

MARKET RELEASE

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

18 July 2024

Update on suspension application and impact on earnings

Agreement reached to settle suspension application with the closure of the SkyCity Auckland casino for five days

SkyCity Entertainment Group Limited (**SkyCity**) advises that SkyCity Casino Management Limited (**SCML**) has reached an agreement with the Secretary for Internal Affairs (**Secretary**) to resolve the Secretary's application to temporarily suspend SCML's casino operator's licence (**Application**). As part of the agreement, SCML has agreed to close the gambling area of the SkyCity Auckland casino for five consecutive days in 2024.

The agreement is conditional on the Gambling Commission consenting to the withdrawal of the Application by the Secretary. An application for consent to withdraw the Application has been filed with the Commission.

As previously announced, the Application was made by the Secretary in September 2023 to temporarily suspend the licence for a period "in the range of 10 days". The Application followed a complaint to the Department of Internal Affairs in February 2022 by a former customer who gambled at the SkyCity Auckland casino from August 2017 to February 2021. The Secretary alleged that SCML did not comply with requirements in the SkyCity Auckland Host Responsibility Programme relating to detection of incidents of continuous play by the customer.

Under the agreement:

- SCML has acknowledged that it did not meet the requirement in the SkyCity Auckland Host Responsibility Programme (**HRP**), and therefore the licence, relating to the detection of some incidents of continuous play by the customer due to a design error in a technology system developed by SkyCity to monitor continuous play by carded customers (which has since been rectified);
- SCML has also acknowledged that it failed to exercise the level of vigilance required by the HRP to use staff observation and intervention independently and alongside that technology to identify those incidents of continuous play by the customer and then act appropriately – such vigilance being especially relevant for customers like the complainant whose problematic behaviour was silent or hidden; and
- SCML has formally apologised to the Secretary for these failures and agreed to close the gambling area of the SkyCity Auckland casino for five consecutive days (from a Monday to a Friday, on dates to be agreed by SCML and the Secretary) in an effort to resolve the matter in an expedient manner and without undue delay.

SkyCity Chief Operating Officer New Zealand, Callum Mallett, said "SkyCity places great importance on host responsibility and takes these failures very seriously. On behalf of the SkyCity Board and management team, I accept and apologise for these failures."

SkyCity Chair, Julian Cook, said “reaching this agreement to close the SkyCity Auckland gambling area for five days resolves this matter. However, there is still considerable work required and underway to improve our risk systems, including our approach to mitigating financial crime and problem gambling.

“It is clear that historically SkyCity’s focus, resources and investment have fallen short of what was required of the business. This is not acceptable and, as part of meeting our regulatory obligations and wider social licence, we are committed to fully addressing this.

“In 2021, we commenced a comprehensive multi-year transformation programme to strengthen how we manage risk across the SkyCity Group, including:

- completing a refresh of the SkyCity Board;
- recruitment of directors to the SkyCity Board with specialist risk expertise;
- creation of a dedicated Board Risk and Compliance Committee to oversee AML/CFT, host responsibility, risk and other compliance obligations;
- creation of a dedicated Board Transformation Sub-Committee to oversee and monitor the transformation programme;
- adopting a three lines of accountability control framework within the Group;
- appointment of a Group Chief Risk Officer;
- significant enhancement and investment in our internal AML/CFT resourcing and capability, processes and systems, including development of enhanced transactional monitoring capabilities;
- applying higher standards of due diligence on customers as appropriate, lowering cash thresholds before enhanced customer due diligence is required, and ceasing to deal with junket operators;
- continuing to increase capacity in our financial crime, risk and compliance and host responsibility teams, with approximately 113 employees as at 30 June 2024;
- reducing risk and complexity in the business by changing policies in line with a lower risk tolerance, limiting ways in which customers can transact;
- enhancing facial recognition technology at our Auckland and Hamilton casinos to monitor continuous play by both carded and uncarded customers;
- increased monitoring of ATMs at our Auckland and Hamilton casinos through the use of facial recognition technology to monitor repeat withdrawals and multiple declined transactions for indicators of problem gambling;
- increasing the number of interactions with customers to assess for signs of problem gambling; and
- the rollout of a new Advanced Host Responsibility staff training programme for frontline staff.”

SkyCity has already committed to implement mandatory carded play across its New Zealand casinos by mid-2025, and at the SkyCity Adelaide casino by the end of 2025.

Mr Mallett said “carded play will take our customer care to a new level, because it means ‘no card, no play’. Carded play will allow both SkyCity and the customer to monitor how long they have been playing, and when they need to take a break. If they play for too long, the card will disconnect.

“We remain committed to ensuring that we provide safe and responsible experiences and environments for our people and customers, and will continue to engage cooperatively and constructively with our regulators.”

The Department of Internal Affairs said “the Department acknowledges the swift action taken by SkyCity to improve their system for detecting indicators of potential problem gambling after being alerted to the issue relevant to this case, and appreciates their proactive and pragmatic approach to resolving the complaint. It is encouraging to see the work SkyCity has already done to lift its performance in this area and its public commitment to continue to improve.”

Impact on FY25 earnings guidance

It is expected that the impact of a five-day closure on SkyCity’s underlying Group EBITDA in FY25 will be around NZ\$5 million. Consequently, SkyCity has revised its early outlook guidance for FY25 and now currently expects underlying Group EBITDA for FY25 to be between NZ\$245 million and NZ\$265 million¹.

This compares to previous early outlook guidance provided on 6 June 2024 of underlying Group EBITDA for FY25 of between NZ\$250 million and NZ\$270 million which did not include the impact of any potential temporary suspension of the licence (including a temporary closure of the gambling area of the SkyCity Auckland casino).

ENDS

For more information, please contact:

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This announcement has been authorised for release by:
Jo Wong, General Counsel & Company Secretary

¹ Due to the uncertainty around the potential adjustments required as part of SkyCity’s accounting processes, SkyCity is unable to provide guidance for FY25 reported (statutory) results at this time.