



THE STAR

ASX Announcement

28 November 2024

THE STAR ENTERTAINMENT GROUP LIMITED
ACN 149 629 023

ANNUAL GENERAL MEETING
THURSDAY 28 NOVEMBER 2024

CHAIRMAN'S ADDRESS

Introduction

I would like to begin by acknowledging that the past 12 months have been an incredibly difficult period for The Star. The Company has experienced very significant leadership changes, challenging operating conditions, declining revenues, another public Inquiry, further asset write-downs and serious financial and ongoing liquidity challenges.

All these pressures have contributed to a material decline in share price and the value of the Company.

I acknowledge the support of you, our shareholders, and thank you for your ongoing understanding as we seek to navigate these difficulties and turnaround the fortunes of your company.

It's also important today to acknowledge the tireless efforts of our almost 9,000 team members who, through it all, have continued to welcome guests to each of our properties with professionalism, care and commitment.

Bell Two

I mentioned just now the significant leadership changes in the past 12 months.

Most of those departures took place prior to – or during - the Bell Two Inquiry held throughout April and May this year.

The announcement of the Bell Two Inquiry followed concerns raised by the NSW regulator that the remediation of The Star's business was not occurring at the pace expected.

In his report, Mr Bell found that, while there had been progress on remediation, there was a lack of close and direct supervision at the property level, and that a negative narrative had developed around the role of, and relationship with, our regulators.

Since the Bell Two Inquiry, we have taken decisive action:

- Our Remediation Plan has been revised, reset and approved with conditions by the Queensland Government.

- We have been implementing a new, more de-centralised operating model that sees stronger resourcing within each of our properties – led by a local CEO – to ensure closer oversight and accountability for operations including our casino licence obligations.
- And we have been working hard to rebuild trust and healthy relationships with our regulators. I have been committed to this since assuming the role of Chairman in late April and have been supported by my fellow directors and through the appointment of several experienced executives, each with a strong track record of successful engagement and remediation delivery.

I know that shareholders have heard similar assertions and promises to act in the past, but I assure you we have already taken action. These important changes are well progressed and are showing promise.

Importantly, we have reflected on past failings, embraced feedback and are acting with the benefit of learnings to date:

- We have acknowledged that achieving remediation milestones does not in itself mean the business has been remediated and cultural change has been embedded.
- Sustainable remediation and true cultural transformation will take time and a deep and common commitment to embed lasting change.
- It will take close and direct supervision at the property level and ongoing review and monitoring.
- And it will take a concerted collaborative effort – between the business and regulators, founded on the trust and patience of shareholders and the community.

Financial viability

I'd like to thank all shareholders today for their trust and patience, and humbly ask for your continued support as we work to transform the Company.

You know already – and will hear more today – about the financial and liquidity challenges facing The Star Entertainment Group.

Near term liquidity challenges, and the broader overall financial viability of the business, will remain the largest concerns for the Board and the executive team as they simultaneously stabilise the business and progress the remediation program along the pathway of suitability.

Agreeing with corporate lenders on a revised lending package has provided some space to work through the immediate liquidity situation but there is more to be done as outlined in our recent market disclosures and this work will continue in earnest in 2025. Our new Group CEO Steve McCann (subject to regulatory approvals) is focussed on developing a new model for the business, but to see it through we need to overcome the immediate challenges and for that we'll be asking yet again for your trust and patience. Steve will share more about these plans in a few minutes.

Suitability to hold licence

At the same time, as liquidity remains a pressing concern, remediation efforts must continue if we are to create a viable and sustainable business for the future.

We have developed a clear roadmap that identifies the actions and steps we will need to take by the end of March 2025. This has been provided to the NICC in response to their findings following the Bell Two Inquiry – and we are committed to delivering on this roadmap and getting the business back on track.

Achievements

Against this backdrop of challenges, it is also important to acknowledge the achievements of the past year. The Star Entertainment Group continues to make a significant contribution to the tourism, events and entertainment sector in Sydney, the Gold Coast and here in Brisbane – not to mention the almost 9,000 jobs provided throughout the Group's operations.

This year has seen the closure of the Treasury Casino in Brisbane after 29 years of successful operations and the recent sale of the heritage listed Treasury casino building to Griffith University. We have also made significant progress on our transformation and remediation efforts and refreshed and reset our remediation plan as I mentioned earlier.

We have welcomed a significant number of new staff to The Star including over 2,000 here at The Star Brisbane where there are now almost 3,000 dedicated team members. We have invested heavily in training and development of staff, with more than 4,300 new and existing team members completing our flagship ELEVATE risk awareness program. We have implemented important improvements in our programs to provide Safer Gambling for our guests, including Time Play Management, which helps make our casinos some of the safest places to gamble and contributes to player well-being. We have also embarked on the phased introduction of cashless and mandatory carded play in Sydney. This is an important step forward for The Star, but has proved to be a very complex and challenging project for our technology and operational teams.

This year also brought the much anticipated first stage of opening of The Star Brisbane here at Queen's Wharf, which has changed the skyline and cityscape of Brisbane. The development has revitalised an underutilised area of the Brisbane riverfront with 7.5 hectares of public space including the Neville Bonner Pedestrian Bridge, sections of the upgraded Bicentennial Bikeway and the already iconic Sky Deck viewing platform.

When complete, The Star Brisbane will offer an extensive choice of hotels, restaurants, bars and cafes and event spaces which will provide entertainment experiences to residents and visitors alike ahead of the 2032 Olympic Games.

We are also progressing at pace with the development masterplan for The Star Gold Coast, with Tower 2 due to open in early 2025 in time to welcome the Andaz Hotel which will open mid-year.

These two development projects are symbolic of the vision for the future of The Star – a future in which the experiences and services offered are diversified and responsive to changing market conditions and customer expectations – and where there is greater focus on integrated entertainment experiences.

These are just some of the promising indications of the strong future that we believe is possible for The Star Entertainment Group.

Path forward

Facing into that future, I am very pleased to be working closely with Steve McCann as our incoming Group CEO and Managing Director. Steve brings a wealth of experience to lead The Star as we re-imagine a stronger future for your Company.

In welcoming Steve, we must of course acknowledge that last year The Star was led by our previous CEO Robbie Cooke. Ahead of this meeting, we have had a few questions from shareholders on a number of items that I would like to address now, and the first of those relates to Robbie Cooke's departure.

Robbie joined the Company at a challenging time in late 2022 as we were beginning our remediation journey after the findings of the first Bell Inquiry and Robbie steered the Group through some very difficult challenges. These included the raising of capital, twice, refinancing of debt, agreement with the NSW Government regarding the introduction of increased gaming taxes and the settlement of a long running dispute with Multiplex.

However, the Company's relationship with our regulators was strained under Robbie's leadership and the Board had formed the view that different leadership was required to successfully deliver the transformation needed for the Company to regain suitability. Robbie left the business in March this year on agreed terms

There have also been questions raised by shareholders regarding Steve McCann's remuneration package as incoming CEO.

Steve was recruited following an extensive global search which identified a number of high calibre candidates to lead the Company. In the Board's view, Steve was the stand-out candidate, given his long history leading ASX-listed companies, his recent experience as Group CEO of Crown Resorts and his existing relationships with some of The Star's key regulators and other stakeholders.

Steve's agreed remuneration arrangements reflect the significant complexities of the role, the nature of the turnaround of the Company required, and the significant commitment made by Steve in agreeing to take it on. The Board notes some of the comments received to date on the size and structure of Steve's remuneration package but as I have already highlighted, the Company is facing multiple significant challenges and requires the best talent available to address these challenges and achieve a sustainable turn-around and transformation.

Since commencing with The Star in July, Steve and the team have worked tirelessly to reset our relationship with all regulators and other key stakeholders, to accelerate our remediation and transformation, to rebuild the senior leadership team and to address our near term liquidity pressures.

We have also had a number of shareholder questions received prior to the meeting regarding executive bonuses and long term incentive payments. As explained in the Remuneration Report, neither the STI nor LTI plans have paid or otherwise vested in FY24 or indeed any of the past 3 financial years.

As we move forward in our transformation efforts, the Board will continue to be faced with the challenge of attracting the best available talent to The Star. We are currently seeking to fill a number of senior executive roles where we are likely to need flexibility regarding the remuneration structure we can offer. The Remuneration Committee will reflect on this matter early in 2025.

Additionally, a number of shareholders have asked about our relationship with regulators following some of the material examined in the Bell Two Inquiry.

Since I became Chairman in late April, I have prioritised the need to repair and rebuild a strong, transparent working relationship with each of our regulators and the Special Manager and his team. To regain the confidence of our regulators, we need to communicate openly, respectfully, collaboratively and constructively with them. This remains a priority for the entire leadership team at The Star.

Board Renewal

I would like to thank my fellow Board members for their dedication and commitment over the past year and for their guidance and support to me as Chairman through this difficult period. We are now embarking on a program of orderly Board renewal, which will likely see at least two new directors join the Board in coming months. We are particularly seeking candidates with experience in casino and gaming operations, as well as technology transformation, to supplement the skillsets of existing directors and assist us in guiding the Company through the next phase.

I would also like to thank all of The Star staff members. Thank you for your professionalism, your loyalty and your resilience as you have coped with massive amounts of process and policy change, constant deadlines and scrutiny at a time when things are tough and for many there have been no pay increases.

And finally, I again thank you, our shareholders, for your ongoing support for the Company and for your patience as we work towards a bright new future for The Star.

It's now my pleasure to hand over to Group CEO Steve McCann (subject to regulatory approvals) to share with you some of his observations on the past year and plans for the future.

GROUP CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR'S ADDRESS **(subject to regulatory approvals)**

Introduction

Thank you Anne and thank you again to all who have taken time out to join us today.

When I joined the Company in July, The Star was in a precarious position. The report from the Bell Two Inquiry had not yet been received, revenue was dropping rapidly at the same time that costs were escalating, the reputation of the Company and relationship with regulators was not in a good place and progress on the remediation plan had been inadequate. The risk of losing gaming licences was high.

As Anne has said, the team and the Board have worked tirelessly over the last 4 and a half months to try to address these issues and establish a pathway to remediation and recovery.

However, we have a difficult road ahead and The Star remains in an extremely challenging position. We have made progress on a range of important issues, have reset our Remediation plan and improved our transparency and relationship with regulators. However, revenue has continued to decline significantly while the costs of our transformation and the cost of the external advice and assistance we have required have continued to be at inflated levels. As you know, our shares were suspended from quotation on the ASX on 2 September 2024 as the Board worked through the challenges to enable it to finalise its FY24 financial statements. Trading recommenced on 27 September 2024, but since then we have seen continued deterioration in performance, with losses incurred at a Group EBITDA level.

It is very clear that to gain continued access to funding and to be able to rebuild shareholder value we need to turn around the trading performance of this business at the same time as progressing our cultural transformation and remediation and restoring the trust and confidence of our regulators and communities. This will not be easy and will take time. What I can assure you is we will be working very hard with all of our stakeholders and our teams to achieve this.

So rather than revisit why The Star finds itself in this position, I will focus on what we need to do to return The Star to suitability and ongoing financial viability.

Our first priority needs to be to restore our regulatory and social licences to operate by continuing to actively demonstrate meaningful progress towards remediation of our systems, processes and culture. The priorities of our regulators are to eliminate financial crime from our operations and ensure a safer gambling environment. These need to be our priorities as a business in the way we design our systems and train our people.

The Remediation Plan has recently been revised and reset to better support our transformation efforts, taking into account the team's learnings to date as well as findings of the Bell Two Inquiry and stakeholder feedback.

This revised plan has been approved by our Queensland regulators, with conditions, and delivery is underway.

The reset plan consists of 14 separate workstreams with a large number of milestones, each with target dates and each requiring independent assurance to determine when they have been met.

The reset remediation plan will enable us to deliver meaningful change by the end of March 2025 in the areas of cultural reform, safer gambling, compliance, risk management, financial crime, governance and technology and data.

I will highlight that while the plan has been reset, we will continue to review its effectiveness in getting us to where we need to be. That might mean further changes along the way, particularly as we respond to feedback and continue to learn and evolve.

A critical part of that remediation will be to fill key vacancies in senior leadership and develop a high-performance team that will live and breathe the appropriate values and work together to reset the culture and improve the rhythm and performance of the business across all aspects of both our gaming and non-gaming operations. It is of course challenging to attract the right talent in the current circumstances, but we are in advanced discussions on a couple of key roles currently and I am confident we will make good progress before 31 March 2025. Board renewal at the Group level as well as the establishment of the appropriate Board, Committee and governance structure at the subsidiary levels will also be an important part of this reset.

We also still have work to do to demonstrate to the Manager, Nick Weeks, and to the NICC in NSW and to the OLGR in Queensland, that we can be trusted to do the right thing. There is no scenario where the industry can achieve its dual objectives of eliminating financial crime and providing a safer gambling environment without close co-operation between regulators and operators. We need to be effective, transparent, responsive and timely in our communications and work collaboratively to identify and pro-actively address issues and challenges.

It will take time for that trust to be earned back, but I believe we are putting the right people in place to achieve this and we are making good progress.

It will take longer to achieve and demonstrate the cultural transformation required to embed sustainable change to the way we do things as a company. We need to reinforce to our teams the compelling reasons for the changes we need to make, we need our leaders to role model the right behaviours, we need the appropriate mechanisms to reinforce those behaviours, and we need to address our capability gaps to ensure we have the right skills to embed those behaviours and achieve results. This is all work in progress but we understand the imperative.

The business will continue to face a number of challenges over the next few years as we continue this transformation. We are at a critical point in our liquidity, with the business currently experiencing material negative cashflow on a monthly basis.

We need time to deliver the reset remediation plan and to develop our strategy before we can return the business to profitability – and for that we're asking for your ongoing support and for that of our lenders and other stakeholders.

As shareholders may be aware, we are now required to provide quarterly cashflows and activities reports to the ASX.

Further to the first quarter FY25 Activities and Cashflow Report released to the ASX on 29 October 2024, we note there is continued weakness in the operating performance of the Group. This is attributable to the ongoing challenging consumer environment and changes in business practices which continue to weigh heavily on gaming, particularly in the premium player segment.

Unaudited Group EBITDA loss for October before significant items was \$8.5 million, taking the unaudited Group EBITDA Loss before significant items for the first 4 months of FY25 to \$27 million.

Carded play was introduced in select areas of The Star Sydney on 19 August with carded play and \$5,000 cash limits now fully implemented across the entire gaming floor at The Star Sydney as of 19 October 2024.

Since the implementation of mandatory carded play and cash limits at The Star Sydney on 19 August 2024, the daily average revenue is down 15.5% compared to the daily average revenue for the 4 weeks prior to implementation.

The Star team is working hard to improve our technology and systems to ensure regulatory compliance while improving the impact of this transition on our customer experience.

Pleasingly, the Group has now finalised the long-form documentation with lenders to access the new debt facilities which we announced on 25 September 2024, which comprises two tranches of \$100 million each.

The first tranche is expected to be available to be drawn shortly. Under the terms of the agreement, we are required to put in escrow the proceeds of the Treasury Casino sale resulting in a net increase in cash of approximately \$35 million after fees.

In order to access the second tranche of \$100 million, we will need to finalise security documentation and regulatory consents, raise \$150 million in subordinated capital and obtain approval from the lender group for our strategic plan. In the meantime, we will continue to pursue non-core asset sales and work to secure additional sources of funding to assist long term liquidity solutions.

To achieve financial stability and return to profitability, we need to ensure we have the right strategy, the right organisational model and an appropriate cost base.

As part of this, the executive team and Board have endorsed a significant change to our organisational structure from a group-led centralised operating model to a property-led model.

Under this model, the key strategic, financial, risk and operational decisions will be owned by the properties, reporting into the three property CEOs, who will lead the restructure. Each CEO will have their own senior leadership team across key functions reporting into them directly, focussing on what they need to run a safe, compliant and profitable business. Each property will also be overseen by an independent State-based Board with its own governance structure and processes.

It's empowering our Property CEOs with greater control and accountability over their operations and the team supporting them. As we have previously discussed, the importance of driving additional revenue from non-gaming entertainment, food and beverage and accommodation will be a key part of these strategies.

The new operating model also responds to regulatory feedback and the expectation for closer and more direct supervision of our operations at the property level and it allows us to remove overlap and realise critical cost savings.

So where does this all take us?

We have some key aims:

- regain the trust of our stakeholders;
- restore our regulatory and social licences to operate;
- work closely with our regulators and the industry to eliminate financial crime and create a safer gambling environment, with systems and processes that enable this to occur while ensuring a more positive customer experience;
- move to a property-led organisational structure with a lean corporate centre providing the essential services required;
- finalise the rollout of mandatory carded technology and cash and time play limits and maintain a positive customer experience;
- maintain the ongoing support of our lenders and shareholders to provide sufficient capital to navigate through a period of significantly suppressed earnings and higher costs;
- utilise our outstanding assets to generate higher earnings diversified across other forms of entertainment, including our growing presence in hotels, dining and events;
- demonstrate that The Star is the best-in-class operator of integrated resorts; and
- return the business to profitability over the medium term with an appropriate capital structure to enable a reasonable return on investment.

Today we are very much at the reset stage of the business and that provides both challenges and opportunities.

The Group is still in a period of addressing a range of gaps and past failings – but we have a plan to take the business forward.

I'd like to thank the Board, our executives, and the 9,000 team members here at The Star for their continued dedication and hard work as we continue to remediate and rebuild the business.

I'd ask shareholders for your continued patience and support so that the Board and the executive team can earn your trust as we deliver on that plan and transform The Star into the business it can and should be in the future.

Thank you for your time today.

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