



# Crown Resorts Limited

Chief Executive Officer's Report  
October 2018

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## 1. Financial Summary by Segment

30 September 2018 YTD

	Normalised Result					Crown Group \$'000	Adjustment \$'000	Actual Crown Group \$'000
	Crown Melbourne \$'000	Crown Perth \$'000	Crown Aspinalls \$'000	Wagering & Online \$'000	Unallocated \$'000			
<b>Operating revenue</b>								
Main floor tables	193,807	49,270	-	-	-	243,078	-	243,078
Main floor machines	110,509	70,071	-	-	-	180,580	-	180,580
VIP program play	143,525	17,688	25,512	-	-	186,726	(46,118)	140,608
Wagering & Non gaming	147,325	76,863	1,407	28,008	-	253,602	-	253,602
<b>Operating revenue</b>	<b>595,167</b>	<b>213,892</b>	<b>26,919</b>	<b>28,008</b>	<b>-</b>	<b>863,986</b>	<b>(46,118)</b>	<b>817,868</b>
<b>Segment result</b>								
Operating expenses	(437,905)	(155,007)	(19,160)	(24,286)	(14,276)	(650,634)	11,975	(638,658)
<b>Earnings before interest, tax, depreciation and amortisation "EBITDA"</b>	<b>157,262</b>	<b>58,885</b>	<b>7,759</b>	<b>3,721</b>	<b>(14,276)</b>	<b>213,352</b>	<b>(34,143)</b>	<b>179,210</b>
Depreciation and amortisation	(45,738)	(22,176)	(660)	(1,490)	(876)	(70,941)	-	(70,941)
<b>Earnings before interest and tax "EBIT"</b>	<b>111,524</b>	<b>36,709</b>	<b>7,099</b>	<b>2,231</b>	<b>(15,152)</b>	<b>142,411</b>	<b>(34,143)</b>	<b>108,268</b>
Equity accounted share of associates' net profit/(loss)						3,371	-	3,371
Net interest income/(expense)						(5,651)	-	(5,651)
Income tax benefit/(expense)						(40,318)	9,915	(30,403)
<b>Profit/(loss) after tax</b>	<b>111,524</b>	<b>36,709</b>	<b>7,099</b>	<b>2,231</b>	<b>(15,152)</b>	<b>99,814</b>	<b>(24,228)</b>	<b>75,586</b>
Non-Controlling Interest						328	-	328
<b>Profit/(loss) attributable to equity holders of the Parent</b>	<b>111,524</b>	<b>36,709</b>	<b>7,099</b>	<b>2,231</b>	<b>(15,152)</b>	<b>100,142</b>	<b>(24,228)</b>	<b>75,914</b>

The above table reflects Crown's year to date financial results by key operating segments. Normalised EBITDA is \$213.4m, with Actual EBITDA of \$179.2m. Crown's year to date normalised NPAT is \$100.1m, with Actual NPAT of \$75.9m.

## 2. September 2018 Results – Comparison to Budget and Last Year

	September 2018						
	Actual	Budget	Variance		Last Year	Variance	
	\$'000	\$'000	\$'000	%	\$'000	\$'000	%
Melbourne - Local	144,453	155,470	(11,017)	(7.1%)	148,959	(4,507)	(3.0%)
Melbourne - VIP Program	30,342	45,806	(15,465)	(33.8%)	34,818	(4,476)	(12.9%)
Crown Melbourne	174,794	201,276	(26,482)	(13.2%)	183,777	(8,983)	(4.9%)
Perth - Local	65,699	68,597	(2,898)	(4.2%)	66,436	(737)	(1.1%)
Perth - VIP Program	9,962	11,127	(1,164)	(10.5%)	5,246	4,716	89.9%
Crown Perth	75,661	79,723	(4,062)	(5.1%)	71,682	3,979	5.6%
Crown Aspinalls	7,501	6,639	863	13.0%	18,862	(11,361)	(60.2%)
Wagering & Online	9,556	9,573	(17)	(0.2%)	32,911	(23,355)	(71.0%)
<b>TOTAL REVENUE</b>	<b>267,513</b>	<b>297,211</b>	<b>(29,698)</b>	<b>(10.0%)</b>	<b>307,233</b>	<b>(39,720)</b>	<b>(12.9%)</b>

<b>EBITDA @ Theoretical</b>							
Melbourne - Local	39,834	47,474	(7,640)	(16.1%)	45,275	(5,440)	(12.0%)
Melbourne - VIP Program	1,474	5,217	(3,743)	(71.7%)	3,860	(2,386)	(61.8%)
Crown Melbourne	41,308	52,691	(11,383)	(21.6%)	49,135	(7,826)	(15.9%)
Perth - Local	20,041	21,942	(1,901)	(8.7%)	21,146	(1,104)	(5.2%)
Perth - VIP Program	62	1,215	(1,153)	(94.9%)	(3)	65	2362.4%
Crown Perth	20,103	23,157	(3,053)	(13.2%)	21,143	(1,039)	(4.9%)
Crown Aspinalls	2,061	1,216	845	69.5%	7,054	(4,993)	(70.8%)
Wagering & Online	1,032	677	354	52.3%	73	959	1322.0%
Corporate	(4,821)	(4,993)	172	3.5%	(4,456)	(365)	(8.2%)
<b>TOTAL EBITDA @ Theoretical</b>	<b>59,683</b>	<b>72,748</b>	<b>(13,065)</b>	<b>(18.0%)</b>	<b>72,948</b>	<b>(13,265)</b>	<b>(18.2%)</b>
Depreciation	(23,010)	(23,044)	34	0.1%	(24,530)	1,520	6.2%
Interest	(1,081)	(1,559)	478	30.6%	(4,458)	3,376	75.7%
Taxation	(10,494)	(14,348)	3,854	26.9%	(12,489)	1,995	16.0%
Equity Accounted Result	1,246	1,271	(25)	(2.0%)	(440)	1,686	383.4%
Minority Interest	107	157	(50)	(32.1%)	1,133	(1,026)	(90.6%)
<b>Crown NPAT @ Theoretical</b>	<b>26,451</b>	<b>35,225</b>	<b>(8,774)</b>	<b>(24.9%)</b>	<b>32,164</b>	<b>(5,713)</b>	<b>(17.8%)</b>

<b>EBITDA @ Actual</b>							
Crown Melbourne	31,409	52,691	(21,282)	(40.4%)	47,251	(15,843)	(33.5%)
Crown Perth	38,716	23,157	15,559	67.2%	19,470	19,246	98.8%
Crown Aspinalls	3,355	1,216	2,138	175.8%	3,630	(276)	(7.6%)
Wagering & Online	1,032	677	354	52.3%	73	959	1322.0%
Corporate	(4,821)	(4,993)	172	3.5%	(4,456)	(365)	(8.2%)
<b>TOTAL EBITDA @ Actual</b>	<b>69,690</b>	<b>72,748</b>	<b>(3,059)</b>	<b>(4.2%)</b>	<b>65,968</b>	<b>3,721</b>	<b>5.6%</b>
<b>Crown NPAT @ Actual</b>	<b>33,585</b>	<b>35,225</b>	<b>(1,640)</b>	<b>(4.7%)</b>	<b>26,936</b>	<b>6,649</b>	<b>24.7%</b>

September normalised NPAT of \$26.5m is \$8.8m (25%) below budget and \$5.7m (18%) below last year. Reported NPAT is \$33.6m which is \$1.6m (5%) below budget with a favourable variance from theoretical at Perth and Aspinalls, partially offset by an unfavourable variance from theoretical at Melbourne.

Theoretical EBITDA of \$59.7m was \$13.1m (18%) below budget, and \$13.3m (18%) below last year. The main factors impacting the results were:

- In relation to the Australian businesses, **Crown Melbourne** EBITDA was \$11.4m (22%) below budget (Local -\$7.6m or -16%, VIP -\$3.7m or -72%) and \$7.8m (16%) below last year (Local -\$5.4m or -12%, VIP -\$2.4m or -62%). **Crown Perth** was \$3.1m (13%) below budget (Local -\$1.9m or -9%, VIP -\$1.2m or -95%) and \$1.0m (5%) below last year (Local -\$1.1m or -5%, VIP +\$0.1m).
  - In Melbourne, local contribution was \$7.6m (16%) below budget. Local Tables were \$7.0m (23%) below budget with a poor hold of 19.2% (budget 20.8%), which had a \$2.8m adverse impact on contribution. Slots contribution was \$0.3m (1%) below budget, with turnover 1% below budget and a win rate of 8.1% (budget of 8.1%). F&B was \$0.4m (8%) below budget, while Hotels were \$0.1m (2%) below budget. Room rates were above budget in all hotels, offset by below budget occupancy.
  - Melbourne VIP theoretical contribution of \$1.5m was \$3.7m (72%) below budget, with turnover of \$2.1b which was 34% below budget. A below theoretical win rate of 0.96% resulted in a \$9.9m unfavourable variance from theoretical.
  - In Perth, local contribution was \$1.9m (9%) below budget. Local Tables contribution was \$2.2m (28%) below budget, with drop 4% below budget and hold of 20.2% (budget of 21.8%). The below budget hold had a \$1.1m adverse impact on contribution. Slots contribution was in line with budget, with turnover 2% below budget and a win rate of 8.7% (budget of 8.6%). F&B and Conventions & Entertainment were slightly above budget. Hotels contribution was \$0.1m (23%) below budget with below budget occupancy and above budget room rate at Towers. Metropal had above budget occupancy with below budget room rate, while Promenade had above budget room rate and below budget occupancy.
  - Perth VIP theoretical contribution was \$1.2m (95%) below budget, with turnover of \$0.7b (11% below budget). A theoretical win rate of 4.07% resulted in an \$18.6m favourable variance from theoretical.
- **Crown Aspinalls'** theoretical EBITDA of \$2.1m was \$0.8m (70%) above budget, with turnover of £493m which was 11% above budget. Actual EBITDA of \$3.4m was \$2.1m above budget with a win rate of 1.26%.
- **Wagering & Online** was \$0.4m (52%) above budget. Betfair's EBITDA of \$1.5m was in line with budget and DGN's EBITDA of -\$0.4m was \$0.4m (49%) favourable to budget.
- **Corporate costs** of \$4.8m were \$0.2m (4%) below budget.
- **Net interest expense** of \$1.1m was \$0.5m (31%) below budget due to lower net debt levels.
- **Equity Accounted Results** of \$1.2m were 2% below budget. Equity accounted results includes Aspers and Nobu profits, partially offset by costs in Chill.

Reported NPAT for the month of \$33.6m is \$1.6m (5%) below budget. Crown Melbourne and Crown Perth reported win rates of 0.96% and 4.07% respectively, resulting in a combined favourable variance from theoretical of \$8.7m pre income tax. Crown Aspinalls reported a favourable variance from theoretical of A\$1.3m pre income tax for the month with a win rate of 1.26%.

Normalised NPAT was \$5.7m (18%) below the prior corresponding period reflecting the net impact of the following factors:

- EBITDA decreased by \$13.3m (18%) from last year, with EBITDA at Crown Melbourne lower than last year by \$7.8m (16%). Crown Perth was below last year by \$1.0m (5%). At Crown Melbourne, Local contribution decreased by \$5.4m (12%) and VIP Program Play contribution decreased by \$2.4m (62%). At Crown Perth, Local contribution decreased by \$1.1m (5%) and VIP Program Play contribution was \$0.1m above last year. EBITDA at Crown Aspinalls was \$5.0m (71%) below last year, and Wagering & Online was \$1.0m above last year. Corporate costs were \$0.4m (8%) higher than last year.
- Depreciation and amortisation was \$1.5m (6%) below last year.
- Net interest expense was \$3.4m (76%) below last year due to lower net debt levels.

### 3. FY19 YTD Results and Full Year Forecast

	FINANCIAL YEAR TO DATE			FULL YEAR		
	Actual A\$'000	Budget A\$'000	Last Year A\$'000	Forecast A\$'000	Budget A\$'000	Last Year A\$'000
<b>EBITDA @ Theoretical</b>						
Melbourne - Local	131,721	136,695	139,110	565,839	565,834	560,448
Melbourne - VIP Program	25,541	14,847	13,480	80,211	80,211	99,713
Crown Melbourne	157,262	151,542	152,591	646,049	646,045	660,161
Perth - Local	60,130	61,044	62,122	244,496	244,496	241,576
Perth - VIP Program	(1,245)	2,621	(152)	10,644	10,644	10,314
Crown Perth	58,885	63,665	61,971	255,139	255,140	251,889
Crown Aspinalls	7,759	3,654	8,080	14,744	14,894	12,017
Wagering & Online	3,721	3,142	1,560	19,936	19,752	26,852
Corporate	(14,276)	(14,973)	(13,985)	(61,242)	(61,242)	(54,369)
<b>TOTAL EBITDA @ Theoretical</b>	<b>213,352</b>	<b>207,030</b>	<b>210,216</b>	<b>874,626</b>	<b>874,589</b>	<b>896,550</b>
Depreciation	(70,941)	(71,063)	(75,757)	(273,123)	(273,101)	(285,856)
Interest	(5,651)	(7,852)	(14,125)	(14,605)	(16,443)	(46,039)
Taxation	(40,318)	(38,149)	(35,311)	(174,914)	(174,344)	(175,621)
Equity Accounted Results	3,371	3,606	7	15,041	15,045	9,309
Minority Interest	328	367	2,556	(127)	(148)	1,246
<b>Crown NPAT @ Theo</b>	<b>100,142</b>	<b>93,939</b>	<b>87,586</b>	<b>426,898</b>	<b>425,596</b>	<b>399,589</b>

<b>EBITDA @ Actual</b>						
Crown Melbourne	113,897	151,542	137,080	602,685	646,045	586,042
Crown Perth	71,388	63,665	70,773	267,642	255,140	221,492
Crown Aspinalls	4,479	3,654	6,330	11,463	14,894	12,405
Wagering & Online	3,721	3,142	1,560	19,936	19,752	26,852
Corporate	(14,276)	(14,973)	(13,985)	(61,242)	(61,242)	(54,369)
<b>TOTAL EBITDA @ Actual</b>	<b>179,210</b>	<b>207,030</b>	<b>201,758</b>	<b>840,484</b>	<b>874,589</b>	<b>792,421</b>
<b>Crown NPAT @ Actual before significant items</b>	<b>75,914</b>	<b>93,939</b>	<b>81,490</b>	<b>402,671</b>	<b>425,596</b>	<b>326,743</b>

The group's YTD normalised NPAT of \$100.1 is \$6.2m (7%) above budget and \$12.6m (14%) above last year. YTD reported NPAT of \$75.9m is \$18.0m (19%) below budget and \$5.6m (7%) below last year.

- Group theoretical YTD EBITDA of \$213.4m is \$6.3m (3%) above budget and \$3.1m (2%) above last year. Crown Melbourne is \$5.7m (4%) above budget, Crown Perth \$4.8m (8%) below budget, Crown Aspinalls is \$4.1m (112%) above budget, Wagering & Online is \$0.6m (19%) above budget and Corporate Costs are \$0.7m (5%) favourable to budget.
- **Crown Melbourne's** theoretical YTD result is due to an above budget VIP Program Play contribution (\$10.7m or 72%), offset against below budget local contribution (\$5.0m or 4%). Program play turnover of \$10.2b is 16% above budget and 38% above last year. The below budget local result is largely attributable to Table Games (\$4.9m or 5% below budget) and Gaming Machines (\$0.2m or 0.4% below budget). Hotels were \$0.2m (1%) above budget and Food & Beverage were in line with budget. Crown Melbourne's theoretical YTD result is \$4.7m (3%) above last year (Local -\$7.4m or -5%, VIP +\$12.1m or +90%).
- **Crown Perth's** theoretical YTD result is due to below budget VIP Program Play contribution (\$3.9m or 148%) and below budget local contribution (\$0.9m or 2%). VIP turnover of \$1.3b is 33% below budget. The local result includes above budget results in Gaming Machines (\$0.9m or 2%), Food & Beverage (\$0.1m or 1%), partially offset by below budget results in Table Games

(\$2.3m or 10%) and Conventions & Entertainment (\$0.1m or 3%). Hotels are in line with budget YTD. Crown Perth's theoretical YTD result is \$3.1m (5%) below last year (Local -\$2.0m or -3%, VIP -\$1.1m).

- **Crown Aspinalls'** above budget theoretical result is due to above budget turnover of £1.5b, which is 9% above budget. The YTD unfavourable variance from theoretical is £1.9m at a win rate of 0.84%.
- **Wagering & Online's** above budget result is due to favourable budget results in Betfair (\$0.3m or 5.3%) and DGN (\$0.3m or 21%).
- **Corporate costs** of \$14.3m are \$0.7m (5%) favourable to budget. YTD **net interest** expense of \$5.7m is \$2.2m (28%) below budget due to lower net debt levels.

YTD reported NPAT of \$75.9m is \$18.0m (19%) below budget and includes a net unfavourable normalisation adjustment of \$24.2m (net of income tax). The combined unfavourable variance from theoretical for the Australian casinos is \$21.6m (net of income tax), with YTD win rates on VIP Program Play of 0.84% at Crown Melbourne and 2.52% at Crown Perth. Crown Aspinalls' unfavourable variance from theoretical is \$2.6m (net of income tax) at a win rate of 0.84%.

Crown's forecast F19 normalised NPAT is \$426.9m, reflecting results to September and a re-forecast for the remainder of the year. This compares to a budget F19 normalised NPAT of \$425.6m and a prior year normalised NPAT of \$399.6m. Crown Melbourne's full year EBITDA forecast is \$646.0m (Local \$565.8m, VIP \$80.2m). Crown Perth's full year EBITDA forecast is \$255.1m (Local \$244.5m, VIP \$10.6m).

Forecast F19 reported NPAT is \$402.7m. As at 22 October the YTD unfavourable variance from theoretical win rates for Crown Melbourne, Crown Perth and Crown Aspinalls combined is \$23.9m (pre income tax).

## 4. Current Issues

### 4.1. Review of Australian Resorts

#### *Crown Melbourne*

The focus in Melbourne continues to be on driving the local gaming market, with a particular emphasis on Table Games which has been very soft of late from a volume perspective. Initiatives specific to Table Games underway or planned are as follows:

- Maple and Teak Rooms' cash draws for both rated and unrated players with entries provided to active players who place a winning bet on a Tie.
- Using the Salons for a series of baccarat and Roulette tournaments for Local VIP players.
- Increasing the frequency of VIP dinners to expand the number of customers invited on site and exposed to hosted hospitality.
- Extend hotel room and food & beverage offers to an increasing number of lower value interstate customers (with a focus on NSW) and higher value infrequent interstate customers.
- Launch of the Mahogany Room Aston Martin promotion and the property wide Scoot into Spring (mainstream) promotion to win a Vespa each day in addition to various instant win food & beverage prizes.

Other gaming initiatives underway include:

- Crown's installation of the very popular Lightning Link and Dragon Link gaming machine product sits at over 600 units and remains the largest single site installation in the world. Both products continue to produce very positive financial returns. In addition, IGT's latest product (Crystal Curve) was recently launched at Crown and has performed above expectations with a current installation of 80 machines.
- Additional new machine product is scheduled for release through Q2, including first to market product, Good Fortune Link from Aristocrat, JJBX from Sci-Games, All Aboard from Konami and Fortune Gong from IGT.
- Launch of the new Teak Room non-smoking gaming machine area was completed in September 2018 and is performing to expectation with great customer feedback.
- The "Taste of Spring" food specials continue to be very popular across the Main Gaming Floor (MGF) food outlets with Riverside and Teak restaurants the most popular choices for Crown Rewards members.

The following initiatives are currently under development:

- Virtual Card Project development continues with the objective being to have a virtual card within the Crown Rewards App and the Apple / Android wallets that will allow customers to use their phone to tap instead of the magnetic stripe card.

- The initiative to allow the electronic reserving of gaming machines is nearing completion and will shortly be available for Crown Rewards Members with a trial planned for November 2018. The functionality will allow reserving of machines for specific time periods configurable by Crown Rewards tier, gaming floor area and / or timeframe.

### **Crown Perth**

Similar to Melbourne, the current focus is primarily on Table Games performance, which has also seen softer volumes of late, with key initiatives as follows:

- Increase the rate of conversion Baccarat players to Pearl Room membership status to assist in providing an environment conducive to high-end play.
- Increase the frequency of promotional drawings and car giveaways, both of which have been successful in activating interest in Baccarat.
- Launch of the Diamond Room, the Pearl Room's non-smoking offering which has quickly grown to over 35% of drop volumes within the room in its first fortnight, with particular relevance to the more recently upgraded members.
- Continue to increase eTG product, now at 280 units, to help deliver an affordable Roulette game at a reduced labour cost. Crown is also awaiting double zero approval for this game which will benefit yield.
- The end of the AFL season and related Stadium activations provides opportunity to re-align the business, particularly at peak periods. The focus is on re-activating key customer groups who disengaged as a result of Stadium game day activities and marketing, starting with Baccarat and reliable Roulette customers.
- Reduce the scale of Poker back to 12 tables to remove the reliance on low yielding tournaments and reduce labour and marketing cost.

Other gaming initiatives underway include:

- Liaise with Aristocrat to fast track the Lightning Link launch which is currently scheduled for late Q3 F19;
- Integrate Crown's Value Guarantee campaign, into the new "Live a Little..." campaign formats using above-the-line and digital / social media support, additional offers and continued high impact, on-site communication;
- Review and re-build the current customer segmentation model to deliver improved opportunity variables, given the softening 60+ market and local premium segments;
- Expand on the most successful gaming initiatives including:
  - Continue the push to email collection from long-term club members to facilitate faster and more effective communication;
  - Car promotional activations in the Baccarat Room (across October and November);
  - Attract increased interstate gaming guests through sales team, major events and access to corporate Stadium facilities;

- Increasingly leverage supplier assets to create market leading promotional offers.
- Maintain traditional advertising channel commitment as a result of the recent high correlation to gaming performance in the uncarded and peak period visitor categories.

### ***Australian Resorts Marketing Initiatives***

Delivery of the new marketing strategy is well underway with good progress on the bigger initiatives and the first activities now in market which are showing encouraging results. The strategy centres on using customer and market data to identify incremental revenue opportunities in market, creating new offers to realise these opportunities, taking them to market through new digital communication channels and improving leverage of the Crown Rewards program.

Progress across these streams is summarised below:

Newly identified opportunities and resulting activities - Analysis has identified over 2 million customers who are infrequent visitors to Crown (2-3 times per year), who spend well on both F&B and Gaming when they visit but who have had little marketing directly targeted to them. New promotions targeting specific segments in this group started to roll out in late June targeting their primary entertainment occasions (e.g. Sundowner Series across multiple bars targeting post work drinks). New digital targeting capabilities have allowed us to align communications to better target the customers with these promotions. In addition to these activities multiple targeted offers have been sent to inactive Crown Rewards members (who comprise circa 40% of these infrequent visitors) by way of driving incremental visitation and re-engaging them with the program. Early results are encouraging with website traffic up year on year on comparable marketing spend. Melbourne gaming foot traffic is up circa 2% year on year versus circa 3.5% down in the preceding 12 months (Perth data is muddled by stadium traffic) and inactive member reactivation rates of circa 3% for each targeted activity.

In addition, a program of work is underway to identify incremental opportunities in the premium market and develop new activities to realise these. This centres around using Crown data to better identify those patrons at risk of churning and building a pipeline of warm leads for the premium sales and host teams. Reactivation test offers have been in market to ex-VIP members through the quarter with circa 7% reactivation rates and solid spend and revisitation numbers. The next test activity is in market in October comprising multiple hotel and food & beverage offers to 40k higher value interstate members on the Rewards program who have not visited for some time.

Development of new channels - Crown's one-to-one communication with mass customers is currently largely limited to direct mail and email however data and digital capability in market will allow this to expand to multiple digital channels (especially display and social) which will greatly increase the reach and effectiveness of these communications. A new technology platform from Salesforce has been developed to assist with test campaigns launched and currently being evaluated with a view to targeting Crown's broader Rewards member base post final review and approval.

Loyalty - New member acquisition remains strong and work is progressing to improve the value the program brings to both members and the business. Workshops have been run across both properties identifying 1,200+ opportunities for program development and these have been assessed against customer experience research and through analysis of the program value chain to identify the key opportunities for value growth. Initial work is focusing on delivering personalised, trigger-based promotions to members, fixing key customer operational pain points and improving the economics of the program. Work is progressing well across all of these with first new activities planned to go live in December.

Brand Tracking – In Perth, Q1 saw a continuation of the value strategy with a winter iteration of the Value Guarantee campaign. In line with decreased above the line spend this quarter, spontaneous awareness of Crown declined among non-members while consideration to visit remained stable. Conversely member spontaneous awareness remained stable while consideration to visit saw uplift in Q1, likely due to direct communications and targeted member activity. While awareness levels and reactions to the Value campaign remain positive overall, signs of softening are evident – particularly perceptions around fit for Crown, likelihood to take-up offers and value for money. In this context the upcoming launch of the brand campaign is timely as brand image measures also show decline after a lack of traditional brand building activity. However, general value messages remain important in F19 as lack of discretionary budget remains in the top three barriers to visitation, increasingly among older customers. Positively, concerns around overcrowding have softened this quarter after peaking in Q4 F18 post opening of Optus Stadium.

In Melbourne, Q1's mix of brand and tactical activity coupled with reduced above the line investment saw top of mind awareness among non-members decline, reflective of a longer-term trend. Positively, declines in awareness have not yet impacted consideration, with consideration to visit metrics remaining stable among members and non-members. The dining led Warm Up campaign had a positive impact on Q1 visitation intention and key brand perception metrics - people who saw the campaign were more likely to think Crown is fun and exciting, offers exciting promotions and is the place to celebrate. There is an opportunity to improve brand linkage to extend positive impacts of tactical dining led campaigns. From a brand building perspective, the World of Entertainment campaign saw above average awareness, strong brand linkage and a general positive impact on core measures in Q1. While the campaign continues to successfully showcase the Melbourne property and range of experiences on offer, member feedback indicates a need to ensure the next iteration of the brand campaign is more reflective of the member experience. Concerns around parking have softened in Q1 (expense, convenience), a strong positive given parking expense is in the top three barriers to visitation. Tactical activity to promote beverages on complex has seen beverage expense become less of a concern in Q1.

Digital & Social Media - Melbourne and Perth website traffic continues to grow, with almost 3.3 million visits during Q1 F18. The main drivers of traffic to the site continue to be improvements in Google natural search rankings (SEO), paid Google adverts, display advertising, email and social media. A greater emphasis on our 'occasions' advertising strategy, coupled with tactical offer advertising, cross-sell marketing, and proximity targeting has proven successful to date in increasing the volume of leads to our websites. Crown's social media footprint now covers 445,000 users on Facebook, 53,000 followers on Instagram and 22,800 on Twitter.

Campaigns Melbourne – The July to September period saw major main gaming floor promotions in market including Crown's Big Guarantee Car Giveaway and Crown Lucky Lantern competition, both of which delivered solid results. These promotions were also supported at either end by the Big Reels jackpot and the eTG Time to Win jackpot.

Premium areas were well supported by a strong line up of key promotions and tactical offers. Teak Room saw the introduction of Lucky Bounce, a new 'game show' style promotion which attracted large crowds and positive feedback along with a solid return on investment (ROI). This was followed up by Winter Rewards, an earn and get style offer which is another top performer for the business. The Mahogany Room featured a number of Cash Draws and special invite-only events across the period with the key promotion being the Masters of Baccarat tournament series.

Support for Lightning Link and Dragon Link was ongoing throughout this period with other game launches such as Golden Fang also proving to be successful.

September saw additional focus on the premium Table Games business with multiple additional promotions put on top of existing activities to support this segment. This focus will continue into the Q2 period with several additional offers and promotions in development.

Food & Beverage launched the 2019 financial year with the engagement of Adam Richmond, of the popular US program Man versus Food, to collaborate with Kevin Bludso on San Antone 101 masterclass and eating competition. Events with a consumer and PR focus were executed both in and in front of the venue reaching 474,000 impressions and 10 million people through the PR campaign.

Across the portfolio the year began with a renewed focus on creating new occasions for consumers to visit Crown and the evolution of a number of venue brand and experience changes to revitalise our consumer offer including Sports Bar, The Pub and upstairs Merrywell Bar & Dining led by a collaboration with Chef Daniel Wilson of the acclaimed Huxtaburger fame.

As part of this focus, Crown's bar offering and in-venue experience was strengthened through pop-up consumer experiences delivered in collaboration with key beverage partners including the Johnny Walker Trip, Gordons Pink Gin Bar and Jack Daniels Barber Shop with these campaigns delivering growth not only for the participating brand but also 9% growth across the spirits category. FIFA World Cup, Carlton Draught AFL Finals in-venue experiential promotion and NRL Finals were hero sports campaigns across the bars portfolio which saw all the bars come to life with sports theming, beer specials and promotions delivering strong revenue uplift.

The dining portfolio was led by new culinary offers in our key venue brands along with increased media to drive foot traffic and Chef visibility. Highlights included the launch of Circus of Sweets themed High Tea at Conservatory and a new Oyster Bar at Bistro Guillaume featuring a shucker every Saturday following on from the ongoing success of "Champagne Sundays". Our partnership with Halliday across our Wine Dinner Series delivered strong engagement providing a new audience to sell our ticketed events within our premium dining venues. Following the success of the Nobu Champagne promotion to capture the after work or Sundowners occasion, similar offers were launched across the casual dining portfolio delivering strong initial results including Gradi Pizza & Peroni, Furphy Fridays, San Antone and Merrywell Happy Hours. Across Crown's main gaming floor dining venues the winter refreshed gaming meals campaign, "Warm Up," again performed strongly delivering 12% year on year growth focused on Crown's culinary credentials as the key point of difference to local venues.

Campaigns Perth - Perth Marketing for July to September focused on the Winter Value Guarantee brand campaign and associated offers, ensuring Crown Perth was positioned as an affordable and accessible integrated resort destination. Key offers supporting winter value were refreshed including \$8 pints, Under \$20 menus, \$55 Ultimate Lunch and Dinner and \$299 Metropol stay which included \$100 credit and a bottle of sparkling.

The Value message was further supported by the key gaming promotions to amplify our home of sports theme and leverage the AFL finals series into the Grand Final.

Campaign activity to solidify Crown Sports Bar as the Home of Sport in Perth continued with FIFA World Cup driving footfall to Crown Sports Bar and other Casino bars. Brazilian entertainment and theming elevated the experience across property and reinforced Crown's Home of Sport positioning. Content and promotions then continued to position Crown as the key entertainment destination pre

and post-game AFL Stadium days. The media partnership with Channel 7 for The Game, which broadcasts live from Sports Bar on Sunday stadium days, continued to be well received attaining exceptional reach with an average audience of 120,000, peaking at 180,000 viewers for the Western Derby and throughout the finals series. Bar performance across all bars on property held strongly during this period. Sport drove increased traffic in September with the AFL finals, including a preliminary final at Optus Stadium, and the AFL Grand Final which saw traffic up 20% year on year for the day.

Gaming promotions over the period continued to be entertainment-led and interactive. These promotions were layered with gaming machine jackpots and various bonuses to showcase chances to win amongst members. Q1 featured Score A Scooter in July where customers could win one scooter each night when they played on eligible gaming machines. This was supported by four sessions of 50 bonus prizes. August saw growing activity in AFL and the Stadium with the Footy Fever promotion where 12 AFL Grand Final Packages were given out over six weeks along with a further four in the Riverside Room as a Grand Prize Draw. Both promotions worked well supporting the gaming business over the football season.

In September, 30 Cars in 30 Days saw the return of the popular Honda Civic. Customers could win a Honda Civic vti-S each night from 7pm if they play on eligible gaming machines. A total of six cars were displayed across the property with support from Honda Australia.

Trials were also conducted to reactivate lapsed members six months to two years inactive. Promotions ranged from gifts to \$50 credit vouchers for food and beverage with results to date showing a positive response with an average redemption rate of circa 7%.

Since Member's Money Night jackpot was won (over \$400k) in August, one Thursday a month has featured a Triple Chance promotion to protect and grow week-day volume. Day time trials have experimented with a cruise giveaway and more recently railway trips which appear to have supported the fun and excitement factor for those patrons riding on the Crown bus program and driven certain prize draw days.

### ***Australian Resorts HR Initiatives***

#### *Indigenous Employment Program (IEP)*

There are currently 221 employees in the Crown Indigenous Employment Program (IEP) as of 18 October 2018, 103 at Crown Perth and 118 at Crown Melbourne.

Crown's commitment to Indigenous procurement has seen the HR and Procurement teams partnering with The Victorian Aboriginal Chamber of Commerce, Kinaway and with the Noongar Chamber of Commerce in WA to build a strong Indigenous procurement strategy.

#### *Workplace Gender Equity*

A KidsCo school holiday pilot program was trialled in the first week of October and, whilst take up wasn't as high as anticipated, feedback has been positive. Further feasibility studies for future programs in both Melbourne and Perth will be undertaken in due course.

Progress is being made on the Gender Action Plan with sub-groups working on the five main themes (Attraction, Selection & Retention, Promotion, Development, Flexibility and Cultural Change & Communication). Significant progress has been made on the concept of 'all roles flex' as well as

development of a Gender Reporting Dashboard to establish a baseline benchmark and track progress.

#### *CROWNability*

There are currently 252 employees in the CROWNability program across both properties, encompassing 127 employees and 8 contractors at Crown Perth, with 107 employees and 10 contractors at Crown Melbourne. This represents a retention rate of 71% as at 11 October 2018.

#### *Changing Places*

At the Crown Resorts Corporate Social Responsibility Committee meeting, held on Wednesday, 26 September 2018, the introduction of a Changing Places facility to the Crown Sydney development was discussed.

Changing Places are larger than standard accessible toilets with adult-sized change tables and tracking hoists in major public spaces, to assist people with high support needs.

In line with the CROWNability Action Plan to improve access for patrons and staff, Crown has investigated the opportunity to include Changing Places at Crown Melbourne and Perth, with CROWNability now further exploring potential inclusion in the Sydney development.

Further to this, the CROWNability Group Manager recently visited the MCG, to observe complex facilities which demonstrate best practice in this area.

#### *Appointment of Disability Champions*

CROWNability has formally appointed Peter Crinis, Chief Operating Officer – Crown Hotels and Food & Beverage and Lonnie Bossi, Chief Operating Officer at Crown Perth, as Executive Disability Champions.

The Disability Champion role aims to:

- Promote and raise awareness of Crown's commitment to disability employment with external and internal stakeholders.
- Empower employees to raise and drive systemic change within the organisation.

#### *Training*

CROWNability is currently working in partnership with Learning & Development to review CROWNability Confidence Training for Managers.

This process includes the review and update of content with the aim to condense training to two-hour sessions.

#### *Disability Employment Providers (DES)*

CROWNability now accesses the services of the same Disability Employment Providers across both properties.

The DES providers are now aligned to improve our ability to secure consistent employment outcomes for people with disability, with providers including:

- atWorkAustralia
- Advanced Personnel Management
- Max Employment
- Matchworks Employment

#### *Crown College (CC)*

Crown College has recently successfully completed two state audits and Crown College Registered Training Organisation (RTO) has received the 2019 Victorian Government State funding contract for 2019.

#### *Crown College International (CCI)*

To date CCI has received 295 applications and 132 enrolments.

#### *Crown College Institute of Higher Education (CCIHE)*

The second Council meeting will be held on 26 October and will focus on the Governance and Compliance, Risk Management and Quality Assurance Frameworks.

#### *500 Training Places (500 TP)*

The 500 Training Places initiative at Crown Melbourne continues to progress and there is now a total of 245 active enrolments in the program with a total of 78 Security students and 49 hospitality students having completed the training to date. A total of nine Security and 31 Hospitality students have gained employment within Crown and an additional 52 students employed in industry. There are currently 19 active hospitality students who are still completing their service shifts. Crown has also had the opportunity to attend four of the Victorian Department of Jobs and Small Business Job Fairs over this month. Since the program commenced Crown has received over 1,100 enquires, with 94 in F19. The highlight so far for F19 has been the successful outcomes of the second Hospitality group completing their "paid service shifts" with all seven offered roles within Crown.

#### *Industrial Relations - Melbourne*

The Australian Council of Trade Unions (ACTU) "Change the Rules" rally was held at Trades Hall on 23 October 2018. The campaign focused on pay rises that keep up with "rising company profits and the cost of living". Employees covered by the Property Services Enterprise Agreement 2015 expressed interest in attending the rally with UV Delegates also attending as part of their Enterprise Agreement "training days".

Negotiation of the Crown Melbourne Limited Area Manager Enterprise Agreement is continuing with in-principle agreement reached in relation to most non-monetary matters. Crown's headline offer is 2.5% per year for each of three years. Negotiations are continuing.

United Voice convened the annual Workplace Consultative meetings on 10 October – 13 October at Crown College. The meetings were held to discuss matters pertaining to the Crown Melbourne Limited Enterprise Agreement 2016.

#### *Industrial Relations - Perth*

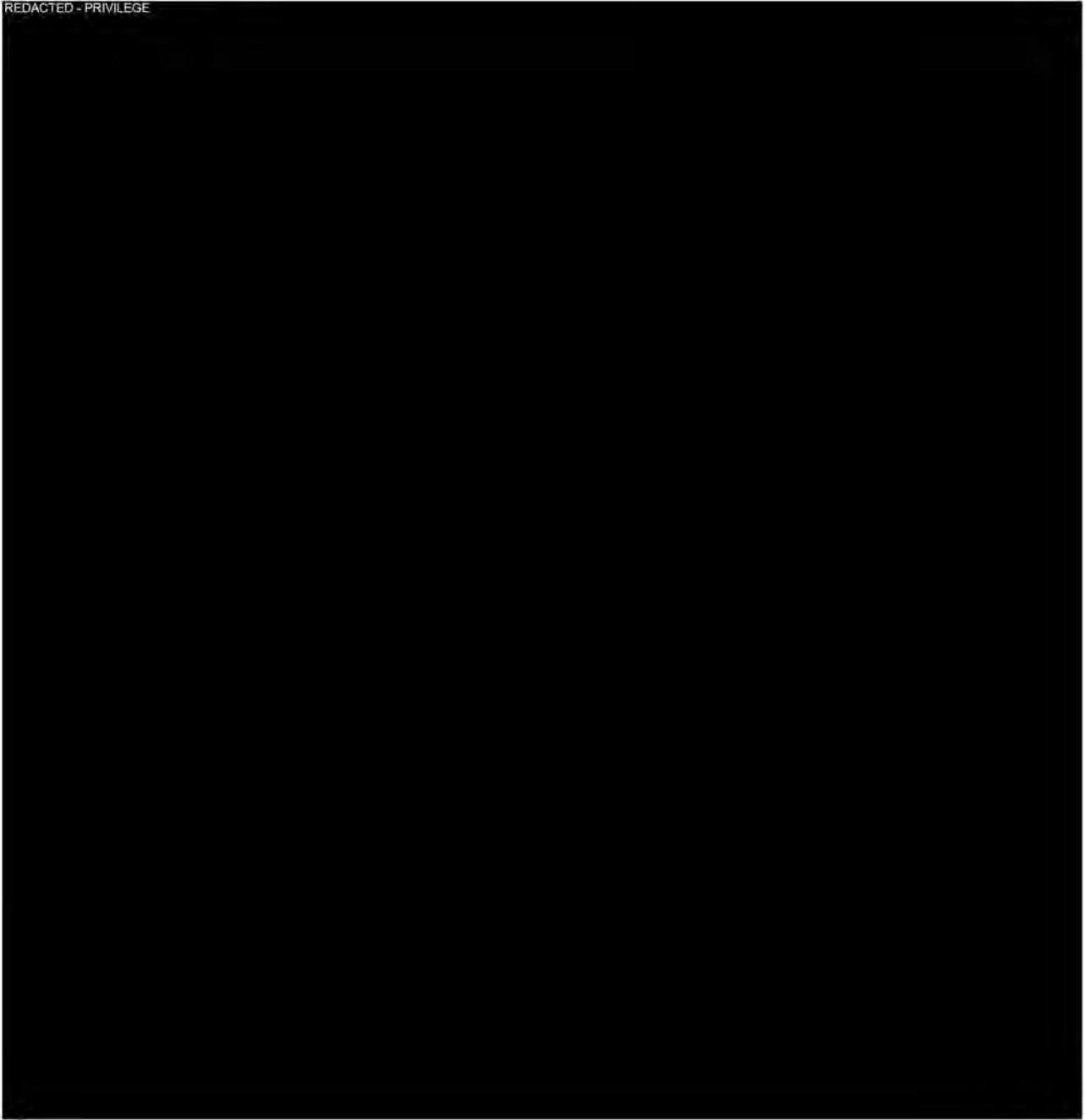
In July 2018, an in-principle agreement was reached with the ETU, CFMEU, CEPU and workplace delegates, concerning the Crown Perth Property Services EA. This was then subject to a vote in

August, with 76% of employees voting yes. The Agreement has now been referred to the Fair Work Commission for approval.

The Agreement delivers increases of 1%, 1.5% and 2% over 3 years, more flexible working hours through the introduction of 12 hour shifts for shift workers and improved Accumulated Days Off for day workers, at minimal cost.

***Regulatory Update***

REDACTED - PRIVILEGE





REDACTED - PRIVILEGE

#### *Changes to Responsible Gambling Codes of Conduct*

Recent amendments to the *Gambling Regulation Act 2003* (Vic) relating to Responsible Gambling Codes of Conduct (Code) include:

- Removal of requirements for Codes to be approved and reviewed by the Victorian Commission for Gambling and Liquor Regulation (VCGLR),
- The Minister is enabled to give direction or directions in relation to the standards, requirements and content of Codes,
- Requirement of the Minister to conduct a review of the operation of Codes at least every five years; and
- Regulations can be made in relation to the standards, requirements and content of a Code.

These amendments came into effect on 19 September 2018.

#### *Section 25 Review*

Crown Melbourne is continuing to progress the implementation of the Responsible Gaming Recommendations made by the VCGLR in its Section 25 Review.

On 17 October 2018, the RSG department (with representatives from Crown Melbourne and Crown Perth) conducted a Responsible Gaming Strategy Day, with the ensuing draft to be reviewed by members of the Crown Resorts Limited Responsible Gaming Board Committee. The finalisation and adoption of the strategy will be an important element of progressing the s25 Recommendations related to RSG.

#### *Cross Property Self Exclusion*

On 16 October 2018 the VCGLR provided approval for Crown Melbourne to share self-exclusion lists to the following entities for the nominated purpose:

- Burswood Nominees Limited to facilitate a self-exclusion program at the Crown Perth Casino and entertainment complex; and
- Betfair Pty Ltd to cease promotion and market to self-excluded individuals.

This is conditional on the person self-excluding being advised as part of the self-exclusion form to have:

- a) been advised of the purposes for which the information will be used, and
- b) consented to the release of this information for the purposes identified.

The implementation of this varied self-exclusion process is scheduled for November 2018.

#### *Responsible Gambling Advisory Panel*

John Horvath, Barry Felstead and Sonja Bauer are progressing the establishment of an Advisory Panel which will provide advice in relation to the responsible gaming programs, services and initiatives at Crown's Australian Resorts. It is anticipated that Professor Alex Blaszczyński will act as a member.

#### *Community Engagement Group*

A Community Engagement Group is being established between Crown Melbourne and community representatives to provide community stakeholders an opportunity to discuss responsible gaming programs and services delivered by Crown Melbourne. Anna Bardsley from the Alliance for Gambling Reform has been invited to Chair the Engagement Group.

#### *AUSTRAC Meetings*

Barry Felstead, Ken Barton and Joshua Preston met with members of AUSTRAC's senior management team in August 2018 to articulate Crown's ongoing commitment to its AML framework and our focus on continuing to build upon our relationship with AUSTRAC.

Separately, Crown continues to participate in Smarter Regulation Forums and workshops with AUSTRAC to add input on AML matters referable to casino operations.

Crown is scheduled to host AUSTRAC on site in Melbourne in late November, to provide a site tour to new AUSTRAC senior appointees and to present to AUSTRAC an overview of our VIP business from an AML and governance perspective.

#### *AUSTRAC Joint Program*

As previously reported, we continue to progress the work to align our Perth and Melbourne AML/CTF Programs into a joint program. The joint program will undergo an external review prior to being rolled out (which is anticipated to occur in December 2018). The joint program will also include Crown Sydney in due course. AUSTRAC is supportive of this initiative.

#### *Other initiatives*

Crown has recently appointed Dow Jones Risk & Compliance to screen all active Crown customers against set watch lists. This is to ascertain if these individuals have political affiliations, of 'special

interest' (that is, involved with serious crimes such as fraud or drug trafficking) or are relatives / close associates and will assist in our due diligence processes.

This screening process supports Crown meeting its obligations under the AML/CTF Act, as well as to better understand the background of particular customers. This service will also continuously monitor patrons of a certain risk level (as determined by Crown), with Crown notified through the Dow Jones portal if the circumstance of a patron changes (for example, a customer is arrested for a serious offence or is appointed to a political position in a foreign country).

In addition, the Dow Jones system will facilitate ongoing third-party due diligence processes for Crown's credit, procurement, compliance and sponsorship teams, assisting Crown in anti-bribery, modern slavery and other third-party due diligence compliance matters.

### Regtech

Crown continues to work closely with AUSTRAC and industry bodies to investigate how new technology offerings might be relevant to Crown's operations, as well as to lend its support to other sectors of the industry. To that end, Crown is currently investigating its availability to host the RegTech Association's annual meeting on site in Melbourne in early 2019.

### **Current Trading**

#### **Crown Melbourne**

Table Games contribution for Q1 F19 of \$86.0m was below budget by \$4.9m or 5.4% and below last year by \$1.4m or 1.6%. Higher than expected hold positively impacted contribution for the quarter but below budget premium volumes more than offset this benefit.

Main Gaming Floor (excluding Poker and eTGs) volumes for Q1 were down 2.1% to budget and 1.4% to the prior corresponding period (pcp) with Level 1 and Tia To driving the negative variances. Q1 hold of 25.3% was largely in line with budget (25.2%) and flat to the pcp while patron hours have remained consistently around 2.0% below budget and 1.5% below the pcp.

Electronic Table Games (eTGs) turnover for Q1 was up 0.5% on budget and 2.5% on the pcp. The business saw a slow start to the quarter with July turnover below budget and pcp on soft patron hours, however an upward trend through August and September lead to the Q1 positive variance. A win rate of 2.51% vs budget of 2.70% and pcp of 2.63% resulted in revenue closing out the quarter 6.6% below budget and 2.2% below the pcp.

Poker cash and tournament play continued to enjoy strong growth. The quality of Poker tournaments conducted by Crown, the appeal of the poker cash jackpot and the resurgence of 'live' play following the online poker ban (applied in early 2017) contributed to assist the business to exceed budget expectations with revenue finishing the quarter 0.9% above budget and 6.0% up on the pcp. August saw the running of the Melbourne Poker Championships with 3,522 entrants into the main event, up 4.2% from the previous year.

Premium Table Games Q1 volumes were the main area of concern for the business and finished down 12.5% on budget and 8.4% on the pcp. While the combined hold of 21.9% was up on expectations (19.9%) it was not enough to bridge the volume shortfall with revenue finishing down 3.5% to budget. Q1 hold finished favourable to the pcp (19.7%) with revenue consequently up 1.7% year on year.

Main Floor Premium (MFP) volumes for Q1 were down 9.3% on budget and 6.6% on the pcp with softness consistent across the quarter. The lower than expected volumes seem to be driven by size-of-wallet with patron hours up 3.4% to budget and slightly down (0.7%) to pcp. The starkest example of this was found in the Maple Room with patron hours up 8.4% to budget and 2.1% to the pcp but volumes down 7.2% and 3.4% respectively. MFP hold of 22.5% was 1.1% above budget and 1.9% above the pcp and may have been a contributing factor to the lower than expected volumes.

Mahogany Room volumes for Q1 finished 16.5% below budget and 10.7% below the pcp. Hold rates in July (27.5%) and August (24.6%) were significantly up on the budget of 18.0% and likely masked the lower than expected volumes. September saw a strong dip in hold, falling to 13.8% (budget 18.0%) as well as a continuation of lower than expected volumes, with table drop down 22.7% to budget and 23.2% to the pcp. Q1 hold of 21.2% finished well above budget (18.0%) and the pcp (18.7%) with revenue closing the quarter down 1.8% to budget but up 0.8% to the pcp. In a similar vein to MFP, despite the volume softness, patron hours in the Mahogany Room have been particularly strong in Q1, up 11.9% to budget and 23.5% to the pcp.

Table Games Interstate (Commission and Standard) play started the year particularly strongly with July turnover up 47.9% to budget and 46.5% to the pcp, however softened significantly leading to Q1 turnover finishing down 0.5% to budget but up 16.4% to the pcp. The overall market is being supported by a small number of commission players, with non-commission play down on expectations from a turnover perspective although visitation has improved through the back half of the quarter after a slow start. Total Table Games Interstate theoretical contribution is up 20.5% on the pcp but marginally down on budget (0.4%).

Gaming Machines' Q1 F19 contribution of \$55.0m was \$0.2m or 0.4% below budget and \$4.0m or 6.7% below the pcp. Turnover of \$1.4b was 1.3% above budget but 1.4% below the pcp, with a win rate of 8.0% (budget 8.1%, pcp 8.2%) leading to revenue of \$110.5m, 0.2% above budget but 3.9% below the pcp. This result saw a Q1 decline in Crown's market share, with the Network improving 3.8% year-on-year, strongly supported by the Network cheque limit change from \$1k to \$2k on 13 December 2017.

Gaming Machines Local Q1 turnover of \$1.2b was 3.1% above budget and 3.5% above the pcp, driven by strong results from the Crown Rewards Black, Platinum and Gold tiers, up 4.1% to budget and 11.6% to pcp combined.

Gaming Machines Interstate and International business made a soft start to the year, with theoretical revenue of \$8.5m being 9.0% below budget and 31.3% below the pcp. Both International and Interstate were below budget, 12.5% and 6.7% respectively. The variance to pcp was driven by the Q1 F19 absence of our top two North Asia customers. These players contributed theoretical revenue of \$4.3m in Q1 F18. Normalising for this impact Interstate and International theoretical revenue would be 3.9% favourable to the pcp. The top two players are currently in house and expected to stay until Spring Racing Carnival in early November.

The calendar of promotions and events for VIP Gaming Machine customers is focused on driving increased visitation, through utilising Crown Melbourne and surrounding leisure assets to deliver memorable experiences through dinners, hotel stays, spa treatments and Capital Golf Days.

New member sign ups feature a high majority of over 80% opting in to digital marketing channels.

The business continues to focus on customer service initiatives to deliver seamless experiences across the property. These include Main Gaming Floor Drink Trolley service and coffee vending machines (over 1,300 vends per day) providing complimentary drinks to members. The focus on delivering premium room experiences across the MGF has proved popular and initiatives such as “Know Your Customer” (interacting with Platinum and Black tiers on the Main Gaming Floor) and “Surprise and Delight” (beverage service to high denomination rooms). The opening of the Teak expansion has also proved popular with premium guests enjoying the premium room service with the non-smoking expansion.

Food & Beverage’s YTD result is in line with budget and \$0.3m or 1.8% below the pcp. The shortfall against the pcp is due to \$0.7m in sign-on fees being received during the pcp. Bars and Events & Conferencing have been the standout performers in Q1 being \$0.4m and \$0.3m up against budget respectively. Restaurants in general have performed below budget although Premium is up 6% on the pcp. At an outlet level, Bistro Guillaume, Nobu and Silks have traded well, while Jackpot Bar, Sports Bar and Atrium are well ahead of budget, aided by trade during the second half of the World Cup. The rooftop marquee commenced trade during October with early booking encouraging.

Hotels’ YTD result is \$0.2m or 0.7% above budget and \$0.9m or 4.3% above the pcp. Occupancy levels in Towers, Metropol and Promenade were 96.6%, 94.5% and 94.6% respectively, while combined occupancy of 95.2% was 2.0% below budget and 1.9% down on the pcp. By comparison, the Melbourne premium hotel market was steady with the pcp (86.7%). Average rate growth was relatively positive with 4.5%, 2.7% and 4.9% recorded in Towers, Metropol and Promenade respectively with Villas growing 15% year on year. The combined growth of 5.4% has been achieved by a more favourable market mix (higher Leisure and Villas, lower Wholesale and Gaming) rather than major price increases. The Melbourne premium market rate grew 1.8%. Total room revenue grew 3.3% compared to a market growth of 2.3%.

### ***Crown Perth***

Local Table Games’ contribution for September F19 YTD was \$2.3m or 9.7% below budget and \$3.5m or 14.4% below the pcp. Soft volumes across both regular and premium tables was the key factor for the shortfall year on year combined with soft regular table (excluding electronic tables) hold of 23% which fell short of budgeted expectations (24%) and the pcp (25%).

Regular Table Games’ contribution for September YTD was \$2.1m or 10.4% below budget and \$4.3m or 19% below the pcp. Declining Main Gaming Floor (MGF) traditional game volumes became the catalyst for year on year decline partially offset by solid growth in electronic tables. An increased focus on re-engaging the core table games customer, in particular those with a Baccarat and Roulette preference, will be of high priority over the coming months, to be achieved via a mix of promotional and personalised offers.

Gaming Machines’ September F19 YTD contribution was above budget by \$0.9m or 1.9% and above last year by \$0.7m or 1.5%. Weekly Gaming Machine turnover volumes have seen strength through Q1 F19 averaging 2.4% growth on the pcp.

The rated Gaming Machines membership base is delivering a stable level of visitation whilst the challenges of declining spend per visit and the softening of the local premium market continue to prove difficult to counter. Increased visitation and, in some cases, re-engagement of customers from these tiers remains a priority via direct marketing, targeted VIP events and refining the experience in the premium gaming assets, including changes in entertainment to better align to the most valuable customer demographics. The uncarded and mainstream segments of the gaming machines business

have proved more robust in the current year to date and provided the offset to challenges described above.

Q2 F19 sees the launch of Diamond Room, a premium non-smoking environment within the Pearl Room. Early feedback from customers suggests this will be an area of choice amongst the premium segment and an opportunity to provide growth for the premium tables and machines businesses. Tailoring the customer experience to best leverage the new area will be an on-going focus for the gaming teams across the remainder of the year.

Food & Beverage (F&B) contribution September YTD F19 was \$0.1m or 1.3% above budget and \$0.4m or 6.6% above the pcp. The above budget result has mostly been driven by sporting events including AFL at Optus Stadium, 2018 FIFA World Cup and Rugby's Wallabies and All Blacks series. Also assisting the result is increased on spend from Disney's Theatre show Aladdin.

Conventions' September YTD F19 contribution was \$0.3m or 15.8% below budget and \$0.1m or 5.1% above last year. The below budget result is mainly due to the cancellation of a number of events.

Key events YTD included the Flight Centre Ball, Chevron NAIDOC Ball, 2018 Brainchild Ball WA, Market City Ball, REIWA Awards, RAC WA Annual Awards, The Long Lunch, Welcome to Madalah, 2018 WA Governor Prayer Breakfast, WA Training Awards, Multicultural Students Union Ball 2018, APPA National Conference, TEMC 2018 Conference, West Coast Eagles Finals lunch and WA Amateur Football League Awards.

Entertainment's contribution for September YTD F19 was \$0.2m or 18.1% above budget and \$0.9m above last year. The result was driven by better than expected patronage at Disney's Aladdin. Aladdin commenced in the Theatre on 19 July and will end on 28 October.

The following are confirmed future events in the Theatre:

Merchants of Bollywood	November
Buddys Back	November
Jimeoin	November
You Am I	November
Let There Be Rock	December
Steve Waugh	December
Arj Barker 18	December
Madiba the Musical	January
Rob Brydon	March
Tim Minchin	March
In Conversation with the Sopranos	May

Hotels achieved its first quarter results with a contribution of \$9.0m which was in line with budget and \$0.4m or 4.2% above the prior year.

The overall volumes in the first quarter were high compared to the prior year driven by increased activity in the corporate market. Leisure demand continued to improve due largely to the weekly the uplift from the AFL schedule at Optus Stadium and improved Sunday visitation.

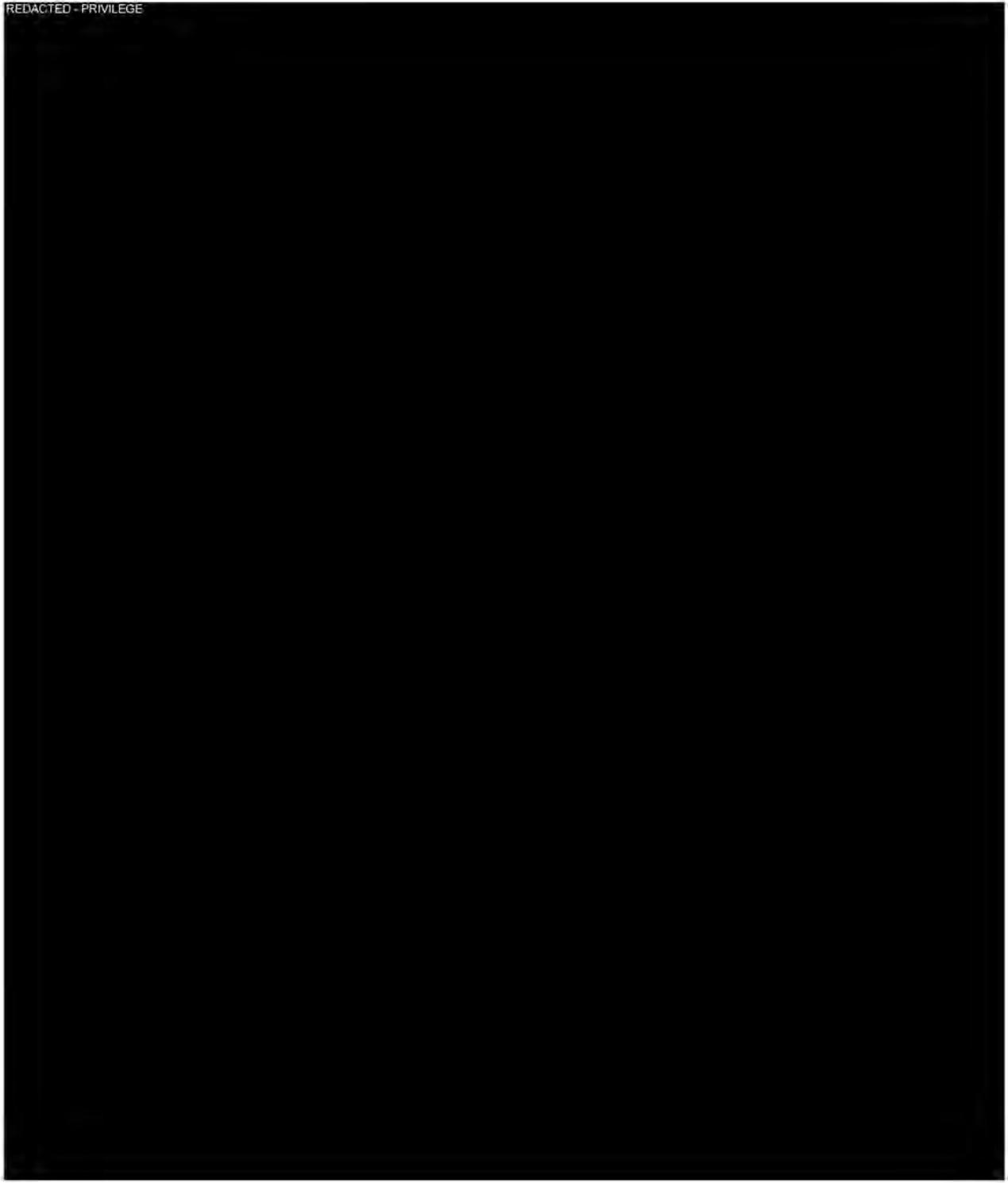
The up-coming months continue to be a challenge for both rate and occupancy, however it is also the period of a significant increase in residential conferences which will assist in bolstering volumes.

The summer period continues to pace well with the release of the hotel summer packages expected to capitalise on this period of seasonality.

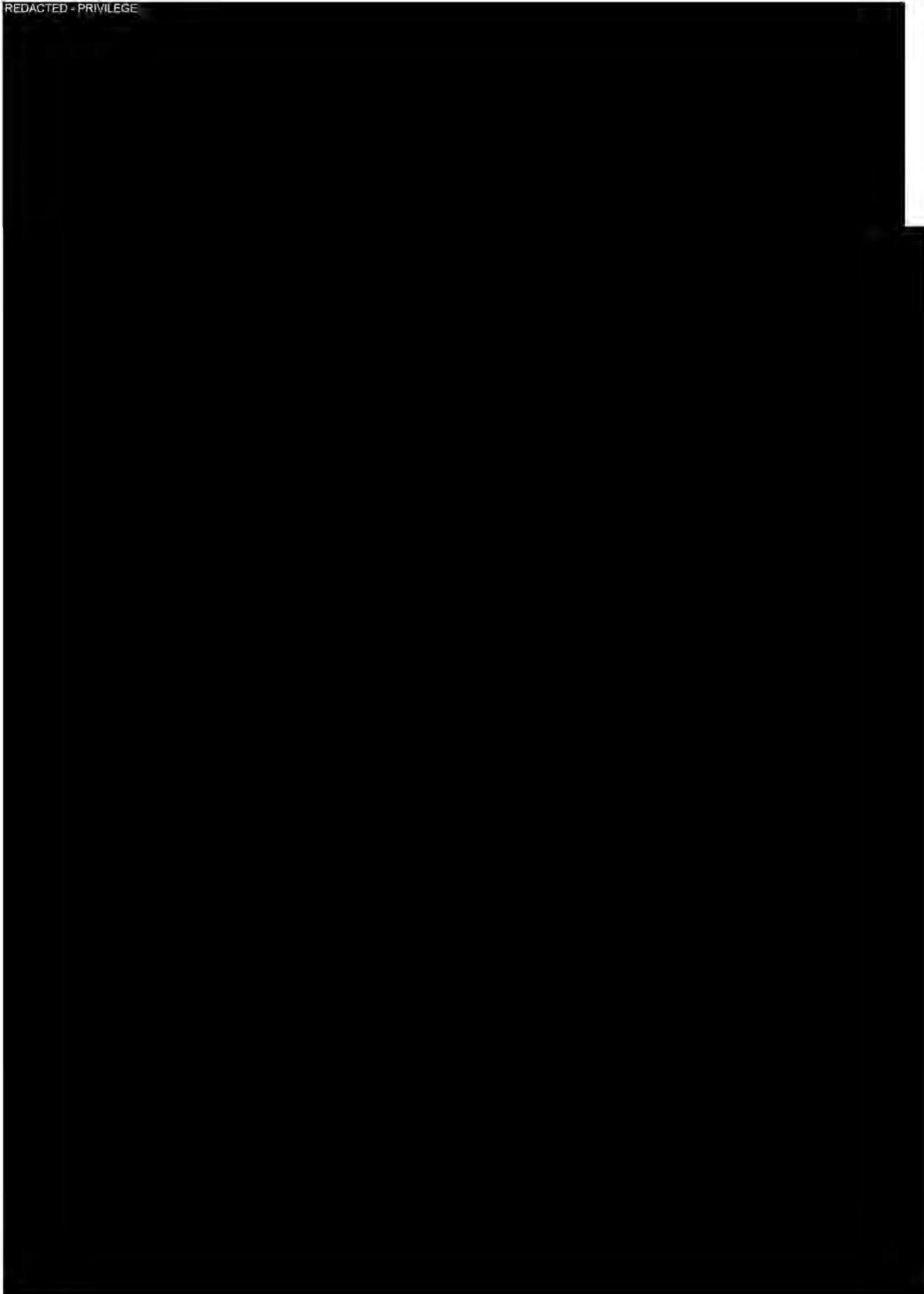
*Other Issues*

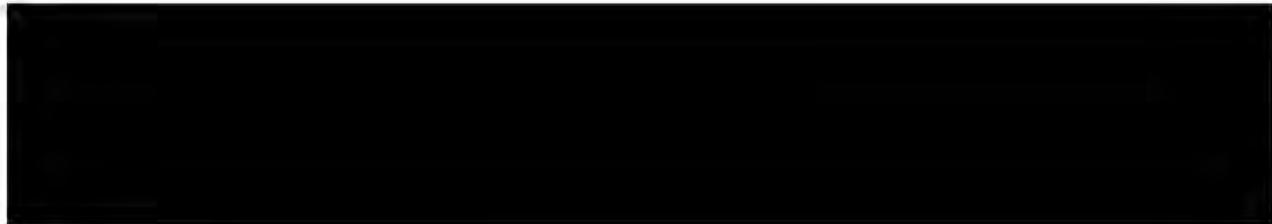
*Crown Melbourne*

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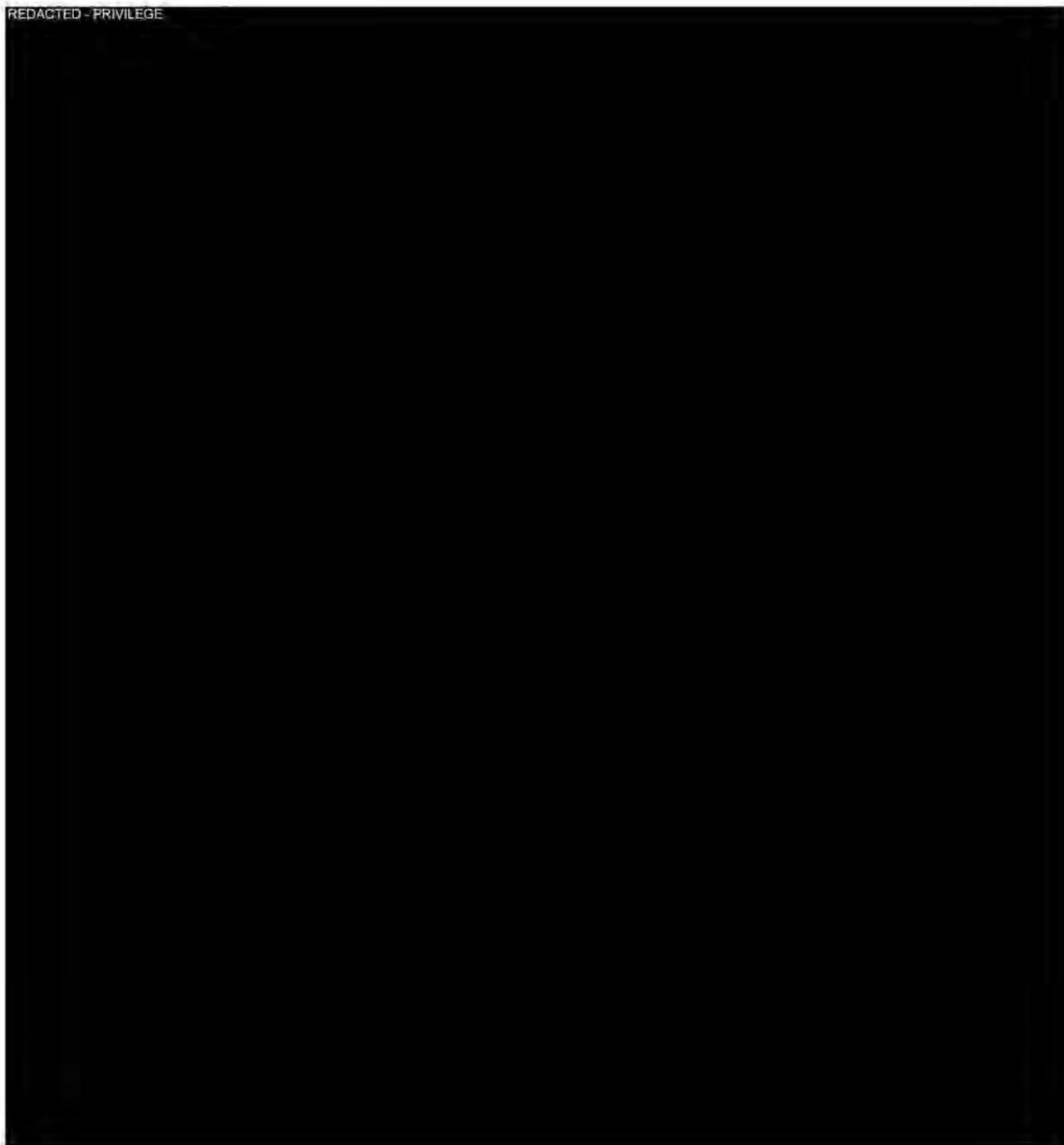
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*Crown Perth*

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*Gaming and Wagering Commission – Membership*

The Commission has recently appointed two additional members, Ms Carmelina Fiorentino and Ms Jodie Hede. The appointed members both have accounting and financial backgrounds with limited gambling industry knowledge.

Crown executives recently took the new members on a tour of the property.

*Gaming and Wagering Commission – Responsible Service of Gambling Focus*

The Commission has recently increased its focus on Responsible Service of Gambling practises within the casino and invited the Chief Legal Officer – Australian Resorts to provide a presentation of its current RSG framework including proposed initiatives.

It is anticipated that the outcomes from the Crown Melbourne Sixth Review of the Casino Operation and Licence (Section 25 Review) will provide the Commission with particular interest and commentary as to the implementation of similar recommendations and initiatives within Perth.

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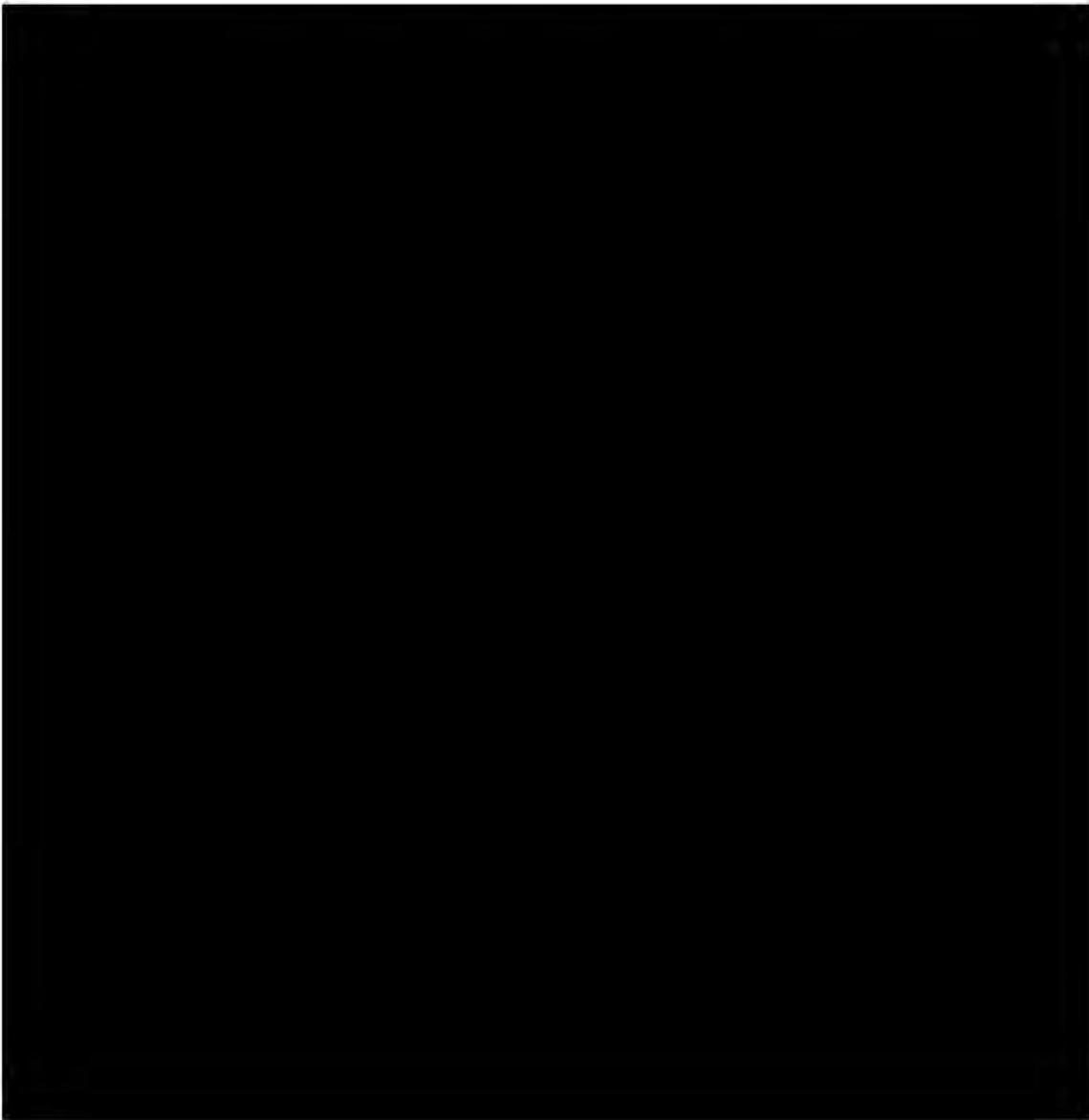


*Public Building and Health Assessment*

The Local Government Environmental Health Services Branch is finalising its annual review into Crown's public building and health compliance.

Following an inspection of the Convention Centre, Crown Metropol hotel (including associated restaurants and bars, Crown Promenade hotel and International Gaming Facilities), the casino main building and Theatre have now been completed.

To date minor non-compliance issues have been identified, which are in the process of being rectified.





## 4.2. Crown Aspinall's and Aspers (UK)

### *Update on the Potential Sale of UK Assets*

Further to recent discussions concerning the potential sale of all or part of the Aspers Group and Aspinalls, preliminary discussions have occurred with the three obvious potential buyers operating in the UK being Caesars, Rank and Genting. In addition, inquiries have been received from parties involved in the VIP business with an interest in the acquisition of Aspinalls on a standalone basis.

In September, Ken Barton met directly with Mike Daley, Caesar's Head of Strategy, Corporate Development and M&A. At the meeting, Ken tested:

- whether Caesars see their UK casinos as strategic/long term and, as such, if they had an interest in acquiring Aspers and/or Aspinalls; or
- if viewed as non-core, whether Caesars may see merit in combining their UK assets with Aspers and potentially Aspinalls for the purpose of a joint sale (scale and synergies arguably would increase value for both Crown and Caesars).

Mike indicated that Caesars view their two London assets (Empire and Playboy Club) as long term but see their five provincial casinos as non-core. As such, Caesars may be interested in Asper's Stratford casino, but not Asper's other locations.

Caesars are unlikely to be interested in Aspinalls which is very different from their London locations which are more targeted towards the "grind" segment of the market.

Mike displayed an at best moderate interest in potentially combining Caesars provincial assets with Asper's (ex-Stratford) for the purpose of a joint sale.

Following the meeting, Mike came back and confirmed that while Caesars would be interested to look at Aspers Stratford, they are working on more pressing strategic priorities at present and so would only be able to engage in the New Year if Crown has not pursued a different path with Aspers beforehand.

In recent conversations with Aspers management, the senior management of Rank and Genting UK expressed some interest in acquiring some of the Aspers provincial casinos and Genting also indicated some interest in Aspers Stratford although competition/trade practices issues may make it difficult to undertake a sale of the entire Aspers Group to either of them.

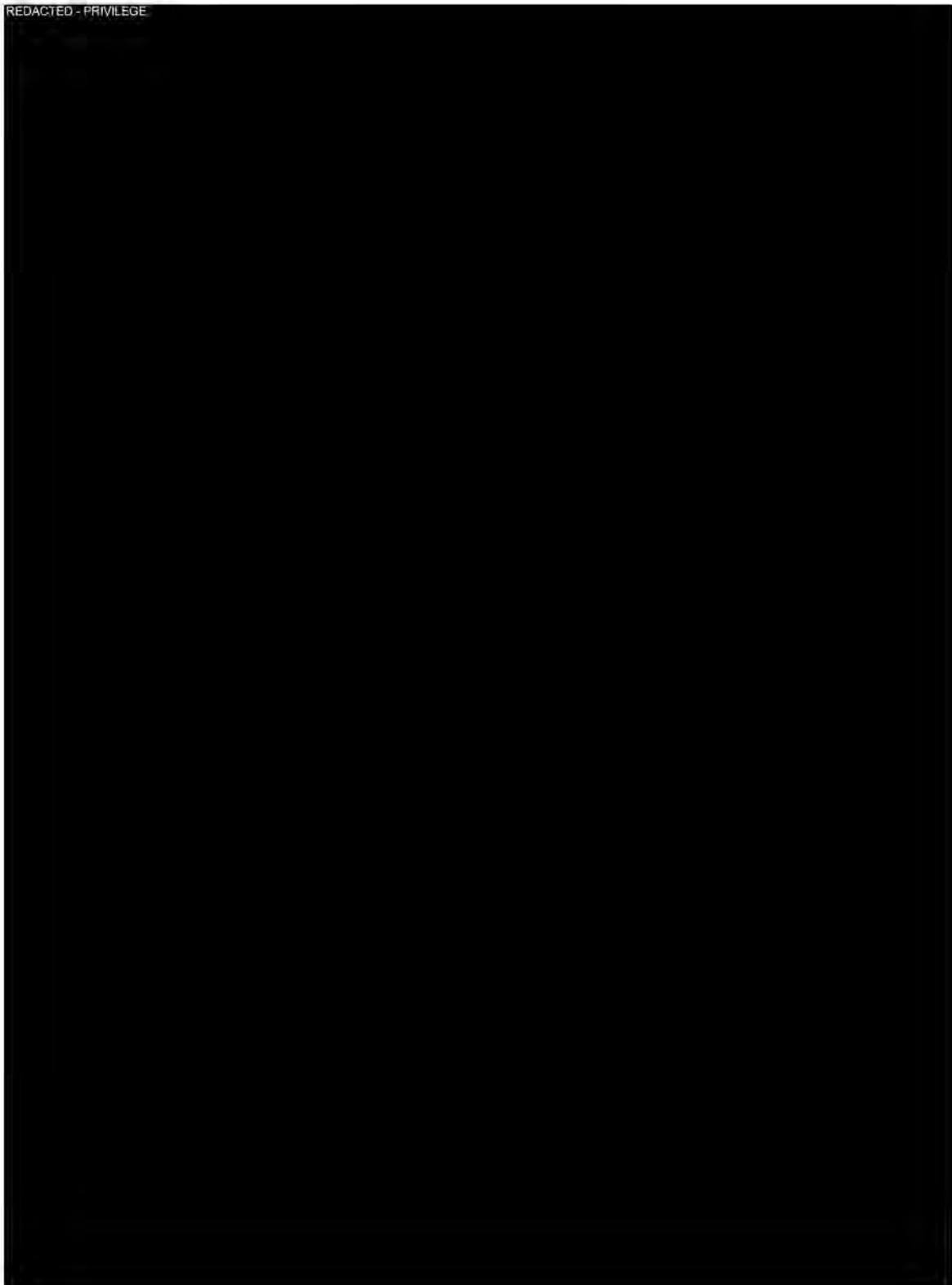
Rank are still considering a potential transaction for one or more of the Aspers provincial casinos but they have recently indicated to Aspers management that they will need to obtain the approval of their owners for any transaction and accordingly it is unclear at this stage whether they are prepared to move forward.

In recent days, Genting have advised that they have been unable to obtain internal support to move forward with a transaction.

Unless a transaction can be agreed with Rank for the sale of one or more of the provincial casinos, it is likely that a broader based sale process will need to be undertaken to test the potential market for the Aspers assets.

*Crown Aspinalls*

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*Aspers*

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### 4.3. Wagering – Betfair

#### *Trading*

For the quarter ended 30 September 2018 (Q1), total Revenue finished up 13.4% YoY and 3.3% up against budget. Positive drivers of this result are GST impacts and underlying Exchange Commission growth, offset to some extent by Premium Charge.

EBITDA is expected to finish well up on budget, and a full year forecast will be completed by November to incorporate significant changes since the budget was developed including:

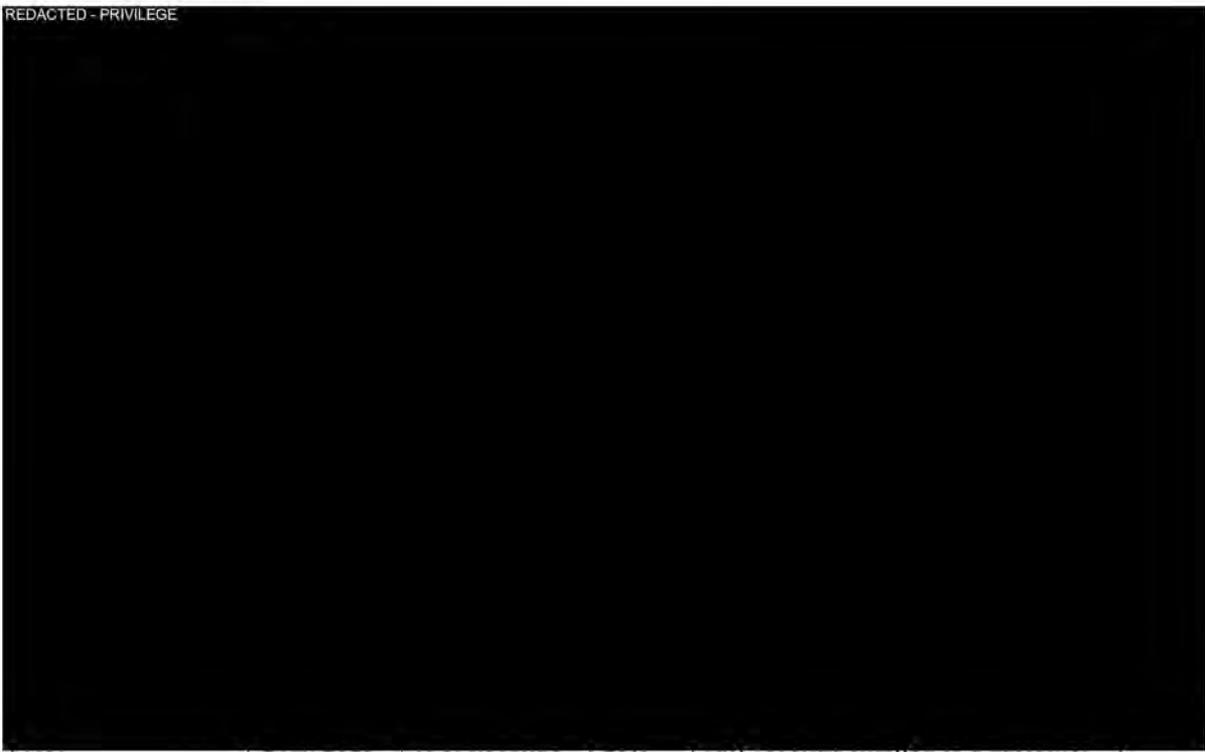
1. One-off opex costs associated with transitioning the Hobart office to Melbourne; and
2. UK point of consumption tax now applicable on our number one customer's revenue as he moved his offshore business from Guernsey to the UK.

#### *Hobart office closure*

It was announced in September 2018 that the Hobart office would be closing in April 2019, with roles transitioning to Melbourne. While disappointing to make this decision, the Hobart staff have accepted the reasons and logic behind the decision. Six staff will move to Melbourne and many staff have indicated they are willing to train new staff and help with the transition. Recruitment has begun and will be staggered over the next 1-3 months. There will be cross over between exiting and new employees as we invest in knowledge transfer of critical operational functions. Including relocation and training costs. We expect the impact to EBITDA will be approx. \$500k.

#### *Legal and Regulatory*

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#### 4.4. Crown Resorts Group

Updates on the Crown Sydney and One Queensbridge projects are included in the Development Update. Other key issues, including Crown Resorts' litigation matters, are covered in separate papers included in the Board Pack.

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## 5. Net Debt and Cash Flow

Net Debt Movements	YTD 21/10/2018	Forecast 30/06/2019
<b>Opening Net Debt (excl. Working Capital Cash)</b>	<b>221.0</b>	<b>221.0</b>
Theoretical EBITDA	265.6	874.6
Add/(Less): Variance from Theo	(25.4)	(25.4)
Reported EBITDA	240.2	849.2
Working Capital Movements	3.8	(18.3)
Crown Melbourne Maintenance Capital Expenditure	(24.6)	(74.8)
Crown Perth Maintenance Capital Expenditure	(4.8)	(24.7)
Crown Aspinalls Capital Expenditure	(0.5)	(0.8)
Betfair Capital Expenditure	(0.9)	(4.2)
DGN Capital Expenditure	(0.1)	(0.2)
Net Interest	(10.7)	(56.9)
Taxation Payments	(31.1)	(110.7)
<b>Cashflow from Operating Activities</b>	<b>171.3</b>	<b>558.7</b>
<b>Growth Capital Expenditure and Investments</b>		
Crown Sydney Capital Expenditure	(75.3)	(473.9)
Crown Australian Resorts Major Projects Capital Expenditure	(0.7)	(3.7)
Other	5.2	1.2
Dividends Received from Associates	2.1	8.0
<b>Cashflow from Investing Activities</b>	<b>(68.7)</b>	<b>(468.3)</b>
<b>Net Cashflow</b>	<b>102.7</b>	<b>90.4</b>
Dividends Paid	(205.9)	(404.1)
Share Buy-Back	(94.1)	(376.5)
MTM of Subordinated Notes/Foreign Debt	(9.4)	(9.4)
<b>Closing Group Net Debt (excl. Working Capital Cash)</b>	<b>14.3</b>	<b>(478.6)</b>
<b>Closing Group Net Debt (30 June 2018 Plan Update)</b>		<b>(454.2)</b>

<b>F19 Net Debt Roll Forward</b>		
	<b>\$M</b>	<b>\$M</b>
<b>Opening net debt</b>		<b>221.0</b>
Melbourne EBITDA	646.0	
Melbourne theoretical adjustment	(34.6)	
Perth EBITDA	255.1	
Perth theoretical adjustment	15.2	
Aspinall's EBITDA	14.7	
Aspinall's theoretical adjustment	(5.9)	
Wagering and Online EBITDA	19.9	
Corporate	<u>(61.2)</u>	
<b>Total EBITDA at theoretical</b>		<b>874.6</b>
<b>Total theoretical adjustment</b>		<b>(25.3)</b>
Working capital		(18.3)
Dividends from associates		8.0
<b>Capex</b>		
Melbourne	(74.8)	
Perth	(28.4)	
Sydney	(473.9)	
Aspinall's	(0.8)	
Wagering and Online	<u>(4.4)</u>	(582.3)
Interest		(56.9)
Tax		(110.7)
Other (debt MTM)		(9.4)
Dividends		(404.1)
Share Buy-Back		(376.5)
Investments (net)		1.2
<b>Closing net debt</b>		<b>(478.6)</b>

Net cash at 21 October 2018 was \$14.3m (excluding working capital cash of \$177.5m), comprising closing available cash of \$1,120.6m and gross debt of \$1,106.3m. Forecast net debt at 30 June 2019 of \$478.6m is expected to be \$24.4m higher than budget.

The key reason for forecast closing net debt as at 30 June 2019 being higher than budget is that the F19 EBITDA is forecast to be \$25.3m lower than budget due to below theoretical win rates at Crown Melbourne (\$34.6m) and Crown Aspinalls (\$5.9m), partially offset by above theoretical win rates at Crown Perth (\$15.2m).

Total liquidity at 21 October 2018 was \$1,294.3m taking into account available unused facilities of \$173.7m and available cash of \$1,120.6m (excluding \$177.5m of working capital cash).