

## **SkyCity Entertainment Group 2024 Annual Meeting Jason Walbridge – Chief Executive Officer’s Address**

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### Introduction

Ngā mihi Julian.

Tēnā koutou katoa.

Nau mai, haere mai.

Ko Jason Walbridge tōku ingoa.

Ngā mihi nui ki a koutou katoa.

Good morning everyone, and welcome again to SkyCity Entertainment Group’s Annual Meeting, my very first for the company as your Chief Executive Officer.

I came back to New Zealand with my family to take up the role after 23 years away – and like many expats, I’m the proudest of Kiwis, so it’s exciting to be home, and just as exciting to be working for SkyCity.

It’s also another form of homecoming to work here. I joined the casino industry with Aristocrat here in Auckland when the Sky Tower was literally still coming out of the ground – so it’s been a full circle moment for me.

SkyCity is an iconic brand and business, with enormous potential to deliver positive outcomes for a wide range of stakeholders including you – our shareholders - over the coming years.

Since starting in July, I have met many of our people and visited all of our properties. I have been incredibly impressed by the energy of our team, their pride in their work, and their appetite to meet the challenges and opportunities ahead.

The quality of our assets compares to many of the best casino properties I have visited in other parts of the world. And I’ve been to a few of them.

What I have seen in my first three months has reinforced for me that SkyCity has significant value in its people and properties, and this provides a solid foundation to build on.

I am optimistic about our future, but I want to be clear about the challenges we face.

We operate in extremely complex regulatory environments. They are changing. It’s important to acknowledge though, that these changes are in line with what is happening around the world.



Throughout my career, I have learnt being open and transparent is the best approach with regulators - in any country. My message to SkyCity’s regulators has been that they will know as soon as we know.

As Julian mentioned, our history in meeting our regulatory obligations hasn’t always measured up. That is changing. Our multi-year Transformation Programme will take time, effort and investment, but it is vital in meeting the requirements of our licences. That’s both our casino operating licences and our social licence.

Our aim is to have a robust, continuously improving, risk management system.

We are transforming SkyCity’s internal culture to one that absolutely prioritises caring for our customers, meeting our obligations, and ensuring the safety and wellbeing of our people.

We get this right and we will continue to grow the business for the benefit of our shareholders and our communities.

### **Turning now to our 2024 financial results.**

It’s been a year where customers have battled cost of living pressures as a result of weaker economies and high inflation on both sides of the Tasman. And that’s certainly been reflected in our results.

But pleasingly, the number of people visiting us has held up well across the Group. They generally spent less as, like all of us, they kept an eye on what they could afford to spend on entertainment.

Given all these challenges, we were able to deliver what we consider to be a solid result with:

- underlying Group EBITDA of around \$278 million – that’s 8% down on the prior year; and
- underlying Group net profit after tax of \$123 million, which compared to a profit of around \$132 million in the prior year.

The significant difference between underlying and reported earnings which you see on this slide is largely down to two major things. The first is the impact of an impairment on our Adelaide casino business of A\$86 million. The second is an adjustment of \$130 million for the impact of recent changes in New Zealand tax law regarding commercial buildings.

The Adelaide impairment reflects what we think the impact will be on our revenues of introducing 100% carded play there. It also includes the added legal and compliance costs to combat financial crime and improve host responsibility.



There were several other smaller accounting adjustments that impacted reported earnings. Importantly, underlying Group EBITDA most closely represents the actual cash earnings we produced, and our view of what represents a base to sustainable earnings into the future.

**Let’s turn to New Zealand.** What’s clear is that the challenging economic conditions I’ve spoken about resulted in lower electronic gaming machine revenues. Pleasingly though, we saw table games revenue continue to recover from their post-COVID levels as we were able to increase opening hours to meet customer demand.

The strong performance of non-gaming revenue, particularly in the first half of the year, was driven by increased visitation, plus the enhancements we made to a number of our attractions.

Operating margins for the year are more representative of a sustainable cost base.

We were able to increase our team members to support the delivery of appropriate service levels and we locked in costs that were generally driven by higher levels of inflation. The change in revenue mix, with a greater weighting to non-gaming revenue, had a somewhat negative impact on the overall margin for the Group.

**Now to Australia.** Adelaide delivered a solid result despite total revenues reducing relative to the previous year. This year’s improvement reflected a reasonably significant cost-out programme that focused on reducing labour, utilities and marketing costs.

During the year, we made a number of management changes in Adelaide, and you will shortly hear from our recently appointed Managing Director there, Avril Baynes.

We’re not yet where we need to be, but Avril and her team, with support from the broader Group, are working incredibly hard to build a better business in Adelaide. We’re confident we’ll do it, but it will take time.

Julian has spoken about the balance sheet and the Board’s commitment to maintaining an investment grade credit rating and targeting BBB metrics over time.

As at 30 June 2024, our net debt was around \$663 million. We continue to have significant funding headroom in our debt facilities, with \$252 million of undrawn facilities available to assist us in the funding of the business.

Our current leverage ratio of net debt to EBITDA is 2.3 times, well within the company’s banking covenants. It’s also consistent with our BBB minus credit rating from S&P Global Ratings, where we have a “Stable” outlook which was reconfirmed in June this year.

In August 2024, we refinanced the parts of our debt funding that were due to mature in 2025 and 2026. This means we do not have any further debt maturities until May 2027, which is a pleasing position to be in.

Let’s have a look now at a video presentation of our operating highlights for the past financial year.

*[Video plays]*

**Let’s talk now about another significant strength.**

As I mentioned earlier, the more than 4 and a half thousand employees who work at SkyCity across New Zealand and South Australia are a talented and incredibly diverse workforce with, at last count, 61 languages spoken or written by staff!

And as we saw in the video, maybe a few budding actors as well!

As a significant employer, we positively impact our local communities. That’s why we are so committed to meeting our obligations and looking after our customers, so we can continue growing and creating jobs and opportunities for advancement.

At SkyCity, we’re committed to growing sustainably and protecting and enhancing the environment.

Our Sustainability Implementation Plan outlines both our approach to managing our impact on the environment, and the commitments we’ve made related to climate change.

I would also like to highlight the important social role that SkyCity plays. Over the past financial year

- we paid \$4.6 million to our SkyCity New Zealand Community Trusts. The Trusts then approved a total of \$5.9 million in grants to 130 different organisations in New Zealand; and
- we continued our support for Leukaemia and Blood Cancer New Zealand’s annual fundraising efforts, helping them raise \$2.5 million through two key events at the Sky Tower. Please visit their stand in the foyer to see the great work they do.

We are also fortunate to have representatives from two of our other charities in attendance today:

- **Variety - The Children’s Charity**, which is focused on improving the wellbeing of children and young people; and
- **The Catalytic Foundation**, which is dedicated to helping create thriving communities throughout the country.

We are very proud of the work they do, and I encourage you to visit them at their booths in the foyer to see and hear more.

You will also see we have the All Blacks’ Experience, a popular attraction at our Auckland precinct. You can drop by to get a photo with the Bledisloe Cup and a sense of how our partnerships are adding value and memorable experiences for our customers.

After just over three months in the job, I’m really encouraged with what we have been able to achieve in such a challenging year. A few examples I’d like to highlight are:

- The buyback of the Auckland car park concession in January, with management of the car park now back in SkyCity’s control.
- As Julian shared, in Australia we settled our AUSTRAC proceedings.
- We reached agreement on the two matters with the Department of Internal Affairs that saw the closure of our Auckland casino for five days in September which had a silver lining in that we used the time to train and develop our teams and carry out significant upgrade works on the gaming floor.
- In June this year, we made the strategic decision to sell our equity interest in Gaming Innovation Group (or GiG) for \$55 million. We recognised we no longer needed equity in GiG to achieve our online ambitions and we used the proceeds to pay down debt.
- We opened the 5-star, “Horizon by SkyCity” hotel in August. This 303-room hotel is connected to both the New Zealand International Convention Centre and our Auckland precinct.

**I now want to talk about what’s in front of us.**

We still have a comprehensive to-do list, with one of our key priorities being to resolve the regulatory matters in Adelaide to the satisfaction of our regulator. The South Australia regulator, Consumer and Business Services, has recently recommenced its review into SkyCity Adelaide’s suitability to continue to hold its casino licence. The review findings are due by the end of the year, with a decision on the licence, and any penalty, to follow. It is possible that these findings will be unfavourable.

Alongside this is the work we are doing with the independent monitor, Kroll, in relation to SkyCity Adelaide’s anti-money laundering and host responsibility programmes.

This multi-year programme of work, called the Building a Better Business Programme, was recently approved by the regulator. It is critical for the future success and returns for our Adelaide business.

We are also progressing the contractual dispute with the Treasurer of South Australia concerning the treatment of loyalty points that are converted to gaming machine play and the calculation of casino duty.

The other key focus for 2025 is the rollout of 100% carded play by mid-July in New Zealand, followed by its introduction in Adelaide in early 2026.

As Julian mentioned earlier, this is an important part of our Transformation Programme and will help us better manage our host responsibility and anti-money laundering requirements.

100% carded play is a major step forward in customer care. Initially, we believe there will be an impact on revenue – somewhere in the order of 15% to 20% of annual uncarded gaming revenue. This assessment is based on our existing level of carded play, which is approximately 65% in Auckland and 70% in Adelaide. We add to that an understanding of the gaming venue competition in the various markets we operate in. We have also learned from the experience of others who have already gone through this process. I would note, there remains a high degree of uncertainty associated with this analysis.

Our aim to mitigate revenue impact is to work hard to increase the level of carded play in the run-up to launch in July next year. We want to create a seamless customer sign-up journey for those who are currently uncarded. We are well advanced in our work on this and have ensured we have the necessary resources.

To give you a better sense of our plans, we have put together a short video on what carded play will mean for our customers.

*[Video plays]*

Importantly, there are two other initiatives that we are excited about and expect to provide future earnings growth opportunities.

First is the New Zealand International Convention Centre, which is expected to be completed in 2025 and is a transformational infrastructure asset. We expect it to benefit not only SkyCity, but the wider Auckland and New Zealand economies with the increase in international tourism it will deliver.

It's truly world class. And I say that based on my experience of living in Las Vegas for more than 20 years. It is fully integrated into the Auckland precinct, and as a result we can expect significant earnings growth across many revenue streams.

Secondly, as you heard from Steve Salmon, our online gaming operation has provided us with significant capability in a growing market. This positions us well for when online casino gaming is regulated by the New Zealand Government in 2026.



We are supportive of the Government’s public health-based approach, and its intention to level what is currently an uneven playing field. A playing field I might add where SkyCity competes legitimately against operators who are breaking the law around advertising.

We have provided feedback to the Government and have highlighted key policy settings we think are critical for success. These include

- Recognising existing licensed casinos that have already gone through stringent suitability checks, including ourselves, importantly ensuring only trusted and reputable operators are granted licences.
- Limiting the number of online casino licences to between five and seven. This will balance customer choice against potential harm from excessive advertising and marketing.
- There should be a substantive domestic presence for all licensees to capture tax and support enforcement.

We will keep you updated on this.

**Now I’d like to give an update on trading.**

The economic environment in New Zealand continues to be challenging. However, interest rates are trending down, which should provide some welcome relief for both businesses and our customers.

We are expecting current conditions to continue into 2025, but we remain hopeful to see signs of improvement in the second half of the financial year.

At this point, we remain comfortable with the guidance provided at our financial year 2024 results release in August for underlying Group EBITDA in financial year 2025 of between \$245 and \$265 million.

As noted previously, we are not expecting to pay a dividend for financial year 2025 based on our current earnings outlook as we continue to maintain a conservative balance sheet in the short to medium term. However, as Julian pointed out, it remains an objective of both the Board and management to return to paying dividends as soon as we can.

**Let me summarise.**

I am really excited about SkyCity and the outlook for the Group.

We are going to transform our business, change our internal culture, meet the obligations expected of us, and improve shareholder returns.

But it’s going to take time, and it will need continued investment. Without doubt, there will be further challenges along the way.



I am well aware that returns to shareholders have been below what they should be with the outstanding assets we have. As a business, we have been laser focused on resolving key issues facing the Group, and this has meant less attention on operational matters.

Our focus now is on making our future happen.

Together with our leadership team, we are taking a detailed look at our broader business and mix of assets to ensure they are structured in the most optimal way. Our primary goal is to allocate capital in the most efficient manner and to the highest returning assets.

We are well positioned to take advantage of improvements in the economy, the opening of the New Zealand International Convention Centre and the growth in tourism we expect to see on the back of that. We welcome the prospect of regulation of the New Zealand online gaming market so that we can deliver value to SkyCity and our communities.

Together with the changes that we can control, I am optimistic that SkyCity's performance will improve over the coming months and years.

In closing, I want to say thank you to the SkyCity whānau, our Board and Management team, and our incredible people for their resilience and ongoing commitment to SkyCity.

And to our external stakeholders – from our regulators, financiers, suppliers through to our customers and our shareholders – SkyCity does not exist without you. You have my thanks.

Nga mihi nui.