

## **SkyCity Entertainment Group 2024 Annual Meeting**

### **Julian Cook - Chair's Address, SkyCity Board**

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#### Introduction

The year since our last Annual Meeting has been a busy one. Over this period, we have worked to resolve a number of matters relating to historical regulatory breaches, repurchased the Auckland car park concession, and put in place a new Chief Executive Officer and Chief Financial Officer to lead the business.

Trading conditions within the business have been challenging over the past financial year, due in large part to a weaker New Zealand economy.

Notwithstanding this, we are pleased to have opened the Horizon by SkyCity hotel in August this year – a key milestone towards the completion of the New Zealand International Convention Centre (**NZICC**), which is also progressing well towards its own completion and opening.

At the same time, it is pleasing to see the Government proceeding at pace with the development and implementation of the regulatory environment for online casinos within New Zealand.

Less pleasingly, as you will know, we have suspended dividends in light of the challenging trading conditions. We acknowledge the disappointing outcome for shareholders currently in terms of the share price and dividend suspension, but we remain committed to returning to paying dividends as soon as is prudent, while maintaining the strength of the balance sheet.

Overall, the Board's perspective is that the business has made good progress throughout the year. The resolution of a number of historical regulatory breaches has required considerable focus, as has the establishment of programmes to overhaul and improve our performance in preventing money laundering and problem gambling.

The Board's view is that business prospects will improve as we work through the regulatory improvement programmes, as the NZICC and Horizon hotel begin to contribute to earnings, and as we see the benefit of an improvement in trading conditions into 2025.

#### Regulatory matters

I will now touch in a little more detail on our regulatory situation, as this has – and continues to be – a priority focus for SkyCity.

Over the past financial year, the Department of Internal Affairs (**DIA**) launched action against our New Zealand casinos in relation to historical breaches of both responsible gaming and anti-money laundering obligations.

In May this year, we reached an agreement with the DIA to resolve the civil penalty proceedings for historical non-compliance with New Zealand anti-money laundering laws. This agreement has now been approved by the High Court and includes a pecuniary penalty against SkyCity of \$4.16 million.

In July this year, SkyCity reached an agreement with the Secretary for Internal Affairs to resolve an application to temporarily suspend SkyCity's New Zealand casino operator's licence for historic non-compliance with our host responsibility obligations. As part of this agreement, SkyCity closed its Auckland gaming areas for a five-day consecutive period in September.

In respect of Adelaide, in June this year, the Australian Federal Court approved our agreement with AUSTRAC to resolve civil penalty proceedings for historical non-compliance with Australian anti-money laundering laws. The A\$67 million civil penalty payment was paid by SkyCity in July 2024.

Our business improvement programme in Adelaide, the Building a Better Business Programme, has now been approved by the regulator, Consumer and Business Services. However, the regulator's independent review remains open and there is no resolution to this as yet. Jason will provide more detail on our progress in Adelaide shortly.

### Transformation Programme

SkyCity's historical performance in meeting its regulatory obligations is clearly not acceptable. This is a longstanding issue and, as such, has already taken considerable time and investment to rectify.

Since 2021, there has been significant progress in this space, with examples of key actions including:

- completing a full refresh of the SkyCity Board, including the recruitment of directors with specialist risk expertise;
- creation of a dedicated Board Risk and Compliance Committee to oversee anti-money laundering and countering financing of terrorism (**AML/CFT**), host responsibility, risk management and other compliance obligations;
- appointment of a Group Chief Risk Officer and moving the AML/CFT and host responsibility teams' reporting lines directly to that position;
- adoption of a three lines of accountability framework across SkyCity;

- significant enhancement and investment in our internal AML/CFT and host responsibility resourcing, capability, processes and systems;
- increasing capacity in our financial crime, risk and compliance, and host responsibility teams, with 113 employees as at 30 June 2024; and
- reducing risk and complexity by changing the way we operate to reflect our lower risk tolerance, including limiting the ways in which customers can transact with us.

We have also seen a refresh in key leadership positions, with a new Chief Executive Officer and Chief Financial Officer, a new Managing Director and General Manager Finance in Adelaide, alongside the new Chief Risk Officer who commenced in 2023.

Since commencing, our Chief Risk Officer has undertaken a comprehensive review of our historical shortcomings. At a high level, these can be summarised as insufficient importance placed on compliance within the business, lack of investment in systems and people to support this, and a lack of capability and expertise in these areas at all levels.

Our regulators, shareholders, customers and wider stakeholders need to have confidence that we fully understand the causes of these historical failings, that we have a coherent plan to address these, and that our culture will put compliance ahead of short-term profits.

We have now put into place a multi-year Transformation Programme which will embed improved practices through all parts of the business. Within the Transformation Programme, the Adelaide business has its own specific programme called the Building a Better Business Programme. Both of these programmes will take around three years to complete. These are critical pieces of work for the business and will continue to close gaps we have in our compliance and risk systems in Adelaide and New Zealand. Significant additional resource has been allocated to the Transformation Programme and given its importance, we have established a Board Transformation Sub-Committee to oversee and monitor its progress. This Committee is chaired by Donna Cooper, who will give an overview of its activities later in the meeting.

An important part of our Transformation Programme is the deployment of facial recognition technology – now embedded across our casinos with ongoing enhancements – and the impending implementation of mandatory carded play.

Mandatory carded play will be deployed across our New Zealand casinos by mid-2025, and at SkyCity Adelaide by early 2026. This will take our customer care to a new level, allowing both SkyCity and our customers to monitor length of play in real time. If a customer plays for too long, their card will be disabled.

While this is an important and exciting development, the technological challenges to deliver mandatory carded play are substantial and require significant and ongoing investment – both in terms of capital and workforce resource. We are committed, however, to implementing mandatory carded play as it will significantly increase our visibility and control of play, and simplify many parts of our current AML/CFT and host responsibility operations.

Jason will talk more to this significant initiative shortly.

In the coming year, we will implement a revised staff Code of Conduct, and deliver the supporting training to drive improvement in the underlying culture of SkyCity. This is a short video that launched internally earlier this week to introduce staff to the importance and the why behind the Code.

*[Video plays]*

A primary objective over the coming years is to ensure we have strongly performing risk management systems, a culture which prioritises compliance with our obligations and customer care, and a business which is seen as a good corporate citizen, worthy of retaining its casino licences.

We have made good progress, but we have more work to do. We are wholly committed to meeting the expectations required of us and building back trust, and we have the plans, people and necessary investment to achieve this.

#### Core business

As I noted earlier, our results for the year reflect the challenging economic environment faced by SkyCity and its customers, particularly in New Zealand. Whilst our earnings were lower than last year, we were pleased that the level of visitation remained stable. This gives us confidence we are providing the right product and offering what our customers want, and we remain confident that any improvement in the economic environment will ultimately flow through to a positive response in our underlying earnings.

Jason will talk more to the FY24 result shortly.

#### Capital structure

As I have already mentioned, in June, the Board determined to suspend the FY24 final dividend and dividends for the 2025 financial year. Whilst this is clearly disappointing for shareholders, it was the prudent course of action to maintain a resilient capital structure. 2024 saw a deterioration in trading conditions, on top of which cash flows were impacted by payment of regulatory fines, the car park concession repurchase and capital expenditure on the NZICC.

These factors are expected to further impact debt levels in 2025 and were a key consideration behind the dividend decision. Nevertheless, the Board remains committed to returning the company to a position of paying dividends as soon as it is prudent to do so. Jason will talk more to the current state of the balance sheet shortly.

Moving forwards, the company has committed to adopting a more conservative capital structure in line with a BBB (flat) credit rating - this is a medium term objective. Increased earnings from growth opportunities within the business, such as the new Horizon by SkyCity hotel, the NZICC and online gaming, combined with reducing capital expenditure as the NZICC nears completion, will support achieving this objective.

### Concluding Remarks and Outlook

The financial year ahead continues to reflect a challenging economic environment, particularly in Auckland. However, despite these challenges, and the work that is still to be done, there is a great deal to look forward to and be excited about over the next 12 months.

We remain one of New Zealand and Australia's largest tourism, hospitality and entertainment groups, with four hotels, four casino properties, one online casino, and over 30 restaurants and bars across our precincts. The opening of the new Horizon by SkyCity hotel brings our total number of hotel rooms in Auckland alone to nearly 1,000.

Collectively across the Group, we host more than 7 million visitors every year, and employ more than 4,500 people – a number that is set to increase to more than 5,000 with the opening of the NZICC. This is also expected to bring in a further 33,000 international visitors to Auckland every year.

Our annual contribution to the New Zealand and Adelaide economies is around \$1 billion and, since opening in 1996, SkyCity has contributed more than \$77.4 million to local community groups, organisations, events and initiatives through the SkyCity New Zealand Community Trusts.

None of this would happen without the dedication, commitment and pride of our people. The Executive, Board and myself would like to extend a heartfelt thanks to them, our customers and other stakeholders for their continued support.

There is much to be excited about at SkyCity as we work hard to deliver an industry-leading, safe entertainment destination that delivers great outcomes for our people, customers, regulators, shareholders, communities and local economies.

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With that, Ladies and Gentlemen, I will hand over to Jason for a more fulsome view of operations and, importantly, his views on the future potential of the business after his first three months in the role.