



## MARKET RELEASE

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

22 February 2024

## **UPDATE ON SOUTH AUSTRALIAN CASINO DUTY DISPUTE COURT OF APPEAL JUDGMENT RECEIVED AND IMPACT ON GROUP EARNINGS**

### **Court of Appeal Judgment**

SkyCity Entertainment Group Limited (**SkyCity**) advises that the South Australian Court of Appeal has today delivered its judgment on the interpretation of the relevant provisions in the Adelaide Casino Duty Agreement dated 27 October 1999 between SkyCity Adelaide Pty Limited (**SkyCity Adelaide**) and the Treasurer of South Australia which determine the treatment of loyalty points converted to gaming machine play and the deduction of loyalty points earned for the purpose of calculating casino duty at the SkyCity Adelaide casino.

As detailed in SkyCity's 2023 Annual Report released on 23 August 2023 and FY24 interim financial statements, the matter is a longstanding contractual dispute concerning the interpretation of the Casino Duty Agreement. Given the complexity of the issues involved, both parties agreed to seek declaratory relief from the South Australian Courts as to the proper construction of the Casino Duty Agreement to determine the correct interpretation on both issues.

The Court of Appeal has ruled in favour of the Treasurer of South Australia's interpretation of the Casino Duty Agreement, finding that credits on gaming machines arising from the conversion of loyalty points, when played by customers, are to be included in gaming revenue for the purpose of calculating casino duty at the SkyCity Adelaide casino, and that loyalty points earned by customers for gaming machine play may not be deducted from gaming revenue. Accordingly, it is estimated based on casino duty returns filed up to January 2024 that SkyCity Adelaide is obliged to pay additional casino duty of around A\$13 million in respect of complimentary bets arising from the use of loyalty points and deductions for loyalty points made from January 2014 to January 2024.

The Court of Appeal ruled in favour of SkyCity's position on the interpretation of the interest clause in the Casino Duty Agreement. This leaves it open for SkyCity Adelaide to argue that the interest clause is unenforceable as a penalty. As a result, the question of the applicable interest rate for outstanding duty, and whether the contractual interest provision is enforceable, remains to be determined by a single Judge of the Supreme Court at a later date. If the Supreme Court's decision is unfavourable to SkyCity Adelaide in this regard, SkyCity Adelaide may be obliged to pay penalty interest on the additional casino duty, which could be up to around A\$20 million (as at 31 January 2024).

SkyCity Adelaide is currently considering its position in relation to the Court of Appeal's judgment and the impact on the current structure of its customer loyalty programme.

SkyCity understands that a copy of the Court of Appeal's judgment will be made available shortly in accordance with usual court processes.

### **Earnings Guidance**

It is expected that the impact of the Court of Appeal's ruling on SkyCity's underlying Group EBITDA in FY24 will be around A\$2 million with the balance of the additional casino duty payable for previous periods to be provided for as a one-off cost. Note that the full amount of the additional casino duty will impact the reported Group EBITDA in FY24.

The additional ~A\$2 million of duty in FY24 is indicative of the ongoing duty that SkyCity Adelaide would expect to incur under the current structure of its customer loyalty programme.

Despite the imposition of these additional costs, SkyCity's underlying FY24 Group EBITDA is still expected to be between NZ\$290 million and NZ\$310 million and underlying FY24 Group NPAT is expected to be between NZ\$125 million and NZ\$135 million.

### **Ends**

#### **For more information, please contact:**

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