



# Project Queen

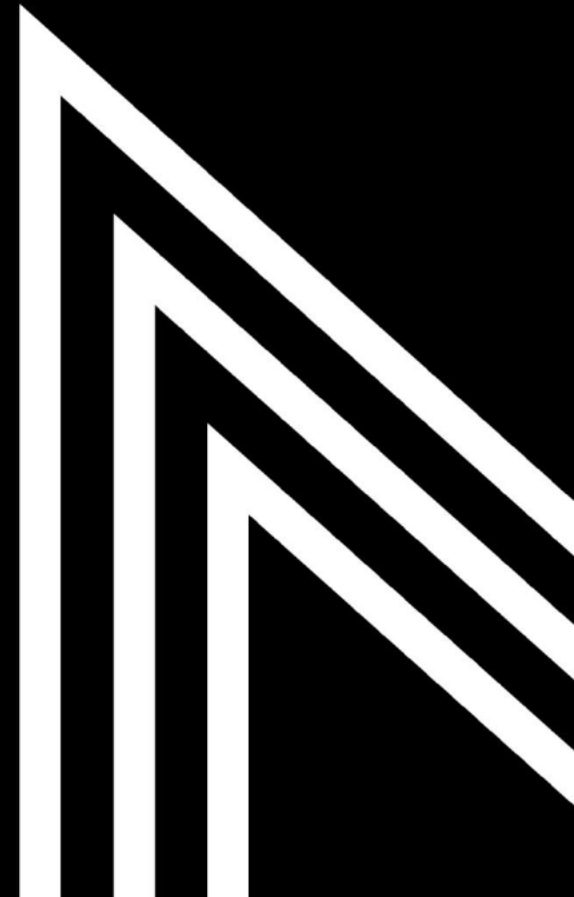
## Workstream 1: Financial Suitability

Phase 1A

14 April 2021



McGrathNicol



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## Scope and limitations

### Important note

This report has been prepared by McGrathNicol Advisory in accordance with the terms of the engagement letter dated 24 March 2021. A copy of the engagement letter is attached as Appendix 2.

This report has been prepared for Corrs Chambers Westgarth. It should not be disclosed to any other party, without our consent in writing. It may not otherwise be reproduced in whole or in part or supplied to any other party, without our consent in writing.

The information contained in the report has been prepared on the basis of:

- FY19 and FY20 annual reports;
- FY21 half year report; and
- FY15 to H1FY21 results presentations.

We have not carried out an audit, nor have we verified any of the information given to us by Corrs Chambers Westgarth. We have relied upon assurances from management as to the accuracy of the information provided. As the achievement of any prediction as to the results of subsequent trading is dependent upon future events, the outcome of which cannot be assured, the actual results achieved may vary materially from the projections included in this report. In all circumstances, whilst we believe that the statements made by us in this report are accurate, no warranty of accuracy or reliability is given.

In accordance with our policy, we advise that neither McGrathNicol Advisory nor any member or employee or related or associated entity of the firm undertakes responsibility in any way whatsoever, including by way of any errors or omissions arising through negligence or otherwise however caused to any persons other than Corrs Chambers Westgarth.

# Glossary

|                |  |               |   |                |  |
|----------------|--|---------------|---|----------------|--|
| <b>'m</b>      | Millions   | <b>FY15</b>   | Financial year ended 30 June 2015                 | <b>H1FY20</b>  | Half year ended 31 December 2019                       |
| <b>\$b</b>     | Australian dollars (billions)                                | <b>FY16</b>   | Financial year ended 30 June 2016                 | <b>Jun-19</b>  | 30 June 2019   |
| <b>\$m</b>     | Australian dollars (millions)                                | <b>FY17</b>   | Financial year ended 30 June 2017                 | <b>Jun-20</b>  | 30 June 2020   |
| <b>A\$m</b>    | Australian dollars (millions)                                | <b>FY18</b>   | Financial year ended 30 June 2018                 | <b>LOC</b>     | Letters of Credit                                      |
| <b>c.</b>      | circa  | <b>FY19</b>   | Financial year ended 30 June 2019                 | <b>P&amp;L</b> | Profit and loss  |
| <b>D&amp;A</b> | Depreciation and amortisation                                | <b>FY20</b>   | Financial year ended 30 June 2020                 | <b>v</b>       | versus   |
| <b>Dec-20</b>  | December 2020  | <b>FY21</b>   | Financial year ending 30 June 2021                | <b>VCGLR</b>   | Victoria Commission for Gambling and Liquor Regulation |
| <b>EBIT</b>    | Earnings before interest and tax                             | <b>GBP</b>    | British pound sterling                            | <b>VIP</b>     | Very Important Person                                  |
| <b>EBITDA</b>  | Earnings before interest, tax, depreciation and amortisation | <b>Group</b>  | Crown Resorts Limited and its controlled entities |                |  |
| <b>EMTN</b>    | Euro Medium Term Note  | <b>H1FY21</b> | Half year ended 31 December 2020                  |                |  |



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# Executive summary



# 1 Executive summary

## 1.1 Key observations

Our review of historical public information indicates no red flags in relation to the financial health of the Crown Group and Crown Melbourne, however we recommend a review of forward looking estimates for both the Crown Group and Crown Melbourne to assess the COVID-19 recovery plan and the expected financial health of the business moving forward.

|   |                 |  |   |
|---|-----------------|--|---|
| 1 | Profitability   | Group EBITDA and profitability has been substantially impacted by the COVID-19 pandemic with the first half of FY21 reporting a \$121m loss. Crown Melbourne (the largest operating segment) was closed for substantially all of the first half of FY21. A review of the Group's 5 year plan is recommended to assess the businesses COVID-19 recovery plan and future earnings potential.   | Status<br>   |
| 2 | Revenue         | VIP turnover has declined over the years however fluctuations in this revenue stream did not have a significant impact on the Group's EBITDA, indicating EBITDA is not overly sensitive to VIP revenue. Main floor gaming is the largest contributor to revenue (c.45% - 55% of total revenue). A review of the Group's 5 year plan is recommended to assess the businesses forward looking revenue assumptions including the expected impact of a reduction in international visitors.  | Status<br>   |
| 3 | Liquidity       | The Group's available cash has declined as a result of the COVID-19 trading restrictions which has resulted in additional financing requirements. The Group's liquidity ratios (quick and current ratio) have declined to below 1.0 indicating the Group does not have enough liquid assets to cover all of its short-term obligations, however this includes a \$450m project finance facility which will be repaid using the proceeds from the sale of One Barangaroo apartments. Gross sales and pre-sale commitments were \$870m at 31 December 2020 effectively sitting in the carrying value of the non-current asset, and therefore being excluded in these ratios. The ratios also exclude \$188m of headroom. | Status<br>   |
| 4 | Debt            | As at 31 December 2020 the Group's total interest-bearing debt was \$1,733m and its net debt position was \$1,125m. Settlement of the One Barangaroo apartment sales will be used to repay a \$450m project finance facility. Key financial ratios have declined as a result of Group performance in the wake of COVID-19 and the banks have waived covenant testing for 30 June 2020 and 31 December 2020. A review of the Group's cash flow forecast and 5 year plan is recommended to stress test forward looking financial ratios and covenants.   | Status<br> |
| 5 | Crown Melbourne | Publicly available information on Crown Melbourne is limited to the segment reporting in the annual and half year reports which only details theoretical EBIT results. A review of Crown Melbourne's annual and half year reports, as well as cash flow forecasts and the 5 year plan is recommended to assess Crown Melbourne as a standalone entity.   | Status<br> |

# 1 Executive summary

## 1.2 Financial snapshot

Historically Crown Melbourne and the Group has been profitable with recent financial downturn experienced in the wake of COVID-19. The Group has a comfortable net asset position and sufficient liquidity at 31 December 2020 with \$782m of cash and credit available. The Group's liquidity ratios (quick and current ratios) have fallen below 1.0, however this includes a \$450m project finance facility which will be repaid using the proceeds from the sale of One Barangaroo apartments, and excludes the value of sales which are effectively sitting in the carrying value of the non-current asset, and therefore being excluded from these ratios. The ratios also exclude \$188m of facility headroom.

### Profitability

#### Group P&L

| A\$m                        | FY20       | H1FY21       |
|-----------------------------|------------|--------------|
| Revenue                     | 2,227      | 581          |
| Expenses                    | (1,722)    | (576)        |
| <b>EBITDA</b>               | <b>505</b> | <b>4</b>     |
| <b>Net profit after tax</b> | <b>82</b>  | <b>(121)</b> |

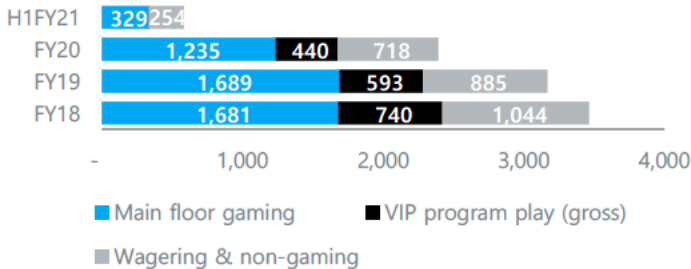
Source: Annual and half year report

#### Crown Melbourne P&L

| A\$m          | FY20       | H1FY21       |
|---------------|------------|--------------|
| Revenue       | 1,605      | 92           |
| Expenses      | (1,223)    | (179)        |
| <b>EBITDA</b> | <b>382</b> | <b>(88)</b>  |
| <b>EBIT</b>   | <b>206</b> | <b>(176)</b> |

Source: Results presentations

#### Group revenue A\$m



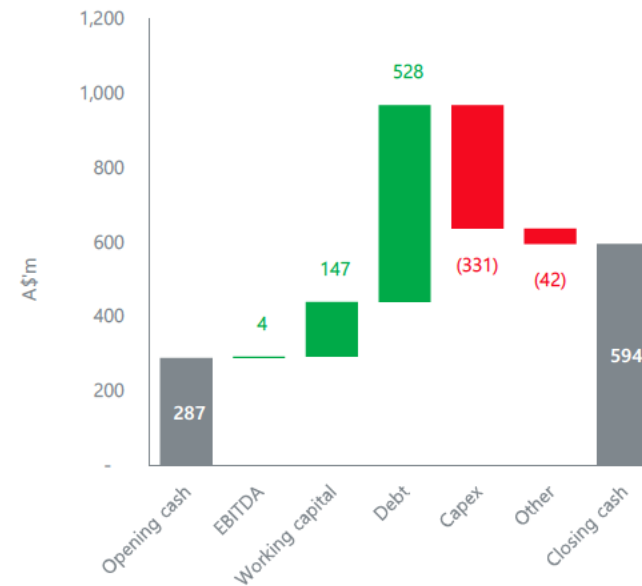
### Financial position

#### Group balance sheet

| A\$m                    | Jun-20       | Dec-20       |
|-------------------------|--------------|--------------|
| Current assets          | 457          | 726          |
| Non-current assets      | 6,709        | 6,919        |
| Current liabilities     | 670          | 1,156        |
| Non-current liabilities | 1,742        | 1,904        |
| <b>Net assets</b>       | <b>4,754</b> | <b>4,585</b> |

Source: Annual and half year report

#### H1FY21 funds flow

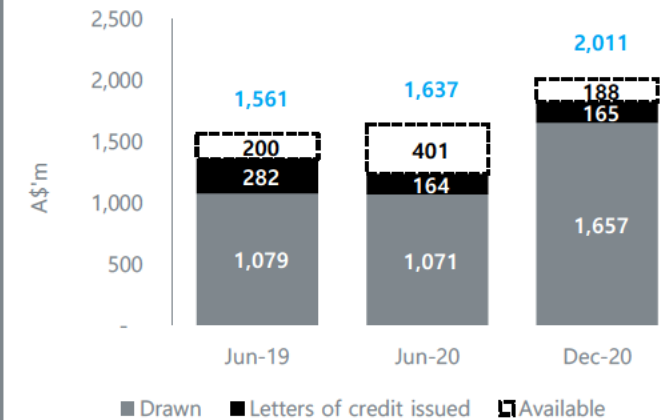


### Liquidity and solvency

#### Key ratios

|                        | Jun-19 | Jun-20 | Dec-20 |
|------------------------|--------|--------|--------|
| Quick ratio            | 1.2    | 0.6    | 0.6    |
| Current ratio          | 1.2    | 0.7    | 0.6    |
| Debt to equity         | 0.5    | 0.5    | 0.7    |
| Debt to assets         | 0.3    | 0.3    | 0.4    |
| Interest coverage      | 7.1    | 2.2    | (3.0)  |
| Net debt to EBITDA     | n/a    | 1.7    | 255.8  |
| Total liquidity (\$'m) | 1,326  | 688    | 782    |

#### Credit facilities





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# Group Overview



## 2 Group overview

### 2.1 Business overview

Crown Resorts Ltd is one of Australia’s largest entertainment groups with integrated resorts in Melbourne and Perth, a six-star hotel on Sydney Harbour, a high-end casino in London’s West End, as well as a wagering and online gaming operation comprising Betfair, DGN Games and Chill Gaming. Financial performance has declined in the wake of the COVID-19 pandemic with major operations ceasing in the second half of FY20 and the key operating segment (Crown Melbourne) remaining closed for the majority of H1FY21.

| Key business information |   |
|--------------------------|---|
| <b>History</b>           | Founded in 2007 when Publishing & Broadcasting Ltd (PBL) divested its gambling assets.  |
| <b>Industry</b>          | Accommodation, gaming & entertainment   |
| <b>Portfolio</b>         | Crown Melbourne (integrated resort)<br>Crown Perth (integrated resort)<br>Crown Sydney (hotel and pending casino)<br>Crown Aspinalls (casino)<br>Crown Digital (Betfair, DGN Games, Chill Gaming)<br>Aspers Group (casinos)<br>Nobu (restaurants) |
| <b>Locations</b>         | <b>Head office:</b> Southbank, VIC<br><b>Operations:</b> Casino’s and resorts located in VIC, NSW, WA and the UK  |
| <b>Employees</b>         | 12,500 (Crown Melbourne); 6,000 (Crown Perth); >2,000 (Crown Sydney once completed)   |

### Share price performance



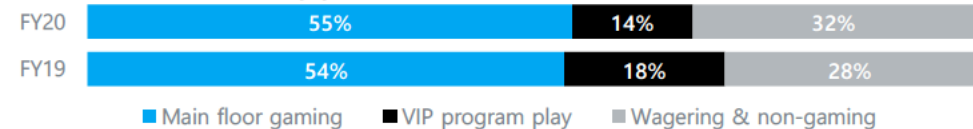
### Key financials

| FY19     |        | FY20     |        | H1FY21  |        |
|----------|--------|----------|--------|---------|--------|
| Revenue  | EBITDA | Revenue  | EBITDA | Revenue | EBITDA |
| \$2,903m | \$850m | \$2,227m | \$505m | \$581m  | \$4m   |

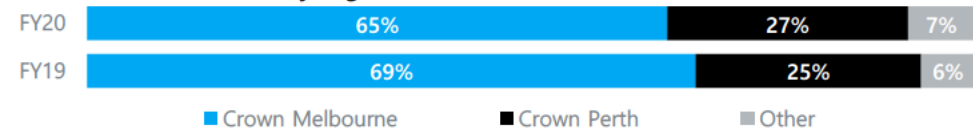
### Interest-bearing loans

| A\$m                           | Facility limit | Amount drawn   | LOC issued   | Available    |
|--------------------------------|----------------|----------------|--------------|--------------|
| Bilateral Facilities           | 630.0          | 280.0          | 38.5         | 311.5        |
| GBP Syndicated Facility        | 89.8           | -              | -            | 89.8         |
| Letter of Credit Facilities    | 125.5          | -              | 125.5        | -            |
| Debt capital markets           | 790.3          | 790.3          | -            | -            |
| Other                          | 1.0            | 1.0            | -            | -            |
| <b>Total (at 30 June 2020)</b> | <b>1,636.6</b> | <b>1,071.3</b> | <b>164.0</b> | <b>401.3</b> |
| <b>Total (at 30 Dec 2020)</b>  | <b>2,011.0</b> | <b>1,657.3</b> | <b>165.3</b> | <b>188.4</b> |

### Theoretical revenue % by product



### Theoretical revenue % by segment



## 2 Group overview

### 2.2 Operating segments

Prior to FY21, the Group comprised of four operating segments: Crown Melbourne, Crown Perth, Crown Aspinnalls, and Crown Digital. Based on FY20 results, Crown Melbourne accounts for c.65% of Group revenue and c.76% of Group EBITDA. A fifth operating segment, Crown Sydney, commenced non-gaming operations on 28 December 2020.



| A\$m                 | FY18  | FY19  | FY20  | H1FY21 |
|----------------------|-------|-------|-------|--------|
| Revenue <sup>1</sup> | 3,053 | 2,903 | 2,227 | 581    |
| EBITDA <sup>2</sup>  | 792   | 850   | 505   | 4      |

| A\$m                 | Crown Melbourne |       |       | Crown Perth |      |      | Crown Sydney |      |      | Crown Aspinnalls |      |      | Crown Digital |      |      |
|----------------------|-----------------|-------|-------|-------------|------|------|--------------|------|------|------------------|------|------|---------------|------|------|
|                      | FY18            | FY19  | FY20  | FY18        | FY19 | FY20 | FY18         | FY19 | FY20 | FY18             | FY19 | FY20 | FY18          | FY19 | FY20 |
| Revenue <sup>1</sup> | 2,252           | 2,168 | 1,605 | 842         | 812  | 610  | -            | -    | -    | 76               | 56   | 43   | 293           | 130  | 136  |
| EBITDA               | 586             | 615   | 382   | 222         | 245  | 154  | -            | -    | -    | 12               | 6    | 2    | 27            | 26   | 35   |

#### Operations

- Integrated resort
- 2,628 gaming machines and 540 gaming tables
- 3 hotels (Crown Towers, Crown Metropol and Crown Promenade) comprising 1,604 guest rooms
- Conference centre, banqueting facilities, restaurants and bars, and luxury retail outlets

#### Operations

- Integrated resort
- 2,500 gaming machines and 350 gaming tables
- 3 hotels (Crown Towers, Crown Metropol and Crown Promenade) comprising 1,188 guest rooms
- Entertainment and convention facilities
- Restaurants and bars

#### Operations

- Potential casino (with gaming licence pending)
- 1 hotel (Crown Towers) comprising 349 hotel rooms and suites
- Luxury residences
- Restaurants and bars, luxury retail outlets, pool and spa facilities, conference rooms

#### Operations

- High end casino
- Located in London's West End
- International VIP gaming

#### Operations

- Betfair – Australian and New Zealand betting exchange
- DGN Games (85%) – Online social games including "Old Vegas Slots" and "Lucky Time Slots"
- Chill Gaming (50/50 JV) – Innovation and development of new entertainment products

#### Notes:

(1) Group revenue is net of commissions and unallocated adjustments. Segment revenue excludes commissions.

(2) Group EBITDA includes unallocated adjustments.



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**Financial performance (Group)**



## 3 Financial performance (Group)

### 3.1 Group P&L FY18 to FY20

Group EBITDA and profitability has been substantially impacted by the COVID-19 pandemic, with FY20 EBITDA declining \$345m (FY19: \$850m, FY20: \$505m) and NPAT declining \$321m (FY19: \$403m, FY20: \$82m) due to the temporary cessation of operations in the second half of the year.

| Group P&L                              |            |            |            |              |              |              |              |
|--|------------|------------|------------|--------------|--------------|--------------|--------------|
| A\$m                                   | FY18       | FY19       | FY20       | FY19 v FY18  |              | FY20 v FY19  |              |
|  |            |            |            | \$           | %            | \$           | %            |
| Revenue                                | 3,053      | 2,903      | 2,227      | (150)        | (5%)         | (676)        | (23%)        |
| Expenses                               | (2,261)    | (2,053)    | (1,722)    | 208          | 9%           | 331          | 16%          |
| <b>EBITDA</b>                          | <b>792</b> | <b>850</b> | <b>505</b> | <b>57</b>    | <b>7%</b>    | <b>(345)</b> | <b>(41%)</b> |
| D&A                                    | (286)      | (274)      | (276)      | 12           | 4%           | (2)          | (1%)         |
| Impairments                            | -          | -          | (76)       | -            | n/a          | (76)         | n/a          |
| <b>EBIT</b>                            | <b>507</b> | <b>576</b> | <b>153</b> | <b>70</b>    | <b>14%</b>   | <b>(423)</b> | <b>(73%)</b> |
| Other significant items                | 277        | -          | -          | (277)        | (100%)       | -            | n/a          |
| Share of profits                       | 7          | 13         | 0          | 7            | 102%         | (13)         | (98%)        |
| Net interest                           | (46)       | (10)       | -          | 36           | 78%          | 10           | 100%         |
| <b>Profit before tax</b>               | <b>744</b> | <b>579</b> | <b>153</b> | <b>(165)</b> | <b>(22%)</b> | <b>(426)</b> | <b>(74%)</b> |
| Income tax expense                     | (171)      | (176)      | (71)       | (5)          | (3%)         | 105          | 60%          |
| <b>Net profit after tax</b>            | <b>573</b> | <b>403</b> | <b>82</b>  | <b>(170)</b> | <b>(30%)</b> | <b>(321)</b> | <b>(80%)</b> |
| <b>Theoretical results<sup>1</sup></b> |            |            |            |              |              |              |              |
| Theoretical revenue <sup>2</sup>       | 3,483      | 3,139      | 2,259      | (344)        | (10%)        | (880)        | (28%)        |
| Theoretical EBITDA                     | 878        | 802        | 393        | (76)         | (9%)         | (409)        | (51%)        |
| Theoretical EBIT                       | 592        | 529        | 41         | (64)         | (11%)        | (487)        | (92%)        |

Source: Annual Reports

Notes:

(1) Theoretical results apply a theoretical win rate to the VIP program play which reflects the rate at which the house should win over a long period of time, i.e. it normalises for volatility associated with the luck of the punter.

(2) Theoretical revenue is adjusted per Note 1, but also excludes VIP program commissions.

Actual revenue declined \$150m in FY19 due to the absence of CrownBet in FY19 results (sold in February 2018). Actual revenue (excluding wagering and non-gaming) was relatively stable (FY19: \$2,021m, FY18: \$2,011m).

Actual revenue declined \$676m in FY20 reflecting the impact of the COVID-19 pandemic and the closure of Crown facilities.

Refer to sections 3.4 and 3.5 for revenue analysis.

Impairments of \$76m were recorded in FY20 relating to:

- Goodwill in Crown Aspinalls (\$52.8m);
- Investment in Nobu (\$21.7m); and
- Adjustment to contingent consideration for DGN (\$1.7m).

Theoretical revenue declined \$344m in FY19 due to:

- The absence of CrownBet in the FY19 results as discussed above (\$150m); and
- VIP program play revenue (\$190m) as a result of a decline in VIP turnover of \$15.6 billion.

Theoretical revenue declined \$880m in FY20 reflecting the impact of the COVID-19 pandemic and the closure of Crown facilities.

Refer to sections 3.4 and 3.5 for revenue analysis.

#### Key ratios

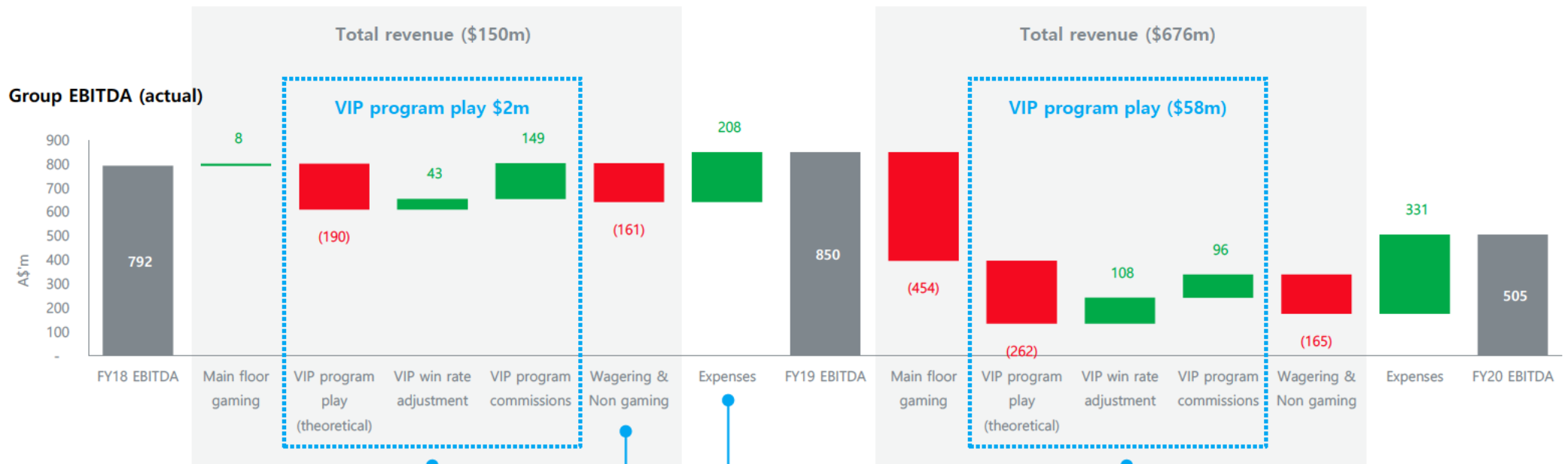
|                             | FY18 | FY19 | FY20 |
|-----------------------------|------|------|------|
| EBITDA margin (theoretical) | 25%  | 26%  | 17%  |
| EBITDA margin (actual)      | 26%  | 29%  | 23%  |
| Profit margin (actual)      | 19%  | 14%  | 4%   |



### 3 Financial performance (Group)

#### 3.2 Group EBITDA FY18 to FY20

EBITDA increased \$57m from \$792m in FY18 to \$850m in FY19, due to \$208m in cost savings offset by \$150m decline in revenue associated with CrownBet which was sold in February 2018. As a result of the COVID-19 pandemic and associated temporary closure of gaming facilities, EBITDA declined to \$505m in FY20.



Actual VIP program revenue (net of commissions) increased \$2m due to:

- Reduction in VIP program commissions (\$149m) as a result of lower turnover;
- Actual win rate exceeding theoretical win rate (\$43m); offset by
- Reduction in theoretical VIP program play revenue (\$190m) as a result of a \$15.6b reduction in VIP turnover.

Wagering and non-gaming revenue declined \$161m in FY19 due to the absence of CrownBet in FY19 results (sold in February 2018).

\$208m reduction in operating expenses is presumed to be the result of the absence of CrownBet in FY19 results and the lower VIP turnover, however publicly available information does not specifically address.

Total revenue declined \$676m in FY20 as a result of closures associated with the COVID-19 pandemic.



## 3 Financial performance (Group)

### 3.3 Group P&L H1FY21

The Group recorded a \$121m loss in the first half year of FY21 reflecting the severe impact of COVID-19 on the Group's operations. Crown Melbourne remained closed for the majority of the first half with operations progressively recommencing from early November under limited trading conditions. Crown Perth and Wagering & Online were the only positive contributors to EBITDA, with Crown Perth maintaining restricted gaming and non-gaming operations throughout the first half and Wagering & Online experiencing an increase in demand during the pandemic.

| Group P&L                              |              |              |                 |               |
|--|--------------|--------------|-----------------|---------------|
| A\$m                                   |              |              | H1FY21 v H1FY20 |               |
|  | H1FY20       | H1FY21       | \$              | %             |
| Revenue                                | 1,523        | 581          | (943)           | (62%)         |
| Expenses                               | (1,077)      | (576)        | 501             | 47%           |
| <b>EBITDA</b>                          | <b>446</b>   | <b>4</b>     | <b>(442)</b>    | <b>(99%)</b>  |
| D&A                                    | (142)        | (138)        | 4               | 3%            |
| Impairments                            | -            | (2)          | (2)             | n/a           |
| <b>EBIT</b>                            | <b>304</b>   | <b>(136)</b> | <b>(440)</b>    | <b>(145%)</b> |
| Share of profits                       | 6            | (7)          | (13)            | (220%)        |
| Net interest                           | 2            | (7)          | (9)             | (556%)        |
| <b>Profit before tax</b>               | <b>312</b>   | <b>(150)</b> | <b>(462)</b>    | <b>(148%)</b> |
| Income tax expense                     | (93)         | 30           | 123             | 132%          |
| <b>Net profit after tax</b>            | <b>219</b>   | <b>(121)</b> | <b>(339)</b>    | <b>(155%)</b> |
| <b>Theoretical results<sup>1</sup></b> |              |              |                 |               |
| <i>Theoretical revenue<sup>2</sup></i> | <i>1,549</i> | <i>587</i>   | <i>(962)</i>    | <i>(62%)</i>  |
| <i>Theoretical EBITDA</i>              | <i>381</i>   | <i>9</i>     | <i>(372)</i>    | <i>(98%)</i>  |
| <i>Theoretical EBIT</i>                | <i>238</i>   | <i>(131)</i> | <i>(370)</i>    | <i>(155%)</i> |

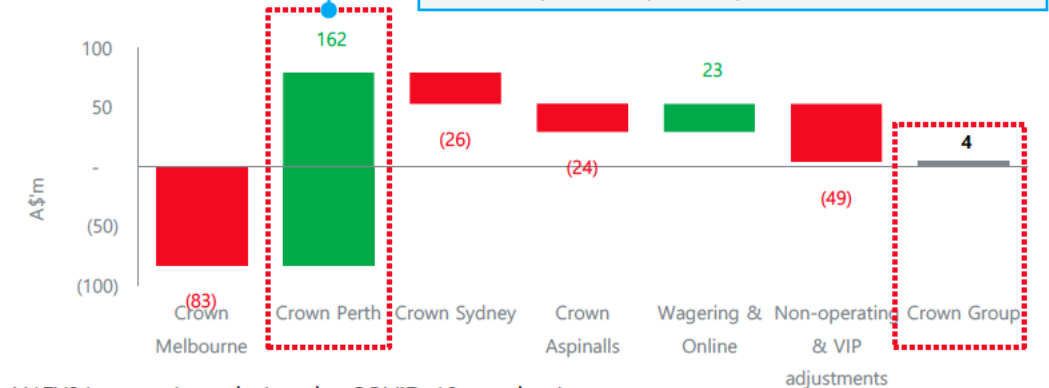
Source: Half year reports

Notes:

(1) Theoretical results apply a theoretical win rate to the VIP program play which reflects the rate at which the house should win over a long period of time, i.e. it normalises for volatility associated with the luck of the punter.

(2) Theoretical revenue is adjusted per Note 1, but also excludes VIP program commissions.

#### H1FY21 EBITDA



H1FY21 operations during the COVID-19 pandemic:

- Crown Melbourne remained closed for the majority of the first half of FY21 with reopening of operations happening in stages from November 2020.
- Crown Perth maintained restricted gaming and non-gaming operations during the first half of FY21, being the main positive contributor to EBITDA.
- Crown Sydney's non-gaming operations commenced in a limited capacity on 28 December 2020.
- Crown Aspinalls operated between 15 August 2020 and 5 November 2020.
- Wagering & online businesses (Betfair and DGN Games) continued to operate during the first half of FY21 and reported a 65% increase in EBITDA (H1FY21: \$23.2m, H1FY20: \$14.1m).

#### Key ratios

|                             | H1FY20 | H1FY21 |
|-----------------------------|--------|--------|
| EBITDA margin (theoretical) | 25%    | 1%     |
| EBITDA margin (actual)      | 29%    | 1%     |
| Profit margin (actual)      | 14%    | (21%)  |

## 3 Financial performance (Group)

### 3.4 Group revenue analysis

Theoretical revenue represents the long term win rate to the house. Actual revenue can be higher/lower than theoretical revenue depending on the luck of the punter. In FY20 actual revenue was 43% higher than the theoretical revenue driven by a higher actual VIP win rate at Crown Melbourne. Theoretical revenue has varied over the years due to fluctuations in VIP turnover with FY17, FY19 and FY20 experiencing large falls in VIP patronage.

| Revenue summary (Group)      |                     |              |              |                          |              |              |                        |              |             |
|------------------------------|---------------------|--------------|--------------|--------------------------|--------------|--------------|------------------------|--------------|-------------|
| A\$m                         | Actual <sup>1</sup> |              |              | Theoretical <sup>2</sup> |              |              | Actual v Theoretical % |              |             |
|                              | FY18                | FY19         | FY20         | FY18                     | FY19         | FY20         | FY18                   | FY19         | FY20        |
| Main floor gaming            | 1,681               | 1,689        | 1,235        | 1,681                    | 1,689        | 1,235        |                        |              |             |
| VIP program play             | 740                 | 593          | 440          | 758                      | 568          | 307          | (2%)                   | 4%           | 43%         |
| VIP commissions              | (410)               | (261)        | (165)        | -                        | -            | -            |                        |              |             |
| <b>Gaming revenue</b>        | <b>2,011</b>        | <b>2,021</b> | <b>1,510</b> | <b>2,439</b>             | <b>2,258</b> | <b>1,542</b> | <b>(18%)</b>           | <b>(10%)</b> | <b>(2%)</b> |
| Wagering & non-gaming        | 1,044               | 885          | 718          | 1,046                    | 885          | 718          |                        |              |             |
| Intersegment                 | (2)                 | (3)          | (1)          | (2)                      | (3)          | (1)          |                        |              |             |
| <b>Total</b>                 | <b>3,053</b>        | <b>2,903</b> | <b>2,227</b> | <b>3,483</b>             | <b>3,139</b> | <b>2,259</b> | <b>(12%)</b>           | <b>(8%)</b>  | <b>(1%)</b> |
| <b>VIP win rates</b>         |                     |              |              |                          |              |              |                        |              |             |
| Crown Melbourne <sup>3</sup> | 1.29%               | 1.39%        | 2.11%        | 1.35%                    | 1.35%        | 1.35%        | (0.06%)                | 0.04%        | 0.76%       |
| Crown Perth <sup>3</sup>     | 1.32%               | 1.58%        | 1.25%        | 1.35%                    | 1.35%        | 1.35%        | (0.03%)                | 0.23%        | (0.10%)     |
| Crown Aspinalls <sup>4</sup> | 0.99%               | 1.04%        | 1.16%        | 0.84%                    | 1.04%        | 1.51%        | 0.15%                  | 0.00%        | (0.35%)     |
| VIP turnover (A\$b)          | 59                  | 43           | 23           | 59                       | 43           | 23           |                        |              |             |

Source: Annual reports; Results presentations

#### Notes:

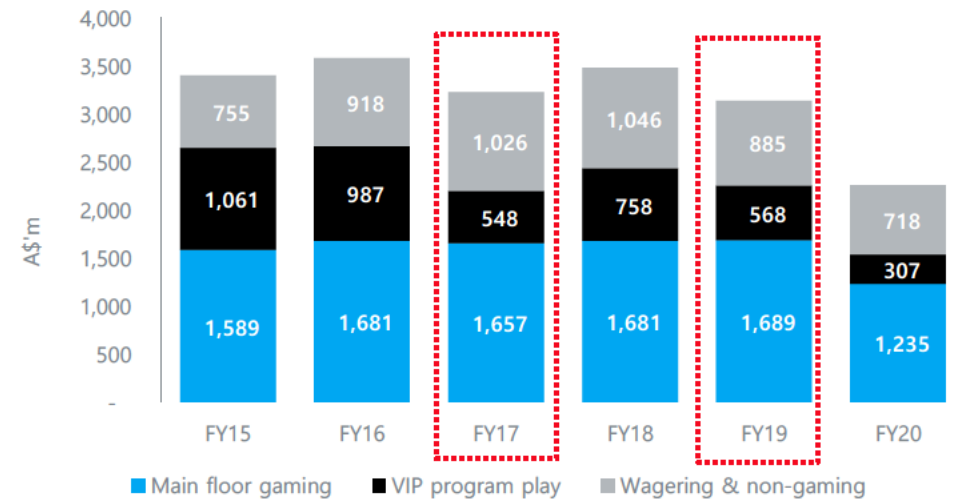
(1) Actual revenue reported in the audited financial statements is adjusted to be net of VIP program commissions and reflects the actual VIP win rate.

(2) Theoretical revenue excludes VIP program commissions and applies a theoretical win rate to the VIP program play which reflects the rate at which the house should win over a long period of time, i.e. it normalises for volatility associated with the luck of the punter.

(3) The theoretical win rate for Crown Melbourne and Crown Perth is 1.35%.

(4) The theoretical win rate for Crown Aspinalls varies year on year based on the mix of play during the year.

Theoretical revenue by product (Group)



Theoretical revenue declined in FY17 due to a significant drop in VIP turnover following the detention of a number of Crown employees in China in October 2016.

Theoretical revenue declined in FY19 due to the absence of CrownBet in the FY19 results (\$150m) and a decline in VIP turnover (\$190m) due to macroeconomic conditions.

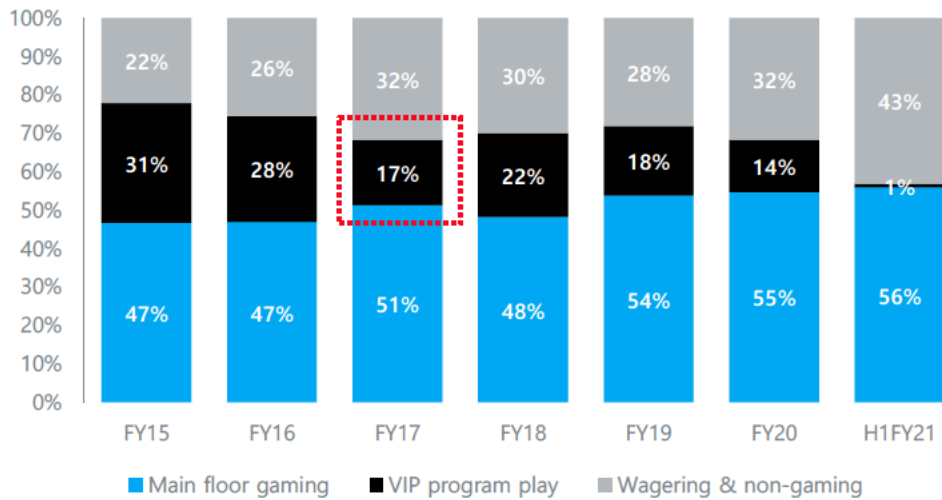


### 3 Financial performance (Group)

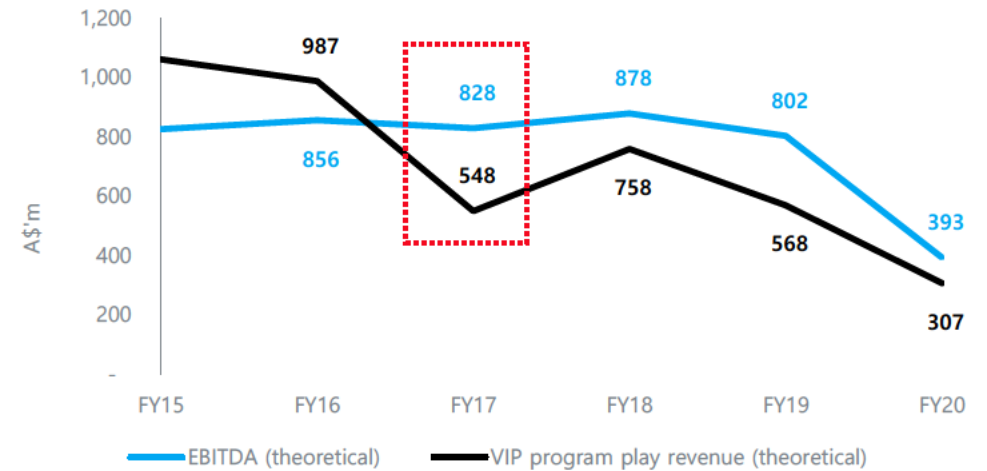
#### 3.5 Group VIP revenue analysis

VIP contribution to revenue has declined over the years with the first major drop experienced in FY17 off the back of 17 Crown employees being detained in China. VIP turnover partially recovered in FY18 however challenging macroeconomic conditions since has sent the VIP turnover into further decline. The drop in VIP revenue in FY17 and FY19 did not have a significant impact on the Group's theoretical EBITDA, indicating EBITDA is not overly sensitive to VIP revenue.

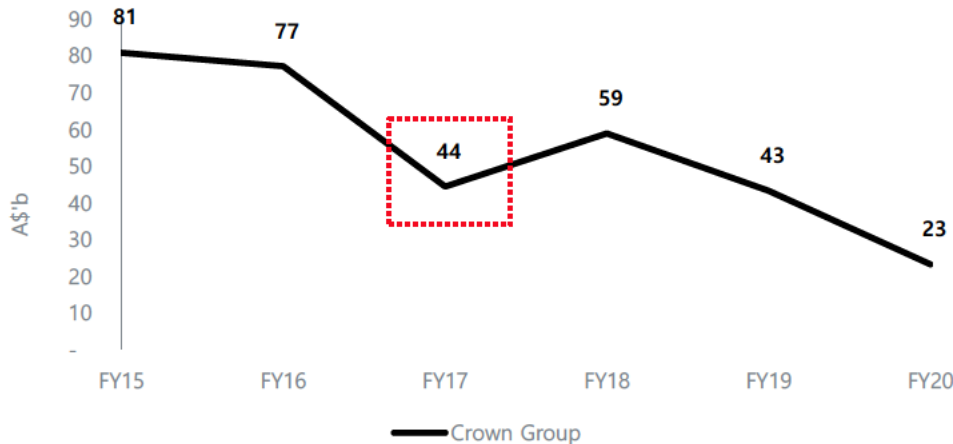
Theoretical revenue contribution by product (Group)



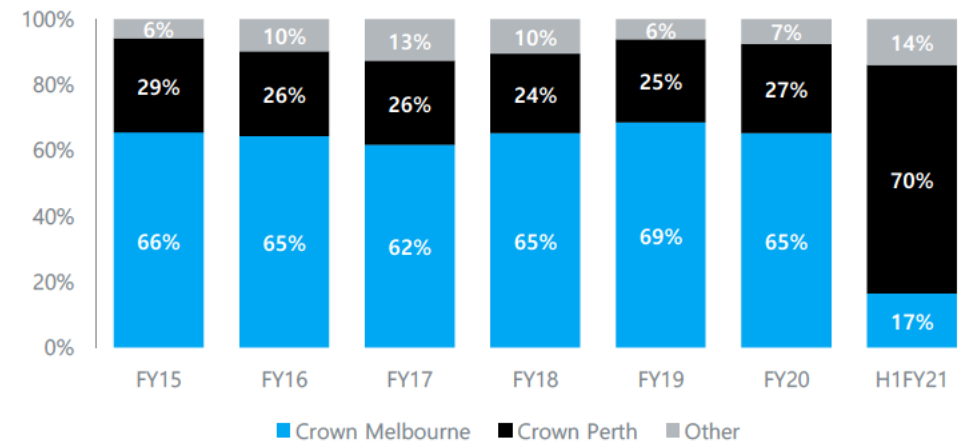
Theoretical EBITDA v VIP revenue (Group)



VIP turnover (Group)



Revenue contribution by segment



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# Financial performance (Crown Melbourne)



## 4 Financial performance (Crown Melbourne)

### 4.1 Crown Melbourne P&L FY18 to FY20

Crown Melbourne's EBITDA declined from \$615m in FY19 to \$382m in FY20 (reduction of \$233m) as a result of the impact of COVID-19 on operations with closures occurring in the second half of the financial year.

| Crown Melbourne P&L (actual <sup>1</sup> ) |            |            |            |             |           |              |              |
|--|------------|------------|------------|-------------|-----------|--------------|--------------|
| A\$m                                       | FY18       | FY19       | FY20       | FY19 v FY18 |           | FY20 v FY19  |              |
|  |            |            |            | \$          | %         | \$           | %            |
| Revenue <sup>2</sup>                       | 2,252      | 2,168      | 1,605      | (84)        | (4%)      | (563)        | (26%)        |
| Expenses                                   | (1,666)    | (1,553)    | (1,223)    | 113         | 7%        | 329          | 21%          |
| <b>EBITDA</b>                              | <b>586</b> | <b>615</b> | <b>382</b> | <b>29</b>   | <b>5%</b> | <b>(233)</b> | <b>(38%)</b> |
| D&A  | (178)      | (175)      | (176)      | 2           | 1%        | (1)          | (0%)         |
| <b>EBIT</b>                                | <b>409</b> | <b>440</b> | <b>206</b> | <b>31</b>   | <b>8%</b> | <b>(234)</b> | <b>(53%)</b> |

Source: Results presentations

Notes:

(1) Actual results for Crown Melbourne are per the full year results presentations and reflect the actual VIP win rate.

(2) Actual revenue excludes VIP commissions as VIP commissions are reported and adjusted at the Group level.

| Crown Melbourne P&L (theoretical <sup>1</sup> ) |            |            |            |             |              |              |              |
|---|------------|------------|------------|-------------|--------------|--------------|--------------|
| A\$m  | FY18       | FY19       | FY20       | FY19 v FY18 |              | FY20 v FY19  |              |
|   |            |            |            | \$          | %            | \$           | %            |
| Revenue <sup>2</sup>                            | 2,279      | 2,155      | 1,478      | (124)       | (5%)         | (678)        | (31%)        |
| Expenses  | (1,634)    | (1,566)    | (1,189)    | 68          | 4%           | 377          | 24%          |
| <b>EBITDA</b>                                   | <b>645</b> | <b>590</b> | <b>289</b> | <b>(56)</b> | <b>(9%)</b>  | <b>(301)</b> | <b>(51%)</b> |
| D&A   | (178)      | (175)      | (176)      | 2           | 1%           | (1)          | (0%)         |
| <b>EBIT</b>                                     | <b>468</b> | <b>414</b> | <b>113</b> | <b>(53)</b> | <b>(11%)</b> | <b>(302)</b> | <b>(73%)</b> |

Source: Annual reports

Notes:

(1) Theoretical results apply a theoretical win rate to the VIP program play which reflects the rate at which the house should win over a long period of time, i.e. it normalises for volatility associated with the luck of the punter.

(2) Theoretical revenue excludes VIP program commissions.

Actual revenue declined \$84m in FY19 due to:

- \$111m reduction in VIP program play revenue as a result of: (i) declining VIP turnover (down \$11.1b in FY19) which reduced theoretical revenue \$150m; offset by (ii) a higher actual win rate (\$39m improvement compared to theoretical revenue); and
- Offsetting increases in main floor gaming (\$18m) and non-gaming (\$9m).

Actual revenue declined \$563m in FY20 reflecting the impact of the COVID-19 pandemic and the closure of Crown facilities.

Refer to section 4.4 and 4.5 for revenue analysis.

EBITDA increased \$29m in FY19 presumably due to lower commissions and other operating expenses associated with the decline in VIP turnover, however publicly available information does not specifically address.

Theoretical revenue declined \$124m in FY19 due to:

- \$150m reduction in VIP program play revenue as a result of declining VIP turnover (down \$11.1b in FY19); offset by
- Increases in main floor gaming (\$18m) and non-gaming (\$9m).

Theoretical revenue declined \$678m in FY20 reflecting the impact of the COVID-19 pandemic and the closure of Crown facilities.

Refer to section 4.4 and 4.5 for revenue analysis.

Theoretical expenses differ from actual expenses due to normalisation of gaming taxes and commissions associated with VIP program plan. Publicly available information does not provide any further information.

#### Key ratios

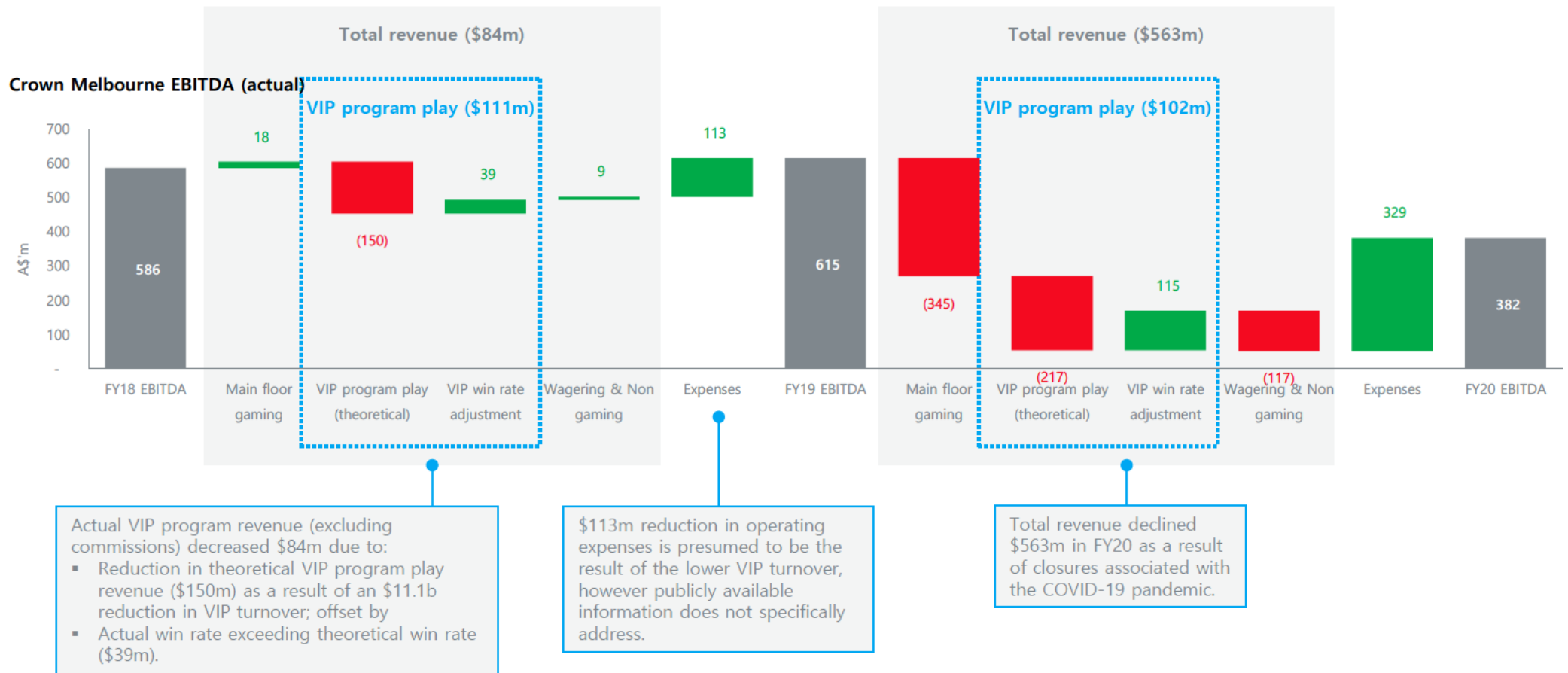
|                             | FY18 | FY19 | FY20 |
|-----------------------------|------|------|------|
| EBITDA margin (theoretical) | 28%  | 27%  | 20%  |
| EBITDA margin (actual)      | 26%  | 28%  | 24%  |



# 4 Financial performance (Crown Melbourne)

## 4.2 Crown Melbourne EBITDA FY18 to FY20

Crown Melbourne's EBITDA declined from \$615m in FY19 to \$382m in FY20 (reduction of \$233m) as a result of the impact of COVID-19 on operations with closures occurring in the second half of the financial year.



## 4 Financial performance (Crown Melbourne)

### 4.3 Crown Melbourne P&L H1FY21

Crown Melbourne recorded an \$88m EBITDA loss in the first half of FY21 as a result of facilities being closed for the majority of the first half. Operations progressively recommenced in November 2020 with restrictions in place.

| Crown Melbourne P&L (actual <sup>1</sup> ) |            |              |                 |               |
|--|------------|--------------|-----------------|---------------|
| A\$m                                       | H1FY20     | H1FY21       | H1FY21 v H1FY20 |               |
|  |            |              | \$              | %             |
| Revenue                                    | 1,124      | 92           | (1,033)         | (92%)         |
| Expenses                                   | (791)      | (179)        | 612             | 77%           |
| <b>EBITDA</b>                              | <b>334</b> | <b>(88)</b>  | <b>(421)</b>    | <b>(126%)</b> |
| D&A  | (90)       | (88)         | 2               | 2%            |
| <b>EBIT</b>                                | <b>244</b> | <b>(176)</b> | <b>(420)</b>    | <b>(172%)</b> |

Source: Results presentations

Notes:

(1) Actual results for Crown Melbourne are per the full year results presentations and reflect the actual VIP win rate.

(2) Actual revenue excludes VIP commissions as VIP commissions are reported and adjusted at the Group level.

| Crown Melbourne P&L (theoretical <sup>1</sup> ) |            |              |                 |               |
|---|------------|--------------|-----------------|---------------|
| A\$m  | H1FY20     | H1FY21       | H1FY21 v H1FY20 |               |
|   |            |              | \$              | %             |
| Revenue <sup>2</sup>                            | 1,026      | 97           | (929)           | (91%)         |
| Expenses  | (757)      | (180)        | 577             | 76%           |
| <b>EBITDA</b>                                   | <b>269</b> | <b>(83)</b>  | <b>(351)</b>    | <b>(131%)</b> |
| D&A   | (90)       | (88)         | 2               | 2%            |
| <b>EBIT</b>                                     | <b>179</b> | <b>(171)</b> | <b>(350)</b>    | <b>(195%)</b> |

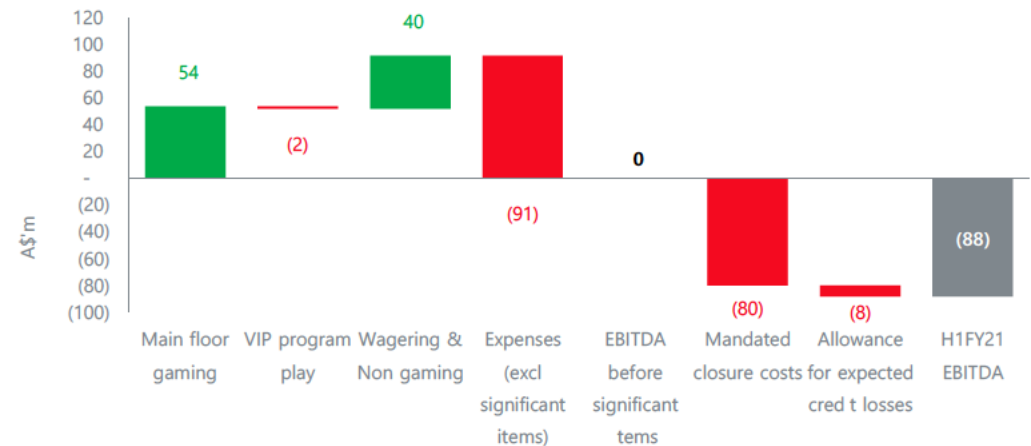
Source: Half year reports

Notes:

(1) Theoretical results apply a theoretical win rate to the VIP program play which reflects the rate at which the house should win over a long period of time, i.e. it normalises for volatility associated with the luck of the punter.

(2) Theoretical revenue excludes VIP program commissions.

Crown Melbourne H1FY21 EBITDA



Crown Melbourne remained closed for the majority of the first half of FY21 with operations progressively recommencing in stages:

- Select food and beverage outlets reopened from 2 November 2020;
- Crown Towers reopened to the public on 9 November 2020;
- Electronic gaming and electronic tables recommenced limited operations on 12 November;
- Table games recommenced on 25 November 2020; and
- Crown Metropool reopened on 1 December 2020.

#### Key ratios

|                             | H1FY20 | H1FY21 |
|-----------------------------|--------|--------|
| EBITDA margin (theoretical) | 26%    | (85%)  |
| EBITDA margin (actual)      | 30%    | (96%)  |

## 4 Financial performance (Crown Melbourne)

### 4.4 Crown Melbourne revenue analysis

Theoretical revenue represents the long term win rate to the house. Actual revenue can be higher/lower than theoretical revenue depending on the luck of the punter. In FY20 actual revenue was 57% higher than the theoretical revenue driven by a higher actual VIP win rate (theoretical: 1.35%, actual: 2.11%). Theoretical revenue has varied over the years due to fluctuations in VIP turnover with FY17, FY19 and FY20 experiencing large falls in VIP patronage with Crown Melbourne responsible for the majority of VIP program play.

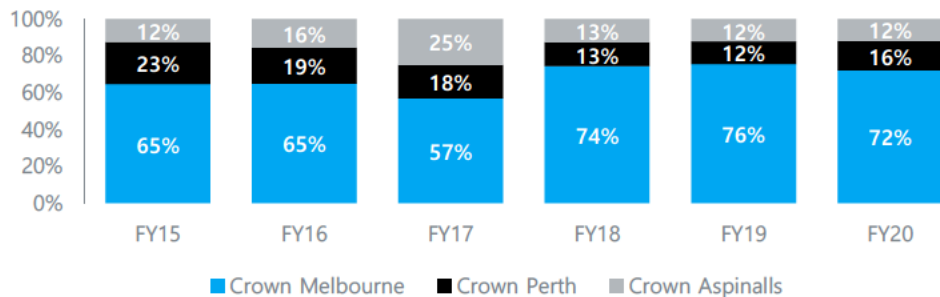
| Revenue summary (Crown Melbourne) |                     |              |              |                          |              |              |                        |           |           |
|-----------------------------------|---------------------|--------------|--------------|--------------------------|--------------|--------------|------------------------|-----------|-----------|
| A\$m                              | Actual <sup>1</sup> |              |              | Theoretical <sup>2</sup> |              |              | Actual v Theoretical % |           |           |
|                                   | FY18                | FY19         | FY20         | FY18                     | FY19         | FY20         | FY18                   | FY19      | FY20      |
| Main floor gaming                 | 1,217               | 1,235        | 891          | 1,217                    | 1,235        | 891          |                        |           |           |
| VIP program play                  | 565                 | 454          | 352          | 592                      | 441          | 225          | (5%)                   | 3%        | 57%       |
| Wagering & Non gaming             | 470                 | 479          | 362          | 470                      | 479          | 362          |                        |           |           |
| <b>Total</b>                      | <b>2,252</b>        | <b>2,168</b> | <b>1,605</b> | <b>2,279</b>             | <b>2,155</b> | <b>1,478</b> | <b>(1%)</b>            | <b>1%</b> | <b>9%</b> |
| <b>VIP win rates</b>              |                     |              |              |                          |              |              |                        |           |           |
| VIP win rates <sup>3</sup>        | 1.29%               | 1.39%        | 2.11%        | 1.35%                    | 1.35%        | 1.35%        | (0.06%)                | 0.04%     | 0.76%     |
| VIP turnover (A\$b)               | 44                  | 33           | 17           | 44                       | 33           | 17           |                        |           |           |

Source: Annual reports; Results presentations

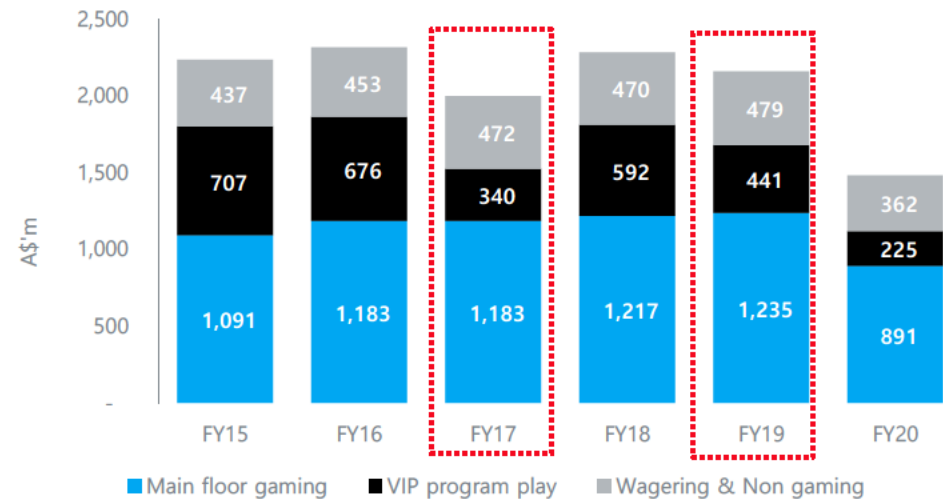
Notes:

- (1) Actual revenue reflects the actual VIP win rate. It has not been adjusted for commissions as commissions are not reported at a segment level in the annual reports.
- (2) Theoretical revenue applies a theoretical win rate to the VIP program play which reflects the rate at which the house should win over a long period of time, i.e. it normalises for volatility associated with the luck of the punter.
- (3) The theoretical win rate for Crown Melbourne is 1.35%.

#### Segment contribution to VIP turnover



#### Theoretical revenue by product (Crown Melbourne)



Theoretical revenue declined in FY17 due to a significant drop in VIP turnover following the detention of a number of Crown employees in China in October 2016.

Theoretical revenue declined in FY19 due to a decline in VIP turnover due to challenging macroeconomic conditions.

Crown Melbourne is responsible for the majority of VIP turnover within the Group.

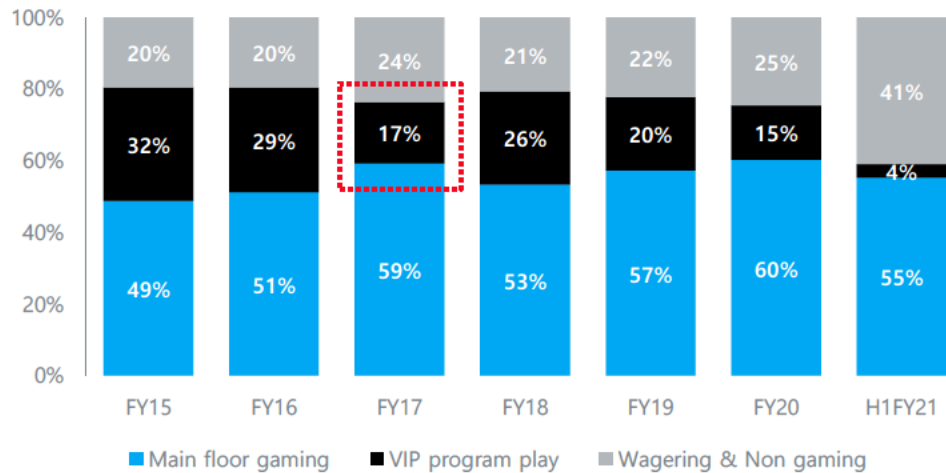


## 4 Financial performance (Crown Melbourne)

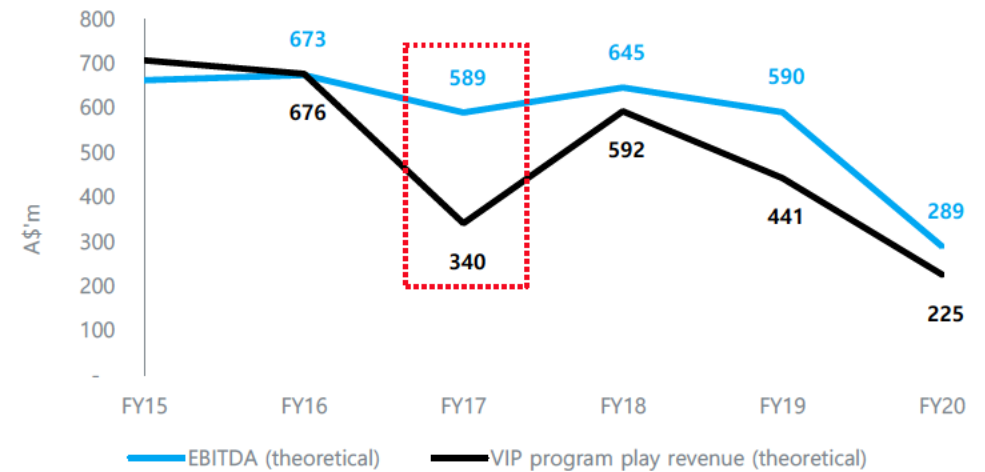
### 4.5 Crown Melbourne VIP revenue analysis

VIP contribution to revenue has declined over the years with the first major drop experienced in FY17 off the back of 17 Crown employees being detained in China. VIP turnover partially recovered in FY18 however challenging macroeconomic conditions since has sent the VIP turnover into further decline. The drop in VIP revenue in FY17 (50%) and FY19 (25%) did not have a significant impact on Crown Melbourne’s theoretical EBITDA (FY17: 13% decline, FY19: 9% decline), indicating EBITDA is not overly sensitive to VIP revenue.

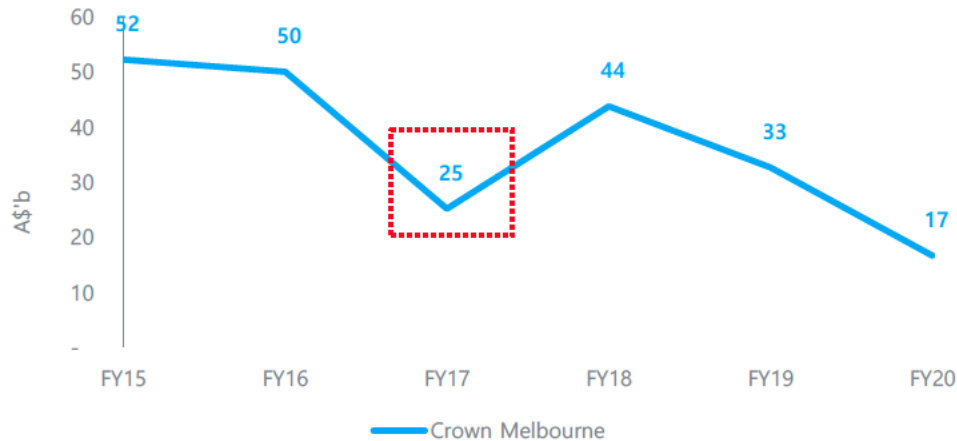
Theoretical revenue contribution by product (Crown Melbourne)



Theoretical EBITDA and VIP revenue (Crown Melbourne)



VIP turnover (Crown Melbourne)



EBITDA v VIP revenue (Crown Melbourne)

| A\$m | VIP revenue |        |       | EBITDA |        |       |
|------|-------------|--------|-------|--------|--------|-------|
|      | \$          | Var \$ | Var % | \$     | Var \$ | Var % |
| FY15 | 707         |        |       | 662    |        |       |
| FY16 | 676         | (30)   | (4%)  | 673    | 11     | 2%    |
| FY17 | 340         | (336)  | (50%) | 589    | (85)   | (13%) |
| FY18 | 592         | 251    | 74%   | 645    | 56     | 10%   |
| FY19 | 441         | (150)  | (25%) | 590    | (56)   | (9%)  |
| FY20 | 225         | (217)  | (49%) | 289    | (301)  | (51%) |



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# Financial position (Group)





## 5 Financial position (Group)

### 5.1 Group balance sheet

The Group's net asset position decreased by \$343m to \$4,585m between 30 June 2020 and 31 December 2020, reflecting the FY21 first half loss. The Group's liquidity ratios (quick and current ratios) have fallen below 1.0, however this includes a \$450m project finance facility which will be repaid using the proceeds from the sale of One Barangaroo apartments, and excludes the value of sales which are effectively sitting in the carrying value of the non-current asset. The ratios also exclude \$188m of facility headroom.

#### Group balance sheet

| A\$m                                 | Jun-19       | Jun-20       | Dec-20       | Jun-20 v Jun-19 |              | Dec-20 v Jun-20 |             |
|--------------------------------------|--------------|--------------|--------------|-----------------|--------------|-----------------|-------------|
|                                      |              |              |              | \$              | %            | \$              | %           |
| Cash and cash equivalents            | 1,126        | 287          | 594          | (839)           | (75%)        | 307             | 107%        |
| Trade and other receivables          | 99           | 111          | 59           | 13              | 13%          | (52)            | (47%)       |
| Inventories                          | 17           | 17           | 18           | 1               | 3%           | 1               | 5%          |
| Prepayments and other                | 44           | 42           | 55           | (2)             | (5%)         | 14              | 33%         |
| <b>Total current assets</b>          | <b>1,285</b> | <b>457</b>   | <b>726</b>   | <b>(828)</b>    | <b>(64%)</b> | <b>269</b>      | <b>59%</b>  |
| Property, plant & equipment          | 4,259        | 4,871        | 5,116        | 612             | 14%          | 245             | 5%          |
| Intangible assets                    | 1,479        | 1,403        | 1,387        | (76)            | (5%)         | (16)            | (1%)        |
| Investments in associates            | 207          | 186          | 167          | (21)            | (10%)        | (20)            | (10%)       |
| Deferred tax assets                  | 160          | 171          | 198          | 11              | 7%           | 27              | 16%         |
| Other                                | 244          | 78           | 51           | (166)           | (68%)        | (27)            | (34%)       |
| <b>Total non-current assets</b>      | <b>6,349</b> | <b>6,709</b> | <b>6,919</b> | <b>360</b>      | <b>6%</b>    | <b>210</b>      | <b>3%</b>   |
| <b>Total assets</b>                  | <b>7,634</b> | <b>7,166</b> | <b>7,645</b> | <b>(468)</b>    | <b>(6%)</b>  | <b>479</b>      | <b>7%</b>   |
| Trade and other payables             | 433          | 427          | 490          | (7)             | (2%)         | 63              | 15%         |
| Interest-bearing loans               | 288          | 8            | 441          | (279)           | (97%)        | 433             | 5283%       |
| Income tax payable                   | 154          | 33           | -            | (121)           | (79%)        | (33)            | (100%)      |
| Provisions and other                 | 186          | 203          | 225          | 17              | 9%           | 22              | 11%         |
| <b>Total current liabilities</b>     | <b>1,061</b> | <b>670</b>   | <b>1,156</b> | <b>(391)</b>    | <b>(37%)</b> | <b>486</b>      | <b>73%</b>  |
| Other payables                       | 255          | 172          | 175          | (83)            | (32%)        | 3               | 1%          |
| Interest-bearing loans               | 791          | 1,122        | 1,292        | 331             | 42%          | 170             | 15%         |
| Deferred tax liabilities             | 402          | 421          | 410          | 19              | 5%           | (11)            | (2%)        |
| Provisions and other                 | 29           | 27           | 27           | (2)             | (6%)         | 0               | 1%          |
| <b>Total non-current liabilities</b> | <b>1,476</b> | <b>1,742</b> | <b>1,904</b> | <b>265</b>      | <b>18%</b>   | <b>162</b>      | <b>9%</b>   |
| <b>Total liabilities</b>             | <b>2,537</b> | <b>2,412</b> | <b>3,060</b> | <b>(125)</b>    | <b>(5%)</b>  | <b>649</b>      | <b>27%</b>  |
| <b>Net assets</b>                    | <b>5,097</b> | <b>4,754</b> | <b>4,585</b> | <b>(343)</b>    | <b>(7%)</b>  | <b>(169)</b>    | <b>(4%)</b> |

Cash and cash equivalents at 31 December 2020 totaled \$594m and included: (i) \$114.6m of cash on premises and cash held in bank accounts needed to run the day to day operations; and (ii) \$479.1m of other cash held in bank accounts (including deposits on call).

Refer to sections [5.2] and [5.3] for funds flow.

Trade and other receivables were \$52m lower at 31 December 2020 compared to 30 June 2020, partly due to a one-off allowance for expected credit losses of \$24.9m following a review of all outstanding gaming debts as a result of ceasing dealings with junket operators, as well as COVID-19 impacts.

Impairments of \$76m were recorded in FY20 relating to:

- Goodwill in Crown Aspinalls (\$52.8m);
- Investment in Nobu (\$21.7m); and
- Contingent consideration – DGN (\$1.7m).

Refer to section [5.4] for debt analysis.

Per section 22.1(m) of the Consolidated Casino Agreement, Crown Melbourne's total liabilities must not exceed 60% of total assets. As at 31 December 2020 the Group is satisfying this requirement. Liabilities would need to increase by \$1,527m in order to breach this requirement. Crown Melbourne's balance sheet is not publicly available however the VCGLR's Health Check Report 2020 indicates Crown Melbourne's debt to assets ratio was 0.4 as at 30 June 2020.

#### Key ratios

|                |  | Jun-19 | Jun-20 | Dec-20 |
|----------------|--|--------|--------|--------|
| Quick ratio    | (Cash + receivables) / current liabilities | 1.2    | 0.6    | 0.6    |
| Current ratio  | Current assets / current liabilities       | 1.2    | 0.7    | 0.6    |
| Debt to equity | Total liabilities / equity                 | 0.5    | 0.5    | 0.7    |
| Debt to assets | Total liabilities / total assets           | 0.3    | 0.3    | 0.4    |

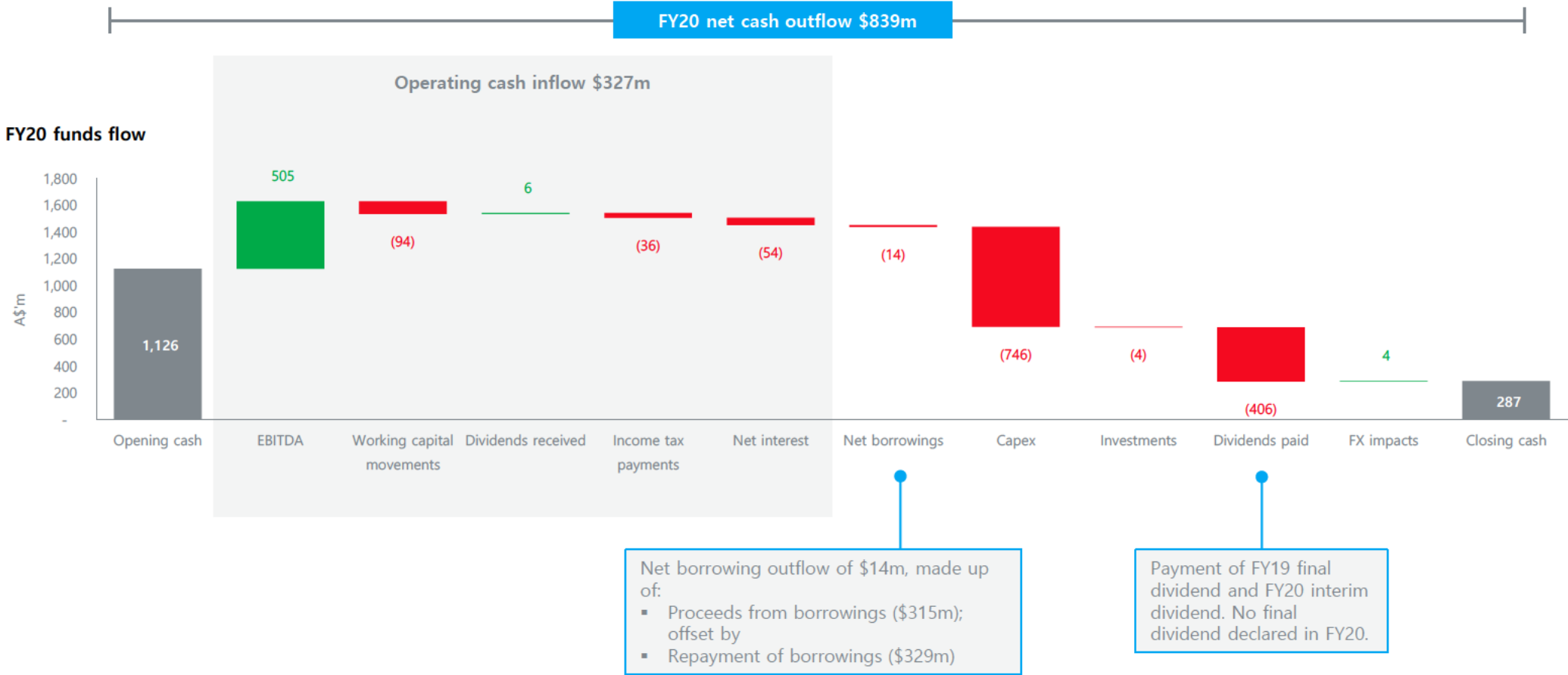
Source: Annual reports; FY21 Half year report



# 5 Financial position (Group)

## 5.2 Group FY20 funds flow

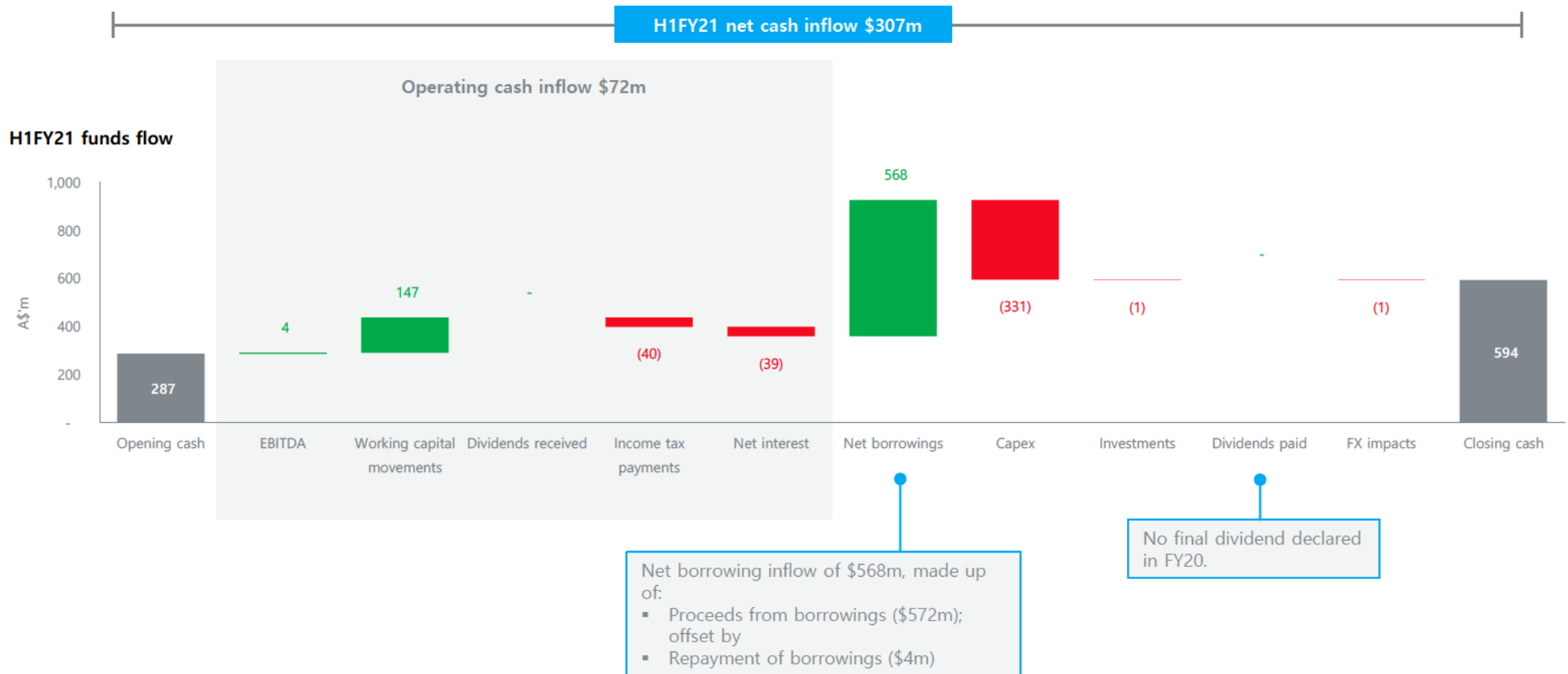
Cash decreased by \$839m to \$287m between 30 June 2019 and 30 June 2020 with the majority of the outflow related to the construction of Crown Sydney and payment of the FY19 final dividend.



## 5 Financial position (Group)

### 5.3 Group H1FY21 funds flow

Cash increased by \$307m to \$594m between 30 June 2020 and 31 December 2020 due to an increase in net borrowings (\$568) used to support the construction of Crown Sydney.



## 5 Financial position (Group)

### 5.4 Group debt analysis

The Group's total interest-bearing debt increased \$603m to \$1,733m and its net debt position increased \$282m to \$1,125m between 30 June 2020 and 31 December 2020 as a result of a new \$450m project finance facility (current debt maturing December 2021) used to support the construction of Crown Sydney which is due for completion by April 2021. Settlement of the One Barangaroo apartment sales (expected to total \$1.1b) will occur progressively over the 2021 calendar year, with proceeds used to repay the \$450m project finance facility. Key solvency ratios have declined as a result of Group performance in the wake of COVID-19, however the Group had \$782m of cash and available credit at 31 December 2020.

| Group interest-bearing loans          |              |              |                | Jun-20 v Jun-19 |                | Dec-20 v Jun-20 |              |
|---------------------------------------|--------------|--------------|----------------|-----------------|----------------|-----------------|--------------|
| A\$m                                  | Jun-19       | Jun-20       | Dec-20         | \$              | %              | \$              | %            |
| Bank loans                            | 29           | -            | 432            | (29)            | (100%)         | 432             | n/a          |
| Capital market debt                   | 259          | -            | -              | (259)           | (100%)         | -               | n/a          |
| Lease liabilities                     | -            | 7            | 9              | 7               | n/a            | 2               | 21%          |
| Other loans                           | -            | 1            | 1              | 1               | n/a            | -               | 0%           |
| <b>Total current</b>                  | <b>288</b>   | <b>8</b>     | <b>441</b>     | <b>(279)</b>    | <b>(97%)</b>   | <b>433</b>      | <b>5283%</b> |
| Bank loans                            | -            | 280          | 420            | 280             | n/a            | 140             | 50%          |
| Capital market debt                   | 790          | 790          | 805            | 0               | 0%             | 14              | 2%           |
| Lease liabilities                     | -            | 52           | 67             | 52              | n/a            | 16              | 31%          |
| Other loans                           | 1            | -            | -              | (1)             | (100%)         | -               | n/a          |
| <b>Total non-current</b>              | <b>791</b>   | <b>1,122</b> | <b>1,292</b>   | <b>331</b>      | <b>42%</b>     | <b>170</b>      | <b>15%</b>   |
| <b>Total</b>                          | <b>1,079</b> | <b>1,130</b> | <b>1,733</b>   | <b>51</b>       | <b>5%</b>      | <b>603</b>      | <b>53%</b>   |
| <b>Total (excl lease liabilities)</b> | <b>1,079</b> | <b>1,071</b> | <b>1,657</b>   | <b>(7)</b>      | <b>(1%)</b>    | <b>586</b>      | <b>55%</b>   |
| Interest-bearing loans                | (1,079)      | (1,130)      | (1,733)        | (51)            | (5%)           | (603)           | (53%)        |
| EMTN hedging adjustment               | -            | -            | 14             | -               | n/a            | 14              | n/a          |
| Cash and cash equivalents             | 1,126        | 287          | 594            | (839)           | (75%)          | 307             | 107%         |
| <b>Net cash / (debt)</b>              | <b>47</b>    | <b>(843)</b> | <b>(1,125)</b> | <b>(891)</b>    | <b>(1879%)</b> | <b>(282)</b>    | <b>(33%)</b> |

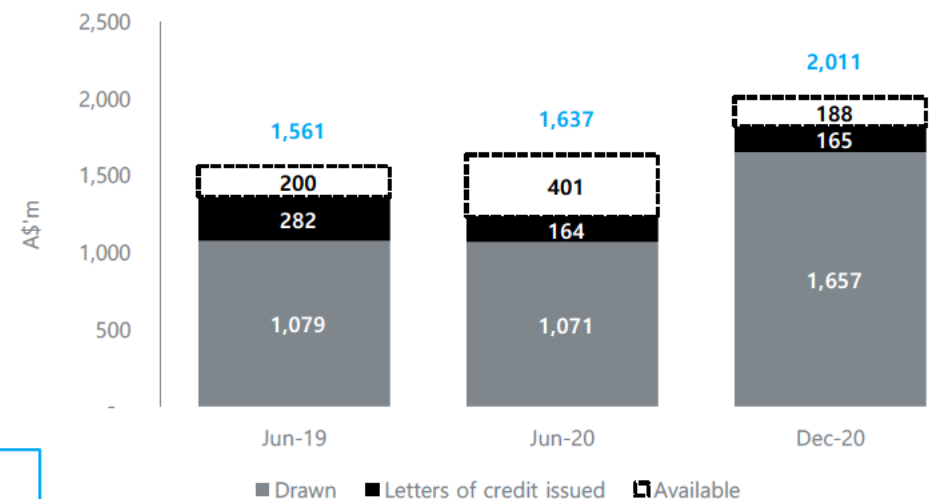
Source: Annual reports; FY21 Half year report

| Key ratios             |   | Jun-19 | Jun-20 | Dec-20 |
|------------------------|---|--------|--------|--------|
| Interest coverage      | EBIT / interest expense (before capitalisat | 7.1    | 2.2    | (3.0)  |
| Net debt to EBITDA     | Net debt / EBITDA                           | n/a    | 1.7    | 255.8  |
| Total liquidity (\$'m) | Cash + available credit                     | 1,326  | 688    | 782    |

| Finance costs                                   |             |             |             |
|---|-------------|-------------|-------------|
| A\$m  | Jun-19      | Jun-20      | Dec-20      |
| Debt facilities                                 | (81.5)      | (66.8)      | (43.2)      |
| Lease liabilities                               | -           | (2.4)       | (1.5)       |
| <b>Interest expense (before capitalisation)</b> | <b>(82)</b> | <b>(69)</b> | <b>(45)</b> |
| Capitalised interest                            | 44.9        | 59.0        | 36.9        |
| <b>Interest expense (after capitalisation)</b>  | <b>(37)</b> | <b>(10)</b> | <b>(8)</b>  |
| Interest income                                 | 26.5        | 10.2        | 0.5         |
| <b>Net interest (expense) / income</b>          | <b>(10)</b> | <b>-</b>    | <b>(7)</b>  |

Source: Annual reports; FY21 Half year report

#### Credit facilities


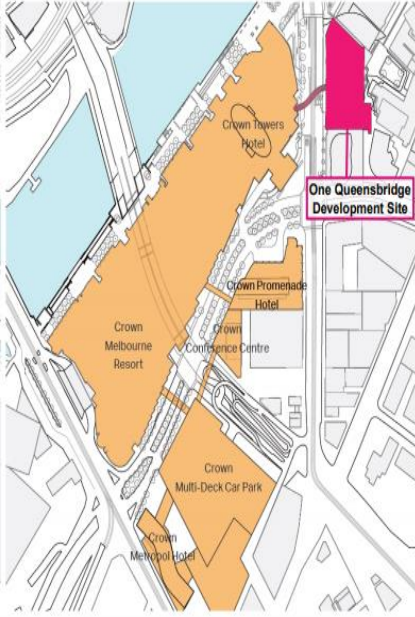


Ratios have been calculated using traditional definitions and we have not adjusted for significant items.

## 5 Financial position (Group)

### 5.5 Property

Crown Sydney opened to the public for non-gaming activity on 28 December 2020. The residential component of the project is due for completion by April 2021. The final construction has been funded using a \$450m project finance facility which will be repaid using the proceeds from apartment sales, with settlements occurring progressively over the 2021 calendar year. Crown wholly owns the development site located at One Queensbridge adjacent to the Crown Melbourne complex which will potentially be home to a fourth luxury Crown hotel in Melbourne. The ET audit workpapers indicated the carrying values at 30 June 2020 were within the recoverable range.

| Crown Sydney  |                          | One Queensbridge   |  |                |  |
|---|--------------------------|--|--|----------------|--|
|  | Opened to the public     | 28 December 2020 (non-gaming)  |  | Ownership      | Wholly owned by Crown after the purchase of the Schiavello Group's interest in November 2019 |
|   | Residential construction | Expected completion April 2021   |  | Site potential | Fourth Crown hotel (six stars)   |
|   | Gross project budget     | \$2.2 billion  |  | Carrying value | \$146.2m as at 30 June 2020  |
|   | Expected apartment sales | \$1.1 billion (\$0.87 billion achieved as at 31 Dec 2020)  |  | Valuation      | \$135m - \$145m as documented in EY's FY20 audit workpapers                                  |
|   | Valuation                | \$1.9 billion for residential and hotel (as-if-complete) as documented in EY's FY20 audit workpapers |  |                |  |



## Appendices

## Appendix 1 – Supplementary gaming tax analysis

Extracts from UBS Deck 21 Feb 2021 – CRW.507.006.1193

Downside forecast

| Jun y/c; A\$m                | FY19A        | FY20A        | FY21F    | FY22F      | FY23F     | FY24F      | FY25F      |
|------------------------------|--------------|--------------|----------|------------|-----------|------------|------------|
| <b>Cash flow</b>             |              |              |          |            |           |            |            |
| Actual EBITDA                | 850          | 508          | 214      | 519        | 692       | 877        | 936        |
| Net interest and tax         | (123)        | (90)         | (155)    | (75)       | (138)     | (195)      | (197)      |
| Change in NWC                | (8)          | (26)         | 40       | (1)        | 10        | 3          | 2          |
| Capex                        | (539)        | (667)        | (663)    | (165)      | (144)     | (144)      | (145)      |
| Apartment sale proceeds      | 49           | 18           | 592      | 514        | –         | –          | –          |
| Dividends paid               | (409)        | (406)        | –        | (203)      | (406)     | (406)      | (406)      |
| Other <sup>1</sup>           | (118)        | (78)         | (22)     | 4          | 8         | 12         | 13         |
| <b>Net cash flow (CFADS)</b> | <b>(298)</b> | <b>(741)</b> | <b>7</b> | <b>592</b> | <b>22</b> | <b>147</b> | <b>204</b> |

Downside assumptions included:

- Melb casino closed April to July 21 at loss of \$15m per month; then ramp up 50% of status quo for 6 months and 75% thereafter
- Sydney opening deferred to Jan 2022; loss of \$2m per month
- Perth casino closed April to June 2021 at loss of \$9m per month; then ramp up 50% of status quo for 6 months and 75% thereafter

### Effect of payment of underpayment of tax on the UBS 2021 downside forecast

- See p2 re assumptions as to underpaid tax calc – including interest but before penalties; liability potentially between \$290m and say \$400m
- Both amounts would be covered by forecast \$592m cash in FY22 – noting that:
  - The \$592m is accumulated cash by year end and so much is dependent on when the tax is payable or if it can be paid over time
  - The \$592m is after dividends of \$203m which could be held back; we have not considered impact on covenants etc
  - There is reference in the notes to a SFA (assumed syndicated facility agreement being executed but not drawn (quantum unknown)) which may provide access to debt funding
  - We have no information as to how Crown is currently tracking and what the current downside forecast is
  - Significant penalties may change the outlook
- We note the news re the tax underpayment did not appear to have a clear effect on the share price (see chart on p2)

### Key observations on Crown management plan

#### Cash flow

- Balance of Crown Sydney apartment sale proceeds received in 2HFY21 / 1HFY22F
- Strong cash generation expected from FY23F onwards as Crown enters an ex-capex phase and operations begin to recover to pre-COVID-19 levels

#### Capex

- Sydney – construction to be finalised in early FY22F, with maintenance capex of \$30m p.a. required thereafter
- Melbourne and Perth maintenance capital expenditure of \$70m and \$30m respectively

#### Net debt

- Drawn bilateral facilities repaid with available cash facilities upon maturity in April 2022
  - new SFA executed simultaneously, however expected to remain undrawn
- Hybrid Notes redeemed in December 2021
  - lose equity credit after first call date in July 2021
- AMTN issuance (\$400m) assumed in November 2021
- Crown Sydney syndicated facility executed in August 2020
  - facility repaid as apartment sales received in 2HFY21F (fully repaid by June 2021)

## Appendix 1 – supplementary gaming tax analysis

### Estimate of interest & principal

Assuming underpayment accrued evenly over 2014 to 2021, and assume interest accrues immediately (to be conservative), the interest would be around \$90m (excluding the impact of super tax).

The press is now reporting a revised figure of \$270m. I am not sure if that takes into account the super tax (the articles were not clear). Using that figure, interest is in the order of \$122m.

#### Quick interest calc - assuming \$200m underpayment straight lined over 8 years

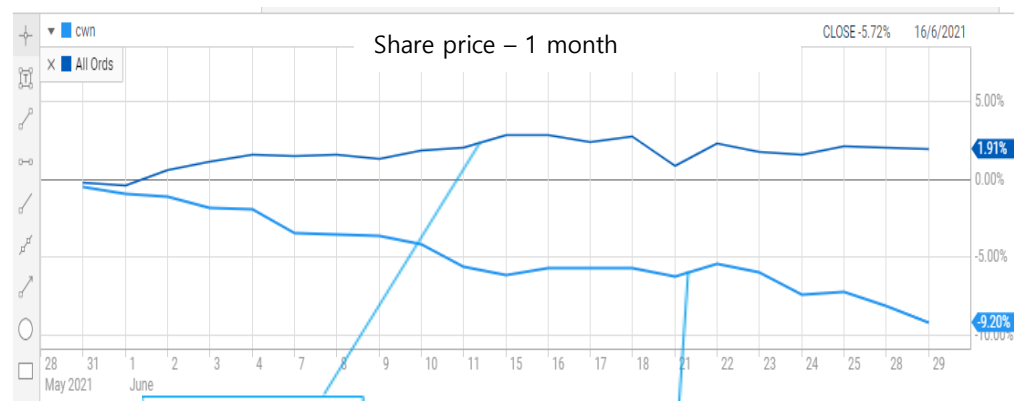
|  | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total \$'m |
|--|------|------|------|------|------|------|------|------|------------|
| Estimated underpayment (exc super tax)               | 25   | 25   | 25   | 25   | 25   | 25   | 25   | 25   | 200        |
| Cumulative underpayment                              | 25   | 50   | 75   | 100  | 125  | 150  | 175  | 200  |            |
| Estimated interest <i>10%</i>                        | 3    | 5    | 8    | 10   | 13   | 15   | 18   | 20   | 90         |
| <b>Total including interest (but excl super tax)</b> |      |      |      |      |      |      |      |      | <b>290</b> |

Value of super tax unknown

#### Quick interest calc - assuming \$270m underpayment straight lined over 8 years

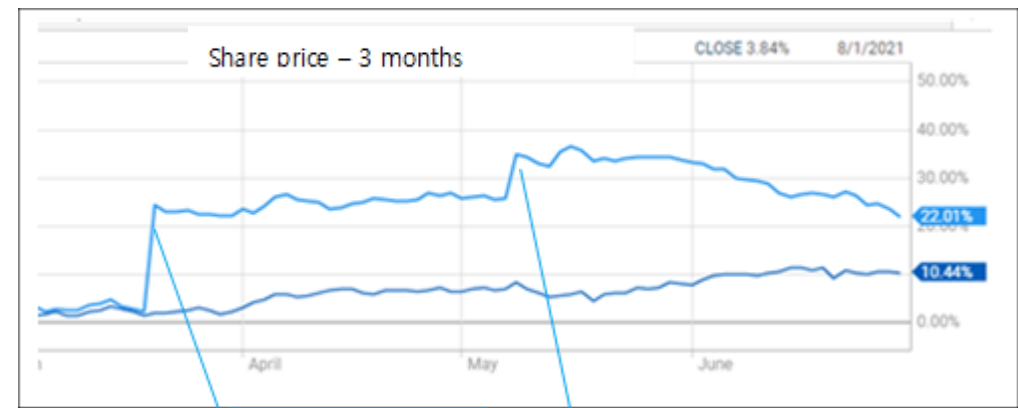
|   | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total \$'m |
|---|------|------|------|------|------|------|------|------|------------|
| Estimated underpayment (unsure if includes super tax) | 34   | 34   | 34   | 34   | 34   | 34   | 34   | 34   | 270        |
| Cumulative underpayment                               | 34   | 68   | 101  | 135  | 169  | 203  | 236  | 270  |            |
| Estimated interest <i>10%</i>                         | 3    | 7    | 10   | 14   | 17   | 20   | 24   | 27   | 122        |
| <b>Total including interest</b>                       |      |      |      |      |      |      |      |      | <b>392</b> |

Unsure if above includes super tax



All ords  
comparison

M Mackay's evidence 21 June – price goes up;  
\$12.22 on 21/6: \$11.75 on 29/6



Blackstone offer  
announced 22 March

10 May - Blackstone offer  
revised; Star merger announced



## Appendix 2 – Engagement Letter



24 March 2021

**Privileged & Confidential**  
Abigail Gill and Craig Phillips  
Partners  
Corrs Chambers Westgarth

By email: [Abigail.Gill@corrs.com.au](mailto:Abigail.Gill@corrs.com.au)  
[Craig.Phillips@corrs.com.au](mailto:Craig.Phillips@corrs.com.au)

Dear Abigail and Craig

### Engagement Letter

#### 1 Background

On Monday 22 February 2021, the Victorian Government announced the establishment of a Royal Commission to inquire into and report upon certain issues relevant to Crown Melbourne Ltd's (Crown) licence to operate the Melbourne Casino under the provisions of the Casino Control Act 1991 (the Act) (the Crown RC).

Abby Gill and Robyn McKern have recently discussed the potential appointment of McGrathNicol Advisory (McGrathNicol) to provide Forensic Services to the Crown RC and McGrathNicol submitted a proposal dated 18 March 2021 outlining our credentials and capability (the Proposal).

This letter outlines the initial scope and the terms under which McGrathNicol is to be engaged for this and any subsequently agreed scope of works.

Our work will be undertaken on your instruction for the purpose of assisting Corrs to provide legal advice to the Crown RC. Accordingly, this engagement and all work connected with this engagement, and any report produced, is strictly confidential and is covered by legal professional privilege.

In addition to the specific terms of engagement detailed in this letter, McGrathNicol's Terms of Business (Terms of Business), attached to this letter at Appendix 1, will apply.

#### 2 Objective and scope of work

##### Initial scope

The objective of the initial scope is to develop a detailed and costed scope of works which, subject to approval, McGrathNicol will subsequently undertake to address specific issues of concern or interest to the Crown RC.

1.CorrRCC-210324-mc

In association  
with



McGrathNicol

#### McGrathNicol Advisory

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Level 6, 171 Collins Street  
Melbourne VIC 3000, Australia  
GPO Box 9986  
Melbourne VIC 3001, Australia  
T +61 3 9038 3100  
F +61 3 9038 3199  
[mcgrathnicol.com](http://mcgrathnicol.com)



The work required to meet this objective will include:

- Attendance at meetings with Corrs and Counsel commencing from 25 March 2021 in order to discuss:
  - the objectives of the Crown RC;
  - the issues which require forensic investigation or analysis;
  - the information currently available or in the process of being accessed;
  - other information which we consider will need to be obtained through notices to produce documents or witness evidence;
  - our preliminary thoughts on the workstreams involved and our approach to the work required;
  - timing issues – including milestones and deadlines
  - work protocols – including reporting and access to data.
- Based on these meetings and review of available information we will prepare a costed project plans for each workstream (Workstream Plans) which will include:
  - confirmation of information requirements
  - key tasks to be undertaken
  - progress reporting protocols
  - proposed deliverables
  - timetable for milestones and deliverables
  - billing protocols and details of time-costs estimates based on required tasks and staffing

##### Subsequent work

The implementation of the Workstream Plans will be an extension of this engagement and subject to the terms and conditions set out in this letter.

#### 3 Forensic Accounting Services

McGrathNicol is a member firm of Chartered Accountants Australia & New Zealand (CA ANZ). Members of professional accounting bodies, including members of CA ANZ, are required to follow the mandatory requirements of APES 215 Forensic Accounting Services issued by the Accounting Professional & Ethical Standards Board when they provide Forensic Accounting Services. Accordingly, this engagement will be conducted in accordance with APES 215 Forensic Accounting Services.

#### 4 Independence

We have undertaken enquiries to identify and assess relationships held by McGrathNicol which may impair independence. McGrathNicol is not aware of any conflicts of interest or duty that would preclude us from undertaking this engagement. Should through the course of the work become aware of additional parties involved in the matter with whom the Firm has a relevant relationship, we undertake to advise you immediately.

## Appendix 2 – Engagement Letter



### 5 Engagement team

Robyn McKern will be responsible for this engagement and will be assisted by McGrathNicol partners and staff as set out in the Proposal. We will involve other staff where it is efficient to do so.

### 6 Fees, costs and timing

Our fees will be based on the amount of time required to complete the work and will be calculated in accordance with the hourly rates (exclusive of GST) set out in the Proposal and in the table below:

| Role              | Hourly rate (ex GST) |
|-------------------|----------------------|
| Senior Partner    | 551.25               |
| Partner           | 521.25               |
| Director          | 487.50               |
| Senior Manager    | 485.00               |
| Manager           | 397.50               |
| Senior Consultant | 360.00               |
| Consultant        | 326.25               |
| Senior Analyst    | 251.25               |
| Analyst           | 150.00               |

In addition, we will charge incidental out of pocket expenses at cost. We will seek approval before incurring any individual out of pocket expense in excess of \$100 (ex GST).

To the extent we involve partners and staff from offices other than Melbourne, we will not charge for interstate travel and accommodation unless separately agreed with you.

We would propose to render fees on a fortnightly basis in arrears.

In appointing us to proceed with this engagement you accept that neither the amount of our fee, nor payment thereof, is contingent upon the result of this engagement.

#### *Capped fee for initial engagement*

For the initial scope described in this letter, we propose a fee capped at \$25,000 plus GST. This fee allows for:

- approximately 20 hours of partner and staff attendance at meetings with you and Counsel.
- a further approximately 40 hours in preparation of the project plans and discussion with you.

Should the time incurred exceed the estimated 60 hours estimated for this initial scope we will absorb that excess.

In the event the actual time involved is less than envisaged above, we will bill only for the time actually spent.

#### *Fees for implementation of Workstream Plans*

Fees for implementation of Workstream Plans will be based on the same hourly rates as set out above and separately agreed with you before commencement of work.



### 7 Terms of Business

In addition to the specific terms of engagement set out in this letter, our Terms of Business, will apply to this engagement and govern our relationship with you. This letter is the "Engagement Letter" mentioned in our Terms of Business. If there is any inconsistency between this Engagement Letter and our Terms of Business, then the terms of this Engagement Letter will prevail to the extent of the inconsistency.

### 8 Acceptance

If you would like us to proceed with the engagement on the basis proposed in this letter and its Appendices (including the Terms of Business), please indicate your acceptance of our engagement letter by completing, signing and returning a copy of this letter or alternatively, send us an email confirming your acceptance.

Should you have any questions or require any further information please contact Robyn McKern on 03 90383130 or 0423 023000.

Yours faithfully

McGrathNicol Advisory  
Contact: Robyn McKern

Enclosure(s):  
McGrathNicol Terms and Conditions

# Appendix 2 – Engagement Letter



I have read and understood the terms and conditions of this letter and its Appendices and I agree to and accept them for and on behalf of the Crown RC, by whom I am duly authorised.

Terms of engagement accepted:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Date: \_\_\_\_\_

## Appendix 2 – Engagement Letter



### McGrathNicol Terms of Business

#### 1 Introduction

- 1.1 This document sets out the standard terms and conditions of business (Terms) of McGrathNicol. In this document, "you" means the addressee or addressees of the engagement letter or other form of instruction confirmation that McGrathNicol sends you relating to work to be performed by McGrathNicol (the Engagement Letter), and "McGrathNicol", "we" or "us" means the McGrathNicol entity referred to in the Engagement Letter. Unless McGrathNicol and you have entered into a separate written agreement, the Terms together with each Engagement Letter that you accept (in accordance with the terms set out in the Engagement Letter) (this Agreement) will apply to all work McGrathNicol undertakes for you with respect to the engagement as set out in each Engagement Letter. To the extent of any conflict between these Terms and the Engagement Letter, the terms of the Engagement Letter shall prevail.
- 1.2 For the purposes of clauses 4, 6 and 12, each reference to McGrathNicol, is also a reference to McGrathNicol's partners, employees and related entities severally (Beneficiaries). McGrathNicol holds the benefit of clauses 4, 6 and 12 for itself and on trust for the benefit of each of the Beneficiaries, and may enforce the clauses itself and on behalf of any of the Beneficiaries.
- 1.3 If you consist of more than one person or entity (Client Parties), then: (a) the limitations of liability under clause 12 act to limit McGrathNicol's aggregate liability in respect of all claims that may be made against McGrathNicol by any one or more of the Client Parties (and whether acting jointly or individually) and, to the extent permitted by law, all of the Client Parties will be joined as plaintiffs in the same proceeding in respect of such claims; and (b) this document binds the Client Parties jointly and each of them individually.
- 1.4 Except for clause 1.2, or where it is expressly stated to the contrary, the reference to the term "partner" in these Terms and in any written or verbal communication by McGrathNicol in connection with this Agreement as it relates to the McGrathNicol Advisory Partnership, ABN 34 824 776 937, is a reference to an individual with the title and seniority of "partner" and is not a reference to a partner of the McGrathNicol Advisory Partnership.

#### 2 Services

- 2.1 McGrathNicol will provide the services set out in the Engagement Letter (the Services) and will use all reasonable commercial efforts to provide the Services to you with the necessary skill and expertise to an appropriate professional standard. We will use all reasonable commercial efforts to complete the Services within any agreed timeframe.

#### 3 Term

- 3.1 This Agreement starts on the date you sign and return the Engagement Letter to us or when we first start work on the Services for you upon your instructions, whichever is first.
- 3.2 Unless otherwise extended or terminated earlier in accordance with clause 11, this Agreement terminates when we have completed providing the Services to you and you have paid us our fees. Termination of this Agreement does not prejudice any accrued rights and remedies or the operation of clause 4, 5, 7, 9, 10, 12, 13 and 14.

#### 4 Your obligations

- 4.1 You agree to pay for the Services in accordance with this Agreement.
- 4.2 You will provide McGrathNicol promptly with such information as may reasonably be required for the proper performance of the Services, including access to appropriate members of your staff, records, information, technology, systems and premises.

- 4.3 You must ensure that all materials, documents and information provided by you, or by others on your behalf, to McGrathNicol (Provided Information) is complete and accurate. You warrant that you have the authority to provide McGrathNicol with the Provided Information, including any third party information or intellectual property rights you require us to use to perform the Services. McGrathNicol may rely on all Provided Information without independently verifying it. In addition, McGrathNicol is not responsible for the completeness or accuracy of any materials, documents or information provided by others at your request to McGrathNicol.
- 4.4 You acknowledge that completion of the Services is dependent on the quality, completeness and accuracy of Provided Information (including information from third parties) and access to and co-operation of appropriate management, employees and independent auditors of third parties (if applicable). Information limitations may impact our ability to complete the Services.
- 4.5 If you become aware, or have reasonable grounds to suspect, that the Provided Information is incomplete, inaccurate or misleading, you must promptly notify McGrathNicol in writing and, if required by McGrathNicol, take all necessary steps to correct any announcement, communication or document issued which contains, refers to or is based upon, that Provided Information.
- 4.6 To the maximum extent permitted by law, you are solely responsible for any decisions in connection with the implementation of, and the use of, and reliance on, advice or materials including any reports, documents, opinions, emails, notes, recommendations or other deliverables, whether in draft or in final form, supplied by McGrathNicol in the delivery of the Services (Work).
- 4.7 You must ensure that all Provided Information is provided to the relevant individuals within McGrathNicol who are engaged in the provision of the Services as identified in the Engagement Letter or by the Project Leader. You acknowledge and agree that the knowledge and awareness of Provided Information by a partner or staff member of McGrathNicol is limited to the Provided Information actually provided to that partner or staff member, and that partner or staff member of McGrathNicol is not deemed to share the knowledge and awareness of other partners and staff.
- 4.8 You are responsible for assessing the adequacy of the scope set out in the Engagement Letter (including Appendices) and acknowledge that McGrathNicol is not liable to you for or in connection with any inadequacy of the scope of the Services.
- 4.9 McGrathNicol will not be liable for any default that arises because you do not fulfil your obligations under this clause.

#### 5 Confidentiality

- 5.1 Confidential Information means any information relating to the past, present or future business of a party that comes to the knowledge of any other party but does not include information in the public domain (unless in the public domain due to a breach of confidentiality by any party to this Agreement).
- 5.2 Both you and McGrathNicol acknowledge that they each may, in the course of the engagement, be exposed to or acquire Confidential Information of the other party. Both you and McGrathNicol agree to hold such information in strict confidence, and not to divulge such information except as may be required to perform the Services, by law or the rules of a relevant securities exchange or judicial process, or by any persons or bodies responsible for regulating that party's business (including under any applicable rules, policies or codes of any regulatory or accounting professional



### McGrathNicol Terms of Business

- supervisory authorities in Australia or elsewhere), or as required by a party's internal policies or as the party reasonably determines is necessary to protect its own legitimate interests.
- 5.3 Where you or McGrathNicol disclose any Confidential Information under clause 5.2 (Disclosing Party), the Disclosing Party must, where practical and to the extent permitted by law, notify the other party (Non Disclosing Party) of the requirement to disclose the Confidential Information, and only disclose the minimum Confidential Information required to comply with the law or requirement. Also, where possible, the Non Disclosing Party will be given the opportunity to restrain or contest the disclosure of Confidential Information under clause 5.2.
- 5.4 We will either return or destroy your Confidential Information within a reasonable time of your request. However, we are entitled to retain a copy of any Confidential Information you provide to us or which forms part of our business, provided that we will continue to keep it confidential in accordance with this Agreement.

#### 6 Staff

- 6.1 You agree that during the provision of the Services, and for a period of six months thereafter, you will not make any offer of employment to any partner, officer or employee of McGrathNicol or its related entities involved in the provision of the Services, without McGrathNicol's prior consent.

#### 7 Benefit of advice

- 7.1 Unless otherwise specifically stated in the Engagement Letter, any Work provided as part of the Services:
- (a) may not be disclosed by you in any way to any other party, except to your professional advisers, without our prior written consent. This includes any publication on any electronic media; and
- (b) is provided solely for your benefit and may not be relied on by anyone other than you without our prior written consent.
- 7.2 You must not name us or refer to us, our Work or the Services in any written materials (other than to your professional advisers and auditor), without our prior written consent.
- 7.3 During the supply of the Services, McGrathNicol may supply oral, draft or interim Work, including in electronic form (Interim Work). All Interim Work is in draft form only and is subject to change. You must not rely on any Interim Work except with written confirmation from McGrathNicol. The final written Work provided by McGrathNicol will take precedence over all Interim Work.
- 7.4 The Services are deemed to have been completed when the final version of the Work containing the advice or report has been issued to you by McGrathNicol. The Services exclude, and McGrathNicol is not responsible for, updating any advice, report or other materials contained in the Work for subsequent events that occur after the date of the report or otherwise the date stated in the report as the date to which it is prepared up to.
- 7.5 You acknowledge that any use of, or reliance on, our Work that is contrary to this Agreement may expose us to a claim from a third party.
- 7.6 Accordingly you must, to the fullest extent permitted by law and professional regulations, indemnify McGrathNicol from and against all losses, costs, expenses damages and liabilities (Loss) incurred or suffered by McGrathNicol as a result of or in connection with any claim, action, demand or proceeding brought by a third person against McGrathNicol in connection with:
- (a) any use or dissemination or reliance on, our Work that is

- contrary to the terms of this Agreement or our written consent or
- (b) any access to, or use of, our Work, by any of your professional advisers.

- 7.7 This indemnity does not apply to any loss incurred in defending a claim or action by a third party:
- (a) that results from any wilful misconduct or fraudulent act or omission by us;
- (b) where that third party has signed an agreement with us that permits it to rely on our Work; or
- (c) where we have agreed in writing that our work may be included in publicly available documents.

#### 8 Electronic mail

- 8.1 Each of the parties agrees that they may communicate with each other electronically and agree to release each other from liability for any loss which either party may incur if the communication is intercepted, delayed, lost or corrupted during transmission or if any electronic transmission is affected by any computer virus, malicious software, ransom software, malevolent program or software or program which has a similar effect.
- 8.2 Unless otherwise confirmed in writing by, or through electronic mail from, a partner or authorised signatory of McGrathNicol, all electronically transmitted advices or opinions are deemed to be in draft form and cannot be relied upon.

#### 9 Fees, expenses and payment terms

- 9.1 The time based fee rates, if any, quoted in the Engagement Letter will remain in force until 31 December or 30 June of each year (whichever occurs first) and McGrathNicol may amend its fees and rates for work continuing past that date by notice to you. In the absence of such notice, the existing fees and rates will continue to apply.
- 9.2 The consideration payable for any supply made or to be made under this Agreement is exclusive of any goods and services tax (GST). If GST is payable on any supply made or to be made under this Agreement, you agree that the consideration payable for any such supply shall be increased by an amount equal to the amount of GST payable by McGrathNicol in respect of that supply.
- 9.3 If McGrathNicol incurs out-of-pocket expenses in connection with the provision of the Services, we will invoice these to you at cost.
- 9.4 We will invoice you monthly in arrears (unless we agree with you otherwise) and you agree to pay our invoices in Australian dollars within 30 days of the billing date, unless otherwise agreed. If they are not paid by this date, you must on demand pay interest on any outstanding balances at a rate equal to 2% over the 180 day bank bill swap rate published by the Australian Securities Exchange.
- 9.5 If any one or more of McGrathNicol, its related entities and any of their respective partners, officers or employees is required (pursuant to any order, subpoena, directive or other legal or regulatory process) to produce documents and/or information, answer enquiries attend court or meetings or deal with any similar requests in relation to the Services for, or by, any judicial, regulatory, administrative or similar body or entity (including without limitation, any foreign regulator or similar), you must on demand pay the fees and disbursements including reasonable legal fees, incurred in dealing with those matters (at McGrathNicol's then standard billing rates).

#### 10 Problem resolution

- 10.1 If at any time you would like to discuss with McGrathNicol how the Services can be improved or if you have a complaint about them, you are invited to telephone the partner or

## Appendix 2 – Engagement Letter



### McGrathNicol Terms of Business

- Project Leader, as the case may be, identified in the Engagement Letter or alternatively the Managing Partner of McGrathNicol. McGrathNicol will endeavour to investigate any complaint promptly and to resolve the difficulties.
- 10.2 If the problem cannot be resolved, the parties agree to enter into mediation before commencing legal proceedings. The parties agree that in default of agreement on the appointment of the mediator, the Australian Disputes Centre shall nominate the mediator.
- 10.3 In the event of a dispute, or where fees remain unpaid beyond the due date, McGrathNicol may suspend provision of the Services, retain or withhold any information we may hold in relation to the Services or any work we have done for you until such time as the dispute is resolved or the fees are paid. Suspension of the Services will not affect your obligation to pay for Services rendered up to and including the date of suspension.
- 11 **Termination of Agreement**
- 11.1 Each party may terminate this Agreement by written notice to the other party if:
- the other party commits any material breach of its obligations under this Agreement which is not capable of remedy or fails to remedy a material breach which is capable of remedy within 14 days of notice requiring its remedy; or
  - the other party commits a persistent breach of its obligations under this Agreement; or
  - the other party becomes insolvent; or
  - the Services are suspended under clause 10.3 for more than 10 normal working days.
- 11.2 We may terminate this Agreement immediately by giving you written notice if, in our reasonable opinion, the continued provision of the Services by us would:
- breach any applicable law, rule, regulation or professional standard;
  - bring our reputation into disrepute;
  - prejudice our ability to comply with any applicable independence requirement; or
  - expose individuals providing the Services to unreasonable physical or personal risk.
- 11.3 On termination of this Agreement, all sums due to McGrathNicol become payable in full in accordance with clause 9.
- 12 **Liability**
- 12.1 Except as expressly provided under this Agreement, to the maximum extent permitted by law, McGrathNicol excludes all other warranties, terms, conditions, undertakings, representations and consumer guarantees (express, implied, statutory or otherwise). In relation to any condition, warranty, representation or consumer guarantee implied or provided by law that cannot be lawfully excluded, where permitted by law, McGrathNicol's liability is limited, at the sole discretion and option of McGrathNicol, to the minimum obligations or liabilities permitted by law (such as resupplying the services or paying the cost of resupplying the services). You warrant any representations that are of importance to you are expressly set out in the Engagement Letter. This clause 12 does not exclude or restrict any rights or remedies that you may have in relation to a "major failure", as that term is defined in the Competition and Consumer Act 2010 (Cth).
- 12.2 To the extent that one or more schemes for limiting occupational liability of members of an occupational association (as approved under the relevant Professional Standards Act) (Scheme) is or are applicable,
- McGrathNicol's liability is limited by the relevant Scheme. If you require further information or a copy of the relevant statutes or the relevant Scheme, please contact McGrathNicol.
- 12.3 If a Scheme does not apply, then to the maximum extent permitted by law and without limiting clause 12.4, McGrathNicol's aggregate liability to you on any basis and in any circumstances (including any liability for negligence) in relation to the Services or this Agreement is limited to the lower of:
- the amount equal to five times the professional fees actually paid to McGrathNicol in respect of the Services; and
  - \$20 million.
- 12.4 To the maximum extent permitted by law, McGrathNicol is not liable to you in any circumstances for any indirect, economic, special or consequential loss or damage, or in any event for any loss of revenue, loss of production, loss of profit or loss of data.
- 12.5 You release McGrathNicol from all claims and liability to the extent that McGrathNicol's liability would exceed the limit set out in clause 12.3 or is excluded by clause 12.4.
- 12.6 McGrathNicol's liability to you for any loss or damage is reduced to the extent that the loss or damage is attributable to the negligence, fault or lack of care on your part or on the part of any person for whom you are responsible.
- 12.7 You agree not to bring any claim against any employees of McGrathNicol, its related entities and any of their respective partners (**Employees**) personally in connection with the Services. This includes claims in negligence but excludes claims of fraud or dishonesty. This clause 12.7 is for the benefit of our Employees. You agree that each of them may rely on it as if they were a party to this agreement. Each of our Employees involved in providing the services relies on the protections in this clause 12.7 and we accept the benefit of it on their behalf.
- 13 **Personal Information and Privacy**
- 13.1 McGrathNicol is committed to complying with the *Privacy Act 1988 (Cth)* (**Privacy Act**) when collecting, holding or disclosing personal information (as that term is defined in the Privacy Act (**Personal Information**)) concerning your shareholders, members, customers, employees and other individuals with whom you have dealings.
- 13.2 We will handle Personal Information in accordance with our Privacy Policy, a copy of which is available at [www.mcgrathnicol.com](http://www.mcgrathnicol.com).
- 13.3 You agree to work with us to ensure that both parties meet any obligations that each party may have under the Privacy Act including, where relevant, notifying the individual to whom the Personal Information relates, who we are, and how we propose to use and disclose their information.
- 13.4 Where you provide us with any Personal Information, you confirm that you have collected the Personal Information in accordance with the Privacy Act, that you are entitled to provide the Personal Information to us and that we may collect, use and disclose the Personal Information for the purpose of providing the Services to you or as otherwise permitted by this Agreement.
- 14 **Intellectual Property**
- 14.1 Unless specifically agreed by us in writing to the contrary, we own the intellectual property rights (including copyright, patents, trademarks and other rights and the right to apply for the registration of such rights) in all work, documents and materials we create as a result of providing the Services.
- 14.2 We grant you a non-exclusive, royalty free and worldwide licence to use any material we have created and deliver to



### McGrathNicol Terms of Business

- you in the course of providing you with our Services.
- 14.3 Generally we do not assert the moral rights in works of which we are the authors. We will notify you if we do require the recognition of our moral rights.
- 15 **Force majeure or unexpected delay**
- 15.1 If the performance of this Agreement by a party (other than an obligation to make payment) is prevented, delayed or restricted by reason of fire, storm, flood, earthquake, war, labour dispute, transportation embargo, law, order, or directive of any government in matters relating to this Agreement, or any other event or condition beyond the reasonable control of that party, then the party is excused from such performance to the extent of the same, but will use reasonable efforts to mitigate the effect of such event or condition.
- 15.2 We are not responsible to you or anyone else for any failure in providing the Services caused by an unexpected delay. We will tell you if there is a delay that will affect the Services and the cause of the delay, if known. You acknowledge that this Agreement will be varied to include any change to the scope of the Services, the fees or the timeframes for completion of the Services if any delay requires it. If we are required to perform additional services because of an unexpected delay, then this Agreement will also be varied to include those additional services and any additional fees that apply. Where this Agreement is varied under this clause 15.2, McGrathNicol will, where reasonably possible, consult with you before performing any additional services.
- 16 **Governing law and jurisdiction**
- 16.1 This Agreement and all aspects of the engagement and the performance of the Services are governed by, and construed in accordance with, the laws applicable in the state of New South Wales, Australia. The parties agree to irrevocably submit any disputes arising under this agreement to the exclusive jurisdiction of the Courts of that state.
- 17 **Variation and execution**
- 17.1 No variation of this Agreement will be valid unless confirmed in writing by authorised signatories of both parties on or after the date of signature of the Engagement Letter.
- 17.2 Both parties may execute this Agreement, as well as any modifications to it by electronic means and each party may sign a different copy of the same document.
- 17.3 Both parties represent that the person signing this Agreement and on its behalf is expressly authorised to execute them and to bind each party to their terms.
- 17.4 If you do not indicate your acceptance in writing, but instruct us to proceed with the Services, we will do so on the basis that you have accepted the terms set out in this Agreement. If we provide you with any Services in connection with this Agreement prior to the date you accept the Agreement, the terms of this Agreement will apply to such Services.
- 18 **Entire Agreement**
- 18.1 This Agreement is the entire agreement and understanding between the parties on everything connected with the subject matter of this Agreement and supersedes any prior agreement or understanding on anything connected with that subject matter.
- 19 **Engagement of Specialists and/or affiliates**
- 19.1 In providing the Services we may procure external subject matter specialists (**Specialist**) or affiliates of McGrathNicol to provide separate advice to you. Before doing so we will seek your consent.
- 19.2 Where a Specialist or an affiliate of McGrathNicol is engaged by McGrathNicol on your behalf, the commercial arrangement between McGrathNicol and such Specialist or affiliate will be substantially a "back to back" arrangement of the engagement set out in the Engagement Letter.
- 19.3 Where you engage a Specialist or affiliate directly, McGrathNicol will not be responsible to you for the advice given by such Specialist or affiliate.
- 19.4 To the maximum extent permitted by law, if McGrathNicol subcontracts any of the Services, then McGrathNicol's aggregate liability to you on any basis and in any circumstances (including liability for negligence) in relation to the subcontracted services is limited to the amount equal to five times the professional fees actually paid to McGrathNicol in respect of the subcontracted service.
- 19.5 Where the provision of the Services requires an Australian Financial Services Licence, McGrathNicol will provide you with a separate engagement letter to formally engage the services of McGrathNicol Transaction Advisory Pty Limited, Australian Financial Services Licence number 436347.
- 19.6 To the extent that any separate engagement between you and McGrathNicol Transaction Advisory Pty Limited covers the same subject matter (**Engagement**), then the limitation of liability provisions applicable to the Engagement will apply such that the liability of McGrathNicol, McGrathNicol Transaction Advisory Pty Limited and all other McGrathNicol entities engaged by you in relation to the Engagement will not in aggregate exceed the limit specified by the limitation of liability provisions applicable to this Agreement, whether a claim is made against any one or more of them, and whether against them jointly or severally.
- 20 **General**
- 20.1 This Agreement does not create a fiduciary relationship or a relationship of employment, agency or partnership between the parties unless such a relationship is expressly created by law. Neither party has the authority to bind the other.
- 20.2 If any provision of this Agreement is, or becomes, unenforceable, illegal or invalid for any reason, the relevant provision is to be deemed to be modified to the extent necessary to remedy such unenforceability, illegality or invalidity or if this is not possible then such provision must be severed from this Agreement, without affecting the enforceability, legality or validity of any other provision of this Agreement.
- 20.3 A power, remedy or right arising from any provision of this Agreement can only be waived, qualified, restricted, modified or amended specifically in writing by the party with that power, remedy or right. A waiver by one party of a breach by the other party of any term of this Agreement does not operate as a waiver of another term or a continuing breach by the other of the same or any other term of this Agreement.
- 20.4 Neither party may assign any of our rights, obligations or claims under this Agreement.
- 20.5 McGrathNicol may advertise that it has assisted you in respect of the Work or Services to which this Agreement relates, and for that purpose you authorise McGrathNicol to make use of any trade mark of yours as an identifier in an advertisement or proposal.

