



# **Crown Resorts Limited**

## **FY2015 Half Year Results Presentation**

*19 February 2015*

# Crown Resorts Limited 1H15 Results Overview



## **Crown Resorts Limited (Crown) performance:**

- ◆ Normalised<sup>1</sup> NPAT attributable to the parent of \$322.4 million, up 2.3%
- ◆ Reported NPAT of \$262.4 million, down 31.4% before significant items
- ◆ The half year result was also impacted by asset impairments of \$61.3 million
- ◆ Reported NPAT attributable to the parent of \$201.8 million, down 47.2% after significant items
- ◆ Interim dividend of 18 cps declared

## **Australian resorts performance:**

- ◆ The performance of the Australian business was satisfactory, given the subdued level of consumer sentiment
- ◆ Normalised revenue of \$1,626.7 million, up 16.1%
- ◆ Main floor gaming revenue of \$784.2 million, up 3.5%
- ◆ Non-gaming revenue of \$341.9 million, up 2.4%
- ◆ VIP program play turnover of \$37.1 billion, up 61.4%, however at a lower win rate than the prior year
- ◆ Normalised EBITDA of \$478.2 million, up 20.6%
- ◆ Reported EBITDA of \$456.8 million, down 5.6%

## **Melco Crown Entertainment Limited (MCE) performance:**

- ◆ Weak market conditions in Macau adversely impacted on MCE
- ◆ Crown's share of MCE's normalised NPAT of \$110.4 million, down \$30.2 million or 21.5%
- ◆ Crown's share of MCE's reported NPAT of \$85.3 million, down \$62.2 million or 42.2%

1. Normalised results have been adjusted to exclude the impact of any variance from theoretical win rate on VIP program play, pre-opening costs from MCE and significant items. Crown considers that normalised earnings, which are calculated at theoretical win rates, are the best reflection of the underlying performance of the business as it removes the inherent volatility in VIP program play revenue.

# Crown Resorts Limited 1H15 Results



	1H15 Normalised \$m	1H14 Normalised \$m	Variance F/(U)	1H15 Actual \$m	1H14 Actual \$m	Variance F/(U)
Crown Melbourne EBITDA	351.2	278.5	26.1%	321.2	320.3	0.3%
Crown Perth EBITDA	127.0	117.9	7.7%	135.6	163.8	(17.2%)
Crown Aspinall's EBITDA	20.7	17.6	17.6%	(3.5)	16.6	(121.1%)
Wagering EBITDA	(5.2)	-	N/A	(5.2)	-	N/A
Corporate costs	(43.5)	(21.7)	(100.5%)	(43.5)	(21.7)	(100.5%)
<b>EBITDA</b>	<b>450.2</b>	<b>392.3</b>	<b>14.8%</b>	<b>404.6</b>	<b>479.0</b>	<b>(15.5%)</b>
Depreciation and amortisation	(128.0)	(123.1)	(4.0%)	(128.0)	(123.1)	(4.0%)
<b>EBIT</b>	<b>322.2</b>	<b>269.2</b>	<b>19.7%</b>	<b>276.6</b>	<b>355.9</b>	<b>(22.3%)</b>
Net interest	(51.8)	(51.0)	(1.6%)	(51.8)	(51.0)	(1.6%)
Income tax	(59.1)	(42.0)	(40.7%)	(47.7)	(68.1)	30.0%
Equity accounted - Melco Crown Entertainment	110.4	140.6	(21.5%)	85.3	147.5	(42.2%)
- Betfair	-	(1.8)	100.0%	-	(1.8)	100.0%
<b>NPAT (pre non-controlling and significant items)</b>	<b>321.7</b>	<b>315.0</b>	<b>2.1%</b>	<b>262.4</b>	<b>382.5</b>	<b>(31.4%)</b>
Non-controlling interest	0.7	-	N/A	0.7	-	N/A
<b>NPAT (pre significant items)</b>	<b>322.4</b>	<b>315.0</b>	<b>2.3%</b>	<b>263.1</b>	<b>382.5</b>	<b>(31.2%)</b>
Significant items – asset impairment (net of tax)	-	-	-	(61.3)	-	N/A
<b>Net Profit - attributable to the parent</b>	<b>322.4</b>	<b>315.0</b>	<b>2.3%</b>	<b>201.8</b>	<b>382.5</b>	<b>(47.2%)</b>

# Crown Melbourne and Crown Perth Results

## Normalised 1H15



	Crown Melbourne \$m	Variance F/(U)	Crown Perth \$m	Variance F/(U)	Australian Casinos \$m	Variance F/(U)
Main floor gaming	532.3	3.4%	251.9	3.7%	784.2	3.5%
VIP program play	408.7	86.4%	91.9	1.2%	500.6	61.4%
Non-gaming	223.2	3.2%	118.7	0.9%	341.9	2.4%
<b>Total Revenue (Normalised)</b>	<b>1,164.2</b>	<b>22.5%</b>	<b>462.5</b>	<b>2.4%</b>	<b>1,626.7</b>	<b>16.1%</b>
Gaming taxes, commissions & other	(400.1)	(45.0%)	(120.0)	(5.3%)	(520.1)	(33.4%)
Operating expenses	(412.9)	(4.3%)	(215.5)	1.8%	(628.4)	(2.1%)
<b>EBITDA</b>	<b>351.2</b>	<b>26.1%</b>	<b>127.0</b>	<b>7.7%</b>	<b>478.2</b>	<b>20.6%</b>
Depreciation & amortisation	(92.1)	(2.1%)	(31.0)	(0.9%)	(123.1)	(1.8%)
<b>EBIT</b>	<b>259.1</b>	<b>37.6%</b>	<b>96.0</b>	<b>10.1%</b>	<b>355.1</b>	<b>28.9%</b>
EBITDA / revenue %	30.2%	0.9%	27.5%	1.4%	29.4%	1.1%
Total revenue (actual)	1,168.2	17.3%	479.3	(3.9%)	1,647.5	10.2%
VIP turnover \$ billion	30.3	86.4%	6.8	1.2%	37.1	61.4%
VIP win rate (1.35% theoretical)	1.36%	(0.27%) <sup>1</sup>	1.60%	(0.46%) <sup>1</sup>	1.41%	(0.35%) <sup>1</sup>

1. Represents the difference in win rate compared to the pcp (the win rate at Crown Melbourne in the pcp was 1.63%, the win rate at Crown Perth in the pcp was 2.06% and the combined win rate in the pcp was 1.76%).

# Crown Aspinall's 1H15 Results



	1H15 Normalised \$m	1H14 Normalised \$m	Variance F/(U)	1H15 Actual \$m	1H14 Actual \$m	Variance F/(U)
Total revenue	59.9	59.2	1.2%	26.0	60.3	(57.0%)
Total expenses	(39.2)	(41.6)	5.8%	(29.5)	(43.7)	32.7%
<b>EBITDA</b>	<b>20.7</b>	<b>17.6</b>	<b>17.6%</b>	<b>(3.5)</b>	<b>16.6</b>	<b>(121.1%)</b>
Depreciation & amortisation	(0.6)	(0.6)	6.8%	(0.6)	(0.6)	6.8%
<b>EBIT</b>	<b>20.1</b>	<b>17.0</b>	<b>18.6%</b>	<b>(4.1)</b>	<b>16.0</b>	<b>(125.4%)</b>
EBITDA / revenue %	34.6%	29.7%	4.9%	(13.5%)	27.4%	(40.9%)
VIP turnover \$ billion	5.7	4.7	21.3%	5.7	4.7	21.3%
VIP win rate <sup>1</sup>	1.04%	1.25%		0.45%	1.27%	

1. Crown Aspinall's normalised VIP win rate based on the mix of play during the period.

# Crown Melbourne Licence Reform

- ◆ On 3 November 2014, the Victorian Commission for Gambling and Liquor Regulation amended the Melbourne Casino Licence to give effect to the agreement reached between Crown Melbourne and the Victorian Government, the terms of which were announced on 22 August 2014. The amendments to the Melbourne Casino Licence included:
  - ◆ The removal of 'Super Tax' on VIP program play at Crown Melbourne effective from 1 July 2014;
  - ◆ An increase in gaming product permitted to be operated at Crown Melbourne;
  - ◆ An extension of the Melbourne Casino Licence to 2050; and
  - ◆ A new regulatory certainty regime which entitles Crown Melbourne to compensation in certain circumstances.
- ◆ In return, Crown Melbourne agreed to make a series of payments to the Victorian Government, the first of which, being \$250 million, was paid following the amendment to the Melbourne Casino Licence.



# Crown Melbourne – New Five Star Hotel Joint Venture



- ◆ Crown and the Schiavello Group are in the process of negotiating final agreements and finalising designs to develop and construct a new luxury five-star hotel and apartment complex on a site adjacent to the Crown Melbourne complex
- ◆ Crown has the right to acquire and manage the hotel on completion and Schiavello has the right to acquire an office and showroom area within the complex
- ◆ The parties will share the apartment development 50:50
- ◆ It is not intended that any gaming operations will be conducted in the new building
- ◆ The development remains subject to final agreements, financing arrangements, and all related planning and government approvals
- ◆ Crown made an initial investment of \$50 million to acquire a 50% share of the land in December 2014. The other 50% owner is the Schiavello Group



# Crown Melbourne Property Update – Fat Duck Restaurant





# Crown Perth Property Update – Crown Towers



- ◆ Crown Towers will feature 500 luxury hotel rooms and suites, villas, private gaming salons, restaurants, bars, a grand ballroom, convention centre, luxury retail outlets, resort pool and spa facilities
- ◆ The project is proceeding on schedule, with targeted completion by December 2016
- ◆ Approximately \$200m of the \$645m total budget has been spent through to the end of January 2015



# Crown Sydney Project



- ◆ Crown Sydney will feature approximately 350 luxury hotel rooms and suites, world-class VIP gaming facilities, luxury apartments, signature restaurants, bars, luxury retail outlets, pool and spa facilities and conference rooms
- ◆ The Independent Liquor and Gaming Authority issued a restricted gaming licence to Crown on 8 July 2014
- ◆ The Crown Sydney project is conditional upon receipt of planning approval as well as negotiating final agreements with the Barangaroo Delivery Authority and Lend Lease, the appointed developer of Barangaroo South
- ◆ The lodgement of the applications to the NSW Department of Planning and finalisation of agreements are awaiting completion of amendments to the Barangaroo South masterplan by the Barangaroo Delivery Authority and Lend Lease
- ◆ It is currently expected that all outstanding matters will be resolved shortly and that the necessary planning applications can then be lodged and the agreements finalised and signed

# Queen's Wharf Brisbane Proposal



## Greenland / Crown's plans for Queen's Wharf Brisbane

- ◆ A landmark entertainment and tourism destination for Brisbane and Queensland
- ◆ 10,000 new jobs and apprenticeships
- ◆ New, safe and vibrant public spaces
- ◆ Luxury hotels and world-class culinary experiences
- ◆ A new waterfall bridge to South Bank
- ◆ Roof-top garden, infinity pool and luxury spa
- ◆ Australia's first iPic theatre
- ◆ Proposed new South Bank theatre
- ◆ 800 seat ballroom and function centre



# Melco Crown Entertainment (MCE)



- ◆ Crown's share of MCE's normalised NPAT for the half year to 31 December 2014 was an equity accounted profit of \$110.4 million, down \$30.2 million or 21.5% on the pcp. After adjusting for a below theoretical win rate and pre-opening costs, Crown's share of MCE's reported NPAT result for the half year was an equity accounted profit of \$85.3 million, down \$62.2 million or 42.2% on the pcp
- ◆ The decline in MCE's result was attributable to weak market conditions in Macau which worsened over the six month period with a 30.4% decline in gross gaming revenue across the Macau market in December 2014 compared to December 2013. The deterioration in the Macau market has continued into the second half
- ◆ Weak market conditions in Macau adversely affected all casino operators, however MCE's relatively stronger performance enabled MCE to once again take share, in a disciplined manner, in the mass market table games segment
- ◆ MCE's development pipeline is progressing:
  - City of Dreams Manila<sup>1</sup> conducted a successful grand opening in February 2015
  - Studio City<sup>2</sup>, MCE's second large-scale resort in Cotai, remains on track to open later in 2015
  - The iconic fifth tower at City of Dreams is progressing as planned
- ◆ MCE has implemented a stock repurchase program, which Crown has not participated in and as a result, Crown's ownership of MCE has increased to 34.3% as at January 2015

1. The operator of City of Dreams Manila is owned by a subsidiary of Melco Crown (Philippines) Resorts Corporation which is a 68.8% owned subsidiary of MCE

2. Macau Studio City is 60% owned by Melco Crown Entertainment

# MCE - City of Dreams Manila, Philippines



- ◆ City of Dreams Manila conducted a successful grand opening in February 2015
- ◆ The resort offers a world-class collection of brands and attractions, including:
  - ◆ Crown Towers, Nobu and Hyatt hotels
  - ◆ a Family Entertainment Centre in collaboration with Dreamworks
  - ◆ exciting nightlife, including Pangaea and Chaos nightclubs and live performances
  - ◆ numerous food and beverage outlets
  - ◆ retail offerings
  - ◆ market-leading gaming facilities



# MCE - Studio City, Macau



- ◆ Studio City, the next standalone property to open in Macau, is on track to open later in 2015
- ◆ Studio City, a Hollywood-inspired resort, will represent the most diversified entertainment resort in Macau and will include:
  - ◆ Asia's highest Ferris wheel
  - ◆ a Warner Brothers-themed family entertainment center
  - ◆ a fully-operational TV broadcast studio
  - ◆ a world's first Batman film franchise digital ride
  - ◆ a 5,000 seat multi-purpose entertainment center
  - ◆ approximately 1,600 hotel rooms
  - ◆ an array of food and beverage outlets and an innovative retail precinct

# Other Investments



## Wagering

- ◆ Crown acquired Betfair Group plc's 50% equity interest in Betfair Australasia in August 2014 for consideration of \$10 million
- ◆ In December 2014 Crown and BetEasy announced a Joint Venture (67% owned by Crown) which involved the combination of BetEasy's sports book business with the sports book business of Betfair

## Cannery

- ◆ Crown continues to hold a 24.5% equity share in Cannery
- ◆ Due to the financial position of Cannery and the uncertainty surrounding the proposed sale of The Meadows, the carrying value of Crown's investment in Cannery has been written down to nil, resulting in a US\$45.6m (A\$55.9m) impairment charge which has been reported as a significant item
- ◆ During the period, Crown did not receive a distribution of any profits or recognise any earnings from Cannery

# Debt Structure



Nature of Facility	31 Dec 14 \$m	30 June 14 \$m	31 Dec 13 \$m
Bank debt	982.5	527.1	523.6
Finance Lease Liability	10.4	10.7	11.1
Capital market debt - EMTN	174.6	174.6	174.6
- USPP (\$US200m)	244.9	212.1	224.4
- AMTN	750.0	300.0	300.0
- Subordinated Notes <sup>1</sup>	518.4	518.3	518.2
<b>Total Outstanding Debt</b>	<b>2,680.8</b>	<b>1,742.8</b>	<b>1,751.9</b>
Less available cash <sup>2</sup>	(243.0)	(66.9)	(68.4)
<b>Net Debt</b>	<b>2,437.8</b>	<b>1,675.9</b>	<b>1,683.5</b>

- ◆ Committed un-drawn bank facilities of \$750.5 million at 31 December 2014
- ◆ Group's current debt ratings (S&P/Moody's/Fitch) BBB/Baa2/BBB (all stable)

1. Net of unamortised transaction costs.

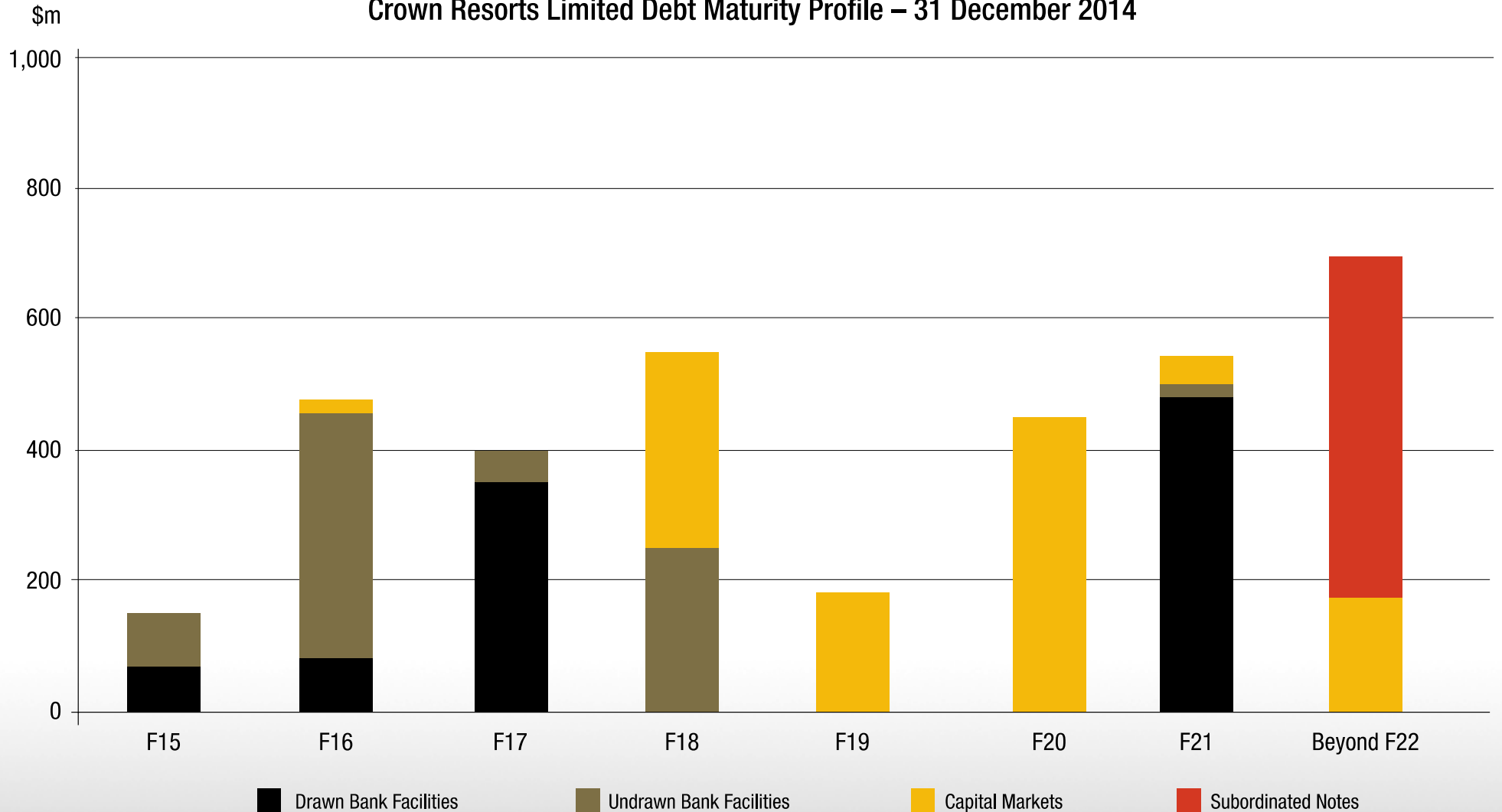
2. Available cash refers to the closing cash balance of \$399.2 million (June 2014: \$177.8 million, Dec 2013: \$192.7 million) less working capital cash of \$156.2 million (June 2014: \$110.9 million, Dec 2013: \$124.3 million). The working capital cash refers to cash held on the premises and in bank accounts for day-to-day operations of the businesses.



# Debt Maturity Profile



Crown Resorts Limited Debt Maturity Profile – 31 December 2014



# Group Cash Flow



\$m	1H15	1H14
<b>Normalised EBITDA</b>	<b>450.2</b>	<b>392.3</b>
Win rate variance	(45.6)	86.7
<b>Reported EBITDA</b>	<b>404.6</b>	<b>479.0</b>
Working capital movements	(19.1)	(77.8)
<b>Cash Flow Generated by Operations</b>	<b>385.5</b>	<b>401.2</b>
Net interest	(62.1)	(55.6)
Dividends received	32.0	-
Income tax payments	(69.6)	(41.5)
<b>Operating Cash Flow</b>	<b>285.8</b>	<b>304.1</b>
Capital expenditure (net) <sup>1</sup>	(324.5)	(172.2)
Licence payments	(345.0)	(5.0)
Investments (net)	(206.0)	(98.8)
Net borrowings	863.4	94.3
Dividends paid	(138.4)	(138.4)
Equity injection from non-controlling interests	72.4	-
Effect of exchange rates on cash	13.7	3.1
Net increase / (decrease) in cash	<b>221.4</b>	<b>(12.9)</b>
<b>Closing Cash</b> <sup>2</sup>	<b>399.2</b>	<b>192.7</b>

1. Net of proceeds from sale

2. Includes \$156.2 million (June 2014; \$110.9 million, Dec 2013: \$124.3 million) of cash on the company's premises and cash held in bank accounts needed to run the day-to-day operations of the businesses

# Disclaimer



- ◆ All information provided in this presentation is provided as of the date stated or otherwise as of the date of the presentation.
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