

**MARKET RELEASE**

10 August 2016

**SKYCITY Entertainment Group Limited**

**Full-year results for the twelve months to 30 June 2016**

**Result Highlights:**

- Record normalised revenue and earnings for the group for a full-year period
- Record normalised net profit after tax (NPAT) of \$152.7 million, up 13.9% on the previous corresponding period
- Record reported NPAT of \$145.7 million, up 13.1%
- Continued strong growth at SKYCITY Auckland, with the property benefiting from recent investment, supportive external factors and the new gaming concessions
- Record group-wide International Business activity with turnover up 32.7% to \$12.4 billion
- Further strong growth at SKYCITY Hamilton and the combined Queenstown properties
- Improved performance by Adelaide Casino underpinned by an increase in International Business activity and improved operating margins
- Disappointing result by SKYCITY Darwin, which was adversely impacted by challenging trading conditions
- Significant progress on the New Zealand International Convention Centre (NZICC) and Hobson Street hotel projects following signing of construction contracts with Fletcher Construction in November 2015
- Good progress on the Adelaide Casino expansion and new hotel development with an early works agreement signed with the South Australian Government in May 2016
- Successful raising of \$263 million of new equity in May/June 2016 to support the funding of our major growth projects
- Full-year dividend of 21.0 cents per share, up 1.0 cent per share on FY15, reflecting our improved profitability

SKYCITY Entertainment Group Limited (NZX/ASX:SKC) today announced its full-year results for the twelve months ended 30 June 2016.

Normalised revenue (including gaming GST) was up 7.6% to \$1.1 billion and normalised EBITDA up 8.2% to \$330.1 million. Normalised NPAT of \$152.7 million was up 13.9% on the previous corresponding period.

SKYCITY's Interim Chief Executive John Mortensen says that, overall, the full-year results for FY16 were very satisfying with strong and sustained momentum across the core businesses.

"This financial year has been a successful one for SKYCITY, following on from the momentum achieved during last financial year. Strong financial results were achieved across most parts of the business and good progress was made on our major growth projects in Auckland and Adelaide. Similarly, we have continued to actively support our communities during the period and further invest in our Corporate Social Responsibility activities, reflecting our commitment to being a good corporate citizen, whilst operating a sustainable and successful business model," he says.

### **SKYCITY Auckland**

SKYCITY Auckland, our flagship property, celebrated its 20 year anniversary in February 2016 and continues to be a standout performer. Our Auckland property delivered record results for the second year in a row, with revenue (excluding International Business) increasing 6.9% to \$557.5 million over the period and earnings before interest, taxation, depreciation and amortisation (EBITDA) (excluding International Business) increasing 10.0% to \$251.2 million.

Mr Mortensen says that it is pleasing to see SKYCITY Auckland continuing to deliver sustained strong financial performance.

"The continued momentum at SKYCITY Auckland reflects the significant investment in the property over the past few years, initiatives to drive incremental visitation through customer segmentation and positive external factors which remain supportive of the business. The property is also benefiting from the new gaming concessions that were activated in November 2015. As a result, SKYCITY Auckland has now delivered ten consecutive quarters of EBITDA growth on previous corresponding periods – an excellent achievement," he says.

Revenue and EBITDA growth at SKYCITY Auckland was achieved across all business activities. Strong growth was achieved in the gaming machines business, which benefited from increased capacity and the rollout of cashless gaming and ticket-in-ticket-out technology. Table games delivered a solid performance across both the main gaming floor and premium rooms, despite a relatively strong comparative period.

The Federal Street dining precinct and our Auckland hotels continued to be very popular and enable SKYCITY Auckland to offer world-class integrated casino and entertainment facilities. Federal Street has become a major dining and entertainment hub in Auckland and, with a new Cantonese restaurant planned for 2017, the precinct will continue to go from strength-to-strength.

Both the SKYCITY Hotel and the SKYCITY Grand Hotel continue to outperform local competitors in terms of occupancy and average room rates. This strong operating performance from our existing hotels, plus the favourable hotel sector trends in Auckland and New Zealand's strong tourism growth, bode well for our new Hobson Street hotel which we have decided to retain ownership of post completion.

Mr Mortensen says that SKYCITY Auckland is entering into an exciting phase of sustained growth following continued investment in the property to enhance the customer experience.

"We have completed a major refurbishment of our main atrium area, the first since SKYCITY Auckland opened in February 1996. This included creating direct escalator access to the casino, a partial infill of the atrium to expand the main gaming floor, and the opening of 'Andy's Burgers & Bar'. We have also significantly enhanced our International Business offering with the opening of the 'Grand Horizon' gaming salons," he says.

### **SKYCITY Hamilton**

SKYCITY Hamilton delivered another strong performance in FY16 with the positive momentum exhibited during FY15 continuing. Revenue (excluding International Business) was up 6.7% to \$53.9 million and EBITDA (excluding International Business) was up 15.1% to \$22.9 million.

The improved performance was driven by solid gaming revenue growth, the opening of new bars and restaurants during the period, favourable local macroeconomic conditions, and further cost efficiencies across the property.

SKYCITY Hamilton opened the 'City Co-Op', comprising five new food and beverage outlets, in late 2015. These new outlets have been well received by local customers and the community, and have increased visitation to the property.

The medium-term outlook for Hamilton remains positive, underpinned by strategic initiatives to drive incremental visitation to the property and to leverage positive macroeconomic drivers.

### **SKYCITY Queenstown and SKYCITY Wharf Casino**

The combined Queenstown operations have delivered record results for the period, driven by significant growth in International Business volumes and local gaming activity, and an increased focus on cost control. Revenue (excluding International Business) was up 10.9% to \$13.2 million and EBITDA (excluding International Business) up 63.2% to \$3.1 million.

Queenstown remains an iconic location with strong tourism growth expected over the long-term.

### **Adelaide Casino**

Adelaide Casino delivered an improved performance during the period. EBITDA (excluding International Business) was up 19.1% to A\$25.6 million despite revenue (excluding International Business) being down 1.1% to A\$151.8 million.

Adelaide Casino's improved performance was primarily influenced by significant growth in International Business activity, improved performance of the food and beverage outlets, and a strong focus on cost control driving margin improvement.

Disappointingly, Adelaide Casino experienced a decline in local gaming revenue (down 4.3%).

Mr Mortensen says that SKYCITY remains firmly focused on delivering sustained revenue and earnings growth at Adelaide Casino.

“While we are pleased with the improved performance at Adelaide Casino, challenges remain delivering local gaming growth in a soft market. Growing our share of the local gaming machine market in South Australia is a key focus for FY17,” he says.

### **SKYCITY Darwin**

SKYCITY Darwin achieved disappointing results which were adversely impacted by challenging trading conditions in the Northern Territory. Revenue (excluding International Business) was down 5.3% to \$A116.2 million and EBITDA (excluding International Business) down 9.4% to A\$33.9 million.

The decline in SKYCITY Darwin’s performance was primarily driven by weaker hotel demand and reduced food and beverage covers. Local gaming revenue was soft having been adversely impacted by increased competition from pubs and clubs.

Despite the near-term external challenges, SKYCITY remains confident with the medium-to-long-term outlook for our Darwin property. Darwin’s strategic location close to Asia, the potential for significant growth in International Business activity, and the strong market position of our local business means SKYCITY Darwin continues to be a core asset for SKYCITY.

SKYCITY Darwin has recently applied to extend its casino licence for a further five years out to 2036. This would provide additional regulatory certainty for stakeholders and investors, following on from confirmation by the Northern Territory Government at the start of FY16 of our gaming tax rates out to June 2025.

### **International Business**

SKYCITY’s International Business delivered record activity during FY16, with group-wide turnover up 32.7% to \$12.4 billion. The average win rate for the financial year was 1.49%, which is slightly above the theoretical win rate of 1.35%, and an improvement on the FY15 win rate of 1.36%.

Normalised EBITDA was up 26.6% to \$33.5 million, reflecting stable operating margins, underpinned by increased operating efficiencies but offset by marginally higher commissions and higher bad debt provisions.

Growth in our International Business continues to be supported by the increased recognition of our first-class service offering amongst Asian VIP customers, a continued focus on direct relationships and increased play at higher table differentials.

SKYCITY has continued to invest in the International Business over the past year through the development of new facilities and the expansion of our customer service team. The new gaming salon in Adelaide which opened in December 2015 has been very well utilised and the new ‘Grand Horizon’ gaming salons recently opened in Auckland provide a new world-class offering for our VIP customers. Both new facilities will also ease capacity constraints during peak periods such as Chinese New Year and Golden Week.

There is potential for further significant growth in SKYCITY’s International Business over the medium-term. Accordingly, SKYCITY intends to continue to invest prudently in the business to deliver market-leading customer experiences and attractive returns for shareholders.

## **NZICC and Hobson Street Hotel Projects**

Significant progress has been achieved on the NZICC and Hobson Street hotel projects during the period.

Construction contracts for the NZICC and Hobson Street hotel were signed in November 2015 with Fletcher Construction, triggering the activation of the new gaming concessions. These concessions included an extension of SKYCITY Auckland's casino licence out to 30 June 2048 and a 30% increase in gaming capacity for our Auckland property.

The overall development programme is progressing well and remains on-budget. Excavation commenced in June 2016 and completion of both the NZICC and Hobson Street hotel is expected in the first quarter of 2019.

SKYCITY concluded the Hobson Street hotel sale process in May 2016 and elected to retain this valuable asset. Given the favourable outlook for the Auckland hotel market, SKYCITY is comfortable retaining ownership of the Hobson Street hotel and expects it to deliver significant revenue and earnings for SKYCITY Auckland post opening.

Mr Mortensen says that this is an exciting time for the NZICC and Hobson Street hotel projects, with construction having commenced on site.

"The NZICC and Hobson Street hotel developments are together one of the most significant building projects in Auckland in a generation, and will help stimulate significant tourism, employment and broader economic growth for Auckland and New Zealand," he says.

## **Adelaide Casino Expansion and Hotel Development**

SKYCITY remains committed to the expansion of Adelaide Casino and the development of a new hotel given we continue to believe in the significant growth potential of the property following completion of the broader redevelopment of Adelaide's Riverbank Precinct.

Design and planning approval for the expansion was received in January 2016 and an early works agreement with the South Australian Government was signed in May 2016.

SKYCITY welcomed the announcement in May 2016 that the South Australian Government and Walker Corporation had reached an agreement for the development of Festival Plaza. Walker Corporation plans to construct a car park (of which SKYCITY will exclusively lease 750 spaces), a retail precinct and office building over the next three years.

SKYCITY continues to expect a total development cost for the Adelaide Casino expansion of around A\$300 million. Main construction works on the expansion are expected to commence in the second-half of 2017, with completion expected in early 2020.

## **Funding**

SKYCITY finalised the key elements of its long-term funding plan in June 2016 following the successful completion of our pro-rata equity offer which raised \$263 million.

The equity raising received strong support from both existing and new shareholders. The net proceeds of the raising have been used to repay bank debt and reduce gearing in order to support the funding of our major growth projects.

SKYCITY expects that the new equity will provide sufficient funding capacity and headroom for the company to fund its major growth projects and maintain its BBB-credit rating from Standard & Poor's. The new equity should also allow SKYCITY to continue to invest prudently in the business.

Following the equity raising, our existing debt facilities are expected to be sufficient to meet future funding requirements out to the middle of FY18. SKYCITY currently intends to secure additional debt funding through an extension of and potential increases in existing bank facilities, further New Zealand bond issues, and/or further US private placement note issues.

### **Dividend**

SKYCITY has announced a final dividend of 10.5 cents per share, 5% up on the final dividend for FY15, which is payable on 16 September 2016. The company's Dividend Reinvestment Plan will be available for this dividend, with a 2% discount applying.

This takes the full-year dividend for FY16 to 21.0 cents per share, up 1.0 cent per share on the prior year and in-line with our stated dividend policy of distributing at least 80% of normalised NPAT to shareholders each year.

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

"The increased full-year dividend enables shareholders to benefit from our improved operating performance and profitability. We believe our dividend policy continues to offer our shareholders an attractive yield and is sustainable over the medium-term," he says.

### **ENDS**

#### **Notes to editors:**

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

#### **For more information please contact:**

<b>Media</b>	<b>Investors</b>
<p><b>Kelly Armitage</b> Group Communications Manager DDI: +64 9 363 6368 Mobile: +64 27 213 5625 E-mail: <a href="mailto:kelly.armitage@skycity.co.nz">kelly.armitage@skycity.co.nz</a></p>	<p><b>Ben Kay</b> Investor Relations &amp; Corporate Development Manager DDI: +64 9 363 6067 E-mail: <a href="mailto:ben.kay@skycity.co.nz">ben.kay@skycity.co.nz</a></p>

## **Normalised vs. reported results**

	FY16				FY15			
	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m
<b>Normalised</b>	<b>1,084.1</b>	<b>330.1</b>	<b>236.4</b>	<b>152.7</b>	<b>1,007.7</b>	<b>304.9</b>	<b>216.4</b>	<b>134.1</b>
IB at theoretical	17.1	3.9	3.9	2.8	1.3	3.5	3.5	2.3
<b>IB adjustments</b>	<b>17.1</b>	<b>3.9</b>	<b>3.9</b>	<b>2.8</b>	<b>1.3</b>	<b>3.5</b>	<b>3.5</b>	<b>2.3</b>
Adelaide redevelopment costs	-	-	-	-	-	(1.7)	(1.7)	(1.2)
NZICC interest and other costs	-	-	-	-	-	(0.6)	(0.6)	(4.6)
Asset write-offs	-	-	(10.4)	(9.8)	-	-	(0.8)	(0.5)
Darwin pre-opening costs	-	-	-	-	-	(0.1)	(0.1)	(0.1)
Restructuring costs	-	-	-	-	-	(1.6)	(1.6)	(1.1)
Auckland project costs	-	-	-	-	-	(0.3)	(0.3)	(0.2)
<b>Total other adjustments</b>	<b>-</b>	<b>-</b>	<b>(10.4)</b>	<b>(9.8)</b>	<b>(4.3)</b>	<b>(5.1)</b>	<b>(7.7)</b>	
<b>Reported</b>	<b>1,101.2</b>	<b>333.9</b>	<b>229.9</b>	<b>145.7</b>	<b>1,009.1</b>	<b>304.1</b>	<b>214.8</b>	<b>128.7</b>

- 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.
- During FY16 the application of the group’s non-GAAP financial information policy was tightened to further restrict the number of adjustments between reported and normalised results.
- FY16 adjustments
  - Write-off of the Hamilton hotel project costs as this project is no longer proceeding (\$2.8 million of capitalised costs incurred over 2011 to 2014).
  - Write-off of 101 Hobson Street and the Nelson Street car park to make way for the NZICC (\$7.6 million book value).
- FY15 adjustments
  - Adelaide redevelopment costs – structural redundancies and launch costs for new facilities (Sean’s Kitchen and Madame Hanoi).
  - NZICC – interest on purchase of 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.
  - Write-off of Federal Street fire costs.
  - Darwin pre-opening costs – costs associated with launch of new facilities.
  - Restructuring costs – costs associated with changing the staffing structures under an approved restructuring plan.
  - Auckland project costs – Federal Street launch.
- The actual win rate on International Business was 1.49% for FY16 (FY15: 1.36%).