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SkyCity Entertainment Group (NZX: SKC)
Sector: Resorts & Casinos

Recommendation: SELL
Target Price: $1.33 (8.8% Downside)
Current Price as of October 9, 2024: $1.49

EXECUTIVE SUMMARY

We recommend a SELL for SkyCity Entertainment Group (SKC.NZ), with a target price of $1.33, representing an 8.8% downside from the current price of $1.49. SkyCity is New Zealand's largest entertainment company and sole publicly traded entity in the country's gaming industry, operates across New Zealand and Australia. While the company has diversified revenue streams including hotels, food and beverage outlets, corporate activities, tourist attractions, and online gaming, its primary income stems from casino operations. Post-pandemic economic recovery has been slower in New Zealand compared to Australia, impacting SkyCity's performance (Appendix 17).

The company faces regulatory challenges in both markets, particularly regarding anti-money laundering and host responsibility obligations. Additional setbacks include the 2019 New Zealand International Convention Centre (NZICC) fire, although the recent opening of Horizon Hotel and anticipated NZICC completion in 2025 should alleviate future capital expenditure pressures.

Thesis #1: Conservative Stance to Capital Management

SkyCity's decision to suspend dividends for the next 18 months appears to be an overly conservative measure, particularly given its comfortable position relative to its net debt to EBITDA covenant. Our projections indicate a ratio of 2.34x for FY24 and approximately 2.8x for FY25, both well within the covenant limit of 3.75x. Despite this, management's caution may be warranted if the company's earnings challenges are more structural than cyclical, driven by regulatory changes, shifting consumer behaviour, and reduced land-based gambling. This could signal prolonged pressure on profitability over the medium term.

Thesis #2: Erosion of Cash Poses a Threat to the Firm

Several factors have contributed to SkyCity's declining cash flows leading to a negative cash flow of ($184M) in FY24 largely due to the capex for the NZICC and the completion of the Horizon Hotel ~($303M). Unlevered free cash flows for the company were also negative ($106M) after accounting for its core business expenses plus its various projects.

Thesis #3: Land-Based Gaming Headwinds

SkyCity is currently facing significant challenges in its land-based gaming operations, but there may be potential for upside in the digital gaming space due to recent leadership changes. The appointment of the new CEO, Jason Walbridge, who brings extensive experience in the online gaming sector, positions the company to better leverage the growing online gambling market. This shift could provide a much-needed counterbalance to the challenges within the traditional land-based gaming environment.

SkyCity faces upcoming regulatory changes impacting operations. Mandatory card-to-play systems at New Zealand (July 2025) and Adelaide (early 2026) casinos are expected to reduce revenue from current uncarded customers. Solutions for international tourists remain uncertain, adding risk to immediate revenue forecasts. Declining global participation in land-based gambling and reduced frequency and spending since the COVID-19 pandemic pose threats to profitability. In online gaming, SkyCity cannot advertise due to regulatory agreements, unlike competitors. However, potential government changes, such as applying GST to all online providers and introducing a licensing system, may level the field by ousting illegal operators, improving SkyCity's growth prospects. These changes are deemed more critical than internal leadership shifts. Although there's growth potential in online gambling, this transition will take time and likely will not fully compensate for the loss in land-based gaming revenue in the short term.

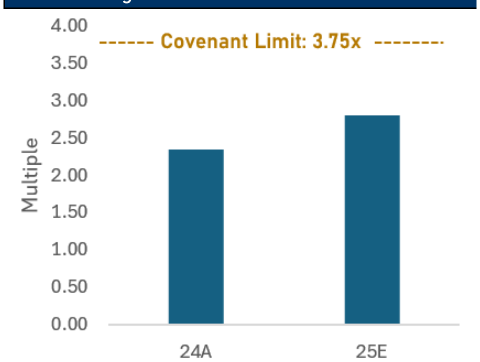
Figure 1: Company Data	
Last Close	$1.49
Market Cap	$1.09B
Shares Outstanding	760.2M
52-Week High	$2.18
52-Week Low	$1.30
EV/NTM EBITDA	11.0x

Source: Bloomberg

Figure 2: Valuation Results	
Methodology	Intrinsic Value
DDM	$1.18
DCF (Gordan Growth)	$1.28
DCF (Exit Multiple)	$1.33
P/B	$1.47
Blended Target Price	$1.33
Market Price	$1.49
Premium/ (Discount)	(10.4%)

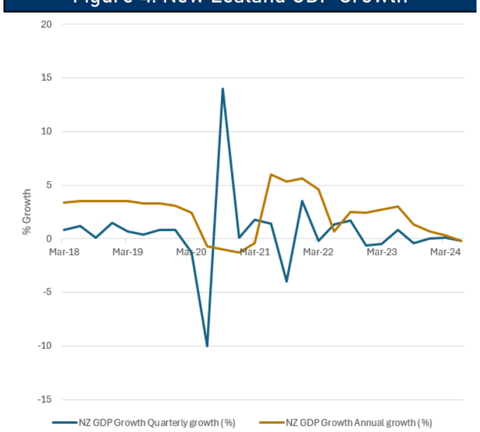
Source: Team Massey Analysis

Figure 3: Net Debt to EBITDA



Source: Team Massey Analysis

Figure 4: New Zealand GDP Growth



Source: stats.govt.nz

BUSINESS DESCRIPTION

Overview of SkyCity Entertainment Group

Founded in 1996, SkyCity (SKC.NZ) operates four entertainment precincts in New Zealand (Auckland, Hamilton, and Queenstown) and Australia (Adelaide), featuring casinos, hotels, restaurants, and tourist attractions. With 4,152 full-time staff, the company's primary revenue comes from 269 table games and 3,382 electronic gaming machines across its locations. SkyCity holds exclusive casino licenses in key markets, including Auckland until 2048 and Adelaide until 2035 (extendable to 2085). SkyCity also operates an online casino in Malta.

Significant Events Impacting SkyCity

SkyCity has faced several recent challenges that have affected its operations. These include regulatory issues, particularly in Auckland and Adelaide, which have resulted in penalties and operational disruptions. Notably, the company experienced a temporary closure of its Auckland location from September 9-13, 2024, leading to an estimated revenue loss of $5 million. Furthermore, the 2019 fire at the New Zealand International Convention Centre (NZICC) has caused ongoing project delays affecting overall operations. The company also dealt with pandemic-related disruptions, including a 107-day closure of the Auckland casino in 2022. Recent leadership changes include the appointment of CEO Jason Walbridge in July 2024 and CFO Peter Fredricson in August 2024. In recent months, shares outstanding have increased by approximately 2 million due to the SkyCity Performance Incentive Plan, which is part of the employee share scheme.

Trend Analysis - Historical Performance

Over the past few years, the Entertainment business has faced many macroeconomic challenges like Covid-19, higher inflation and lower economic growth. SkyCity being part of this industry is no exception. The group's properties across New Zealand and Australia were closed for many months during 2020-2022 because of widespread impact of Covid-19. After 2022, the company faced a decline in its customer base and missed opportunities for new business due to increased inflation and slower economic growth. Despite these factors, the company has managed a sluggish recovery in boosting its revenue and barely maintaining its profit margins. Nevertheless, it requires close monitoring since the New Zealand and Australian economies are showing tentative signs of improvement. Below is a summary of the company's key growth rate, compounded annually (Appendix 15).

Porter's Five Forces Analysis

Threat of New Entrants (F1): SkyCity benefits from high barriers to entry in the gaming industry due to stringent regulatory requirements and significant capital investment needed to establish a casino operation. The company holds an exclusive casino license in Auckland, and there is little indication that additional licenses will be granted in the near future, limiting the competitive threat from new entrants.

Bargaining Power of Suppliers (F2): While the number of gaming equipment suppliers is limited, the relationships with hotel and restaurant suppliers can take time to develop. Additionally, technology vendors for surveillance and gaming systems possess some leverage, as they provide specialized customization tailored to the company's needs.

Bargaining Power of Buyers (F3): Individual gamblers generally have low bargaining power; however, VIP customers can receive preferential treatment, such as complimentary hotel stays or tickets to major events. High-rollers and corporate clients for conventions and events exert moderate influence, whereas tourists have low bargaining power due to limited alternatives in the prescribed market.

Threat of Substitute Products (F4): SkyCity faces competition from online gambling platforms that provide convenient alternatives to traditional gaming experiences. Other entertainment options, including cinemas, theatres, and sporting events, also vie for leisure spending, and local gaming machines in pubs and clubs present additional competition.

Rivalry Among Existing Competitors (F5): In Auckland, SkyCity faces minimal direct competition for casino operations due to the rigorous and time-consuming process required to obtain a casino license. Regulatory barriers render it difficult for other casinos to compete in this market. SkyCity's integrated resort model, which combines hospitality, dining, and entertainment, further differentiates its offerings, securing a strong competitive position.

Additional Considerations

The regulatory environment significantly impacts SkyCity's operations and strategic decisions. Economic factors affect discretionary spending and can directly influence gaming revenues. Additionally, emerging technological disruptions and behavioural shifts necessitate ongoing adjustments to maintain operational efficiency. Compliance with responsible gambling practices remains crucial for retaining government-approved licenses to operate.

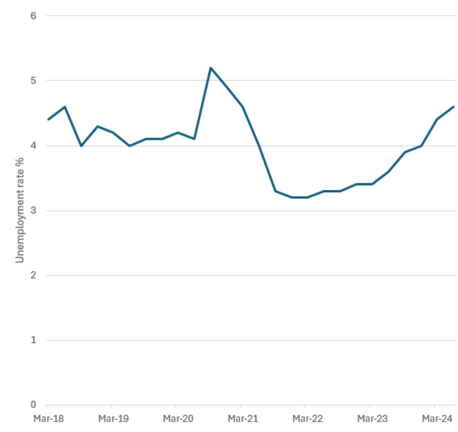
INDUSTRY OVERVIEW

Quality Brand Value in a Mature Industry - Positive

In the competitive landscape of the casino and gaming industry of New Zealand and Australia, brand recognition is a critical factor for maintaining market share. SkyCity remains a strong brand, operating three casinos in New Zealand, one in Australia, and the online casino in Malta. The company is leveraging its brand value through strategic developments, such as the recent opening of the Horizon Hotel and the near completion of the New Zealand International Convention Centre (NZICC). These investments underscore SkyCity's focus on enhancing the customer experience and solidifying its leading position in the New Zealand casino sector.

While SkyCity maintains a strong brand presence, operating 3 casinos in New Zealand and 1 in Australia, the overall casino industry in these markets is considered mature. This market saturation constrains significant expansion opportunities, posing challenges for casino operators like SkyCity to drive revenue growth.

Figure 5: New Zealand Unemployment Trend

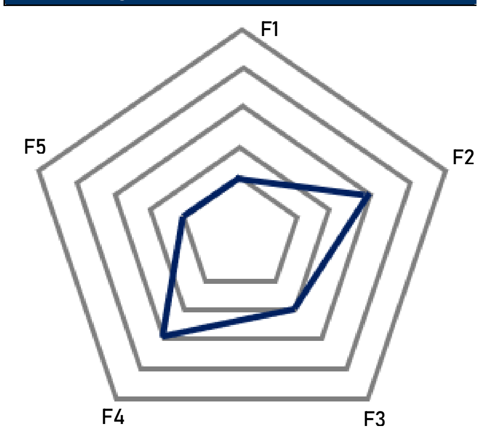


Source: stats.govt.nz

Figure 6: New Zealand Tourism Activity

Source: stats.govt.nz

Figure 7: Porter's Five Forces



Source: Team Massey Analysis

Figure 8: Financial Data		
	24A	25E
Rev. ($M)	$921	$913
Rev. Growth	2.5%	-0.8%
Adj. EBITDA ($M)	$287	$253
Adj. EBITDA Margin	31.1%	27.7%

Source: Team Massey Analysis

Regulatory Issues Among SkyCity and its Competitors – Negative

Several companies that own casinos in both New Zealand and Australia have faced regulatory issues. AUSTRAC has investigated Crown Resorts Melbourne and Perth casinos, Star Entertainment Group's Sydney casino, and SkyCity Adelaide and found serious non-compliance with their handling of company assets relating to anti-money laundering and counter-terrorism laws. SkyCity Auckland has faced similar issues, investigated by the New Zealand Department of Internal Affairs. (Appendix 1)

Ongoing Weak Economic Conditions – Negative

The macroeconomic conditions in New Zealand currently present challenges for the casino industry. The economy remains in recovery mode since the COVID-19 pandemic, with some indicators still reflecting negative growth. While New Zealand has gradually emerged from recession since March 2024, the year-on-year GDP growth rate for the year ending March stands at a mere 0.2%. Despite operators like SkyCity reporting that footfall is holding steady, there is a noticeable decline in average spend per customer, adversely impacting revenue. The high Consumer Price Index (CPI), currently at 3.3% for June 2024, exacerbates operational costs for SkyCity and its peers. The rising costs of goods and services are limiting the discretionary spending power of consumers, which can further pressure casino revenues.

Declining Investor Confidence Post-Pandemic- Negative

The COVID-19 pandemic has significantly eroded investor confidence in casino companies, leading to substantial declines in their share prices. Since the start of 2020, SkyCity's share price has decreased by approximately 66%, falling from $4.09 to around $1.39. Similarly, Star Entertainment Group has faced an even more dramatic decline, plummeting 90.3% from $4.63 AUD in January 2020 to just $0.45 AUD by September 2024. This erosion of investor sentiment can be attributed to a combination of different factors. Firstly, these casino companies have faced falling profits due to the regulatory challenges they have encountered. Secondly, the ongoing impacts of the COVID-19 pandemic have continued to affect their profitability. Additionally, broader economic pressures have weighed on the industry. Furthermore, there has been increased scrutiny over these companies' compliance and ESG (Environmental, Social, and Governance) considerations. The significant drop in share prices reflects investors' reassessment of the risk profiles of casino operators, further impacting their market performance.

Industry Analysis

As the Company does not have publicly listed peers in the New Zealand market, we look at closely related competitors in the Australian market and compare various ratios to understand the basic financial health and position of the company.

Star Entertainment is an ASX listed company headquartered in Brisbane dealing in gambling and public entertainment.

Tabcorp is Australia's largest gambling company and the largest provider of wagering and gaming products and services in Australia, listed on the ASX

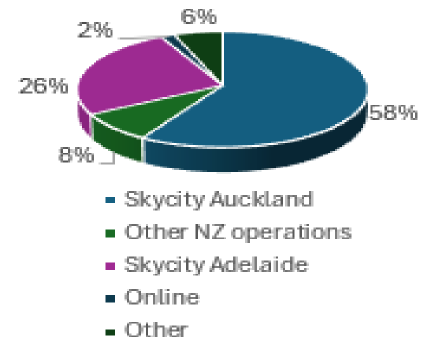
In general, the Casino industry in Australia is facing regulatory challenges due to strict AML and cross-border transactions rules and regulations. SkyCity's Adelaide operations as well as New Zealand operations are under regulatory scanner as well. We maintain the likeness of business operations for these three companies.

SkyCity maintains healthy margins both at operational (EBITDA) ~29% and Net levels ~13% compared to its peers. Similarly, the profitability ratios are far better than the peers. This shows the Company's resilience in maintaining and defending its margin despite the regulatory environment. (Appendix 16)

COMPETITIVE POSITIONING

SkyCity Entertainment Group has established itself as a leading player in the casino industry, particularly in its home market of New Zealand. The company's flagship operation is its Auckland precinct, which houses the SkyCity Auckland casino supported by three hotels – SkyCity Hotel, The Grand by SkyCity, and the newly opened Horizon Hotel. Additionally, the precinct features a diverse array of food and beverage options, creating a comprehensive entertainment hub. The anticipated completion of the NZICC by Q1 2025 will further bolster SkyCity's appeal, allowing it to attract a wider range of patrons, including diners, travellers, and convention attendees, thereby driving revenue across its integrated resort. SkyCity's exclusive casino license in Auckland grants it a strong competitive position, enabling the company to offer distinctive gaming experiences and jackpots that are unavailable at local pubs and clubs. However, the strict legislative compliance requirements around anti-money laundering (AML) and responsible gambling may deter some customers who prefer the less rigorous regulations at alternative venues, potentially eroding SkyCity's market share.

Figure 9: Segmented Revenue

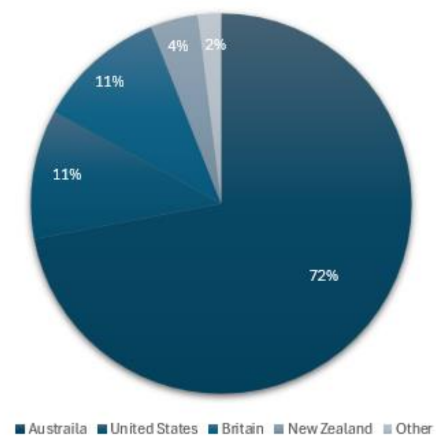


Source: Team Massey Analysis

Figure 10: Revenue ($M)		
Business Segments	24A	25E
SkyCity Auckland	$549	$544
Other NZ Operations	$77	$84
SkyCity Adelaide	$242	$218
Online	$15	$20
Other	$54	$39

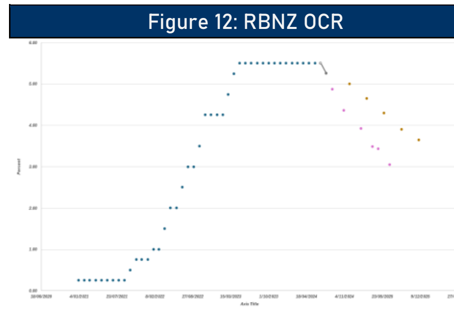
Source: Team Massey Analysis

Figure 11: Geographic Ownership



Source: Bloomberg

Figure 12: RBNZ OCR



Source: Bloomberg

Venturing into the online gaming space, SkyCity faces significant challenges. While the company remains well-positioned in the local market, its financial success has primarily stemmed from operating in an environment with minimal direct competition. As it expands into the global online gaming industry, SkyCity will contend with larger, more established players. Despite projections of a substantial rebound in online revenue by 2025 - estimated at a 106% increase to pre-COVID levels - the company's growth in this segment is forecasted to moderate thereafter, reflecting a modest 2% growth rate amid uncertainties about its ability to succeed in the highly competitive online arena. SkyCity's other New Zealand operations, including Hamilton and Queenstown, continue to benefit from the appeal of local entertainment offerings and eco-tourism activities, maintaining a solid customer base. Similarly, SkyCity Adelaide, with its exclusive license in South Australia, presents substantial opportunities for the company to grow its market share within the state, though its current market share stands at around 10%.

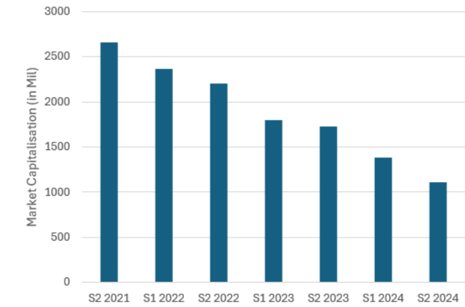
Key Influencing Factors

The casino industry is governed by strict AML and Counter-Terrorism Financing (CFT) regulations, which SkyCity must adhere to rigorously. While compliance enhances the company's reputation as a responsible operator, it also increases operational costs and can deter some potential customers who are unwilling to undergo identity verification before gaming. Additionally, competing venues such as pubs and clubs face less scrutiny, potentially leading to a loss of customers reluctant to comply with carded play regulations. Technological investments, though enhancing safety and monitoring capabilities, may also be perceived as an invasion of privacy by some customers. SkyCity must balance compliance with customer sentiment to maintain an optimal gaming experience. SkyCity's integrated resort model, combining casinos with hotels, restaurants, and various entertainment options, provides a competitive edge over standalone venues. The NZICC development is a strategic move to increase footfall and encourage on-site spending, contributing positively to overall revenue. As a large publicly traded company, SkyCity enjoys access to significant capital and resources, enabling it to undertake critical projects and navigate regulatory environments. However, its operations remain heavily influenced by external economic factors, such as consumer demographics, tourism trends, and disposable income levels, which have shifted post-COVID.

Challenges and Outlook

SkyCity faces significant challenges that could hamper its growth strategy. The company's heavy dependence on its Auckland casino operations for revenue, coupled with increasing regulatory scrutiny, exposes it to substantial risks. Furthermore, SkyCity's efforts to expand its online gaming segment are constrained by fierce competition from larger, more established global operators. Despite its competitive position in local markets, SkyCity's future success will hinge on its ability to innovate and effectively navigate the complex regulatory environment and evolving market dynamics. The company must find ways to diversify its revenue streams and adapt to changing customer preferences and industry regulations to sustain long-term growth.

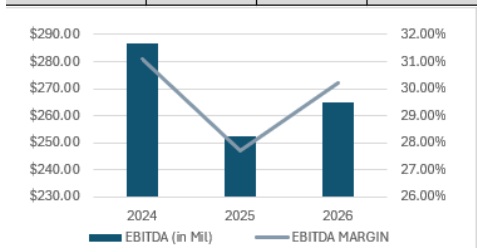
Figure 13: Market Capitalisation



Source: Bloomberg

Figure 14: EBITDA

	2024	2025	2026
EBITDA (in Mil)	$286.70	$252.60	$265.10
MARGIN	31.10%	27.70%	30.20%



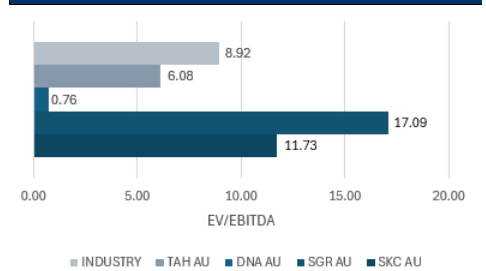
Source: Team Massey Analysis

INVESTMENT SUMMARY

Excess Return/Risk Ratios Compared to Peer Groups

We evaluated SkyCity Entertainment (SKC.ASX) alongside competitors DNA, TAH, and SGR, using the ASX 200 as the benchmark. Although SKC is primarily listed on the NZX, we used the ASX 200 for comparison because its key competitors are listed on the Australian market, offering a more relevant benchmark. In our analysis, we focused on Alpha, which measures the excess return of SKC after accounting for market (systematic) risk. A negative alpha indicates underperformance relative to the market, signalling that the company is not delivering sufficient returns for the level of risk it faces. Across the board, SKC and its competitors displayed negative alphas, pointing to broader challenges within the gambling sector. SKC's alpha of -0.10% is slightly better than SGR (-0.14%) and DNA (-0.10%), but trails behind TAH (-0.06%). This suggests that while SKC shows relative strength, it is still not outperforming the market on a risk-adjusted basis. For investors, the negative alpha underscores insufficient risk-adjusted returns, urging caution. Further analysis of financial metrics and qualitative factors is essential for a more comprehensive understanding of SKC's investment prospects.

Figure 15: Exit Multiple



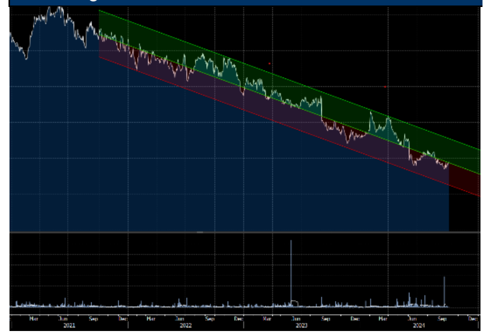
Source: Bloomberg

Qualitative Analysis for SKC.NZX:

Pre-Pandemic (Before 2020): Prior to the pandemic, SKC.NZX traded within a relatively stable range, suggesting the stock was priced at what was considered fair value. This stability reflected a balanced outlook based on the company's consistent operational performance and broader market confidence. Despite being in the sensitive entertainment and hospitality sector, SkyCity maintained a stable position, though the lack of significant market-moving events kept

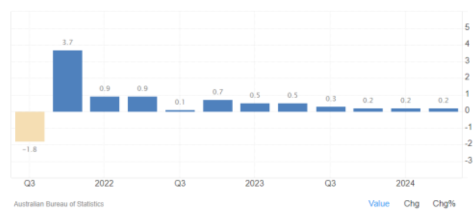
Pandemic Impact (2020): In early 2020, SKC.NZX saw a sharp decline, mirroring the broader market sell-off triggered by the global COVID-19 pandemic.
This volatility hit the hospitality and entertainment industries particularly hard due to widespread lockdowns, travel restrictions, and the suspension of in-person gatherings, all critical for SkyCity's operations. At its peak, the Auckland casino experienced around 107 days of closure, leading to an estimated financial impact of approximately $1 million in lost revenue for each day closed. To navigate this unprecedented downturn, SkyCity was compelled to raise capital through various means, further emphasizing investor concerns about the company's ability to withstand the sudden and severe revenue reductions. However, this decline was not unique to SkyCity, as other companies in similar sectors experienced similar losses.
Recovery Phase (2020-2021): From mid-2020 to 2021, SKC.NZX began to recover as market sentiment shifted positively with the rollout of vaccines and gradual economic reopening. However, while the stock regained some of its lost value, it failed to reach pre-pandemic levels, signifying ongoing investor caution. Factors such as uncertainty about the pace of recovery in consumer demand, regulatory changes, and SkyCity's own operational adjustments kept the stock below previous highs. The partial recovery highlighted investor optimism, but the recovery was uneven, and the market seemed to be pricing in a slower return to normalcy for the hospitality and entertainment sectors.
Recent Downtrend (2021-2024): From 2021 onwards, SKC.NZX entered a consistent downtrend, indicating deeper investor concerns. Several factors contributed to this trend, including shifting post-pandemic consumer behaviours, increased competition, regulatory changes, and the company's rising debt levels. The entertainment sector, while rebounding, faced challenges adapting to a new normal, where consumer preferences evolved towards digital and at-home entertainment experiences. Moreover, operational inefficiencies and debt burdens placed additional strain on SkyCity's financial performance, driving investor scepticism about its future profitability. The stock's performance during this period reflected a lack of confidence in the company's ability to overcome these hurdles quickly.
Outlook: Looking ahead, the trajectory of SkyCity's future performance will be shaped by both macroeconomic factors and company-specific developments. Key drivers include the overall macro recovery outlook, the potential contributions from the recently completed Horizon Hotel, and the anticipated benefits from the NZICC. However, SkyCity is still grappling with the upcoming implementation of mandatory carded play regulations across its properties—a change that could lead to a potential revenue decline of 15-20% due to the anticipated impact on uncarded customers. Additionally, the company is awaiting regulatory reviews, including the Kroll report for its Adelaide operations, which may significantly affect its strategic direction moving forward (Appendix 3).

Figure 16: SKC.NZ Recent Downtrend



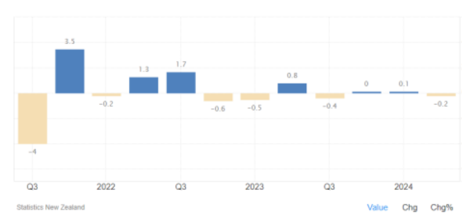
Source: Bloomberg

Figure 17: Australia GDP Growth



Source: Trading Economics

Figure 18: New Zealand GDP Growth



Source: Trading Economics

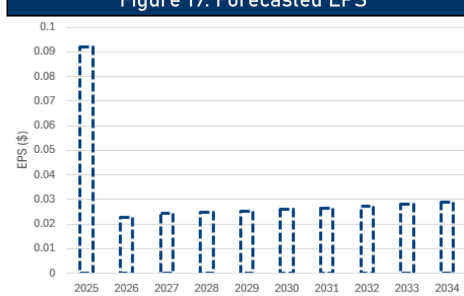
VALUATION SUMMARY

On March 23, 2020, SKC experienced a significant downturn, closing at an all-time low of $1.30. By September 3, 2024, the stock had rebounded to $1.43, indicating a modest uptrend as market conditions improved. Using a weighted intrinsic value model incorporating three valuation methodologies—Discounted Cash Flow (DCF), Dividend Discount Model (DDM), and Price-to-Book (P/B) ratio analysis—we estimated a one-year forward price target of $1.33.

10-Year Multi-Stage DCF Model

The DCF analysis provided an intrinsic value estimate of $1.33. Due to the complex nature of SKC's operations and the limited disclosure of revenue details across different business lines, especially in non-gaming segments, we adopted a segmentation approach. We categorized SKC's revenues into five clearer segments: Auckland, the rest of New Zealand, Adelaide, online, and others. This segmentation enables more accurate revenue forecasting by focusing on specific operational drivers that reflect the varied market dynamics. For example, the growth trajectory of online operations might significantly differ from that of traditional hospitality revenues, necessitating unique growth projections for each segment.
Segmented Financial Outlook (Assumptions):
Overall: In developing the financial performance forecast for valuation purposes, we have carefully analysed historical performance trends and considered the company's guidance for FY25, as well as the potential impact of mandatory carded play in FY26. While discretionary spending in New Zealand shows signs of recovery, there is still a long way to go. The company projects FY25 EBITDA to be between $245M and $265M, which is approximately 10% lower than FY24 EBITDA of ~$278M (assuming $250M as the expected EBITDA for FY25). Management anticipates $20-$30M in one-off costs for FY25 related to the pre-opening of NZICC and Horizon Hotel.

Figure 19: Forecasted EPS



Source: Team Massey Analysis

FY25 stay-in-business CAPEX is expected to range from $60M to $70M. Historical data shows that annual stay-in-business CAPEX for items such as kitchen upgrades, table refurbishments, the stock price relatively flat, as market participants were likely waiting for clearer signals about the company's future direction. hotel maintenance, and gaming terminal revamps has typically been between $50M and $60M. We assume this range will remain consistent for future years. The introduction of mandatory carded play (MCP) in FY26 is expected to negatively impact 15% of Auckland's topline and 20% of Adelaide's topline. Given the nature of SkyCity's cost base, we assume this will negatively affect EBITDA.

Particulars	FY24	FY25e	DCF Target Price
Revenue (Inc. GST)	959.6	952.2	$1.33
EBITDA	277.8	249.8	
D&A	(85.0)	(91.3)	
Capex	(303.7)	(156.0)	
Cash Flows	(106.6)	52.2	

Auckland:

Future Outlook: NZICC to open in FY25, add 30,000 extra visitors and overall, 500,000 customers into SkyCity yearly which will bring visitations from existing 4.5M to 5M (FY26 onwards, expected). FY24 occupancy of 80%-85% to be sustained. Gaming revenues to get impacted by mandatory carded play (MCP) beginning FY26, potential impact ~15% of topline

Financial Outlook: FY 25 EBITDA expected to fall 11% due to certain underlying challenges like slower economic growth, lower bet sizes, one-off costs etc.

FY 26 EBITDA expected to fall ~5% due to underlying impact of MCP (mandatory carded play), expected to erode around ~5% segment EBITDA offset by moderate gains in NZICC operations. Total uncarded revenues of Auckland ~35% of total revenue and initial impact of MCP ~15%, hence it is expected that net impact of MCP in FY25 would be -5%.

Adelaide:

Future Outlook: Adelaide has location benefits – Near sports stadiums and shopping centres. Continued impact of slower visitations in South Australia (both Interstate and International). Eos Hotel occupancy to be sustained at ~75% level

Financial Outlook: FY 25 EBITDA expected to fall 14% impacted by lower visitations in South Australia (both Interstate and International). Eos hotel occupancy slightly hit by lower visitations with net occupancy being 75% for FY 24 (to be sustained in FY 25).

FY 26 EBITDA expected to fall ~6% due to underlying impact of MCP (Mandatory carded play), expected to erode around ~4.5% segment EBITDA.

Total uncarded revenues of Adelaide ~30% of total revenue and initial impact of MCP ~15%, hence it is expected that net impact of MCP in FY26 would be about -4.5%.

Other NZ (Hamilton and Queenstown):

Future Financial Outlook: FY 25 EBITDA expected rise by 2% on the back of improved customer offerings and pricing strategy mainly in Hamilton with slight uptick in premium table games revenue win rates offset by lower visitations in South Island because of slower economic growth and Queens wharf closure.

FY 26 EBITDA is expected to further rise by 2% with better offerings, pricing strategy and expected uptick in customer visitation trends.

Online: Online business is unregulated in New Zealand, but we are expecting the business to generate moderate 2% returns in FY 25 EBITDA. The Company feels positive about New Zealand Government's intervention in FY 26 to create better regulations around Online gaming. We are confident about the 2% growth carrying forward in FY 26 EBITDA.

Others: Expected to rise in FY 25e due to higher one-off costs for NZICC and HH offset by Auckland Car Park and HH EBITDA contributions of $17M and $8M respectively. FY 26e to reduce due to reduction in one-off costs.

Terminal WACC

Cost of Equity: We used a blended approach for the cost of equity, combining the CAPM (60%) and Fama-French Five Factor Model (40%), resulting in an overall cost of equity of 15.09%. For the Fama-French model, we used the GNZGB10 index as the risk-free rate and calculated a weighted beta of 1.1 based on Bloomberg (60%) and Damodaran's (40%) betas. The derived cost of equity from this model was 15.53%. In the CAPM analysis, integrating a systematic risk error term gave us a cost of equity of 14.43%.

Sensitivity Analysis: We explored how variations in the cost of equity affect intrinsic value, finding that excluding the error factor increases the intrinsic value by 28% (Appendix 5 & 15). Using different weights for CAPM against the Fama-French model had minimal impact on the final valuation. (Appendix 4)

Figure 20: Capex Sensitivity Analysis

Change in Forecasted Capex	DCF
8%	$1.28
7%	$1.28
6%	$1.29
5%	$1.29
4%	$1.30
3%	$1.31
2%	$1.31
1%	$1.32
0%	$1.33
-1%	$1.33
-2%	$1.34
-3%	$1.35
-4%	$1.35
-5%	$1.36
-6%	$1.37
-7%	$1.37
-8%	$1.38

Source: Team Massey Analysis

Figure 21: WACC Buildup

Pre-Tax Cost of Debt	7.88%
Tax-Rate	28.00%
After-tax Cost of Debt	
Risk-free rate	3.41%
Average Market Return	9.41%
Weighted Adj. Beta	1.10
Error Factor	0.0033
Cost of Equity (CAPM)	14.43%
Beta (SMB)	0.20
Beta (HML)	0.10
Beta (RNW)	0.14
Beta (CMA)	0.09
Returns (SMB)	-2.49%
Returns (HML)	5.79%
Returns (RNW)	4.91%
Returns (CMA)	2.80%
Cost of Equity (Fama French)	15.53%
Weighted Cost of Equity	15.09%
Target D/D+E	39.80%
Terminal WACC	11.34%

Source: Team Massey Analysis

Cost of Debt: The cost of debt was extracted from the SKCNZ 3.02 05/21/2027 Corporate BBB-rated bond, which has a settlement date of October 2, 2025—aligning precisely with our one-year forward intrinsic value projection. The bond demonstrates an equivalent one-year yield of 7.8828%, as formulated via the Bloomberg Terminal. This yield exceeds the current market yield of 5.960%, suggesting that investors perceive increased risk associated with SKC in the future, thereby demanding higher returns (Appendix 6).

Projection: Looking ahead, we anticipate that one year after our twelve-month projection (i.e., 10/02/2026), the equivalent one-year yield could escalate to 15.73%. This anticipated increase signals a potential driver for rising costs of debt beyond the current twelve-month forecasts. However, our primary focus remains concentrated on the present twelve-month outlook, which continues to indicate a trajectory of increasing costs of debt.

10-Year Multi-Stage DDM Model

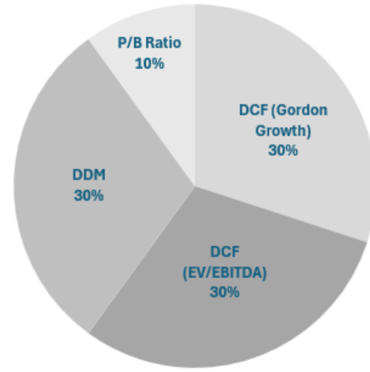
The analysis of the Dividend Discount Model (DDM) begins with a thorough examination of the historical payout ratio, which is particularly affected by the company's decision to halt dividend payments for a duration of at least 18 months, addressing evolving financial conditions. This pause resulted in a forecast of a zero-payout ratio for FY25. Since the company has expressed that they want to resume dividend payments as soon as possible, we have assumed a payout ratio of 80% for FY26 and beyond. This figure is grounded in the company's dividend policy, which stipulates a payout ratio between 60% and 90% of normalized net profit after tax (NPAT); thus, our selection of 80% serves as a prudent and safe estimate within that range. This method captures the anticipated return to a stable dividend presence while accounting for the historical tendency towards overpayment; our analysis indicates that SKC has typically overshot its dividend payouts by an average of 11.3%. We incorporated that adjustment factor into our forecasted Dividends Per Share (DPS) to arrive at a refined estimation for use in the DDM model. For the terminal phase, commencing in FY35, we assumed a terminal growth rate of 2%. This approach resulted in an implied share price of $1.33 under our DDM analysis. (Appendix 7)

Relative Valuation: Price-to-Book Ratio (P/B)

Methodology Overview: Our relative valuation approach utilized the P/B ratio to assess SKC's intrinsic value. Due to the significant property base in the company's assets, we view the P/B ratio as providing a stable valuation floor. To estimate an implied share price, we calculated the projected book value per share (BV/share) for FY25 by dividing the anticipated book value by the number of shares outstanding. We identified an expected P/B multiple of 0.78 from Bloomberg Terminal data. (Appendix 8)

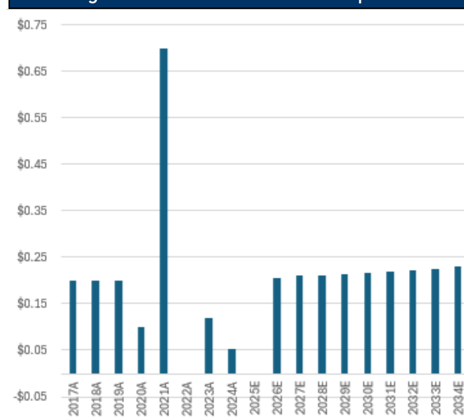
P/B analysis and Historical Context: While using Bloomberg's consensus P/B estimate is appropriate, particularly since our calculations corroborated this figure, it is crucial to contextualize this within SkyCity's historical performance and its relative position compared to industry peers. Historically, SkyCity has maintained higher P/B ratios than its competitors, though this ratio has steadily declined. Our peer analysis calculated the industry's annual P/B ratio, showing an average increase of 13.4%. Applying this change to FY24's P/B ratio allowed us to forecast an average comparable P/B ratio of 0.78x for FY25. This forecast closely aligns with Bloomberg's projection for SkyCity, confirming that the consensus likely reflects broad industry factors rather than solely SkyCity's historical performance.

Figure 22: Methodology Weights



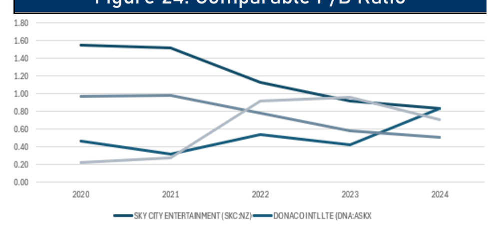
Source: Team Massey Analysis

Figure 23: DPS Historical & Expected



Source: Team Massey Analysis

Figure 24: Comparable P/B Ratio



Source: Team Massey Analysis

FINANCIAL ANALYSIS

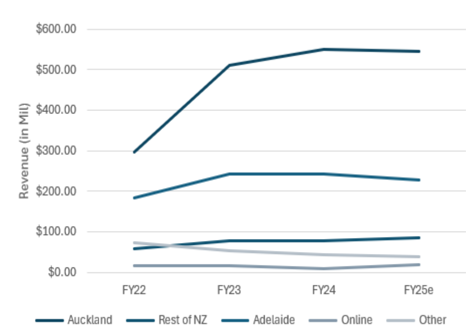
SkyCity, reported a mixed set of financial result at the conclusion of FY 24. For valuation, we look at the underlying results which are adjusted for extraordinary/one-timers. Below table represents the historical and forward-looking analysis of the Company basis management outlook and historical performance.

(In $M)

Key Segments	FY22	FY23	FY24	FY25e	FY26e
Auckland	100.9	251.5	237.0	211.3	200.2
Adelaide (In A$)	20.5	32.9	36.5	31.5	30.0
Hamilton & Queenstown	27.5	39.3	35.0	35.7	36.4
Online	12.9	10.7	5.7	7.4	7.6
Others*	(23.9)	(32.6)	(34.3)	(36.0)	(11.8)
Total EBITDA	137.9	301.8	277.8	249.8	262.5

*Others include corporate costs, one-off costs offset by HH and Car park EBITDA

Figure 25: Segmented Revenue



Source: Team Massey Analysis

FY24 Results Analysis

Auckland: EBITDA margins vs FY23 were impacted due to slower performance in gaming revenue due current economic environment impacting customer spend levels plus increased host responsibilities with higher labour costs due to FTE increase and underlying wage inflation offset by better-than-expected performance in non-gaming machine gaming because of lower visitations in South Australia (Interstate and International)

Hamilton & Queenstown: EBITDA margins vs FY 23 are slightly down due to current economic environment and lower visitations in South Island. A slight uptick in Table games revenue offset by gaming machines revenue. SkyCity is undertaking new customer offerings with better pricing to attract and retain more customers. Queenstown includes additional wharf closure costs ~$1.5M as they consolidate to one venue

Online: EBITDA margins vs FY 23 are down impacted by lower bet sizes and number of players. The business is currently at an operating disadvantage due to lack of regulation in New Zealand and the limited enforcement of current legislations against overseas players. New Zealand Govt. is expected to announce legislations in FY 26. GiG Media business is going strong with an inflow of $2.2M in equity earning for SkyCity. SkyCity, however sold its equity earning at the end of FY 24 in GiG business to pay down debt

Others: Increase included higher one-off costs offset by companywide cutting initiatives.

Balance Sheet Analysis

SkyCity's balance sheet remains robust, with total assets of ~$2.8B. The asset base consists of property, plant, and equipment (PPE) of ~$1.8B, reflecting significant investments in gaming facilities, hotels, land and capital work in progress, particularly the NZICC. Balance primarily consists of Intangible assets which include Casino operating licences, goodwill, and GiG share sale receivable. The company's liability profile includes a mix of short-term and long-term debt, with total liabilities ~$1.5B while share capital consisting of ~$1.3B. The group's debt profile consists of net debt of ($663M) consisting of borrowing ($609M), lease liabilities ($121M), offset by cash $61M. Liabilities of ($609M) consists of long-term liabilities like USPP notes, New Zealand Bonds while short term liabilities include syndicate bank facility and part of USPP notes that are due to be repaid in 2024. SkyCity also negotiated a refinance of certain debts maturing in 2025 and 2026 for further 5-7 years period, hence giving extra headroom for financing its key projects like NZICC.

The Net Debt/EBITDA ratio is 2.3x as at 30th Jun3 2024 within investment grade metrics of current BBB- rating of SkyCity.

<u>Note:</u> To maintain its cash position and investment grades, SkyCity strategically decided to suspend payment of dividend until the end of FY 2025.

Cash Flow Analysis

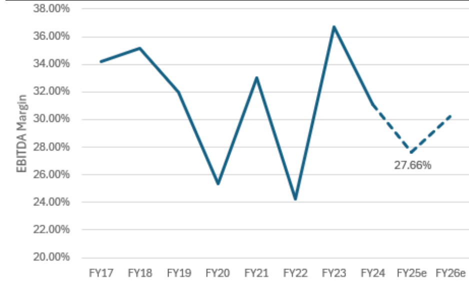
The Company had a negative cash flow position at the end of FY 24 generating ($184M) for the year. This was primarily driven by SkyCity's increased capital expenditure (not capitalised) for New Zealand Convention Centre (NZICC) in FY 24, completion of Horizon Hotel which opened on 1st August 2024 and settlement of NZICC fire income in FY 23. The final cash balance as at the end of FY 24 was $61M down ($184M) vs PCP. The Company plans to generate enough Cash from regular operations to improve its cash position in FY 25. The Cash generated from operations will be used by the company to repay high debt and finance its working capital. Suspending payment of dividends until the end of FY 25 is one step that the Company is taking to preserve Cash. Unlevered Free Cash Flows for the Company are Expected to be in FY 25 ~$87M after accounting for Capital Expenditures related to Core business operations like Kitchen upgrades, Gaming Machines upgradation, NZICC and Horizon Hotel.

INVESTMENT RISKS

Risk #1: Regulatory Risks

SkyCity faces significant regulatory challenges that have resulted in substantial financial penalties and operational disruptions. In July 2024, the company was fined A$67 million by AUSTRAC for historical non-compliance with anti-money laundering (AML) laws at SkyCity Adelaide, prompting an independent review of the casino's license suitability. In New Zealand, SkyCity incurred a fine of $4.16 million for breaches of responsible gaming and AML obligations, which led to the temporary closure of its Auckland casino in September 2024, causing an estimated revenue loss of $5 million. Although the company has launched a "Transformation Programme," which includes implementing facial recognition technology and mandatory carded play to enhance compliance, these measures could increase operational costs and raise privacy concerns, potentially affecting visitation rates and revenue.

Figure 26: EBITDA Margin



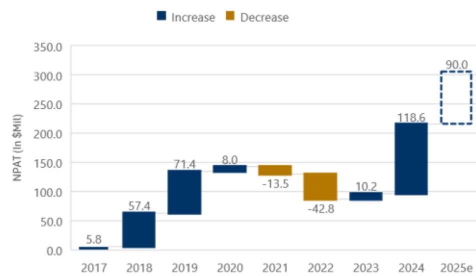
Source: Team Massey Analysis

Figure 27: Net Debt/ EBITDA Multiple

	24A	25E
Net Debt	-670.38	-707.15
EBITDA	286.73	252.57
Multiple	2.34	2.80

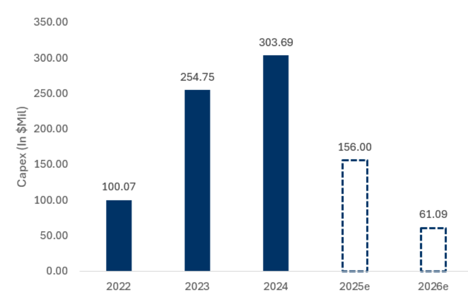
Source: Team Massey Analysis

Figure 28: NPAT



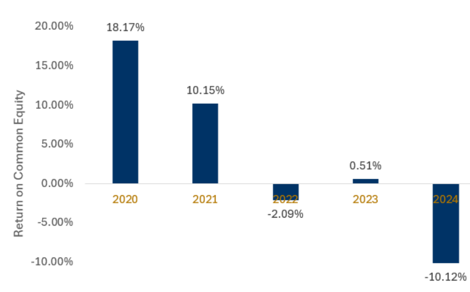
Source: Team Massey Analysis

Figure 29: Capital Expenditures



Source: Team Massey Analysis

Figure 30: Return On Common Equity (Historical)



Source: Team Massey Analysis

Risk #2: Debt and Credit Rating Risks

SkyCity's debt levels have surged dramatically, with net debt increasing from $443 million in FY23 to $663 million in FY24, resulting in a net debt-to-EBITDA ratio of 2.3x. Cash reserves have decreased significantly from $245 million to $61 million, contributing to a negative working capital of $317 million. The approaching maturity of over $200 million in debt due in FY25 adds further strain. This increased indebtedness, primarily driven by capital expenditures for the NZICC and Horizon Hotel, threatens SkyCity's current BBB- credit rating and compromises its ability to sustain operations without jeopardizing financial integrity. Elevated debt levels complicate cash flow serviceability, particularly in the event of revenue downturns due to regulatory challenges or economic slowdowns, thereby limiting strategic options and heightening liquidity concerns.

Risk #3: Economic Sensitivity

SkyCity's financial performance is highly sensitive to macroeconomic conditions, particularly consumer spending. The New Zealand economy's recovery from COVID-19 remains fragile, with discretionary spending still below pre-pandemic levels. A tightening economic environment often results in reduced discretionary expenditures, which directly impacts revenue from gaming, hospitality, and entertainment. Furthermore, the company's reliance on international tourism, especially in Queenstown, exacerbates risks, as any decline in tourist numbers could adversely affect revenue. Regulatory changes, such as the implementation of mandatory carded play systems, may further complicate these challenges by limiting access for certain customer segments.

Risk #4: Management Risks

The resignation of CEO Michael Ahearne and CFO Julie Amey in March 2024 has created uncertainty regarding SkyCity's leadership. Notably, six out of seventeen executives in key leadership positions have been with the company for less than one year, raising concerns about continuity during this critical transition. However, this management refresh also presents an opportunity for the company. New leadership could bring fresh perspectives and foster stronger relationships with regulators, demonstrating a commitment to cultural change and enhancing risk management practices. While this transition poses execution risks, it could also represent a new beginning and restore investor confidence if the new team effectively aligns with the company's strategic goals.

Risk #5: Cash Flow and Liquidity Risks

SkyCity is currently facing cash flow and liquidity challenges amid significant capital projects and ongoing regulatory pressures. The financial strain is heightened by delays in the NZICC project, originally caused by a fire in 2019, which has postponed its opening to mid-2025. Although the company has attempted to diversify revenue through new investments, uncertainties regarding occupancy rates and consumer spending patterns persist. Rising operational costs associated with compliance initiatives and capital expenditures could further erode cash margins. The company's declining cash reserves, which fell from $245 million in FY23 to $61 million in FY24, paired with negative working capital, amplify liquidity risks. If cash flows do not improve to meet operational and debt obligations, this could severely limit SkyCity's strategic flexibility and hinder its ability to address future challenges

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) ANALYSIS

ESG scores are calculated using a standard method that collects and weighs data points to produce a final value (Figure 30). SkyCity's ESG score of 3.69 out of 10 is below the industry median, according to Bloomberg, indicating a need for substantial improvement across Environmental, Social, and Governance areas. Despite this, the company has strengths but faces key challenges that require attention.

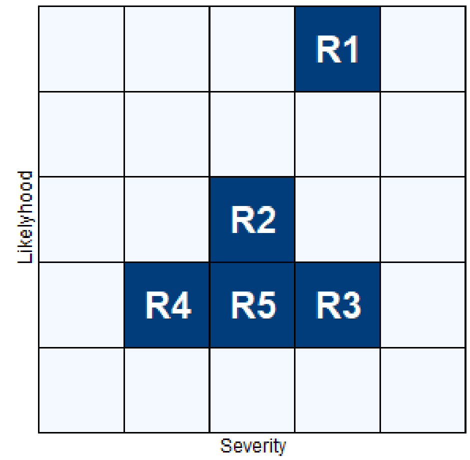
Environmental Performance

SkyCity's environmental initiatives and policies show promise, although its environmental score of 30—while above the industry average—falls well short of the industry maximum of 72, indicating considerable room for improvement. The company achieves a perfect score of 10 out of 10 for its policies regarding climate exposure, energy consumption, and water use, demonstrating leadership in these critical areas. Additionally, SkyCity ranks in the top 25th percentile for greenhouse gas emissions, showcasing its commitment to reducing its carbon footprint. The company also leverages government programs, such as the Emissions Trading Scheme (ETS) and renewable energy initiatives, to further mitigate its environmental impact. However, there are opportunities for growth in areas such as water management (scoring 3.00) and energy management (scoring 5.27 out of 10).

Social Performance

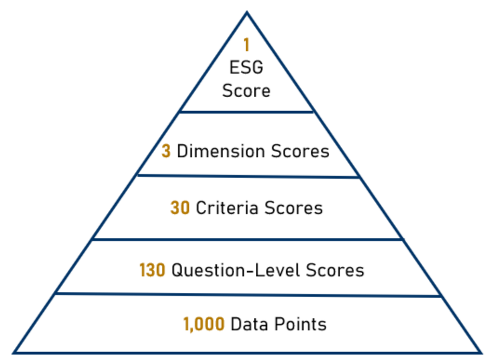
SkyCity's social performance score of 38 exceeds the industry mean but is still significantly lower than the industry maximum of 76. The company demonstrates strengths in customer welfare, particularly through its commitment to responsible gambling practices.

Figure 31: Risk Matrix



Source: Team Massey Analysis

Figure 32: ESG Rubric

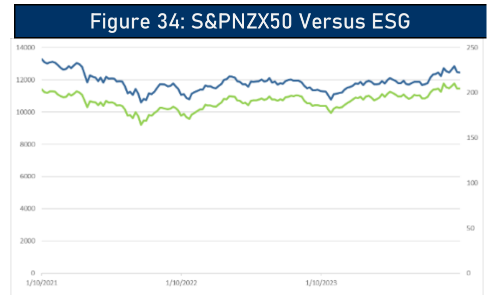


Source: S&P Global

Figure 33: S&PNZX50 ESG Versus SKC.NZ

Source: Bloomberg

Figure 34: S&PNZX50 Versus ESG



Source: Bloomberg

These practices include implementing spending limits, self-exclusion programs, responsible alcohol service, and enforcing strict age restrictions in gaming areas. Additionally, SkyCity aims to create a fair, inclusive, and equitable work environment, focusing on diversity and prohibiting discrimination. However, its performance in Labor & Employment (scoring 3.52) and Ethics & Compliance (scoring 3.00) indicates substantial room for improvement, particularly regarding employee compensation, benefits, and the strengthening of ethical standards and practices.

Governance Performance

In terms of governance, SkyCity scores 27 out of 100, which is above the industry average but below the industry maximum of 64. The company's strengths include a well-diversified Board of Directors, which features a balance of dependent and independent directors with varied skills and experience. Additionally, SkyCity has enhanced its accountability by improving its audit capabilities. Nevertheless, areas such as Executive Compensation (scoring 9.33) and Shareholder Rights (scoring 6.45) reveal significant opportunities for enhancement, particularly in aligning executive compensation with best practices and increasing transparency and engagement with shareholders.

Recommendations for Improvement

To address these challenges and enhance its overall ESG performance, SkyCity should consider implementing the following recommendations:

Enhance Employee Engagement: Invest in programs and initiatives that improve employee satisfaction, compensation, and benefits to create a more positive work environment.

Strengthen Ethics and Compliance: Develop a more comprehensive ethics program and conduct regular risk assessments to ensure adherence to relevant laws and regulations.

Align Executive Compensation: Ensure that executive compensation is more closely tied to company performance and shareholder value.

Increase Transparency and Shareholder Engagement: Improve communication and provide regular updates on ESG initiatives to enhance transparency and foster stronger shareholder engagement.

By focusing on these areas, SkyCity can work toward improving its ESG score and establish itself as a leader in sustainable and responsible business practices within its industry.

Score Composition

The S&P Global ESG Score ranges from 0 to 100 and is derived from the Corporate Sustainability Assessment (CSA) provided by S&P Global. This assessment analyses company data and public information, among other sustainability criteria. Higher scores indicate better ESG performance compared to industry peers. Key points in score composition include environmental, social, and governance factors, with the aim of evaluating ethical practices.

The ESG score serves as a valid indicator for investors, companies, and other stakeholders to assess and compare corporate sustainability performance across various industries. As stated in the SkyCity Annual Report (2022, p. 83), "We are dedicated to growing in a sustainable manner with a commitment to environmental sustainability as a foundation for successful economic, social, and cultural development."

SkyCity actively participates in New Zealand's sustainability initiatives, demonstrating a commitment to responsible business practices. The company utilizes various government-driven programs to reduce its environmental impact, including:

Emissions Trading Scheme (ETS): SkyCity utilizes the ETS's market-based approach to incentivize carbon reduction by imposing a cost on emissions.

Renewable Energy Development: The company supports the development of renewable energy sources to facilitate a cost-effective transition to cleaner energy options.

Energy Efficiency Standards: SkyCity adopts energy efficiency standards to optimize operations and reduce both energy consumption and emissions.

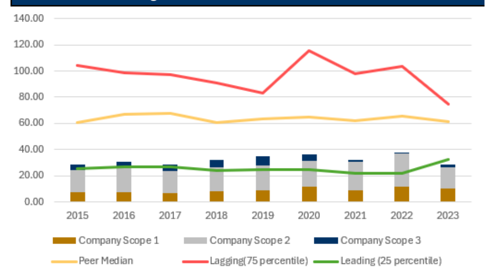
Figure 35: ESG Scores

Company	Environmental	Social	Governance	Total ESG score
SKC AU	2.01	3.50	6.99	3.69
SGR AU	7.20	7.20	6.57	7.04
DNA AU	0.00	1.41	6.25	1.73
TAH AU	1.58	5.48	7.21	4.35

Leading	10
Meadian	5
Lagging	0

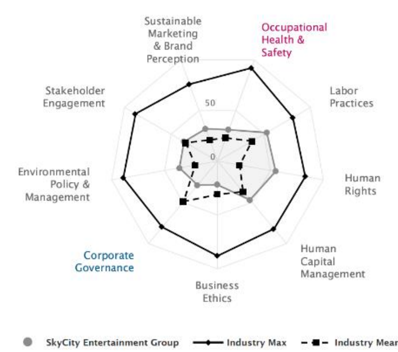
Source: Bloomberg

Figure 36: GHG/Revenue



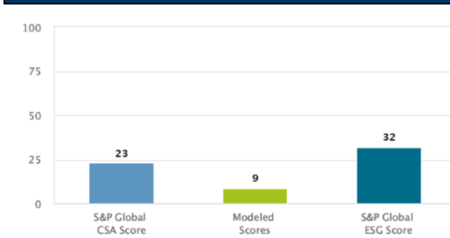
Source: Bloomberg

Figure 37: ESG Score Breakdown



Source: S&P Global

Figure 38: Score Composition



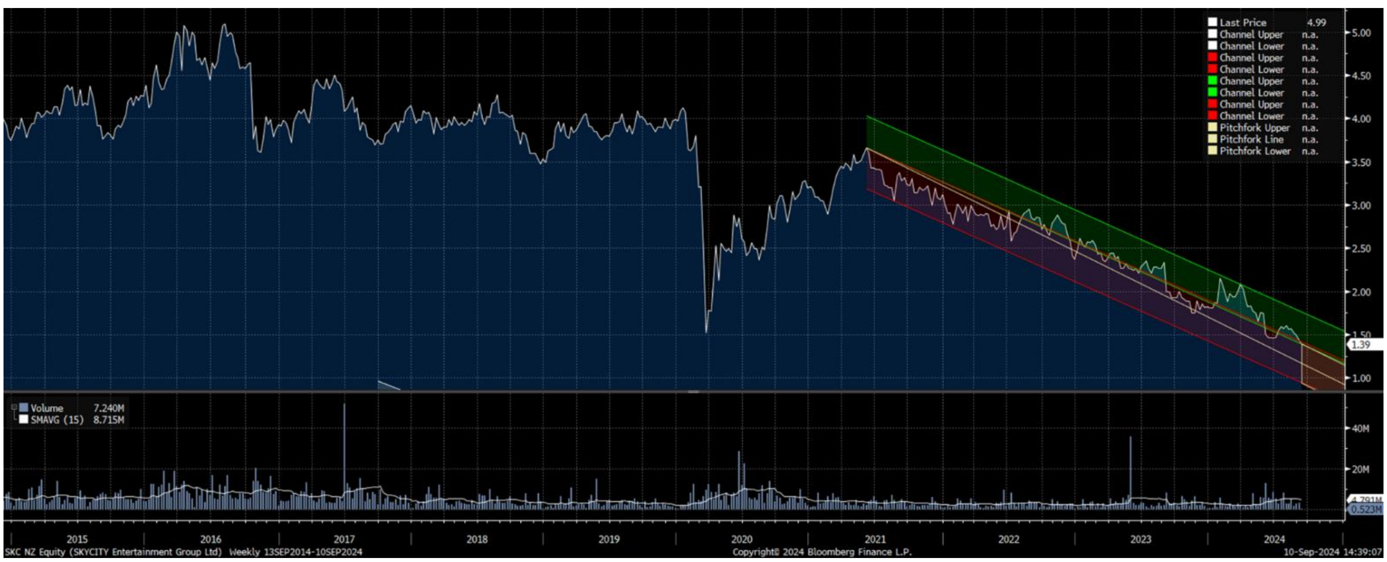
Source: S&P Global

Appendices

Appendix 1: SKC Regulatory Breaches 2024

Regulatory Breach	Cost	Date
Anti-money Laundering Breach	$4.16 Million	25/09/2024
Vulnerable player loses $1m	Temporary 5-day suspension (Opportunity cost: 5 Mill loss)	9/09/2024
Breaching its own host responsibility programme	1 week Shut Down (7million loss)	21/08/2024
Breaches relating to its harm minimisation obligations. DIA investigation	5-day voluntary closure of gambling operations ($5Million Loss)	18/07/2024
AUSTRAC	$67 million AUD	17/05/2024
Money Laundering Laws in NZ	SkyCity Adelaide agreed to pay a nearly $4 million fine	21/02/2024
Regulatory compliance issues	$13.8Million	21/02/2024
Alleged breaches of AML/CTF	$75 million	12/02/2024

Appendix 2: SKC.NZX Historical Trend



Appendix 3: Scenario Analysis; CAPM & Fama-French Weighting

Weight of CAPM to Fama	Cost of Equity	DDM	DCF (Exit Multiple)	DCF GG
100%	14.43%	$1.40	$1.39	$1.40
95%	14.48%	$1.40	$1.39	$1.39
90%	14.54%	$1.39	$1.38	$1.38
85%	14.60%	$1.38	$1.38	$1.37
80%	14.65%	$1.38	$1.37	$1.36
75%	14.71%	$1.37	$1.37	$1.35
70%	14.76%	$1.36	$1.36	$1.34
65%	14.82%	$1.36	$1.36	$1.33
60%	14.87%	$1.35	$1.35	$1.32
55%	14.93%	$1.34	$1.35	$1.31
50%	14.98%	$1.34	$1.34	$1.30
45%	15.04%	$1.33	$1.34	$1.29
40%	15.09%	$1.33	$1.33	$1.28
35%	15.15%	$1.32	$1.33	$1.27
30%	15.20%	$1.31	$1.32	$1.26
25%	15.26%	$1.31	$1.32	$1.25
20%	15.31%	$1.30	$1.31	$1.24
15%	15.37%	$1.30	$1.31	$1.23
10%	15.42%	$1.29	$1.30	$1.22
5%	15.48%	$1.28	$1.30	$1.21
0%	15.53%	$1.28	$1.29	$1.21

Appendix 4: Scenario Analysis Cost of Equity Error Factor

Error Factor	Cost of Equity	DDM	DCF (Exit Multiple)	DCF GG
Included in both CAPM & Fama	15.09%	$1.33	$1.40	$1.28
Included in only Farma	13.33%	$1.55	$1.50	$1.63
Included in only CAPM	12.43%	$1.51	$1.58	$1.85
Excluded	10.67%	$2.07	$1.77	$2.43

Appendix 5: WACC Cost of Debt

Cost of Debt	8.07%
1- Effective Tax rate	72.00%
Effective Pre-Tax Cost of Debt	28.00%
x Total Pre-Tax Cost of Debt	6.20%
Note Rate x ST Debt to Total Debt	2.69%
ST Debt to Total Debt	0.40
x Note Rate	6.80%
(+) Bond Rate x LT Debt to Total Debt	3.51%
LT Debt to Total Debt	0.60
x Bond Rate	5.80%
x Debt Adjustment Factor	1.81
Total Debt ($M)	609.5
Short Term Debt ($M)	241.12
(+) Long Term Debt ($M)	368.39

Source: Bloomberg

Appendix 6: DDM Valuation

DDM Valuation - Forecasting Method

Cost of Equity	%	15.09%
Terminal Growth Rate	%	2.00%

	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	Terminal Value
Dividends per Share (DPS)	**0.000**	**0.205**	**0.210**	**0.212**	**0.214**	**0.217**	**0.220**	**0.223**	**0.226**	**0.229**	**1.788**
DPS Growth (g)			*2.6%*	*0.8%*	*1.0%*	*1.2%*	*1.5%*	*1.5%*	*1.4%*	*1.5%*	
Present Value (PV)	0.000	0.155	0.138	0.121	0.106	0.093	0.082	0.072	0.064	0.056	0.439

Shares Outstanding	millions	760.2
DDM Value per Share (spot)	$ / Share	**1.33**
Current Price	$ / Share	1.43
Upside / (Downside) to Spot	%	(7.3%)

Appendix 7: Relative Valuation

P/B Ratio

Expected FY25 Total Assets	$m	2952.10
Expected FY25 Total Liabilities	$m	(1,528.43)
Expected FY25 Book Value	$m	1423.67

Comparable Companies P/B Ratio	FY20	FY21	FY22	FY23	FY24	FY25 Forecast
SKY CITY ENTERTAINMENT (SKC:NZ)	1.55	1.52	1.13	0.92	0.83	0.94
DONACO INTL LTD (DNA;ASX)	0.47	0.32	0.54	0.42	0.83	0.94
STAR ENTERTAINMET (SGR;ASX)	0.97	0.98	0.78	0.58	0.51	0.58
TABCORP HLDGS (TAH;ASX)	0.22	0.28	0.92	0.96	0.71	0.80
Average Comparable P/B Ratios:	**0.48**	**0.48**	**0.78**	**0.64**	**0.69**	**0.78**
YoY		*(0.3%)*	*64.0%*	*(18.1%)*	*7.9%*	*13.4%*
YoY Average						13.4%

Shares Outstanding	millions	760.2
Implied B/V Value per Share (spot)	$ / Share	1.87
B/V Value per Share (spot)	$ / Share	**1.47**
Current Price	$ / Share	1.43
Upside / (Downside) to Spot	%	2.8%

Appendix 8: DCF FCFF

	Enterprise Value Bridge to Equity Value:	$m	
	Value of Continuing Operations (EV)	$m	1,685.7
(+)	Value of Other Assets (adjustments)	$m	-
(-)	Current Net Cash (Debt)	$m	(670.4)
=	Equity Value	$m	1,015.4
	Shares Outstanding	*millions*	760.2
	DCF Value per Share (spot)	***$ / Share***	**1.34**

Appendix 9: DCF FCFE

Enterprise Value Bridge to Equity Value:	$m	
Value of Continuing Operations (EV)	$m	1,690.7
Value of Other Assets (adjustments)	$m	-
Current Net Cash (Debt)	$m	(670.4)
Equity Value	$m	1,020.3
Shares Outstanding	*millions*	760.2
DCF Value per Share (spot) - FCFE	***$ / Share***	**1.34**
12m Target Price	*$ / Share*	1.54

Appendix 9: DCF Gordon Growth

	Gordon Growth Cross Check		
	PV of Discrete Cashflows	$m	
	PV of Terminal Value (Gordon Growth)	$m	
	Value of Continuing Operations	$m	1,645.6
(+)	Value of Other Assets (adjustments)	$m	-
(-)	Current Net Cash (Debt)	$m	(670.4)
=	Equity Value	$m	975.2
	Shares Outstanding	*millions*	760.2
	DCF Value per Share (spot) G.G	*$ / Share*	1.28
	DCF Value per Share (spot) EV / EBITDA	*$ / Share*	1.34
	Valuation Spread (GG over EV / EBITDA)	*$ / Share*	(4.0%)

Appendix 10: Valuation Summary

Summary Dashboard

Methodology		Intrisic Value	Weight
DDM	$	1.33	30%
DCF	$	1.34	30%
DCF (Gordon Growth)	$	1.28	30%
P/B	$	1.47	10%
			100%

Final Price per Share (spot)	**$**	**1.33**
Market Price	$	1.49
Premium/ (Discount)		(10.4%)

Scenario Simulator			Variables
Upside	$	1.36	2.0%
Base	$	1.33	0.00%
Downside	$	1.30	(2.0%)

Recommendation	SELL

Appendix 11: Competitors Profile

Competitor	Ticker	Market Cap (AU$)	Description
Donaco International	ASX.DNA	38.3M	Owns and operates leisure and entertainment businesses across the Asia-Pacific region.
Star Entertainment Group	ASX.SGR	1.39B	Owns and operates the Treasury Casino & Hotel, The Star Gold Coast and the Star Sydney. They hold three out of Queensland's five casino operation licences.
Tabcorp Holdings	ASX.TAH	879.2M	As Australia's largest Gambling company, they provide wagering, media and gaming services.

Appendix 12: Financial Statements (Balance Sheet)

Discounted Cashflow	Year >>>		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Period	Units		(5.0)	(4.0)	(3.0)	(2.0)	(1.0)	-	-	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0
Mid Year Factor	TVM Factor		-	-	-	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5
Financial Year Start	Abc		1 Jul 16	1 Jul 17	1 Jul 18	1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22	1 Jul 23	1 Jul 24	1 Jul 25	1 Jul 26	1 Jul 27	1 Jul 28	1 Jul 29	1 Jul 30	1 Jul 31	1 Jul 32	1 Jul 33
Financial Year End	Abc		30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26	30 Jun 27	30 Jun 28	30 Jun 29	30 Jun 30	30 Jun 31	30 Jun 32	30 Jun 33	30 Jun 34
Actual / Forecast	#		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Summary Balance Sheet																				
Cash and cash equivalents	$m		56.7	76.0	41.6	54.2	49.9	48.7	245.0	60.5	63.3	66.2	69.3	72.7	76.2	80.0	84.0	88.3	92.8	97.7
YoY	%			33.90%	(45.26%)	30.43%	(7.90%)	(2.49%)	403.13%	(75.29%)	4.5%	4.6%	4.7%	4.8%	4.9%	4.9%	5.0%	5.1%	5.2%	5.3%
Trade and other receivables	$m		17.4	23.4	49.3	42.3	33.4	25.8	50.8	86.9	90.6	94.6	99.0	103.7	108.8	114.3	120.3	126.8	133.8	141.4
YoY	%			34.65%	110.84%	(14.28%)	(20.94%)	(22.69%)	96.83%	70.91%	4.3%	4.5%	4.6%	4.8%	4.9%	5.1%	5.2%	5.4%	5.5%	5.7%
Inventory	$m		7.0	7.6	6.5	6.6	7.2	7.5	8.6	8.4	8.6	8.7	8.9	9.1	9.3	9.5	9.8	10.0	10.2	10.5
YoY	%			7.57%	(14.68%)	2.62%	8.43%	4.74%	14.00%	(2.41%)	2.1%	2.2%	2.2%	2.2%	2.2%	2.3%	2.3%	2.3%	2.4%	2.4%
Other current assets	$m		10.2	27.0	116.7	115.9	189.0	243.9	14.1	33.4	34.9	36.4	38.1	39.9	41.8	43.9	46.0	48.4	50.9	53.6
YoY	%			165.36%	332.65%	(0.72%)	63.14%	29.04%	(94.21%)	136.57%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.1%	5.2%	5.3%
Total current assets	$m		**91.3**	**133.9**	**214.0**	**219.0**	**279.6**	**326.0**	**318.5**	**189.2**	**197.3**	**206.0**	**215.4**	**225.4**	**236.2**	**247.7**	**260.1**	**273.4**	**287.7**	**303.1**
											1,572.4	**1,887.6**	**1,952.3**	**2,012.4**	**2,073.5**	**2,136.4**	**2,201.3**	**2,318.8**	**2,438.7**	**2,561.9**
Property, plant and equipment	$m		1,324.6	1,498.6	1,436.3	1,528.9	1,370.8	1,442.7	1,652.5	1,817.0	1,973.0	2,034.1	2,095.1	2,157.5	2,221.0	2,285.8	2,403.2	2,523.2	2,645.8	2,716.0
YoY	%			13.14%	(4.16%)	6.45%	(10.34%)	5.25%	14.54%	9.95%	8.59%	3.10%	3.00%	2.97%	2.95%	2.92%	5.13%	4.99%	4.86%	2.65%
Intangible assets	$m		819.0	831.8	798.4	649.5	646.3	623.9	566.6	544.6	551.6	559.3	567.7	577.0	587.3	598.5	610.9	624.5	639.5	656.0
YoY	%			1.56%	(4.02%)	(18.65%)	(0.49%)	(3.47%)	(9.19%)	(3.87%)	1.28%	1.39%	1.51%	1.64%	1.77%	1.92%	2.07%	2.23%	2.40%	2.58%
Right of use assets	$m					52.0	126.8	126.4	122.5	98.6	98.6	98.6	98.6	98.6	98.6	98.6	98.6	98.6	98.6	98.6
YoY	%			NA	NA	NA	143.91%	(0.27%)	(3.06%)	(19.55%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other non-current assets	$m		43.4	80.2	103.3	340.0	382.4	224.7	203.4	131.7	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6	131.6
YoY	%			84.69%	28.77%	229.23%	12.49%	(41.23%)	(9.50%)	(35.25%)	(0.05%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total non-current assets	$m		**2,187.0**	**2,410.6**	**2,337.9**	**2,570.4**	**2,526.3**	**2,417.7**	**2,545.0**	**2,591.8**	**2,754.8**	**2,823.6**	**2,893.1**	**2,964.7**	**3,038.5**	**3,114.6**	**3,244.3**	**3,377.9**	**3,515.6**	**3,602.2**
TOTAL ASSETS	$m		**2,278.3**	**2,544.5**	**2,552.0**	**2,789.3**	**2,805.8**	**2,743.7**	**2,863.5**	**2,781.0**	**2,952.1**	**3,029.6**	**3,108.5**	**3,190.1**	**3,274.7**	**3,362.3**	**3,504.4**	**3,651.3**	**3,803.3**	**3,905.3**
Trade and other payables	$m		(136.6)	(193.7)	(228.1)	(221.8)	(200.2)	(187.2)	(216.0)	(226.8)	(238.5)	(251.0)	(264.1)	(278.1)	(292.9)	(308.6)	(325.3)	(343.0)	(361.8)	(381.8
YoY	%			41.85%	17.75%	(2.75%)	(9.77%)	(6.48%)	15.38%	5.00%	5.17%	5.21%	5.25%	5.29%	5.33%	5.37%	5.40%	5.44%	5.48%	5.52%
Short term debt	$m		(102.4)	-	(49.1)	(302.5)	(48.0)	(78.0)	(45.8)	(241.1)	(241.1)	(241.1)	(241.1)	(241.1)	(241.1)	(241.1)	(241.1)	(241.1)	(241.1)	(241.1
YoY	%	60.0		(100.00%)	NA	515.77%	(84.12%)	62.40%	(41.26%)	426.29%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Lease liabilities	$m		-	-	-	(0.5)	(3.0)	(3.6)	(3.0)	(3.3)	(3.3)	(3.3)	(3.3)	(3.3)	(3.3)	(3.3)	(3.3)	(3.3)	(3.3)	(3.3
YoY	%			NA	NA	NA	521.44%	18.65%	(14.85%)	7.88%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other current liabilities	$m		(16.3)	(7.9)	(15.4)	(160.1)	(18.2)	(0.1)	(82.7)	(35.1)	(35.1)	(35.1)	(35.1)	(35.1)	(35.1)	(35.1)	(35.1)	(35.1)	(35.1)	(35.1
YoY	%			(51.46%)	95.16%	936.82%	(88.62%)	(99.42%)	77900.94%	(57.58%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total current liabilities	$m		**(255.2)**	**(201.6)**	**(292.7)**	**(684.9)**	**(269.4)**	**(268.9)**	**(347.5)**	**(506.3)**	**(518.0)**	**(530.4)**	**(543.6)**	**(557.6)**	**(572.4)**	**(588.1)**	**(604.8)**	**(622.5)**	**(641.3)**	**(661.3)**
Non-current lease liabilities	$m					(52.2)	(115.8)	(117.5)	(116.8)	(118.1)	(118.1)	(118.1)	(118.1)	(118.1)	(118.1)	(118.1)	(118.1)	(118.1)	(118.1)	(118.1
YoY	%			NA	NA	NA	121.88%	1.50%	(0.59%)	1.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Borrowings	$m		(289.4)	(508.5)	(495.9)	(282.7)	(441.0)	(451.4)	(525.7)	(368.4)	(407.9)	(413.8)	(422.1)	(457.7)	(465.3)	(472.4)	(469.7)	(486.6)	(499.2)	(512.9)
YoY	%			75.69%	(2.47%)	(42.99%)	55.97%	2.36%	16.46%	(29.92%)	10.73%	1.45%	2.01%	8.44%	1.65%	1.54%	(0.59%)	3.60%	2.59%	2.75%
Other non-current liabilities	$m		(662.7)	(677.4)	(607.4)	(334.9)	(328.6)	(334.6)	(343.3)	(484.4)	(484.4)	(484.4)	(484.4)	(484.4)	(484.4)	(484.4)	(484.4)	(484.4)	(484.4)	(484.4
YoY	%			2.22%	(10.34%)	(44.86%)	(1.88%)	1.83%	2.57%	41.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total non-current assets	$m		**(952.1)**	**(1,185.9)**	**(1,103.3)**	**(669.8)**	**(885.4)**	**(903.5)**	**(985.8)**	**(970.9)**	**(1,010.4)**	**(1,016.3)**	**(1,024.6)**	**(1,060.3)**	**(1,067.8)**	**(1,075.0)**	**(1,072.2)**	**(1,089.1)**	**(1,101.7)**	**(1,115.4)**
TOTAL LIABILITIES	$m		**(1,207.4)**	**(1,387.5)**	**(1,396.0)**	**(1,354.7)**	**(1,154.8)**	**(1,172.4)**	**(1,333.3)**	**(1,477.2)**	**(1,528.4)**	**(1,546.8)**	**(1,568.3)**	**(1,617.8)**	**(1,640.2)**	**(1,663.1)**	**(1,677.0)**	**(1,711.6)**	**(1,743.0)**	**(1,776.7**
Net assets	$m		**1,070.9**	**1,157.0**	**1,156.0**	**1,434.6**	**1,651.0**	**1,571.3**	**1,530.2**	**1,303.9**	**1,423.7**	**1,482.8**	**1,540.2**	**1,572.3**	**1,634.5**	**1,699.2**	**1,827.4**	**1,939.7**	**2,060.3**	**2,128.7**
Share capital	$m			1,152.3	1,127.0	1,288.3	1,338.2	1,340.6	1,343.0	1,342.4	1,342.4	1,342.4	1,342.4	1,342.4	1,342.4	1,342.4	1,342.4	1,342.4	1,342.4	1,342.4
Retained earnings	$m			68.6	77.5	179.6	335.8	235.2	197.6	(31.1)										
Reserves	$m			(63.9)	(48.6)	(33.3)	(23.0)	(4.4)	(10.4)	(7.5)										
Total equity	$m		-	**1,157.0**	**1,156.0**	**1,434.6**	**1,651.0**	**1,571.3**	**1,530.2**	**1,303.9**	**1,342.4**	**1,342.4**	**1,342.4**	**1,342.4**	**1,342.4**	**1,342.4**	**1,342.4**	**1,342.4**	**1,342.4**	**1,342.4**
balance check				-	-	-	-	-	-	-	*81.2*	*140.4*	*197.8*	*229.8*	*292.0*	*356.8*	*485.0*	*597.3*	*717.8*	*786.2*
Net debt	$m		(335.1)	(432.5)	(503.5)	(583.7)	(557.9)	(601.8)	(446.4)	(670.4)	(707.2)	(710.1)	(715.3)	(747.6)	(751.6)	(755.0)	(748.2)	(760.9)	(768.9)	(777.7)
Working capital	$m		(112.2)	(162.8)	(172.4)	(173.0)	(159.6)	(153.8)	(156.6)	(131.5)	(139.4)	(147.6)	(156.2)	(165.3)	(174.8)	(184.8)	(195.3)	(206.3)	(217.8)	(229.9)
Change in working capital				50.6	9.6	0.6	(13.4)	(5.7)	2.7	(25.0)	7.8	8.2	8.6	9.1	9.5	10.0	10.5	11.0	11.6	12.1

Appendix 13: Financial Statements (Cash Flow Statement)

Summary Cash Flow Statements																			
EBITDA	$m	370.9	411.0	361.8	174.9	321.2	140.3	331.2	317.2										
Change in working capital	$m	-	-	-	-	-	-	-	-										
Interest paid		-	-	-	-	-	-	-	-										
Tax paid	$m	(91.3)	(121.9)	(109.4)	(82.0)	(61.6)	(67.4)	(53.4)	(114.1)										
Other	$m	-	-	-	27.4	28.6	18.2	2.3	0.48										
Net cash from operating activities	$m	**279.5**	**289.1**	**252.3**	**120.2**	**288.2**	**91.1**	**280.1**	**203.6**										
Acquisition / sale of business	$m	-	-	224.9	128.9	-	(38.9)	7.8	-										
Payment for intangibles	$m	(4.0)	(8.6)	(29.1)	(20.5)	(5.8)	(11.4)	(8.1)	(7.0)	(7.0)	(7.7)	(8.5)	(9.3)	(10.2)	(11.3)	(12.4)	(13.6)	(15.0)	(16.5)
Capex	$m	(154.6)	(206.5)	(303.7)	(326.9)	(171.7)	(100.1)	(254.7)	(303.7)	(156.0)	(61.1)	(61.1)	(62.3)	(63.6)	(64.8)	(117.4)	(120.0)	(122.6)	(70.2)
Other investing cash flows	$m	-	(38.7)	(8.6)	119.2	(77.5)	118.7	203.6	(8.68)										
Net cash from investing activities	$m	**(158.6)**	**(253.8)**	**(116.5)**	**(99.3)**	**(255.0)**	**(31.7)**	**(51.4)**	**(319.4)**										
Net borrowing	$m	(29.0)	94.5	28.0	11.7	(59.4)	30.0	51.0	34.2										
Dividends paid to shareholders	$m	(89.6)	(85.1)	(127.1)	(133.3)	-	(53.1)	(45.5)	(85.4)										
Payments for lease principal	$m	-	-	-	(0.5)	(6.6)	(9.3)	(10.1)	(10.6)										
Other financing cash flows	$m	(35.9)	(25.5)	(71.1)	113.8	28.5	(28.2)	(27.7)	(6.8)										
Net cash from financing activities	$m	**(154.5)**	**(16.1)**	**(170.2)**	**(8.2)**	**(37.5)**	**(60.7)**	**(32.3)**	**(68.6)**										
Net movement in cash and cash equivalents	$m	**(33.6)**	**19.2**	**(34.4)**	**12.7**	**(4.3)**	**(1.242)**	**196.3**	**(184.5)**										
Opening cash and cash equivalents	$m	90.3	56.7	76.0	41.6	54.2	49.9	48.7	245.0										
Ending cash and cash equivalents	$m	**56.7**	**76.0**	**41.6**	**54.2**	**49.9**	**48.7**	**245.0**	**60.5**										
check ending cash to BS		-	-	-	-	*0.0*	*0.0*	-	*(0.0)*										
Free cash flow																			
Operating cash flow (pre-IFRS 16)	$m	279.5	289.1	252.3	119.7	281.6	81.8	270.0	192.9										
Capex	$m	(158.6)	(215.1)	(332.8)	(347.4)	(177.5)	(111.5)	(262.9)	(310.7)										
FCFF	**$m**	**120.9**	**74.0**	**(80.5)**	**(227.7)**	**104.1**	**(29.7)**	**7.1**	**(117.8)**										
Change in net debt	$m	-	-	-	52.2	63.6	1.7	(0.7)	27.8										
FCFE	**$m**	**120.9**	**74.0**	**(80.5)**	**(175.5)**	**167.7**	**(28.0)**	**6.4**	**(90.0)**										
Working capital																			
Trade Receivables		60.6	55.9	50.8	39.3	36.4	33.8	32.8	86.9	90.6	94.6	99.0	103.7	108.8	114.3	120.3	126.8	133.8	141.4
Trade Payables		80.7	77.8	79.0	94.0	83.7	100.7	90.1	(226.8)	(238.5)	(251.0)	(264.1)	(278.1)	(292.9)	(308.6)	(325.3)	(343.0)	(361.8)	(381.8)
Net Working Capital		**(20.1)**	**(21.8)**	**(28.2)**	**(54.7)**	**(47.3)**	**(66.9)**	**(57.3)**	**313.7**	**329.1**	**345.6**	**363.1**	**381.8**	**401.7**	**423.0**	**445.6**	**469.8**	**495.6**	**523.2**
Change in working capital			1.7	6.3	26.5	(7.4)	19.6	(9.5)	(371.0)	(15.5)	(16.5)	(17.5)	(18.7)	(19.9)	(21.2)	(22.6)	(24.2)	(25.8)	(27.6)
										15.5	16.5	17.5	18.7	19.9	21.2	22.6	24.2	25.8	27.6
Days Receivable		8	10	20	19	15	15	21	34										
Days Payable		80	107	125	124	114	127	110	129										

Capex	154.6	206.5	303.7	326.9	171.7	100.1	254.7	303.7
Core	55	64	75.0	72.0	58.0	33.0	48.0	64.2
Non-BAU	99.6	142.5	228.7	254.9	113.7	67.1	206.7	239.5
Intagibles	4.0	8.6	29.1	20.5	5.8	11.4	8.1	7.0
Capex % revenue	*18.9%*	*23.3%*	*34.3%*	*39.8%*	*21.7%*	*15.9%*	*28.3%*	*33.0%*
Core % revenue	*6.7%*	*7.2%*	*8.5%*	*8.8%*	*7.3%*	*5.3%*	*5.3%*	*7.0%*
Intagibles	*0.5%*	*1.0%*	*3.3%*	*2.5%*	*0.7%*	*1.8%*	*0.9%*	*0.8%*

Appendix 14: ESG Scoring for SkyCity against Competitors

SkyCity environmental ESG scores and its competitors.

Company	Ecological impact	Water Management	Energy Management	Climate Exposure	Overall
SkyCity	-	3.00	5.27	10.00	2.02
Star Entertainment	8.29	6.62	5.67	10.00	7.20
Tab Corp	-	-	9.62	10.00	1.58

Note: All scores are on a scale of 10

SkyCity social ESG scores and its competitors.

Company	Ethics & Compliance	Labor & Employment	Data Security & Customer Privacy	Customer Welfare	Overall
SkyCity	3.00	3.52	3.00	10.00	3.50
Star Entertainment	7.98	3.55	10.00	10.00	7.20
Tab Corp	3.00	6.49	10.00	10.00	5.48

Note: All scores are on a scale of 10

SkyCity governance ESG scores and its competitors.

Company	Board Composition	Executive Compensation	Shareholder rights	Audit	Overall
SkyCity	6.39	9.33	6.45	5.29	6.91
Star Entertainment	5.55	7.79	7.30	5.90	6.57
Tab Corp	7.07	6.89	7.19	8.13	7.21

Note: All scores are on a scale of 10

Appendix 15: CAGR

Particulars	CAGR 2 Years	CAGR 3 Years	CAGR 5 Years
Revenue	24.7%	6.5%	1.5%
EBITDA	59.0%	4.7%	(1.9%)
Net Income	106.6%	(2.8%)	(0.1%)

Appendix 16: Competitor Ratio Analysis

Ratios	SkyCity	Star Entertainment*	Tabcorp Holdings
Margin Ratio			
EBITDA Margin	28.9%	9.3%	2.9%
Net Profit Margin	12.9%	(67.6%)	(57.6%)
Liquidity Ratio			
Current Ratio	0.4x	0.3x	0.9x
Solvency Ratio			
Total Debt-to-Total Capital	36.2%	10.6%	47.9%
Debt-to-EBITDA	2.6x	1.8x	12.3x
Profitability Ratio			
Return on Assets	4.4%	(75.5%)	(39.5%)
Return on Equity	9.4%	(142.5%)	(39.1%)

**Ratios based on FY 23 as FY 24 results are yet to be published*

Appendix 17: Segmented Growth Assumptions

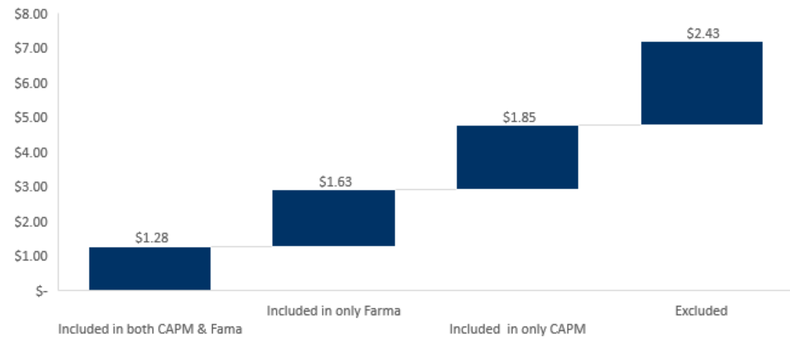
Segment Information

Revenue	FY26	% of total	FY25	% of total	FY24	% of total	FY23	% of total	FY22	% of total	FY21	% of total	FY20	% of total	
Auckland (Excl. GST)	464	63%	490	63%	549.3	64%	511.2	59%	330.6	53%	488.2	60%	497.3	64%	
Hamilton	70	9%	68	9%	65	8%	66.3	8%	56.2	9%	73.5	9%	58.8	8%	
Queenstown	8	1%	8	1%	12	1%	10.9	1%	10.2	2%	12.3	2%	11.1	1%	
NZ Other	-	0%	-	0%	0	0%	0	0%	3.8	1%	1	0%	1.2	0%	
Adelaide in A$	180	24%	189	24%	219.2	26%	220.8	26%	184.5	30%	196.9	24%	121	16%	
Normalised IB Revenue	-	0%	-	0%	0	0%	35.3	4%	16.5	3%	22.1	3%	78.8	10%	
Online	20	3%	19	2%	9.3	1%	15.4	2%	17	3%	14	2%	4.9	1%	
Normalised Revenue (incl. Gaming GST	741	100%	774	100%	854.8	100%	859.9	100%	618.8	100%	808	100%	773.1	100%	
GST	74.13317		77.36	10%	-84.5	-10%	-83	-10%	-33.5	-5%	-36.1	-4%	-83.8	-11%	
			859.61												
EBITDA	**FY26**	**% of total**	**FY25**	**% of total**	**FY24**	**% of total**	**FY23**	**% of total**	**FY22**	**% of total**	**FY21**	**% of total**	**FY20**	**% of total**	
Auckland	200	76.3%	211	84.6%	237	85.3%	252.6	81%	100.9	77%	203.4	82%	193.9	97%	85%
Hamilton	35	13%	34	14%	32.5	12%	35.2	11%	24.5	19%	35.2	14%	24.4	12%	14%
Queenstown	2	1%	2	1%	2.5	1%	4.1	1%	3	2%	3.2	1%	0.7	0%	1%
NZ Other	25	10%	25	10%	0	0%	0	0%	0	0%	0	0%	0	0%	
Adelaide in A$	30	11%	31	13%	36.5	13%	34.9	11%	20.5	16%	42.8	17%	11.2	6%	13%
One-off costs	-	0%	- 14	-5%	-	0%	6	2%	- 0	0%	- 2	-1%	4.5	2%	1%
Online	8	3%	7	3%	4	1%	11	3%	8	6%	8	3%	1.1	1%	3%
Corp Costs	- 37	-14%	- 36	-14%	- 34	-12%	- 33	-11%	- 25	-19%	- 36	-14%	-31.5	-16%	-14%
NZICC/HH Pre-opening	-	0%	- 11	-4%	-	0%	-	0%	- 2	-2%	- 6	-3%	-4.1	-2%	-1%
Normalised EBITDA (incl. Gaming GST)	**262**	**100%**	**250**	**100%**	**278**	**100%**	**310**	**100%**	**130**	**100%**	**249**	**100%**	**200**	**100%**	
Normalised EBITDA (incl. Gaming GST) - In Total					277.8		310.3								
Normalised Rev - In Total (Exc. GST)							879								
			524		577		550		489		559		573		Average Expenses
Assumptions			68%		68%		64%		79%		69%		74%		71%

MCP will have 15% - 20% impact on revenue of the company which is already aggressive assumption. We take a base case scenario of 15% as the company believes to build the share of carded base

FY 26	Card	Uncard	EBITDA impact	FY 27	Card	Uncard	EBITDA impact
Auckland	65%	35%	5.2500%	Auckland	95%	5%	0.7500%
Adelaide	70%	30%	4.5000%	Adelaide	95%	5%	0.7500%
			-9.7500%				-1.5000%

Appendix 18: Error Factor Implementation



Appendix 19: CAPEX

FY 21 Report extracts on Capex

$M	FY 21 Group Cash Capex		
	FY 21	FY 20	FY 19
Growth Capex	119	276	267
Stay in business Capex	58	72	75

$M	Future Major Projects			
	FY 21	FY 22	FY 23	FY 24
NZICC/Horizon Hotel	613	175	226	99
Adelaide Expansion	328	2	-	-

Adelaide expansion last time happened from 2018 - 2021
Company thinks to build hotel in Adelaide to attract more customers in future

Growth Capex primarily relates to major projects in Auckland and Adelaide
Stay in business Capex primarily relates to regular refurbishments and upgrades e.g. Kitchen upgrades, Tables and Electronic upgrades, gaming rooms, bars, hotel rooms etc.

FY 22 Report extracts on Capex

$M	FY 21 Group Cash Capex			
	FY 22	FY 21	FY 20	FY 19
Growth Capex	81	119	276	267
Stay in business Capex	30	58	72	75

$M	Future Major Projects			
	FY 22	FY 23	FY 24	FY 25
NZICC/Horizon Hotel	665	190	126	64
Adelaide Expansion	330	-	-	-

FY 23 Estimate	
Growth Capex	35
Stay in business Capex	60

Maintenance and refurbishment of existing properties required

FY 23 Report extracts on Capex

$M	
Stay in Business	48
Breakdown	
Corporate	14
Auckland	24
Queenstown	1
Hamilton	2
Adelaide	7

FY 24 Report extracts on Capex

$M	
Stay in Business	64.2
Growth (NZICC HH)	63

Gaming equipment investment
Property maintenance - Lift, Kitchen etc.
ICT spend

NZICC Capex in 2025	76

FY25 Capex Outlook	$
Stay in business	60 - 70M

Calculation of Stay in Business Capex

$M	19	20	21	22	23	24	25 E	26 E	27 E	28 E	29 E	30 E	31 E	32 E	33 E	34 E
Stay in business	*(75.00)*	*(72.00)*	*(58.00)*	*(30.00)*	*(48.00)*	*(64.20)*	*(70.00)*	*(61.09)*	*(62.31)*	*(63.56)*	*(64.83)*	*(66.13)*	*(67.45)*	*(68.80)*	*(70.17)*	*(71.58)*
Depreciation							*(3.50)*	*(6.55)*	*(9.67)*	*(12.85)*	*(16.09)*	*(19.40)*	*(22.77)*	*(26.21)*	*(29.72)*	*(33.30)*
Depreciation 25 Additions						-	3.50 -	3.50 -	3.50 -	3.50 -	3.50 -	3.50 -	3.50 -	3.50 -	3.50 -	3.50
Depreciation 26 Additions							- -	3.05 -	3.05 -	3.05 -	3.05 -	3.05 -	3.05 -	3.05 -	3.05 -	3.05
Depreciation 27 Additions							-	- -	3.12 -	3.12 -	3.12 -	3.12 -	3.12 -	3.12 -	3.12 -	3.12
Depreciation 28 Additions							-	-	- -	3.18 -	3.18 -	3.18 -	3.18 -	3.18 -	3.18 -	3.18
Depreciation 29 Additions							-	-	-	- -	3.24 -	3.24 -	3.24 -	3.24 -	3.24 -	3.24
Depreciation 30 Additions							-	-	-	-	- -	3.31 -	3.31 -	3.31 -	3.31 -	3.31
Depreciation 31 Additions							-	-	-	-	-	- -	3.37 -	3.37 -	3.37 -	3.37
Depreciation 32 Additions							-	-	-	-	-	-	- -	3.44 -	3.44 -	3.44
Depreciation 33 Additions							-	-	-	-	-	-	-	- -	3.51 -	3.51
Depreciation 34 Additions							-	-	-	-	-	-	-	-	- -	3.58

Note: Auckland has mostly concluded its growth expansion in form of NZICC, HH, Car Park etc. We assume that the Company will target increaing Adelaide's growth share in form of growth capex starting FY 30, outlay in the range of ~$300M - $350M. This is in line with last growth Capex in Adelaide during FY 18 - FY 21

	25 E	26 E	27 E	28 E	29 E	30 E	31 E	32 E	33 E	34 E
Growth (Adelaide)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	***(51.25)***	***(52.53)***	***(53.84)***	**0.00**	**0.00**
Depreciation (Assuming new precints)						***(1.03)***	***(2.08)***	***(3.15)***	***(3.15)***	***(3.15)***
(Depreciation of 50 years on Building)						(1.03)	(1.03)	(1.03)	(1.03)	(1.03)
						0.00	(1.05)	(1.05)	(1.05)	(1.05)
						0.00	0.00	(1.08)	(1.08)	(1.08)

SLM Depreciation	*Time*
Building & Fitout	5 - 75 years
Plant, equipment & Moto	2 - 75 years
Fixtures & Fittings	3 - 20 years

Assuming most stay in business capex is Fixtures & Fittings, hence depreciation at an average 20 years SLM basis

Appendix 20: Valuation Inputs

Growth Rates

Change in Terminal EBITDA Margin	%	1.65%
Incremental Change in Terminal Growth	%	10.0%
Modelled (FY1) EBITDA Margin	%	29.9%
Last Actual EBITDA Margin	%	29.9%
Consensus (FY1) EBITDA Margin	%	29.9%
Terminal EBITDA Margin	%	29.9%
Terminal Growth Rate	%	2.0%
Base Case Exit Multiple (EV / EBITDA)	x	8.0x
Base Case Terminal Growth Rate	%	2.00%

Cost of Capital & Exit Multiple

Change in WACC	%	1.00%
Change in EV / EBITDA	%	10.00%
Terminal WACC	%	11.34%
Exit Multiple (EV / EBITDA)	x	8.00x
Current / Offer Multiple	x	n/a
Base Case WACC	%	11.34%

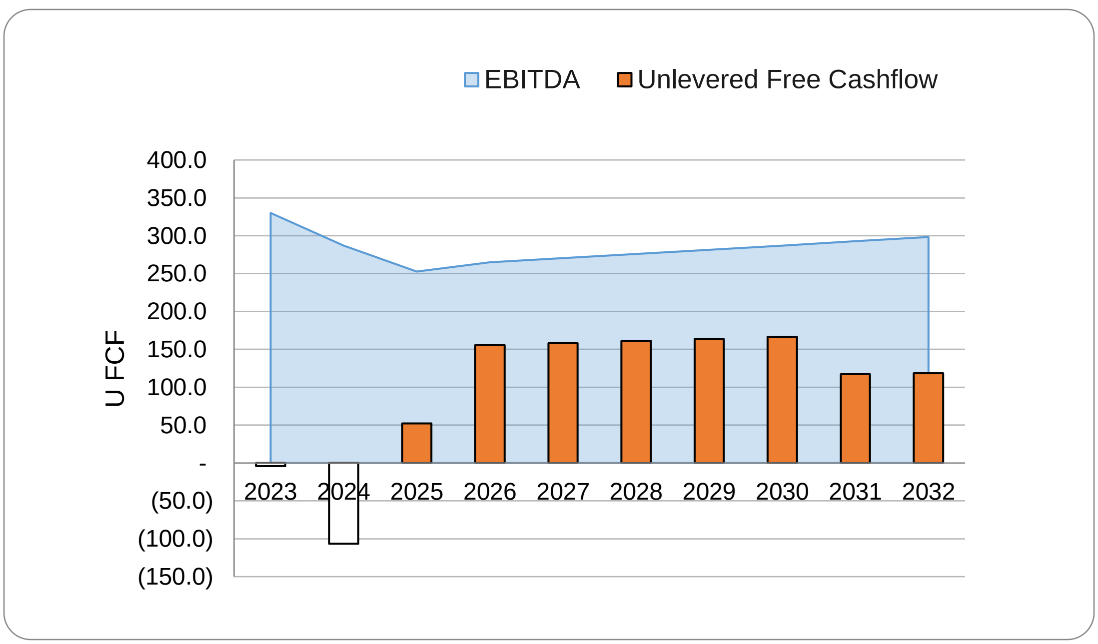
WACC Inputs

Tax Rate	28.00%
Rf Rate	4.15%
Equity Risk Premium	7.00%
Terminal Growth Rate	2.00%
Asset Beta	0.75
Equity Beta	1.05
Target D/D+E	39.80%
Cost of Equity	15.09%
Cost of Debt (Before tax)	7.88%

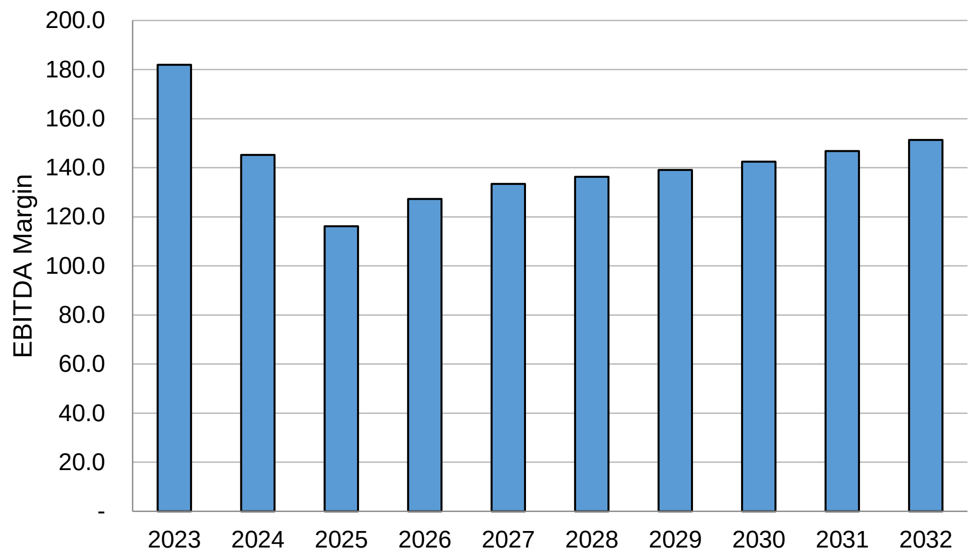
Appendix 21: Sensitivity analysis WACC build up

Cost of Equity						Cost of Debt					
1.34	2.88%	3.88%	4.88%	5.88%	6.88%	7.88%	8.88%	9.88%	10.88%	11.88%	12.88%
6.1%	2.72	2.65	2.57	2.50	2.43	2.36	2.29	2.22	2.16	2.10	2.04
7.1%	2.56	2.49	2.42	2.35	2.28	2.22	2.15	2.09	2.03	1.97	1.91
8.1%	2.41	2.34	2.28	2.21	2.15	2.09	2.03	1.97	1.91	1.85	1.80
9.1%	2.27	2.20	2.14	2.08	2.02	1.96	1.90	1.85	1.79	1.74	1.69
10.1%	2.14	2.07	2.01	1.95	1.90	1.84	1.79	1.74	1.68	1.63	1.59
11.1%	2.01	1.95	1.89	1.84	1.78	1.73	1.68	1.63	1.58	1.53	1.49
12.1%	1.89	1.83	1.78	1.73	1.67	1.62	1.58	1.53	1.48	1.44	1.39
13.1%	1.77	1.72	1.67	1.62	1.57	1.52	1.48	1.43	1.39	1.35	1.30
14.1%	1.66	1.61	1.57	1.52	1.47	1.43	1.38	1.34	1.30	1.26	1.22
15.09%	1.56	1.51	1.47	1.42	1.38	1.34	1.30	1.26	1.22	1.18	1.14
16.1%	1.46	1.42	1.38	1.33	1.29	1.25	1.21	1.17	1.14	1.10	1.06
17.1%	1.37	1.33	1.29	1.25	1.21	1.17	1.13	1.10	1.06	1.03	0.99
18.1%	1.28	1.24	1.20	1.17	1.13	1.09	1.06	1.02	0.99	0.95	0.92
19.1%	1.20	1.16	1.12	1.09	1.05	1.02	0.98	0.95	0.92	0.89	0.86
20.1%	1.12	1.08	1.05	1.01	0.98	0.95	0.92	0.88	0.85	0.82	0.79
21.1%	1.05	1.01	0.98	0.94	0.91	0.88	0.85	0.82	0.79	0.76	0.74
22.1%	0.97	0.94	0.91	0.88	0.85	0.82	0.79	0.76	0.73	0.71	0.68
23.1%	0.91	0.88	0.84	0.81	0.79	0.76	0.73	0.70	0.68	0.65	0.63
24.1%	0.84	0.81	0.78	0.75	0.73	0.70	0.67	0.65	0.62	0.60	0.57
25.1%	0.78	0.75	0.72	0.70	0.67	0.65	0.62	0.60	0.57	0.55	0.52

Appendix 22: Free Cashflow / EBITDA Profile Forecast ($m)



Appendix 23: NOPAT / EBITDA Margin Profile Forecast ($m)



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