

F15-F19 Financial Plan Executive Review

VIP INTERNATIONAL



A WORLD OF ENTERTAINMENT™



Executive Summary



F14 to deliver combined turnover growth of 2% despite increasing competition, rapid losses and some unexpected speed humps

- F14 YOY combined property turnover growth 2% (Perth +21%, Melbourne -5%)
- Several key customers have lost heavily and quickly – Chen \$67m (2.20%), Song \$37m (1.74%), Suncity \$28m (1.53%), Wu \$24m (2.52%), Huang \$20m (5.50%)
- Loss of 5 senior China sales team members in July 2013
- Reduction in Song junket business due to personal taxation issues and large losses (T/O down ~\$5b YOY)
- Political shake up in Chengdu and more recently Thailand (T/O down ~\$2b YOY)
- Increasing competition and debt collection limitations continue to be challenging

F14 Highlights

- Actual profit in Melbourne and Perth expected to significantly exceed budget
- Highest ever combined monthly turnover – February \$7.9b (ahead of Oct 2012 \$7.8b)
- Record Chinese New Year - \$5.9b turnover during 2 week period vs \$3.3b in F13
- Excellent growth in China despite staff turnover – YOY growth of 20% to end of Feb

Executive Summary



F14 plan was based on 5 key target areas and significant progress has been made to date

Strategy	F14 Progress
Continue to pursue key Macau junkets with a new suite of flexible incentive programs	<ul style="list-style-type: none"> • “Fixed Room” established with Sun City in Melbourne • Familiarisation trips for Tak Chun, Ji Xiao Bo, Alex Lau • Permanent junket operator ramping up at Perth (Alex Lau) • Negotiations still underway with Ji Xiao Bo, Guandong Group, Tak Chun but remain positive • More aggressive rate card in market to encourage higher volumes • Regular executive presence in Macau
Provide more tailored offers to premium customers	<ul style="list-style-type: none"> • More sophisticated rate card developed with more options and greater flexibility (eg player choice, hybrids) • Launched Ultimate Experiences • Implementation of Discretionary Marketing Fund
Rationalise the Sales Team	<ul style="list-style-type: none"> • Targeted 2 senior executives - recruited one, progressing on second • Significant turnover in team during the year. Size not increased materially • Formal structured training undertaken with SVPs (360 review with Korn Ferry) and sales training for all team members (with Sandler) • Launched salesforce automation (Crownforce)
Increase executive travel to stay in touch with market, give face and create loyalty	<ul style="list-style-type: none"> • Significant travel undertaken during the year, with all key markets visited frequently • Attendance at Junket Spring Dinners
Review business economics	<ul style="list-style-type: none"> • Negotiations and diligence continuing with law firm to establish debt security and collection infrastructure

F14 Review

F14 combined property net contribution is forecast to be \$1.6m (2%) below last year



Melbourne contribution down \$2.6m (-3.8%)

	(\$'000)
FY13 Theo Net Contribution	68,893
Program Direct Contribution:	
- Junkets	(3,696)
- Premium	5,966
Doubtful Debts	(1,487)
Super Tax	4,911
Overheads	
- Mahogany Room	(2,258)
- Marketing & Events	(3,020)
- Overseas Offices	(1,682)
- Forex Gain	(580)
- Private Jets / Others	(763)
FY14 Forecast Net Contribution	66,283

- Turnover \$1.6b (-5%) lower than last year
 - Junkets: Despite reductions from key junket Song and absence of Shen this year, (down ~\$7b YOY) managed to achieve turnover in line with last year
 - Direct: Absence of top tier customers (>\$500m; 7 in FY13 vs. 3 in FY14). Partly offset by growth in “base business”.
- Increases in provision from large debtors from prior years (HBK group \$5.5m, Tony Lee \$1.5m)

F14 Review



Perth contribution up \$1m (+14.3%)

	(\$'000)
FY13 Theo Net Contribution	7,229
Program Direct Contribution:	
- Junkets	12,638
- Premium	(6,993)
Doubtful Debts	(2,917)
Overheads	
- Pearl Room	806
- Marketing & Events	(776)
- Overseas Offices	(1,137)
- Forex Gain	(390)
- Private Jets / Others	(197)
FY14 Forecast Net Contribution	8,262

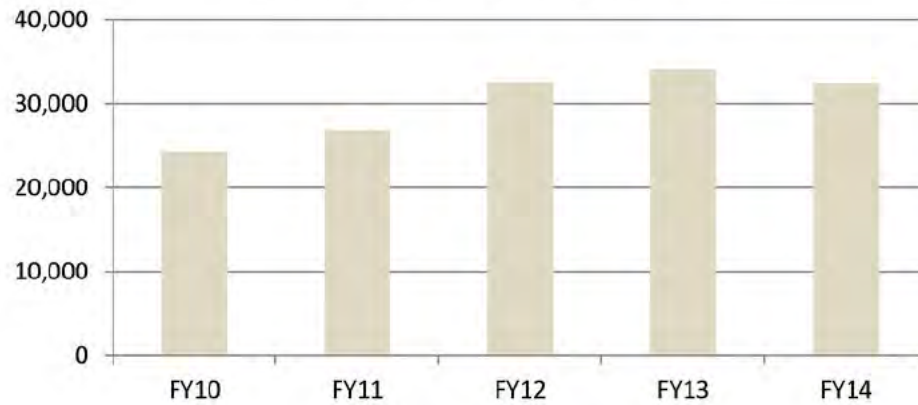
- Turnover \$2.4b (+21%) higher than last year
 - Junkets: Successful junket strategy in Perth contributing significant growth (>\$200m; 9 groups in FY14 vs. 2 groups in FY13)
 - Direct: Absence of top tier customers (>\$200m; 2 in FY14 vs. 6 in FY13)
 - Business mix shifting towards Junkets; 34% in FY13 to 57% in FY14
 - Margin erosion from 0.39% to 0.37%, due to shift in business mix
- Increases in provision from large debtors from prior years (Lau Hon \$0.7m)

F14 Review

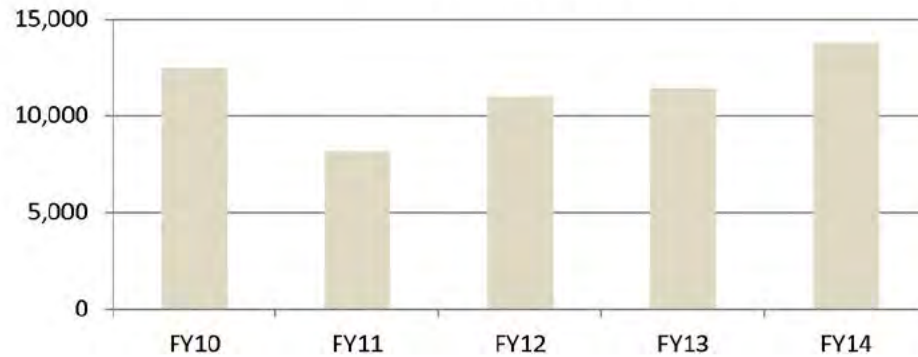
Turnover trend – last 5 years



Melbourne Turnover



Perth Turnover

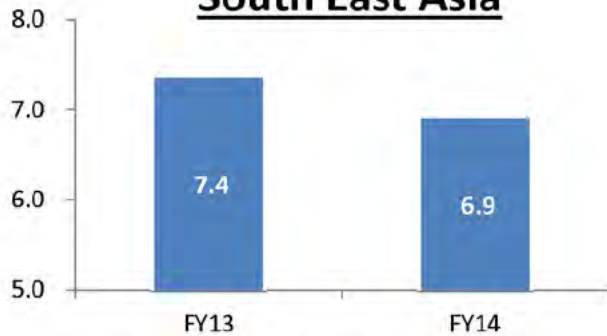


F14 Review

Feb YTD turnover volumes are lower YOY but excellent growth in China and Indonesia

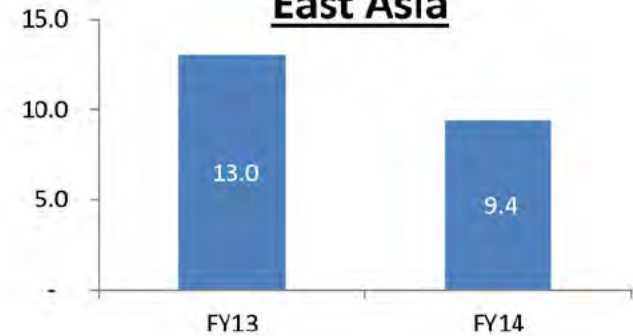


South East Asia



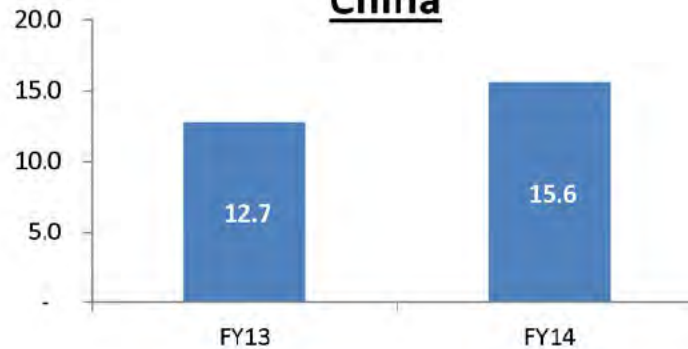
- Indonesia up by \$1.6b (117%)
- Malaysia up \$0.1b (3%)
- Thailand down \$1.4b (89%)
- Singapore down \$0.7b (33%)

East Asia



- Down \$3.6b, due to decrease in Song junket business ~\$5b

China



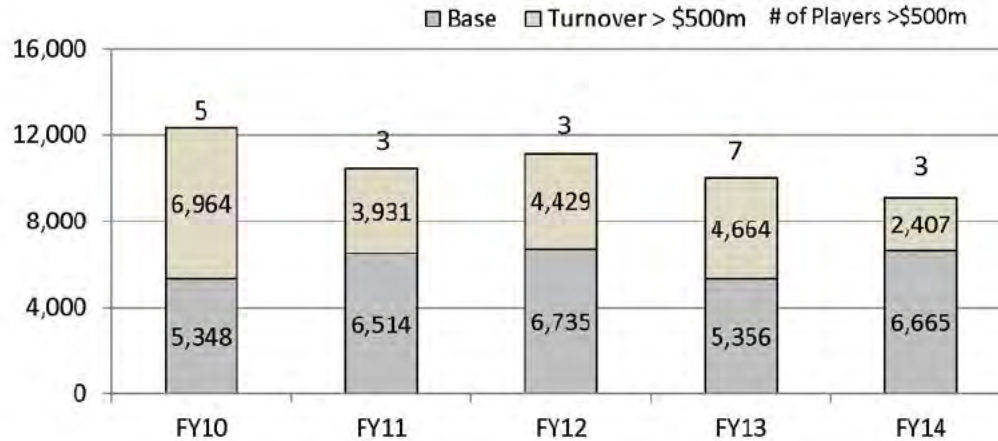
- Turnover up ~\$2.8b, favourably impacted by increased premium play from Chen Ji Hong

F14 Review

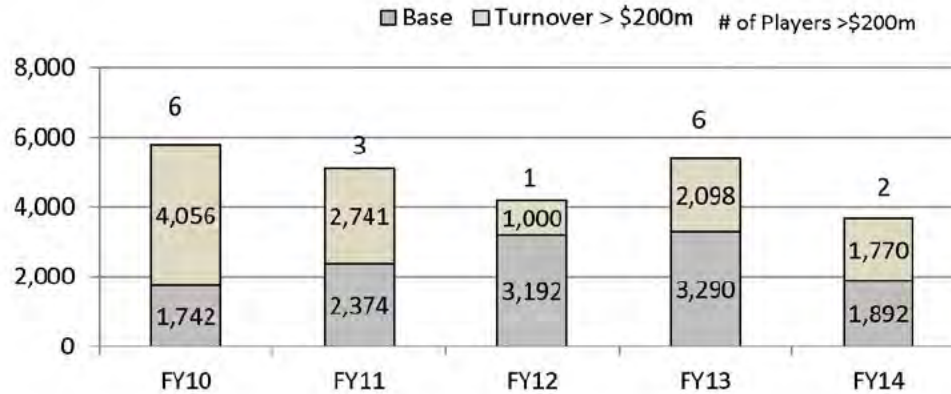
Premium volumes missing big players, base business solid



Melbourne Premium Turnover YOY Feb YTD



Perth Premium Turnover YOY Feb YTD

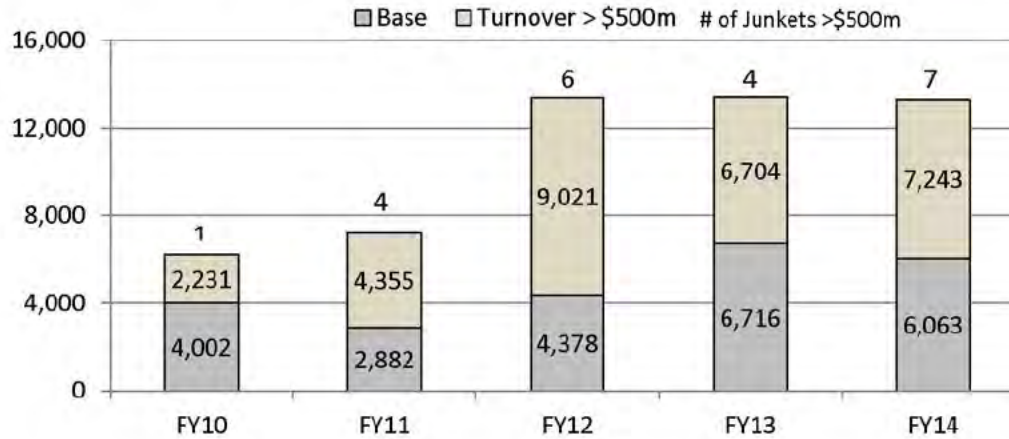


F14 Review

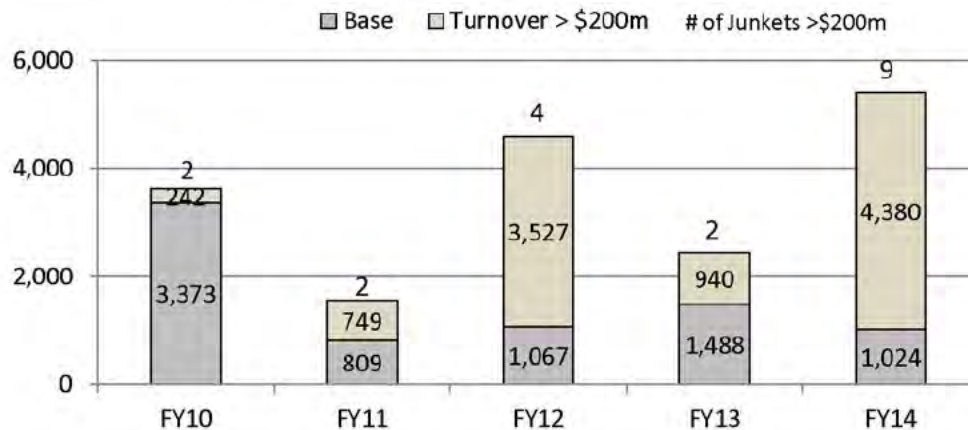
Junket business is building off a broader base



Melbourne Junket Turnover YOY Feb YTD



Perth Junket Turnover YOY Feb YTD

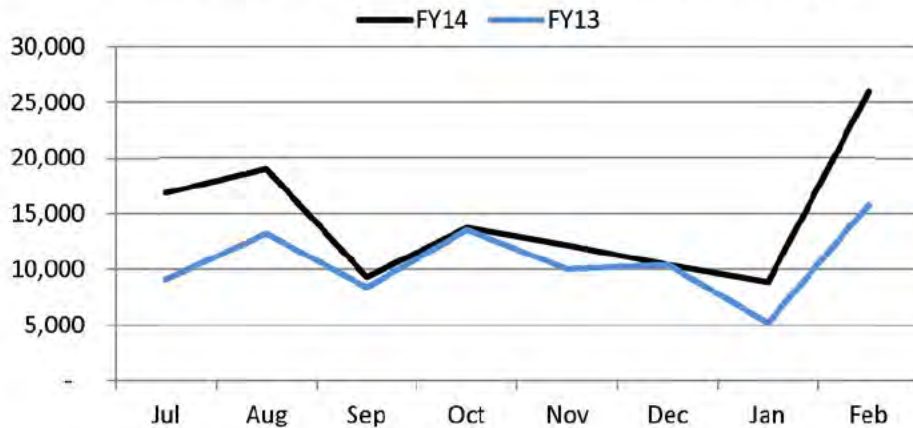


F14 Review

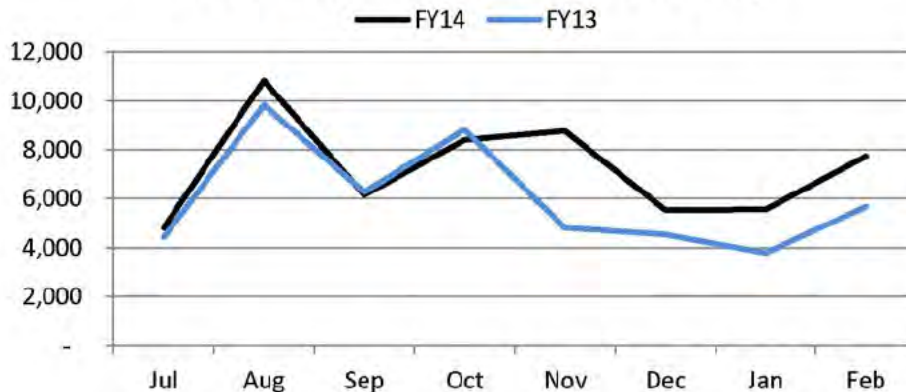
YTD rated hours have grown



Melbourne International Rated Play



Perth International Rated Play



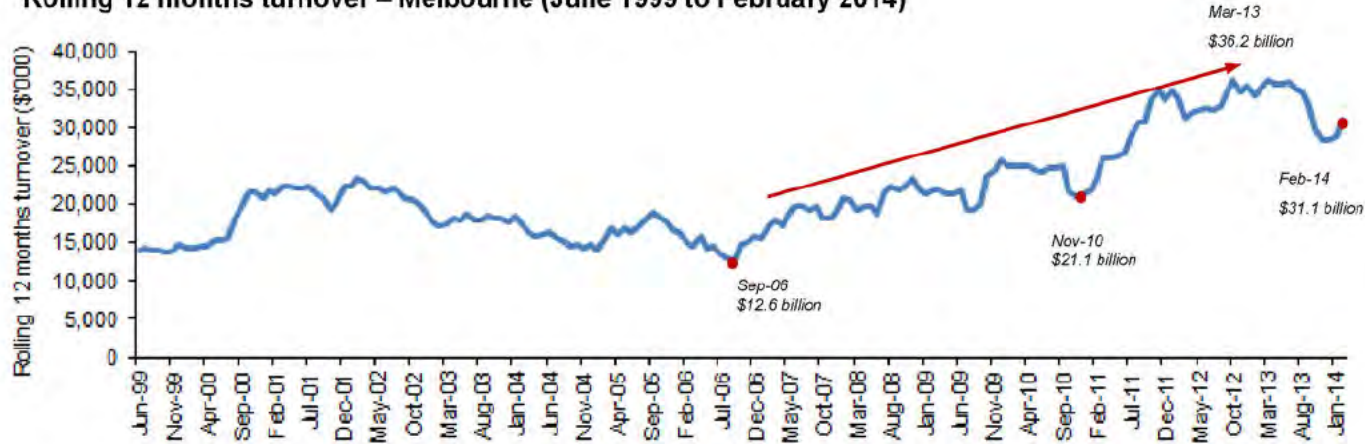
- Increase of 36% YOY in Melbourne and 20% in Perth (Feb YTD)
- Much of increase driven by additional junket play
- Overheads pushed higher
- Premium player visits have declined but mostly at low end

F14 Review

Rolling 12 months turnover summary

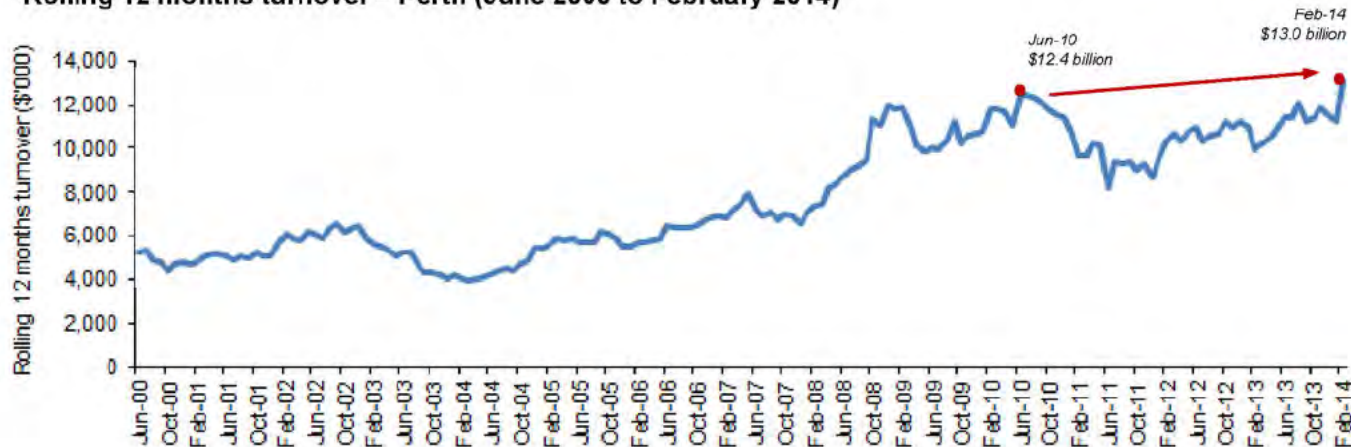


Rolling 12 months turnover – Melbourne (June 1999 to February 2014)



- Melbourne peak volumes were \$36.2b
- F15 target of \$35.3b requires significant build up from current \$31.1b

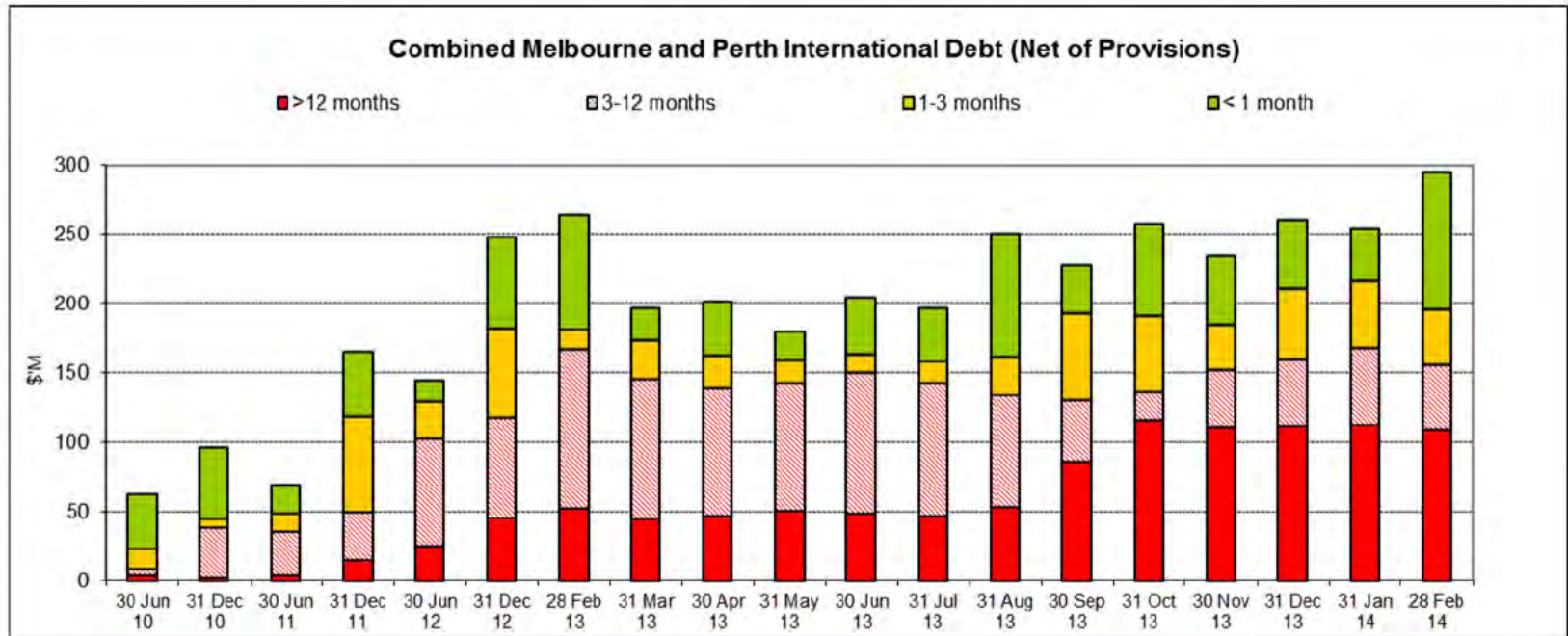
Rolling 12 months turnover – Perth (June 2000 to February 2014)



- Perth \$13.0b is a new peak
- F15 target of \$14.9b represents 14.6% increase

F14 Review

Debts are at a record high



- Increase due to strong Chinese New Year
- A number of problem debts older than 12 months are still being pursued
- F14 forecast doubtful debt expense:
 - Melbourne 3.74% (of theo revenue)
 - Perth 3.95% (of theo revenue)

F15 Critical Issues & Business Strategies



F15 plan focuses on 4 critical issues and delivers combined 10% profit growth

Critical Issues:

1. Competition
2. Sales team strength
3. Brand Awareness
4. Credit

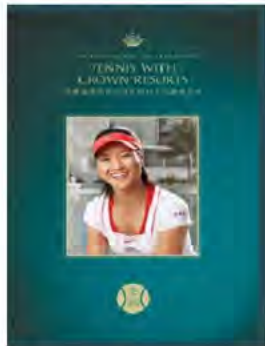
Strategies:

- Peak the Peaks and Elevate the Non-Peaks
- Enhance Service Levels
- Innovate the Product
- Improve sales team productivity
- Drive awareness and stimulate interest
- Reduce debt risk

F15 Critical Issues & Business Strategies



Critical Issue	Business Strategies	Capex Funding, if any (\$)
<p>1. <u>Competition</u></p> <p>Additional supply from Philippines and Macau, plus aggressive pricing from Echo and Sky City.</p> <p>Compete based on our points of difference and on what we can control (price, experience, service)</p>	<p>1. Peak the Peaks and Elevate the Non Peaks</p> <ul style="list-style-type: none"> • Increase peak capacity over 4 key peak periods (October, Christmas, CNY, May Day) • Develop compelling peak period invitations and targeted roadshows to yield right customers • Design attractive Aussie event invitations for non-peak periods – leverage local events • Develop Crown-specific promotions for non-peak periods (eg. Perth Baccarat, Golden Ball, etc.) • Promote Ultimate Experiences 	



F15 Critical Issues & Business Strategies



Critical Issue	Business Strategies	Capex Funding, if any (\$)
<p>1. <u>Competition</u></p> <p>Additional supply from Philippines and Macau, plus aggressive pricing from Echo and Sky City.</p> <p>Compete based on our points of difference and on what we can control (product, experience, service)</p>	<p>2. Enhance Service Levels</p> <ul style="list-style-type: none"> • Increase on property hosting team staffing levels • Implement jet-side airport pickup service • Purchase private jet <p>3. Innovate the Product</p> <ul style="list-style-type: none"> • Implement phone betting • Implement Shield bet 'insurance' bet variation 	<p>\$25m</p> <p>\$100k</p> <p>\$100k</p>

F15 Critical Issues & Business Strategies



Critical Issue	Business Strategies	Capex Funding, if any (\$)
<p>2. <u>Sales Team Strength</u></p> <p>The sales team represents an essential asset in Crown's future success. As we have limited direct communication with existing and potential customers the strength of the sales team is critical.</p> <p>Ongoing review and rationalisation of team members is required to ensure optimal output.</p> <p>Continued support to provide tools and training will drive productivity by improving efficiency, confidence and sales skills.</p>	<p>Improve Sales Team Productivity</p> <ul style="list-style-type: none"> • Improve quality of sales staff (more true sales people, hire one more heavy hitter) • Enforce adoption of sales methodology • Make CrownForce part of daily workflow • Develop mobile sales application 	<p>\$75k</p> <p>\$205k</p> <p>\$30k</p>

F15 Critical Issues & Business Strategies



Region	F15 FTEs	Current FTEs
Hong Kong	7	6
Macau	3	3
North China	8	8
Central China	7	7
Southern China	8	4
Taiwan	1	1
Indonesia	4	3
Singapore	4	3
Malaysia	4	4
Thailand	2	1
Vietnam	2	1
Emerging (Jpn, Kor, Ind)	2	2
Total	52	43

* Excludes support staff

F15 Critical Issues & Business Strategies



Critical Issue	Business Strategies	Capex Funding, if any (\$)
<p>3. <u>Brand Awareness</u></p> <p>Crown's brand presence in Asia needs strengthening.</p> <p>Crown brand is still confused with other brands.</p> <p>Legal constraints prevent us from marketing gaming in most of Asia.</p>	<p>Drive awareness and stimulate interest</p> <ul style="list-style-type: none"> • Implement regular junket/subagent/key player roadshows • Engage agency for brand campaign • Implement digital social media campaign • Executive travel continued. 	



F15 Critical Issues & Business Strategies



F15 Critical Issues & Business Strategies



Critical Issue	Business Strategies	Capex Funding, if any (\$)
<p>5. <u>Credit</u></p> <p>Increased issuance of credit by competitors continues to create debt repayment delays and payment defaults.</p> <p>Whilst the impact on debt collection due to cross border currency movement issues still prevails, we are continuing to seek alternative methods to remove this barrier and mitigate risk.</p>	<p>Reduce debt risk</p> <ul style="list-style-type: none"> • Find ways to secure debt against assets in China and initiate recovery action. • Find ways to legally repatriate funds once collected. 	

Operating Budget Melbourne



	FY15 Budget \$'000	FY14 Forecast \$'000	Variance \$'000	Variance %	FY13 Actual
Turnover	35,300,000	32,477,645	2,822,355	8.69%	34,113,543
Theo Win	494,200	454,687	39,513	8.69%	477,590
% Turnover	1.40%	1.40%			1.40%
Commissions & Discounts	252,824	235,856	(16,968)	(7.19%)	255,990
% Turnover	0.72%	0.73%			0.75%
Complimentaries	26,930	24,987	(1,943)	(7.77%)	27,745
% Turnover	0.08%	0.08%			0.08%
Gaming Tax	49,420	45,484	(3,936)	(8.65%)	47,765
% Win	10.00%	10.00%			10.00%
Direct Contribution % Turnover	165,026 0.47%	148,360 0.46%	16,666	11.23%	146,090 0.43%
Provision for Doubtful Debts	14,826	16,991	2,165	12.74%	15,505
% Win	3.00%	3.74%			3.25%
Super Tax	17,959	13,686	(4,273)	(31.22%)	18,597
% Win	3.63%	3.01%			3.89%
Overheads	59,355	51,399	(7,956)	(15.48%)	43,096
% Win	12.01%	11.30%			9.02%
Net Contribution % Turnover	72,886 0.21%	66,283 0.20%	6,603	9.96%	68,893 0.20%
Theo Adjustment		17,200			1,682
Actual Contribution % Turnover		83,483 0.26%			70,575 0.21%

Operating Budget Melbourne



Overheads	FY14 Forecast (\$'000)	FY15 Budget (\$'000)	Variance %
Mahogany Labour	16,596	19,051	(14.8%)
Mahogany Operating	1,323	1,693	(28.0%)
Mahogany Bar	2,959	3,107	(5.0%)
Capital Golf	4,736	4,911	(3.7%)
Aircraft Operations	2,514	2,675	(6.4%)
Limousines	1,039	1,114	(7.2%)
Marketing & Events	5,777	6,631	(14.8%)
VIP Services & Other	1,564	1,775	(13.5%)
VIP Commercial	3,924	4,277	(9.0%)
FX (Gain) / Loss	(362)	0	100.0%
International Offices	11,329	14,118	(24.6%)
Total	51,399	59,355	(15.5%)

Operating Budget Melbourne



	FY14	FY15
Melbourne	Forecast	Budget
Turnover (\$m)	32,477,645	35,300,000
Junket	19,264,876	20,939,022
Premium	13,212,769	14,360,978
Business Mix		
Junket	59.3%	59.3%
Premium	40.7%	40.7%
Margin	0.457%	0.467%
Junket	0.373%	0.368%
Premium	0.579%	0.613%

Operating Budget Perth



	FY15 Budget \$'000	FY14 Forecast \$'000	Variance \$'000	Variance %	FY13 Actual
Turnover	14,900,000	13,750,000	1,150,000	8.36%	11,375,836
Theo Win	208,600	192,500	16,100	8.36%	159,262
% Turnover	1.40%	1.40%			1.40%
Commissions & Discounts	118,399	108,656	(9,743)	(8.97%)	81,512
% Turnover	0.79%	0.79%			0.72%
Complimentaries	11,757	10,475	(1,282)	(12.24%)	14,013
% Turnover	0.08%	0.08%			0.12%
Gaming Tax	25,032	23,100	(1,932)	(8.36%)	19,111
% Win	12.00%	12.00%			12.00%
Direct Contribution	53,412	50,269	3,143	6.25%	44,625
% Turnover	0.36%	0.37%			0.39%
Provision for Doubtful Debts	6,258	7,604	1,346	17.71%	4,688
% Win	3.00%	3.95%			2.94%
Super Tax	0	0	0	0.00%	0
% Win	0.00%	0.00%			0.00%
Overheads	38,057	34,403	(3,654)	(10.62%)	32,708
% Win	18.24%	17.87%			20.54%
Net Contribution	9,098	8,262	836	10.12%	7,229
% Turnover	0.06%	0.06%			0.06%
Theo Adjustment		70,689			(2,138)
Actual Contribution		78,951			5,090
% Turnover		0.57%			0.04%

Operating Budget Perth



Overheads	FY14 Forecast (\$'000)	FY15 Budget (\$'000)	Variance %
Pearl Labour	16,982	18,304	(7.8%)
Pearl Operating	1,334	1,449	(8.7%)
Pearl Bar	2,613	2,839	(8.7%)
Infinity Yacht	924	1,004	(8.6%)
Aircraft Operations	1,087	1,185	(9.0%)
Marketing & Events	3,741	4,618	(23.4%)
VIP Services & Other	745	782	(5.0%)
VIP Commercial	636	666	(4.7%)
FX (Gain) / Loss	520	0	100.0%
International Offices	5,821	7,210	(23.9%)
Total	34,403	38,057	(10.6%)

Operating Budget Perth



	FY14 Forecast	FY15 Budget
Turnover (\$m)	13,750,000	15,250,000
Junket	7,788,753	8,638,435
Premium	5,961,247	6,611,565
Business Mix		
Junket	56.6%	56.6%
Premium	43.4%	43.4%
Margin	0.355%	0.353%
Junket	0.307%	0.302%
Premium	0.417%	0.421%

Roll Forward Analysis Melbourne



	(\$'000)
FY14 Theo Net Contribution	66,283
Program Direct Contribution:	
- Junkets	5,195
- Premium	11,471
Doubtful Debts	2,165
Super Tax	(4,273)
Overheads	
- Mahogany Room	(2,974)
- Marketing & Events	(854)
- Overseas Offices	(2,790)
- Forex Gain	(362)
- Private Jets / Others	(976)
FY15 Budget Net Contribution	72,886

Roll Forward Analysis Perth



	(\$'000)
FY14 Theo Net Contribution	8,262
Program Direct Contribution:	
- Junkets	1,225
- Premium	1,918
Doubtful Debts	1,346
Overheads	
- Pearl Room	(1,663)
- Marketing & Events	(914)
- Overseas Offices	(1,389)
- Forex Gain	520
- Private Jets / Others	(208)
FY15 Budget Net Contribution	9,098

Financial Plan - F15 to F19

Melbourne



	FY15 Budget \$'000	FY16 Plan \$'000	Variance \$'000	Variance %	FY17 Plan \$'000	Variance \$'000	Variance %	FY18 Plan \$'000	Variance \$'000	Variance %	FY19 Plan \$'000	Variance \$'000	Variance %
Turnover	35,300,000	38,124,000	2,824,000	7.41%	41,936,400	3,812,400	10.00%	46,130,040	4,193,640	10.00%	50,743,044	4,613,004	10.00%
Theo Win % Turnover	494,200 1.40%	533,736 1.40%	39,536	7.41%	587,110 1.40%	53,374	10.00%	645,821 1.40%	58,711	10.00%	710,403 1.40%	64,582	10.00%
Direct Contribution % Turnover	165,026 0.47%	173,603 0.46%	8,577	4.94%	185,876 0.44%	12,273	7.07%	198,867 0.43%	12,991	6.99%	212,598 0.42%	13,731	6.90%
Provision for Doubtful Debts % Win	14,826 3.00%	16,012 3.00%	1,186	7.41%	17,613 3.00%	(1,601)	(10.00%)	19,375 3.00%	(1,761)	(10.00%)	21,312 3.00%	(1,937)	(10.00%)
Super Tax % Win	17,959 3.63%	22,072 4.14%	4,113	18.53%	27,792 4.73%	(5,720)	(25.91%)	34,149 5.29%	(6,357)	(22.87%)	41,207 5.80%	(7,059)	(20.67%)
Overheads % Win	59,355 12.01%	62,173 11.65%	2,818	4.53%	65,393 11.14%	(3,220)	(5.18%)	68,824 10.66%	(3,431)	(5.25%)	72,483 10.20%	(3,659)	(5.32%)
Net Contribution % Turnover	72,886 0.21%	73,346 0.19%	460	0.63%	75,078 0.18%	1,732	2.36%	76,519 0.17%	1,442	1.92%	77,595 0.15%	1,076	1.41%
Net Contribution before Super Tax % Turnover	90,845 0.26%	95,418 0.25%	4,573	4.79%	102,869 0.25%	7,452	7.81%	110,668 0.24%	7,799	7.58%	118,802 0.23%	8,134	7.35%

Financial Plan

Perth



	FY15 Budget \$'000	FY16 Plan \$'000	Variance \$'000	Variance %	FY17 Plan \$'000	Variance \$'000	Variance %	FY18 Plan \$'000	Variance \$'000	Variance %	FY19 Plan \$'000	Variance \$'000	Variance %
Turnover	14,900,000	16,092,000	1,192,000	7.41%	17,701,200	1,609,200	10.00%	19,471,320	1,770,120	10.00%	21,418,452	1,947,132	10.00%
Theo Win % Turnover	208,600 1.40%	225,288 1.40%	16,688	7.41%	247,817 1.40%	22,529	10.00%	272,598 1.40%	24,782	10.00%	299,858 1.40%	27,260	10.00%
Direct Contribution % Turnover	53,412 0.36%	56,479 0.35%	3,067	5.43%	60,801 0.34%	4,321	7.65%	65,422 0.34%	4,621	7.60%	70,359 0.33%	4,937	7.55%
Provision for Doubtful Debts % Win	6,258 3.00%	6,759 3.00%	(501)	(7.41%)	7,435 3.00%	(676)	(10.00%)	8,178 3.00%	(743)	(10.00%)	8,996 3.00%	(818)	(10.00%)
Overheads % Win	38,057 18.24%	40,445 17.95%	(2,389)	(5.91%)	42,706 17.23%	(2,261)	(5.59%)	45,129 16.56%	(2,423)	(5.67%)	47,726 15.92%	(2,597)	(5.76%)
Net Contribution % Turnover	9,098 0.06%	9,275 0.05%	178	1.92%	10,660 0.06%	1,385	14.93%	12,115 0.06%	1,455	13.65%	13,637 0.06%	1,522	12.56%



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