



MARKET RELEASE

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

14 April 2022

MARKET UPDATE

COVID-19 Settings

SkyCity Entertainment Group Limited (**SkyCity**) will operate its New Zealand properties without restrictions on mass gatherings and physical distancing requirements from today (14 April 2022) following the New Zealand Government's announcement yesterday that New Zealand would move to the Orange setting under the COVID-19 Protection Framework from 11.59pm on 13 April 2022 (having been in the Red setting since 23 January 2022).

At the Orange setting, mask wearing is required for staff, but not customers, and consistent with the Red setting there is no requirement to provide proof of a COVID-19 vaccination nor scanning of QR codes at entry.

Operating restrictions at SkyCity's Adelaide property continue to be progressively relaxed, with no density limits or social distancing requirements currently, vertical consumption of alcohol permitted and increased capacity on table games (six players per table versus three previously) with back-betting allowed. Mask wearing will no longer be required at SkyCity Adelaide for staff or customers from 15 April 2022.

New Zealand's international border opened to fully vaccinated Australian citizens from 11.59pm on 12 April 2022 and will open to visa-waiver countries (such as the US, UK, most of Europe, Singapore, Japan and South Korea) from early May 2022. Interstate borders in Australia remain open and the international border has been open to returning Australian citizens and tourists from December 2021.

Trading and Outlook

Performance at SkyCity's land-based properties during 2H22 YTD has been significantly impacted by COVID-19 disruptions and operating restrictions due to Omicron outbreaks in both New Zealand and South Australia. However, trading has steadily improved over the period, particularly local gaming.

Specifically, with regard to trading and performance during 2H22 YTD:

- The Group has remained EBITDA and cashflow positive over the period, even during periods of peak disruption in February and early March 2022.
- Steady improvement in visitation has been observed during March and early April 2022 across the New Zealand properties, consistent with mobility trends which indicate increased levels of activity in metropolitan Auckland and Hamilton post the peak of the Omicron outbreak.
- Weekend electronic gaming machine activity in Auckland and Hamilton has been consistent with pre-COVID-19 levels during April 2022.
- Subdued performance from SkyCity Adelaide overall, but positive hotel occupancy and local VIP electronic gaming machine activity and a resumption of interstate visitation as domestic tourism recovers in South Australia.
- The SkyCity Online Casino continues to perform consistently, with monthly revenue and EBITDA comparable to 1H22 trends.
- Maintained effective cost and capital discipline and a flexible operating model in response to COVID-19 disruptions.

Despite improved performance over recent weeks, SkyCity continues to engage proactively with its financiers around near-term financial covenants as a matter of prudence and to provide contingencies in the event the operating environment deteriorates and/or disruption from COVID-19 re-emerges. SkyCity previously agreed an amended gearing covenant for the 30 June 2022 testing period (ref. tested on 2x 2H22 Group EBITDA and an elevated gearing threshold) but is progressing discussions to secure a blanket waiver for the period (consistent with that in place for the 31 December 2021 testing period).

Given limited visibility of the ramp-up in performance as operating restrictions are relaxed at the Orange setting in New Zealand, SkyCity is not in a position to provide detailed earnings guidance for FY22 at this time, but this will remain under review. SkyCity remains positive on the medium-term outlook for the Group, including a return to FY19 earnings when fully operational and growing from there.

AML and Host Responsibility

SkyCity continues to progress a significant enhancement of its anti-money laundering (AML) and know your customer (KYC) programmes, including additional resourcing in New Zealand and Adelaide, ongoing improvements in oversight/controls and investment in ICT systems and processes.

As previously advised, the Australian Transaction Reports and Analysis Centre (**AUSTRAC**) is undertaking an enforcement investigation into potential serious non-compliance by SkyCity Adelaide Pty Limited (**SkyCity Adelaide**) with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 and Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No 1). The investigation is continuing. SkyCity is taking

the matter seriously and continues to cooperate with AUSTRAC, including continued engagement and the provision of information and documents required by AUSTRAC.

SkyCity is aware of proceedings filed recently in Australia by AUSTRAC against Crown Resorts Limited following an enforcement investigation by AUSTRAC. For clarity, AUSTRAC has not filed proceedings against SkyCity Adelaide or indicated whether it intends to take any enforcement action against SkyCity Adelaide, but enforcement action remains an option open to AUSTRAC in connection with its investigation into SkyCity Adelaide. At this stage, the timetable for completion of the AUSTRAC investigation into SkyCity Adelaide remains unclear.

Steady progress continues to be made with initiatives to enhance SkyCity's host responsibility framework. Being a responsible host to customers remains a key focus with appropriate effort, resource and capital allocated to support this initiative, such as increased resourcing and investment in ICT systems (including facial recognition technology and specialised customer screening tools). SkyCity is committed to ensuring that it provides safe and responsible experiences and environments.

For more information, please contact:

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