

# Crown Resorts Limited 2014 Full Year Results Presentation

14 August 2014



# Crown Resorts Limited Results Overview



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

- Normalised<sup>1</sup> NPAT of \$640.0 million, up 35.2%
- Reported NPAT of \$702.5 million, up 43.1% before significant items
- Reported NPAT of \$655.8 million, up 65.7% after significant items
- Overall, the results for the year were satisfactory, with improved trading in the second half in Australia and another strong year in Macau
- Final dividend of 19 cps declared

## **Australian resorts performance:**

- Normalised revenue of \$2,814.8 million, up 1.4%
- Main floor gaming revenue of \$1,505.7 million, up 1.4%
- Non-gaming revenue of \$634.8 million, up 4.5%
- VIP program play turnover of \$49.9 billion, down 1.5%
- Normalised EBITDA of \$803.4 million, up 2.0%
- Reported EBITDA of \$909.0 million, up 15.4%

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

- MCE's result was the major contributor to the growth in Crown's normalised NPAT
- Crown's share of MCE's normalised NPAT \$291.2 million, up 91.2%
- Crown's share of MCE's reported NPAT \$287.6 million, up 64.3%

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 Group Result



	F14 Normalised \$m	F13 Normalised \$m	Variance F/(U)	F14 Actual \$m	F13 Actual \$m	Variance F/(U)
Crown Melbourne EBITDA	561.8	546.7	2.8%	593.3	547.1	8.4%
Crown Perth EBITDA	241.6	240.8	0.3%	315.7	240.8	31.1%
Crown Aspinall's EBITDA	35.2	33.3	5.7%	25.1	26.5	(5.3%)
Corporate costs	(55.9)	(62.5)	10.6%	(55.9)	(62.5)	10.6%
<b>EBITDA</b>	<b>782.7</b>	<b>758.3</b>	<b>3.2%</b>	<b>878.2</b>	<b>751.9</b>	<b>16.8%</b>
Depreciation and amortisation	(244.9)	(238.1)	(2.9%)	(244.9)	(238.1)	(2.9%)
<b>EBIT</b>	<b>537.8</b>	<b>520.2</b>	<b>3.4%</b>	<b>633.3</b>	<b>513.8</b>	<b>23.3%</b>
Net interest	(99.0)	(120.4)	17.8%	(99.0)	(120.4)	17.8%
Income tax	(86.6)	(77.4)	(11.9%)	(116.0)	(75.9)	(52.8%)
Equity accounted - Melco Crown Entertainment	291.2	152.3	91.2%	287.6	175.0	64.3%
- Betfair	(3.4)	(1.5)	(126.7%)	(3.4)	(1.5)	(126.7%)
<b>Net Profit before significant items</b>	<b>640.0</b>	<b>473.2</b>	<b>35.2%</b>	<b>702.5</b>	<b>491.0</b>	<b>43.1%</b>
<u>Significant items</u>						
Legal settlements (net of tax)	-	-		(23.6)	-	N/A
Asset impairment (net of tax)	-	-		(23.1)	-	N/A
Echo mark-to-market (net of tax)	-	-		-	(69.6)	100.0%
Share of MCE's development and refinance costs	-	-		-	(25.6)	100.0%
<b>Net Profit after significant items</b>	<b>640.0</b>	<b>473.2</b>	<b>35.2%</b>	<b>655.8</b>	<b>395.8</b>	<b>65.7%</b>

# Crown Melbourne and Crown Perth Results

## Normalised F14



	Crown Melbourne \$m	Variance F/(U)	Crown Perth \$m	Variance F/(U)	Australian Casinos \$m	Variance F/(U)
Main floor gaming	1,020.3	2.0%	485.4	0.4%	1,505.7	1.4%
VIP program play	501.2	(4.6%)	173.1	8.6%	674.3	(1.5%)
Non-gaming	409.7	4.5%	225.1	4.5%	634.8	4.5%
<b>Total Revenue (Normalised)</b>	<b>1,931.2</b>	<b>0.7%</b>	<b>883.6</b>	<b>3.0%</b>	<b>2,814.8</b>	<b>1.4%</b>
Gaming taxes, commissions and other	(591.4)	2.5%	(224.1)	(10.3%)	(815.5)	(0.7%)
Operating expenses	(778.0)	(1.8%)	(417.9)	(0.9%)	(1,195.9)	(1.4%)
<b>EBITDA</b>	<b>561.8</b>	<b>2.8%</b>	<b>241.6</b>	<b>0.3%</b>	<b>803.4</b>	<b>2.0%</b>
Depreciation & amortisation	(179.6)	(1.3%)	(60.9)	(6.8%)	(240.5)	(2.7%)
<b>EBIT</b>	<b>382.2</b>	<b>3.4%</b>	<b>180.7</b>	<b>(1.7%)</b>	<b>562.9</b>	<b>1.7%</b>
EBITDA / revenue %	29.1%	0.6%	27.3%	(0.7%)	28.5%	0.2%
Total revenue (actual)	1,972.1	2.6%	993.8	16.4%	2,966.0	6.9%
VIP turnover \$ billion	37.1	(4.6%)	12.8	8.6%	49.9	(1.5%)
VIP win rate (1.35% theoretical)	1.46%	0.10% <sup>1</sup>	2.21%	0.90% <sup>1</sup>	1.65%	0.30% <sup>1</sup>
Variance from theoretical win rate	31.5	\$31.1m	74.1	\$74.1m	105.6	\$105.2m

1. Represents the difference in win rate compared to the pcp (the win rate at Crown Melbourne in the pcp was 1.36%, the win rate at Crown Perth in the pcp was 1.31% and the combined win rate in the pcp was 1.35%).

# Crown Aspinall's Results



	F14 Normalised \$m	F13 Normalised \$m	Variance F/(U)	F14 Actual \$m	F13 Actual \$m	Variance F/(U)
Total revenue	120.6	114.8	5.1%	112.8	107.0	5.4%
Total expenses	(85.4)	(81.5)	(4.8%)	(87.7)	(80.5)	(8.9%)
<b>EBITDA</b>	<b>35.2</b>	<b>33.3</b>	<b>5.7%</b>	<b>25.1</b>	<b>26.5</b>	<b>(5.3%)</b>
Depreciation & amortisation	(1.2)	(1.1)	(8.5%)	(1.2)	(1.1)	(8.5%)
<b>EBIT</b>	<b>34.0</b>	<b>32.2</b>	<b>5.6%</b>	<b>23.9</b>	<b>25.4</b>	<b>(5.9%)</b>
EBITDA / revenue %	29.2%	29.0%	0.2%	22.3%	24.8%	(2.5%)
VIP turnover \$ billion	10.5	8.6	22.9%	10.5	8.6	22.9%
VIP win rate <sup>1</sup>	1.14%	1.33%		1.06%	1.24%	

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



# Property Update - Crown Towers Perth

## Perth's first six-star hotel

- Work is progressing well on Crown Towers Perth, which is expected to open at the end of 2016
- 500 luxury rooms
- Convention facilities / restaurants and bars
- 1,500 space car park expected to open in May 2015



## A massive boost to WA's economy and jobs

- \$645 million investment
- Estimated 700 jobs during construction
- Estimated 500 jobs once operational



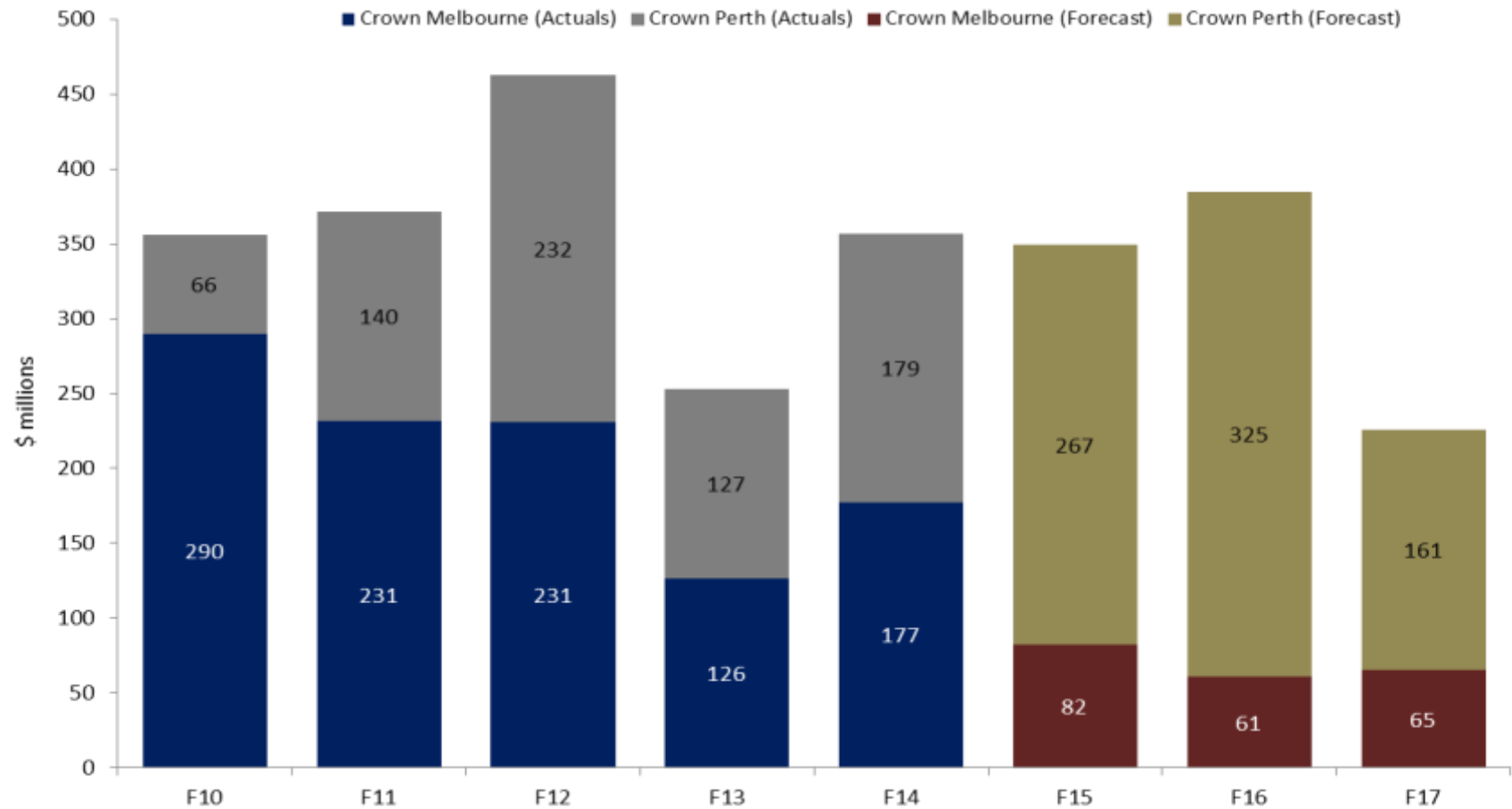


- Heston Blumenthal's, the three Michelin starred The Fat Duck restaurant, will temporarily relocate to Crown Melbourne in early 2015 for a six month visit before returning home to the UK
- After The Fat Duck closes Heston and his culinary team will open Dinner by Heston Blumenthal, in the same location as the temporary The Fat Duck at Crown Melbourne, securing lasting ties with Australia
- Gradi a modern interpretation of a classic Italian pizzeria featuring specialties from Chef Johnny Di Francesco, winner of the 2014 Pizza World Championship in Italy, will open in September 2014.



# Investment in Large Scale Tourism Attractions

From F10 to F17 Crown will have undertaken over \$2.8 billion of capital expenditure projects on the Melbourne and Perth properties





# Crown Sydney Project

- In November 2013, the New South Wales Parliament passed legislation to permit the issue of a restricted gaming licence for Crown Sydney, a six-star luxury hotel resort to be located at Barangaroo South in Sydney. The Independent Liquor and Gaming Authority issued a restricted gaming licence to Crown on 8 July 2014
- 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, conference rooms
- The development remains conditional on the granting of all necessary planning approvals and the finalisation of certain agreements
- Expected to open in November 2019 when gaming under the restricted gaming licence is permitted to commence



# Queen's Wharf Brisbane Project

- Crown has entered into an agreement with a subsidiary of the international Chinese diversified property group, Greenland Holdings Group, to jointly prepare a detailed proposal to develop the Queen's Wharf precinct in Brisbane
- Under the agreement, Crown will combine its experience and expertise in developing and operating large scale luxury integrated resorts with Greenland's vast commercial and residential property development experience to form a consortium
- This consortium will prepare and lodge a detailed proposal for the Queensland Government's Queen's Wharf Brisbane Project later this year
- If their bid is successful, Crown and Greenland will jointly develop a luxury integrated resort at the Queen's Wharf precinct, including a six-star hotel and casino. Crown will manage the integrated resort and will have an ownership interest in that part of the precinct
- Greenland will be the exclusive developer and owner of the remaining commercial, retail and residential components of the Queen's Wharf site



# Las Vegas Site Acquisition

- On 4 August 2014, Crown announced that a majority-owned subsidiary had acquired a 34.6 acre vacant site on Las Vegas Boulevard, which was formerly occupied by the New Frontier casino.
- The site was acquired through a foreclosure auction initiated by lenders to the former owner of the site.
- The development plans for the site and the capital structure of the ownership entity are not yet finalised, however it is expected that Crown will have majority ownership and Crown's total equity investment will be approximately US\$400 million to US\$500 million with a total project budget of approximately US\$1.6 billion to US\$1.9 billion.



- Crown's share of MCE's normalised NPAT result for the full year to June 2014 was \$291.2 million, up 91.2% on the pcp. After adjusting for an above theoretical win rate and pre-opening costs, Crown's share of MCE's reported NPAT result for the period was an equity accounted profit of \$287.6 million, up 64.3% on the pcp
- MCE's result was attributable to solid underlying financial performance, driven primarily by its mass market table games business at City of Dreams. However, market conditions weakened during the fourth quarter
- During the year Crown has received dividends of \$94.4 million from MCE, of which \$68.6 million was from the special dividend in respect of 2013 and \$25.8 million in respect of the result for the quarter ending 31 March 2014. For the quarter ending 30 June 2014, MCE has announced the payment of a dividend of which Crown's share will be US\$14.5 million
- MCE has approved the implementation of a US\$500 million stock repurchase program



# MCE - Studio City

- Studio City, MCE's second large-scale resort in Cotai, remains on track to open in mid-2015, representing the next standalone integrated property to open in Macau
- World-class entertainment attractions, TV Studio and 5,000 seat multi-purpose arena
- Signature restaurants and bars
- 1,640 rooms, luxury spa, meeting and convention facilities, extensive pool and resort amenities



Macau Studio City Overall View.



# MCE - City of Dreams Manila, Philippines

- MCE, through its 68.8% owned subsidiary, Melco Crown (Philippines) Resorts Corporation is expected to open City of Dreams Manila in Q4 2014
- 950 Rooms, 3 International hotel brands
- Locally orientated mass market gaming facilities
- Premium VIP & signature entertainment experiences
- Resort pools, spas and convention facilities



# MCE - City of Dreams Phase 3

- Expanding the City of Dreams integrated resort in Cotai
- Expected to open in 2017
- Approximately 800 ultra luxurious rooms, suites and VIP villas
- Additional gaming and food and beverage offerings
- Luxury retail offering
- Designed by award winning architect Zaha Hadid



## **Acquisition of VIP Aircraft**

- During the period, Crown acquired three Bombardier jets at a cost of approximately US\$100 million (including refurbishment costs) to replace its existing fleet of Gulfstream jets
- This acquisition will enable Crown to expand the range of its private jet service to Asian VIP customers and provide a superior level of comfort and amenity

## **Betfair**

- Crown's equity accounted share of Betfair's loss was \$3.4 million
- Crown acquired Betfair Group plc's 50% equity interest in Betfair Australasia in August 2014 for consideration of \$10 million

## **Cannery**

- Crown continues to hold a 24.5% equity share in Cannery
- During the period Crown did not receive a distribution of any profits or recognise any earnings from Cannery
- Also during the period, Cannery entered into an agreement to sell the Meadows Racetrack and Casino located in Pennsylvania for US\$465 million. The transaction is subject to regulatory approval and is expected to close in 2015 with net proceeds to be used to reduce Cannery's debt

# Debt Structure

Nature of Facility	30 Jun 14 \$m	31 Dec 13 \$m	30 Jun 13 \$m
Bank debt	527.1	523.6	412.3
Finance Lease Liability	10.7	11.1	11.4
Capital market debt - EMTN	174.6	174.6	174.6
- USPP (\$US200m)	212.1	224.4	218.9
- AMTN	300.0	300.0	300.0
- Subordinated Notes <sup>1</sup>	518.3	518.2	518.1
<b>Total Outstanding Debt</b>	<b>1,742.8</b>	<b>1,751.9</b>	<b>1,635.3</b>
Less available cash <sup>2</sup>	(66.9)	(68.4)	(87.0)
<b>Net Debt</b>	<b>1,675.9</b>	<b>1,683.5</b>	<b>1,548.3</b>

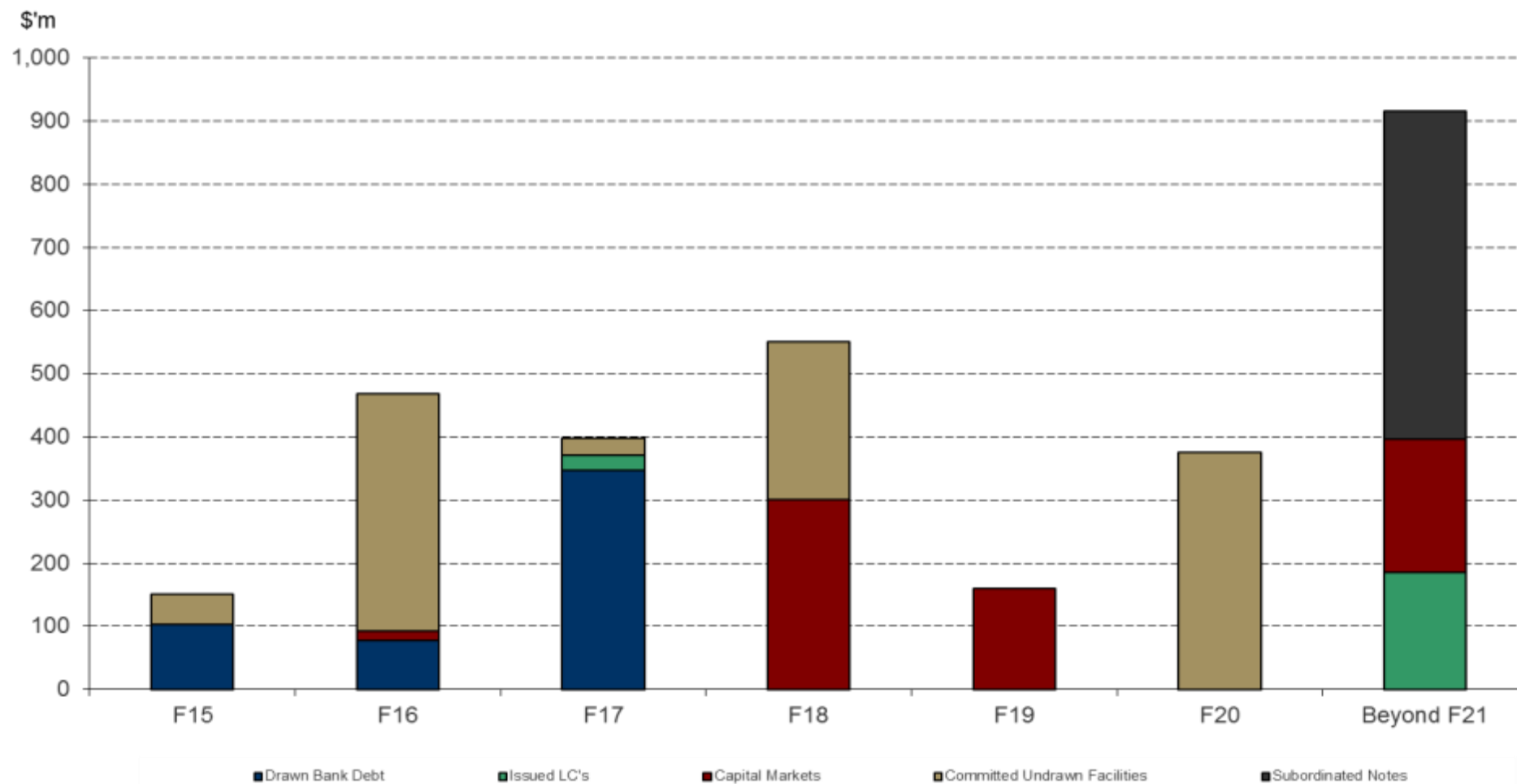
- Committed un-drawn bank facilities of \$1,073.1 million at 30 June 2014
- Group's current debt ratings (S&P/Moody's/Fitch) BBB/Baa2/BBB – all stable

1. Net of unamortised transaction costs.

2. Available cash refers to the closing cash balance of \$177.8 million (Dec 2013: \$192.7 million, June 2013: \$205.5 million) less working capital cash of \$110.9 million (Dec 2013: \$124.3 million, June 2013: \$118.5 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 - 30 June 2014





# Group Cash Flow

\$m	F14	F13
<b>Normalised EBITDA</b>	<b>782.7</b>	<b>758.3</b>
Win rate variance	95.5	(6.4)
<b>Reported EBITDA</b>	<b>878.2</b>	<b>751.9</b>
Working capital movements	(100.9)	(35.7)
<b>Cash Flow Generated by Operations</b>	<b>777.3</b>	<b>716.2</b>
Net interest	(110.9)	(128.2)
Dividends received	94.4	3.3
Income tax payments	(58.8)	(95.1)
<b>Operating Cash Flow</b>	<b>702.0</b>	<b>496.2</b>
Capital expenditure (net) <sup>1</sup>	(401.4)	(253.4)
Licence payments	(5.0)	-
Investments (net)	(160.1)	184.4
Net borrowings	103.4	(107.6)
Dividends paid	(269.5)	(269.5)
Effect of exchange rates on cash	2.9	6.0
Net increase / (decrease) in cash	<b>(27.7)</b>	<b>56.1</b>
<b>Closing Cash</b> <sup>2</sup>	<b>177.8</b>	<b>205.5</b>

1. Net of proceeds from sale

2. Includes \$110.9 million (Dec 2013: \$124.3 million, June 2013: \$118.5 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

# Revised Dividend Policy

- As previously foreshadowed, following the decision by MCE to commence paying dividends, the Crown Board has reviewed its dividend policy and has adopted a revised policy
- The revised dividend policy is to pay an annual dividend of the higher of 37 cents per share and 65% of normalised NPAT (excluding profits from associates but including dividends received from associates), subject to the company's financial position
- For the final F14 Crown dividend, the Board has determined that the MCE special dividend related to the year ended 31 December 2013 should not be included in the calculation

## **Australian Resorts**

- There was an improvement in trading in the second half of the year. However, we continue to see weak consumer sentiment in Melbourne and Perth as both their local economies continue to experience structural and cyclical challenges

## **Melco Crown Entertainment**

- The solid result reported by MCE was driven primarily by mass market table games business at City of Dreams
- MCE believes that Macau remains the most exciting gaming destination in the world and is progressing the development of Studio City Macau and the fifth hotel tower in City of Dreams Macau

## **Management Focus**

- Improving the performance of the Australian resorts including revenue growth, cost control and margins
- Crown Towers Perth development, the Crown Sydney Hotel Resort project, the Queen's Wharf Brisbane project and the Las Vegas site development
- Assisting MCE with its growth projects including Studio City, the fifth hotel tower at City of Dreams and City of Dreams Manila

- All information provided in this presentation is provided as of the date stated or otherwise as of the date of the presentation.
- This presentation may include forward looking statements. Forward looking statements, by their nature, involve inherent risks and uncertainties. Many of those risks and uncertainties are matters which are beyond Crown's control and could cause actual results to differ from those predicted. Variations could either be materially positive or materially negative.
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