



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

## November 2016 – Preliminary Results

	November						
	Estimate	Budget	Variance		Actual	Variance	
	Nov-16	Nov-16	F/(U)	F/(U)	Nov-15	F/(U)	F/(U)
	\$m	\$m	\$m	%	\$m	\$m	%
<b>EBITDA @ Theoretical</b>							
Melbourne - Local	48.1	50.2	(2.1)	(4.2%)	53.5	(5.4)	(10.0%)
Melbourne - VIP Program	(1.2)	7.9	(9.1)	(115.1%)	7.8	(9.0)	(115.4%)
Crown Melbourne	46.9	58.2	(11.3)	(19.4%)	61.2	(14.3)	(23.4%)
Perth - Local	19.2	21.1	(1.9)	(9.1%)	19.8	(0.7)	(3.3%)
Perth - VIP Program	(0.8)	0.7	(1.5)	(208.6%)	(0.1)	(0.7)	(859.8%)
Crown Perth	18.4	21.8	(3.4)	(15.7%)	19.7	(1.4)	(6.9%)
Crown Aspinalls	0.8	1.1	(0.3)	(24.7%)	0.7	0.1	20.2%
Wagering & Online	2.0	2.5	(0.5)	(19.2%)	3.6	(1.6)	(44.6%)
Corporate	(11.2)	(8.1)	(3.2)	(39.1%)	(11.5)	0.3	3.0%
<b>TOTAL EBITDA @ Theoretical</b>	<b>56.9</b>	<b>75.5</b>	<b>(18.6)</b>	<b>(24.6%)</b>	<b>73.7</b>	<b>(16.8)</b>	<b>(22.8%)</b>
Depreciation	(23.2)	(23.1)	(0.1)	(0.6%)	(22.9)	(0.4)	(1.6%)
Interest	(8.3)	(8.4)	0.1	0.6%	(11.2)	2.8	25.4%
Taxation	(5.1)	(8.8)	3.7	42.4%	(7.9)	2.9	36.2%
Equity Accounted Result (ex MCE)	0.2	0.9	(0.7)	(74.9%)	0.4	(0.2)	(44.9%)
Minority Interest	0.4	(0.1)	0.4	664.7%	(0.7)	1.0	151.3%
<b>Crown NPAT @ Theo (ex MCE)</b>	<b>20.8</b>	<b>36.0</b>	<b>(15.2)</b>	<b>(42.2%)</b>	<b>31.5</b>	<b>(10.6)</b>	<b>(33.8%)</b>
Crown's share of MCE (Theo)	6.1	6.0	0.2	2.5%	0.7	5.5	829.1%
<b>Crown NPAT @ Theo</b>	<b>27.0</b>	<b>42.0</b>	<b>(15.1)</b>	<b>(35.8%)</b>	<b>32.1</b>	<b>(5.2)</b>	<b>(16.1%)</b>
<b>EBITDA @ Actual</b>							
Crown Melbourne	59.4	58.2	1.3	2.2%	62.4	(2.9)	(4.7%)
Crown Perth	14.5	21.8	(7.3)	(33.4%)	47.6	(33.1)	(69.5%)
Crown Aspinalls	(10.9)	1.1	(12.0)	(1073.0%)	(9.9)	(1.0)	(9.8%)
Wagering & Online	2.0	2.5	(0.5)	(19.2%)	3.6	(1.6)	(44.6%)
Corporate	(11.2)	(8.1)	(3.2)	(39.1%)	(11.5)	0.3	3.0%
<b>TOTAL EBITDA @ Actual</b>	<b>53.9</b>	<b>75.5</b>	<b>(21.6)</b>	<b>(28.6%)</b>	<b>92.1</b>	<b>(38.2)</b>	<b>(41.5%)</b>
<b>Crown NPAT @ Actual (ex MCE)</b>	<b>17.6</b>	<b>36.0</b>	<b>(18.5)</b>	<b>(51.3%)</b>	<b>43.3</b>	<b>(25.7)</b>	<b>(59.4%)</b>
Crown's share of MCE (Actual)	3.2	6.0	(2.8)	(46.3%)	4.2	(1.0)	(23.3%)
<b>Crown NPAT @ Actual</b>	<b>20.8</b>	<b>42.0</b>	<b>(21.3)</b>	<b>(50.6%)</b>	<b>47.5</b>	<b>(26.7)</b>	<b>(56.3%)</b>

The table above shows the preliminary consolidated result for Crown Resorts for the month of November 2016 including the latest MCE management estimates.

November normalised NPAT of \$27.0m is expected to be \$15.1m (36%) below budget and \$5.2m (16%) below last year. Reported NPAT is expected to be \$20.8m which is \$21.3m (51%) below budget.

### Australian Resorts (including Aspinalls)

Australian Resorts normalised NPAT (ie excluding MCE) for November of \$20.8m is expected to be \$15.2m (42%) below budget and \$10.6m (34%) below last year. Reported NPAT (excluding MCE) of \$17.6m is expected to be \$18.5m (51%) below budget and \$25.7m (59%) below last year.

Theoretical EBITDA of \$56.9m was \$18.6m (25%) below budget and \$16.8m (23%) below last year. The main factors impacting the results were:

- In relation to the Australian businesses, **Crown Melbourne** EBITDA was \$11.3m (19%) below budget (Local -\$2.1m or -4%, VIP -\$9.1m or -115%), and \$14.3m (23%) below last year (Local -\$5.4m or -10%, VIP -\$9.0m or -115%). **Crown Perth** was



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

\$3.4m (16%) below budget (Local -\$1.9m or -9%, VIP -\$1.5m or -209%), and \$1.4m (7%) below last year (Local -\$0.7m or -3%, VIP -\$0.7m).

- In Melbourne, local contribution was \$2.1m (4%) below budget and \$5.4m (10%) below last year. Local Tables were \$0.9m (3%) above budget with drop 2% below budget, and hold of 22.0% (vs budget of 20.8%). Slots contribution was \$2.4m (12%) below budget, with turnover 3% below budget and a win rate of 7.8% (budget of 8.3%). F&B was \$0.2m (4%) below budget, mainly due to Casual Dining and Hotels F&B. Hotels were \$0.9m (9%) below budget with below budget occupancy and rate in all three hotels.
- Melbourne VIP theoretical contribution of -\$1.2m was \$9.1m (115%) below budget, with turnover of \$1.4b which was 62% below budget. An above theoretical win rate of 2.71%, resulted in a \$12.6m favourable variance from theoretical.
- In Perth, local contribution was \$1.9m (9%) below budget and \$0.7m (3%) below last year. Local Tables contribution was \$0.8m (9%) below budget, with drop 5% below budget and a hold of 23.3% (budget of 23.3%). Slots contribution was \$0.1m (1%) below budget, with turnover 3% below budget and a win rate of 8.5% (budget of 8.4%). F&B was \$0.7m (28%) below budget predominately due to below budget results in Merrywell, Riverside Room, Silks and Atrium, while Conventions & Entertainment was \$0.2m below budget. Hotels contribution was \$0.3m (10%) below budget with below budget room rates in both hotels. Occupancy was above budget in Metropol, but slightly below budget in Promenade.
- Perth VIP theoretical contribution was \$1.5m below budget, with turnover of \$0.3b which was 72% below budget. The win rate was 0.17%, resulting in a \$0.8m unfavourable variance from theoretical.
- **Crown Aspinall's** theoretical EBITDA of \$0.8m was \$0.3m (25%) below budget and actual EBITDA was \$12.0m below budget with a win rate of -1.81%. Turnover of £0.3b was 8% below budget.
- **Wagering & Online** contribution of \$2.0m was \$0.5m below budget for the month. CrownBet's EBITDA of \$0.7m was \$1.1m below budget, due to below budget customer stakes and higher bonus bets and loyalty expenses, partially offset by an above budget GGR%. Betfair's EBITDA of \$1.5m was \$0.7m above budget and DGN's EBITDA of -\$0.1m was \$0.1m unfavourable to budget.

#### Melco Crown Entertainment (MCE)

Crown's share of MCE's normalised result of \$6.1m is expected to be \$0.2m (3%) above Crown's budget and \$5.5m (829%) above last year. The MCE estimate (normalised EBITDA US\$88.0m, normalised NPAT US\$16.8m, Crown share A\$6.1m) is based on MCE's DOR's and CY16 budget. COD, Altira and Manila reported win rates of 2.46%, 2.67% and 3.15% respectively, while Studio City commenced VIP Program Play during the month with a win rate of 1.38%, resulting in a net unfavourable variance from theoretical of US\$9.5m for MCE.

In comparison to MCE's CY16 budget, normalised EBITDA of US\$88.0m was US\$11.6m (12%) below budget, but US\$27.8m (46%) above last year.



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

- **COD's** theoretical EBITDA of US\$57.0m was US\$4.4m (7%) below budget with VIP roll 15% above budget. COD mass drop was 5% below budget at a below budget hold of 33.5% (vs budget of 36.5%). COD's theoretical EBITDA was US\$0.3m (1%) below last year.
- **Altira's** theoretical EBITDA of US\$2.3m was \$2.3m (50%) below budget, with roll 22% below budget. Altira mass drop was 49% below budget at an above budget hold of 20.9% (vs budget of 18.2%). Altira's theoretical EBITDA was \$0.2m (12%) above last year.
- **Studio City** theoretical EBITDA of US\$21.8m was \$3.5m (14%) below budget. Studio City mass drop was 31% below budget at an above budget hold of 30.8% (vs budget of 26.7%). Roll for the month was \$573m.
- **COD Manila's** theoretical EBITDA of US\$12.5m was \$0.1m (1%) above budget, with roll 5% below budget. Mass drop was 14% above budget, with below budget hold of 25.8% (vs budget of 27.8%). COD Manila's theoretical EBITDA was \$6.1m (96%) above last year.
- **Mocha's** EBITDA of US\$1.9m was US\$1.0m (34%) below budget and in line with last year.

#### Crown Resorts Group

Corporate costs are expected to be \$3.2m above budget due to demerger and REIT related costs, as well as Usain Bolt promotional costs. Depreciation and amortisation is \$0.1m (1%) above budget. Net interest expense of \$8.3m is expected to be \$0.1m (1%) below budget and \$2.8m (25%) below last year.

Reported NPAT for the month of \$20.8m is expected to be \$21.3m (51%) below budget. Crown Melbourne and Crown Perth reported win rates of 2.71% and 0.17% respectively, resulting in a combined favourable variance from theoretical of \$8.7m pre income tax. Crown Aspinalls reported an unfavourable variance from theoretical of A\$11.7m pre income tax for the month with a win rate of -1.81%.



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

#### F17 YTD Preliminary Results and Full Year Forecast

	Year to Date			Full Year		
	Estimate	Budget	Actual	Forecast	Budget	Actual
	Nov-16	Nov-16	Nov-15	FY17	FY17	FY16
	\$m	\$m	\$m	\$m	\$m	\$m
<b>EBITDA @ Theoretical</b>						
Melbourne - Local	244.4	247.3	249.1	582.8	590.8	563.2
Melbourne - VIP Program	16.5	50.5	63.3	30.5	119.8	127.3
Crown Melbourne	261.0	297.8	312.3	613.3	710.5	690.5
Perth - Local	111.2	112.1	105.2	270.1	275.0	261.4
Perth - VIP Program	0.1	3.6	(2.1)	(1.9)	11.7	3.2
Crown Perth	111.3	115.7	103.1	268.2	286.7	264.5
Crown Aspinalls	17.2	15.4	11.3	36.0	34.0	26.5
Wagering & Online	(8.0)	1.1	(12.0)	9.0	26.0	(5.4)
Corporate	(43.4)	(36.7)	(45.8)	(96.4)	(86.8)	(98.4)
<b>TOTAL EBITDA @ Theoretical</b>	<b>338.0</b>	<b>393.2</b>	<b>369.0</b>	<b>830.2</b>	<b>970.4</b>	<b>877.6</b>
Depreciation	(117.2)	(116.6)	(116.3)	(291.9)	(291.2)	(282.8)
Interest	(41.7)	(44.8)	(58.6)	(115.9)	(122.9)	(141.6)
Taxation	(35.8)	(46.4)	(38.8)	(84.5)	(111.3)	(93.7)
Equity Accounted Result (ex MCE)	(1.0)	3.0	0.4	5.7	11.1	(1.4)
Minority Interest	6.3	2.8	4.6	6.7	0.1	5.2
<b>Crown NPAT @ Theo (ex MCE)</b>	<b>148.6</b>	<b>191.2</b>	<b>160.3</b>	<b>350.3</b>	<b>456.3</b>	<b>363.3</b>
Crown's share of MCE (Theo)	39.6	35.4	43.9	103.1	99.0	58.1
<b>Crown NPAT @ Theo</b>	<b>188.2</b>	<b>226.6</b>	<b>204.2</b>	<b>453.4</b>	<b>555.3</b>	<b>421.5</b>

<b>EBITDA @ Actual</b>						
Crown Melbourne	280.6	297.8	332.7	632.6	710.5	663.4
Crown Perth	120.4	115.7	133.5	278.5	286.7	285.8
Crown Aspinalls	(2.2)	15.4	11.9	14.3	34.0	16.0
Wagering & Online	(8.0)	1.1	(12.0)	9.0	26.0	(5.4)
Corporate	(43.4)	(36.7)	(45.8)	(96.4)	(86.8)	(98.4)
<b>TOTAL EBITDA @ Actual</b>	<b>347.3</b>	<b>393.2</b>	<b>420.4</b>	<b>838.0</b>	<b>970.4</b>	<b>861.4</b>
<b>Crown NPAT @ Actual (ex MCE)</b>	<b>153.1</b>	<b>191.2</b>	<b>196.3</b>	<b>353.7</b>	<b>456.3</b>	<b>350.9</b>
Crown's share of MCE (Actual)	42.5	35.4	13.8	108.9	99.0	42.7
<b>Crown NPAT @ Actual before Significant Items</b>	<b>195.6</b>	<b>226.6</b>	<b>210.1</b>	<b>462.6</b>	<b>555.3</b>	<b>393.6</b>
Net gain on sale of MCE	0.0	0.0	0.0	0.0	0.0	602.0
Early debt retirement costs (net of tax)	0.0	0.0	0.0	0.0	0.0	(40.8)
Proposed demerger related costs	0.0	0.0	0.0	0.0	0.0	(9.0)
Aspers impairment reversal	0.0	0.0	0.0	0.0	0.0	35.5
Tax provision – amended assessments	0.0	0.0	0.0	0.0	0.0	(32.4)
<b>Crown NPAT @ Actual after Significant Items</b>	<b>195.6</b>	<b>226.6</b>	<b>210.1</b>	<b>462.6</b>	<b>555.3</b>	<b>948.8</b>

Preliminary normalised YTD NPAT (excluding MCE) of \$148.6m is \$42.6m (22%) below budget and \$11.7m (7%) below last year. Crown's share of MCE of \$39.6m is \$4.2m (12%) above budget, but \$4.4m (10%) below last year.

YTD normalised NPAT of \$188.2m is \$38.4m (17%) below budget and \$16.0m (8%) below last year. YTD reported NPAT of \$195.6m is \$31.0m (14%) below budget and \$14.5m (7%) below last year.

YTD theoretical EBITDA of \$338.0m is \$55.2m (14%) below budget and \$30.9m (8%) below last year.

Crown Melbourne YTD normalised EBITDA of \$261.0m is:

- \$36.8m (12%) below budget (Local -\$2.8m or -1%, VIP -\$34.0m or -67%)
- \$51.4m (16%) below last year (Local -\$4.7m or -2%, VIP -\$46.7m or -74%).



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

Crown Melbourne's YTD reported EBITDA of \$280.6m is \$17.2m (6%) below budget and \$52.2m (16%) below last year.

Crown Perth YTD normalised EBITDA of \$111.3m is:

- \$4.3m (4%) below budget (Local -\$0.9m or -1%, VIP -\$3.4m or -96%)
- \$8.2m (8%) above last year (Local +\$6.0m or +6%, VIP +\$2.2m or +107%).

Crown Perth's YTD reported EBITDA of \$120.4m is \$4.7m (4%) above budget, but \$13.2m (10%) below last year.

Crown Aspinalls YTD theoretical EBITDA of \$17.2m is \$1.8m (12%) above budget and \$5.8m (52%) above last year. Crown Aspinalls YTD reported EBITDA of -\$2.2m is \$17.6m below budget and \$14.1m below last year.

Crown's forecast F17 normalised NPAT is \$453.4m, reflecting results to November and a re-forecast for the remainder of the year. This compares to a budget F16 normalised NPAT of \$555.3m and a prior year normalised NPAT of \$421.5m.

The F17 full year forecast has been updated to reflect the following:

- International Program Play in both properties has been re-forecasted to reflect current assumptions and actions taken in the VIP market resulting in a theoretical contribution shortfall to budget of circa \$103m across Australian Resorts International operations. The situation and impact on operations will continue to be monitored closely.
- Melbourne Local is forecast to be \$8m below budget due to:
  - Slots down by \$10m due to the loss of most of the international market (\$6m) and local market softness (\$4m). Excluding the impact of the loss of the international market local slots will be flat YOY.
  - Hotels (primarily Villas) down by \$2m due to the loss of the international visitation.
  - Offset by additional cost savings (to be identified) of \$4m.
- Perth Local is forecast to be down \$5m on budget due to:
  - Local visitation and spend primarily impacting on slots (\$4m) and F&B (\$2.5m). The market continues to soften with lots of negative media around job losses.
  - Offset by \$1.5m of cost savings (to be identified).
- Aspinall's is ahead of budget by \$2m YTD and is expected to remain \$2m above budget by year end.
- CrownBet EBITDA is \$12.6 million below budget YTD. The key contributing factors are:
  - A shortfall in volume arising from a more pronounced shift to lower value customer base than that budgeted, albeit at a higher and less volatile margin; and
  - Promotion expenditure (in the form of bonus bets and bonus loyalty points) that was significantly above the budgeted rate during the key acquisition period of football finals and the Spring Racing Carnival.

Following the completion of the key Spring Racing Carnival events, CrownBet has revised its full year forecast and is now projecting a full year EBITDA of \$2.1 million, which is \$10.6 million below budget. This represents a \$2.0 million improvement on



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

the YTD position, which is attributable to the anticipated return on the better quality (higher margin) customers acquired in recent weeks as well as a number of cost initiatives.

- DGN is forecasting a break even result for the year (compared to budget of \$6.7m) due to delays in the (i) launch of Lucky Time Slots (launched late August 2016 vs. original plan of July 2016); and (ii) relaunch of Old Vegas Slots (targeting November 2016 vs. original plan of July 2016). These delays impact both revenue and marketing spend forecasts.

## Current Issues

### Australian Resorts Marketing and HR Initiatives

- Crown Melbourne and Perth websites continue to grow in traffic, with just over one million visits in November. Website visits are up 16% in Melbourne and 15% in Perth compared to the same period last year. Key drivers of traffic to the site remain Google SEO (Search Engine Optimisation) and paid advertising for Santa's Magical Kingdom, Christmas Events and Hotels' Flash Sales.
- Crown's Social Media footprint now covers 383,000 users on Facebook (265,000 Melbourne and 118,000 Perth) with 39,400 followers on Instagram and 23,400 on Twitter. The new Crown Towers Perth Facebook page has started strongly both in terms of page fans (driving over 10,000 followers pre-opening) and in terms of engagement with Crown's videos and image posts.
- Crown Melbourne's November activity calendar focused on the launch of the new Loyalty Program, Crown Rewards, with loyalty re-card offers in market to members featuring free status credits, gift vouchers and wine decanters. Other promotional activity focused on promoting the Ultimate Prize jackpot and the new Million Dollar cash draw, Mahjong tournaments, and the CrownBet Rewards special to drive new CrownBet signups. A solid restaurant and bar activity plan was in place, with \$13.95 Value Meals, day of the week specials in San Antone and the Merrywell, \$10 Espresso Martinis and Lumia cocktail specials, with key sports events featuring the English Premier League, A-League and UFC. The major Christmas promotion commenced at the end of November.
- Crown Perth's November activity calendar included the Mega Crown Giveaway on the Casino Floor on Saturday nights, Super Sunday Jackpot across the Casino supported by Sunday Bonus Cash draws, \$250,000 Lucky Time in the Riverside Room Monday to Friday, Super Cash Tuesdays in the Riverside Room, and cash draws in the Pearl Room on Friday nights. The Merrywell Sunday Session series launched in November, and \$13.95 Value Meals ran throughout the month. A high volume of offers were direct marketed to members featuring Extra Play, Complimentary Chips, Bonus Points and Food & Beverage vouchers.
- Crown Rewards launched in Melbourne on 15 November with a strong on-property and customer activation:
  - Over 9,000 staff completed the online Crown Rewards training program and the associated staff competition.





## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

- Crown Melbourne has currently enrolled close to 40,000 members, including 80% of top Platinum and Black tiers. The enrolment of these members has included the collection of additional customer information such as e-mail addresses, the registering of identification to facilitate cashless transactions and the provision of Player Activity Statements to ensure that Crown Melbourne can optimise marketing to the gaming machine customer base.
- The migration of 200,000 CrownBet owned members' is in progress, with the unification process due to finish in early December.
- A phased enrolment plan for Crown Perth is also scheduled to commence in early December subject to the successful migration of CrownBet.
- Initial teething problems impacting the efficiency of member recording and car parking continue to be addressed.

#### *CROWNability*

- There are currently 122 people employed in the CROWNability program across both properties with 67 at Crown Perth and 55 at Crown Melbourne, with a retention rate of 66.3% as at 2 December 2016.
- The International Day of People with Disability was celebrated on 2 December 2016, with a morning tea at Nobu attended by CROWNability ambassador Paralympian Brant Garvey followed by a Crown Resorts marquee at the 2016 Victorian Disability Sport & Recreation Festival.

#### *Learning and Development*

- Crown Melbourne and Crown Perth currently have over 1,200 employees undertaking a traineeship or apprenticeship.
- The 500 Training Places initiative continues with 338 enquiries received since August 2015. We have hosted information sessions for 206 interested applicants and 70 have enrolled in the program. Crown College has issued 40 qualifications.
- The Crown Melbourne Executive General Manager of Human Resources, Alicia Gleeson and fellow representatives of Crown, have:
  - Presented to the Victorian Government's Auto Transition Taskforce on the 500 Training Places initiative on Tuesday 15 November;
  - Presented two information sessions at Futuris (Ford) before their shutdown resulting in three candidates being enrolled in the current Security course;
  - Presented two enrolment sessions off-site this month at Boshoku Toyota, resulting in 54 students being enrolled in an 11 month Hospitality program commencing in January 2017. Over the last few days Crown has called 19 of the second tier suppliers of Toyota to promote the 500 Training Places program.
- Crown College hosted a tour and lunch with Jimmy Phan (Koto Vietnam) and hosted the City of Osaka Delegation and the Chiba No Mmirai Association culminating in a tour and presentation for the Consulate-General of the Republic of Korea in a Melbourne Kimchi master class.



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

---

- Crown College International CRICOS (Commonwealth Register of Institutions and Courses for Overseas Students) registration audit has been confirmed for January 2017.

#### *Awards update*

- Crown Perth was named the gold winner at the 2017 WA Tourism Awards – Education and Training.
- Crown College was named the gold winner at the Brenden Hall Excellence Awards - Best Strategy for a Corporate Learning University.
- Group Manager Indigenous Programs, Sean Armistead, was the winner of the prestigious Private Sector Employee Award 2016 at the Victorian Aboriginal Education Association Inc. (VAEAI) Wurreker Awards.

#### *Indigenous Employment Program*

- The Crown Indigenous Employment Program (IEP) has increased the number of Indigenous employees over the past two months to 216, with 106 at Crown Melbourne and 110 at Crown Perth. The total number of hires to date under the program is 629.
- Crown IEP members attended a ministerial round table with the Minister of Aboriginal Affairs, The Hon. Leslie Williams, The Hon. Greg Pearce and Warren Mundine, discussing the NSW report on Indigenous Economic Development.
- Crown IEP in conjunction with the Victorian Indigenous Programs network confirmed Crown Melbourne as the host and location of the Indigenous Careers Expo in February 2017.
- Sam Muir, acting Employee Communication Advisor, was awarded the Ganbina "Youth of the Year Award." Ganbina is a close partner of the IEP with Group Manager Indigenous Programs, Sean Armistead, the newly elected chair.
- Crown IEP continues to participate in the Indigenous Executive leadership program.

#### *LGBTI*

- The Crown Resorts LGBTI Steering Committee will hold its first meeting on 19 December with a view to developing a strategy which will align with the requirements of the Australian Workplace Equality Index.

#### *Gender Equity*

- The Group Steering Committee and property specific Advisory Committees are being confirmed during December.

#### *Cost Initiatives*

- As a result of current trading in both Melbourne and Perth a detailed review of costs across both properties is underway. The review will include all Business Units and expense categories.





## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

#### Crown Melbourne

##### *Performance Enhancement*

- Melbourne is experiencing significant softness in its gaming machines business, both local and international, and has implemented a comprehensive action plan to address the trend. Actions completed or underway include:
  - A number of initiatives designed to differentiate Crown from the pub and club market and utilize enhanced system capabilities to deliver new bonusing and jackpot products to the customer, including:
    - Million Dollar Cash Draw, a complex wide cash draw supported by promotional and advertising activity;
    - Ultimate Showcase Jackpot with the opportunity to win a car via a loyalty members draw;
    - Crown's Lucky Lotto and Carded Lucky Rewards, promotions aimed at members and non-members delivered to the customer via the service window mechanism at the machine;
    - World of Jackpots on-floor collateral and signage to support the new product and jackpot launches;
    - New machine product aimed at the VIP1 tier customer introducing higher spend, more volatile games;
    - Introduce a \$750k floor-wide mystery link jackpot;
  - Enhance drinks service in the Riverside Room for Gold tier and above;
  - Review rostering of Gaming Machines and F&B service staff;
  - Extend successful Black tier personalized hosting service model to include Platinum tier;
  - Investigate the use of facial recognition software at the Teak entry to reduce labour cost;
  - Significantly increase the number of VIP events to drive extra visitation out of this key segment;
  - Know Your Customer service model designed to service the many VIP (Black and Platinum) customers who frequent the Main Gaming Floor and routinely miss out on VIP service;
  - Review and potentially restructure the technical operations team to reduce cost and increase effectiveness and flexibility;
  - Review and reduce response times for drink service to high denomination zones;
  - Explore opportunities to run more traditional poker machine tournaments;



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

- Create new and unique events targeting VIP tiers via the increased use of underutilized VIP assets such as jets, villas and salons;
- Investigate a new Teak Room non-smoking option;
- Introduce a \$5 Food Frenzy value meal offer as part of a “Things are Bigger at Crown” promotion to counter the pub and club offering;
- In addition to the above, a working group consisting of senior executive and marketing management has been convened to look at additional initiatives above and beyond the aforementioned actions.
- Table Games F17 YTD November performance remains positive with contribution of \$144.2m, being above budget by \$1.6m or 1.1% and \$3.6m or 2.6% up on the prior corresponding period (pcp). .
- Main Gaming Floor (excluding Poker and eTGs) activity November YTD was marginally down on budget by 1.3% but up 2.1% on the prior year. Activity softened through November on the back of weaker than expected patron hours. A slightly stronger hold (25.2% v budget of 25.0%) offset some volume weakness for the month.
- Electronic Table Games (eTGs) volumes for November YTD were 3.2% below expectations. However, almost 6% ahead of the prior year. Stronger hold performance in the early part of F17 assisted, with revenue up 0.7% on budget and up 9.6% on the pcp. While the overall performance remains positive, recent patron hour weakness on the eTG product is the primary concern. The new Interblock product, introduced through Q1 F17, has had a mixed start with the Roulette product tracking ahead of expectations and the Big3Six a little softer. Rationalisation of the Big3Six product will occur through December.
- The encouraging Poker performance from F16 has continued through the November YTD period. The early start to the Aussie Millions satellites, higher level cash games and continued focus on game pricing combined to bring revenue in 2.2% above budget and 3.1% above the pcp.
- Premium Table Games continued to show underlying strength through the November YTD period. While volumes of \$871m were up 0.2% on budget and 1.6% on the pcp, a stronger than expected hold may have put some downward pressure on the overall activity metric. Notwithstanding, the hold assisted revenue growth, with total revenue of \$177.7m representing a lift of 2.2% on budget and 4.1% on the pcp.
- Volumes in Main Gaming Floor Premium finished the November YTD period down 2.3% on budget but up 4.8% to the pcp. The Maple Room has continued to experience stronger than expected hold, which has put some downward pressure on both volumes and patron hours. The Maple Room expansion, completed in September with an additional seven tables, has continued to provide benefit to the overall Premium experience.
- The Mahogany Room experienced a record week during the Spring Racing Carnival period of November with strong performances being recorded from both local and non-local players. On a November YTD basis, volumes were up on budget by 3.5%



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

but 2.1% lower than the pcp. The YTD hold remains softer than expected, albeit up significantly on the pcp. Revenue for the November YTD period finished down 1.9% to budget but 4.8% up on the pcp. The relay of Pit 25 to accommodate eight additional BA16 tables, which concluded mid-September, has been well received.

- The Table Games Interstate business, which had a slow start to the year, has continued to show encouraging performance. Turnover for the November YTD period of \$2.3m was 21.4% up on budget and 26.3% up on the pcp driven by the greater use of the jet and a more coordinated event and promotional calendar. The overall theoretical contribution of \$9.9m was \$2.1m or 27% above budget, while above theoretical hold has assisted actual contribution.
- Gaming Machines' November YTD contribution of \$97.8m was \$5.1m or 4.9% below budget and \$5.7m or 5.5% below the pcp. \$1.5m or 30% of the contribution shortfall to budget is due to a five week period of poor hold across August/September resulting in YTD hold of 8.1% vs budget of 8.3%. Gaming Machines' November YTD turnover of \$2.3bn was 2.3% below budget and 0.8% above the pcp. Interstate & International turnover has grown 32.6% above pcp, predominantly from the NSW and North Asian markets. However, local turnover has declined 3.0% on the pcp, predominately from Gold and below tiers. North Asia has started to decline in recent weeks.
- Key Gaming Machines VIP events for early November focused on the Spring Racing Carnival for the Signature Black tier. The Crown Rewards Black Tier Cash Draw was well attended, as was the \$75k Cash Draw. The Platinum Points Draws in the Palladium continue to attract strong volumes with over 500 members and more than 700 people in total enjoying the event. The Platinum Hosting team continue to focus on driving visitation through Mesh dinners, Conservatory Birthday dinners and Palms concert ticketing.
- Key jackpot and bonusing initiatives continue to be executed in both the mainstream and VIP markets, including the World of Jackpots Displays and the Million Dollar Cash Draw every Sunday. Other new initiatives planned for early 2017, include a first-to-market jackpot labelled 'Crown Lucky Lotto Jackpot,' and 'Carded Member Rewards'. A number of new gaming machines have also been launched, namely Ironman, Batman, Robin and the IGT link Cash Climb.
- Crown Rewards has registered over 53,500 new sign-ups YTD, up over 6% on the prior year. The CrownBet opt-in rate was at a program high of 72% in October. The proactive service initiatives *Know Your Customer* (interacting with Platinum and Black tiers on the Main Gaming Floor) and Surprise and Delight (beverage service) to high denomination rooms are working well with hundreds of customers having interactions daily.
- Food & Beverage's November YTD contribution was \$0.8m or 3.2% above budget and \$2.4m or 10.1% above the pcp. Bars continue to drive strong results, supported by solid results in Premium Restaurants and Events & Conferencing. Casual Restaurants have been a little soft reflective of patchy mainstream visitation to the property.
- Hotels November YTD contribution was \$0.9m or 2.1% below budget and \$0.5m or 1.3% below the pcp. Occupancy levels and rates have been steady across all three hotels. Villas are being noticeably affected by lower Gaming usage. November was



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

a difficult month, with lower Groups and VIP Gaming visitation, adding to a subdued Spring Racing Carnival (Melbourne Premium Hotel revenue was down 6% on the pc).).

#### *Other Issues*

- Federal Court proceedings have been issued against Crown and Aristocrat by Shonica Guy alleging that Crown and Aristocrat have engaged in misleading and deceptive conduct under Australian Consumer law and/or Trade Practices Act by offering for play a particular electronic gaming machine (Dolphin Treasure) where the features of the Dolphin Treasure carries an oversized fifth reel and an uneven distribution of symbols – the effect is asserted as misleading and deceiving consumers. Crown and Aristocrat will defend the claim by denying the allegations and relying upon the voluminous nature of State and Federal legal and regulatory requirements and hurdles that any gaming machine must adhere to before being launched or made available to play and that the Dolphin Treasure has passed all such approvals. A case management conference was held on 16 November 2016 and a timetable for pleadings was set with a further case management conference (directions hearing) to be fixed in February 2017.
- Due to works associated with the Citylink/Tulla Widening Project, the following land, which Crown Melbourne leases from the State, has been temporarily occupied until June 2017:
  - 71-75 Clarke Street and 127-135 Clarendon Street which Crown operates as staff car parks;
  - 73-79 and 78-80 Haig Street which Crown has sub-leased to Care Park and Ace Car Park.

These staff car parks will be unusable during the period of the works and Crown Melbourne has entered into a lease with VicRoads for the temporary use of replacement car parking at premises on the corner of Montague and Munro Streets which commenced on 16 January 2016. Crown is currently liaising with VicRoads (and their solicitors) in relation to the compensation that Crown is entitled to for these acquisitions. So far Crown's claims have been accepted and are being paid once the relevant documentation has been agreed and signed by both parties. Crown is also communicating with the State in relation to a new lease or other arrangements (which may include a State sale to Crown, subject to agreed valuation/sale price being agreed) in relation to the above premises (the current relevant lease expires August 2017). Notification has recently been received from Victorian Government of a significant rental increase which would apply for the final 9 months of the lease. Whilst the State has the right to re-appraise the rent every 2 years, there has not been a rent re-appraisal since 2006. It appears that the driver for this significant rent increase so close to the lease expiry may be to set a reference point for the valuation of the land if it was sold after the lease expires. It is believed that the rent increase is above the market rate and a response is being prepared with a view to negotiating a lower figure.

- Crown Melbourne and United Voice reached in-principle agreement for a new Enterprise Agreement in early November and have completed the drafting phase. The formal seven day access period in relation to the Agreement started on 2 December 2016 with voting to commence from 10 December 2016.



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

#### Crown Perth

##### *Performance Enhancement*

- The key focus of late has been Crown Towers which opened to the paying public on 1 December with the official opening to follow on 14 December. Crown Towers consists of 500 rooms and is clearly Australia's premier six star hotel. Guest feedback to date has been overwhelmingly positive particularly around the pool, the quality of the rooms and the dining and bar options.
- Local Table Games' contribution for November YTD was \$0.3m or 0.6% above budget and \$5.4m or 13.9% above the prior year. Local Premium has sustained strong hold across the current YTD and coupled with stable weekly drop volumes has been the key driver to a positive revenue position against budget.
- Regular Table Games' contribution for November YTD was \$2.3m or 6.2% below budget but \$4.6m or 15.0% above last year. Solid growth in electronic tables, Roulette and Baccarat had provided a counter balance to the growing macro challenges being faced by the broader business and local economy with recent peak periods seeing a reduction in casual customer visitation. Recovering this volume remains the focus as the Christmas peak season approaches.
- To capitalise on the growing popularity of electronic table games, a second multigame (semi-automated) stadium was installed on the Main Gaming Floor in late November, as revenue from this product continues to grow.
- Gaming Machines' November YTD contribution was above budget by \$1.2m or 1.5% and above last year by \$5.8m or 7.5%. Weekly Gaming Machine volumes had recovered through the first quarter but experienced the same seasonal decline as F16 in October and November. Similar to Table Games and other areas of the business, casual customer visitation has declined. Somewhat encouraging is the relative strength of the loyalty club member activity, with patron hours and unique customer volumes stable despite the underlying spend per visit challenges.
- The new Riverside Room (expanding Gaming Machines into the space previously occupied by Yu Restaurant) opened in early September and has been very well received by customers. Some product and environmental refinements have been made subsequent to opening, further enhancing the customer experience.
- The new Riverside Room replaced the former Meridian Room and, in December, the space previously occupied by the Meridian Room will be opened to the Main Gaming Floor footprint. The expansion allows for additional gaming product but also delivers a new bar and two additional smoking terraces to the Main Gaming Floor. The expansion will provide an opportunity to yield the increased capacity across the Christmas and New Year peak periods.
- Food & Beverage contribution November YTD was \$2.0m (15.7%) below budget and \$2.5m (18.6%) below last year due to a steady decline in spend per visit and beverage sales, in particular coupled with the impact of bad winter weather, the WA AFL teams not performing as well this year and a more recent decline in VIP / Junket spend in the premium space. The theatre has also seen softening attendance numbers in recent months culminating in the cancellation of 'We Will Rock You' which was due to commence in November.



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

- Key events November YTD included Melbourne Cup, the Ultimate Baccarat Championship Qualifiers and Final, Soccer Ball Lucky Draw, various sporting events such as the Bledisloe Cup Games 1 and 2, WA AFL Derby and AFL Finals Series, UFC 202 Diaz vs McGregor and UFC 205 Alvarez vs McGregor, the Queen's Birthday Long Weekend and the opening of the new Riverside Room in September, whilst Eve Nightclub has also hosted 'Bow Wow', 'A\$AP Ferg', 'Sean Kingston' and the RnB Fridays Official Afterparty featuring 'Nelly'.
- Conventions' November YTD contribution was \$0.3m (8.9%) below budget and \$0.1m (5.3%) below last year mainly due to reduced attendances at key events and declining theatre bar revenue. Key events YTD included the Melbourne Cup Luncheon, Ronald McDonald House Charities Ball, HBF Awards Dinner, AHA Excellence Awards, REIWA Conference, Fremantle Football Club DOIG Medal, the 2016 WA Football Awards, the Parkerville Children & Youth Care Lunch, Capricorn Society Dinner, Chevron NAIDOC Ball, Variety of Chefs 2016 Ball, RAC Stars 2016, Altitude Ball, WA Aids Council Styleaid 2016, WACSSO Conference, the 2016 Youth Focus Ball and West Coast Eagles Luncheon.
- Entertainment's contribution November YTD was \$0.4m below budget and \$1.5m below last year largely due to July trading which included 28 performances of the Theatre show 'Georgy Girl' which performed below expectations. The original budget assumed the show would deliver venue rental of 29 performances, however Crown had to purchase the show outright in order for it to go ahead in Perth. November also saw the cancellation of the budgeted show 'We Will Rock You'.

The following are confirmed future events in the Theatre:

Avenue Q (17 performances)	November/December
Santa's Magical Kingdom – Crown Pyramid (40 shows)	December
Singin' In the Rain (37 performances)	December/January
Icehouse 40 Years Live (2 performances)	February
Beatles Orchestrated	February
The Hollies	February
Oh What A Night	February
Suzi Quatro	February
Matilda the Musical (79 performances)	March/May
Hammer of the Gods	May
Julia Morris – Lift & Separate	May

- Hotels' contribution YTD November was \$0.3m (2.2%) below budget and \$0.4m (2.4%) below last year. Combined occupancy levels at were slightly up on budget and the previous year due to a consistent group business base. As has been the ongoing trend for the Perth accommodation market, average room rates continued to fall below budget and the prior year in both hotels although Crown hotels' rate performance remained above their respective competitor sets. The leisure market continues to be challenging in terms of visitation and rate, again driven largely by market conditions. This shortfall was partially offset by a steady corporate market, coupled with the secure base of Virgin airline crew and the group base previously mentioned.





## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

#### *Other Issues*

- Crown has been recognised as a finalist in the 2016 Australian Human Rights Commission (AHRC) Business Award, acknowledging our practical and policy commitment to promoting and advancing human rights in Australia. Crown's nomination is following the completion of the AHRC national inquiry into practices, attitudes and Commonwealth laws that deny or diminish equal participation in employment of older Australians and Australians with disability. The AHRC Willing to Work Inquiry Report was launched at Crown Perth in July 2016 and contained two references to Crown Resorts for our innovation and commitment to employing people with disability. The AHRC Awards ceremony will be held in Sydney on Friday, 9 December 2016.
- In advance of opening on 1 December, all Crown Towers Perth recruitment deadlines were met for approved positions, with 375 roles filled. This includes 104 successful internal appointments, which is just below 30% of total appointments to date.
- The overall fire engineering assessment for the casino main gaming floor has been finalised and approval granted by the Department of Fire and Emergency Services (DFES) for Crown Perth to implement an Alarm Investigation Facility (AIF) in accordance with Australian Standard 4428.10-1998 "Fire Detection, Warning, Control and Intercom Systems - Control and Indicating Equipment - Alarm investigation" (AS4428.10). The AIF, which has now been installed across all Crown Perth fire panels, provides Crown Perth with additional time to investigate fire alarms, with the expectation that this will significantly reduce the number of false fire alarm activations. Crown Perth otherwise continues to work with DFES to manage its false fire alarm activations to both reduce the significant cost to the business and to ensure that action is not taken by DFES to disconnect Crown Perth from the Direct Brigade Alarm.
- The Department of Racing, Gaming and Liquor has approved the alteration / redefinition of the Casino Liquor Licence to include the Crown Towers Perth hotel and associated facilities. The Commission has also approved 30 additional gaming tables for use in the Crown Towers Perth gaming salons, with the salons having been commissioned by the Department in late November.
- Crown Perth has recently received increased complaints from residents of the Burswood Peninsula relating to waste collection, light and noise pollution, service road nuisance and cooling tower maintenance. The complaints are focused on the opening of Crown Towers Perth and Crown Perth has been informally advised that the Town of Victoria Park (**Town**) has been approached with respect to supporting an injunction action being commenced by the residents. The Town at this stage has declined to support the proposed action. Crown Perth has formed a Noise Management Committee and is managing the complaints with the Town, which has included the engagement an acoustic specialist to complete a noise assessment of the Crown Towers Perth plant and equipment and general Crown Perth operational activities. A preliminary report from the specialist confirmed that rectifications were required to a banquet exhaust fan, which have now been undertaken and the fan made compliant. All other plant and equipment appear at this stage to be compliant with the noise regulations. The residents are however expanding their potential claim to include general nuisance.





## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

- Crown Perth has executed the Supplementary Agreement to Schedule 1 of the *Casino (Burswood Island) Agreement Act 1985 (State Agreement)* allowing certain cruise ships to conduct gaming as an ancillary service outside a distance of 12 nautical miles from a land-based destination. The definition of “cruise ship” has been restricted to include (a) any vessel that; (i) has a minimum capacity of 100 passenger berths; (ii) is conducting a scheduled deep water cruise; and (iii) is transiting through Western Australian ports from and to locations overseas; or (b) any vessel that: (i) has a minimum capacity of 100 passenger berths; and departs from Fremantle to conduct a scheduled deep water cruise; and (iii) transits through Bunbury (or south of Bunbury) or Geraldton (or north of Geraldton) and is scheduled to remain in the Western Australian port for at least six hours before the remainder of the deep water cruise. The conduct of gaming on cruise ships other than as prescribed in the State Agreement (including gaming on cruise ships within 12 nautical miles of Perth) remains otherwise prohibited in the Western Australia. We understand that the Minister's office did not commence the process for ratification of these amendments with enough time before Parliament rose and accordingly these amendments have not been put into effect. It is likely that the amendments will now only be considered when the new Parliament commences after the State election in March 2017.
- The Town has approved the installation of the Crown Pyramid event tent. The tent, which will be located in Car Park 4 (adjacent to the Riverside Entry), is 132 metres long, 66 metres wide and occupies approximately 6,000 square metres. Crown Perth representatives are presently working with the tent supplier and installer (Unique Tents) to satisfy the approval conditions including structural certifications, emergency management planning and operational elements. The tent is expected to be operational from 9 December 2016, with “Santa’s Magical Kingdom” being the first scheduled event.

#### MCE

##### *City of Dreams Manila*

- Okada Manila is scheduled for a soft opening on 21 December 2016. Latest information indicates they will be getting 153 VIP tables, 200 mass gaming tables and 3,000 slots. New supply from Okada should drive total market share growth but will likely cannibalize GGR of the three casinos.
- A new fixed room junket is to be rolled out by December with Tak Chun, which will comprise 8 tables.

##### *City of Dreams Macau*

- COD Macau will undertake several improvement and renovation work projects from October 2016 to March 2018, including some gaming and gaming area related improvements. The budgeted cost of the renovation projects is US\$80 million.
- The new Zaha Hadid hotel tower (named “Morpheus”) at COD Macau is expected to open in April 2018. The original budget of US\$962m for the development and construction of this new hotel tower has been reforecast to US\$1,022m, mainly driven by higher construction costs.



## **Crown Resorts**

### **Chief Executive Officer's Report – 14 December 2016**

#### *Studio City*

- Studio City Company Limited ("SCC") completed its international offering of US\$1.2b senior secured notes. The offering consisted of US\$350m aggregate principal amount of 5.875% senior secured notes due 2019 and US\$850m aggregate principal amount of 7.250% senior secured notes due 2021.
- The 2019 Notes and the 2021 Notes were each priced at 100%. SCC intends to use the net proceeds from the offering, together with cash on hand, to fund the repayment in full of the HK\$10,855,880,000 senior secured term loan and revolving facilities agreement.
- SCC has also entered into an agreement with, among others, Bank of China Limited, Macau Branch, to amend, restate and extend the Existing Senior Secured Credit Facilities to provide for senior secured credit facilities in an aggregate amount of HK\$234,000,000 (the "2021 Senior Secured Credit Facilities").
- The Notes will be senior secured obligations of SCC, rank equally with all of SCC's existing and future senior indebtedness (although any liabilities in respect of obligations under the 2021 Senior Secured Credit Facilities that are secured by common collateral securing the Notes will have priority over the Notes with respect to any proceeds received upon any enforcement action of such common collateral) and rank senior to all of SCC's existing and future subordinated indebtedness. The Notes are guaranteed by Studio City Investments Limited and all of the subsidiaries of SCC on a senior basis. MCE is not a guarantor for the Notes.

#### *General*

- The VIP market has started to show hints of a stabilizing trend, with September and October VIP GGR up 6% yoy and 8% yoy, respectively.
- Macau Mass GGR has shown positive yoy figures over the past four consecutive months (July - October), with a similar trend for the slots market.

#### **Crown Aspinall's and Aspers (UK)**

- Following the conclusion of the UK Gambling Commission's investigation into Crown Aspinall's anti-money-lending and anti-money laundering compliance processes, which was undertaken at the same time as similar investigations into the compliance processes of a number of other Mayfair casinos, the Gambling Commission has now commenced a campaign across all UK casinos (including the Aspers casinos) of having them improve their anti-money-lending and anti-money laundering compliance processes. The casinos' response is being coordinated by the UK industry association, the National Casino Forum.

#### **Wagering – CrownBet and Betfair**

##### *CrownBet*

- CrownBet has been informed that it has been successful in its proposal to become the digital wagering operator for ClubsNSW. This arrangement remains confidential while the final details are agreed and the necessary internal approvals are sought. Additional detail on this agreement is provided in a separate paper.



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

- Since the last update, CrownBet has generated record levels of activity, including:
  - October monthly stake of \$226.5m was the first time stake exceeded \$200m in a month;
  - November monthly revenue of \$25.5m was the first time revenue exceeded \$25m in a month;
  - November real money actives of 101,555 was the first time real money actives exceeded 100,000 in a month;
  - November first time bettors of 25,101 was the first time CrownBet acquired over 25,000 new real money customers; and
  - CrownBet's system coped very well with the increased load, peaking at 4,205 bets per minute on Melbourne Cup day, over 60% up on the peak load experienced on Melbourne Cup day 2015.
- However, the customer acquisition costs associated with the significant growth in the customer base, as well as the significant competition in the market, has caused EBITDA performance to fall behind budget. YTD EBITDA to the end of November was a loss of \$9.2m, \$11.8m below the budgeted profit of \$2.7m. Given the strong underlying level of activity generated during the Spring Racing Carnival, CrownBet expects its existing business to clawback some of the budget shortfall through the remainder of the financial year to post an EBITDA profit of \$2.1m for FY17, \$10.6m below budget but \$16.4m better than the FY16 result.

#### *Betfair*

- Indicative results for Betfair in November show another record month, with revenue expected to finish at \$5.7m (15% up on budget and 26% YoY) and EBITDA at \$1.5m (85% up on budget and 189% YoY). Key drivers include; the US Election (\$288k), which resulted in Betfair's best ever Exchange Commission day at \$420k, and; growth from across our high value customer segments following Project Reboot and the influx of liquidity from Betfair UK customers into Australian markets.
- Following Project Reboot, Betfair has launched new front end desktop and mobile channels in Beta, with a steady ramp of customers onto the new sites. Feedback has been positive and full migration and decommissioning of the legacy channels is expected throughout December.
- Over recent months Betfair has reengaged in discussions that have been ongoing for a number of years regarding the high rate of race field fees Betfair is paying Racing Queensland. Betfair has been informed that from 1 January 2017 the rate will drop from a turnover rate (equating to 43% of revenue) to a revenue rate of 35%. In response, Betfair will be reducing the price charged to customers (which will broadly be contribution neutral) and will push the product aggressively.
- The Betfair senior leadership team is increasing the company focus on staff engagement and talent development, with the roll out of an engagement survey in October benchmarking against top Silicon Valley tech companies. Several areas identified are being worked on, with talent retention and development being seen to be key to Betfair's long-term success.



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

---

#### *Legal and Regulatory*

- Both CrownBet and Betfair have joined as founding members of Responsible Wagering Australia (**RWA**), a new representative body for the online wagering industry. RWA will commence in December 2016 and replace the defunct Australian Wagering Council. RWA has an independent board of directors (chaired by former Liberal Senator for Tasmania, Richard Colback) and its Executive Director will be Labor Senator, Stephen Conroy. RWA has in place strict requirements for its members in terms of consumer protection and harm minimisation, enshrined in a publicly available code of conduct. RWA will be critical in assisting to navigate through regulatory headwinds in CY17.
- The *Interactive Gambling Act Amendment Bill* was introduced to Federal Parliament in November. The Bill will amend the *Interactive Gambling Act 2001* to implement the recommendations contained in the O'Farrell Review aimed at preventing offshore wagering and prohibiting "click to call". CrownBet and Betfair have made a number of submissions, focussing on a small number of important practical considerations that have been overlooked. The Bill will likely pass into law in February 2017 and will provide commercial advantages for both CrownBet and Betfair by prohibiting offshore operators taking bets from Australians.
- The development of the proposed "national consumer protection framework" continues at pace. State and Territory Ministers reached agreement with the Commonwealth Government that a nationally consistent set of consumer protection and harm minimization rules be implemented in 2017. The Commonwealth has an aggressive timeline (April 2017) which the States have expressed significant concern with. CrownBet and Betfair support the framework, which will provide much needed consistency and regulatory certainty for online wagering operators, however, caution must be exercised as regards a number of elements of the framework (e.g. inducements (and its application to loyalty programs) and the mooted national self-exclusion register).
- The South Australian Parliament has passed into law a 15% consumption tax for online wagering operators. The tax will commence in July 2017 and will negatively impact CrownBet and Betfair, however, the financial impact is minimal as South Australia represents only a small part of each company's business. Management continues to engage with the SA Labour Government to mitigate the impact by allowing for greater deductions based on the contributions already made in South Australia. We will continue that work with the South Australian racing industry and RWA over coming months.
- CrownBet extended its online category leadership in responsible wagering and harm minimisation during Responsible Gambling Awareness Week in October. CrownBet used this as an opportunity to launch a national responsible wagering advertising campaign (via FTA and Pay TV and national press), deploy the dedicated consumer protection microsite that was built in partnership with Onseo and roll out "Bet Lock Out", a new responsible gambling tool for customers that is without peer in the global online wagering marketplace. We saw an unprecedented increase in customer access and use of CrownBet's responsible gambling website and tools and received positive feedback from key partners, responsible gambling bodies and regulators.



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

---

#### Crown Resorts Group

- The NSW Land and Environment Court heard the appeal by the Millers Point Residents Action Group against the Mod 8 and Crown Sydney planning approvals on 15 and 16 November. Counsel reports that the hearing went well and a decision is possible prior to Christmas, but more likely early in the New Year.

Should the appeal be successfully defended and not further appealed, then Crown will be required to pay the first instalment of the purchase price for the land and to provide security for the balance of the payments of the purchase price. A separate paper is included in the Board Pack seeking approval for bank facilities to be entered into so that the required security can be put in place.

In the meantime, Crown and Lendlease are proceeding with construction work, comprising mainly the construction of underground support structures.

Discussions are continuing with BDA and Lendlease in relation to the potential impact on Crown Sydney's view corridors and amenity as a result of the proposed commercial development height on Barangaroo Central.

- Crown is continuing to liaise with the Victorian Department of Planning and other public authorities (including the City of Melbourne) in relation to the application to the Victorian Minister for Planning to amend the City of Melbourne Planning Scheme to permit the development of the Queensbridge Hotel Tower and to declare the project one of State Significance.

Financing discussions with both domestic and Asian banks are ongoing. Detailed presentations have been made to three relationship banks (Bank of China, Westpac and ANZ) and indicative term sheets have been received from the three banks. The proposals from the banks largely meet Crown and Schiavello's objectives, however further negotiation and refinement of the terms has been deferred until the receipt of a planning approval for the project.

A preliminary 'awareness' campaign for the residential apartments has commenced with a web site operated by Knight Frank now live where potential purchasers can register their interest in the project.

Discussions with the Schiavello Group regarding the terms of the long form joint venture documentation are progressing.

More detail is provided in the Development Update included with the Board Pack.

- In respect of the Alon Las Vegas project, Crown has supported Andrew Pascal's efforts to market the project to raise the estimated US\$600m needed to complete the equity funding.

Alon has approximately US\$19.5m in cash on hand as of the end of November 2016. Alon management has been directed to tightly manage the monthly expenditure in light of the protracted time line for the financing.

Alon management has engaged two firms to assist in sourcing strategic equity investors; Dial Partners and Silverstone Capital. These firms have been facilitating new investor engagement with the company based upon the revised financing presentations which incorporate asset monetization. The revised financing structures



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

outline the opportunity to deleverage the project through the sale of the retail and boutique hotel assets. These alternatives provide for the opportunity to recapitalise the project during the development cycle through the monetisation of non-core assets, which effectively serves to reduce the total project cost.

- Settlement discussions with the Intercontinental Hotel Group (IHG) regarding conflicts between Crown Resorts' trademarks and IHG's "Crowne Plaza" trademarks, primarily related to hotel branding and marketing, are continuing. [REDACTED - PRIVILEGE]

[REDACTED - PRIVILEGE]

[REDACTED - PRIVILEGE] However, the parties are meeting regularly by teleconference to try and finalise a settlement deal. In the meantime, the parties have agreed to put on hold the various legal proceedings in the USA, UK, Europe, Hong Kong and Macau and to concentrate on the settlement negotiations.

[REDACTED - PRIVILEGE]
- On 9 September 2016 Cannery completed its sale of The Meadows in Pittsburgh. Subsequently, Crown surrendered its Pennsylvania casino licence. Cannery's sale of its two Las Vegas properties to a subsidiary of Boyd Gaming for approximately US\$230 million is scheduled to be approved by the Nevada Gaming Control Board on 19 December 2016 with completion understood to follow soon thereafter. Crown has already lodged an application to surrender its Nevada gaming licence subject to completion occurring.





## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

## Net Debt and Cash Flow

CONSOLIDATED CASHFLOW AS AT 31 October 2016	October Actual	YTD Actual	F17 Forecast
<b>OPENING NET DEBT (excl. WORKING CAPITAL CASH)</b>	<b>(1,953,928)</b>	<b>(1,962,704)</b>	<b>(1,962,704)</b>
<b>OPERATING CASHFLOW</b>			
<b>Crown Melbourne</b>			
EBITDA at theoretical	62,865	214,077	621,304
Variance from theoretical	455	7,066	7,066
<b>EBITDA at Actual</b>	<b>63,319</b>	<b>221,143</b>	<b>628,370</b>
Working Capital Movement	10,655	16,640	(2,420)
CAPEX	(4,950)	(28,163)	(81,625)
<b>Crown Perth</b>			
EBITDA at theoretical	22,258	92,950	273,172
Variance from theoretical	(1,676)	12,883	12,883
<b>EBITDA at Actual</b>	<b>20,583</b>	<b>105,833</b>	<b>286,054</b>
Working Capital Movement	7,512	12,842	1,073
CAPEX	(9,122)	(61,835)	(137,239)
<b>Crown Aspinalls</b>			
EBITDA at theoretical	1,326	16,313	36,027
Variance from theoretical	(2,307)	(7,695)	(7,695)
<b>EBITDA at Actual</b>	<b>(980)</b>	<b>8,618</b>	<b>28,332</b>
Working Capital Movement	(26,032)	(45,555)	6,303
CAPEX	(473)	(999)	(6,459)
<b>Wagering and Online</b>			
EBITDA at Actual	(5,107)	(9,994)	9,048
Working Capital Movement	10,385	14,581	5,784
CAPEX	(1,986)	(7,920)	(27,419)
<b>Corporate</b>			
EBITDA at Actual	(9,093)	(32,212)	(90,388)
Working Capital Movement	(9,811)	(26,006)	(12,657)
Crown Sydney Capex	(4,096)	(22,119)	(223,172)
<b>Operating Cashflows (pre interest &amp; tax)</b>	<b>40,805</b>	<b>144,853</b>	<b>383,585</b>
Net Interest	(5,013)	(40,552)	(146,460)
Tax	(11,618)	(56,529)	(122,083)
<b>NET CASHFLOW FROM OPERATIONS</b>	<b>24,175</b>	<b>47,773</b>	<b>115,042</b>
<b>PROJECT ALON</b>			
Crown Equity Contributions	0	0	(160,000)
Capital Expenditure	(2,519)	(17,651)	(48,912)
Foreign Exchange Movements	181	(1,347)	(1,347)
<b>OTHER INVESTMENTS CASHFLOW</b>			
Elerston	(325)	(1,125)	(3,750)
Online Strategy	0	(50)	(50)
Cannery	0	0	30,235
Meko Crown Dividends	0	3,367	112,574
Caesars	0	0	53,744
Nobu Dividends	0	1,913	1,913
Chil Gaming	(130)	(535)	(1,000)
Queensbridge Hotel	0	(2,000)	(24,800)
<b>NET INVESTMENTS CASHFLOW</b>	<b>(2,793)</b>	<b>(17,428)</b>	<b>(41,394)</b>
<b>CAPITAL MANAGEMENT</b>			
Dividends	(287,716)	(287,716)	(477,673)
<b>NET CAPITAL MANAGEMENT</b>	<b>(287,716)</b>	<b>(287,716)</b>	<b>(477,673)</b>
<b>NET CASHFLOW</b>	<b>(266,334)</b>	<b>(257,371)</b>	<b>(404,025)</b>
FX Gain/(Losses)	(1,011)	(1,681)	(1,681)
Movement in Working Capital/Restricted Cash	(22,010)	(21,527)	(13,965)
<b>NET DEBT (EXCL. WORKING CAPITAL/RESTRICTED CASH)</b>	<b>(2,243,282)</b>	<b>(2,243,282)</b>	<b>(2,382,375)</b>
Working Capital Cash (Cage and Crown Securities)	172,567	172,567	151,041
<b>NET DEBT (INCL. WORKING CAPITAL &amp; RESTRICTED CASH)</b>	<b>(2,070,715)</b>	<b>(2,070,715)</b>	<b>(2,231,334)</b>
<b>CLOSING AVAILABLE CASH</b>	<b>149,040</b>	<b>149,040</b>	<b>30,251</b>
Cash - AUD operations	146,009	146,009	27,719
Cash - US Operations (AUD equivalent)	30,499	30,499	0
Cash - UK operations (AUD equivalent)	(27,468)	(27,468)	2,532
<b>BORROWINGS</b>	<b>(2,392,323)</b>	<b>(2,392,323)</b>	<b>(2,412,626)</b>
<b>NET DEBT (EXCL. WORKING CAPITAL/RESTRICTED CASH) - BUDGET</b>	<b>(2,098,208)</b>	<b>(2,098,208)</b>	<b>(2,086,344)</b>
<b>Variance to Budget</b>		<b>(145,074)</b>	<b>(296,031)</b>
Consists of:			
Opening Net Debt Variance		(41,767)	(41,767)
EBITDA		(31,006)	(108,965)
Working Capital		30,654	19,722
Capex		19,169	(1,992)
Crown Sydney		99,519	(2,388)
Net Interest & Tax		4,734	(34,045)
Project Alon		17,269	4,473
Investment - other		(25,299)	54,885
Foreign Exchange		(1,681)	(1,681)
Dividends		(195,139)	(170,307)
Movement in Working Capital Cash		(21,527)	(13,965)





## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

F17 Net Debt Roll Forward		
	\$M	\$M
<b>Opening net debt</b>		<b>(1,962.7)</b>
Melbourne EBITDA	621.3	
Melbourne theoretical adjustment	7.1	
Perth EBITDA	273.2	
Perth theoretical adjustment	12.9	
Aspinall's EBITDA	36.0	
Aspinall's theoretical adjustment	(7.7)	
Wagering and Online EBITDA	9.0	
Corporate	<u>(90.4)</u>	
<b>Total EBITDA at theoretical</b>		<b>849.2</b>
<b>Total theoretical adjustment</b>		<b>12.3</b>
Working capital		(15.9)
<b>Capex</b>		
Melbourne	(81.6)	
Perth	(137.2)	
Sydney	(223.2)	
Aspinall's	(6.5)	
Wagering and Online	<u>(27.4)</u>	(475.9)
Interest		(146.5)
Tax		(122.1)
Other (fx etc.)		(3.0)
Dividends		(477.7)
<b>Net debt before investments</b>		<b><u>(2,342.3)</u></b>
<b>Investments</b>		
Alon Las Vegas		(208.9)
Melco Crown		112.6
Cannery		30.2
Ellerston		(3.8)
Caesars		53.7
Queensbridge Hotel		(24.8)
Chill Gaming		(1.1)
Nobu		<u>1.9</u>
<b>Closing net debt</b>		<b><u>(2,382.4)</u></b>

Net debt at 31 October 2016 was \$2,243.3m (excluding working capital cash of \$172.6m), comprising closing available cash of \$149.0m and gross debt of \$2,392.3m. Net debt at month end was \$145.1m higher than budget. Forecast net debt at 30 June 2017 of \$2,382.4m is expected to be \$296.0m higher than budget.

The key reasons for forecast closing net debt as at 30 June 2017 being higher than budget can be summarised as follows:

- F17 opening net debt was \$41.8m higher than budget due to the deferral of the sale of Crown's stake in Caesars into F17 and lower than expected receipts from customers during May and June 2016. This is partially offset by above theoretical win rates during May and June 2016 and the deferral of capital expenditure for Crown Sydney and Crown Towers Perth into F17.
- F17 EBITDA is forecast to be \$109.0m lower than budget due to lower theoretical EBITDA at Crown Melbourne (\$89.2m) and Crown Perth (\$13.5m), below theoretical win rates at Crown Aspinalls (\$7.7m), lower wagering / online EBITDA (\$16.9m) and higher corporate costs (\$3.6m) due to demerger and REIT related expenditure. This



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

is partially offset by above theoretical win rates at Crown Melbourne (\$7.1m) and Crown Perth (\$12.9m) and higher theoretical EBITDA at Crown Aspinalls (\$2.0m).

- Working capital cash inflows are forecast to be \$5.8m higher than budget due to the deferral of customer receipts from F16 into F17, and a lower gaming tax payment in July 2016 at Crown Aspinalls. In addition, the budget contemplated growing debtor balances due to increased VIP program play, which is no longer expected to occur. This is partially offset by higher than forecast working capital cash due to higher patron funds balances at Crown Aspinalls and CrownBet.
- Interest payments are forecast to be \$9.7m lower than budget, primarily due to the assumed buy back of \$270m of Subordinated Notes in January 2017, resulting in a lower interest expense for the second half of F17.
- Taxation payments are forecast to be \$43.8m higher than budget, primarily due to the deferral of the sale of Crown's interest in Caesars, resulting in an anticipated refund of \$7.0m, (vs budget of \$45.5m). Also, a higher than budgeted instalment rate for F17 will result in higher second half tax payments despite the lower than budgeted revenue forecasts for the remainder of F17.
- Capital expenditure payments are forecast to be \$4.3m higher than budget primarily due to:
  - Crown Sydney capital expenditure is forecast to be \$2.4m higher than budget due to the deferral of some expenditure from F16 into F17;
  - Crown Perth capital expenditure is forecast to be \$4.3m higher than budget due to the deferral of expenditure from F16 into F17;
  - Crown Melbourne capital expenditure is forecast to be \$2.8m lower than budget due to higher than forecast expenditure in May and June 2016 utilising some of the F17 budget in F16.
- Other investing cashflows are forecast to be \$54.9m favourable to budget due to:
  - The deferral of the Caesars disposal from F16 to F17 (A\$53.7m).
  - The unbudgeted receipt of Nobu distributions of A\$1.9m.
- Alon Las Vegas cash outflows are forecast to be \$4.5m lower than budget primarily due to higher than forecast expenditure in May and June 2016 utilising some of the F17 budget in F16.
- Crown's F17 dividend payments to shareholders are forecast to be \$170.3m higher than budget primarily due to the change in dividend policy from 65% of normalised NPAT to 100% of normalised NPAT.

Total liquidity at 31 October 2016 was \$1,037.5m taking into account available unused facilities of \$888.5m and available cash of \$149.0m (excluding \$172.6m of working capital and restricted cash).

Net debt, including working capital and restricted cash of \$172.6m at 31 October 2016 was \$2,098.2m, and \$2,243.3m excluding working capital cash, with leverage (Net Debt

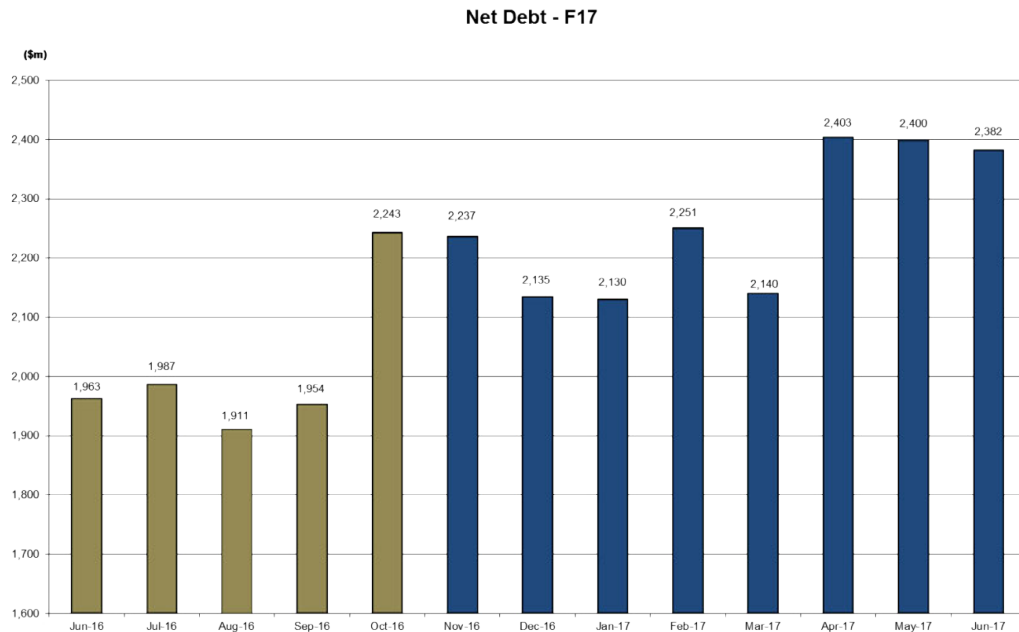


# Crown Resorts

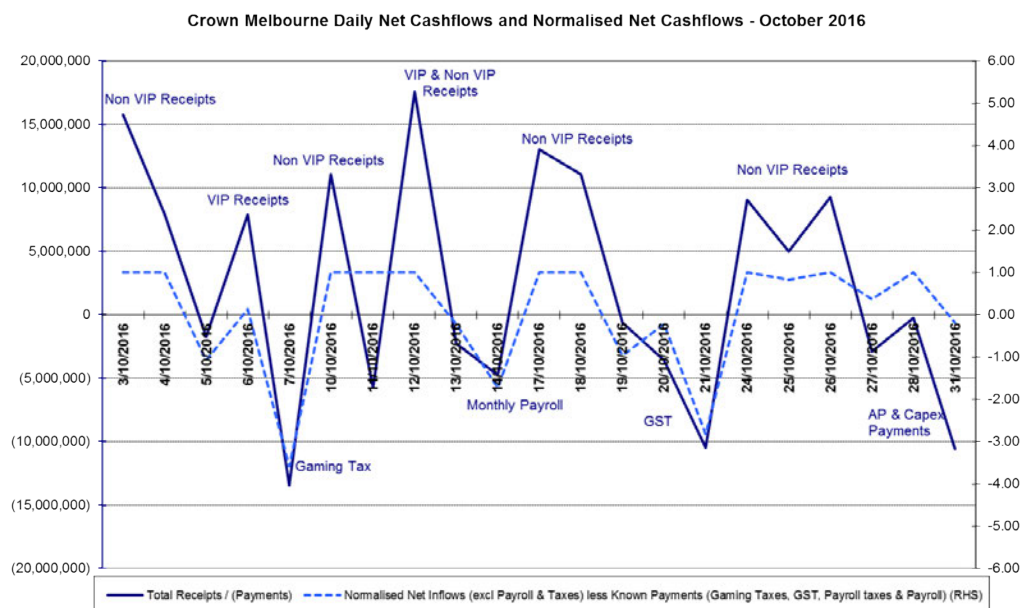
## Chief Executive Officer's Report – 14 December 2016

/ theoretical EBITDA) of 2.40 times and 2.60 times respectively on a trailing 12 month basis.

F17 forecast monthly net debt excluding working capital cash is shown in the chart below:



The below charts show daily net cashflows for Crown Melbourne and Crown Perth for October together with a “normalised” profile (average daily cashflow of previous twelve months) which assumes constant operating receipts and payments and expected timing of major outflows (payroll and taxes).

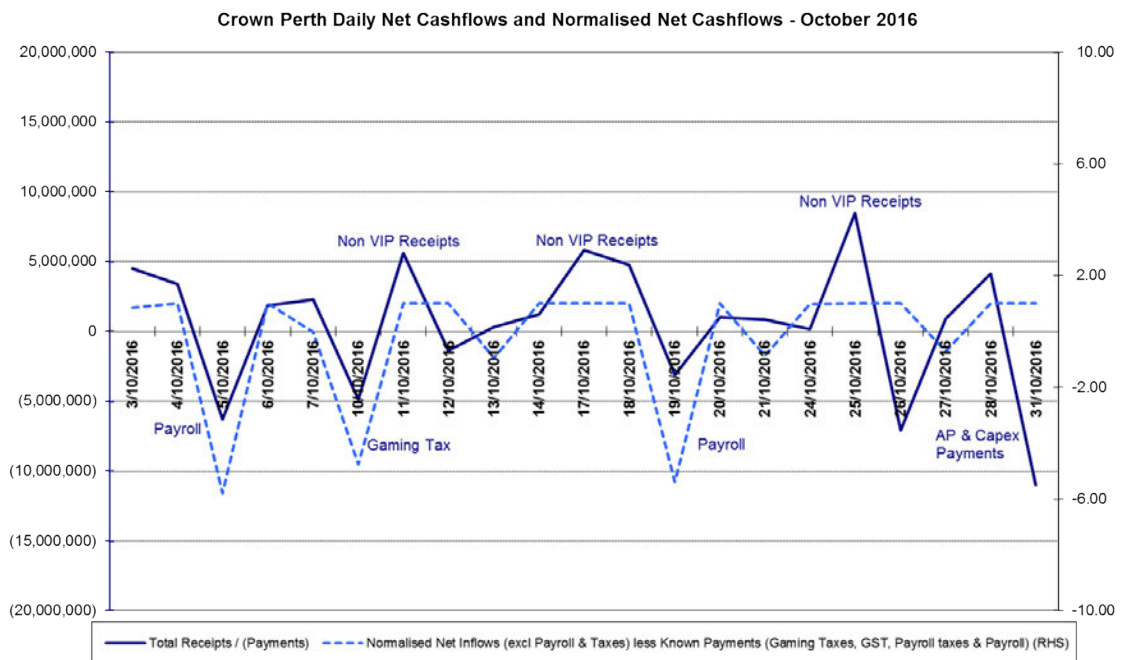




## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

Total Crown Melbourne receipts of \$165.6m for the month consisted of net gaming receipts of \$122.5m and non-gaming receipts of \$43.1m. Crown Melbourne payments for the month included capex (\$5.0m), gaming taxes (\$16.7m), GST (\$13.9m) and payroll related payments (\$43.9m).



- Total Crown Perth receipts of \$70.7m for the month consisted of net gaming receipts of \$52.6m and non-gaming receipts of \$18.1m. Crown Perth payments for the month included capex (\$9.1m), gaming taxes (\$5.8m) and payroll related payments (\$20.0m).



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

## Balance Sheet

Below is the Group Balance Sheet at 31 October, 2016.

Balance Sheet	Oct-16	Jun-16
	\$'000	\$'000
<b>Assets</b>		
Available Cash	149,040	298,622
Working Capital / Restricted Cash	172,567	151,041
Receivables	139,366	333,200
Other Current Assets	65,936	59,340
<b>Total Current Assets</b>	<b>526,909</b>	<b>842,203</b>
Property, Plant & Equipment	4,122,550	4,069,036
Investment in Melco Crown	1,380,851	1,373,702
Investment in Nobu	135,372	135,503
Investment in Ellerston	58,181	58,320
Investment in Aspers	36,015	35,465
Investment in Caesars	49,744	49,744
Investment in Other	12,417	13,914
Licences & Other Intangibles	1,709,437	1,722,477
Other Non Current Assets	572,941	548,281
<b>Total Non Current Assets</b>	<b>8,077,506</b>	<b>8,006,440</b>
<b>Total Assets</b>	<b>8,604,415</b>	<b>8,848,644</b>
<b>Liabilities</b>		
Current Liabilities (excluding borrowings)	659,236	795,977
Current Borrowings	58,759	85,715
<b>Total Current Liabilities</b>	<b>717,995</b>	<b>881,692</b>
Non Current Liabilities (excluding borrowings)	642,598	639,164
Non Current Borrowings	2,333,563	2,175,611
<b>Total Non Current Liabilities</b>	<b>2,976,161</b>	<b>2,814,775</b>
<b>Total Liabilities</b>	<b>3,694,156</b>	<b>3,696,467</b>
<b>Net Assets</b>	<b>4,910,259</b>	<b>5,152,177</b>
Share Capital	426,173	437,877
Reserves	747,070	796,630
Retained Earnings	3,480,049	2,878,995
Current Year Profit	174,940	948,823
Non Controlling Interest	82,026	89,852
<b>Total Shareholders Equity</b>	<b>4,910,259</b>	<b>5,152,177</b>



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

## Wholly Owned Casinos October 2016

### Crown Melbourne (October 2016 Results)

	Current Month			YTD			Full Year		
	Oct 16 Actual \$m	Oct 16 Budget \$m	Variance F/(U) \$m	FY17 Actual \$m	FY17 Budget \$m	Variance F/(U) \$m	FY17 Forecast \$m	FY17 Budget \$m	Variance F/(U) \$m
Main floor gaming	106.4	106.7	(0.4)	407.0	409.9	(2.9)	1,223.6	1,243.2	(19.6)
VIP commission program play	41.0	65.8	(24.8)	155.0	241.8	(86.8)	347.1	705.1	(358.0)
Non Gaming*	54.5	53.8	0.7	195.9	195.3	0.6	585.6	587.0	(1.4)
<b>Total Revenue (Normalised)</b>	<b>201.8</b>	<b>226.3</b>	<b>(24.5)</b>	<b>757.9</b>	<b>847.0</b>	<b>(89.2)</b>	<b>2,156.3</b>	<b>2,535.3</b>	<b>(379.0)</b>
Gaming taxes, commissions & other	52.4	70.3	17.9	204.5	262.9	58.4	537.5	778.5	241.0
Net operating expenses*	86.5	87.9	1.3	339.3	344.5	5.2	1,005.5	1,046.3	40.8
<b>EBITDA</b>	<b>62.9</b>	<b>68.1</b>	<b>(5.3)</b>	<b>214.1</b>	<b>239.6</b>	<b>(25.6)</b>	<b>613.3</b>	<b>710.5</b>	<b>(97.2)</b>
Depreciation & amortisation	16.2	16.2	(0.0)	63.5	63.5	(0.0)	190.6	190.6	(0.0)
<b>EBIT</b>	<b>46.6</b>	<b>51.9</b>	<b>(5.3)</b>	<b>150.5</b>	<b>176.1</b>	<b>(25.6)</b>	<b>422.7</b>	<b>519.9</b>	<b>(97.2)</b>
<b>Reported EBITDA</b>	<b>63.3</b>	<b>68.1</b>	<b>(4.8)</b>	<b>221.1</b>	<b>239.6</b>	<b>(18.5)</b>	<b>632.6</b>	<b>710.5</b>	<b>(78.0)</b>
<b>EBITDA / Revenue %</b>	<b>31.1%</b>	<b>30.1%</b>		<b>28.2%</b>	<b>28.3%</b>		<b>28.4%</b>	<b>28.0%</b>	
<b>EBIT / Revenue %</b>	<b>23.1%</b>	<b>22.9%</b>		<b>19.9%</b>	<b>20.8%</b>		<b>19.6%</b>	<b>20.5%</b>	
<b>Total Revenue (Actual)</b>	<b>203.6</b>	<b>226.3</b>	<b>(22.7)</b>	<b>812.7</b>	<b>847.0</b>	<b>(34.3)</b>	<b>2,211.2</b>	<b>2,535.3</b>	<b>(324.1)</b>
<b>VIP Turnover \$ billion</b>	<b>2.9</b>	<b>4.7</b>	<b>(1.8)</b>	<b>11.1</b>	<b>17.3</b>	<b>(6.2)</b>	<b>24.8</b>	<b>50.4</b>	<b>(25.6)</b>
<b>VIP Win Rate</b>	<b>1.46%</b>	<b>1.40%</b>		<b>1.90%</b>	<b>1.40%</b>		<b>1.62%</b>	<b>1.40%</b>	

\* Includes comp revenues & expenses

October theoretical EBITDA of \$62.9m was \$5.3m (8%) below budget and \$4.5m (7%) below last year. The below budget EBITDA result was attributable to below budget VIP Program Play, partially offset by above budget Local contribution.

VIP Program Play contribution of \$5.8m (at theoretical) was \$6.3m (52%) below budget and \$7.0m (55%) below last year. Total turnover of \$2.9b was \$1.8b (38%) below budget and \$2.8b (49%) below last year.

Local Tables contribution of \$30.5m was in line with budget and \$0.5m (2%) above last year. Premium Tables were \$1.3m (7%) below budget, with drop \$0.3m (0.1%) below budget and a below budget hold of 19.3% (budget of 20.0%). Main Floor Tables were \$1.3m (11%) above budget, with drop \$3.7m (3%) below budget, but an above budget hold of 22.1% (budget of 20.6%).

Gaming Machines contribution of \$22.5m was \$0.4m (2%) above budget and \$0.9m (4%) above last year. Turnover was 3% below budget, with a win rate of 8.5% (budget of 8.3%), resulting in a WMD of \$509 (budget of \$511).

Food and Beverage reported a \$7.1m contribution which was \$0.2m (3%) above budget. Bars contribution was \$0.2m (7%) above budget with strong results in Atrium Bar and Therapy. Events and Conferencing was \$0.1m (3%) above budget. Casual dining was \$0.1m (12%) below budget, with Gradi and Emporio above budget, offset by softer results in the other casual dining outlets. Premium dining was \$0.2m (19%) above budget, with Nobu and Silks the standout performers.

Hotels contribution of \$9.8m was \$0.3m (3%) above budget. Occupancy was 2% above budget in Promenade and Metropol and in line with budget in Towers. Room rates were above budget in Towers (\$22 or 6%) and Promenade (\$10 or 4%), but below budget in Metropol (\$1 or 0.3%).

September theoretical revenue of \$201.8m was \$24.5m (11%) below budget and \$32.5m (14%) below last year, due to below budget VIP revenue. Total reported revenue of \$203.6m was \$22.7m (10%) below budget and \$21.7m (10%) below last year. The



## Crown Resorts Chief Executive Officer's Report – 14 December 2016

VIP Program Play win rate of 1.46% was above the theoretical win rate of 1.40% and above last year's win rate of 1.24%.

Reported EBITDA of \$63.3m was \$4.8m (7%) below budget and \$23.3m (27%) below last year. The variance from theoretical was positive \$0.5m (compared to positive \$19.3m in the prior year).

### Crown Perth (October 2016 Results)

	Current Month			YTD			Full Year		
	Oct-16 Actual \$m	Oct-16 Budget \$m	Variance F/(U) \$m	Oct-16 Actual \$m	Oct-16 Budget \$m	Variance F/(U) \$m	FY17 Forecast \$m	FY17 Budget \$m	Variance F/(U) \$m
Main floor gaming	42.0	41.5	0.5	168.3	164.8	3.5	501.4	504.3	(2.8)
VIP commission program play	11.1	21.4	(10.3)	59.3	73.5	(14.1)	127.2	217.6	(90.4)
Non Gaming*	21.3	22.0	(0.6)	83.5	84.7	(1.2)	296.9	290.1	6.8
<b>Total Revenue (Normalised)</b>	<b>74.4</b>	<b>84.9</b>	<b>(10.5)</b>	<b>311.2</b>	<b>323.0</b>	<b>(11.8)</b>	<b>917.5</b>	<b>1,011.9</b>	<b>(94.4)</b>
Gaming taxes, commissions & other	12.1	19.8	7.7	61.4	71.0	9.6	153.0	212.4	59.4
Net operating expenses*	40.0	41.2	1.1	156.8	158.1	1.3	496.4	512.8	16.4
<b>EBITDA</b>	<b>22.3</b>	<b>23.9</b>	<b>(1.6)</b>	<b>93.0</b>	<b>93.9</b>	<b>(0.9)</b>	<b>268.2</b>	<b>286.7</b>	<b>(18.5)</b>
Depreciation & amortisation	5.4	5.4	0.0	21.7	21.7	0.0	74.3	74.3	0.0
<b>EBIT</b>	<b>16.9</b>	<b>18.5</b>	<b>(1.6)</b>	<b>71.3</b>	<b>72.2</b>	<b>(0.9)</b>	<b>193.9</b>	<b>212.4</b>	<b>(18.5)</b>
<b>Reported EBITDA</b>	<b>20.6</b>	<b>23.9</b>	<b>(3.3)</b>	<b>105.8</b>	<b>93.9</b>	<b>12.0</b>	<b>278.5</b>	<b>286.7</b>	<b>(8.2)</b>
<b>EBITDA / Revenue %</b>	<b>29.9%</b>	<b>28.2%</b>		<b>29.9%</b>	<b>29.1%</b>		<b>29.2%</b>	<b>28.3%</b>	
<b>EBIT / Revenue %</b>	<b>22.7%</b>	<b>21.8%</b>		<b>22.9%</b>	<b>22.3%</b>		<b>21.1%</b>	<b>21.0%</b>	
<b>Total Revenue (Actual)</b>	<b>73.4</b>	<b>84.9</b>	<b>(11.5)</b>	<b>338.2</b>	<b>323.0</b>	<b>15.2</b>	<b>944.6</b>	<b>1,011.9</b>	<b>(67.3)</b>
<b>VIP Turnover \$ billion</b>	<b>0.8</b>	<b>1.5</b>	<b>(0.7)</b>	<b>4.2</b>	<b>5.2</b>	<b>(1.0)</b>	<b>9.1</b>	<b>15.5</b>	<b>(6.5)</b>
<b>VIP Win Rate (1.40% theoretical)</b>	<b>1.27%</b>	<b>1.40%</b>		<b>2.04%</b>	<b>1.40%</b>		<b>1.70%</b>	<b>1.40%</b>	

\* Includes comp revenues & expenses

October theoretical EBITDA of \$22.3m was \$1.6m (7%) below budget, but \$1.0m (5%) above last year's result. The below budget October result was attributable to below budget VIP Program Play (\$1.7m or 448%), partially offset by an above budget Local contribution (\$0.1m or 0.3%). The above budget Local contribution was due to above budget results in Table Games (\$0.4m or 4%) and Conventions & Entertainment (\$0.1m or 12%), partially offset by below budget results in F&B (\$0.5m or 19%), Hotels (\$0.1m or 2%) and Other Non-Gaming Operations (\$0.1m or 31%).

Table Games contribution of \$9.2m was \$0.4m (4%) above budget, with drop \$2.3m (3%) above budget and a hold of 23.4% (budget of 23.2%). Regular Tables were \$0.5m (7%) below budget, with drop in line with budget and a hold of 22.3% (budget of 23.0%). Premium Tables were \$0.9m (68%) above budget, with drop \$2.4m (19%) above budget, and a hold of 28.1% (budget of 24.5%).

Gaming Machines contribution of \$16.7m was in line with budget and \$1.5m (10%) above last year. Turnover was 3% below budget with a hold of 8.6% (budget of 8.4%). WMD was \$333 (compared to budget WMD of \$340).

Hotels contribution of \$3.2m was \$0.1m (2%) below budget. Metropoli contribution was slightly below budget with an average room rate of \$294 (budget of \$296) and occupancy on available rooms of 94.4% (budget of 95.5%). Promenade contribution was slightly below budget with an average room rate of \$205 (budget of \$209) and occupancy on available rooms of 96.4% (budget of 98.4%).

Food and Beverage contribution of \$2.0m was \$0.5m (19%) below budget, with the result continuing to follow the declining trend in beverage sales which was also impacted by bad weather. Conventions & Entertainment contribution of \$0.9m was \$0.1m (12%) above budget attributable to an increase in attendance at some key events versus





## **Crown Resorts**

### **Chief Executive Officer's Report – 14 December 2016**

---

contracted attendance, partially offset by below budget theatre bar revenue due to lower than expected theatre show attendances during the month.

VIP Program Play contribution of -\$1.3m was \$1.7m below budget. Turnover of \$0.8b was 48% below budget and 30% below last year.

Theoretical revenue of \$74.4m was \$10.5m (12%) below budget and \$6.7m (8%) below last year, mainly due to soft VIP revenue. Total reported revenue of \$73.4m was \$11.5m (14%) below budget and \$24.8m (25%) below last year. Reported EBITDA of \$20.6m was \$3.3m (14%) below budget and \$15.8m (43%) below last year.

The VIP program play win rate of 1.27% was below the theoretical win rate of 1.40%, and below last year's win rate of 2.90%. The variance from theoretical was negative \$1.7m (compared to positive \$15.1m last year).

#### **Crown Aspinall's (October 2016 Results)**

Theoretical EBITDA of £0.8m was £1.3m (61%) below budget and £0.5m (38%) below last year. Turnover of £0.5b was £0.4b (46%) below budget.

The win rate of 0.49% was below budget of 0.79%. This resulted in an unfavourable variance from theoretical of £1.4m, with a reported EBITDA of -£0.6m. Drop for the month was £42.2m (budget of £93.4m), at a hold rate of 5.5% (vs a budgeted hold rate of 7.3%).

## **Wagering & Online**

#### **CrownBet (October 2016 Results)**

Revenue for the month was \$24.0m and gross profit after COGS was \$8.0m. Operating expenses for the month were \$13.0m, resulting in EBITDA for the month of -\$5.0m. The loss was largely attributable to the high promotional costs associated with a significant number of new sign-ups during the month and below budget customer stakes. The win rate (gross margin) for the month was 10.6% compared to a budget of 10.8%, with total stakes of \$226 million (14% below budget).

CrownBet's F17 YTD EBITDA of -\$9.8m is \$10.7m below budget.

#### **Betfair (October 2016 Results)**

Revenue of \$6.2m for the month was \$0.5m (9%) above budget. October EBITDA of \$1.5m was \$0.4m (35%) above budget.

Betfair's F17 YTD EBITDA of \$3.2m is \$0.7m (30%) above budget.

#### **DGN Games LLC (October 2016 Results)**

DGN's EBITDA loss for the month of US\$1.0m was higher than the budgeted loss of US\$0.5m. A revenue shortfall of US\$2.2m (65%) was partially offset by marketing savings of US\$1.8m for the month.

F17 YTD EBITDA of -US\$1.9m, is favourable to the YTD budget of -US\$3.1m (39%).



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

## Joint Venture Businesses

### MCE – October 2016 Preliminary Results

	MCE Estimate		Crown MCE Budget			Last Year			MCE CY16 Budget		
	Oct-16 US\$m	US\$m	Oct-16 US\$m	Variance	US\$m	Oct-15 US\$m	Variance	US\$m	Oct-16 US\$m	Variance	
<b>Normalised EBITDA</b>											
COD	78.7	69.6	9.2	13.2%	76.8	1.9	2.5%	69.6	9.2	13.2%	
Altira	4.0	4.9	(0.9)	(18.8%)	3.1	0.9	30.2%	4.9	(0.9)	(18.8%)	
Studio City	12.9	8.8	4.1	47.4%	(0.3)	13.2	4598.5%	29.4	(16.5)	(56.1%)	
COD Manila	14.8	12.7	2.2	17.0%	6.8	8.0	117.7%	12.7	2.2	17.0%	
Mocha	1.6	3.0	(1.5)	(48.0%)	2.3	(0.7)	(31.9%)	3.0	(1.5)	(48.0%)	
Corporate	(9.0)	(7.0)	(2.0)	(27.9%)	(7.5)	(1.5)	(20.4%)	(7.0)	(2.0)	(27.9%)	
	103.1	91.9	11.1	12.1%	81.3	21.8	26.8%	112.6	(9.5)	(8.4%)	
<b>Non-Operating Expenses</b>											
D&A	(47.6)	(47.6)	0.0	0.0%	(35.4)	(12.2)	(34.5%)	(47.6)	0.0	0.0%	
Profit share & Owner's rent (Manila)	(4.0)	(3.3)	(0.7)	(21.6%)	(1.6)	(2.4)	(151.6%)	(3.3)	(0.7)	(21.6%)	
Pre-opening costs	0.0	0.0	0.0	N/A	(0.0)	0.0	100.0%	0.0	0.0	N/A	
Net Interest	(23.4)	(23.4)	0.0	0.0%	(11.4)	(12.0)	(104.8%)	(23.4)	0.0	0.0%	
Other income	0.2	0.2	0.0	0.0%	1.9	(1.6)	(86.6%)	0.2	0.0	0.0%	
Employee LTI	(1.3)	(1.3)	0.0	0.0%	(2.0)	0.7	34.6%	(1.3)	0.0	0.0%	
Tax expense	(0.2)	(0.2)	0.0	0.0%	0.1	(0.4)	(298.3%)	(0.2)	0.0	0.0%	
Development Costs	(0.0)	(0.0)	0.0	0.0%	(0.0)	(0.0)	(166.7%)	(0.0)	0.0	0.0%	
Attrib to Minority Interests	7.4	9.5	(2.1)	(21.7%)	5.5	1.9	34.6%	1.2	6.2	512.0%	
	34.2	25.8	8.3	32.3%	38.4	(4.2)	(10.9%)	38.2	(4.0)	(10.5%)	
<b>Normalised NPAT</b>											
Win rate adjustment - COD	8.6	0.0	8.6	N/A	(22.7)	31.3	137.8%	0.0	8.6	N/A	
Win rate adjustment - Altira	1.0	0.0	1.0	N/A	3.2	(2.1)	(67.0%)	0.0	1.0	N/A	
Win rate adjustment - COD Manila	4.1	0.0	4.1	N/A	(4.4)	8.5	193.0%	0.0	4.1	N/A	
Minority Interest on Manila win rate adj	(1.1)	0.0	(1.1)	N/A	1.4	(2.5)	(179.5%)	0.0	(1.1)	N/A	
Pre-opening costs (net of minority int)	0.0	0.0	0.0	N/A	(28.1)	28.1	100.0%	0.0	0.0	N/A	
	46.8	25.8	21.0	81.2%	(12.3)	59.1	480.2%	38.2	8.6	22.5%	
<b>Reported NPAT</b>											
Crown Share	27.4%	27.4%			34.3%			27.4%			
	9.4	7.1	2.3	32.3%	13.2	(3.8)	(28.8%)	10.5	(1.1)	(10.5%)	
	12.8	7.1	5.7	81.2%	(4.2)	17.1	403.7%	10.5	2.4	22.5%	

The commentary below is based on the Melco Crown CY2016 Budget.

Estimated normalised EBITDA of US\$103.1m was US\$9.5m (8%) below budget, but US\$21.8m (27%) above last year.

**COD's** theoretical EBITDA of US\$78.7m was US\$9.2m (13%) above budget with VIP roll 23% above budget. COD mass drop was 2% below budget at an above budget hold of 39.7% (vs budget of 36.5%). COD's theoretical EBITDA was US\$1.9m (3%) above last year.

**Altira's** theoretical EBITDA of US\$4.0m was \$0.9m (19%) below budget, with roll 1% below budget. Altira mass drop was 35% below budget at an above budget hold of 20.2% (vs budget of 18.0%). Altira's theoretical EBITDA was \$0.9m (30%) above last year.

**Studio City** theoretical EBITDA of US\$12.9m was \$16.5m (56%) below budget. Studio City mass drop was 29% below budget at a below budget hold of 23.9% (vs budget of 26.5%). Gaming machines turnover was 44% below budget, with win 56% below budget.

**COD Manila's** theoretical EBITDA of US\$14.8m was \$2.2m (17%) above budget, with roll 21% below budget. Mass drop was 20% above budget, with above budget hold of 28.7% (vs budget of 27.8%). COD Manila's theoretical EBITDA was \$8.0m (118%) above last year.



## Crown Resorts

### Chief Executive Officer's Report – 14 December 2016

Mocha's estimated EBITDA of US\$1.6m was US\$1.5m (48%) below budget.

#### **Nobu – October 2016 Results**

Nobu reported a US\$1.9m profit for the month (Restaurants US\$1.5m and Hospitality US\$0.4m). Crown's share is A\$0.5m.

#### **Draftstars – October 2016 Results**

Draftstars' October EBITDA of -\$0.9m was \$0.1m below budget.

Draftstars' F17 YTD EBITDA of -\$8.0m is \$5.6m below budget.

Crown's share of Draftstars NPAT for October is a loss of \$0.4m. Crown's share of Draftstars YTD NPAT is a loss of \$2.4m, which is \$1.5m below budget.

#### **Ellerston – October 2016 Results**

Crown's share of the Ellerston result for October is a loss of \$0.4m. Crown's share of the Ellerston's YTD result is a loss of \$1.7m.

#### **Aspers – October 2016 Results**

Aspers' October EBITDA of £1.0m was £0.9m below budget, with all properties reporting below budget results.

Aspers' F17 YTD EBITDA of £4.0m is £2.7m (40%) below budget and £1.9m (33%) below last year.

Crown share of the Aspers NPAT for October was \$0.1m (\$0.7m below budget). Crown's share of the Aspers YTD NPAT is \$0.7m (\$1.7m or 72% below budget).

At 31 October 2016 Aspers had a net debt balance of £69.1m, with leverage (net debt/LTM EBITDA) of 4.17x, compared against the bank covenant of 4.80x.