

SkyCity Entertainment Group 2022 Annual Meeting

Michael Ahearne - Chief Executive Officer's Address

Introduction

Good afternoon everyone, and welcome to our 2022 Annual Meeting.

Before I begin, I would like to recognise the traditional custodians of the land upon which all our SkyCity sites sit. Ngāti Whātua Ōrākei in Auckland, Waikato-Tainui in Hamilton, Ngāi Tahu in Queenstown, and the Kaurua people in Adelaide. Nō reira, tēnā koutou, tēnā koutou, tēnā koutou katoa.

Results

As Julian mentioned, the 2022 financial year was particularly challenging for our business due to the impacts of COVID-19 and the ongoing regulatory focus on the casino industry.

The COVID-19 pandemic materially impacted SkyCity's operations in New Zealand and South Australia. Our flagship property here in Auckland was closed for an unprecedented 107 days. Similarly, our Hamilton and Queenstown properties were closed for lengthy periods. When able to open, our New Zealand properties initially operated under capacity limits and restrictions around social distancing.

Our Adelaide property, whilst remaining open for the majority of the 2022 financial year, operated in a highly restrictive environment due to COVID-19 settings, interstate border closures and stay-at-home orders which materially impacted CBD visitation.

Management took steps in response to the COVID-19 disruptions, with a focus on cost and capex control, and initiatives to support our balance sheet, including securing covenant waivers and amendments from our financiers to address the significant impact on earnings over the period.

Clearly, a priority for Management and the Board has been the health and wellbeing of staff and customers – we have worked diligently to ensure a safe environment to operate in to give our customers the confidence to return to our venues and enjoy a great experience. Retention of staff has also been a key priority for us as we anticipated that our businesses would recover quickly as restrictions were relaxed.

Pleasingly, when able to operate without restrictions, the local businesses in Australia and New Zealand performed strongly, returning to pre COVID-19 revenue and earnings during May and June, underpinned by robust gaming machine

activity, recovery of domestic tourism and effective cost control. As part of our revised operating model, in April 2021 we ceased all dealings with junket operators on a permanent basis.

SkyCity Online Casino, enabled by our strategic partnership with Gaming Innovation Group (**GIG**), delivered strong revenue and EBITDA growth, despite an increasingly competitive landscape.

Additionally, in April 2022 we expanded our strategic partnership with GIG by providing €25m of equity to support the funding of GIG's acquisition of Sportnco. In return, SkyCity became a major shareholder of GIG, and I have joined the main GIG Board.

To summarise our performance in FY22, our Group Reported EBITDA was \$96.9 million. Our Group Normalised EBITDA of \$137.9 million was 45% lower than the prior year. 87% of Normalised EBITDA was generated from our New Zealand businesses. Our Group Reported Net Loss After Tax was \$33.6 million, or on a Normalised basis, a Net Profit After Tax of \$9.7 million.

We are very pleased to be moving on from the COVID-19 restrictions in place over the past few years, excited to see our people back, and our properties operating very well.

Regulation

Providing safe and responsible experiences and environments for our people and customers is of key importance to us, and a significant part of our strategic focus. As previously mentioned, we are working hard to continuously enhance our anti-money laundering and host responsibility programmes across the Group.

As noted by Julian, we continue to have regular dialogue and cooperate with AUSTRAC as we respond to its enforcement investigation into SkyCity Adelaide. We also continue to fully cooperate with Mr Martin KC's independent review of SkyCity Adelaide, in light of interstate inquiries into various casino operations in Australia.

Responding to these regulatory reviews in Adelaide and the ongoing enhancement of our AML and Host Responsibility programmes remains a key priority for Management and the Board.

In FY22, we increased our investment in our AML and Financial Crime Programmes, including the recruitment of additional resourcing, the establishment of a dedicated Programme Management Office to drive the implementation of these Programmes and their initiatives, ongoing

improvements in oversight and controls, and investment in technology systems and know-your-customer processes.

We now have over 30 staff dedicated to enhancing and implementing our AML and Financial Crime programmes in New Zealand and Adelaide, with enhancements implemented in Adelaide being applied across the New Zealand properties where appropriate.

SkyCity has also made ongoing progress over the past financial year on initiatives to enhance our host responsibility framework, with significant effort, resource and capital allocated to support these initiatives. We have increased resourcing and our investment in technology systems, including advancing facial recognition technology to monitor and control customers length of stay, and specialised customer screening tools in New Zealand. We hope to implement these enhancements in Adelaide, pending approval from the regulator.

We continue to have frequent engagement and dialogue with the Department of Internal Affairs, the New Zealand gaming and anti-money laundering regulator. Regular reviews are undertaken by the Department on SkyCity's compliance with its anti-money laundering, host responsibility and general compliance obligations.

Balance Sheet/Financing

Moving on to our balance sheet, we further strengthened the financial resilience of our business during the past year by removing considerable funding risk with debt covenant waivers.

We have continued to receive support from our financiers, including the early refinancing in August 2022 of \$160 million of debt facilities that were due to mature in mid-2023.

To this point, I do want to emphasise that we have and will continue to carry appropriate levels of funding liquidity headroom as a safeguard against our near-term uncertainties, including expected funding required in relation to Macquarie terminating the carpark concession agreement yesterday.

Our liquidity headroom is currently at levels over three times higher than our Treasury Policy requires in a normal operating environment - and our current capital management approach is to retain these levels until we have more clarity on any implications on our business from future material uncertainties, including the carpark buyback, COVID-19 recovery, macro-economic factors, and potential regulatory penalties.

Major Prospects and Funding

Moving to the New Zealand International Convention Centre and Horizon Hotel in Auckland, we are seeing positive momentum on the project, with roof construction having recently commenced, a significant milestone in terms of reinstating the building post fire.

The project remains complex, however there are no material changes to previous guidance for total project costs of approximately \$750 million. SkyCity still expects the total cost to reinstate the property to be covered by insurance or incurred by, or sought from, Fletcher Construction.

The latest programme from the contractor indicates completion of the Horizon Hotel during 2024 and the Convention Centre during 2025.

As announced yesterday, SkyCity has received a termination notice from Macquarie, which means that SkyCity will ultimately take back operational control of all carparks covered by the Concession Agreement. Under the terms of the Concession Agreement, SkyCity and Macquarie must now negotiate to agree, or an umpire will otherwise determine, a market price for the concession.

As flagged in SkyCity's FY22 result announcement on 25 August 2022, SkyCity is well progressed on options, in line with SkyCity's longer-term capital management strategy, for financing the buy-back of the SkyCity Auckland car park.

As a reminder, the Auckland car park business is a high-quality, integrated operating asset that is a key driver of local gaming visitation, with earnings of \$15-20 million EBITDA per annum.

Trading Update and Outlook

Moving now to our trading update and outlook for FY23. We have had a strong start to the year, with revenue and EBITDA exceeding our internal expectations. We achieved Group normalised EBITDA in Q1 FY23 approximately 10% above pre COVID-19 levels on a like-for-like basis, which excludes discontinued businesses.

The domestic consumer environment remains robust and, despite an uncertain economic environment emerging, the properties are benefiting from operating without restrictions, and ongoing growth in domestic visitation. New Zealand performance is being driven by a stronger than anticipated recovery of hospitality revenues, and positive local gaming performance, particularly from gaming machines in Auckland and Hamilton.

We have seen a positive start to the year in Adelaide achieving its highest revenue result yet in the first quarter.

Whilst we have had a strong start to the financial year, and the outlook from an international tourism perspective looks positive, we are cautious on extrapolating Q1 performance at this time to the full financial year outlook given the global economic uncertainty, and how this will impact the domestic economies in which our businesses operate.

Due to the uncertainty around the potential adjustments required as part of SkyCity's accounting processes, SkyCity is unable to provide an update for Q1 FY23 for reported (statutory) results at this time.

We continue to support regulation of online casinos in New Zealand. We are confident that a significant omnichannel opportunity exists for SkyCity if the New Zealand online market becomes regulated, given the existing sizable addressable market, and the unique opportunity SkyCity has to offer an integrated offline and online experience to customers.

Concluding Remarks

In concluding, I would like to thank the SkyCity Whānau, our Board and Management team and our incredible staff for their resilience and ongoing commitment to SkyCity. Their dedication has been critical to our ability to navigate quite a challenging period.

SkyCity is a great and vibrant business. We have world-class gaming, hospitality and tourism assets and an exciting opportunity to leverage on domestic customer demand, recovery of tourism, investments in our properties in Adelaide and Auckland, the opening of the NZICC and Horizon Hotel, and the omnichannel opportunity to grow shareholder value.

I would also like to thank our shareholders for their support and patience over the last two years – which has been an extraordinarily challenging time for the business.

And to our other external stakeholders - from our regulators, financiers, suppliers, through to customers - SkyCity does not exist without you. A big thank you for your ongoing support and we look forward to an exciting future together.