

MEDIA RELEASE

12 August 2015

SKYCITY Entertainment Group Limited

Full Year Results for twelve months to 30 June 2015

Result Highlights:

- Normalised revenue up 8.7% to \$1.0 billion, normalised EBITDA up 6.0% to \$304.9 million and normalised NPAT up 8.8% to \$134.1 million
- Reported NPAT up 30.7% to \$128.7 million, reflecting an improved International Business win rate across the period
- Continued strong growth in Auckland across all business segments, with normalised revenue up 13.0% and normalised EBITDA up 13.7%
- Strong growth in group-wide International Business with turnover and normalised revenues up 42.6% and normalised EBITDA up 35.1%
- Hamilton delivered solid normalised revenue and EBITDA growth for the period following a much improved 2H15 performance
- Disappointing performance overall for Adelaide, despite modest revenue growth
- EBITDA growth achieved in Darwin, up 7.2% to A\$38.9 million
- A strong 2H15 performance on 2H14, with normalised EBITDA up 9.2%, normalised NPAT up 18.8% and operating cash flows up 64.6%
- Momentum from 2H15 has continued into July 2015, with group-wide normalised revenue for July up 11.4% to \$95.5 million
- Significant progress made on the NZICC project having agreed preliminary design with the Crown and received confirmation that the resource consent for the project will proceed on a non-notified basis
- Final dividend maintained at 10 cents per share (total dividend for the year of 20 cents per share)

SKYCITY Entertainment Group Limited (NZX:SKC) today announced its full year results for the 12 months ended 30 June 2015.

Significant investment by SKYCITY across its business has helped propel the company to record normalised revenue for the year.

Normalised revenue (including gaming GST) was up 8.7% to \$1.0 billion and normalised EBITDA up 6.0% to \$304.9 million. Normalised Net Profit After Tax (NPAT) of \$134.1 million was up 8.8% on the previous year.

Reported NPAT for the full year was \$128.7 million, up 30.7%, reflecting an improved win rate in International Business over the period of 1.36% (vs. 0.97% in FY14), in line with the theoretical.

SKYCITY Chief Executive Nigel Morrison says that, overall, the full year results for FY15 were pleasing with strong and sustained momentum across the core businesses.

“We have continued to achieve strong growth across our New Zealand properties and International Business and have delivered record revenues in excess of \$1.0 billion for the first time. Similarly, we continue to achieve EBITDA growth in Darwin, despite the challenging local market in the Northern Territory,” he says.

Mr Morrison says that Auckland delivered a pleasing result for the period after continuing to achieve strong performance improvements from the investment in the property over the past few years. The ongoing success of SKYCITY’s widely-lauded restaurants on Federal Street, high average occupancies in the SKYCITY Hotel and Grand Hotel and significant growth in Sky Tower visitation and Convention Centre bookings have contributed to Auckland’s overall result.

“The positive overall result was somewhat tempered by the disappointing performance of Adelaide Casino. Despite modest revenue growth in Adelaide for the full year and improving visitation trends, continued margin contraction (particularly over the first-half during the significant construction works) delivered a soft EBITDA result overall. SKYCITY remains firmly focused on achieving significantly improved performance from the Adelaide property following completion of the major refurbishment works completed in January this year,” he says.

Earnings growth further accelerated in 2H15 on the previous corresponding period with normalised EBITDA up 9.2% and normalised NPAT up 18.8%. 2H15 operating cash flows were up 64.6% and up 26.0% for the full year overall, underpinned by improved financial performance and a higher actual win rate in International Business across the period.

Depreciation and Amortisation was up \$8.9 million on a normalised basis due primarily to higher depreciation on recent capital investment in Auckland and Adelaide, and increased amortisation of the Adelaide Casino licence value. Corporate costs were also higher in the full year period, but in line with the 1H15 result and management expectations. Interest costs were down by \$6.2 million for the period reflecting the lower interest rate environment and increased capitalised interest on projects. Normalised tax expense was relatively stable for the period.

Auckland

SKYCITY Auckland, SKYCITY’s largest property, was again the standout performer across the group, delivering record results, with normalised revenue rising 13.0% to \$602.6 million and normalised EBITDA up 13.7% to \$247.8 million over the period. This significant growth continues the positive momentum exhibited during FY14 and 1H15, and means that Auckland has now delivered six consecutive quarters of EBITDA growth on previous corresponding periods.

Revenue and EBITDA growth was achieved across all business activities. Notable improvements were achieved in the gaming business, particularly within table games, underpinned by improved customer segmentation and experiences and the continued success of the Federal Street restaurants. Gaming machines delivered a robust performance across both the main gaming floor and in premium rooms despite a relatively strong comparative period.

The Federal Street dining precinct and both SKYCITY Auckland hotels continued to be very popular and reflected the benefits of being able to offer world-class integrated casino and entertainment facilities to local and international customers. Non-gaming revenue was up 13.9% to \$152.1 million, with all business segments showing revenue growth and stable or improving margins.

Depot, one of the signature restaurants, won Metro Magazine's Auckland Restaurant of the Year for the second time in 2015 (previous award in 2012), a great accolade following on from Masu winning the same award in the prior year. Similarly, the Auckland property has hosted some marquee entertainment events during the period, reinforcing its position as the premier entertainment destination in New Zealand. These included being the primary host to FIFA during the recent Under 20 Football World Cup and hosting a function for Zara Phillips and her patron charity CatWalk Spinal Cord Injury Trust.

Mr Morrison says that it is pleasing to see SKYCITY Auckland delivering sustained strong financial performance.

"The strong growth in Auckland is a result of continued good management, value-adding investment and positive external factors which remain supportive of our underlying business. Furthermore, we expect the property to positively benefit from the activation of the NZICC gaming concessions which is expected to start toward the end of 2015, following signing of a binding building works contract for the NZICC," he says.

Hamilton

SKYCITY Hamilton returned to revenue and EBITDA growth in FY15, with normalised revenue up 4.5% to \$50.6 million and normalised EBITDA up 15.7% to \$19.9 million.

The improved performance has been underpinned by solid gaming revenues delivered by both main floor and premium gaming spaces, a renewed focus on customer experiences, the coordinated delivery of better product and facilities, and a stronger focus on cost management.

Management expect to deliver a significantly improved food & beverage offering by the end of the 2015 calendar year following a \$2.5 million investment in five new quality outlets.

SKYCITY Hamilton is well placed to benefit from the Hamilton City Council's 'River Plan Project' given the property's ideal location and proximity to the planned tourism infrastructure investment in addition to ongoing strategic initiatives which shall drive visitation to the property.

Queenstown

The combined Queenstown operations have returned to growth. Normalised revenue was up 34.6% to \$18.3 million and normalised EBITDA up 61.1% to \$2.9 million, underpinned by strong local gaming and increased International Business volumes.

The medium-term focus for Queenstown remains growing International Business in this world-acclaimed tourist destination.

Adelaide

As previously identified, the Adelaide Casino was significantly impacted during FY15 by the refurbishment works that were completed during January 2015.

Adelaide continued to deliver only modest revenue growth in 2H15 following completion of the refurbishment, resulting in normalised revenue for FY15 being up 4.8% on the previous corresponding period to A\$174.1 million but with normalised EBITDA down 19.2% to A\$27.3 million.

Adelaide's performance was primarily influenced by flat local gaming revenue, consistent with trends observed in South Australian pubs and clubs and higher operating costs across the business, resulting in EBITDA margins contracting from 20.3% to 15.7%.

Mr Morrison says that SKYCITY remains firmly focused on achieving a significantly improved performance from the Adelaide Casino.

"Adelaide has shown some positive trends in 4Q15, with gaming visitation up approximately 10% on the previous corresponding period and EBITDA margins increasing due to a range of efficiency initiatives being implemented," he says.

Darwin

SKYCITY Darwin achieved a satisfactory result despite a challenging local market. Normalised revenue was marginally up to A\$137.1 million and normalised EBITDA increased 7.2% to A\$38.9 million.

The performance was primarily driven by significant recent investment in the property to improve the customer experience and clearly differentiate the Darwin casino experience from the pubs and clubs, significant growth in International Business turnover, reflecting the attraction of Darwin as a unique destination for International Business, and a strong management focus on operating costs and efficiencies.

The Northern Territory Government completed the gaming tax review for SKYCITY Darwin in July 2015. As previously announced, the net impact of the new gaming tax rates (which will apply until June 2025) and the previously announced community benefit levy is an increase in operating costs for Darwin of approximately A\$1.0 million per annum.

The medium to longer-term growth prospects for the Darwin property will depend on further promotion of International Business play, potential activation of the Little Mindil site (adjacent to the property) and any further investment in existing facilities.

International Business

SKYCITY's International Business delivered record activity during the full year, with turnover increasing to \$9.3 billion and normalised EBITDA up 35.1% to \$26.4 million.

Growth in International Business turnover continues to be underpinned by the success of the expanded sales and marketing team, increased recognition of the 'Horizon' brand and offering, a strong focus on direct relationships with VIP customers and continued growth in the number of Asian VIP customers visiting New Zealand.

The average actual win rate for the full year period was 1.36%, which is in line with the theoretical win rate of 1.35%.

July 2015 Trading Update

July trading has seen a continuation of the momentum exhibited during 2H15. Strong Auckland, Hamilton and International Business performances have delivered normalised revenue for the month of \$95.5 million, up 11.4% from \$85.7 million in the previous corresponding period.

Auckland has continued to deliver good growth, with local revenue up 9.3% to \$45.1 million, with growth across almost all business segments. Hamilton has continued its strong momentum from 2H15 with local revenue up 16.7% for the month to \$4.5 million, underpinned by strong local gaming growth. International Business turnover and normalised revenue increased 22.7% to \$1.2 billion and \$16.1 million, respectively, for the month, with a win rate of 1.54%.

Adelaide achieved robust growth in local revenue on the previous corresponding period, up 9.0% to A\$14.0 million, which was mainly driven by growth in food & beverage and table games revenues. Darwin delivered a 3.0% increase in local revenue to A\$11.8 million, with positive local gaming growth being offset by softer hotel and food and beverage revenues.

New Zealand International Convention Centre

Significant progress has been achieved on the NZICC project during the period.

SKYCITY agreed the preliminary design with the Crown during May 2015 and confirmed that the total estimated cost for the NZICC (as defined in the NZICC Agreement) will increase to \$450-\$470 million (including land). Total future costs for the overall project including the additional car parks, laneway and other fees and costs, but excluding the Hobson St hotel, are estimated to be in the range of \$430-450 million.

During July, SKYCITY received confirmation from Auckland Council that the resource consent application for the NZICC will proceed on a non-notified basis. SKYCITY is currently in the process of advancing a developed design for the NZICC and procuring the NZICC building works contract. SKYCITY expects this contract to be signed by October 2015, with construction to commence before the end of 2015.

Mr Morrison says this is a very exciting time for the NZICC project, having agreed an exceptional design with the Crown and with the final planning and approvals progressing well.

"We're pleased that momentum is continuing to build on the project, bringing jobs, growth, and much-needed economic investment in downtown Auckland. Signing a building works contract will activate the gaming concessions, including the additional gaming product and the extension of the Auckland casino licence out to 2048."

SKYCITY remains confident that the NZICC project and other associated developments will be value enhancing for the company and its shareholders.

"The various concessions and licence extension afforded to SKYCITY as part of the NZICC Agreement will support the continued growth in our flagship Auckland business for the foreseeable future, and enable us to continue to invest with certainty," says Mr Morrison.

As recently announced, SKYCITY is enhancing the Auckland property with a major upgrade of the main site atrium. SKYCITY plans to spend around \$24 million on the improvements, which shall include new and improved atrium features in addition to a new main escalator providing more direct access to the gaming floor and an

extension of the gaming floor creating new space to house the additional gaming product granted as part the NZICC Agreement.

Adelaide Redevelopment

SKYCITY has made good progress on the transformation of the Adelaide Casino during FY15. The A\$50 million refurbishment of the existing property was completed in January 2015, and terms have been agreed with Walker Corporation for the exclusive lease of 750 of the total 1,560 car parks in the proposed Adelaide Festival Plaza development adjacent to the Adelaide Casino.

Given the significant growth opportunity from developing an integrated entertainment facility within the Riverbank precinct, SKYCITY remains committed to redeveloping the Adelaide Casino, constructing a new hotel, an expanded gaming podium and new food & beverage facilities.

SKYCITY continues to review the concept design and development costs for the expansion to ensure the project best meets the future requirements of the South Australian market and is value-enhancing for shareholders. Timing to commence the expansion works is uncertain and needs to be coordinated with the South Australian Government's and Walker Corporation's plans for the broader development of the Riverbank precinct.

Funding

During March SKYCITY successfully extended the term of its bank facilities and achieved significant interest savings in the process. Current debt funding capacity, with headroom at 30 June 2015 of \$217 million, is considered sufficient for expected funding requirements out to at least the start of FY18.

As previously indicated, SKYCITY is seeking to further diversify its debt funding sources by the end of 2015 and to increase funding headroom above \$300 million. Accordingly, SKYCITY continues to investigate a potential NZ retail bond issue and is considering options for a further USPP note issue, subject to market conditions and the ability to achieve satisfactory pricing.

SKYCITY continues to explore a range of property-related funding options to finance the two major projects, including partnering options with external investors for the development and ownership of the proposed Hobson St hotel. SKYCITY intends to provide a further update on its long-term funding plan once the building works contract for the NZICC project is signed and plans for the Adelaide expansion are more fully developed.

The current market value of SKYCITY's land and buildings is estimated at \$1.41 billion versus a book value of \$0.89 billion. SKYCITY has no current plans to separate its property assets but will continue to monitor and evaluate options for purposes of funding and maximising shareholder value.

SKYCITY remains committed to its S&P BBB- credit rating, which was reconfirmed by S&P in June 2015.

Dividend

SKYCITY announced a final year dividend of 10 cents per share, which is payable on 2 October 2015. The dividend will be 25% imputed in New Zealand but not franked in Australia.

The Dividend Reinvestment Plan will be available for this dividend, with a 2% discount available.

Mr Morrison reiterated SKYCITY's commitment to its existing dividend policy for the foreseeable future.

"We believe this dividend policy offers our shareholders an attractive yield and is sustainable going forward," he says.

ENDS

Notes to editors:

- *All numbers in this media release are unaudited. Further information on adjustments between normalised and reported information is available in SKYCITY's investor presentation at: <http://ir.skycityentertainmentgroup.com>.*

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Appendix

Reconciliation between reported and normalised financial information

	FY15				FY14			
	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m
Normalised	1,007.7	304.9	216.4	134.1	927.3	287.6	208.0	123.2
International Business at Theoretical	1.3	3.5	3.5	2.3	(24.8)	(21.7)	(21.7)	(15.4)
Provision for IB Debtors	-	-	-	-	-	(0.2)	(0.2)	(0.2)
International Business Adjustments	1.3	3.5	3.5	2.3	(24.8)	(21.9)	(21.9)	(15.6)
Adelaide redevelopment costs	-	(1.7)	(1.7)	(1.2)	-	(4.3)	(4.3)	(3.0)
NZICC interest and other costs	-	(0.6)	(0.6)	(4.6)	-	(0.3)	(0.3)	(2.8)
Strategic projects	-	-	-	-	-	(1.4)	(1.4)	(1.0)
Darwin pre-opening costs	-	(0.1)	(0.1)	(0.1)	-	-	-	-
Restructuring costs	-	(1.6)	(1.6)	(1.1)	-	(2.3)	(2.3)	(1.7)
Auckland project costs	-	(0.3)	(1.1)	(0.7)	-	(0.9)	(2.1)	(1.5)
Profit from sale of Christchurch	-	-	-	-	-	-	-	0.9
Total Other Adjustments		(4.3)	(5.1)	(7.7)	-	(9.2)	(10.4)	(9.1)
Reported	1,009.1	304.1	214.8	128.7	902.5	256.5	175.7	98.5

SKYCITY's objective of producing normalised financial information is to provide data that is useful to the investment community in understanding the underlying operations of the group.

Gaming revenue figures reflect gaming win (inclusive of gaming GST). This facilitates Australasian comparisons and is consistent with the treatment adopted by major Australian casinos. Non-gaming revenue is net of GST.

Total revenue is gaming win plus non-gaming revenue.

EBITDA margin is calculated as a % of gaming win (GST inclusive) plus non-gaming revenue – to facilitate Australasian and period-on-period comparisons.

Key Other Adjustments are:

- Adelaide redevelopment costs – structural redundancies and launch costs for new facilities (Sean's Kitchen and Madame Hanoi).
- NZICC – interest on purchase of New Zealand International Convention Centre (NZICC) land bank (calculated using the group's average cost of debt of 6.7% on an average balance of \$85 million) and other costs specific to this project.
- Strategic project costs – none in FY15, with FY14 including the acquisition of SKYCITY Wharf Casino, the investigation of investment opportunities in Brisbane, the Gold Coast and the Philippines, and other miscellaneous items.
- Darwin preopening costs – ACES Sports Bar.
- Restructuring costs – costs associated with changing the staffing structures under an approved restructuring plan.
- Auckland project costs – Federal Street launch and Federal Street fire costs.

IB win rate was 1.36% for FY15 (FY14: 0.97%).

Normalisation adjustments have been calculated in a consistent manner in FY15 and FY14.