

Royal Commission into the Casino Operator and Licence**STATEMENT OF ALAN McGREGOR**

Name: Alan McGregor
Address: Crown Towers, Level 3, 8 Whiteman Street, Southbank Victoria 3006
Occupation: Chief Financial Officer
Date: 16 April 2021

1. I make this statement on behalf of Crown Resorts Ltd and Crown Melbourne Ltd (together **Crown**) in response to the Royal Commission's Request for Statement – RFS-Crown-010-Financial Suitability (**Request for Statement**).
2. I was appointed to the role of Chief Financial Officer of Crown with effect from 20 August 2020 and interim Company Secretary of Crown on 18 February 2021.
3. I joined Crown in April 2005 as General Manager Corporate Services at Crown Perth (formerly Burswood Entertainment Complex) and was promoted to the role of Chief Financial Officer of Crown Perth in 2007.
4. I then moved to Melbourne in April 2013 to assume the role of Chief Financial Officer Crown Melbourne, before taking the collective role of Chief Financial Officer Australian Resorts which I held from August 2014 until my most recent appointment in August 2020 to the role of Chief Financial Officer Crown Resorts.
5. Prior to joining Crown, I worked for SKYCITY Entertainment Group for seven years in various finance roles.
6. I hold a Bachelor of Commerce from the University of Auckland and am a member of Chartered Accountants of Australia and New Zealand.
7. I make this statement with the assistance of material and information provided by employees of Crown.

<p>1. Is it anticipated that Crown Resorts or Crown Melbourne will (in any way, directly or indirectly) in the foreseeable future seek to encourage residents of the People's Republic of China to gamble at the Casino?</p>

8. In answering the above, I have made the distinction between *directly* and *indirectly* and similarly, *residents* and *citizens* as described below.
9. **Directly** - It is not presently anticipated that Crown Resorts or Crown Melbourne will, in any way, directly in the foreseeable future seek to encourage **residents** of the People's Republic of China (PRC) to gamble at the Casino.
10. Any references to the PRC in this statement refer to Mainland PRC. References to International VIP Business means the business that has historically operated through Crown's International VIP Business Unit and has included junket and premium player activity across the globe, but particularly Asia. Crown treats Macau and Hong Kong as separate jurisdictions from the PRC.
11. Crown has recently (progressively since February 2021) closed its International VIP Business overseas offices in Hong Kong and New Zealand and terminated the employment of all (22) of its overseas domiciled employees who were historically responsible for marketing, particularly in Asia.
12. Crown has changed the operating model of its International VIP Business with a decision by the Board in January 2021 to revert to a local Melbourne based model (refer CRW.507.001.7275). This followed a decision in November 2020 to cease dealing with junkets as discussed further below.
13. Crown has engaged Herbert Smith Freehills (HSF) to complete a wide-ranging risk assessment (refer CRW.512.024.0001 and CRW.512.024.0002) across 29 jurisdictions to determine the extent to which Crown can lawfully promote its business (gaming and non-gaming) in these jurisdictions. This will provide important information for the Crown Resorts Risk Committee and the Board to consider in determining how Crown promotes its business overseas into the future.
14. The PRC and the administrative regions of Hong Kong and Macau are included among the 29 jurisdictions under review. Whilst Crown has no intention to market or encourage **residents** of the PRC to gamble at the Casino, the reason the PRC is included is to determine whether Crown can lawfully market (for gaming and/or non-gaming) to **citizens** of the PRC who may be domiciled in, and / or visiting, jurisdictions outside of the PRC.

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18. **Indirectly** - The question of whether Crown will indirectly seek to encourage residents of the PRC to gamble at the Casino is a much harder question to answer, other than the decision to cease dealing with junkets which was an indirect means of encouraging PRC residents to gamble at the Casino.
19. Depending on the outcome of the HSF Risk Assessment currently underway, it may be possible that Crown's marketing activity in Australia (for example, the billboard on Kings Way in Melbourne) and / or in other jurisdictions (for example, Hotel and Convention Trade Shows that Crown participates in overseas), excluding the PRC, indirectly encourages residents of the PRC to gamble in the Casino should they be temporarily travelling or visiting these other jurisdictions.
20. Other indirect forms of engagement with Crown include the ability to book hotel rooms or restaurants via Crown's website, the use of the Crown app and various social media platforms, all of which could indirectly encourage residents of the PRC to gamble at the Casino should they engage with these platforms and be interested in visiting Crown.

a) If so:

- i. on what terms and in what circumstance; and**
- ii. what will be the likely financial impact of those arrangements on Crown Resorts and Crown Melbourne?**

21. **Directly** - Not applicable due to Crown not having any intention to directly encourage residents of the PRC to gamble at the Casino.
22. **Indirectly** - With respect to the question of the likely financial impact of indirectly encouraging

¹ I understand the original wording was in Chinese with translation provided by HSF.

residents of the PRC to gamble at the Casino, it is not possible to estimate what the financial impact might be as we have no way of tracking or determining the extent to which residents of the PRC may be encouraged to gamble at the Casino via these indirect means.

b) If not, what will be the financial impact on Crown Resorts and Crown Melbourne?

23. The financial impact of Crown not directly or indirectly encouraging residents of the PRC to gamble at the casino is expected to be negligible.
24. In F16, Crown Melbourne's International VIP Premium Program Play (non-junket) theoretical revenue attributed to PRC domiciled players was \$113m (57% of total International Premium (non-junket) Program Play). This declined significantly in the intervening years to \$35m (39%) in F17, \$30m (30%) in F18, \$19m (22%) in F19 and \$13m (38%) in F20. This level of revenue in F20 was not enough to cover the costs of running the business with Crown Melbourne recording a Program Play loss for that year.
25. The significant downward trend in International Premium Program Play (non-junket) over recent years, coupled with the uncertainty of future travel and tourism due to COVID-19 and tightening of controls in the PRC indicates that any financial impact on Crown Melbourne from not encouraging PRC residents to gamble at the Casino would be immaterial to Crown Melbourne's overall future financial performance.
26. Further, Crown has made the proactive decision to cease dealing with junkets.
27. The paper submitted to the Board in November 2020 (refer CRW.518.004.8167) recommending that Crown cease dealing with junkets attempted to estimate the financial impact of this decision on Crown's future earnings. This paper estimated the impact on gaming and non-gaming operations over the future four-year plan period (F21-F25) on Crown Melbourne's theoretical EBITDA to be \$33.3m, representing 1.8% of total Crown Melbourne theoretical EBITDA over this period.
28. The F22 – F25 Plan numbers used were a long-term forecast presented to the Board in June 2020 and contained some very high-level estimates and assumptions about the impact of COVID-19 and future performance, many of which have changed since that time. The impact of COVID-19 on the global economy and international travel is worse than was anticipated in June 2020.
29. Accordingly, and as referenced in the paper, the financial impact estimate on Crown Melbourne of \$33.3m described above is likely to be the worst-case outcome as International travel restrictions and individuals' propensity to travel due to COVID-19 are expected to continue to impact VIP business for Crown and the region into the foreseeable future.

30. **Summary** - For all of the reasons described above, Crown has, for some time now, been redirecting its Australian operations strategy towards the local businesses and significantly downsizing the VIP operations in anticipation of a smaller scale premium player locally based operating model.
31. There are a number of moving parts to the operating landscape into the future including the following:
- a. The recovery from COVID-19 and related easing of travel restrictions;
 - b. The PRC's ongoing focus and tightening of controls on gambling;
 - c. Crown's decision to cease dealing with junkets;
 - d. The significant downward trend in International Premium Program Play (non-junket) over recent years; and
 - e. Any further changes to the regulatory framework in Australia pursuant to the ILGA Inquiry and Victorian and WA Royal Commission outcomes.
32. As a result, it is very difficult to reliably estimate the financial impact on Crown Resorts and Crown Melbourne of not **directly** encouraging residents of the PRC to gamble at the Casino. Notwithstanding these difficulties, for the reasons described above, the financial impact is believed to be negligible.
33. As discussed above, the financial impact of Crown **indirectly** encouraging residents of the PRC to gamble at the Casino is impossible to determine, other than the quantification of ceasing to deal with junkets described above. The impact of COVID-19 on the timing of the reopening of international borders and the related propensity of people to travel, probably means that International VIP business for Crown, and other casino operators for that matter, will be subdued for some time.

Signed:

REDACTED

Date:

16 April 2021