



# Crown Resorts Limited

Chief Executive Officer's Report  
April 2019

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## SECTION 1 – FINANCIAL UPDATE

### 1. Financial Summary by Segment

31 MARCH 2019 YTD

|  | Normalised Result  |                |                    |                      |                 |                  | Adjustment       | Actual<br>Crown<br>Group |
|--|--------------------|----------------|--------------------|----------------------|-----------------|------------------|------------------|--------------------------|
|  | Crown<br>Melbourne | Crown<br>Perth | Crown<br>Aspinalls | Wagering<br>& Online | Unallocated     | Crown<br>Group   |                  |                          |
|  | \$'000             | \$'000         | \$'000             | \$'000               | \$'000          | \$'000           | \$'000           |                          |
| <b>Operating revenue</b>   |                    |                |                    |                      |                 |                  |                  |                          |
| Main floor tables  | 580,475            | 142,955        | -                  | -                    | -               | 723,430          | 723,430          |                          |
| Main floor machines  | 347,137            | 202,289        | -                  | -                    | -               | 549,426          | 549,426          |                          |
| VIP program play   | 360,677            | 55,720         | 42,996             | -                    | -               | 459,393          | 452,739          |                          |
| Wagering & Non gaming  | 367,165            | 211,745        | 827                | 86,748               | 70              | 666,555          | 666,555          |                          |
| <b>Operating revenue (excl comps)</b>  | <b>1,655,453</b>   | <b>612,710</b> | <b>43,823</b>      | <b>86,748</b>        | <b>70</b>       | <b>2,398,805</b> | <b>2,392,151</b> |                          |
| <b>Segment result</b>  |                    |                |                    |                      |                 |                  |                  |                          |
| Operating expenses   | (1,191,872)        | (441,583)      | (39,615)           | (74,895)             | (39,993)        | (1,787,958)      | (1,789,826)      |                          |
| <b>Earnings before interest, tax,<br/>depreciation and amortisation "EBITDA"</b> | <b>463,582</b>     | <b>171,126</b> | <b>4,208</b>       | <b>11,854</b>        | <b>(39,923)</b> | <b>610,847</b>   | <b>602,325</b>   |                          |
| Depreciation and amortisation  | (132,984)          | (64,822)       | (2,002)            | (4,578)              | (2,728)         | (207,116)        | (207,116)        |                          |
| <b>Earnings before interest and tax "EBIT"</b>                                   | <b>330,598</b>     | <b>106,304</b> | <b>2,206</b>       | <b>7,275</b>         | <b>(42,652)</b> | <b>403,731</b>   | <b>395,209</b>   |                          |
| Equity accounted share of associates'<br>net profit/(loss)                       |                    |                |                    |                      |                 | 9,390            | 9,390            |                          |
| Net interest income/(expense)  |                    |                |                    |                      |                 | (9,755)          | (9,755)          |                          |
| Income tax benefit/(expense)   |                    |                |                    |                      |                 | (120,971)        | (118,967)        |                          |
| <b>Profit/(loss) after tax</b>   |                    |                |                    |                      |                 | <b>282,395</b>   | <b>275,877</b>   |                          |
| Non-Controlling Interest   |                    |                |                    |                      |                 | 720              | 720              |                          |
| <b>Profit/(loss) attributable to equity<br/>holders of the Parent</b>            |                    |                |                    |                      |                 | <b>283,115</b>   | <b>276,597</b>   |                          |

The above table reflects Crown's year to date financial results by key operating segments. Normalised EBITDA is \$610.8m, with Actual EBITDA of \$602.3m. Crown's year to date normalised NPAT is \$283.1m, with Actual NPAT of \$276.6m.

## 2. March 2019 Results – Comparison to Budget and Last Year

|                         | March 2019     |                |                 |               |                |                 |                |
|-------------------------|----------------|----------------|-----------------|---------------|----------------|-----------------|----------------|
|                         | Actual         | Budget         | Variance        |               | Last Year      | Variance        |                |
|                         | \$'000         | \$'000         | \$'000          | %             | \$'000         | \$'000          | %              |
| Melbourne - Local       | 155,167        | 161,325        | (6,158)         | (3.8%)        | 158,247        | (3,080)         | (1.9%)         |
| Melbourne - VIP Program | 34,523         | 46,480         | (11,958)        | (25.7%)       | 71,073         | (36,550)        | (51.4%)        |
| Crown Melbourne         | 189,690        | 207,806        | (18,116)        | (8.7%)        | 229,320        | (39,631)        | (17.3%)        |
| Perth - Local           | 63,931         | 67,566         | (3,635)         | (5.4%)        | 65,555         | (1,624)         | (2.5%)         |
| Perth - VIP Program     | 7,808          | 11,088         | (3,280)         | (29.6%)       | 20,283         | (12,475)        | (61.5%)        |
| Crown Perth             | 71,739         | 78,654         | (6,915)         | (8.8%)        | 85,839         | (14,099)        | (16.4%)        |
| Crown Aspinalls         | 3,306          | 6,911          | (3,605)         | (52.2%)       | 2,973          | 333             | 11.2%          |
| Wagering & Online       | 9,673          | 10,557         | (884)           | (8.4%)        | 8,304          | 1,369           | 16.5%          |
| <b>TOTAL REVENUE</b>    | <b>274,408</b> | <b>303,928</b> | <b>(29,519)</b> | <b>(9.7%)</b> | <b>326,436</b> | <b>(52,027)</b> | <b>(15.9%)</b> |

| <b>EBITDA @ Theoretical</b>       |               |               |                |                |               |                 |                |
|-----------------------------------|---------------|---------------|----------------|----------------|---------------|-----------------|----------------|
| Melbourne - Local                 | 46,591        | 50,872        | (4,281)        | (8.4%)         | 49,533        | (2,942)         | (5.9%)         |
| Melbourne - VIP Program           | 5,018         | 6,307         | (1,290)        | (20.4%)        | 10,431        | (5,413)         | (51.9%)        |
| Crown Melbourne                   | 51,609        | 57,179        | (5,571)        | (9.7%)         | 59,964        | (8,355)         | (13.9%)        |
| Perth - Local                     | 18,662        | 20,518        | (1,857)        | (9.0%)         | 19,335        | (673)           | (3.5%)         |
| Perth - VIP Program               | 242           | 1,071         | (829)          | (77.4%)        | 2,928         | (2,686)         | (91.7%)        |
| Crown Perth                       | 18,904        | 21,590        | (2,686)        | (12.4%)        | 22,263        | (3,359)         | (15.1%)        |
| Crown Aspinalls                   | (112)         | 1,249         | (1,362)        | (109.0%)       | (369)         | 257             | 69.5%          |
| Wagering & Online                 | 1,046         | 1,739         | (693)          | (39.8%)        | 1,664         | (617)           | (37.1%)        |
| Corporate                         | (2,884)       | (5,126)       | 2,242          | 43.7%          | (3,954)       | 1,070           | 27.1%          |
| <b>TOTAL EBITDA @ Theoretical</b> | <b>68,563</b> | <b>76,632</b> | <b>(8,068)</b> | <b>(10.5%)</b> | <b>79,568</b> | <b>(11,005)</b> | <b>(13.8%)</b> |
| Depreciation                      | (22,738)      | (22,726)      | (12)           | (0.1%)         | (23,226)      | 488             | 2.1%           |
| Interest                          | (359)         | (677)         | 319            | 47.0%          | (3,030)       | 2,671           | 88.2%          |
| Taxation                          | (13,674)      | (15,870)      | 2,196          | 13.8%          | (16,057)      | 2,383           | 14.8%          |
| Equity Accounted Result           | 1,223         | 1,518         | (295)          | (19.5%)        | 935           | 288             | 30.7%          |
| Minority Interest                 | 41            | (105)         | 145            | 139.0%         | (57)          | 97              | 172.2%         |
| <b>Crown NPAT @ Theo</b>          | <b>33,056</b> | <b>38,772</b> | <b>(5,716)</b> | <b>(14.7%)</b> | <b>38,134</b> | <b>(5,078)</b>  | <b>(13.3%)</b> |

| <b>EBITDA @ Actual</b>       |               |               |                |                |               |                |               |
|------------------------------|---------------|---------------|----------------|----------------|---------------|----------------|---------------|
| Crown Melbourne              | 53,465        | 57,179        | (3,715)        | (6.5%)         | 39,043        | 14,421         | 36.9%         |
| Crown Perth                  | 16,387        | 21,590        | (5,203)        | (24.1%)        | 33,599        | (17,212)       | (51.2%)       |
| Crown Aspinalls              | (1,101)       | 1,249         | (2,350)        | (188.1%)       | (1,651)       | 550            | 33.3%         |
| Wagering & Online            | 1,046         | 1,739         | (693)          | (39.8%)        | 1,664         | (617)          | (37.1%)       |
| Corporate                    | (2,884)       | (5,126)       | 2,242          | 43.7%          | (3,954)       | 1,070          | 27.1%         |
| <b>TOTAL EBITDA @ Actual</b> | <b>66,914</b> | <b>76,632</b> | <b>(9,718)</b> | <b>(12.7%)</b> | <b>68,702</b> | <b>(1,788)</b> | <b>(2.6%)</b> |
| <b>Crown NPAT @ Actual</b>   | <b>31,803</b> | <b>38,772</b> | <b>(6,969)</b> | <b>(18.0%)</b> | <b>30,387</b> | <b>1,417</b>   | <b>4.7%</b>   |

March normalised NPAT of \$33.1m is \$5.7m (15%) below budget and \$5.1m (13%) below last year. Reported NPAT is \$31.8m, which is \$7.0m (18%) below budget, but \$1.4m (5%) above last year with unfavourable variances from theoretical at Perth and Aspinalls, offset by a favourable variance from theoretical at Melbourne.

Theoretical EBITDA of \$68.6m was \$8.1m (11%) below budget and \$11.0m (14%) below last year. The main factors impacting the results were:

- In relation to the Australian businesses, **Crown Melbourne** EBITDA was \$5.6m (10%) below budget (Local -\$4.3m or -8%, VIP -\$1.3m or -20%), and \$8.4m (14%) below last year (Local -\$2.9m or -6%, VIP -\$5.4m or -52%). **Crown Perth** was \$2.7m (12%) below budget (Local -\$1.9m or -9%, VIP -\$0.8m or -77%) and \$3.4m (15%) below last year (Local -\$0.7m or -4%, VIP -\$2.7m or -92%).
  - In Melbourne, local contribution was \$4.3m (8%) below budget. Local Tables contribution was \$4.0m (13%) below budget, with drop 7% below budget. Hold for the month of 20.6% was below budget of 20.8%. Slots contribution was \$0.5m (2%) above budget, with turnover 6% above budget and a win rate of 7.8% (budget of 8.0%). F&B was \$0.7m (13%) below budget due to softer trading across all segments, particularly Premium Dining and Bars. Hotels were \$0.2m (2%) below budget, with occupancy below budget in all 3 hotels. Room rate was above budget in Towers and Promenade, but below budget in Metropol.
  - Melbourne VIP theoretical contribution of \$5.0m was \$1.3m (20%) below budget, with turnover of \$2.4b (26% below budget). Despite a below theoretical win rate of 1.30%, variance from theoretical was \$1.9m favourable due to a low win rate on revenue share programs and high win rate on non-revenue share programs.
  - In Perth, local contribution was \$1.9m (9%) below budget. Local Tables contribution was \$1.6m (22%) below budget, with drop 11% below budget and hold of 21.6% (budget of 22.0%). Slots contribution was \$0.3m (2%) below budget, with turnover slightly below budget and a win rate of 8.4% (budget of 8.5%). F&B was \$0.6m (22%) below budget, while Conventions & Entertainment was \$0.1m below budget. Hotels contribution was \$0.3m (7%) below budget, with below budget occupancy and room rates in Metropol and Promenade. In Towers, occupancy was in line with budget and rate was above budget.
  - Perth VIP theoretical contribution was \$0.8m (77%) below budget, with turnover of \$0.6b (30% below budget). A below theoretical win rate of 0.43% resulted in a \$2.5m unfavourable variance from theoretical.
- **Crown Aspinalls** theoretical EBITDA of -\$0.1m was \$1.4m below budget, with turnover of £102m which was 73% below budget. Actual EBITDA of -\$1.1m was \$2.4m below budget with a win rate of 0.50%.
- **Wagering & Online** was \$0.7m (40%) below budget. Betfair's EBITDA of \$1.0m was \$0.2m above budget and DGN's EBITDA of \$0.1m was \$0.9m unfavourable to budget.
- **Corporate costs** of \$2.9m were \$2.2m below budget due to savings in STI, Crown Foundation and consulting fees.
- **Net interest expense** of \$0.4m is \$0.3m below budget.
- **Equity Accounted Results** of \$1.2m were \$0.3m below budget, with below budget results in Nobu. Equity accounted results include Aspers and Nobu profits, partially offset by costs in Chill.

Reported NPAT for the month of \$31.8m is \$7.0m (18%) below budget. Crown Melbourne and Crown Perth reported win rates of 1.30% and 0.43% respectively, resulting in a combined unfavourable variance from theoretical of \$0.7m pre income tax. Crown Aspinalls reported an unfavourable variance from theoretical of A\$1.0m pre income tax for the month with a win rate of 0.50%.

Normalised NPAT was \$5.1m (13%) below the prior corresponding period reflecting the net impact of the following factors:

- EBITDA decreased by \$11.0m (14%) from last year, with EBITDA at Crown Melbourne lower than last year by \$8.4m (14%) and Crown Perth below last year by \$3.4m (15%). At Crown Melbourne, Local contribution decreased by \$2.9m (6%) and VIP Program Play contribution decreased by \$5.4m (52%). At Crown Perth, Local contribution was \$0.7m (4%) below last year and VIP Program Play contribution was \$2.7m (92%) below last year. EBITDA at Crown Aspinalls was \$0.3m favourable to last year, and Wagering & Online was \$0.6m (37%) below last year. Corporate costs were \$1.1m (27%) below last year.
- Depreciation and amortisation was \$0.5m (2%) below last year.
- Net interest expense was \$2.7m (88%) below last year due to lower net debt levels.

### 3. FY19 YTD Results

|                                   | FINANCIAL YEAR TO DATE |                   |                      |                     | FULL YEAR         |                      |
|-----------------------------------|------------------------|-------------------|----------------------|---------------------|-------------------|----------------------|
|                                   | Actual<br>A\$'000      | Budget<br>A\$'000 | Last Year<br>A\$'000 | Forecast<br>A\$'000 | Budget<br>A\$'000 | Last Year<br>A\$'000 |
| <b>EBITDA @ Theoretical</b>       |                        |                   |                      |                     |                   |                      |
| Melbourne - Local                 | 409,748                | 429,356           | 424,114              | 538,315             | 565,834           | 560,448              |
| Melbourne - VIP Program           | 53,834                 | 59,961            | 77,181               | 69,189              | 80,211            | 99,713               |
| Crown Melbourne                   | 463,582                | 489,316           | 501,296              | 607,503             | 646,045           | 660,161              |
| Perth - Local                     | 172,997                | 186,360           | 180,818              | 221,096             | 244,496           | 241,576              |
| Perth - VIP Program               | (1,871)                | 8,417             | 8,061                | (1,527)             | 10,644            | 10,314               |
| Crown Perth                       | 171,126                | 194,777           | 188,879              | 219,569             | 255,140           | 251,889              |
| Crown Aspinalls                   | 4,208                  | 11,103            | 9,036                | 6,019               | 14,894            | 12,017               |
| Wagering & Online                 | 11,854                 | 14,144            | 22,019               | 25,639              | 19,752            | 26,852               |
| Corporate                         | (39,923)               | (45,789)          | (37,343)             | (42,974)            | (61,242)          | (54,369)             |
| <b>TOTAL EBITDA @ Theoretical</b> | <b>610,847</b>         | <b>663,551</b>    | <b>683,886</b>       | <b>815,757</b>      | <b>874,589</b>    | <b>896,550</b>       |
| Depreciation                      | (207,116)              | (207,239)         | (217,791)            | (273,529)           | (273,101)         | (285,856)            |
| Interest                          | (9,755)                | (15,032)          | (38,204)             | (11,603)            | (16,443)          | (46,039)             |
| Taxation                          | (120,971)              | (131,514)         | (130,912)            | (161,882)           | (174,344)         | (175,621)            |
| Equity Accounted Results          | 9,390                  | 11,583            | 5,433                | 13,414              | 15,045            | 9,309                |
| Minority Interest                 | 720                    | 184               | 1,165                | (629)               | (148)             | 1,246                |
| <b>Crown NPAT @ Theo</b>          | <b>283,115</b>         | <b>321,533</b>    | <b>303,576</b>       | <b>381,527</b>      | <b>425,596</b>    | <b>399,589</b>       |

|   |                |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>EBITDA @ Actual</b>                              |                |                |                |                |                |                |
| Crown Melbourne                                     | 445,600        | 489,316        | 428,067        | 589,521        | 646,045        | 586,042        |
| Crown Perth   | 186,109        | 194,777        | 192,574        | 234,552        | 255,140        | 221,492        |
| Crown Aspinalls                                     | (1,315)        | 11,103         | 8,821          | 496            | 14,894         | 12,405         |
| Wagering & Online                                   | 11,854         | 14,144         | 22,019         | 25,639         | 19,752         | 26,852         |
| Corporate   | (39,923)       | (45,789)       | (37,343)       | (42,974)       | (61,242)       | (54,369)       |
| <b>TOTAL EBITDA @ Actual</b>                        | <b>602,325</b> | <b>663,551</b> | <b>614,138</b> | <b>807,235</b> | <b>874,589</b> | <b>792,421</b> |
| <b>Crown NPAT @ Actual before significant items</b> | <b>276,597</b> | <b>321,533</b> | <b>254,731</b> | <b>375,009</b> | <b>425,596</b> | <b>326,743</b> |

The group's YTD normalised NPAT of \$283.1 is \$38.4m (12%) below budget and \$20.5m (7%) below last year. YTD reported NPAT of \$276.6m is \$44.9m (14%) below budget, but \$21.9m (9%) above last year.

- Group theoretical YTD EBITDA of \$610.8m is \$52.7m (8%) below budget and \$73.0m (11%) below last year. Crown Melbourne is \$25.7m (5%) below budget, Crown Perth is \$23.7m (12%) below budget, Crown Aspinalls is \$6.9m (62%) below budget, Wagering & Online is \$2.3m (16%) below budget and Corporate Costs are \$5.9m (13%) favourable to budget.
- **Crown Melbourne's** theoretical YTD result is due to below budget local contribution (\$19.6m or 5%), and below budget VIP Program Play contribution (\$6.1m or 10%). Program play turnover of \$25.5b is 18% below budget. The below budget local result is attributable to Table Games (\$18.8m or 7% below budget), Food & Beverage (\$3.0m or 7%), Gaming Machines (\$1.4m or 1%) and Hotels (\$1.3m or 2%), partially offset by savings in Support Departments. Crown Melbourne's theoretical YTD result is \$37.7m (8%) below last year (Local -\$14.4m or -3%, VIP - \$23.3m or -30%).
- **Crown Perth's** theoretical YTD result is due to below budget VIP Program Play contribution (\$10.3m or 122%) and below budget local contribution (\$13.4m or 7%). VIP turnover of \$4.0b is 34% below budget. The below budget local result is largely attributable to Table Games (\$11.4m or 16%), Gaming Machines (\$2.7m or 2%), Food & Beverage (\$2.6m or 12%), Conventions & Entertainment (\$0.5m or 8%) and Hotels (\$1.7m or 5%), partially offset by savings in Support

Departments. Crown Perth's theoretical YTD result is \$17.8m (9%) below last year (Local -\$7.8m or -4%, VIP -\$9.9m).

- **Crown Aspinalls'** YTD turnover of £2.3b is 42% below budget. The YTD unfavourable variance from theoretical is £2.9m at a win rate of 0.88%.
- **Wagering & Online's** below budget result is due to below budget results in DGN (\$3.4m), partially offset by above budget results in Betfair (\$1.2m or 9%).
- **Corporate costs** of \$39.9m are \$5.9m (13%) favourable to budget with savings in STI, Crown Foundation and consulting fees. YTD **net interest** expense of \$9.8m is \$5.3m (35%) below budget due to lower net debt largely as a result of the timing of the on-market share buyback.

YTD reported NPAT of \$276.6m is \$44.9m (14%) below budget and includes a net unfavourable normalisation adjustment of \$6.5m (net of income tax). The combined unfavourable variance from theoretical for the Australian casinos is \$2.1m (net of income tax), with YTD win rates on VIP Program Play of 1.30% at Crown Melbourne and 1.71% at Crown Perth. Crown Aspinalls' unfavourable variance from theoretical is \$4.4m (net of income tax) at a win rate of 0.88%.

Crown's forecast F19 normalised NPAT is \$381.5m, reflecting results to March 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 \$607.5m (Local \$538.3m, VIP \$69.2m). Crown Perth's full year EBITDA forecast is \$219.6m (Local \$221.1m, VIP - \$1.5m).



## SECTION 2 – AUSTRALIAN RESORTS

### 1. Review of Australian Resorts

#### 1.1. Australian Resorts

Soft trading conditions in both Melbourne and Perth have continued through the second half of the financial year. Whilst the key issue in both properties is the performance of Table Games, the subdued results have also been felt variously across the other areas of the business albeit to a lesser extent. As a result, the strong focus of the business has continued to be a full review of the cost base across the Group whilst also investigating various opportunities to stimulate top line growth.

A significant amount of work is currently underway in improving and upgrading Crown's Marketing Lifecycle program and initiatives with further information provided in the Marketing section below.

Current macro-economic conditions coupled with a significant downturn in house prices; a volatile share market; uncertainty around the banking and credit sectors; and outcomes of the pending Federal election, are causing a tightening in discretionary consumer spending. In addition to the above, the WA economy continues to lag behind all the other Australian States in key economic indicators and is showing no signs of recovery in the short to medium term.

Notwithstanding the above, the one positive in the business at present is the performance of mainstream Gaming Machines in Melbourne, where new and refreshed product has been very well received by the customer, resulting in a turnaround in growth year on year and improvement in market share.

VIP volumes in both properties of late have been subdued, consistent with feedback from other jurisdictions.

#### 1.2. Crown Melbourne

The focus in Melbourne continues to be on driving the local gaming market, with a particular emphasis on Table Games combined with some key initiatives in the Food & Beverage space to drive an uplift in volume, particularly Bars. Initiatives specific to Table Games, underway or planned, are as follows:

- Luxury Car Promotion in Mahogany Room commenced in March and continues through to the start of May with entries open to local gaming customers;
- Significant number of adhoc and planned dinner events for Platinum and Black customers;
- Leveraging the Easter and Anzac Day periods with strong dinner and cash draw activity for Local and Interstate VIPs;
- Continuation of the Maple Room cash draws series. The more recent trigger-based activity concluded mid-March and the next iteration commences late April, for rated and unrated customers;

- A special 25<sup>th</sup> Birthday offer is in market aimed at the mid value Interstate market.
  - Complimentary benefits to our Standard customers have increased through April/May with a further improved offer for repeat visitation;
  - The \$25k - \$75k front money customers will enjoy additional benefits including additional hotel rooms and/or lucky money for achieving pre-defined activity thresholds.

Other gaming initiatives underway include:

- Crown's installation of the popular Lightning Link and Dragon Link/Cash gaming machine product will increase to over 700 units in April and remains the largest single site installation in the world. Based on its continued success we are in the process of constructing a dedicated Dragon Den in the Westend with state-of-the-art transparent LED signage walls, due for completion by the end of June;
- Other new machine product recently launched from Sci-Games (JJBX), IGT (Fortune Gong) and Konami (All Aboard) continue to perform well with expansions recently completed;
- During February, the first Chill Product 'Bloomtopia' made its debut at Crown Melbourne in a technical trial format with minimal marketing and fanfare. This is the first product to introduce a combination of monetary and non-monetary awards as well as an RFID player storage facility. The product is performing above average floor performance and expansion into the Main Gaming Floor is scheduled for late April.
- 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. Based on the success of this initiative, further expansion of the area is scheduled for early July;
- The "Colour Your Plate" food specials continue to be very popular across the Main Gaming Floor 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 now available on all gaming machine product in the Mahogany Room including Black and Platinum Salons. Next stage of the roll-out is scheduled for the Teak Room in coming months. The functionality allows reserving of machines for specific time periods configurable by Crown Rewards tier, gaming floor area and/or timeframe.

### 1.3. Crown Perth

In addition to the cost work described in 1.1 above and similar to Melbourne, the current focus continues to be identifying initiatives, events and promotions to drive volume, particularly in Table Games. Key initiatives are as follows:

- Continued optimisation of Table Games Open Hours. A reduction of 1,500 open hours per week has resulted in a reduction in payroll expenses and increased Win per Open hour with no impact on revenue and a further 400 hours have been identified for progressive reduction;
- Broaden the appeal of high margin electronic Table Games (eTGs) through expansion, product placement and increased minimum bets in premium gaming areas. Improve yield through increased house edge with the introduction of the approved game of double zero Roulette;
- Core focus remains key Gold and Platinum segments showing a capacity to increase activity;
- Continued focus post-AFL on the reactivation of customer segments that disengaged during game days, with a focus on primarily Baccarat and Roulette customers;
- Re-establish Baccarat Room volumes to enable growth in premium areas through use of marketing spend to identify and attract the “right customer” with emerging markets and Main Gaming Floor customer identification strategies;
- Introducing the popular Lightning Link Aristocrat Gaming Machine to the Perth market. Availability of this product has been delayed until Q2 F20. Recent discussions with Aristocrat have been positive in increasing minimum denomination, game title options and plans to develop Dragon Link for the Perth market;
- 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;
- Focus on re-engaging the 55+ customer through the new CrownLife program which successfully commenced recently, evidenced in the improving performance of the Silver tier;
- Continue the push for email collection from long-term members to facilitate faster and more effective communication with recent months seeing over 90% of sign ups providing email addresses;
- Increasingly leverage supplier assets to create market leading promotional offers;
- Scheduled Lucky Coin capability made available under IGT 9.7, is currently in trial mode, with a series of promotions scheduled for April and beyond using this functionality;
- Review current expenditure in marketing and operations and implement initiatives to better reflect business performance.

## 2. Current Trading

### 2.1. Crown Melbourne

**Table Games** March YTD contribution of \$252.0m was \$18.8m or 6.9% below budget and \$5.2m or 2.0% below last year. Despite prior corresponding period (pcp) growth in casino visitation, volumes and patron hours have remained subdued and the benefit of hold that was seen earlier in the financial year has reduced.

**Main Gaming Floor** (excluding Poker and eTGs) volumes March YTD were down 5.1% to budget and 3.7% to the pcp. Volumes were below budget and prior year in all areas with the infrequent areas still more pronounced but the core also showing increased weakness. Hold of 25.4% was marginally ahead of budget (25.2%) and the pcp, while patron hours were 5.0% below budget and 2.8% below the pcp.

**Electronic Table Games** (eTGs) turnover March YTD was 3.4% below budget but 2.1% above the pcp. eTGs continued to show solid year-on-year turnover and revenue growth despite a 1.4% decline in patron hours. Actual hold of 2.6% was down slightly on the theoretical of 2.7%.

**Poker cash and tournament play** has continued to enjoy strong growth and revenue was 2.8% ahead of budget March YTD and 6.4% favourable to prior year. The Aussie Millions Poker Championship, which began in January and concluded in early February assisted the businesses' continued solid growth to the pcp. The Aussie Millions Main Event saw a record 822 entrants, up on the previous year's 800.

**Premium Table Games** volumes March YTD continued to be the main area of concern for the business and finished down 8.0% on budget and 3.6% on the pcp. While still well down on expectations, there has been a marked and continued improvement since the end of September, where YTD misses were 12.6% to budget and 8.5% to prior year. The combined hold of 20.8% was up on expectations (19.9%) but not sufficient to bridge the volume shortfall, with revenue down 3.3% to budget but up 2.5% to pcp.

**Main Floor Premium** (MFP) volumes March YTD were down 6.7% on budget and 3.1% on the pcp. After softness in Q1 and improvement between October and January, February and March were again subdued. The volume shortfalls remain an issue of customer spend patterns rather than visitation, with patron hours March YTD up 3.4% to budget and 2.8% to the pcp. The Maple Room continues to exhibit the strongest patron hour growth with movements of 8.5% and 7.1% to budget and pcp respectively.

**Mahogany Room** volumes March YTD were 9.8% below budget and 4.3% below the pcp with March showing improved performance at 1.3% below budget but 9.0% above the prior year. Patron hours remain relatively robust with March YTD 2.1% above budget and 2.8% above pcp. The primary issue in the first half of the year was in the Top 20 customer set where there was a significant decline in turnover against the pcp. In more recent months an increase in activity from these patrons has helped to reduce the YTD budget and pcp variances.

**Table Games Interstate** (Commission and Standard) March YTD turnover of \$4.4b was 7.0% below budget and 13.2% below the pcp. The overall market continues to be strongly supported by the commission side of the business, albeit on slightly lower base of unique

customers. Conversely, the standard side of the business is enjoying strong growth in the number of uniques but remains below budget for turnover, albeit up 4.0% on the pcp. Total Table Games Interstate theoretical contribution was 11.4% unfavourable to budget, however on an actual basis, revenue was \$14m (>300%) above pcp.

**Gaming Machines'** March YTD contribution of \$170.4m was \$1.4m or 0.8% below budget and \$2.7m or 1.5% below the pcp. Turnover of \$4.3b was 2.2% above budget and 3.4% above the pcp, with a win rate of 7.9% (budget 8.0%, pcp 8.0%) leading to revenue of \$347.1m, 0.9% above budget and 1.3% above the pcp. The key driver of the miss to contribution was gaming tax due to an unfavourable mix of program and non-program play.

**Gaming Machines Local** March YTD turnover of \$3.8b was 4.4% above budget and 5.5% above the pcp. Year-on-year growth has been across all Crown Rewards tiers except Silver with Black, Platinum and Gold combined up 4.8% and Silver, Member and Unrated combined up 6.7%.

**Gaming Machines Interstate and International** March YTD theoretical revenue of \$35.8m was 4.4% below budget and 5.9% below the pcp. The variance to pcp was driven by reduced play from our top two North Asia customers. Combined theoretical revenue from these players was down \$3.5m year on year. Both players are currently in-house.

The calendar of promotions and events for VIP Gaming Machine customers continues to focus on driving VIP Gaming Machines' business through the new programs with enhanced earn rates delivering increased visitation and program buy-in.

**Food & Beverage's** March YTD result was \$3m or 6.6% below budget and \$1.5m or 3.5% below the pcp. The shortfall against the pcp is due to \$2.7m in sign-on fees being received during the pcp. At an operational level the YTD result is up 3.5% on the pcp. March was a challenging budget and the final result reflected weaker than expected revenues in Bars in particular, but also Bistro Guillaume, San Antone and Promenade F&B. Trading hours have been adjusted to eliminate some loss-making periods which has proven successful in Promenade this month. Events & Conferencing (E&C), despite having below expected revenue numbers in March, is still forecasting to achieve the full year budget, with the Aviary rooftop marquee continuing to perform well.

**Hotels'** March YTD result was \$1.3m or 1.6% below budget and \$1.7m or 2.2% above the pcp. Occupancy levels in Towers, Metropol and Promenade were 96.9%, 94.7% and 94.7% respectively, while combined occupancy of 95.3% was 1.3% below budget (mostly due to lower gaming nights) and 0.9% down on the pcp. By comparison, the Melbourne premium hotel market dropped from 89.0% in the pcp to 88.6%. Average rate growth was relatively positive with 3.8%, 2.6% and 3.4% recorded in Towers, Metropol and Promenade respectively; with Villas declining 1.1% year on year (revenue is up 5.1% due to higher occupancy). The combined growth of 3.5% has been achieved by a more favourable market mix (higher Leisure and Villas, lower Wholesale and Gaming segments) rather than major price increases. By comparison, the Melbourne premium market rate grew 2.4%. Total room revenue grew 2.5% compared to a market decline of -1.5%.

## 2.2. Crown Perth

**Local Table Games'** contribution March YTD was \$11.4m or 16.2% below budget and \$8.3m or 12.4% below the pcp. Soft volumes are hampering both regular and premium

tables largely as a result of the subdued economy.

**Regular Table Games'** contribution March YTD was \$8.9m or 14.2% below budget and \$6.5m or 10.7% below the pcp. Declining Main Gaming Floor (MGF) traditional game volumes are a key issue partially offset by growth in electronic tables. An increased focus on re-engaging the core table games customer, in particular those with a Baccarat and Roulette preference, is a high priority over the coming months, to be achieved via a mix of promotional and personalised offers.

Tailoring the customer experience to best leverage premium assets and service teams remains the key focus for the remainder of the year. The renewal process under the revised VIP status credit thresholds was recently completed establishing the new premium tiers. With fewer customers of a higher value remaining in the premium tiers, a dedicated focus on refining elements of the experience for the most valuable customers is the immediate action.

**Gaming Machines'** March YTD contribution was below budget by \$2.7m or 1.9% however above last year by \$0.9m or 0.6%. YTD turnover was above last year by 1.0%.

The rated Gaming Machines membership base has delivered a stable level of visitation despite the challenges of declining spend per visit and the softening of the local premium market continuing to linger. Increased visitation and, in some cases, re-engagement of customers from these tiers remains a priority via direct marketing, targeted VIP events, exclusive promotions/jackpots and refining the experience in the premium gaming assets. The uncarded and mainstream segments of the Gaming Machines business have proved more stable in the current year to date and provided some relief to challenges described above.

The remainder of the year and F20 will see a suite of new games installed across the casino for Gaming Machines. Indications from recent games launched in 'Bright Lights' and 'Monopoly' have been positive. A key feature of the aforementioned titles is multi-denomination, allowing both a lower entry point for customers and increased flexibility in moving between price points. Multi-denominational games are further strengthening the 'Value Guarantee' message for machine customers. Other key content coming will further enhance the product offering.

**Food & Beverage (F&B)** March YTD contribution was \$2.6m or 11.5% below budget and \$1.8m or 8.2% below the pcp. The below budget results continue to be driven mostly by the declining beverage spend through the Main Gaming Floor Bars particularly Merrywell, and the decline in Eve Nightclub. The total average check is down 3.6% on last year. Other factors impacting the result have been the average attendance numbers in the Theatre during some key months YTD where good F&B pre and post spend was expected, plus relatively soft trading around public holidays such as Australia Day and the WA Labour Day long weekend in March.

**Conventions'** March YTD contribution was \$0.6m or 12.7% below budget and \$0.3m or 8.5% above last year. The YTD result is mainly due to the loss of business to new competitor set in the market (the Stadium and the Westin).

Key events YTD included the West Coast Eagles Season Launch, FFC Women's Day, Fremantle Football Club Season Launch, Master Building Housing Excellence Awards,

Hopman Cup NYE Gala, E Bridal Expo, Flight Centre Ball, Chevron NAIDOC Ball, 2018 Brainchild Ball WA, REIWA Awards, The Long Lunch, APPA National Conference, TEMC 2018 Conference, West Coast Eagles Finals lunch, Australian Orthopaedic Association, Parkerville Children & Youth Care Lunch, Magellan Global Lunch Briefing, ACM 2018 National Conference, The Agency Pink Ribbon Gala Ball, Melbourne Cup Luncheon, Perth Airport WA Tourism Awards, Foodworks National Conference, and Ronald McDonald Charities Ball.

Entertainment's March YTD contribution was \$0.1m or 2.9% above budget and \$1.6m above last year. The result was mainly driven by better than expected patronage at Disney's Aladdin, which ran from 19 July until 28 October 2018, with 117 performances. The next few months until July will be relatively quiet, with less shows contracted than budgeted.

The following are confirmed future events in the Theatre:

|  |       |
|--|-------|
| Whitney Houston Tribute                    | April |
| WASO – The Little Mermaid (2 performances) | April |
| The Ultimate Vegas Show                    | May   |
| The Gipsy Kings                            | May   |
| Fastlove                                   | May   |
| Dave Hughes Hairy                          | May   |
| In Conversation with the Sopranos          | May   |
| The Class of 59                            | June  |
| Nick Offerman                              | June  |
| Urzila Carlson (2 performances)            | June  |
| Bjorn Again                                | June  |
| Billy Ocean                                | June  |

**Perth Hotels'** March YTD result was \$1.7m or 5.1% below budget and \$0.5m or 1.5% below the pcp. The below budget result was largely due to lower than expected occupancy levels across the three hotels, partially offset by a higher average room rate predominately in Crown Towers. Expected seasonal growth over the Summer period was subdued, with external market conditions forcing down average rates and creating a more price competitive environment.

### 3. Legal and Regulatory Matters

#### 3.1. Australian Resorts

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE

#### *Section 25 Review Recommendations*

Crown Melbourne is continuing to progress the implementation of the 11 Responsible Gaming Recommendations (**s25 Recommendations**) made by the Victorian Commission for Gambling and Liquor Regulation (**VCGLR**) in its Section 25 Review.

The s25 Recommendation progress report was provided and discussed at the annual VCGLR Commissioner and Crown Executive meeting, held 13 February 2019. VCGLR Chairperson Mr Ross Kennedy noted that the update indicates solid progress made by Crown Melbourne.

#### *Responsible Gaming Advisory Panel*

The establishment of the Crown Resorts Responsible Gaming Advisory Panel (**Panel**) is progressing.

Professor Alex Blaszczyński has agreed to Chair the Panel. Professor Blaszczyński visited Crown Melbourne in early April to undertake some initial meetings to familiarise himself with Crown Melbourne's operations and to provide some feedback to on the RSG related s25 Recommendations and the Crown Model.

Additionally, Barry Felstead and Professor John Horvath have engaged with two other proposed Panel members, Assistant Professor Paul Delfabbro (Adelaide) and Professor Lía Nower (New Jersey) and have recommended their appointment as members of the Panel.

The convening of the Panel was confirmed at the Crown Resorts Limited Responsible Gaming Committee on 3 April 2019.



*Victorian Responsible Gambling Foundation (VRGF)*

On 18 March 2019, the Minister for Consumer Affairs, Gaming and Liquor Regulation, the Hon. Ms Marlene Kairouz, announced the appointment of Shane Lucas as the VRGF's new Chief Executive Officer. Mr Lucas has held executive and senior management positions in non-government, government and private sectors since 2000. He served as CEO of Early Learning Association Australia from 2013 to 2017, and most recently was a full-time member of the Administrative Appeals Tribunal.

Mr Lucas will be invited in due course to visit Crown Melbourne to meet with Senior Management, as well as a tour and presentation on Responsible Gaming.

*Responsible Gambling Ministerial Advisory Council (RGMAC) (Vic)*

The meeting that was scheduled for 20 March 2019 has been postponed to June 2019. Separately, Barry Felstead wrote to Minister Kairouz to recommend the appointment of Chris Reilly, the recently appointed General Manager – Tourism, Crown Resorts to the RGMAC in place of Sonja Bauer. Sonja Bauer has resigned from her position on the RGMAC.

*The Department of Justice and Community Safety (DJCS) (Vic)*

Cate Carr, who has led the DJCS's Liquor, Gaming and Racing Division for the past five years, has resigned from her position as Executive Director, Liquor, Gaming and Racing. Simon Cohen has been appointed Deputy Secretary, Regulation, DJCS. Josh Preston and Chris Reilly have had an introductory meeting with Mr Cohen, who is scheduled to visit Crown Melbourne in mid-May 2019, to meet with Senior Management and for a tour of Crown Melbourne and a presentation on Responsible Gaming.

*Liquor and Gaming and the Office of Responsible Gambling (NSW)*

On 20 March 2019, Natasha Mann Executive Director, Regulatory Policy & Strategy, Liquor and Gaming NSW and Natalie Wright, Director, Office of Responsible Gambling, visited Crown Melbourne. The visit included a property tour, as well as a presentation pertaining to the Facial Recognition Technology currently in use at Crown Melbourne. The visit concluded in the Responsible Gaming Support Centre, where the Responsible Gaming Framework was discussed. Ms Mann will be visiting Crown Perth for a similar tour in May 2019.

**3.2. Crown Melbourne**

REDACTED - PRIVILEGE





REDACTED - PRIVILEGE



**3.3. Crown Perth**

REDACTED - PRIVILEGE





REDACTED - PRIVILEGE

## **4. Marketing Initiatives**

### **4.1. Australian Resorts**

Delivery of the new marketing capabilities is well underway with good progress on the key pillars of using data to identify incremental revenue opportunities, creating new offers to realise these opportunities, taking them to market through new digital communication channels and improving leverage of the Crown Rewards program.

These new capabilities are being leveraged to realise three material incremental opportunities:

- Driving mass visitation to property;
- Reactivating inactive Crown Rewards members; and
- Delivering personalised, trigger-based offers to active Crown Rewards members to better create value for both the member and Crown.

Progress against these three areas is summarised below.

**Mass visitation initiatives** to drive visitation by non-Rewards members:

- **Mass promotions** targeting key visitation occasions continue to perform strongly with over 350k meal deal participants in Melbourne year to date and 250k in Perth. Following the success of the post work catch-ups promotions across multiple bars and restaurants in Melbourne, broader 'Happy Hour' promotions have been scaled up in Melbourne and are being tested for members in Perth. More broadly, mainstream was supported by a wide range of Christmas and New Year's Eve promotions and events.
- **Marketing communications** in Melbourne focussed on Lunar New Year while Perth saw the tactical, value led messages added to the *Live A Little Larger* campaign platform with research showing these to be particularly effective at increasing likelihood to visit. Across the two properties this communication approach has driven an increase in brand awareness year on year and improved Crown brand perceptions with the biggest lifts including Crown Perth as a fun and exciting place to visit, there's always lots to do at Crown Melbourne and Crown Melbourne is the place to go for gaming.

These activities continue to drive increased web traffic year on year in both properties as people investigate Crown's offering. In Melbourne web traffic is up more than 17% year on year since launch of the new platform and dynamic website and in Perth, after being down 5% December to February, web traffic has lifted to be up 11% year on year for March as new value and rewards activities went to market.

- **Mass visitation metrics** have seen Melbourne gaming foot traffic up 2% year to date and up 3% in Q3. Perth has seen MGF foot traffic grow 2% YTD and, while December to February saw a decline of 1%, March has swung back to up 2% year on year as activity focussed on value offers and renewal promotions for rewards members.

**Reactivation of Crown Rewards** members who have not visited for more than 6 months, and who it is estimated make up more than half the infrequent visitor opportunity. Tests have proven successful and these activities have been scaled to go to ~120k members per month from January.

- **Mainstream activities** have seen over 250k members contacted, with Birthday and F&B offers proving most successful reaching up to 5% and 3% reactivation respectively. Year to date these tests have delivered more than \$2.5m revenue across the two properties from 9k reactivated members.

- **Premium activities** have also seen multiple tests deployed to local premium members with reactivation rates of up to 36% delivering more than \$1m in revenue YTD from 400 members reactivated. Late October saw the launch of interstate test offers to mass premium members with these first activities generating revenue of \$270k from around 100 interstate customers. The interstate mass premium activities have been built into an ongoing program that launched in March targeting 28k higher value Rewards members and 1.7k VIP1 members.

**Personalised, automated, trigger-based offers** to active Crown Rewards members will deliver highly personalised offers to give members compelling reasons to visit based on their likely preferences.

Tests of these personalised offers through Q3 have shown encouraging results with 6k table games members targeted with 'earn and get' offers showing revenue lifts of between 7% and 28% (equating to ~\$500k incremental revenue) over the four week test and a further test to 3k lower value members showing similar revenue lifts.

Work is in train to automate these personalised offers and accelerate creation of new offers. New technical capability is being developed which will allow acceleration of this process through F20.

In addition to these new cross-property initiatives each property continues to maintain a high volume of activities to bring patrons to property as follows:

#### 4.2. **Crown Melbourne Campaigns**

**Mainstream gaming** was supported by a range of promotions including the marquee Crack the Vault promotion on the main casino floor at the tail end of February and into March, offering members the chance to race against each other to Crack the Vault and win cash prizes each day for 24 days. From a new games' perspective, Fortune Gong was launched successfully, and the all new Bloomtopia was introduced in Riverside via technical trial.

**Lunar New Year** was the marquee theme for a vast majority of February and saw a whole suite of local promotional activity along with VIP-specific events and promotions. The annual LNY Baccarat tournament was the main drawcard for local and interstate VIPs, and mainstream gaming patrons could participate in any of the three hero LNY promotional campaigns – LNY Fortune Spin (offering members the chance to spin the Fortune Wheels to win up to \$18,888 every day), Lucky Money Cash Draws (running across the MGF, Maple, Teak and Mahogany and offering members the chance to win cash prizes through rated table play) and LNY Jackpot Time (running on participating gaming machines across the MGF, Riverside, Teak and Mahogany).

**In addition, over 120 targeted promotions and events** have been delivered to key customer groups YTD. Across January and February, key tactical activity ran across the Lunar New Year period with various segments of members receiving promotional offers including lucky red packets, collectable Year of the Pig zodiacs and collectable chip offers.

**Premium customer offers** continued, with targeted offers gifting the next status Rewards tier or offered as part of a spend target. This iteration of offers went out to 5k identified members across February and March, with positive initial results of 165 members already reaching higher tiers as a result of responding to these offers.

**Food and Beverage** was led by two compelling campaigns bringing to life the Main Gaming Floor through key beverage partners, Corona and Piper Champagne. The Corona Bali Protected campaign was activated across 12 venues focusing on the hero bar venues achieving strong entry performance, and 11.6% volume increase. Piper contributed strongly to performance achieving a product uplift of 56% across 17 participating venue including our premium dining venues. The seasonally refreshed gaming meals campaign, “Fresh Flavours”, continues to drive strong main floor dining results supported by targeted media delivering an average weekly revenue of \$115k.

#### **4.3. Crown Perth Campaigns**

February and March saw the property aligned to acknowledge Lunar New Year festivities, Valentine’s Day, Value and the launch of the Monopoly gaming machine game.

The “Live a Little Larger...” campaign platform was in market and accommodated the value offers including \$8 pints, under \$20 menus and \$55 Ultimate Lunch and Dinner with the messages optimised to focus on value messages to support visitation and mainstream gaming and F&B. The new under \$15 Member Meals were introduced and are performing well with improvement seen in lunch time transactions in main gaming floor restaurants, albeit average check is still lagging reflecting the Perth market conditions.

Gaming promotions over the period featured Lunar New Year inspired jackpots, including the Giant Red Pack Draw, Prosperity Sunday, Lucky Seats and a Baccarat Tournament Sunday Series throughout February. March saw Top Hat weekend draws as well as the introduction of Monopoly. To help leverage the launch of the new the electronic machine game the Crown Perth Edition of the Monopoly Board Game was created and sold. Members could earn points in exchange for the board game or purchase directly with 5,000 board games redeemed by customers and staff over the promotion period. In addition to this more than 30 targeted promotions went to market to support specific member tiers.

Alongside these broader gaming promotions, additional activities which were launched in January to support the premium end of the business continued to be delivered in February and March. These premium targeted offers included status credits and status point multipliers.

## **5. HR Initiatives**

### **5.1. Australian Resorts**

#### *Indigenous Employment Programme (IEP)*

As at 1 March 2019, there were 192 Indigenous Australians employed across Crown Melbourne (107) and Crown Perth (85).

The recruitment process is being undertaken to replace the role of Indigenous Employment Program Manager – Melbourne. Jacinta Cubillo is currently assisting with the management of the programme in this transitional phase.



Crown is continuing to work with the Department of Prime Minister and Cabinet to extend our current Employment Parity Initiative (EPI) contract. EPI contract variation is in the process of being executed by both parties.

#### *Workplace Gender Equity*

The new group of The Women of Crown Management have commenced, with twelve participants being selected to undertake the program over the next twelve months.

#### *Crown Pride*

Employees at Crown Melbourne and Perth have completed the Australian Workplace Equality Index (AWEI) 2019 employee survey. The AWEI stands as the definitive national benchmark on LGBTIQ+ workplace inclusion and comprises the largest and only national employee survey designed to gauge the overall impact of inclusion initiatives on organisational culture as well as identifying and non-identifying employees. Results will be published in June 2019.

#### *Learning and Development*

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

Shane Thomas and Alicia Gleeson attended the ASEAN (Austrade, ASEAN Tourism and Hospitality Education and Training) showcase in Bangkok, Hanoi and Ho Chi Minh City. The showcase brought together 12 Australian Education and Training providers and experts to access opportunities, develop industry and academic partnerships in the Thailand and Vietnam Market. Both markets are emerging markets for CCI, with 10% of our current student enrolments coming from Thailand. The showcase provided branding opportunities and insights into the emerging commercial opportunities for education and training providers across the sector. Around 300 key stakeholders from Thai and Vietnamese universities, government agencies, hotel chains and relevant associations were invited to attend the events.

To date CCI has received 355 applications and 182 enrolments. CCI has also extended its scope of registration adding on Certificate III & IV in Patisserie. 25 students will commence during the April intake.

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

The governance and strategic management activities required for CCIHE are continuing. The CCIHE Academic Board has also been formed and has started working through the Academic requirements for the program's registration.

#### *CROWNability*

There are currently a total of 281 employees and contractors in the CROWNability program across both properties, with 123 direct employees and 10 contractors at Crown Melbourne and 140 direct employees and 8 contractors at Crown Perth. This represents a retention rate of 66% as at 5 April 2019.

### **Access & Inclusion Award**

In Perth, our CROWNability program won the Excellence in Access and Inclusion award at the Town of Victoria Park Business Awards Ceremony, on Friday 29 March.

These awards celebrate the outstanding achievements of businesses and their contributions to the local community and economy.

By winning this award, Crown was recognised for being inclusive in our employment practices and for focusing on making our business accessible to all individuals.

### **Hospitality Disability Network WA (HDN)**

In November 2018 the HDN submitted an Expression of Interest to the WA Department of Communities – Disability Services to access funding allocated to employers to develop a capacity building program for people with disability. The HDN was successful in its application and awarded \$212,000.

As result of this funding the HDN WA will form an Association to become a fully operational program.

The HDN WA will be formally established through incorporation by 1 May 2019 and in December, on the International Day of People with Disability, the HDN will be launched to the wider industry.

The organisations involved in the HDN include: Crown Perth, Marriott Hotels, Optus Stadium (Venues live), Australian Hospitality Services (AHS), RAC , Hospitality Group Chamber of Commerce in Western Australia (CCIWA), Australian Hotels Association (AHA), Atwork Australia and The ORS Group.

## **5.2. Crown Melbourne**

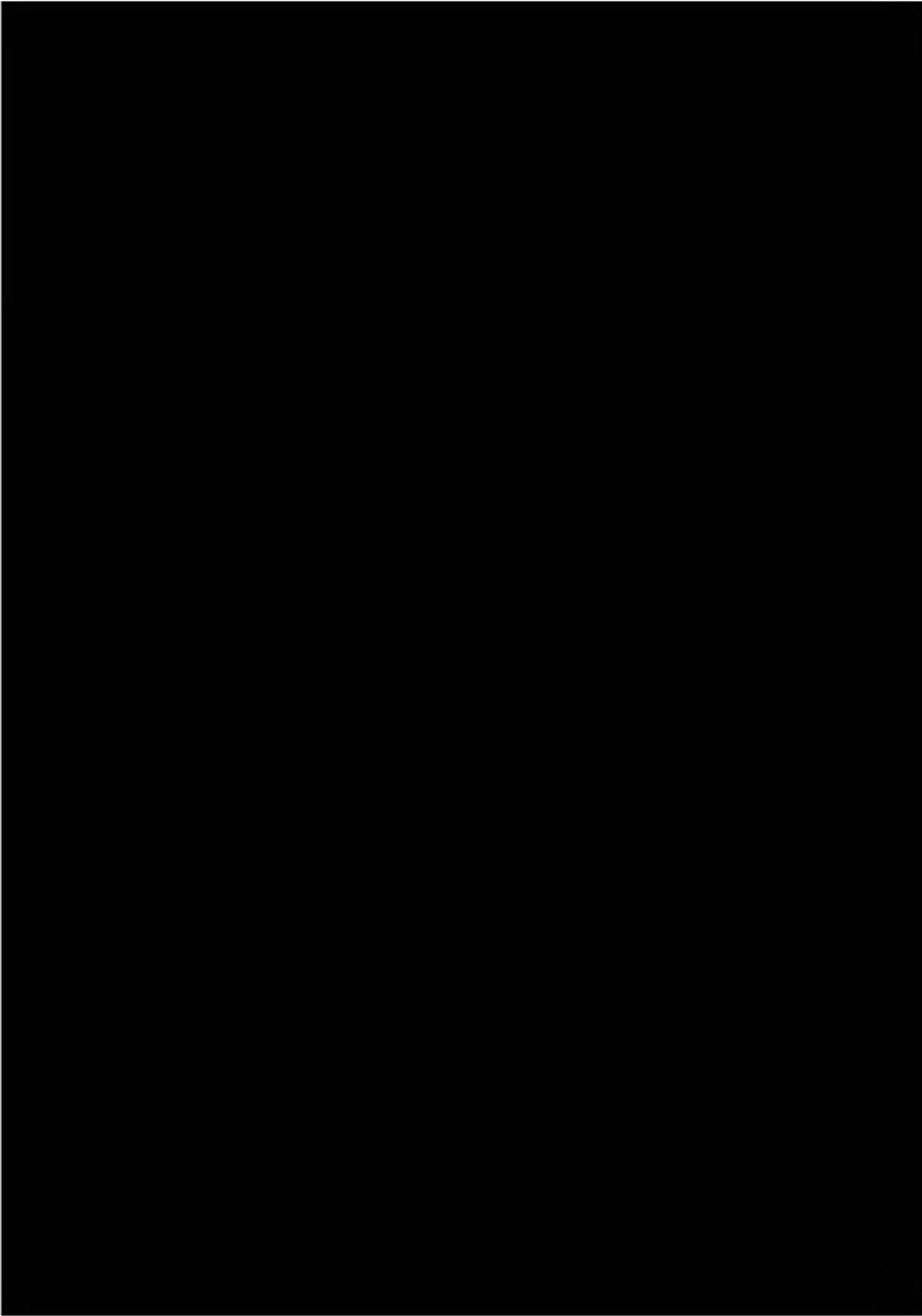
### *500 Training Places (500 TP)*

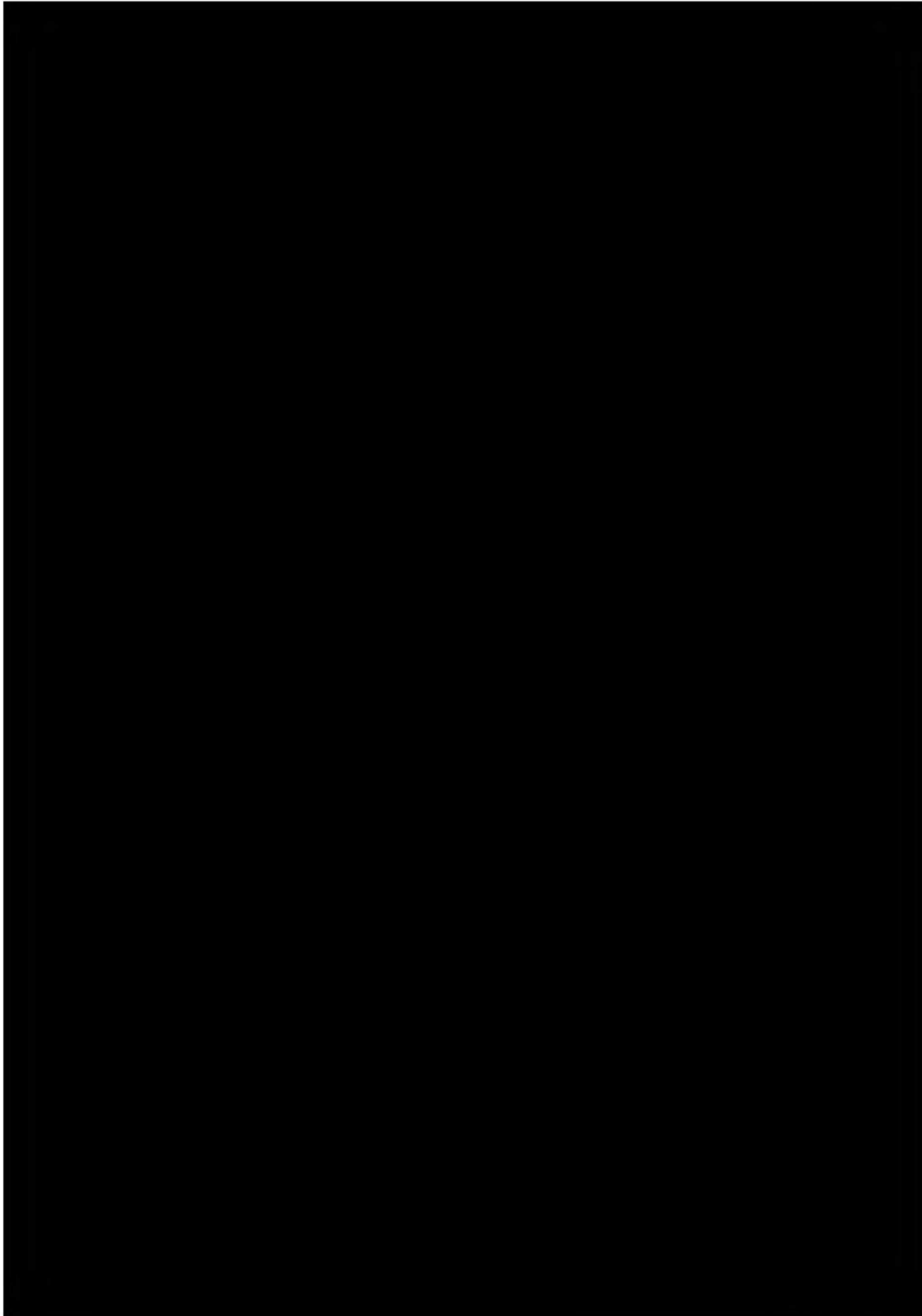
The 500 Training Places initiative at Crown Melbourne continues to progress with a total of 267 active enrolments in the program; a total of 92 Security students and 58 Hospitality students having completed the training to date. A total of nine Security and 40 Hospitality students have gained employment with Crown and an additional 52 students employed in industry. There are five Security students who will commence training at the end of April. This week, nine Hospitality students are commencing their service shifts in some of our casual dining outlets.

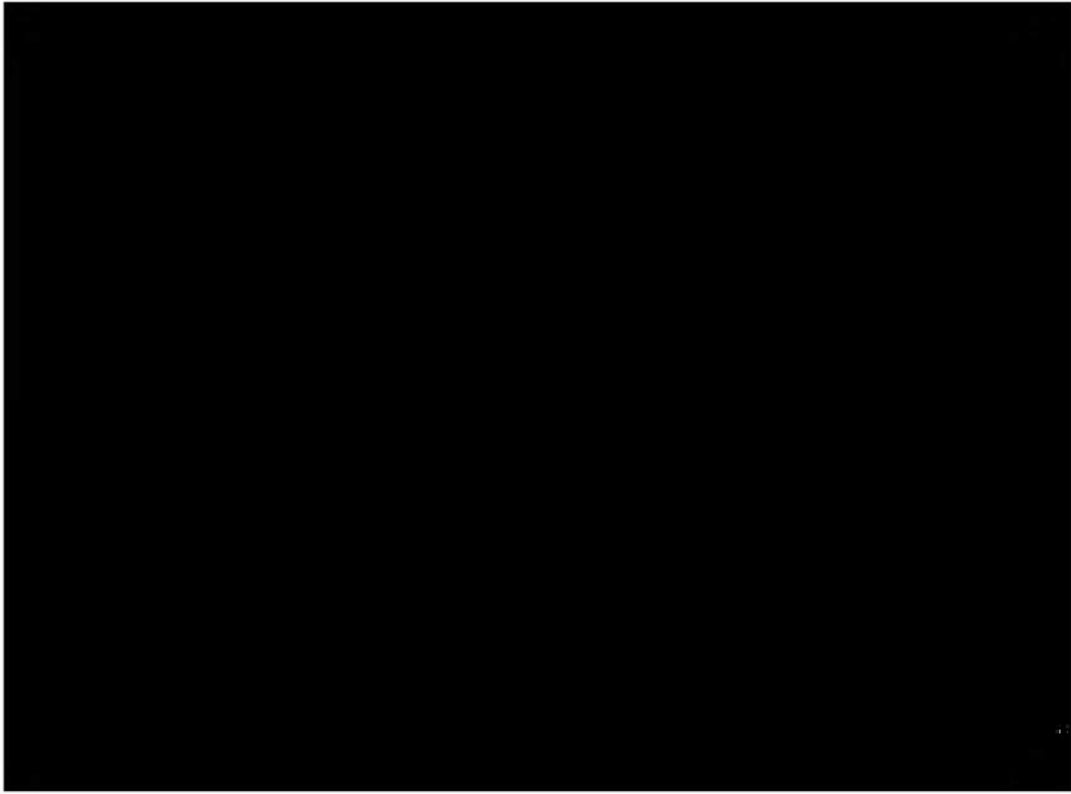
### *Industrial Relations*

Brendan Richardson has been appointed as Group Industrial Relations Manager and will commence with Crown on Monday, 15 April 2019.

Negotiations continue with United Voice and staff delegates around the Table Games Area Manager/Surveillance Operators/Security and Cage Management Enterprise Agreement. Our proposal is unchanged from our earlier position.







## SECTION 3 – UK BUSINESSES

### 1. Update on the Potential Sale of UK Assets

In relation to the potential sale of all or part of the Aspers Group, preliminary discussions with the three obvious potential buyers operating in the UK (Caesars, Rank and Genting) resulted in a clear view that none of those parties were interested in pursuing a transaction. Discussions also occurred with Novomatic who also declined to pursue further investigation of a transaction.

Damian Aspinall has also had discussions with a financial adviser, Mark Harms, about other potential European gaming operators who may have an interest in the Aspers portfolio. These included Gauselmann, Barriere and Cirsa who also declined to undertake a further review of the opportunity. One party, Olympic Entertainment, the continental European casino operator backed by Novalpina, has expressed some interest in further discussions although only on the basis of public information. Discussions are continuing with Mark Harms to assess the potential for Olympic to undertake a transaction.

At its last meeting, the Board approved the proposed sale of Crown Aspinalls following the receipt of a non-binding indicative proposal in mid-December 2018 from Inventive Star Limited. The proposed purchase price is £68 million with Crown to retain all cash and receivables associated with Aspinalls.

A meeting with the principals of Inventive Star took place in Hong Kong on Tuesday, 26 February 2019. Following a presentation on the business, the principals indicated that they remained interested in pursuing the proposed acquisition.

A sale process has been ongoing including discussions with Inventive Star and the establishment of an online data room containing certain key information on the Aspinalls business. Access to the data room was provided to Inventive Star management on 8 March. A draft Share Purchase Agreement was provided on 4 April. Final responses to due diligence questions were provided during the week of 8 April.

Inventive Star indicated that they will provide an update on the status of their work and their intentions with respect to the proposed transaction during the week of April 15. An update will be provided to the Board if further information is received in advance of the Board meeting.

### 2. Crown Aspinalls

#### *Gambling Commission AML Survey*

On 20 March 2019, Crown Aspinalls received a request from the Gambling Commission (**Commission**) concerning Money Service Business (**MSB**) activities provided by the Club (defined by the Commission as Third Party Cheque Cashing, Third Party Money Transfer and Foreign Exchange). The request for data was circulated to all casino operators by the Commission and survey results will be submitted to Cardiff University to anonymously collate the findings. The study (that queried, detailed policies and procedures, data sets and decision making concerning AML risks) aims to provide the Commission with an overview of the MSB activities and help identify any potential risks and whether further

guidance is required in relation to these activities. The Commission will continue to regulate casino MSB activities as agreed with Her Majesty's Revenue and Customs (HMRC) and will submit the data findings annually to HMRC. No date has been set for the outcome of the findings.

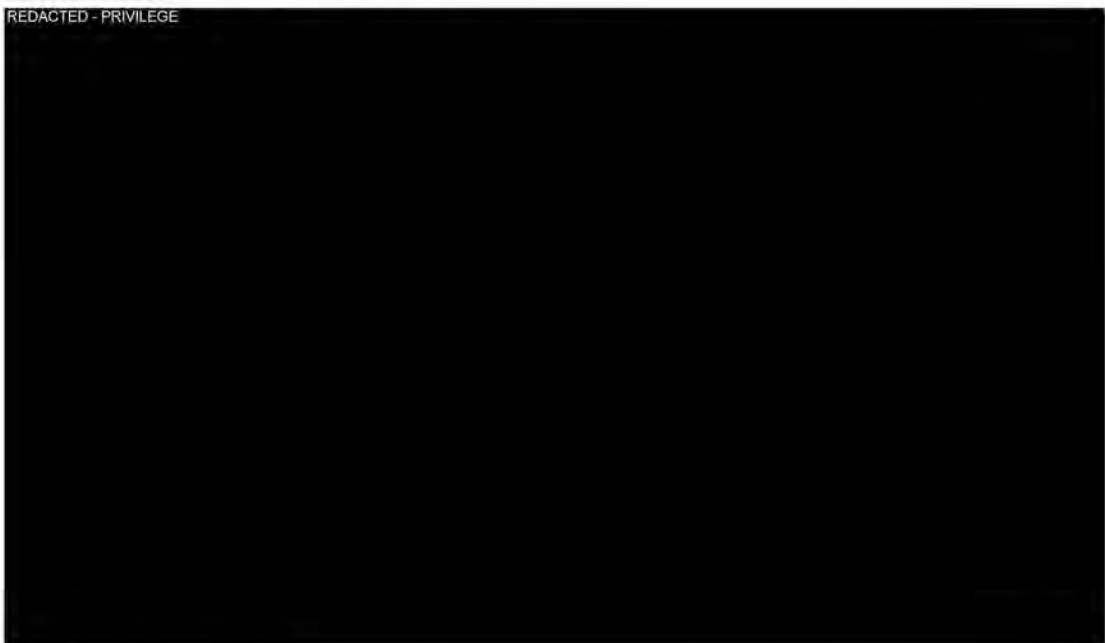
#### *UK Gambling Act – Amendment to Section 81*

There are no updates since the last CEO's Report in relation to this matter.

#### *Gaming Duty Tax*

The Finance Bill 2018-19, received Royal Assent on 12 February 2019 and is now an Act of Parliament. This item will now be closed.

REDACTED - PRIVILEGE



#### *Gambling Harm Reduction*

The Gambling Commission is developing a new national strategy to reduce gambling harms as the current 'National Responsible Gambling Strategy' comes to an end in March 2019. The Gambling Commission will consult with Government, public health, the charitable sector and gambling businesses in order to reduce gambling harms.

The Responsible Gambling Strategy Board has provided the Gambling Commission with advice on the new National Strategy to reduce gambling harms, which is to be published by the Commission in April. The advice will now be considered alongside comments from stakeholders and the public, which were submitted through a public consultation. The consultation, which closed on 15 February, received wide feedback from consumers, charities and industry stakeholders on how to develop the successor to the current National Responsible Gambling Strategy.

As a proactive approach to safer gambling, Crown Aspinalls has arranged Social Responsibility, Communication and Behavioural Change Training for Casino Managers,

Marketing and Senior Managers by external company, GamCare. Participants will gain signposting/referring skills and the tools to speak to customers about responsible gambling over the 2 day workshop.

### **3. Aspers**

There are no updates in relation Aspers.



## SECTION 4 –BETFAIR

### 4. Trading

For the month ended 31 March 2019, total Revenue finished up 25% YoY and 3% up against budget. Exchange Revenue grew 17% YoY, but was down 4% against budget. Premium Charge was strong in March landing at more than double both budget and last year due our #1 customer performance on UK racing.

FY EBITDA is still expected to hit the previously advised forecast of \$18m (+\$2.5m/+16% up on budget). The main drivers for this increase are the positive impacts of Exchange Growth and GST changes, partly offset by a reduction in FY Premium Charge revenue (from our # 1 customer) and the impact of Point of Consumption taxes.

### 5. Legal and Regulatory

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE



## SECTION 5 – 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.

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE



## SECTION 6 – NET DEBT AND CASH FLOW

| Net Debt Movements  | YTD<br>7/04/2019 | Forecast<br>30/06/2019 |
|---|------------------|------------------------|
| <b>Opening Net Debt (excl. Working Capital Cash)</b>        | <b>221.0</b>     | <b>221.0</b>           |
| Theoretical EBITDA  | 621.5            | 815.8                  |
| Add/(Less): Variance from Theo                              | (10.1)           | (10.1)                 |
| Reported EBITDA   | 611.4            | 805.7                  |
| Working Capital Movements                                   | 7.4              | (18.6)                 |
| Crown Melbourne Maintenance Capital Expenditure             | (54.5)           | (73.7)                 |
| Crown Perth Maintenance Capital Expenditure                 | (16.0)           | (30.1)                 |
| Crown Aspinalls Capital Expenditure                         | (0.6)            | (1.0)                  |
| Betfair Capital Expenditure                                 | (3.8)            | (4.2)                  |
| DGN Capital Expenditure                                     | (0.1)            | (10.1)                 |
| Net Interest  | (33.9)           | (51.8)                 |
| Taxation Payments   | (59.6)           | (78.1)                 |
| <b>Cashflow from Operating Activities</b>                   | <b>450.3</b>     | <b>538.1</b>           |
| <b>Growth Capital Expenditure and Investments</b>           |                  |                        |
| Crown Sydney Capital Expenditure                            | (263.6)          | (395.4)                |
| Crown Australian Resorts Major Projects Capital Expenditure | (0.7)            | (3.7)                  |
| Other   | 6.4              | 4.4                    |
| Dividends Received from Associates                          | 5.3              | 7.4                    |
| <b>Cashflow from Investing Activities</b>                   | <b>(252.7)</b>   | <b>(387.3)</b>         |
| <b>Net Cashflow</b>   | <b>197.7</b>     | <b>150.8</b>           |
| Dividends Paid  | (409.0)          | (409.0)                |
| Share Buy-Back  | (131.5)          | (369.5)                |
| MTM of Subordinated Notes/Foreign Debt                      | (9.5)            | (9.5)                  |
| <b>Closing Group Net Debt (excl. Working Capital Cash)</b>  | <b>(131.3)</b>   | <b>(416.2)</b>         |
| <b>Closing Group Net Debt (30 June 2018 Plan Update)</b>    |                  | <b>(454.2)</b>         |

Net debt at 7 April 2019 was \$131.3m (excluding working capital cash of \$160.9m), comprising gross debt of \$1,085.7m and closing available cash of \$954.3m. Forecast net debt at 30 June 2019 of \$416.2m is expected to be \$38.0m lower than budget.

The key reasons for forecast closing net debt as at 30 June 2019 being lower than budget are:

- F19 EBITDA is forecast to be \$69.6m lower than budget due to below theoretical win rates at Crown Melbourne (\$20.5m) and Crown Aspinalls (\$5.3m), and lower theoretical EBITDA at Crown Melbourne (\$38.5m), Crown Perth (\$35.6m) and Crown Aspinalls (\$8.9m). This is partially offset by above theoretical win rates at Crown Perth (\$15.0m), higher EBITDA from Wagering/Online (\$5.9m) and lower corporate costs (\$18.3m including one-off gain on disposal of Alon).
- Crown Sydney capital expenditure is forecast to be \$78.5m lower than budget, with budgeted expenditure in F19 being pushed into F20.
- Capital expenditure for Wagering and Online is forecast to be \$10.9m higher than budget with the forecast now reflecting the capitalisation of costs at DGN, whilst the budget had these costs being expensed.

- Share buy-back payments are forecast to be \$7.0m lower than budget, with a YTD share buy-back as of 7 April of 10.3m shares at an average cost of \$12.77 compared to a budget of \$13.50 per share. The remaining 17.6m shares are forecast to be bought back at \$13.50, in line with budget.
- Dividends paid are \$4.9m higher than budget due to the delay in the share buy-back.
- Interest (\$6.3m) and taxation (\$33.4m) payments are forecast to be lower than budget

Total liquidity at 7 April 2019 was \$1,148.8m taking into account available unused facilities of \$194.5m and available cash of \$954.3m (excluding \$160.9m of working capital cash).