

SKYCITY Entertainment Group Limited

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www.skycitygroup.co.nz

21 October 2016

Client Market Services
NZX Limited
Level 1, NZX Centre
11 Cable Street
WELLINGTON

Copy to:

ASX Market Announcements
Australian Stock Exchange
Exchange Centre
Level 6
20 Bridge Street
Sydney NSW 2000
AUSTRALIA

Dear Sir/Madam

**RE: SKYCITY ENTERTAINMENT GROUP LIMITED (SKC)
1Q17 TRADING UPDATE AND INVESTOR & ANALYST CONFERENCE
CALL**

Please find **attached**:

- (a) an investor presentation concerning the company's 1Q17 trading update;
and
- (b) details for a SKYCITY investor and analyst conference call to be held at **1.00pm (NZ time) on 21 October 2016** concerning the company's 1Q17 trading update.

A copy of the investor presentation will be available from SKYCITY's website later today.

Yours faithfully



Jo Wong
Company Secretary

SKYCITY Entertainment Group Limited

1Q17 Trading Update

21 October 2016



- All information included in this presentation is provided as at 21 October 2016
- 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

- Average NZD/AUD cross-rate for 1Q17 of 0.948 (1Q16: 0.898)
- Revenue (incl Gaming GST), calculated as gaming win (incl GST) plus non-gaming revenue (excl GST), is shown to facilitate Australasian comparisons
- Normalised revenue is adjusted for International Business (“IB”) at the theoretical win rate of 1.35% versus an actual win rate of 1.29% in 1Q17 (1Q16: 0.91%)
- Totals, subtotals and percentages may not agree due to rounding

1Q17 Update – Group Revenue By Business Unit

	1Q17 \$m	1Q16 \$m	Movement %
New Zealand (excl IB)			
▪ Auckland	134.0	135.4	(1.0%)
▪ Hamilton	15.0	13.5	11.1%
▪ Combined Queenstown / Other	3.0	3.5	(14.3%)
Total New Zealand	152.0	152.4	(0.3%)
Australia (excl IB)			
▪ Adelaide (A\$)	39.1	39.1	0.0%
▪ Darwin (A\$)	32.5	35.0	(7.2%)
Total Australia (A\$)	71.6	74.1	(3.4%)
Total Australia (NZ\$)	75.8	82.5	(8.2%)
Normalised IB Revenue	34.3	43.0	(20.2%)
Group Normalised Revenue	262.1	277.9	(5.7%)
IB adjusted to actual win rate (%)	(1.4)	(13.9)	NA
Group Reported Revenue	260.7	264.0	(1.3%)

Group

- Disappointing 1Q17 with group normalised revenue down \$16m or 5.7% vs. pcg
- Main drivers of revenue performance were below-trend Auckland gaming activity and IB turnover, ongoing difficult trading conditions in Darwin and appreciation of the NZ\$ vs. A\$
- Group reported revenue down 1.3% due to above factors and improved win rate on IB play

New Zealand (Revenue (excl IB) ↓ (0.3%))

- Auckland revenue down 1.0% due to weaker gaming revenue offset by growth in non-gaming revenue
- Gaming revenue in Auckland weaker due to lower-than-expected gaming visitation, reduced activity from premium players, new automated table games not being fully deployed and lower hold percentage on tables
- Hamilton revenue up 11.1% due to increased gaming activity and higher F&B covers from new 'City Co-Op' outlets

Australia (Revenue (excl IB) ↓ (8.2%))

- Adelaide revenue flat vs. pcg with no material change in local gaming revenue and EGM market share
- Darwin revenue down 7.2% due to continued difficult local economic conditions and increased EGM capacity in pubs & clubs (up 30% since June 2015)
- \$5m impact on normalised revenue due to appreciation of NZ\$ vs. A\$

International Business (Normalised Revenue ↓ (20.2%))

- IB turnover and normalised revenue down 20.2% due to fewer trips than expected from larger VIP customers
- Improved win rate for the period of 1.29%

Other Financial Results

- Group EBITDA margin down slightly reflecting decrease in revenue, especially in Darwin and IB
- Corporate costs, normalised net interest, normalised D&A and effective tax rate broadly in-line with expectations and previous market guidance

Major Growth Projects

- NZICC and Hobson St hotel projects progressing well – excavation around 35% complete and capex remains on-budget
- Further progress on the Adelaide expansion project – early works underway with SA Government and detailed design for main construction works continuing

Capital Expenditure

- No change to previous market guidance for FY17 capex or future capex profile for major growth projects
- Work on new Cantonese restaurant in Auckland due to commence in November 2016 and scheduled to be completed in April 2017

Board and Management

- Two new non-executive directors, Jennifer Owen and Murray Jordan, to be appointed subject to regulatory approvals
- Luke Walker appointed as GM of Adelaide Casino, effective from May 2017 – Mr Walker is currently Executive GM – Gaming Machines at Crown Melbourne

- SKYCITY is closely monitoring recent events concerning Crown employees being detained by Chinese authorities
- SKYCITY does not have an office in China or any China-based employees, but does engage independent contractors in China who help manage customer relationships from time-to-time
- SKYCITY is confident that its contractors comply with all relevant laws and regulations in China
- None of SKYCITY's contractors have been questioned or detained as part of this investigation
- Financial impact of this situation remains highly uncertain, but is likely to be adverse over the short-to-medium term

- As previously advised to the market, SKYCITY confirms that in FY16:
 - IB represented 15% of group normalised revenue and 10% of group normalised EBITDA
 - SKYCITY had ~9% market share of total IB turnover in Australia and NZ
 - ~50% of total group turnover was from Chinese customers
 - ~65% of total group turnover was from direct relationships with VIP customers, with the balance from junkets
- Our continued focus on direct VIP customer relationships and conservative approach to credit are expected to mitigate adverse impacts from the Crown situation

- Auckland to return to growth for the remainder of FY17
- Hamilton to continue to trade strongly, underpinned by increased gaming activity
- Adelaide to remain stable, with limited near-term upside in local gaming revenue
- Challenging trading conditions to persist in Darwin over the near-term
- IB activity to weaken further following recent developments in China
- Continue to believe in the significant growth opportunity afforded by major growth projects in Auckland and Adelaide





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21 October 2016

SKYCITY ENTERTAINMENT GROUP LIMITED

1Q17 TRADING UPDATE

SKYCITY Entertainment Group Limited ("SKYCITY") will host a teleconference call for financial media, analysts, institutional investors and fund managers at **1pm NZ time** (11am Australian Eastern time) today concerning its 1Q17 trading update.

On this call, John Mortensen, Interim CEO, and Rob Hamilton, CFO, will present the key information of the trading update and provide an overview of the status of SKYCITY's major growth projects. Following the presentation there will be a brief opportunity for Q&A.

A replay of the teleconference call will be made available and shall be posted both on the SKYCITY corporate website (link: <https://www.skycityentertainmentgroup.com/>) in addition to being accessible via Nasdaq, our communications provider, later in the day. A transcript of the call will also be made available upon request.

Dial-in instructions for both the teleconference call and the replay are set out in Appendix 1 to this letter.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ben Kay".

Ben Kay
Investor Relations & Corporate Development Manager
SKYCITY Entertainment Group Limited

Appendix 1

Teleconference Call Instructions

You can participate in the teleconference call by dialling one of the following numbers:

Australia Toll Free:	1 800 558 698
Alternate Australia Toll Free:	1 800 809 971
Australia Local:	02 9007 3187
New Zealand Toll Free:	0800 453 055
NZ Local (Auckland):	09 929 1687
NZ Local (Wellington):	04 974 7738
NZ Local (Christchurch):	03 974 2632
China Wide:	4001 200 659
Belgium:	0800 72 111
Canada:	1855 8811 339
France:	0800 913 848
Germany:	0800 182 7617
Hong Kong:	800 966 806
India:	0008 0010 08443
Indonesia:	001 803 019 3275
Ireland:	1800 948 625
Italy:	800 793 500
Japan:	0053 116 1281
Malaysia:	1800 816 294
Netherlands:	0800 020 0715
Norway:	800 69 950
Philippines:	1800 1110 1462
Singapore:	800 101 2785
South Korea:	00 798 142 063 275
Sweden:	020 791 959
South Africa:	0800 999 976
Switzerland:	0800 820 030
Taiwan:	008 0112 7397
Thailand:	001800 156 206 3275
UAE:	8000 3570 2705
United Kingdom:	0800 051 8245
United States:	(855) 881 1339
US Local (New York):	(914) 202 3258
US Local (Los Angeles):	(909) 235 4020
US Local (Chicago):	(815) 373 2080

After dialling-in you will be greeted by the operator and asked for the **CONFERENCE ID**. Once this has been quoted, you will then be asked for your name, company and the country you are calling from.

CONFERENCE ID: 120819

We would ask that you dial into the conference **5 to 10 minutes** before the call is scheduled to take place. The call will be closed off at 1pm and we will not accept late entrants.

At the end of the Interim CEO and CFO presentation, there will be a brief opportunity for questions. If you wish to ask a question, please dial *1 to join the question queue (you may do this at any time during the call). If you wish to cancel your question and leave the queue, dial *2.

If you experience any problems during the call, press *0 to receive operator assistance.

Teleconference Call REPLAY Instructions

A replay of the teleconference call will be available approximately 2 hours after the conclusion of the call (ie. after 3pm NZ time / 1 pm Australian Eastern time).

To access the replay, dial a telephone access number (listed below) and enter your replay passcode and replay pin (**3608**) followed by the “#” key.

Press 5 to RESTART the replay
Press 7 to REWIND 30 seconds

Press 8 to PAUSE
Press 9 to FAST FORWARD 30 seconds

You can hang up at any time to conclude the replay.

You can access the replay by dialling one of the following numbers:

Australia:	1800 265 784
Australia Local:	+61 7 3107 6325
New Zealand:	0800 886 078
France:	0800 919 377
Germany:	0800 181 0896
Hong Kong:	800 930 639
Singapore:	800 101 3223
South Africa:	0800 995 604
UK:	0800 031 4295
US/Canada:	1855 883 1031