HD **Preliminary 2014 SKYCITY Entertainment Group Limited Earnings Press Conference - Final**

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Presentation

OPERATOR: Thank you for standing by and welcome to the SKYCITY Entertainment Annual Results Conference Call. (Operator Instructions). There will be a presentation followed by a question and answer session. (Operator Instructions). I must advise you that this conference is being recorded today August 13, 2014.

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I would now like to hand the conference over to your first speaker today, Nigel Morrison , CEO of SKYCITY Entertainment. Please go ahead Mr Morrison.

NIGEL MORRISON , MANAGING DIRECTOR, SKYCITY ENTERTAINMENT **GROUP** LIMITED : Thank you very much and good morning ladies and gentlemen. This morning we put out four announcements and I'll talk to you shortly about the results but one of the announcements was on the design update for the New Zealand International Convention Centre.

The second announcement was on a new **hotel** we'll be building on Hobson Street adjacent to the New Zealand International Convention Centre, a new five star **hotel**.

The third announcement was the appointment of our new Chief Financial Officer, Mr Rob Hamilton, who joins us from First NZ Capital.

But what I'd like to do today -- and those announcements are available on the ASX and NZX and on our website -- is talk you through our results presentation for the FY2014 year. That's been out since around 8.30 New Zealand time this morning, so 6.30 Australian time. I'll touch it at a high level and then happy to take Q&A.

The result for the year was softer than last year with normalised NPAT down 8%, down from NZD134 million to NZD132 million. The results were mixed but there were some very pleasing aspects to our result with strong Auckland growth, particularly in the second half and continuing into this 2015 year and with good international business turnover growth in the second half which was significantly above the first half. And that sustained momentum has continued into 2015.

The offsets to those good points were the significant appreciation of the New Zealand dollar against the Australian dollar, effectively going from NZD0.80 to NZD0.90 over the 12 months which hit our EBITDA by about NZD10 million in New Zealand dollar terms. And the significant disruption of the Adelaide casino as a consequence of the extensive construction works that we've undertaken over the last 12 months and which will continue through to December as we transform that **property** to take advantage of the reforms we negotiated with the South Australian Government .

While our international business didn't do too badly, in Adelaide, when we look at the local market there and the disruption that those -- that construction caused, that reduced our local EBITDA in Adelaide down by NZD6.4 million. So transformations we see very much an important part of moving the business forward.

To the reported results, the international business adjustment to theo was the main difference between normalised and reported, reducing our normalised NPAT by NZD15 million/NZD16 million, the overall win rate for the year was 0.97% compared to 1.35%.

What we did in December this year, we increased the table differential for the IB business from NZD200,000 to NZD250,000 and that caused some short term volatility which we saw in the second six months. But the volumes were significantly up which was exactly what it was designed to do and those volumes have continued to be up. And certainly for this period that we're in in 2015 year-to-date, we're now back at theoretical. So we certainly increased the volumes through that, so in many ways that was a transition of our international business going from NZD200,000 to NZD250,000 in table differential as well.

Turning to -- just reflecting for illustrative purposes on the normalised results. In terms of Australian dollars, if we had reported in Australian dollars, our normalised NPAT would have been up 4% from AUD107 million to AUD111 million and final dividend would have been up from AUD0.08 to AUD0.09 in Australian dollars as opposed to flat NZD0.10 in New Zealand dollar terms.

Some of the key takeouts. Look, most pleasingly was the Auckland result in the second half and how that's continued. And we've invested significant capital in Auckland over the last three to four years. We've enhanced the quality and the fit out of our hotels, we've redeveloped Federal Street, that's now completed. We've opened new restaurants and bars, some great restaurants and bars and I think really made a difference to living in Auckland.

The revenue that we've generated from our new restaurants alone is now running about NZD40 million per annum, that's -- they're great assets for us, marketing our international business and I think certainly we've seen the spill off and the benefits of the refurbished VIP rooms that we've developed in Auckland. And under the leadership of John Mortensen , our General Manager and Matt Ballesty , we're very excited to have got those gains over this first half and expect that momentum to continue into 2015.

As I noted the international business continues to grow strongly, we had a record turnover for the year after a very soft first half but overall the year finished up at NZD6.5 billion in turnover which was a record for us. And as we noted we've moved the bet limit to allow that business to grow. I should point out our bad debts have been absolutely minimal and we have very little credit outstanding at this point in time. So the team have managed that well.

The currency appreciation did hit our EBITDA by around NZD10 million for the year and also the significant transformation of Adelaide as I've touched on, cost us around NZD6 million in EBITDA compared to last year. But it was something we needed to do. We've opened the new baccarat pavilion in this 12 months, a new platinum room, your barossa room, your VIP rooms, new lounges and we -- there's really not one inch of carpet, one inch of floor space in the Adelaide casino that has not been touched. And there's been extensive works and it is now a very, very different **property** to what it was 12 months ago. Those works are still continuing but should be completed by December this year.

We've signed obviously -- during the year we signed the NZICC agreement with the Crown and we're continuing to roll that forward. We went through the first design gate of concept design in May this year, we're looking forward to lodging for resource consent, submitting for resource consent in September, October this year. And we will be hopeful on the basis that that's approved that we would enter into a construction contract in May, June this year and then move forward with that development.

As I touched on, we've also announced the development of a new 300 room five star international **hotel**. We've also expanded the car **park** of the New Zealand International Convention Centre, going from around 800 spaces to 1300 spaces. We've also, in the design introduced a laneway access, a laneway between Hobson Street and Nelson Street which will separate the **hotel** and the Convention Centre but they'll be restaurants and bars dotted up and down the laneway. So we're very excited by that development and think it will be a fantastic development for Auckland.

The occupancy of our existing SKYCITY hotels of around 90% really gives us confidence that a new additional **hotel** will do very, very well in Auckland. And our hotels run up to very strong occupancies and very good room rates and are very profitable businesses for us. And currently we have 660 rooms and we would see, with the new **hotel** rooms, that will take us close to 1000.

There's been some challenges clearly, Hamilton has been soft for us, although the second half of Hamilton was a lot better than the first half. So we are seeing improvements in Hamilton and we've changed our management in Hamilton and we would expect to see Hamilton improve over the next 6 and 12 months.

Darwin has been a little challenging, certainly revenues overall have been flat in Darwin and cost structures have been increasing with the developments that have been taking place in Darwin and the northern part of the Northern Territory. But we are overall optimistic about the outlook for Darwin. Our resort development up there has continued to do well and we've got a number of strategies in place over the next six months which we think will see an improving performance of Darwin.

The current dividend policy has been maintained which is based on the current share price offering shareholders with a very attractive yield. It's fully imputed in New Zealand and the dividend reinvestment plan will be applicable for the October dividend and will be offered on the basis of a 2% discount.

I won't overly focus on the individual properties, suffice to say that the momentum in Auckland has been very pleasing and that's continuing. In Auckland we've seen growth in all segments of the business, our gaming machines revenue for the second half was up 3.5%, local table games growth up nearly 2%, international turnover was up 6.5%, our restaurant and bars revenue was up 21% and the **hotel** revenue growth was up 13%/14% for the second half. So I think they were all very pleasing results.

And certainly in the period to -- from July 1 to August 10 we've continued to have over 9% revenue growth in SKYCITY Auckland. So Auckland represents a very, very significant part of our business, probably represents around 60% to 70% of our EBITDA so to be generating that growth, I think, is comforting.

Adelaide. Just the key points to note about Adelaide are the -- as I touched on, the local business has contracted and EBITDA from the local business fell 18% from NZD35 million last year to NZD28 million this year, NZD29 million by virtue of the significant disruption, down NZD6 million.

Pleasingly, one aspect the horizon rooms that we had in Adelaide, we fitted those out and spent some money on those a year or so ago. They have continued to perform well and I think what they really highlights is the potential demand and we think it's very, very significant, of international business into Adelaide and particularly once we get the **hotel** there. But in Adelaide we did see good EBITDA growth in the international business; it was really disruption to the local business that caused Adelaide to contract.

A lot of work has been done in Adelaide around ticket-in, ticket-out cashless gaming and getting all the systems and technology right and we've significantly rolled that out and are continuing to roll that out but until we complete the construction and the disruption to the main floor **property** -- and right now we don't really have any major restaurants there.

Sean's Kitchen will open in September this year which will be our premiere restaurant in the Adelaide casino, that's going where North was. And Nic Watt, the client chef of MASU, is opening a French Vietnamese restaurant which will open in December, January this year.

So we're very excited about that but I think by the end of this year we'll get our **property** back and we'll have the fit out complete and we'll have some great restaurants and bars and really then be able to re-launch it and get it back on track under the new regime going forward.

The international businesses we touched on, that's had very good volume growth and turnover growth; second half turnover up 39%. As I think I touched on, the turnover for the period July 1 to August 10 is NZD1.2 billion which compares to NZD1.4 billion for the first quarter last year. So we've nearly already achieved first quarter growth in the period to August 10 and our win rate is back to around 1.3% at theoretical.

I think we're seeing more volume, more big players and more growth. We are only a very small player in that space and so while there's some issues globally with the VIP business out of **China**, Macau and other regions we are such a small player, I think players are still having to come to Auckland and to Adelaide and we're focusing on that.

I've touched on Darwin so I won't revisit Darwin but turning to the capital projects update. For those of you who would have visited Federal Street you would now see that it's 99% complete. So we're delighted to have finally got there. That's been a project that's lasted some three to four years and certainly was no doubt very disruptive over the Christmas period and Christmas and New Year period and January period this year and even into February as the precinct was totally repaved and upgraded. That was finally finished in July and we're looking forward to making the most of that opportunity going forward.

Nic Watt opened MASU on October 16, that's a truly great restaurant, it's a truly international standard Japanese restaurant that has been highly acclaimed and was voted the 2014 best new restaurant of the year by Cuisine Magazine.

Sean Connelly opened an Italian restaurant for us, Gusto at the Grand in February this year and that's been going very, very well. As I touched on before, our restaurant business now, our signature restaurant business now, the cluster of five to six restaurants, is now a very successful business and generating good revenues and good earnings in its own right.

In terms of the New Zealand International Convention Centre and the master plan, as I touched on we agreed the concept design which was an important gate for us to go through with the Crown this year, in May this year. And following that a lot of work was done to get that right. Following that we are now into preliminary design and that is what we will lodge for resource consent. As part of the plan the approved master plan has been expanded to include the 300 room international **hotel**, the laneway connecting Hobson Street and Nelson Street and as I mentioned, an additional 570 car parks.

The cost of the five star hotel, laneway and additional car parking is estimated to be another NZD170 million to NZD180 million. If needed to we will divest our additional Federal Street car park which is located about 500 metres away which would realise another NZD35 million which would reduce our net incremental cost to NZD135 million to NZD145 million.

We have circa about NZD346 million remaining to be committed to development of the New Zealand International Convention Centre. We own all the land, all the land's been paid for so that NZD346 million represents the development cost of the structure, the building and also an allowance for the development of the works to facilitate the gaming concessions in our property here once the construction contract is signed.

There's some -- in the investor pack there's a number of schematics which present the Convention Centre, cross section views, the plenary and some design of the hotel.

Just turning to the Adelaide casino, the works done between December and June have been very, very extensive and as we touched on, new baccarat room, new baccarat pavilion, new platinum room, refurbishment of the main gaming floor and all the restaurants and bars, new barossa room, new VIP lounge. And there's some photos of the completed works in the pack.

As I touched on Sean's Kitchen will be coming which will be our premiere restaurant and we're very excited about that and I think will officially open on September 25, 2014 and I think that will be very well received, there's some great dining, some great private dining areas in that restaurant. And I think our view is the opportunity for dining and to revitalise dining in Adelaide mirrors the opportunity that we had in Auckland and what we've achieved in Auckland. So I think that's very exciting. And then as mentioned the French Vietnamese restaurant by Nic Watt opening at the end of this year, early next year, Madame Hanoi.

The new Black room which has been very successful in Auckland this year will open later this year in Adelaide primarily designed for VIP EGM customers of a high level, not only local customers but also interstate and international VIP customers. So we'll be pleased to have got through that construction disruption in Adelaide by the end of this calendar year and get back to re-launching the property.

And then I think from an Adelaide point of view the focus will be back onto the redevelopment of the -- or the development of the six star hotel in that property. And we're still confident that that will progress with its expected opening by FY2017. So there's still a lot of work to do on that but we are making progress on the designs and we look forward to updating you more on that over the next six months.

Turning to capital expenditure, over the next six years we estimate there's probably about NZD800 million of which NZD300 million of that is in relation to the Adelaide Expansion Development, NZD346 million on the NZICC construction including the facilities to accommodate the concessions, once they're granted. And then another net NZD140 million on the conventions -- on the NZICC hotel development.

To date we've spent about NZD106 million on the NZICC master plan which primarily includes all the land that we purchased and the construction design and development costs to date. And we've also spent around NZD52 million in Adelaide on the existing Adelaide casino and on the design and development of the plans for Adelaide going forward.

So of our funding facilities we've got net debt of about NZD660 million and we've got undrawn committed bank facilities of around NZD330 million so giving us a total facility -- a total facility -- total committed facilities of NZD990 million. Of those facilities only NZD190 million matures before October 2018 and we'd be confident of rolling those over or extending those out.

In terms of funding and funding that NZD800 million over the next six years, we're confident we have the cash flows and the debt facilities to do that. But if necessary there is a number of other options we can look at to help with the funding of those projects particularly talking to various joint venture partners or -- to help with the development [of certain] of those capital projects.

We've had a number of approaches over -- to be fair over the last six months about joint venturing some of those developments and we'll take those on board. Our preference would be to do them ourselves without having to do that but if push comes to shove then that's certainly an option for us. So that's where we are there.

In conclusion I think, very pleased with the results of Auckland, strong momentum, strong management team, the property's in great shape, the investment that we've made over the last three or four years, not only in physical assets but in technology and systems is now coming to the fore and I think we're seeing the benefits of that.

We've transitioned our international business and taken it up to the next leg. We've increased our maximum bet from NZD200,000 to NZD250,000. We're now starting to see the growth and turnover that

that's generating. We had a bit of volatility in the last six months but all being well we're through that as we've got to these high levels of volume. And we feel very good about the momentum in both Auckland and the international business.

Clearly this year was impacted by the high New Zealand dollar and compared to 12 months ago when it was more like NZD0.80 and has now gone to NZD0.90, all being well we've probably cycled through that uplift and I'm the last person to back regarding currencies but it would be surprising to see the New Zealand dollar **firm** much more against the Australian dollar and we might even see it corrected somewhat.

Clearly the disruption of Adelaide was painful for us and hurt our local business but again it's very much part of that transformation of the business and building that business for future growth.

The first six, seven weeks of the business into the 2015 year has seen good momentum and very pleasing growth, with strong growth in Auckland and also in our international business with IB back to theoretical.

So on that basis, the main focus for us going forward for this year is clearly to optimise the operating performance of our underlying businesses, continue the momentum in Auckland and in our international business, address the deficiencies that we think we have in Hamilton. And I think we've made some good progress in that we had a stronger second half but clearly we're still focused on turning and improving Hamilton and then also delivering growth in Darwin. And we want to get through the Adelaide redevelopment process by the end of this year so we can focus on re-launching that business and driving growth.

We've made good progress on the NZICC over the last 12 months and clearly finalising the preliminary design to lodge for resource consent is a priority. We look forward to getting that done and then entering into the construction contract, all being well, by the end of this financial year.

Obviously in closing, welcoming our new Chief Financial Officer, Rob Hamilton, who will start in mid-October. Rob's currently the Managing Director and Head of Investment Banking of First New Zealand Capital and we're delighted to have secured a candidate of his calibre to join our team and look forward to him joining and making no doubt an invaluable contribution to SKYCITY going forward.

So on that note I'd like to open it up to questions. Thank you.

Questions and Answers

OPERATOR: We will now begin the question and answer session. (Operator Instructions). Sacha Krien, CLSA.

SACHA KRIEN, ANALYST, CLSA: Hi, good morning guys. I've just got a question on the Adelaide casino and the new premium rooms. Can you give us an idea of the split of mass gaming revenues in the second half between premium and non-premium?

Then just a second question, if I may, on Auckland. I understand that the new concessions are activated when the construction contract is signed in a binding construction contract. Is that now likely to be at the end of FY2015 as you just said Nigel? And when it is activated should we expect all the new product to come online pretty much straight away and therefore be in there for the FY2016 year?

NIGEL MORRISON : Sacha, I think answering your last question first, you're correct that the concessions do get activated once the construction contact's signed and we do envisage that to be May, June next year so they would become effective at that point. I should point out obviously the tax certainty that we have applies from the date the agreement was signed with the Government so we have that now. And obviously the licence extension we have that now as well.

But the balance of the concessions apply from the date of the construction contract. And I think, look, to be fair to say I doubt if we'll have all the product on the gaming floor by that date but certainly we would seek to turn on the initiatives that we could turn on such as ticket-in, ticket-out and cashless gaming. And then roll out probably additional machines. But John, do you want to comment on that a bit?

JOHN MORTENSEN , GENERAL MANAGER, AUCKLAND, SKYCITY ENTERTAINMENT **GROUP** LIMITED : Yes, I think we've got the capacity to add the additional machines and we'll certainly have ticket-in, ticket-out and cashless ready to go as soon as the construction contract is released. We have got capacity for tables but 40 extra tables takes up a considerable amount of room so probably won't have the whole 40 up and running there.

NIGEL MORRISON : Then I think in relation to the first part of your question, obviously it's been very disruptive and we haven't provided too much commentary on that. There's a lot of work to do. We've only just opened the barossa room so it's very hard. But the platinum room has been performing quite well and probably about 33% of our product as we sit here today is in VIP product in Adelaide.

SACHA KRIEN: Okay. All right, thanks guys.

OPERATOR: Mark Bryan , Bank of America .

MARK BRYAN , ANALYST, BANK OF AMERICAMERRILL LYNCH : Morning Nigel, thank you. Just on the new **hotel** investment that you've flagged. The -- can you just give us a bit more of an idea on timing of opening and -- I mean it feels like there's an acute shortage of **hotel** product in Auckland right now which obviously bodes well for returns. To the best of your knowledge what else is happening in the Auckland landscape on other **hotel** projects coming through?

NIGEL MORRISON : Mark, I'll ask Simon to -- Simon Jamieson who is leading our **hotel** development and the NZICC to answer that.

SIMON JAMIESON , **GROUP** GENERAL MANAGER, NEW ZEALAND INTERNATIONAL CONVENTION CENTRE, SKYCITY ENTERTAINMENT **GROUP** LIMITED : So, yes, presently there's a forecast of growth in the Auckland market and we're already doing very well with our properties. The data that we can see coming indicates that there's probably a strong decade ahead of tourism growth into Auckland.

In terms of the time when it will be finished at this stage, we're looking to have the **hotel** completed to be at the same time as the new International Convention Centre is completed so those two assets can work together.

I think the other part of your question was what else do we know on the landscape. We're aware of -- there's just talk about four other hotels that are in the -- that are being considered in the Auckland market of which two look certain to go ahead and the other two are still -- have not really come forward yet. So they're -- two of them are of a relatively small size around 190 rooms and there's one really large **hotel** but that one is least certain than the others and I know that Sofitel have announced a **property** down in Customs Street. There's a bit of momentum in the market for that's following those forecasts that I mentioned.

MARK BRYAN : Thanks Simon.

OPERATOR: Marcus Curley, Goldman Sachs .

MARCUS CURLEY, ANALYST, GOLDMAN SACHS JBWERE: Good afternoon guys. Just a couple of questions. Nigel can you give us a little bit of colour in terms of what's happening with Auckland tables, I suppose with the economy being relatively robust at the moment, which parts of the table business is performing, which parts aren't?

Secondly, obviously hearing what you're saying about disruption at Adelaide continuing until December, should we be expecting some pretty obvious signs of the new facilities working and dropping through to EBITDA in that second half of the financial year?

NIGEL MORRISON : Again answering the second part first. I think we would expect the second half, we would expect to see some good improvement in EBITDA on the second half in Adelaide. With the works now well improved -- well completed in this first half.

In relation to local table games, what we call local table games in Auckland as opposed to the international table games, obviously we've had very good growth in international revenue in Auckland in that second half but our local table game's revenue is up about 2% for the second half. So that's how we're seeing that, yes.

MARCUS CURLEY: Okay, thanks.

OPERATOR: Jeremy Simpson, Forsyth Barr.

JEREMY SIMPSON, ANALYST, FORSYTH BARR: Good day Nigel.

NIGEL MORRISON : Jeremy.

JEREMY SIMPSON: Just you're talking about you're confident about getting some growth returning into some of the smaller properties, Hamilton and Darwin. I'm just interested in your thoughts on both of those as to how that's -- how you're going to get that because both are still at fairly challenged places and I guess lower (inaudible) payout in Hamilton and things and Darwin's already a very strong business, I guess?

NIGEL MORRISON : Look I think they're fair comments, Jeremy. I think when we look at the second half, a lot of the pain, a lot of the disappointment I guess in this year's result in some of those properties was certainly in the first half. And the second half was better in both Darwin and in Hamilton than the first half. So we are seeing some improvement there.

Hamilton we have, as I mentioned, we have changed our management there and we think we've got a stronger management team there now. I think we're feeling a bit better about Hamilton. I take your point it is a tougher environment. I think Auckland's a great place to be and it's a very robust economy but Hamilton is a bit more challenging. But I think there's some micro factors there that we could do better and we'll see some growth. And I think we are currently confident over the 12 months that we'll get there.

And then Darwin, the revenue is flat and there were some cost pressures but I think we're a little bit hopeful we'll do a bit better in Darwin over the next 12 months. We've got a number of initiatives that we're rolling out in Darwin, again with -- ticket-in, ticket-out on the main floor is coming so we do think there's a number of things we can do to help the business there.

JEREMY SIMPSON: Are you seeing generally that you need to spend a bit more to get revenue. I guess with fairly mature markets and things and even in Auckland where there is a robust economy you're still going to have to spend quite a bit to get people through the door?

NIGEL MORRISON : Look I think -- and I'll let John comment in a minute. But I think it's about being smarter and certainly we've invested the capital in Auckland. And I think there's no doubt the restaurants that we have now with MASU, the Grill, the Depot, Gusto, they add to the overall vibrancy and attraction of coming to SKYCITY Auckland, not only for the local community, not only for the local tourists but also for our international customers. There's no doubt we couldn't have been as successful as we have been in the international business in Auckland without the quality of those restaurants.

That does spin over and spin into the gaming revenues that we have on the business as a whole. I think with the technology that we've invested in and the upgrades and the products and in the platinum room and in the horizon product and even the baccarat mezzanine floor that we've introduced and the rouge gaming room, all these things have added to the overall attraction and appeal of SKYCITY Auckland. But John do you want to --?

JOHN MORTENSEN : Yes, look it does cost especially when you're focusing on the top end of the market, it does cost a lot more to service those. At the same time there's a lot of capacity in the [mass] market and we've actually focused on the top end of the market and [been] managed to still grow our EBITDA margin. So a real focus on the cost and the proper deployment of initiatives like marketing and other service areas in the mass market has been able to improve our margins. But there's certainly more capacity in the mass market than we're getting at the moment.

JEREMY SIMPSON: Great, thanks guys. Just one other quick thing. It still sounds a bit vague about the car parking in Adelaide in terms of the plaza development, Nigel is there any update there or likely timing on confirmation of it?

NIGEL MORRISON : Look, what I can tell you is we're working very closely with the Government, the Premier and the Government are committed to our project, they understand resolving the car parking is very, very important.

We're working closely with a third party to finalise the car parking and the development above the car **park**. And the third party and the Government haven't been able to agree on what that development looks like at this point of time which is a little bit annoying because it's slowing things down. But we understand the Government is very, very keen to get that resolved and to proceed quickly. I think Jay Weatherill's very keen to have the development completed in 2017 on the riverbank, have our **hotel** completed. Obviously it is contingent on making sure the car **park**'s in place.

JEREMY SIMPSON: Right. Thanks Nigel.

NIGEL MORRISON : Thank you.

OPERATOR: (Operator Instructions). Michael Goltsman, Citi.

MICHAEL GOLTSMAN, ANALYST, CITIGROUP : Hi guys. I just -- one quick follow up question, I think this was asked by Sacha a little bit earlier, just following up on it. You gave a previous update on Adelaide tax margins improving, given the new regulatory structure. I think you previously said your EGM tax rate went down from about 43% to 38%. Is that magnitude of tax improvement -- did you experience that for the remainder of the half? First question.

The second question is, is that the kind of magnitude of tax improvement that we should be thinking about going into next year as well?

NIGEL MORRISON : I might ask Ejaaz to give you a couple of comments on that who's been spending a bit of time in Adelaide.

EJAAZ DEAN, PRESIDENT, INTERNATIONAL BUSINESS, SKYCITY ENTERTAINMENT **GROUP** LIMITED : The short answer will be yes. We've only -- Nigel spoke earlier about the amount of work we've done in the premium zone, in the platinum room, and the barossa room and we're about to build Black so we'll see more and more play into those spaces over the next two or three months. So our tax rate in the premium room is 20% and so you can imagine as more play goes into that lower tax rate that the overall tax rate will decline.

MICHAEL GOLTSMAN: Sure. We should be expecting your -- because I -- from my understanding as well, the number of your premium play is quite high at the moment in Adelaide, a lot of that's to do with the product being removed from the main gaming floor. Are we to expect your -- what you're suggesting is the premium percentage is going to keep going up or is it roughly say where it is right now?

EJAAZ DEAN: No, I think you'll see the premium play go up. And the reason for that is, while we've got a large percentage [by playing] premium today, those rooms are not over utilised, there's still a lot of capacity left in those rooms. So as we get to market and advertise a little bit more and start promoting those rooms, there's ample opportunity to fill even more people into that space. As the Black tier opens up that will open the interstate and international opportunities for us with the slots market in Adelaide which we think we're holding a lot of good hopes for.

NIGEL MORRISON : To be fair we haven't really started marketing that **property**. It's still very much a work **site**, we don't have any restaurants and it's not going to be until we get Sean's Kitchen open that we will start. We would be planning on starting to market the **property** in about September.

MICHAEL GOLTSMAN: Okay. Great, thank you.

OPERATOR: Sam Theodore, UBS .

SAM THEODORE, ANALYST, UBS : Thank you, guys. Just to touch on that car parking issue, Nigel. You said it's contingent on the **property** opening in 2017, it is contingent on having the car **park** in place. So how long do you think the construction of the car **park** will take? So when should -- when do we need to see it basically start moving before we should start having this as an issue?

NIGEL MORRISON : Look I think you've probably got the best part of 12 months. But the Government wants to get it done and we want to get it done. And we would expect that that will happen within that period.

SAM THEODORE: Do you get any form of compensation if it doesn't?

NIGEL MORRISON : No we don't, but I don't think it will come to that. I think the compensation we'll get is we'll modify or not proceed with that development. But I think the reality will be it will be done and it's just a matter of working through the process. I mean we've actually said to the Government we're happy to step in and do the car **park** but they're just working out their arrangements with their preferred party at this particular point.

SAM THEODORE: Just on Adelaide in the second half, obviously the revenue was -- there's still some growth but the EBITDA line you saw some declines in terms of what it contributed. Now I think the premium play tax issue to actually move to this premium room, you've got to actually qualify. Can you just talk to us about how that process is going in terms of getting players qualified? And if you're learning any lessons how this is progressing?

NIGEL MORRISON : Let me just split that out. At the top line it looked like the revenue went up but EBITDA went down. What did go up was international revenue went up. And obviously that's a lesser margin business but if you strip out the international impact, revenue went down and EBITDA went down. EBITDA on the local business went down about NZD6.5 million ballpark and EBITDA on the international table business went up about NZD2 million which gave you a net down of NZD4.5 million.

So as I was saying the opportunity in Adelaide for the international business we think is very, very significant. And we actually think that one day Adelaide will be a bigger international business for us than Auckland. Once we get the **hotel** operating (inaudible). When you strip that out, that was part of that variation, when you look at the domestic.

When you look at that local business and revenue was down a couple of million and EBITDA down NZD6 million, what that reflected was really the high cost structure of the business and the temporary, if you like, the temporary disruption. And it really wasn't possible for us to significantly reduce our operating cost structure while we incurred those temporary disruptions. So you can't really read too much into the cost structure and the revenues of the local business.

But having said that, with the -- the other part of your question. Yes we are learning some things. One of the things we are frustrated about is that, say with the mid-tier VIP room which we've opened called the barossa room.

To qualify, to go into that room you've got to play at a certain level but you can't play in that nice environment to qualify, you've actually got to play out in the main floor. We're talking to the regulators about allowing players to play in that room.

We might even make that room, re-categorise it into a main floor room for a short period to allow players to qualify before reinstating it back to being a VIP jurisdiction. Because it is a beautiful room with a beautiful space and beautiful facilities but it's difficult to say to somebody you can't come and join this room and be part of this room, but for the meantime for the next two months you've got to play out on the main floor. That is a lesson but I think we will learn that, well we have learnt that, and we're working on it with the regulators and we're working on it operationally to enhance it.

SAM THEODORE: So Nigel just touching on that, should we think about if we try to split those customers in the premium room, are the majority at the moment coming from interstate because the locals are -- it's hard to qualify?

NIGEL MORRISON : No, the converse right now. The locals are still there but we do believe -- so that is the bulk of it. We do believe there's a lot more potential in the local market but it is a bit harder for us to attract because we can't entertain them in our premium rooms at this point in time which we're trying to change. And we're relatively confident we will, we'll do that one way or another. We want them to be able to play in great spaces and to do that either they -- we need to change to allow them to do that or we'll make the space partially open to the public so they can experience it there.

SAM THEODORE: Great, thank you.

OPERATOR: Nachi Moghe, Morningstar Research.

NACHI MOGHE, ANALYST, MORNINGSTAR RESEARCH LTD.: Hi guys. I just have a few questions. Firstly in your main presentation you had laid out the number of machines and tables and ATGs that you'd be having in the first half, that's November, December 2014. Does this still stand?

NIGEL MORRISON : Sorry could you just repeat the question, Nachi?

NACHI MOGHE: Yes sorry. In your main presentation you had laid out the number of EGMs and ATGs [there's] less tables that you'd be having by November, December 2014. Does that still stand?

NIGEL MORRISON : That's pretty correct, in holistic terms it's correct, maybe not to the individual but that's correct holistically.

NACHI MOGHE: When do you expect to actually spend on marketing to attract interstate players to Adelaide?

NIGEL MORRISON : What do we expect to spend or when?

NACHI MOGHE: When.

NIGEL MORRISON : We will start in September, we've got some programs which -- they changed the regulatory processes for approval of marketing in South Australia and we've now had things approved.

Ejaaz do you want to --?

EJAAZ DEAN: Yes, that's right. So in some ways we've started already, we're talking to our customers already on the Australian Eastern Seaboard about what's to come and that's got to be part of your marketing strategy, if you like. So we've got photos in market, we've got plans in market; we're talking to those customers. And as the platinum room finished we've had a number of Australian customers come and visit that space already.

The critical thing here was we need a decent food and beverage outlet at the end. With the opening of Sean's Kitchen at the end of September what we will see is a series of grand openings where we will invite 20 players to 30 players at a time from the Australian Seaboard, Eastern Seaboard to come and visit Sean's Kitchen and obviously move on to the Black room as well as the platinum room.

To answer your question, the soft marketing's started; our customers know what's coming. Once we've got something to materially to show them you'll see them coming in a more meaningful way.

NIGEL MORRISON : I think it's fair to say we haven't started a campaign to Greater Adelaide -- telling Greater Adelaide about the changes we've made to the Adelaide casino but that will come in September, October.

NACHI MOGHE: Just on Auckland, in terms of TITO, have you seen any benefits from TITO so far and how many machines currently have TITO on them?

JOHN MORTENSEN : The TITO product is restricted to less than 300 machines that were installed many years ago initially in a premium gaming room. It was only one manufacturer because of the technology constraints. They are now spread around the gaming floor so the impact has not been high. The advantage of TITO and the growth is for customers to use the ticket and seamless transition from one machine to another. A niche **property** -- it's only about 15% of the machine so the effectiveness of the TITO in Auckland is not good but we're expecting that once it's all 100% TITO we should see a lift in performance.

NACHI MOGHE: In terms of -- you're expecting to actually add those new machines towards the end of this year, financial year, should we expect any disruptions as a result of that?

JOHN MORTENSEN : No, we have moved products around the floor as we speak and we've got -- when we created the Black gaming room we put 80 machines from the existing floor into the Black gaming room. We're in the process of expanding another one of our premium rooms, the platinum room which will take another 70 machines. So we've been able to do that without adding significant extra space to the floor. So we've got the capacity to put the machines in without adding any additions.

NACHI MOGHE: In Darwin the performance of the international business was quite disappointing what do you expect going forward for international given its proximity, as you mentioned, to South East Asia, you'd expect good growth from that region. How do you basically -- what strategies are you employing to turn around the business or foster growth in that business?

EJAAZ DEAN: With the down business, you're right there are certain things that are very, very attractive to the overseas customer when it comes to Darwin and proximity is one of those things. Unfortunately that proximity isn't matched by airlift that we require. So we don't have material business class flights coming into Darwin. And the flights that do come into Darwin are at rather unusual hours and they land at two o'clock in the morning or take off at midnight. And that's been a real challenge for us. We can always adopt private jets if that's required but you need a very special class of player to do that.

We'd expect Darwin to continue on about where it's at today. But our focus is really on Adelaide. So the people that we are taking to Darwin is almost a step in saying that in a very short period of time, a reasonable period of time, we'll have Adelaide open. That's where we think our growth will come from an Australian IB point of view.

Adelaide's vineyards are very well known through South East Asia. The Penfolds brand is identifiable through **China** and the **Chinese** mainland customer loves red wine and so they understand that. I'd say that Darwin will click on as it has and Adelaide will be our major growth engine in Australia. Adelaide will soon become, soon after it opens, the flagship for our IB business.

OPERATOR: Arie Dekker, Craigs Investment Partners .

ARIE DEKKER, ANALYST, CRAIGS INVESTMENT PARTNERS : Afternoon guys. Just a few questions. Just in terms of the reconfiguration that's due to be completed at Adelaide at the end of the year. Do you foresee any other material expenditure on that **site** ahead of the new development kicking in or do you think that'll pretty much be it for the next two or three years?

NIGEL MORRISON : I think our view is that will be it. It's a very, very significant uplift and rejuvenation of that existing **property**. Really everything's been done so I think that is it. The only thing that potentially could happen is that the Government might be keen to see us develop some offering down on the platform in the train station and reinvigorate that space with some restaurants and bars which is where a lot of the customer traffic goes when they're leaving Adelaide Oval. And if that was something they were keen for us to look at I think we'd be very happy to look at that. Other than that which would be new space, new offering, I think the existing facility will be completed by Christmas.

ARIE DEKKER: That would be food and beverage?

NIGEL MORRISON : Look, I think so, I think we would probably want to have access to the existing **property** and there might be some sort of sports bar offering and we'd have to work that through.

ARIE DEKKER: Just in terms of going back to the May investor presentation as well. We talked about tax rates. The one per day that you were seeing early on there in the premium areas, that trend's held as well?

NIGEL MORRISON : Yes, that's sustained, certainly the platinum room, we're very happy with the platinum room. It's really a matter of taking it now to the next level and introducing the next level of VIPs or next level of premium players into the **property** primarily into the barossa room and giving them the opportunity to trial it. Ideally trial it in that room and that's what's a little bit difficult regulatory wise but we're working through that.

ARIE DEKKER: One more on Adelaide and then just quickly one on NZICC. Obviously the international gaming has been very pleasing there in terms of growth. Within the existing sites, so for the next two or three years, how much more momentum do you think and turnover you can generate within that existing **site** and without the **hotel** at Adelaide?

EJAAZ DEAN: I think the answer to that -- the point about the **hotel**'s an important one. Ideally you do want your own **hotel** and rooms you can have access to at very short notice. Having said that we've got a really good relationship with InterCon **Hotel**, the General Manager at InterCon, Colin McCandless, works very closely with us, in fact used to work with me in another life. The availability of rooms in the **hotel** is not a problem for us, it's more our timing if anything.

The gaming suite themselves, we have one gaming suite in Adelaide, which is a challenge because you always want more than one. But there's plenty of capacity left in that gaming suite. We saw some good growth this year but there's still plenty of gaming capacity left in that suite. If we do fill that we've still got the Grange room to tap into as well. So we think Adelaide will be very, very good for us, both in the short term and the long term.

ARIE DEKKER: It's not inconceivable that that turnover could double over the next couple of years without needing to rely on those other factors in the new development?

EJAAZ DEAN: Compared to the FY2014 number, yes sure.

ARIE DEKKER: Then your last question. Obviously the construction timing's pushing out probably into the start of FY2016 if the resource consenting all goes smoothly and that. As you go through this process and obviously the concept design but also the passage of time, the budget, is that being updated through the process and you're still very comfortable that there aren't inflationary factors and that sort of thing that are challenging that NZD400 million NZICC specific budget?

NIGEL MORRISON : Arie, well that's the commitment we have with the Government and we're certainly working towards that and last time we did the [QS] analysis we were very, very close to it so we're very comfortable with it. If time ticks on -- it really does come down to what future escalation is, right now we think we're okay but if time ticks on and it gets held up through resource consent processes and things like that, then that'll be another issue.

OPERATOR: Matt Ryan, J.P. Morgan .

NIGEL MORRISON : I think we might limit this to the last two questions if we can, thanks. Matt?

MATT RYAN, ANALYST, J.P. MORGAN : I just wanted to just ask a quick one on Auckland margins, a pretty strong cost performance from my perspective, given that you did have negative revenue mix coming through. I just wanted to know where you took out the costs or where you might be looking to take costs out going forward. And is there much more margin upside for 2015?

NIGEL MORRISON : Just to clarify that when you say negative revenue mix you're implying the growth was from lesser margin businesses than from stronger margin businesses? Is that your point because all the businesses grew?

MATT RYAN: Yes absolutely, but you had stronger growth in VIP and on gaming than your main floor in absolute dollar terms.

NIGEL MORRISON : I'll let John speak but I think a lot of the costs came out of [finessing] operational cost structures and marketing. But John?

JOHN MORTENSEN : Yes, thank you Nigel. Really a lot of the cost, the big chunk of cost came out of marketing. We employed -- imported a high bench strength of marketing capability and centralised the marketing under a GM of marketing. Really focused on the structure of the loyalty club and the cost of acquisition of new players and the way we went round promotions. So we really target market to specific players, the top end players. We really focused on the value that we were giving our players compared to the value they were to the business. So that was a significant change.

We've made a lot of changes in the leadership team and brought in significant capability at the top end that has focused on the way that we operate the business. We've got a guy who's come out of Melbourne who's running our analytics and also our labour scheduling. And we really have had a real strong look at the way we operate the business.

As in for future, for the next 12 months it's still a focus of ours but we are more focused on driving revenue growth at the same margins that we've got at the moment.

NIGEL MORRISON : Okay, we have one more question?

OPERATOR: Sacha Krien, CLSA.

SACHA KRIEN: Thanks guys. Just one or two quick follow up questions. Just on the process of getting players into the premium rooms in Adelaide. When you say you're working through some of the regulatory difficulties around getting players in, does that mean you're working on options within the existing regulations or is there any prospect that those regulations might be eased following conversations with Government?

NIGEL MORRISON : No, it's not so much Government; it's with existing regulatory bodies. So I don't think there's any Government or constraint that's stopping us, it's really just an interpretation and agreeing with the regulator. I think we're making reasonable progress. Ejaaz?

EJAAZ DEAN: We're making very good progress in fact. There's a set of rules that are in place for the premium gaming and that's governed -- managed by the IGA, the Independent Gaming Authority and so we're working with them on how those rules are being applied.

SACHA KRIEN: So the two month period might be reduced?

EJAAZ DEAN: We hope so but there's nothing guaranteed with that but that's certainly one thing we're looking at and amongst other things like the number of guests for example, you can take into a premium gaming room. So in today's world you're restricted to one guest. But we have times when a customer will come, he's a premium customer, or she's a premium customer and they've got two guests with them, that effectively excludes them from going into the premium gaming room if they want to be social.

SACHA KRIEN: Just lastly on the DRP you've put a discount in which should help the capital position. What sort of take up do you expect now that you've put that discount in place?

NIGEL MORRISON : It's hard to say, we were getting -- without a discount we were getting 15% to 17%, to 18% discount. We would expect probably circa, double that up to around 30% or over 30%. I guess also particularly with the price of the shares where they currently are and that might even also add to the appeal. We'd be disappointed if we didn't at least get 30% take up.

Okay I think -- ladies and gentlemen, thank you very much for your attendance. Just to close out I'll say in Auckland we'll be seeing institutions and investors here tomorrow. And in Wellington on Friday and First New Zealand Capital are hosting those events if anybody wants to talk to the management team of SKYCITY in Auckland or Wellington.

And we will be in Sydney on Monday and Tuesday and Melbourne on Thursday and Friday and Goldman Sachs are hosting those events. So if you aren't catching up with us and you'd like to, please get in touch with us in Australia with Goldman or in New Zealand with First NZ.

On that note, thank you very much and we look forward to catching up again soon. Thank you.

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