



THE STAR

ASX AND MEDIA RELEASE

26 September 2024

THE STAR ENTERTAINMENT GROUP FY24 (UNAUDITED) RESULTS¹ AND BUSINESS UPDATE

SUMMARY

Financial

- FY24 revenue of \$1,678 million and EBITDA of \$175 million in-line with the previously announced earnings guidance
- FY24 statutory net loss of \$1,685 million after significant items
- Significant items of \$1.7 billion (net of tax) recognised during the period primarily reflects a non-cash impairment charge of \$1.44 billion. The impairment has arisen from the impact of challenging trading conditions as well as various recent and upcoming regulatory changes which are expected to negatively impact the earnings of the business
- Trading performance deteriorated over 2H FY24, and this trend has continued into the beginning of FY25. For the months of July and August 2024, The Star incurred an EBITDA loss of \$6.6 million and \$1.1 million respectively (EBITDA of \$20.3 million in July 2023 and \$21.6 million in August 2023)
- Monthly operating expenses have trended up through 2H FY24 driven by an increase in ongoing transformation and remediation related activities offsetting The Star's previously announced cost reduction program. Employment costs increased in 2H FY24 with additional costs in risk and control functions offsetting savings achieved elsewhere in 1H FY24

Bell Two

- The Star notes that the Bell Two Report was issued to the NICC and that the NICC is presently "considering next steps" in relation to its recommendations and findings
- On Friday 13 September, the NICC served The Star with a Show Cause Notice in respect of matters arising from the Bell Two Report. Additionally the NICC has also asked The Star to make a number of submissions as outlined in the ASX announcement at the time. The Star expects to respond to the Show Cause Notice on Friday 27 September

The Star Brisbane

- The Treasury Brisbane casino was closed on 25 August 2024 and The Star Brisbane commenced its phased opening on 29 August 2024. Further areas are expected to open progressively over the course of FY25 and thereafter, with additional equity contributions required from The Star over this period as the project is completed and operations ramp up

Liquidity

- Whilst The Star had available cash of \$130 million² at 31 August 2024, The Star faces significant near-term liquidity requirements including the funding of the Group's operations at current trading levels, ongoing remediation and transformation activities, further equity contributions to the Destination Brisbane Consortium Joint Venture (DBC) in relation to Queens Wharf Brisbane (QWB) and anticipated outflows associated with ongoing regulatory matters
- As announced on 25 September 2024, the Group's corporate lenders have executed a commitment letter for a new debt facility (of up to \$200 million in two-tranches) which will

¹ This release should be read in conjunction with The Star Entertainment Group Limited's FY24 Results Presentation and Appendix 4E for the twelve months ended 30 June 2024

² Comprises total cash balance of \$212 million less \$30 million of restricted cash (excluding cage cash) and \$52 million of cage cash

become effective upon completion of long-form documentation and satisfaction of various conditions precedent. Refer to the ASX announcement for further details of the new debt facility.

- The Star continues to assess additional avenues to further support its liquidity position, including other potential capital sources such as subordinated debt
- A range of initiatives and other measures have been identified and are being implemented to improve business performance, drive revenue and enhance The Star's liquidity position

Sale of Treasury Brisbane Casino

- Sale of the leasehold interest in the Treasury Brisbane Casino building to Griffith University signed on 6 September 2024, for \$67.5 million (plus GST) with net proceeds of \$60.7 million after settlement adjustments. The sale is subject to a number of conditions, with settlement currently expected to occur on 27 September 2024

FY24 RESULTS

KEY FINANCIAL METRICS

KEY FINANCIAL METRICS	FY24	FY23	% CHANGE
Revenue	\$1,678M	\$1,868M	(10%)
EBITDA	\$175M	\$317M	(45%)
EBITDA Margin	10%	17%	
EBIT	\$54M	\$122M	(56%)
Significant Items (net of tax)	(\$1,697M)	(\$2,477)	32%
Net profit after tax (NPAT) (normalised)	\$12M	\$41M	(71%)
Statutory NPAT	(\$1,685M)	(\$2,435M)	31%

- Group revenue for the year was down 10% on FY23, reflecting challenging trading conditions due to cost of living pressures as well as casino operating reforms and loss of market share. PGR revenue was particularly soft (down 27% on pc) and continued to trend downwards throughout the year. MGF was flat (down 1% on pc)
- Operating expenses remained elevated at \$1.1 billion, reflecting increased spending on transformation and remediation related activities, with additional resourcing for risk and controls. These costs were partially offset by savings from reduced activity and The Star's previously announced cost-out program completed in 1H FY24. EBITDA (before significant items) declined 45% from \$317 million in FY23 to \$175 million in FY24. Monthly EBITDA deteriorated in 2H24, driven by lower revenues and sustained higher costs
- Depreciation and amortisation decreased 38% (\$75 million) primarily reflecting the reduced asset base following prior year impairments
- EBIT (before significant items) declined 56% from \$122 million in FY23 to \$54 million in FY24
- Group funding costs reduced 38% reflecting the reduction and refinancing of legacy debt
- Significant items of \$1.7 billion (after tax) comprises non-cash impairment charges, deferred tax expense in relation to derecognition of deferred tax assets, debt refinancing costs, restructuring costs, and regulatory, fines, penalties, duty, consultant legal and other costs, partially offset by profit on sale of assets
- No final dividend declared³

³ Dividends suspended until The Star reaches its long-term target leverage range of 2.0x-2.5x, returns to suitability and all of the Group's casino licences are in full force and effect

THE STAR SYDNEY

KEY FINANCIAL METRICS	FY24	FY23	% CHANGE
Revenue	\$878M	\$984M	(11%)
EBITDA	\$52M	\$127M	(59%)
EBIT	(\$12M)	\$18M	(168%)

- The Star Sydney's financial performance reflected the decline in gaming revenue (down 12% on the pcg) reflecting challenging trading conditions due to cost of living pressures as well as casino operating reforms and loss of market share. Non-gaming revenue was more resilient, although still declined 2% on the pcg
- Operating expenses reduced \$7 million on the pcg, with the reduction in 1H24 offset by an increase in compliance and remediation costs in 2H24
- Depreciation and amortisation significantly reduced on the pcg, reflecting the new capital base following the impairment of assets in FY23

THE STAR GOLD COAST

KEY FINANCIAL METRICS	FY24	FY23	% CHANGE
Revenue	\$456M	\$509M	(10%)
EBITDA	\$71M	\$107M	(33%)
EBIT	\$35M	\$46M	(24%)

- The Star Gold Coast's financial performance similarly reflected the decline in gaming revenue (down 14% on the pcg) reflecting challenging trading conditions due to cost of living pressures as well as casino operating reforms and loss of market share. Non-gaming revenue declined 5% on the pcg, primarily due to a decline in restaurant and bar gross revenue
- Operating expenses reduced \$5 million on the pcg, with the reduction in 1H24 offset by an increase in compliance and remediation costs in 2H24
- Depreciation and amortisation was significantly reduced on the pcg, reflecting the new capital base following the impairment of assets in FY23

TREASURY BRISBANE

KEY FINANCIAL METRICS	FY24	FY23	% CHANGE
Revenue	\$344M	\$375M	(8%)
EBITDA	\$52M	\$83M	(38%)
EBIT	\$31M	\$58M	(45%)

- Treasury Brisbane's financial performance saw a more moderate decline in gaming revenue (down 8%), with non-gaming revenue down 6% on the pcg
- Operating expenses were up \$9 million on the pcg, reflecting the increase in employee enterprise rates, compliance and remediation costs, and preparation for the opening of The Star Brisbane
- The Treasury Casino closed on 25 August 2024 ahead of the opening of The Star Brisbane. The Treasury Hotel and carpark remain open pending the outcome of the sales process

SIGNIFICANT ITEMS

- Significant items of \$1.7 billion (net of tax) were recognised during the period comprising:
 - A \$1.44 billion non-cash impairment charge. This impairment reflects the impact of challenging trading conditions as well as various recent and upcoming regulatory changes. The impairment is comprised as follows:
 - Sydney: \$337 million
 - Gold Coast: \$274 million
 - Brisbane (including investment in DBC): \$819 million
 - Tax benefit of \$415 million on significant items, offset by a \$564 million deferred tax expense in relation to the derecognition of deferred tax assets.

- \$100 million associated with regulatory fines, penalties, duty, consultant, legal and other costs (including \$16.7 million in relation to the Bell Two inquiry)
- \$24 million in debt refinancing costs
- \$8 million in restructuring costs
- These costs were partially offset by the \$23 million profit on disposal of the Sheraton Grand Mirage Gold Coast which completed in November 2023

CAPEX AND JOINT VENTURE CONTRIBUTIONS

- FY24 capex was \$76 million, below depreciation of \$121 million
 - This comprised maintenance capex of approx. \$55 million and remediation capex (predominantly Casino 2.0⁴) of approx. \$22 million
 - FY25 capex is expected to be \$117 million, comprising maintenance capex of \$80 million and remediation capex (predominantly Casino 2.0⁴) of \$37 million
- In FY24, The Star made equity contributions of \$85 million, of which \$75 million related to the Destination Brisbane Consortium (DBC) JV and \$10 million related to the Destination Gold Coast Consortium (DGCC) JV
- Forecast equity contributions into the DBC JV have been revised and the timing of payments has shifted, reflecting timing of construction and pre-opening costs
 - The Star's share of forecast JV equity contributions to fund the costs to complete the project are currently estimated as follows:
 - FY25: \$174 million
 - FY26 and thereafter: \$183 million
 - The Star expects it will also be required to make further equity contributions to the DBC JV to fund costs associated with operations as the business ramps up including operating cashflow (as required), ongoing maintenance capex, financing costs and debt amortisation
 - These contributions are expected to be partially offset by reimbursements of pre-opening costs incurred by The Star (paid by DBC to The Star)
- The Star expects net nil contributions will be required to be made to the DGCC JV in FY25, reflecting an estimated \$6 million JV contribution, offset by an expected distribution to be paid by DGCC (associated with apartment sales)

OPERATIONAL UPDATE

- Significant leadership changes have been made including appointment of a new Interim Group CFO (March 2024), Chairman (April 2024), Group Chief Audit Officer (April 2024), Group CEO & MD (subject to regulatory approvals) (June 2024), Chief Operating Officer (June 2024) and CEO's at each of the Sydney (January 2024), Brisbane (January 2024) and Gold Coast (September 2024) properties
- The Star has developed a detailed remediation plan, which has been revised in response to matters raised during the Bell Two Inquiry, and The Star is engaging with its regulators to ensure alignment around the appropriate objectives and milestones for this program
- Treasury Brisbane casino closed on 25 August 2024, ahead of the phased opening of The Star Brisbane
- The Star Brisbane commenced its phased opening on 29 August 2024
 - The initial stage includes The Star Grand hotel, the main gaming floor and premium gaming rooms, Event Centre, Sky Deck, Neville Bonner pedestrian bridge, public realm and certain F&B outlets
 - Further F&B outlets, the Leisure Deck and retail spaces will open progressively throughout FY25, whilst the Dorsett and Rosewood hotels are expected to open in late CY26
 - The Star is committed to unlocking the full potential of this world-class property in the historically underpenetrated Brisbane market
- Mandatory carded play in certain areas and cash limits commenced at The Star Sydney on 19 August 2024, with preparations underway for implementation at The Star's Queensland properties

⁴ Casino 2.0 refers to the introduction of mandatory carded play and cash limits

- Since the introduction of mandatory carded play in certain areas and \$5,000 cash limits in Sydney on 19 August, the daily average revenue (as at 24 September 2024) is down 10.7% compared to the daily average revenue for the 4 weeks prior to the introduction
 - Mandatory carded play to be required across entire gaming floor by 19 October 2024 and cash limits to reduce to \$1,000 by 19 August 2025 at The Star Sydney
 - The implementation of mandatory carded play, mandatory pre-commitments and cash limits in Queensland is subject to the finalisation of regulations. The Star is currently engaging with the Queensland regulator in this relation
 - The Star expects these regulatory changes to have a negative impact on the earnings of the business. However, the impact remains uncertain and is unable to be quantified by The Star at this point in time

TRADING UPDATE

- Since the trading update on 24 June 2024, trading conditions have remained challenging and continued to deteriorate across all of The Star's properties, driven by a reduction in revenue as well as higher operating expenses EBITDA monthly run-rate has declined from ~\$19 million (in July 2023 to January 2024) to \$4.6 million (in the last five months of FY24). EBITDA loss in July 2024 was \$6.6 million (or a normalised EBITDA loss of \$0.5 million adjusting for technology outages experienced during the month) and EBITDA loss of \$1.1 million in August 2024
- At The Star Brisbane visitation to the property was strong over opening weekend, with significant interest in the property given the anticipation of opening and noting opening weekend coincided with the Riverfire Festival in Brisbane. Post this initial trading period, for the week ended 10 September, gaming revenue was up almost 20% on the average weekly performance at Treasury in September 2023, noting this reflects a short time period.

LIQUIDITY

- The Star faces significant near-term liquidity requirements including:
 - Funding of the Group's operations at current trading levels
 - Ongoing transformation and remediation related activities, with total remediation spend of approximately \$100 million expected during FY25 (comprising operating costs of approximately \$63 million and capex of approximately \$37 million)
 - JV equity contributions, in particular contributions to the DBC JV
 - Anticipated outflows associated with ongoing regulatory matters, including AUSTAC civil penalty proceedings and underpaid casino duty in NSW
- As at 31 August 2024, The Star had an available cash balance of \$130 million⁵
- The Star's corporate lenders have executed a commitment letter for a new debt facility (of up to \$200 million in two-tranches) which will become effective upon completion of long-form documentation and satisfaction of various conditions precedent
- The existing \$450 million facility has been reduced to \$334 million which is fully drawn
- The Star's lenders have agreed to provide covenant waivers for the next two testing dates, being 30 September 2024 and 31 December 2024, with the waiver for the latter date being subject to execution of long-form documentation for the new debt facility and other customary conditions
- The new facility comprises two tranches of \$100 million each. The first tranche is expected to be available to be drawn, subject to conditions precedent, from the end of October 2024 through to 20 December 2024
- The second tranche is subject to more extensive conditions precedent but, if satisfied, would be expected to be available to be drawn from the end of December 2024 and have a 4 month availability period following the drawing of the first tranche

⁵ Available cash comprises The Star's total cash balance of \$212 million less \$30 million of restricted cash (excluding cage cash) and \$52 million of cage cash

INITIATIVES

A range of initiatives and other measures have been identified and are in the process of being implemented to improve business performance across both revenue generating and costs, and support The Star's liquidity position

INITIATIVE	
Revenue initiatives	- The Star is focused on improving revenue, and management have identified opportunities to enhance the customer experience with an aim to improve market share and drive revenue growth (further detail in Investor presentation also released to ASX today) across: - Enhancements to on-site offering and access - Customer insights - Customer service initiatives - Marketing initiatives; and - Events and conferences
Balance sheet support	As set out above, The Star has received support from its corporate lenders in navigating near-term liquidity requirements. The Star continues to assess additional avenues to further support its liquidity position, including non-core asset sales and other capital sources such as subordinated debt
Asset sales	- Agreement to sell the leasehold interest in the Treasury Casino Building to Griffith University for \$67.5 million (plus GST). Net proceeds expected to be \$60.7 million (plus GST) after settlement adjustments. Sale is subject to a number of conditions including, relevant government consents and a new lease in suitable form being granted and registered, with settlement currently expected to occur on or around 27 September 2024 - Sales processes are ongoing for the Treasury hotel and car park which are expected to complete in 2H FY25 - The Star continues to review the potential sale of other non-core assets, which, together with the remaining Treasury assets have an estimative value of >\$300 million
Cost out	- In response to the operating environment, management has identified approx. \$100 million of annualised cost savings - Targeting implementation by March 2025 - Further work is being undertaken to identify additional cost savings
Capex	The Star will reduce maintenance capex (relative to historical levels) to \$80 million in FY25 (excluding remediation capex of \$37 million)

BELL TWO

- On 1 August 2024, the NSW Independent Casino Commission (NICC) advised that its request to extend the term of the appointment of the Manager of The Star Sydney Casino by regulation to 31 March 2025 had been approved. In addition, on 30 August 2024, the NICC provided to the Company and The Star Sydney, a copy of the report of the Second Inquiry conducted by Mr Adam Bell SC in respect of The Star Sydney (the Bell Two Report). A copy of the non-confidential parts of the Bell Two Report was released to the public on the same day
- The Company and The Star Sydney acknowledge the findings of the Bell Two Report. While the Bell Two Report finds that there has been substantial reform of the control environment of The Star Sydney and a material improvement in risk management resources, systems, and culture, along with the "positive steps" of the recent appointments of experienced personnel to important leadership positions in the Company, it nonetheless concludes that the Company and The Star Sydney are presently unsuitable to be concerned in, or associated with, the management and operation of The Star Sydney. The Company and The Star Sydney accepted during the Bell Two Inquiry that The Star Sydney was not presently suitable to hold a license in its own right

- The Bell Two Report also records four compliance breaches by the Star Sydney which are the subject of ongoing consideration by the NICC and could, in the future, potentially involve the imposition of fines and penalties under the relevant NSW legislation
- The Company notes that the Bell Two Report was issued to the NICC and that the NICC is presently “considering next steps” in relation to its recommendations and findings. The Company and The Star Sydney are also reflecting on the recommendations and guidance in the Bell Two Report and, subject to any response to the Bell Two Report by the NICC, will seek to implement relevant recommendations at an appropriate time, noting that the Company has already completed a comprehensive re-set of the remediation plan
- On Friday 13 September, the NICC served The Star with a Show Cause Notice in respect of matters arising from the Bell Two Report. Additionally the NICC has also asked The Star to make a number of submissions as outlined in the ASX announcement at the time. The Star expects to respond to the Show Cause Notice on Friday 27 September

COMMENTARY

Steve McCann, The Star Group CEO (subject to regulatory approvals), stated: *“There are a number of significant challenges currently facing the business from an earnings, liquidity and balance sheet perspective. We recognise and appreciate the support provided to date by our stakeholders as The Star puts in place a new management team and strategy to implement a remediation and transformation program, and return the company to a more sustainable footing.*

“We have identified a range of initiatives to improve business performance and cashflow, as well as providing the organisation with additional liquidity. However, time and flexibility is required to implement these initiatives.

“As we work through these initiatives, the Board and management team remain focused on demonstrating suitability to hold our casino licenses and regaining the trust and support of our regulators and the broader community while seeking to enhance shareholder value .”

Investor and Analyst Conference Call

A briefing for investors and analysts will be held at 4pm Australian Eastern Standard Time (AEST) today, Thursday 26 September.

The briefing will be hosted by Steve McCann, Group CEO (subject to regulatory approvals) and Neale O’Connell, Acting Group CEO and Interim CFO.

Investors and analysts can pre-register for the call at the link below:

<https://s1.c-conf.com/diamondpass/10042305-ghyt6r.html>

Participants will receive a calendar invite and a unique code which is to be quoted when dialing into the call.

Authorised by:

The Board of Directors

For further information:

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KEY FINANCIALS – TWELVE MONTHS TO 30 JUNE 2024

Statutory ⁶		% chg vs pcp
Revenue	1,677.8	(10.2%)
EBITDA (before significant items)	174.7	(45.0%)
EBIT (before significant items)	54.1	(55.7%)
NPAT (before significant items)	11.9	(71.2%)
Earnings Per Share ⁷	(66.8)	68.4%
Normalised ⁸ (Underlying)		vs pcp
Revenue		
- Sydney	877.5	(10.8%)
- Gold Coast	456.1	(10.4%)
- Brisbane	344.2	(8.1%)
EBITDA		
- Sydney	51.8	(59.3%)
- Gold Coast	71.3	(33.4%)
- Brisbane	51.6	(38.0%)
EBIT		
- Sydney	(12.4)	(168.1%)
- Gold Coast	35.1	(24.4%)
- Brisbane	31.4	(45.4%)
NPAT	11.9	(71.2%)
Dividend per share		
Total dividends per share (fully franked)	N/A	N/A

Available cash comprises The Star's total cash balance of \$212 million less \$30 million of restricted cash (excluding cage cash) and \$52 million of cage cash

ses and significant items. Refer to Note A7 of the Financial Report for a reconciliation of significant items

⁷ Earnings per share based on weighted average number of shares on issue

⁸ Normalised EBITDA and Normalised EBIT are before equity accounted investment profits/ losses and significant items. Normalised NPAT is after equity accounted investment profits/ losses and before significant items. Refer to Note A7 of the Financial Report for a reconciliation of significant items