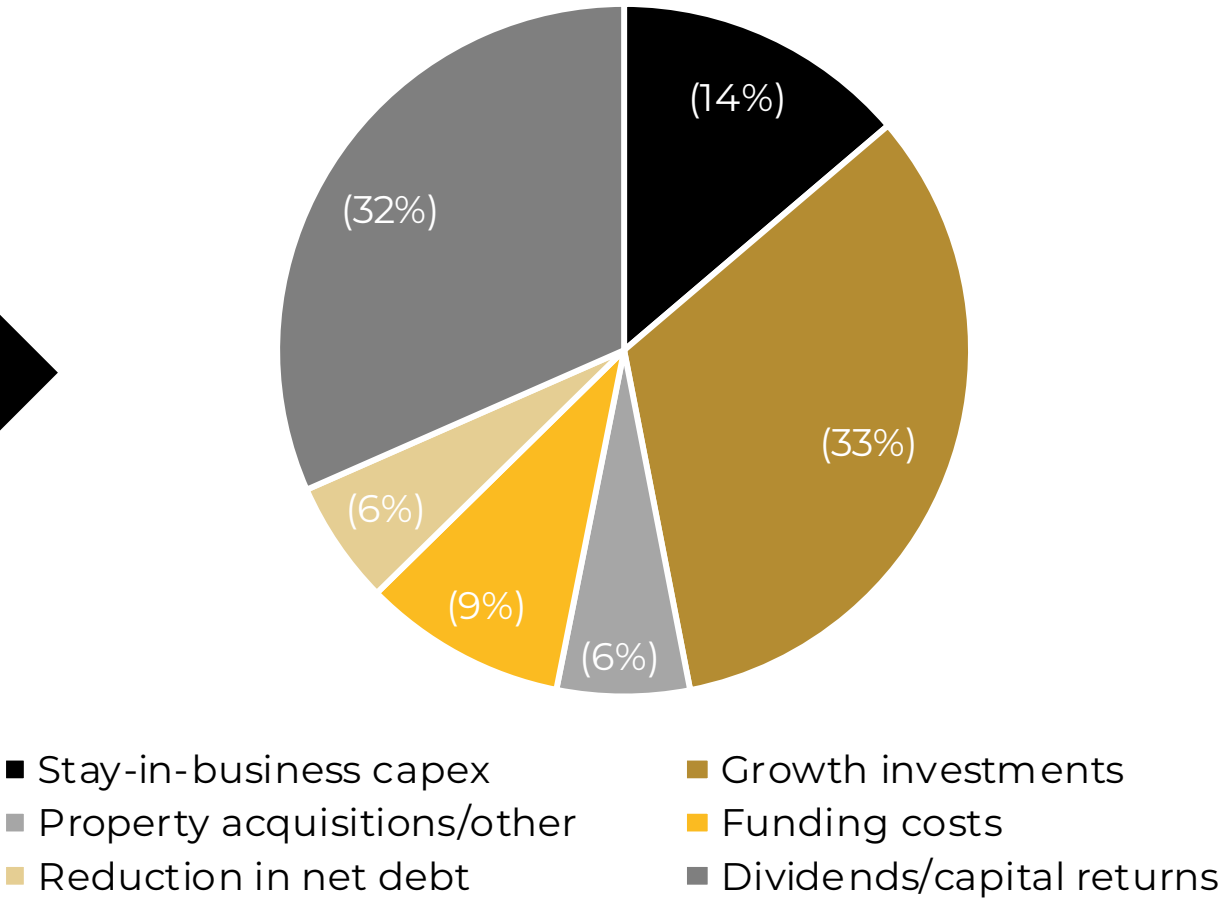
- BBB- credit rating
- Dividend policy (80% payout, min 20cps per year)
- Target IRR/ROIC benchmarks

# Historical Capital Allocation

Sources of capital by %: FY14-FY19



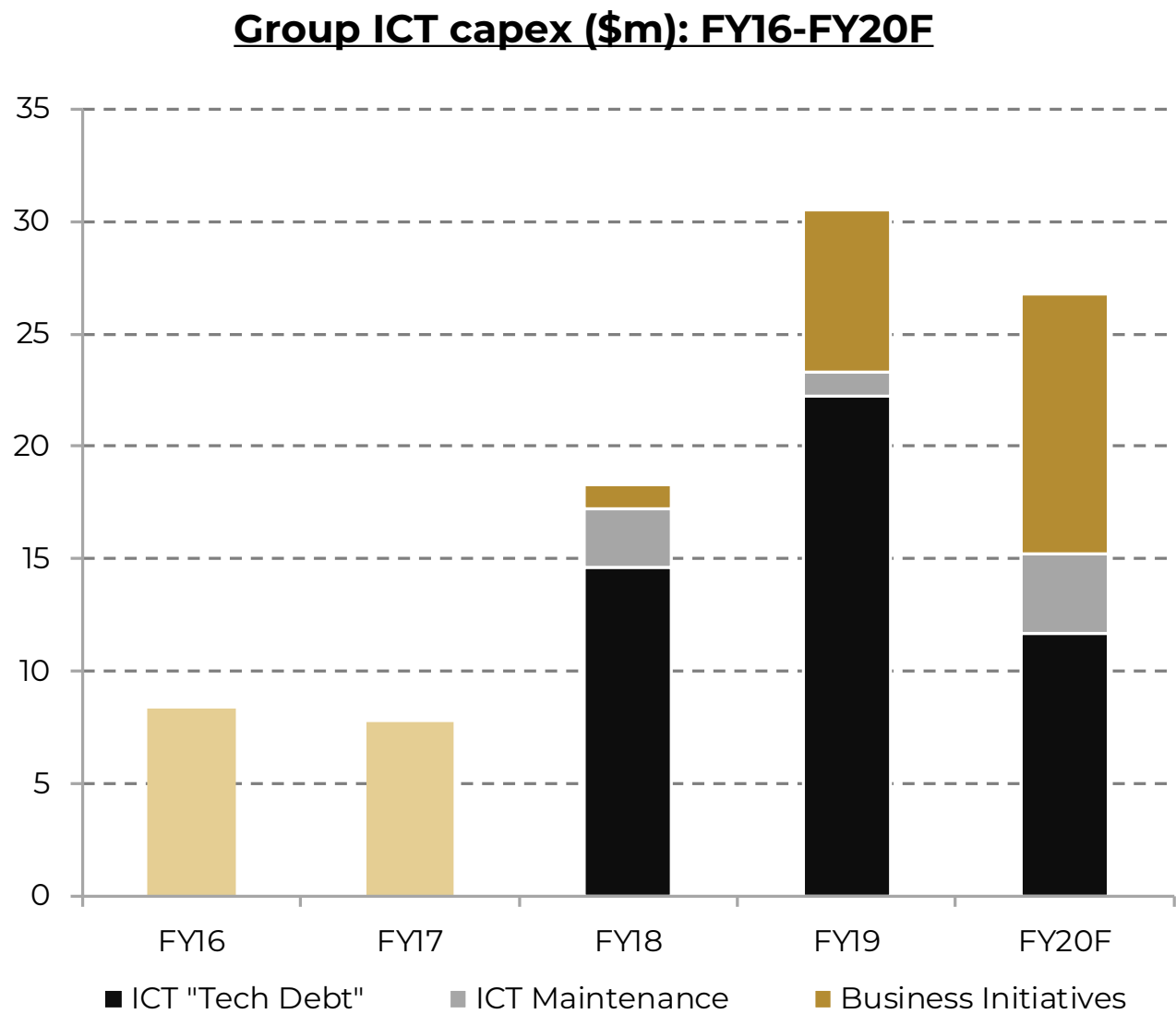
Uses of capital by %: FY14-FY19



Source: Company information

*Highly cash generative business with good access to capital – significant investment in growth projects over last 5 years but difficult to achieve adequate ROIC. Meaningful capital returned to shareholders via ordinary dividends and buy-back*

# ICT Investment (1 of 2)



- ~\$60m of capex to remove ICT "tech debt" over FY17-FY22F with over 75% spent to date
- Corresponding increase in ICT opex due to increase in licences required, staff hires and shift to cloud-based services
- Expect investment in ICT to be feature of business moving forward to provide platform for growth and to leverage digital capabilities

Source: Company information



# ICT Investment (2 of 2)

- With the ICT “tech debt” now largely addressed, focus is now shifting to new digital platforms to better leverage data and to enhance customer experience

## Recent Projects (FY17-FY19)

- Infrastructure upgrade (cloud network, data centres, cyber-security, wifi)
- End-user computing upgrade
- New finance and supply chain system
- New staff rostering, learning/talent development, POS, hotel management, conventions management, IPTV and digital signage systems
- Enhancements to Bally gaming system
- New customer website and mobile app launched

## Current and Future Projects

- Full ICT disaster recovery capability
- Data management & analytics
- Business intelligence refresh
- Customer experience management
- New customer loyalty programme
- Gaming system upgrade
- Omnichannel gaming offer
- RPA and AI opportunities

# Capital Allocation Priorities

## Key Financial Settings

- Committed to maintaining BBB- credit rating
- Total debt expected to peak at ~\$800m in FY21/22 (but final profile/timing depends on revised NZICC & Horizon Hotel construction programme)
- Committed to current dividend policy (80% payout ratio subject to minimum 20cps per annum)
- Internal project return benchmarks: 12% post-tax IRR and 9% ROIC (by year 3) (WACC = 9%)
- Pursuing opportunities to go “capital lighter” where possible
- Comfortable returning surplus capital to shareholders if not required for other purposes
- Current share buy-back ongoing subject to price being value-adding for shareholders

## Future Capital Allocation Plans

- Ongoing stay-in-business capex of ~\$80m – required to maintain and refurbish existing properties
- Complete major projects in Adelaide and Auckland (NZICC & Horizon Hotel capex delayed)
- Complete other smaller growth projects (i.e. The Guardsman in Adelaide, Auckland VIP/premium gaming etc)
- No new major growth projects confirmed at this stage – still being evaluated
- Significant balance sheet capacity for future growth projects and/or shareholder distributions

# YTD Trading and Outlook Update

## Group

- Domestic and international economic environment continues to be challenging with increased cost pressures
- YTD to 3 November 2019
  - Normalised Group revenue (incl IB) flat vs. pcg on a like-for-like<sup>(1)</sup> basis
  - Domestic revenue (excl. IB) up 1.5% vs. pcg on a like-for-like<sup>(1)</sup> basis

## Units

- Positive start in Auckland with growth across all business activities, particularly EGMs which have continued positive momentum from FY19
- Good performance in Hamilton and Queenstown, with both properties trading ahead of pcg
- Weaker performance in Adelaide – construction disruption ongoing
- IB turnover of \$4bn, down 10% vs. strong pcg with above theoretical win rate of 1.50%

## Outlook

- Continue to expect some growth in FY20 Group normalised EBITDA vs. pcg on a like-for-like basis – impact of NZICC fire immaterial
- Still assessing broader accounting impacts of NZICC fire on reported and normalised NPAT, so unable to update guidance at this time

*(1) Like-for-like excludes Darwin operations and Auckland car park revenue and has been calculated consistent with the guidance provided on page 17 of the 14 August 2019 Investor Presentation*

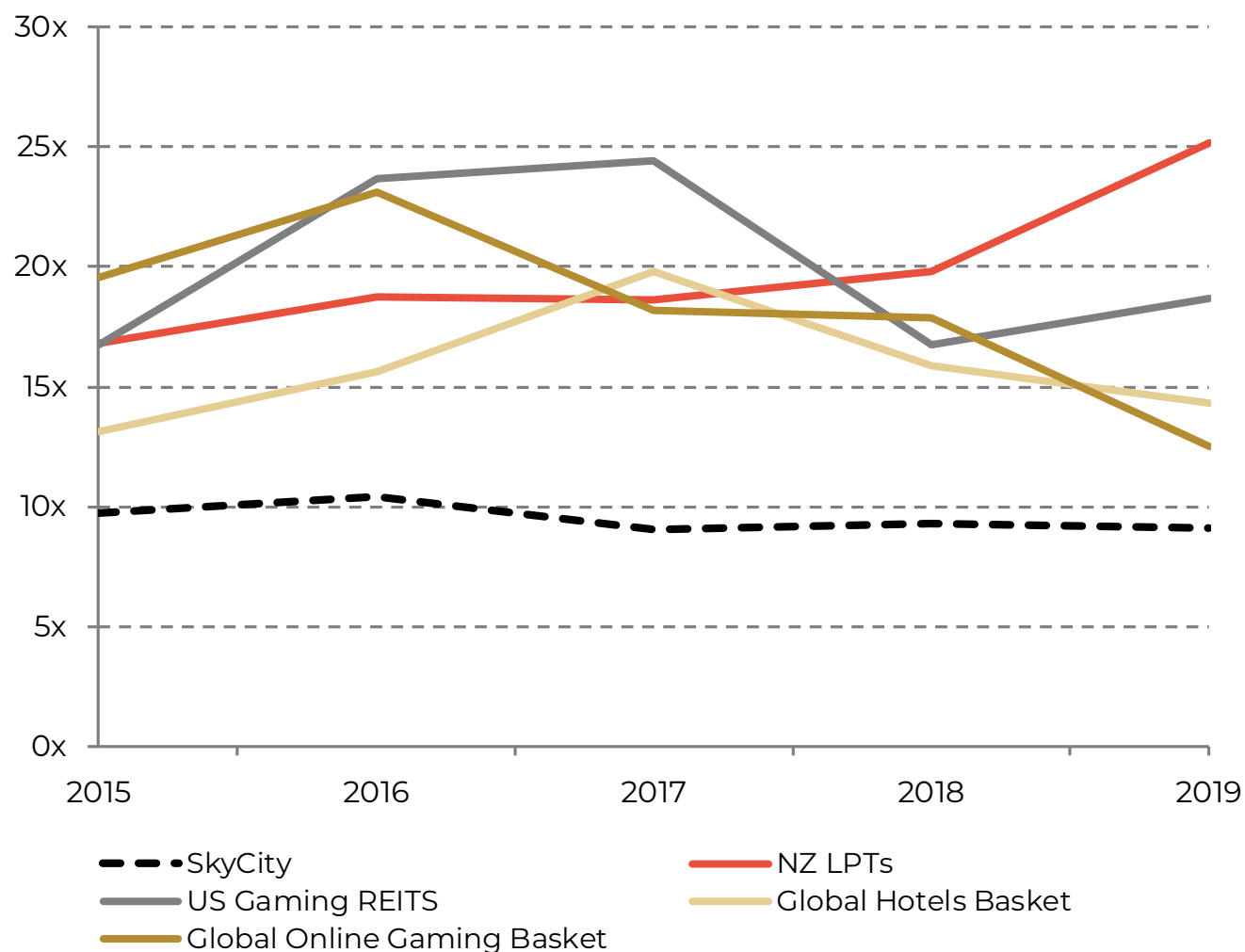
# Medium-Term Financial Profile

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- Medium-term earnings profile driven largely by completion of major projects
- Expect incremental earnings from Adelaide expansion (including IB) to meet or exceed higher depreciation and net interest in first-full year (FY22) following completion
- Accounting for NZICC & Horizon Hotel project under review given potential for significant completion delays and insurance claims arising from NZICC fire
- Significant earnings and free cash flow growth expected following completion of major projects as expected EBITDA uplift is realised and growth capex/debt balances reduce
- Auckland expected to remain key earnings contributor and value driver for the Group, but with Adelaide and IB making larger contributions
- Online casino not expected to make a meaningful EBITDA contribution unless NZ Government regulates online gaming and SkyCity becomes a licensed operator
- Ordinary dividends expected to remain stable at 20cps per annum until at least FY22 and then to grow in line with EPS growth (consistent with current policy)

# Value Recognition

**EBITDA multiple for SkyCity vs. property/hotels/online comparables: 2015-2019**



Source: Company information, Thompson Reuters

Global Hotels Basket: Hilton, Marriot, Hyatt, Choice Hotels, Accor, Wyndham and Intercontinental HK

Global Online Basket: GVC Holdings, Flutter Entertainment and Stars Group

- SkyCity wholly owns its assets – no current intention to separate
- Parts of SkyCity have different investment characteristics when compared to SkyCity's exclusive land-based casino business (which contributes the majority of Group EBITDA)
  - Hotel capitalisation rates in Australia and NZ currently around 6-7% (equivalent to 12-13x EBITDA)
  - Significant and expanding property asset base (\$2bn market value at end of FY19, 65% of enterprise value)
  - Emergence of Gaming REITs in US has highlighted significant value recognition for casino real estate
  - NZ listed property trusts currently trading on capitalisation rates of around 5% (equivalent to 20x EBITDA)
  - Global online gambling companies trade at premium multiples relative to land-based casinos
- Investors should consider the different investment characteristics of SkyCity's hotels, property assets and online casino business when assessing the overall value of the Group
- Plan to separately report hotel business unit moving forward (and online once more fully developed)



# Key Investment Themes

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1

Exclusive long-term casino licences in attractive gaming markets – high-quality/defensive earnings

2

Major projects underpin mid-term earnings and free cash flow growth

3

Strong financial platform to leverage future growth opportunities and focused on efficient capital allocation

4

Unique opportunity to become multi-channel gaming operator (online and land-based)

5

Stable/recurring dividend (attractive yield) which is expected to grow following completion of major projects

6

Unrecognised value in hotel business and property assets

7

Sustainable business over the long-term – strong focus on CSR/sustainability and protecting social licence

# Closing Remarks

*(Graeme Stephens)*



# Key Themes/Takeaways

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We are continuing to deliver on strategic plan

Critical to deliver Adelaide expansion and recommission NZICC & Horizon Hotel project

Strong medium-term outlook for EPS/dividend/free cash flow growth

Significant opportunity to unlock long-term value leveraging strong platform/core competencies

Ongoing focus on effective capital allocation and improving returns/value recognition

Starting to focus on strategic priorities beyond delivery of existing pipeline

# Thank You



# Appendices



# Adelaide Expansion – Accounting Treatment (1 of 2)

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- Provided detailed guidance at 2018 Investor Day around accounting treatment associated with major projects
  - With Adelaide expansion nearing completion, prudent to reaffirm accounting impacts
  - Accounting for NZICC & Horizon Hotel project under review given potential for significant completion delays and insurance claims arising from NZICC fire
- SkyCity required to recognise fair value of regulatory concessions associated with Adelaide expansion on balance sheet from February 2014
  - Intangible asset (A\$165m) recognised when concessions granted (increase in casino licence value)
  - Corresponding liability (deferred licence value) recognised prior to project completion and booking of associated PP&E
  - A\$22m of deferred licence value offset against interim redevelopment works in early 2014
  - At completion, remaining deferred licence value offset against accounting (but not tax) value of PP&E (tangible asset) which is then depreciated
- Adelaide Casino licence amortised over relevant licence period (i.e. 2035 (exclusivity term) or 2085 (full licence term))
- During investment phase, interest costs associated with Adelaide expansion capitalised (at SkyCity's average cost of debt) through to project completion



# Adelaide Expansion – Accounting Treatment (2 of 2)

## Accounting for Adelaide Expansion<sup>(1)</sup>

	FY19 A\$m	FY20 A\$m	FY21 A\$m	FY22 A\$m
<b>Balance Sheet</b>				
Property, Plant & Equipment	150	344	211	201
Casino Licences	288	283	278	273
Deferred Licence Value	143	143	0	0
<b>Income Statement</b>				
Depreciation	0	0	9	11
Amortisation	5	5	5	5
<b>Capital Expenditure</b>				
Capital Expenditure	56	180	15	0
Capitalised Interest	6	11	4	0

- Once project is completed PP&E (ex land but including capitalised interest) is depreciated and interest no longer capitalised
- Earnings from Adelaide expansion (including IB) should meet or exceed higher depreciation and net interest in first-full year (FY22) following completion

(1) FY20+ indicative estimates only and assumes the Adelaide expansion is completed during September 2020 and opens at end of October 2020

