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4 April 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)
SALE OF AUCKLAND CAR PARK CONCESSION**

Please find **attached** an announcement concerning the sale of a concession for the company's Auckland car parks.

For any further information concerning the announcement, please contact:

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Yours faithfully



Jo Wong
Company Secretary

SKYCITY Entertainment Group Limited

Market Release – Auckland Car Park Concession Sale

4 April 2019



Sale of Auckland Car Park Concession

Transaction Overview

- SKYCITY has entered into a binding agreement to sell a long-term concession over its Auckland car parks to Macquarie Principal Finance Group for \$220m
- Care Park appointed by Macquarie to operate the car park – required to perform parking operations in accordance with agreed service standards
- Availability regime established to ensure ongoing access for SKYCITY customers and staff
- Settlement expected by 31 July 2019, following satisfaction of certain conditions

Transaction Rationale

- Transaction consistent with group strategy and intention to go “capital lighter”
- Releasing capital by divesting selected property and other non-core assets
- Car parks important activator for core business but non-core in terms of ownership (cf. plan to lease rather than own car parks in Adelaide)
- Plan to recycle capital into higher returning investments and strategic opportunities

Key Transaction Terms

Term	Comment
Price	<ul style="list-style-type: none"> ■ \$220m (cash free, debt free) – payable in lump-sum at settlement
Concession	<ul style="list-style-type: none"> ■ Licence to operate SKYCITY Auckland’s main car park (~3,200 spaces) ■ Term to 30 June 2048 (same as renewal date for SKYCITY Auckland casino licence) ■ SKYCITY will still own car park land and buildings and retain responsibility for plant/building services
Operator	<ul style="list-style-type: none"> ■ Care Park (on behalf of Macquarie)
Conditions to settlement	<ul style="list-style-type: none"> ■ Various regulatory and other consents required to effect sale of concession ■ IRD binding ruling on tax treatment for both SKYCITY and Macquarie ■ No insolvency event occurring and no loss of SKYCITY Auckland gaming licence
Car park operations	<ul style="list-style-type: none"> ■ Car park remains available for public use, including casuals and licence holders ■ Availability regime established to ensure ongoing priority access for SKYCITY customers and staff ■ Operator required to perform parking operations in accordance with agreed service standards
Pricing and availability regime	<ul style="list-style-type: none"> ■ Pricing fixed (subject to 2.5% growth pa) for car parks used by SKYCITY VIP/loyalty customers and staff ■ 450 “nested” car parks permanently reserved for exclusive use by VIP customers ■ Minimum availability for staff, NZICC delegates and hotel valet ■ SKYCITY able to pre-book up to 900 car parks, 4 times a month, for gaming promotions ■ Mandatory closure of car park during peak periods to prioritise access for SKYCITY VIP/loyalty customers and staff ■ Closure also permitted for certain events (e.g. NZICC, New Year’s Eve) ■ Payment deductions apply for breaches of availability regime ■ Operator able to charge market-based prices and offer car parks for general public users

Key Transaction Terms (cont.)

Term	Comment
Operator service standards	<ul style="list-style-type: none"> ■ Operate the car park with care, skill and diligence and in a safe, proper and efficient manner ■ Ensure minimal disruption to operation of SKYCITY’s broader business activities ■ Implement a health & safety plan consistent with existing SKYCITY standards ■ Comply with SKYCITY’s requirements for security, surveillance and host responsibility ■ Must not cause SKYCITY to breach Auckland gaming licence and obligations to various stakeholders
Existing car park licences	<ul style="list-style-type: none"> ■ SKYCITY will transfer arrangements with existing licence holders to Macquarie/Care Park
Non-compete	<ul style="list-style-type: none"> ■ SKYCITY cannot compete in respect of car parking in the Auckland CBD
Step-in rights	<ul style="list-style-type: none"> ■ SKYCITY can step-in to car park operations in certain circumstances – e.g. serious health & safety reasons, force majeure, operator default and/or to discharge statutory duties
Termination rights	<ul style="list-style-type: none"> ■ SKYCITY can terminate concession agreement in certain circumstances – e.g. continued breaches of availability regime, operator in general persistent breach of service requirements, damage to SKYCITY reputation ■ Macquarie can also terminate in event of SKYCITY insolvency of SKYCITY and breach by SKYCITY of key concession provisions ■ Upon termination, SKYCITY must pay Macquarie a compensation sum equal to fair market value of the concession (less 20% if termination is due to Macquarie default)

Impact on SKYCITY Auckland Operations

- Concession not expected to adversely impact SKYCITY Auckland's customers and staff
- Existing user groups will continue to have same parking entitlements
- Macquarie/Care Park expected to enhance customer experience through a range of new marketing and promotional initiatives
- Management committee (Macquarie, Care Park and SKYCITY) will be established to oversee operations and develop initiatives to enhance car park offering (e.g. wayfinding, signage, joint promotions and marketing)
- Continuity of operations ensured with SKYCITY Auckland's experienced car park management team transferring to Macquarie/Care Park
- SKYCITY still required to repair and maintain car park building structure and plant and building services

Use of Proceeds

- Proceeds used to repay drawn bank debt with balance retained as cash
- Gearing (net debt/EBITDA) expected to reduce by around 0.5x
- Plan to reduce available bank facilities by \$100m at settlement
- Released capital to be recycled into higher returning investments and strategic opportunities

Earnings and Value Impacts

- Auckland's annual EBITDA forecast to reduce by \$17.5-20.0m over FY20 to FY22 – reflects on-going payments for car park usage and lost earnings from external car park revenue
- Transaction slightly EPS dilutive due to initial use of proceeds
- Sale price implies FY20 EBITDA multiple of around 12.5x – transaction value-enhancing for SKYCITY

Accounting Treatment

- Concession expected to be treated primarily as finance lease (subject to auditor confirmation)
- Transaction to move majority of carrying value of car park off-balance sheet and crystallize a significant gain on sale
- Nested car parks (for VIP) treated as operating lease and will remain on-balance sheet

- All information included in this presentation is provided as at 4 April 2019
- This presentation includes a number of forward-looking statements. Forward-looking statements, by their nature, involve inherent risks and uncertainties. Many of those risks and uncertainties are matters which are beyond SKYCITY's control and could cause actual results to differ from those predicted. Variations could either be materially positive or materially negative
- This presentation has not taken into account any particular investors investment objectives or other circumstances. Investors are encouraged to make an independent assessment of SKYCITY

