ECHO

MEDIA RELEASE

13 August 2014

Echo Entertainment Group Limited (ASX: EGP) today announced its full year results for the year ended 30 June 2014[1]. Key highlights include:

- Statutory NPAT of $106.3 million, up 27.3% on the prior comparable period (pcp).
- Normalised[2] NPAT before significant items[3] of $158.2 million, up 24.6% on the pcp.
- Reported EBITDA of $387.1 million, up 15.7% on the pcp.
- Normalised EBITDA of $439.1 million, up 12.2% on the pcp driven by:
    - Normalised gross revenue of $1,973.1 million up 3.8% with growth in 2H FY14 of 12.8% on the pcp
    - Domestic revenues up 2.8% on the pcp for the year, driven by EGM market share growth across all properties in 2H FY14
    - Normalised international VIP Rebate gross revenue up 6.9% to $472.2 million with normalised turnover of $29,123.3 million up 6.5% on the pcp
    - Cost reduction program exceeding guidance with operating expenses[4] of $866.9m down 0.2% on the pcp.
- Declared final dividend of 4 cents per share bringing total dividends of 8 cents per share for the year, up 33% on the pcp.
- Short-listed for the next stage of the Queen's Wharf Brisbane development competitive bid process by the Queensland Government and subsequently formed the Destination Brisbane Consortium with Chow Tai Fook Enterprises Limited and Far East Consortium (Australia) Pty Limited.
- Expect to close Jupiters Townsville divestment for $70 million in 1H FY15, subject to all necessary regulatory approvals being received.

Echo Entertainment Chairman John O'Neill AO said: "The business has gained solid momentum in the second half of FY14, and it is pleasing to close out the year ahead of market expectations.

We have the initiatives and management team in place to make further significant enhancements in the underlying performance of the business. On this basis, we are pleased to declare a dividend slightly in excess of our payout policy.

[1] This media release should be read in conjunction with Echo Entertainment Group Limited's Full Year 2014 Results Presentation and Directors' Report and Financial Report for the full year ended 30 June 2014.
[2] Normalised results reflect the underlying performance of the business as they remove the inherent volatility of the international VIP Rebate business. Normalised results are adjusted using an average win rate of 1.62% and average number of turns of front money of 13 times based on the 5 year average to the end of FY13. Normalisation rates applied to the FY14 results are consistent with FY13 rates.
[3] Significant items of $15.5 million after tax relate to finance costs associated with closing out of a number of out-of-the-money interest rate swaps and restructure of lending arrangements.
[4] Operating expenses exclude gaming taxes, levies and commissions and significant items.

Echo welcomes the opportunity to put forward to the Queensland Government in late 2014 a proposal for the development of the Queen's Wharf Brisbane site. We are pleased that we can pursue this exciting opportunity with the added strengths and extensive complementary capabilities that our partners Chow Tai Fook Enterprises and Far East Consortium bring to our Destination Brisbane Consortium."

Performance overview

The main drivers behind the result were a significant acceleration of revenue growth in the second half of the financial year and tightly managed expenses throughout the period. Particularly pleasing was the performance of The Star, where the expanded facilities are gaining traction and customers are responding well to the new marketing initiatives and the rewards of the loyalty program.

Statutory revenue of $1,805.7 million was up 3.9% on the pcp, with most of the revenue growth generated in the domestic gaming businesses.

Normalised revenues grew across the year from $1,901.8 million in FY13 to $1,973.1 million in FY14 (up 3.8%). All of the growth was generated in 2H FY14, when revenues grew at 12.8% (compared to -4.8% in 1H FY14) on the pcp.

Operating expenses of $866.9 million were down 0.2% compared to FY13, in line with recent guidance of $870 million and well below original guidance released at the beginning of the year. This was driven by the FY13 cost reduction program that delivered lower operating expenditures in FY14, despite increased volume growth. No significant operating expense items were recorded in FY14 (FY13: $38.3 million).

Normalised EBITDA (excluding significant items) of $439.1 million was up 12.2% on the pcp, marginally higher than the guidance provided on 16 June 2014.

Normalised NPAT, excluding significant items, was $158.2 million, up 24.6% on the pcp, inclusive of $14.1 million of additional Government levies and taxes.

Statutory Net Profit After Tax (NPAT) was $106.3 million, up 27.3% on the pcp. The earnings absorb the one-off cost of $22.2 million (pre-tax) from extinguishing out-of-the-money interest rate swaps, $14.1 million of additional Government levies and taxes and a lower actual win rate in the international VIP Rebate business.

Statutory Earnings Per Share were 12.9 cents, up 27.7% on the pcp. A final dividend per share of 4 cents fully franked was declared, giving a total dividend of 8 cents per share, up 33% on the pcp. This year's dividend represents a payout ratio of 62% of statutory NPAT.

Net debt was $658.2 million (FY13 $707.3m) with $330m in undrawn facilities and an average drawn debt maturity of 4.3 years. Operating cash flow before interest & tax was $356.6 million (FY13 $393.9 million) with 92% of EBITDA to cash conversion.

All segments contributed positively to the performance of Echo:

The Star

Normalised EBITDA was $298.8 million, up 14.8% (actual $260.1 million, up 3.8%) on the pcp. Normalised EBIT was $208.9 million, up 26.1% (actual $170.2 million, up 9.1%) on the pcp.

Overall revenue performance at The Star was solid with normalised gross revenue of $1,327.5 million up 6.8% on the pcp (actual $1,277.3 million, up 6.2%). Domestic gross gaming revenue was up 4.2% on the pcp with all areas performing well in 2H FY14. Non-gaming revenue was strong as new product continued to gain momentum (up 14.2% on the pcp). Taxes, levies, rebates and commissions of $494.6 million were up 8.9% on the pcp as a result of increased volume and an additional NSW Government levy of $6.8 million in the period. Operating expenditure of $522.6 million (up 4.8% on the pcp) reflects the increased activity across the business.

Queensland casinos

Normalised EBITDA was $140.3 million, up 7.0% on the pcp (actual $127.1 million, up 3.9%). Normalised EBIT was $84.4 million, up 5.9% on the pcp (actual $71.3 million, up 0.5%).

Overall, normalised revenue for the Queensland properties was down 1.9% to $645.6 million (actual $620.1 million, down 3.7%) on the pcp. The domestic gaming business saw gross revenue flat on the pcp despite 10.7% electronic gaming revenue growth in 2H FY14 on 1H FY14. Non-gaming revenue continues to be impacted by the lack of new attractions and the difficult consumer environment, with revenue down 5.3% on the pcp. Taxes, levies, rebates and commissions were down 1.6% on the pcp (including an additional Queensland Government levy of $7.3 million in relation to Treasury Casino & Hotel in Brisbane). Operating expenditure across the Queensland properties of $344.2 million was down 7.0% on the pcp as a result of cost saving initiatives and lower volumes.

International VIP Rebate business

The results of the international VIP Rebate business are embedded in the segment results above. Normalised gross revenue of $472.2 million was up 6.9% (actual $396.5 million, up 2.5%) on the pcp. International VIP Rebate front money was up 6.5% on the pcp to $2,232.0 million. International VIP Rebate win rate of 1.45% was below the pcp (FY13 1.62%) and actual turns of front money of 12.2 times were lower than the historic average – although 2H FY14 turns were closer to normalised levels. Net trade receivables of $76.5 million were largely unchanged from $74.3 million at 30 June 2013.

Trading update and outlook for FY15

FY15 YTD revenue growth broad based with all major properties delivering revenue growth at levels consistent with 2H FY14, as the momentum built in 2H FY14 carries forward into the new financial year. Expenses continue to be in line with expectations for FY15 YTD.

Managing Director and Chief Executive Officer, Matt Bekier said: “We have started FY15 the same way we finished FY14, with good momentum in our major properties. The Star is our flagship property where we will continue to invest in product and with new management coming on board, we expect to see continued improvement in FY15.

We have three priorities for this financial year. Firstly, to continue growing earnings across the Group through greater focus on our customers and prudent expense management. Secondly, we will deliver on the initial stage of the capital program to substantially redevelop and expand the Gold Coast property. And thirdly, we are working hard to develop a compelling proposal for the Queen’s Wharf Brisbane development.”

In order to make Echo’s underlying results more comparable with domestic peers and to more closely approximate normalised results with the actual win rate experienced over the last 7 years, Echo will adopt a simplified approach to the reporting of international VIP Rebate revenues for future reporting periods. The new approach will adopt real turnover measures (including bets placed where the outcome is a tie) and a fixed win rate of 1.43%. This new methodology to estimate underlying revenues will apply from FY15 results onwards.

The full 2015 financial year result may be impacted by a number of factors (which may be material in nature) including general macro-economic conditions, potential hold and win rate volatility in the PGR and international VIP Rebate business, level of debt or provisions, success of the company’s marketing programs and any uncertainty related to the regulatory environment.

For more information:

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MEDIA RELEASE

Echo Entertainment Group full year results to 30 June 2014

Statutory	
Statutory revenue	$1,805.7 million, up 3.9%
EBITDA	$387.1 million, up 15.7%
EBIT	$241.5 million, up 28.0%
NPAT	$106.3 million, up 27.3%
Earnings Per Share	12.9 cents, up 27.7%
Normalised (Underlying)	
Revenue	$1,973.1 million, up 3.8%
- The Star	$1,327.5 million, up 6.8%
- Queensland	$645.6 million, down 1.9%
EBITDA	$439.1 million, up 12.2%
- The Star	$298.8 million, up 14.8%
- Queensland	$140.3 million, up 7.0%
EBIT	$293.4 million, up 19.5%
- The Star	$208.9 million, up 26.1%
- Queensland	$84.4 million, up 5.9%
NPAT	$158.2 million, up 24.6%
Dividend per share	
Final dividend (fully franked)	4.0 cents
Full year dividend (fully franked)	8.0 cents, up 33.3%
Balance sheet	
Gross Debt	$803.1 million
Net Debt[5]	$658.2 million
Net Debt/EBITDA (actual)	1.7x
Government taxes and levies	
New South Wales	$250.4 million, up 6.9%
Queensland	$131.6 million, up 5.8%

[5] Net Debt is stated after adjusting for cash and cash equivalents