



**ASX/MEDIA RELEASE  
FOR IMMEDIATE RELEASE  
1 March 2021**

### **MOODY'S RATING UPDATE**

**MELBOURNE: Crown Resorts Limited (ASX: CWN) (Crown)** announced today that it has been informed by Moody's Investors Service (Moody's) that it has confirmed Crown's current issuer credit rating of Baa3 with the rating outlook revised from review for downgrade to negative. This concludes the review for downgrade which was initiated by Moody's in November 2020.

A copy of the Moody's rating action note is attached.

### **ENDS**

This announcement was authorised for release by the Disclosure Committee.

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### **COPIES OF RELEASES**

Copies of previous media and ASX announcements issued by Crown are available at Crown's website at [www.crownresorts.com.au](http://www.crownresorts.com.au)

**Rating Action: Moody's confirms Crown Resorts' Baa3 rating, revises outlook to negative**

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01 Mar 2021

Sydney, March 01, 2021 -- Moody's Investors Service has confirmed the Baa3 issuer rating of Crown Resorts Limited (Crown).

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The outlook has been changed to negative from ratings under review.

Today's rating action concludes the review with possible downgrade that was initiated on the rating of Crown Resorts Limited on 20 November 2020.

"The rating confirmation reflects our view that Crown has good potential to maintain its investment grade credit profile, and is willing and able to remediate shortcomings identified by the Bergin Inquiry in New South Wales, as well as any additional shortcomings that may be identified by regulatory investigations in other states," says Maadhavi Barber, a Moody's Analyst.

"Nevertheless, the remediation steps required for Crown to reach suitability to hold its Sydney restricted gaming license are far-reaching and complex, which is why we have retained the negative rating outlook."

**RATINGS RATIONALE**

The rating confirmation reflects the fact that, while Crown was found not suitable to hold a restricted gaming license in Sydney, and was therefore unable to commence gaming operations at its new casino, the New South Wales Independent Liquor and Gambling Authority (ILGA) did not mandate an irrevocable loss of the license. The report of the Bergin Inquiry outlined a number of steps Crown would be required to take, to become suitable and retain its license. While some of the required steps are onerous, Moody's notes that, prior to the Bergin Inquiry's findings, the company already had initiatives underway to address some of the identified shortcomings under its Reform Agenda, and it has acted quickly since, in respect of board and senior management changes.

Crown is the subject of a number of other investigations. The State of Victoria is holding a Royal Commission into Crown's suitability to hold its Melbourne gaming license and the Gaming and Wagering Commission of Western Australia has recommended an independent inquiry regarding Crown Perth's operations. Nevertheless, Moody's notes that the adverse findings of the Bergin Inquiry are in connection with Crown's pre-existing operations in Victoria and Western Australia, and the rating agency therefore expects that findings and recommendations from the other inquiries will be largely in line with those of the ILGA Inquiry, with only incremental financial and operational requirements for Crown.

Crown is also under investigation by the Australian Transaction Reports and Analysis Centre (AUSTRAC). If fines were to be levied, Moody's estimates Crown can absorb a fine of around 30% of estimated fiscal 2022 revenues and retain financial buffers consistent with its current rating. Recent examples from the Australian banking sector, however, resulted in civil penalties of only around 3-6% of the banks' revenue.

While these investigations continue, Moody's expects Crown's gaming facilities in Melbourne and Perth will remain open and generate revenue. Crown is the largest single site employer in both Victoria and Western Australia. The rating agency expects governments in both Victoria and Western Australia are likely to keep the facilities open to support employment and economic growth following a particularly difficult year as a result of the coronavirus outbreak. Victoria's economy, in particular, was negatively impacted due to two prolonged lockdown periods, and an additional five-day lockdown in February, which is worse than other Australian states.

The rating confirmation therefore reflects Moody's expectation that Crown's financial metrics will likely improve

as earnings gradually recover, and debt is paid down. The rating agency expects earnings should improve as vaccinations in Australia are rolled out, which will gradually restore consumer confidence. Crown will use proceeds from the AUD870 million of gross apartment sales and pre-sale commitments to retire its AUD450 million project finance facility. The company's cash flow should also improve due to lower capital spending, as the Crown Sydney project is near completion. Crown's liquidity is supported by AUD593.7 million cash-on-hand and deposits on call, as well as AUD188.4 million of undrawn facilities as at 31 December 2020.

Finally, the rating agency notes that in the unlikely but severe scenario in which Crown were to lose its gaming licenses, it would continue to earn income from its non-gaming operations, and be very likely to earn rental income by leasing its well-situated gaming facilities to a new operator. In this scenario, Moody's expects that Crown's low leverage, reduced cost base and improving profitability would still be capable of supporting an investment grade credit profile.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

The outlook could be changed to stable if Crown is found to be suitable to hold its Sydney, Melbourne and Perth gaming licenses. Although a stabilization would also depend on the magnitude of any potential fines. If Crown is able to action the recommendations and maintain its licenses, we would also expect debt/EBITDA to remain below 3.75x and EBIT/interest to remain above 3.5x.

The rating could be downgraded if:

(1) Crown's gaming licenses are revoked and debt/EBITDA exceeds 3.75x, EBIT/interest falls below 3.5x, and liquidity contracts meaningfully, OR

(2) the Melbourne and Perth gaming facilities are forced to close by their respective state governments while investigations are ongoing, combined with debt/EBITDA exceeding 3.75x and EBIT/interest falling below 3.5x, and liquidity contracting meaningfully.

#### ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS

The Bergin inquiry, and other ongoing inquiries, have brought to light a number of governance and compliance shortfalls at Crown, with negative consequences for the company's credit profile. Accordingly, governance risk considerations are a key factor in today's rating action.

Moody's regards the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety. The gaming sector has been one of the sectors most significantly affected by the shock, given its sensitivity to consumer demand and sentiment.

Crown, like other casinos, is exposed to other social risks, such as changes to gaming laws, as well as evolving demographic and societal trends which may reduce demand for traditional casino-style gaming.

The principal methodology used in this rating was Gaming Methodology published in October 2020 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1244702](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1244702). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

#### COMPANY PROFILE

Crown Resorts Limited is an Australian-based gaming company that owns the Crown Melbourne Entertainment Complex, the Crown Perth Entertainment Complex and Crown Aspinalls in London. The company also operates a wagering and online segment.

#### REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1243406](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1243406).

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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