

FY19 Business Plan and Budget Executive Review

VIP International



A WORLD OF ENTERTAINMENT.™



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Agenda



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4. FY19 Key Business Initiatives
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FY18 YTD Overview



Strong recovery in turnover volumes in FY18

- Combined \$29b vs \$21b – up 39% on budget
- Melb volumes up 50%; Perth 4% below budget
- China customers are now visiting under junkets
 - We do not offer credit to China customers
 - We do not directly market to China customers

Higher proportion of junket business which is expected to continue in FY19

- 76% vs 65% budget
- A 2nd Macau based junket will commence permanent operations in Melb soon

Slight decrease in direct contribution margins due to the change in business mix

- 0.43% vs 0.45% budget
- Margins for individual program segments are in line with budget

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FY18 YTD Overview



Overheads are 2% below budget despite the increase in volumes

- Higher aircraft charter revenue
- Lower Perth gaming labour costs

Net contribution is 85% ahead of budget

- \$64m vs \$35m budget

Very little overdue debt relates to FY18 business

- Established junkets are lower credit risk than individual premium players
- Collections from junkets are generally within our credit terms
- Junkets are able to transfer funds more easily than individuals

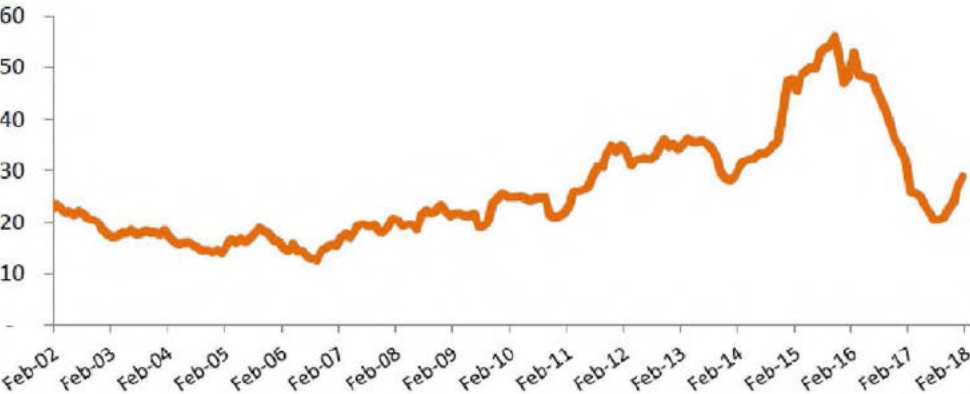
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FY18 YTD Overview



Melbourne

Rolling 12 Month Turnover (A\$bn)



Top 10 Players - YTD	
Player	Turnover(\$'m)
PATRON	4,218.36
SUNCITY	3,452.10
[Redacted]	2,494.57
[Redacted]	2,159.09
[Redacted]	1,389.51
[Redacted]	1,293.16
[Redacted]	944.28
[Redacted]	826.05
[Redacted]	580.64
[Redacted]	556.88
Top 10 Total	17,914.64
% of All Business	71.3%

Feb 18 Rolling Turnover \$31.7bn

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FY18 YTD Overview



Perth

Rolling 12 Months Turnover (A\$bn)



Top 10 Players - YTD	
PATRON	Turnover(\$'m)
	777.05
	579.59
	362.65
	156.42
	153.30
	120.90
	99.31
	98.90
	92.30
	90.02
Top 10 Total	2,530.45
% of All Business	61.3%

Feb 18 Rolling Turnover \$6.05bn

VIP International Market Conditions



What is happening in the market?

- Macau Junkets are consolidating (fewer but bigger)
- China players are visiting under Junkets
- Competitors continue to market to customers in China
- Competitors continue to market gaming in Asia
- The Star and Sky City are competing aggressively:
 - Pricing: Offering higher incentives to customers – commission, LM, comps
 - Events: The Star now run Golden Ball and Baccarat tournaments
 - Structure: Replicating our service team structure and targeting our staff.
 - Strategies: Targeting fixed room junkets
- New properties in Macau (Wynn Palace, MGM Grand Cotai, Parisian, Macau Roosevelt)
- International funds transfers are more difficult – AML

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Current Business Structure



The VIP International business model has undergone significant changes in the last 12 months due to the China issue. These changes include, a new operating model, tighter marketing protocols and greater attention to our costs.

Key Focus	
International Sales	<ul style="list-style-type: none"> • The International Sales Team operate from a central sales office in Hong Kong • The International Sales Team works closely with our VIP Teams in Melbourne, Perth and London • Staff travel into other Asian markets for customer relations and promotion of non gaming facilities and experiences • Dedicated compliance support person is based in Hong Kong
Operations Team and VIP Services	<ul style="list-style-type: none"> • Melbourne based Service Managers travel to Perth for VVIP customer attachment as required • VIP Services is centralised in Melbourne
On-property Sales support	<ul style="list-style-type: none"> • Lifestyle Director (Perth based) and Sales Manager (Melbourne based) to support the International sales team

F19 Key Business Initiatives



Key initiatives to grow business volumes

Customers	<ul style="list-style-type: none"> • Provide enhanced support for Junkets: Administrative, marketing and events support • Partner with new In House Junkets (eg, Grand Maxim/Megstar). • Explore other avenues to make contact with premium customers and drive visitation to our properties • Introduce a long term loyalty program for repeat visitation for mid tier customers
Resources	<ul style="list-style-type: none"> • Expand the existing sales team of 12 based in Hong Kong to further support the Malaysia and Singapore markets • Hire additional service staff to support business volumes • Introduction of the staff mobile app

F19 Key Business Initiatives



Key initiatives to grow business volumes

Events and Marketing

- Expand the events and marketing calendar to further drive visitation to Melbourne and promote Perth as a destination (additional Golden Ball event in September and tactical campaigns)
- Differentiate by developing and executing innovative events – Crown Masters and Million Dollar Dice event
- Continue to leverage events and attractions unique to Melbourne and Perth e.g. Spring Racing Carnival, Australian Open, Grand Prix, Soccer

FY19 Operating Budget



FY19 Budget - Melbourne



VIP INTERNATIONAL	MELBOURNE						
	F19 Budget (\$'000)	F18 Forecast (\$'000)	Variance (\$)	Variance (%)	F17 Theo (\$'000)	Variance (\$)	Variance (%)
TURNOVER	34,550,000	32,948,224	1,601,776	4.9%	21,849,974	11,098,250	50.8%
Win / Revenue	483,700	461,275	22,425	4.9%	305,900	155,376	50.8%
Commission & Comps (INC TB)	283,542	269,714	(13,828)	(5.1%)	172,364	(97,350)	(56.5%)
Gaming Tax	48,370	46,170	(2,200)	(4.8%)	30,592	(15,578)	(50.9%)
DIRECT CONTRIBUTION (INC TB)	151,788	145,391	6,397	4.4%	102,944		
<i>% Turnover</i>	<i>0.44%</i>	<i>0.44%</i>			<i>0.47%</i>		
<i>% Win</i>	<i>31.4%</i>	<i>31.5%</i>			<i>33.7%</i>		
Debts	16,930	16,146	(784)	(4.9%)	10,706	(5,440)	(50.8%)
Overheads	64,003	60,552	(3,451)	(5.7%)	51,868	(8,684)	(16.7%)
THEO NET CONTRIBUTION	70,856	68,693	2,163	3.1%	40,369	28,324	70.2%
<i>% Turnover</i>	<i>0.21%</i>	<i>0.21%</i>			<i>0.18%</i>		
<i>% Win</i>	<i>14.65%</i>	<i>14.89%</i>			<i>13.20%</i>		

Key Assumptions:

1. Modest growth in volume due to existing direct marketing restrictions (including credit)
2. Maintaining margins (business mix similar to current YTD business mix)
3. Overheads: Salary increases of 3%, additional events and lower charter revenue

FY19 Budget - Perth



VIP INTERNATIONAL	PERTH						
	F19 Budget (\$'000)	F18 Forecast (\$'000)	Variance (\$)	Variance (%)	F17 Theo (\$'000)	Variance (\$)	Variance (%)
TURNOVER	6,240,000	5,683,959	556,041	9.8%	7,626,589	(1,942,630)	(25.5%)
Win / Revenue	87,360	79,575	7,785	9.8%	106,772	(27,197)	(25.5%)
Commission & Comps (INC TB)	52,278	47,195	(5,083)	(10.8%)	65,912	18,717	28.4%
Gaming Tax	9,924	9,844	(80)	(0.8%)	10,117	273	2.7%
DIRECT CONTRIBUTION (INC TB)	25,158	22,536	2,622	11.6%	30,743		
<i>% Turnover</i>	<i>0.40%</i>	<i>0.40%</i>					
<i>% Win</i>	<i>28.8%</i>	<i>28.3%</i>					
Debts	3,058	2,785	(273)	(9.8%)	3,738	953	25.5%
Overheads	18,000	15,920	(2,080)	(13.1%)	24,941	9,021	36.2%
THEO NET CONTRIBUTION	4,100	3,832	268	7.0%	2,064	(9,974)	(483.2%)
<i>% Turnover</i>	<i>0.07%</i>	<i>0.07%</i>			<i>0.03%</i>		
<i>% Win</i>	<i>4.69%</i>	<i>4.82%</i>			<i>1.93%</i>		

Key Assumptions:

1. Modest volume growth anticipated, resulting in favourable direct contribution growth
2. Maintaining margins (business mix similar to current YTD business mix)
3. Overheads: Salary increases of 3%, additional events and FY18 foreign currency gains not budgeted

FY19 Budget - Combined



VIP INTERNATIONAL	TOTAL						
	F19 Budget (\$'000)	F18 Forecast (\$'000)	Variance (\$)	Variance (%)	F17 Theo (\$'000)	Variance (\$)	Variance (%)
TURNOVER	40,790,000	38,632,183	2,157,817	5.6%	29,476,563	9,155,621	31.1%
Win / Revenue	571,060	540,851	30,209	5.6%	412,672	128,179	31.1%
Commission & Comps (INC TB)	335,820	316,910	(18,911)	(6.0%)	238,276	(78,634)	(33.0%)
Gaming Tax	58,294	56,014	(2,280)	(4.1%)	40,709	(15,305)	(37.6%)
DIRECT CONTRIBUTION (INC TB)	176,946	167,927	9,019	5.4%	133,687		
<i>% Turnover</i>	<i>0.43%</i>	<i>0.43%</i>					
<i>% Win</i>	<i>31.0%</i>	<i>31.0%</i>					
Debts	19,987	18,931	(1,057)	(5.6%)	14,444	(4,486)	(31.1%)
Overheads	82,003	76,472	(5,532)	(7.2%)	76,809	338	0.4%
THEO NET CONTRIBUTION	74,956	72,525	2,431	3.4%	42,434	30,091	70.9%
<i>% Turnover</i>	<i>0.18%</i>	<i>0.19%</i>			<i>0.14%</i>		
<i>% Win</i>	<i>13.13%</i>	<i>13.41%</i>			<i>10.28%</i>		

Roll Forward Analysis

Melbourne



VIP INTERNATIONAL		
Roll Forward Analysis	MELBOURNE	
FY18 Forecast		68,693
Direct Contribution	Higher turnover volumes	5,614
Overheads		
Gaming expenses	Higher hours, 3% pay increase, additional resources	(2,461)
Events	Additional key events	(1,310)
International Offices	Additional resources, offset by \$3.5m non-recurring costs	2,680
Capital Golf Course	CPI	(289)
Aircraft	Reduced charter revenue, additional resources	(1,036)
VIP Commercial and Finance	Overprovided bonus cost in FY17	(1,069)
Other		33
		2,163
FY 19 Budget		70,856

Roll Forward Analysis

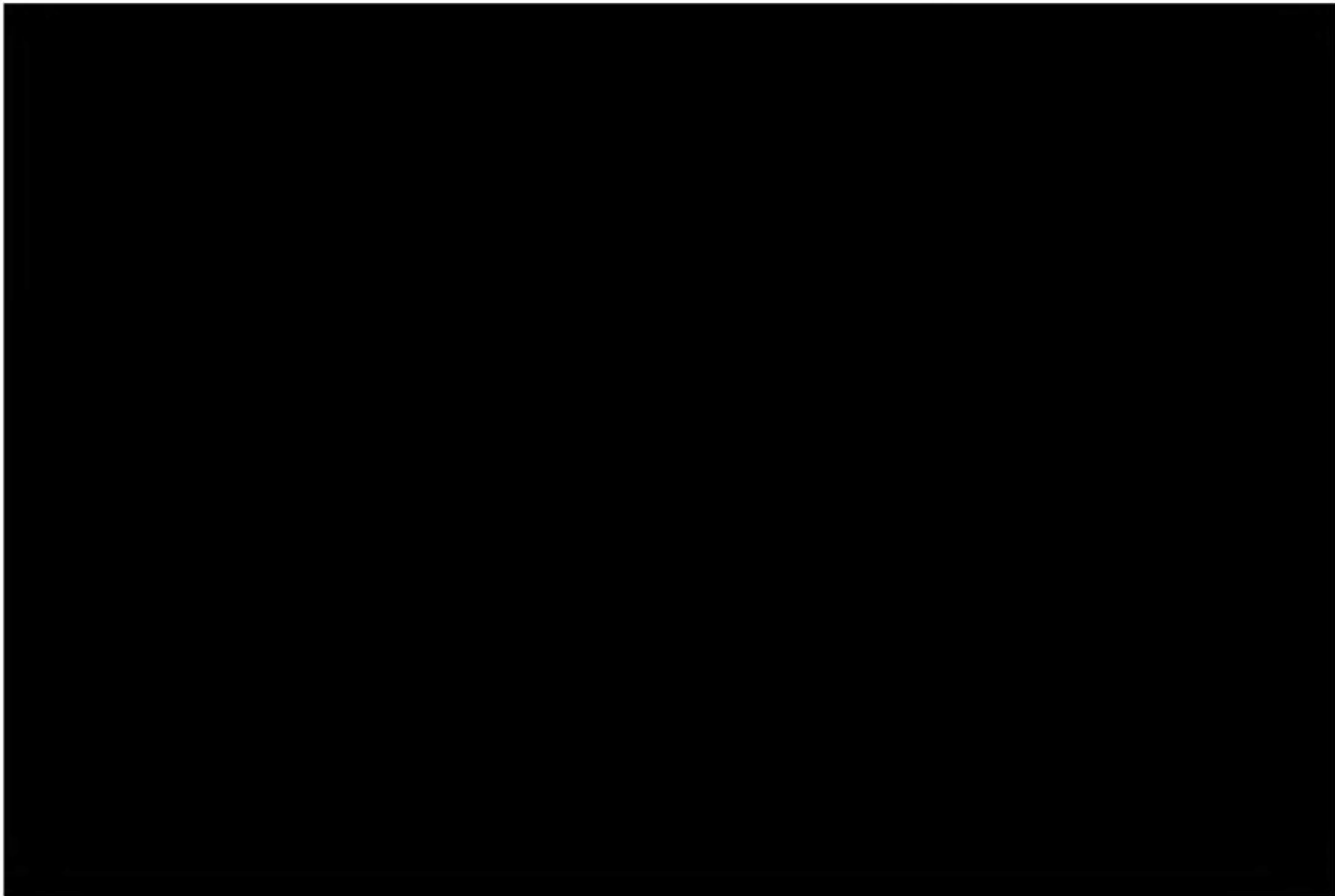
Perth



VIP INTERNATIONAL			
Roll Forward Analysis		PERTH	
FY18 Forecast			3,832
Direct Contribution	Higher turnover volumes	2,349	
Overheads			
Gaming expenses	Higher hours, 3% pay increase	(543)	
Events	Additional Key Events in FY19	(1,325)	
Intl Ops Team Running Costs	Additional resources	(266)	
Yacht Expenses		53	
			268
FY 19 Budget			4,100

Financial Plan – F19 to F23

Melbourne



Financial Plan – F19 to F23

Perth



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IT Capex



IT Capex funding requested for key proposed projects and initiatives, will allow us to enhance the customer experience, improve efficiencies and ensure that we are keeping up with technological advancements

Department	Requestor	Description of Request	Reason or more Information	Cost
VIP International	Jacinta Maguire	Aspinalls - Gaming Data integration (CDW & Salesforce)	Integration of Aspinalls data into the following Crown Systems: - Corporate Data Warehouse - Salesforce	\$ 300,000
VIP International	Jacinta Maguire	Staff Mobile Application	Development, implementation and support of a Staff Mobile App for our VIP International Service Teams. - A staff mobile app which would allow users real time access to existing information, seamless communication and allow for flexible task management and work flow. - Application will integrate with our existing Salesforce platform.	\$ 500,000
VIP International	Jacinta Maguire	E-Forms	Move away from paper based forms and agreements between Crown and our VIP International Customers and move towards electronic forms with digital signatures. These forms and agreements in their electron form would then provide the ability for stakeholders, in particular Junket Operators to sign these forms electronically Priority: Junket Program Agreement Junket Agent Operator Authority Application for Junket Licence - Nonegpra (Non Exclusive Gaming Agreement)	\$ 100,000
VIP International	Jacinta Maguire	Sales app development / improvement	Enhancements to the existing Sales App. This app is used by the International Sales team to showcase images of our properties. Development required to enhance the customer experience and usability of the application.	\$ 30,000
VIP International	Jacinta Maguire	General Salesforce Dev/IT Pool	Salesforce small changes and enhancements (ie, campaign function, customer bookings via Crownforce) General IT pool	\$ 150,000
				\$ 1,080,000

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Non IT Capex



Non IT Capex funding required to replace ageing equipment, maintain standards and support business growth strategies

Department	Requestor	Description of Request	Reason or more Information	Cost
Mahogany (Service Team)	Philip Leong	Replacement I-phones	8 i-phones @ \$800each for the International Business Operations Team to replace old I-phone 5s currently in use. The current phones are outdated and regularly malfunctioning which is causing issues from a customer service perspective.	\$ 6,400
Mahogany (Service Team)	Philip Leong	4 new i-phones and 1 Desktop bundle for the new Campaign Management / Customer relations team.	The VIP International Service team are forming their own internal Campaign Management / Customer relations team to re-establish relationships with lapsed customers. The new team is looking to drive business within the <\$75k market. New i-phones and 1 desktop are requested to support this initiative.	\$ 3,200
Mahogany (Service Team)	Philip Leong	2 new desktop bundles	2 new PCs are required in the host office to replace the old existing set up. Current computers are extremely slow and take up to 15 mins to boot up.	\$ 3,200
Capital golf	Ishan Ratnam	Club House and MGA Plant and Equipment	\$60k Club House and \$60k MGA for Plant and Equipment	\$ 120,000
Capital golf	Ishan Ratnam	Greens resurfacing and Plant and Equipment	\$230k Club Maintenance for Greens Resurfacing (18 greens), and Bunkers. Maintenance of our facilities is imperative to ensure our customers experience our world class VIP facilities at their best.	\$ 230,000
Aircraft	Mike Carney	Various Plant and Equipment / Office Equipment	<ul style="list-style-type: none"> - Battery Install removal kit and lifting winch - new Crew Ipads x 8 for Electronic Flight bags - Carpet Spray extraction - 4 drawer filing cabinet and office chairs - Laser printer - Coffee machine 	\$ 50,000
Aircraft	Mike Carney	Replacement Cockpit Display Units for all 3 aircraft. USD747k <u>over 2 years</u>	<ul style="list-style-type: none"> - 6 cockpit Display units. Spend may be spread over 2 years - Current cockpit Cathcode Ray Displays are not supported for exchange or repair by Honeywell. - Honeywell have begun a program of preventing non Honeywell repairers from repairing these screens by revising repair manuals and making DU repair facilities unavailable. - This will force us to upgrade all the aircraft at a min cost of USD249k after trading in spare display units for 198k USD. Unit cost: \$41.5k per DU for the 18 DU across 3 aircraft. - This is a significant, unavoidable and necessary upgrade which will add value to all our aircraft for resale. - If we do not commit to upgrade at this point, we may forego the opportunity to trade in our current units. <p>Total cost: USD747k (\$1m AUD estimate)</p>	\$ 1,000,000
				\$ 1,412,800



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