



MARKET RELEASE

SkyCity Entertainment Group Limited
(SKC.NZX/SKC.ASX)

22 February 2024

FY24 INTERIM RESULTS: RESILIENT PERFORMANCE IN CHALLENGING ECONOMIC ENVIRONMENT

SkyCity Entertainment Group Limited (**SkyCity**) today announced its results for the six months ended 31 December 2023.

Key highlights are:

- **Earnings performance resilient** - 1H24 underlying Group EBITDA of \$146.3 million despite the challenging economic environment, with a declaration of a 5.25cps interim dividend
- **Solid progress on AML/Financial Crime and Host Responsibility uplift** – continued investment in compliance capability with new enterprise risk management framework
- **Progressing resolution of regulatory and compliance matters**
- **Major projects on track** - with the repurchase of the Auckland car park, opening of Horizon Hotel in April 2024 and the NZICC on track for 2025 opening
- **Preparing for NZ online gaming regulation** - with dedicated project team in place
- **Balance sheet remains robust**

Underlying Group **revenue** of \$490.2 million was up 0.6% on the prior corresponding period with underlying Group **EBITDA** of \$146.3 million down 9.6% on the prior corresponding period. Reported Group revenue of \$445.2 million was down 3.7% and reported Group EBITDA of \$101.0 million was down 5% compared to the same period last year.

Underlying Group **NPAT** of \$66.5 million was down 8.5% on the prior corresponding period. Reported Group NPAT of \$22.5 million was down 1.3% on the prior corresponding period.

Chief Executive Officer, Michael Ahearne, said “The challenging economic climate impacted our business this half, particularly in domestic Electronic Gaming Machine (**EGM**) revenues. Pleasingly, our hospitality businesses and table games in Auckland have performed well. However, we also see ongoing cost inflation in addition to our further investment in compliance activities.”

Operations and Financial Performance

Visitation trends have been positive across SkyCity's properties with 2.5 million people visiting the Auckland property, which was up 8% on the same period last year and underpinned the improvement in revenue across the hospitality businesses, including the Sky Tower.

The recovery in Auckland table games has continued, reflecting higher opening hours as labour constraints have eased. Over the period, table games opening hours were 17% higher than the prior period. EGM revenues were lower than the prior year driven by lower customer spend levels.

Food and beverage growth was supported by the ongoing refreshment programme which saw the opening of a number of new offerings since the prior period, including Cassia, Metita and SkyBar.

"Cassia, Metita and SkyBar have been great additions to the Auckland precinct over the past six months. It is wonderful to welcome Michael Meredith and Sid and Chand Sahrawat to our already amazing line-up of outlets," said Mr Ahearne.

Auckland hotel revenue growth was driven by a significant improvement in occupancy rates from just over 77% in 1H23 to 87.5% in the current period. The Sky Tower recorded a 31% increase in visitation over the prior period.

Auckland's overall EBITDA margin was c40% and reflected both a change in the revenue mix and a higher cost base, mainly due to additional staffing levels and general inflation.

The Hamilton property saw an impact across all of its revenue lines due to the challenging economic environment. Encouragingly, visitation to the property grew 5.2% over the prior period, but there was a reduction in spend per person across both the gaming and non-gaming business segments.

In Queenstown, the overall reduction in gaming revenue was largely driven by lower premium play during the half. SkyCity has commenced the process for the renewal of the Queenstown casino venue licence to extend the licence for a further period of 15 years from December 2025. SkyCity is also continuing with the process to exit the Wharf casino venue licence and property lease.

The SkyCity Adelaide business continues to be impacted by a challenging operating environment with revenues and profitability declining over the six-month period. Underlying EBITDA of \$16.9 million was 10% lower than the same period last year. Although Adelaide gaming revenues declined, non-gaming revenues increased over the period. The Adelaide business has implemented changes in its cost base to reflect the more challenging operating environment.

Regulatory and Compliance

The casino and gaming industry has continued to see increased levels of scrutiny across Australia and New Zealand.

“Our compliance and uplift activities remain the key priority for the Board and management team as we focus on continuous improvement,” said Mr Ahearne.

SkyCity will engage constructively with its regulators with a view to resolving the current regulatory matters expeditiously, particularly with the Department of Internal Affairs in regard to its application to temporarily suspend SkyCity’s New Zealand casino operator’s licence under the Gambling Act 2003 and the civil penalty proceedings recently filed in the High Court under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.

As previously announced, SkyCity Adelaide Pty Limited (**SkyCity Adelaide**) and AUSTRAC have jointly informed the Federal Court that the parties have come to an agreement in relation to the contraventions that SkyCity Adelaide will admit in the AUSTRAC civil penalty proceedings and the amount of a civil penalty they will jointly propose as appropriate in the circumstances, subject to finalisation of a Statement of Agreed Facts and Admissions.

In Adelaide, Kroll was appointed as the independent expert in August 2023 in relation to SkyCity Adelaide’s AML/CTF and host responsibility programmes and SkyCity Adelaide is advancing the Programme of Work that will be approved by the South Australian Liquor and Gambling Commissioner and monitored by Kroll.

In New Zealand, SkyCity has recently updated its Host Responsibility Programmes. The updated programmes were approved by the Gambling Commission and include a commitment to implement mandatory carded play across SkyCity’s New Zealand properties by July 2025. A project is underway to implement mandatory carded play with dedicated staff in place.

Capital Structure and Dividends

The balance sheet at 31 December 2023 remained robust with net debt of \$500 million and a debt gearing ratio of net debt to EBITDA of 1.75 times. Since the start of 2H24, SkyCity has paid the compensation sum in relation to the termination of the Auckland car park concession, with the car park successfully reintegrated back into the SkyCity Auckland operations from 1 February 2024.

An interim dividend of 5.25 cents per share has been declared by the Board, representing a c70% pay-out ratio and consistent with SkyCity’s dividend policy.

Outlook

“We have a lot to look forward to over the next year. Horizon by SkyCity, our new 5-star hotel in Auckland, is planned to open in April 2024. Along with the opening of Horizon by SkyCity, we will also see the return of The Grill restaurant a favourite of both Kiwis and visitors alike.

“We look forward to the New Zealand International Convention Centre being open and operational in 2025. The international and local demand for conference bookings continues,” said Mr Ahearne.

SkyCity confirms its previous FY24 earnings guidance provided to the market on 8 December 2023 of:

- underlying Group EBITDA of between \$290 million and \$310 million
- underlying Group NPAT of between \$125 million and \$135 million

Reflecting on his time as Chief Executive Officer, Mr Ahearne said, "Having been CEO of SkyCity and having the opportunity to live in New Zealand for the last few years has been a great privilege. I want to thank all the SkyCity team who have supported me and helped make this a great business."

Due to the uncertainty around the potential adjustments required as part of SkyCity's accounting processes, SkyCity is unable to provide an update for FY24 reported (statutory) results at this time.

Underlying results adjust for certain revenue and expense items, calculated in accordance with SkyCity's Non-GAAP Financial Information Policy.

All figures stated are in NZ\$ dollars.

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