



Scheme Booklet

For the proposal by SS Silver II Pty Ltd (**Blackstone BidCo**), an entity owned by funds managed or advised by Blackstone Inc. and its affiliates, to acquire all of your shares in Crown by way of scheme of arrangement.

RECOMMENDATION: Your Directors **unanimously recommend that you vote in favour** of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Crown Shareholders.

The Independent Expert has concluded that the Scheme is in the best interests of Crown Shareholders, in the absence of a superior proposal.

This is an important document and requires your immediate attention.

You should read it entirely before deciding whether or not to vote in favour of the Scheme.

If you are in any doubt about how to deal with this document, you should contact your broker or financial, taxation, legal or other professional adviser immediately.

FINANCIAL ADVISERS



LEGAL ADVISER



Important notices

Nature of this Scheme Booklet

This Scheme Booklet provides Crown shareholders with information about the proposed acquisition of Crown by Blackstone BidCo by way of scheme of arrangement between Crown and the Scheme Shareholders under Part 5.1 of the Corporations Act. This Scheme Booklet also sets out the manner in which the Scheme will be considered and implemented (if all of the Conditions Precedent are satisfied or, if permitted, waived) and provides such information as is prescribed by law or is otherwise material to the decision of Crown Shareholders whether to vote in favour of the Scheme.

This Scheme Booklet does not constitute or contain an offer to Crown shareholders, or a solicitation of an offer from Crown shareholders, in any jurisdiction. This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act. This Scheme Booklet includes the explanatory statement for the Scheme required by subsection 412(1) of the Corporations Act.

If you have sold all of your Crown Shares, please ignore this booklet.

ASIC and ASX

A copy of this Scheme Booklet has been registered by ASIC for the purposes of subsection 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with subsection 411(2) of the Corporations Act. Neither ASIC, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with paragraph 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearings to approve the Scheme.

A copy of this Scheme Booklet has been provided to the ASX. Neither the ASX, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that, under subsection 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Crown Shareholders should vote (on this matter Crown Shareholders must reach their own conclusion); or
- has prepared, or is responsible for the content of, the explanatory statement.

Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure 4.

Notice of Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting. Any Crown shareholder may appear at the Second Court Hearing, currently expected to be held at 2.15pm (Melbourne time) on 3 May 2022 at 305 William Street, Melbourne VIC 3000. Any Crown Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Crown a notice of appearance in the prescribed form together with any affidavit that the Crown shareholder proposes to rely on.

No investment advice

This Scheme Booklet has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any Crown shareholder or any other person. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. The Crown Directors encourage you to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. This Scheme Booklet should be read in

its entirety before making a decision on whether or not to vote in favour of the Scheme. In particular, it is important that you consider the potential risks if the Scheme does not proceed, as set out in section 7, and the views of the Independent Expert set out in the Independent Expert's Report contained in Annexure 1. If you are in doubt as to the course you should follow, you should consult an independent and appropriately licensed and authorised professional adviser immediately.

Forward looking statements

Some of the statements appearing in this Scheme Booklet (including in the Independent Expert's Report) may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Scheme Booklet (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals, intentions or expectations of Crown or Blackstone BidCo are or may be forward looking statements. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to Crown or Blackstone BidCo and / or the industries in which they operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of Crown, Blackstone BidCo, or their respective officers, directors, employees or advisers or any person named in this Scheme Booklet or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

Any forward looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Subject to any continuing obligations under the Listing Rules or the Corporations Act, Crown and Blackstone BidCo and their respective officers, directors, employees and advisers, disclaim any obligation or undertaking to distribute after the date of this Scheme Booklet any updates or revisions to any forward looking statements to reflect (a) any change in expectations in relation to such statements; or (b) any change in events, conditions or circumstances on which any such statement is based.

Responsibility statement

Crown has prepared, and is responsible for, the Crown Information. Neither Blackstone BidCo nor any of its subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the Crown Information.

Blackstone BidCo has prepared, and is responsible for, the Blackstone BidCo Information. Neither Crown nor any of its subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the Blackstone BidCo Information. Grant Samuel & Associates Pty Limited has prepared the Independent Expert's Report (as set out in Annexure 1) and takes responsibility for that report. None of Crown or Blackstone BidCo or any of their respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except, in the case of Crown, in relation to the information which it has provided to the Independent Expert.

No consenting party has withdrawn their consent to be named before the date of this Scheme Booklet.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia

may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with the laws of Australia and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia.

Crown shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

Financial amounts and effects of rounding

All financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated. A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding. All financial and operational information set out in this Scheme Booklet is current as at the date of this Scheme Booklet, unless otherwise stated.

Charts and diagrams

Any diagrams, charts, graphs or tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at the Last Practicable Date.

Timetable and dates

All times and dates referred to in this Scheme Booklet are times and dates in Melbourne, Australia, unless otherwise indicated. All times and dates relating to the implementation of the Scheme referred to in this Scheme Booklet may change and, among other things, are subject to all necessary approvals from Government Agencies.

Privacy

Crown may collect personal information in the process of implementing the Scheme. The type of information that it may collect about you includes your name, contact details and information on your shareholding in Crown and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Scheme Meeting as relevant to you. The collection of some of this information is required or authorised by the Corporations Act. The primary purpose of the collection of personal information is to assist Crown to conduct the Scheme Meeting and implement the Scheme. Without this information, Crown may be hindered in its ability to issue this Scheme Booklet and implement the Scheme. Personal information of the type described above may be disclosed to the Crown Share Registry, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Scheme Meeting), authorised securities brokers, professional advisers, related bodies corporate of Crown, Government Agencies, and also where disclosure is otherwise required or allowed by law. Crown shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of the information about you held by the Crown Share Registry in connection with Crown Shares, please contact the Crown Share Registry. Crown Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should ensure that they inform such an individual of the matters outlined above. Further information about how Crown collects, uses and discloses personal information is contained in Crown's Privacy Policy located at www.crownresorts.com.au/general/privacy-policy.

Date of Scheme Booklet

This Scheme Booklet is dated 30 March 2022.

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Letter from the Chairman of the Crown Board

Dear Crown shareholder,

On behalf of the Crown Board, I am pleased to present you with this Scheme Booklet containing information in relation to the proposed acquisition of Crown by Blackstone BidCo by way of a scheme of arrangement.

Background

The last 24 months for Crown have been marked by some of the most significant developments in the company's history.

Over this period, the Crown Group has been responding to a range of regulatory inquiries including the Bergin Inquiry in New South Wales, the Victorian Royal Commission and the Perth Casino Royal Commission. The Crown Group has also been and continues to be subject to various investigations by gaming regulators and ASIC, the subject of enforcement investigations by AUSTRAC in relation to Crown Melbourne and Crown Perth, as well as responding to two shareholder class actions. Crown has apologised for the failings identified through these various processes and has undertaken significant change right across the organisation, including at the Crown Board and executive level, to drive the highest standards of governance, compliance, and a strong organisational culture.

At the same time, Crown has also been significantly impacted by the COVID-19 pandemic, with relevant State Governments directing Crown to modify its operating conditions and mandating closures for various periods of time since March 2020. This has had a significant negative impact on Crown's financial position, and has impacted the trading performance of Crown Shares.

During this period, Crown has been the subject of takeover speculation, with numerous unsolicited proposals announced to the ASX. The Crown Board carefully assessed each proposal on its merits, with a commitment to maximising value for all Crown shareholders. The Crown Board conducted each assessment cognisant of the challenging operating environment that Crown finds itself in and the uncertain outlook it is presented with.

Following receipt of five proposals (including four offer prices ranging from \$11.85 to \$13.10 per Crown Share) from Blackstone, Crown announced to the ASX on 14 February 2022 that it had entered into the Scheme Implementation Deed with Blackstone BidCo, under which it is proposed that Blackstone BidCo will acquire all of the issued capital of Crown (except those Crown Shares held by a Blackstone entity) via a scheme of arrangement, subject to Court and Crown Shareholder approvals, and satisfaction or waiver (where capable of waiver) of the other Conditions Precedent.

Scheme of arrangement

If the Scheme is approved and implemented, you will be entitled to receive \$13.10 cash for each Crown Share that you own.

Having regard to the uncertain operating and regulatory environment in which Crown finds itself, and the underlying value of Crown, we believe the Scheme represents a fair outcome for Crown Shareholders. Further, the all-cash offer provides Crown Shareholders with certainty of value.

The Scheme Consideration represents:

- a premium of 32.3% to the closing price of Crown Shares on 18 November 2021 of \$9.90 per share (being the last trading day prior to Crown announcing an acquisition proposal from Blackstone at a price of \$12.50 cash per share);
- an implied equity value of approximately \$8.9 billion which represents an increase in equity value of more than \$845 million to the price of \$11.85 cash per Crown Share initially offered by Blackstone in March 2021; and
- a reasonable acquisition multiple of 12.3x Crown EBITDA for the 12 months ending 31 December 2019 (considered the last full calendar year of operations not impacted by COVID-19).

The Scheme can only proceed if Crown Shareholders approve it. This requires more than 50% of Crown Shareholders present and voting, and at least 75% of votes cast at the Scheme Meeting to be in favour of the Scheme. Section 1 of this Scheme Booklet contains key considerations relevant to your vote, which includes both reasons why you should vote in favour of the Scheme and why you may wish to vote against the Scheme. You are encouraged to review and consider section 1 when deciding how to vote on the Scheme.

The Scheme also requires Court approval and is subject to the Conditions Precedent being satisfied.

Crown Directors' recommendation

Your Directors unanimously recommend that you **vote in favour** of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Crown Shareholders.

Subject to the same conditions, each Crown Director who holds Crown Shares intends to vote all those shares in favour of the Scheme.

The interests of Crown's CEO and Managing Director, Steve McCann, and the other Crown Directors are disclosed in section 9. Crown Shareholders should have regard to these interests when considering how to vote on the Scheme, including Mr McCann's recommendation on the Scheme, which appears throughout this Scheme Booklet¹.

Independent Expert's opinion

The Crown Directors appointed Grant Samuel & Associates Pty Limited as the Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Crown shareholders, in the absence of a superior proposal.

A copy of the Independent Expert's Report is included in Annexure 1.

What should you do?

The Scheme requires the approval of Crown Shareholders at the Scheme Meeting which is scheduled for 10.00am (Melbourne time) on 29 April 2022. The Scheme Meeting will be held online as a virtual meeting.

Your vote is important and I encourage you to participate in and vote at the Scheme Meeting via the online platform, or alternatively by completing and submitting a proxy form.

If you wish the Scheme to proceed, it is important that you vote in favour of the Scheme so that it is approved.

Further information

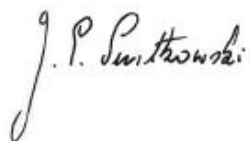
You should carefully read this Scheme Booklet in its entirety before making any decision in relation to the Scheme.

If you have any questions, please contact the Crown Shareholder Information Line on 1300 659 795 (within Australia) or +61 3 9415 4254 (outside Australia), between 8.30am and 5.30pm (Melbourne time), Monday to Friday.

If you are in any doubt as to what you should do, please consult your legal, financial, tax or other professional adviser immediately.

On behalf of the Crown Board, I would like to take this opportunity to thank you for your continued support of Crown.

Yours sincerely



Dr Ziggy Switkowski AO
Chairman
Crown Resorts Limited

¹ Subject to the Scheme becoming Effective and the terms of the relevant Performance Rights continuing to be satisfied, the Crown Board will exercise its discretion for all of Mr McCann's 400,000 Performance Rights to vest and Mr McCann will receive a cash payment that is equal to the Scheme Consideration for each Performance Right held (being \$5.2 million in aggregate, less applicable taxes). If the Scheme does not proceed, the Performance Rights held by Mr McCann will remain on issue and will vest three years after their issue (which will be 1 June 2024), subject to Mr McCann being employed on the vesting date or if terminated by Crown without cause. The Crown Board considers that notwithstanding these arrangements, it is appropriate for Mr McCann to make a recommendation on the Scheme given his role in the operation and management of Crown and that Crown Shareholders would wish to know Mr McCann's views in relation to the Scheme.

Key dates

Event	Time and date
Date of this Scheme Booklet	30 March 2022
Latest time and date for receipt of proxy forms or powers of attorney by the Crown Share Registry for the Scheme Meeting	10.00am, 27 April 2022
Time and date for determining eligibility to vote at the Scheme Meeting	7.00pm, 27 April 2022
Scheme Meeting	29 April 2022
<p>The Scheme Meeting will be held online as a virtual meeting. Crown Shareholders and their authorised proxies, attorneys and corporate representatives may participate in and vote at the Scheme Meeting via the online platform.</p> <p>Further details relating to the Scheme Meeting are set out in the Notice of Scheme Meeting in Annexure 4.</p>	
If the Scheme is approved by Crown Shareholders	
Second Court Date for approval of the Scheme	3 May 2022
Effective Date	3 May 2022
<p>Court order lodged with ASIC and announcement to ASX</p> <p>Last day of trading in Crown Shares – Crown Shares will be suspended from trading on ASX from close of trading</p>	
Scheme Record Date (for determining entitlements to Scheme Consideration)	7.00pm, 5 May 2022
Implementation Date	12 May 2022
Payment of Scheme Consideration to Scheme Shareholders	

All times and dates in the above timetable are references to the time and date in Melbourne, Australia. Crown may vary any or all of these dates and times. In particular, the date of the Scheme Meeting may be postponed or adjourned if the Conditions Precedent relating to obtaining a number of Gaming Regulatory Authority approvals (see section 9.4(b)(2) for further information) have not been satisfied or waived. In addition, certain times and dates are conditional on the approval of the Scheme by the Crown Shareholders and by the Court. Any changes will be announced by Crown through the ASX and notified on Crown's investor centre website at www.crownresorts.com.au/investors-and-media.

1 Key considerations relevant to your vote

1.1 Summary of reasons why you should vote in favour of the Scheme or why you may wish to vote against the Scheme

(a) Why you should vote in favour of the Scheme

- Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Crown Shareholders
- The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in your best interests, in the absence of a superior proposal
- The Scheme Consideration of \$13.10 cash per Crown Share represents a significant premium to the closing price of Crown Shares on 18 November 2021 (being the last day on which Crown Shares traded prior to Crown announcing an acquisition proposal from Blackstone at a price of \$12.50 per Crown Share)
- The Scheme Consideration represents a reasonable acquisition multiple that appears to be in-line with offshore comparable casino transactions, and compares favourably to domestic comparable casino transactions and global listed trading multiples, as referenced in the Independent Expert's Report
- The all-cash Scheme Consideration of \$13.10 per Crown Share provides Crown Shareholders with certainty of value and the opportunity to realise their investment for cash, avoiding the uncertainties and risks associated with an ongoing investment in the Crown business or assets
- If the Scheme is implemented, you will no longer be exposed to risks associated with the Crown business or assets
- Since the announcement of the Scheme, no Superior Proposal has emerged
- The Crown Share price will continue to be subject to market volatility and is expected to fall in the short term if the Scheme does not proceed, in the absence of a Superior Proposal
- No brokerage charges will be payable by you for the transfer of your Crown Shares under the Scheme

These reasons are described in further detail in section 1.2.

(b) Why you may wish to vote against the Scheme

- You may disagree with the Crown Directors' unanimous recommendation and the Independent Expert's conclusion
- You may believe that the Scheme Consideration of \$13.10 cash per Crown Share does not reflect the fair value of Crown Shares
- You may prefer to participate in the future financial performance of the Crown business or assets
- You may believe it is in your best interests to maintain your current investment and risk profile
- You may believe that there is potential for a superior proposal to emerge
- The tax consequences of transferring your Crown Shares pursuant to the Scheme may not be attractive to you

These reasons are described in further detail in section 1.3.

1.2 Reasons why you should vote in favour of the Scheme

(a) Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Crown Shareholders

Your Directors unanimously recommend that Crown Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Crown Shareholders.

Subject to those same qualifications, each Crown Director who holds Crown shares intends to vote all those Crown Shares in favour of the Scheme. The interests of the Crown Directors in Crown Shares are set out in section 9.1².

² Subject to the Scheme becoming Effective and the terms of the relevant Performance Rights continuing to be satisfied, the Crown Board will exercise its discretion for all of Mr McCann's 400,000 Performance Rights to vest and Mr McCann will receive a cash payment that is equal to the Scheme Consideration for each Performance Right held (being \$5.2 million in aggregate, less applicable taxes). If the Scheme does not proceed, the Performance Rights held by Mr McCann will remain on issue and will vest three years after their issue (which will be 1 June 2024), subject to Mr McCann being employed on the vesting date or if terminated by Crown without cause. The Crown Board considers that notwithstanding these arrangements, it is appropriate for Mr McCann to make a recommendation on the Scheme given his role in the operation and management of Crown and that Crown Shareholders would wish to know Mr McCann's views in relation to the Scheme.

1 Key considerations relevant to your vote

(b) The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Crown Shareholders

The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Crown Shareholders, in the absence of a superior proposal.

The Independent Expert has found that:

- the Scheme is being proposed against a backdrop of uncertainty well beyond that for most corporate transactions;
- the Scheme Consideration is the highest price secured in an open, competitive environment;
- the estimated enterprise value of Crown is in the range of \$9.4 billion to \$10.6 billion;
- the discounted cash flow analysis for Crown's Australian resorts incorporates a number of scenarios that support the value range;
- the multiples implied by the valuation of Crown's business operations are reasonable relative to the available market evidence;
- no additional value has been included for a potential sale and leaseback transaction; and
- the value of equity in Crown is subject to significant uncertainty because of contingent liabilities, but in any event, the Scheme Consideration is fair even if they do not materialise.

The Independent Expert addressed the issue of contingent liabilities as follows (see page 7 of the summary letter of the Independent Expert's Report):

"Crown is exposed to various contingent liabilities, including AUSTRAC penalties, tax disputes with Commonwealth and State authorities, the MBL class action, one-off costs following ongoing regulatory processes and minimum guaranteed tax payments in relation to Crown Sydney's financial arrangements with its regulator.

"Some of these items are both highly likely to arise and very material in their own right. Crown has stated that it anticipates that the potential AUSTRAC penalties will be significant. However, the amounts that will be required to be paid are so uncertain that they cannot be reliably quantified. On the other hand, they do need to be taken into account in a value analysis since there are reasonable prospects of at least some of them arising.

"The following analysis illustrates how the equity value of Crown is impacted if the total liabilities arising from the contingencies are, hypothetically, (say) \$340 million (\$0.50 per share) and \$680 million (\$1.00 per share):

"CROWN – EQUITY VALUE PER SHARE

	Full report section reference	Value range	
		Low	High
Enterprise value (\$ millions)	6.1	9,437	10,564
Adjusted net borrowings (\$ millions)	6.8	(946)	(946)
Value of equity (\$ millions)		8,491	9,618
Fully diluted shares on issue (millions)	4.9.1	678.1	678.1
Value per share (\$)			
No additional liabilities		12.52	14.18
\$340 million in contingent liabilities (or \$0.50 per share)		12.02	13.68
\$680 million in contingent liabilities (or \$1.00 per share)		11.52	13.18

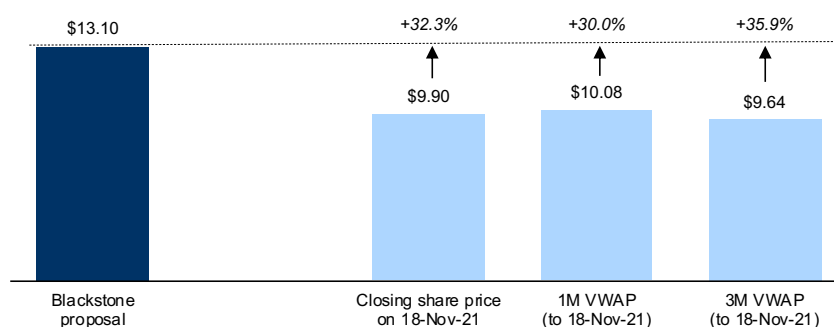
"The analysis shows that the Scheme Consideration is fair even if none of the contingent liabilities arise. If as little as \$180 million in liabilities arise, the Scheme Consideration would be in the top half of the value range and, if contingent liabilities totalled \$680 million, the Scheme Consideration would be demonstrably fair."

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, a copy of which is included in Annexure 1. The Crown Directors encourage you to read this report in its entirety.

(c) The Scheme Consideration of \$13.10 cash per Crown Share represents a significant premium to the closing price of Crown Shares on 18 November 2021

As set out in the chart below, the Scheme Consideration of \$13.10 cash per Crown Share represents a:

- 32.3% premium to the closing price of a Crown Share on 18 November 2021 (being the last day on which Crown Shares traded prior to Crown announcing an acquisition proposal from Blackstone at a price of \$12.50 per Crown Share) of \$9.90;
- 30.0% premium to the 1-month VWAP of a Crown Share to 18 November 2021 of \$10.08; and
- 35.9% premium to the 3-month VWAP of a Crown Share to 18 November 2021 of \$9.64.



Source: VWAPs based on Iress

(d) The Scheme Consideration of \$13.10 cash per Crown Share represents a reasonable acquisition multiple that appears to be in-line with offshore comparable casino transactions, and compares favourably to domestic comparable casino transactions and global listed trading multiples, as referenced in the Independent Expert's Report

The Scheme Consideration of \$13.10 cash per Crown Share implies an enterprise value (**EV**) of \$9,404 million³, and which represents:

- an acquisition multiple of approximately 19.2x Crown EBIT for the 12 months ending 31 December 2019 (considered the last full calendar year of operations not impacted by the COVID-19 virus);⁴
- an acquisition multiple of approximately 12.3x Crown EBITDA for the 12 months ending 31 December 2019 (considered the last full calendar year of operations not impacted by the COVID-19 virus);⁵ and
- an acquisition multiple of approximately 40.7x Crown EBITDA for the 12 months ending 30 June 2021.⁶

These multiples appear to be in-line with offshore comparable casino transactions, and compare favourably to the multiples realised in domestic comparable casino transactions.⁷

³ Implied equity value based on 677,158,271 Crown Shares and the cash settlement of the 970,247 Performance Rights (as at Last Practicable Date). Enterprise value calculated as implied equity value plus net debt (on a pre-AASB16 basis) of \$873 million and other adjustments (comprising investments in associates and assets held for sale) of -\$353 million as at 31 December 2021.

⁴ Represents EBIT before Significant Items based on theoretical win rates (pre-AASB 16) of \$490 million.

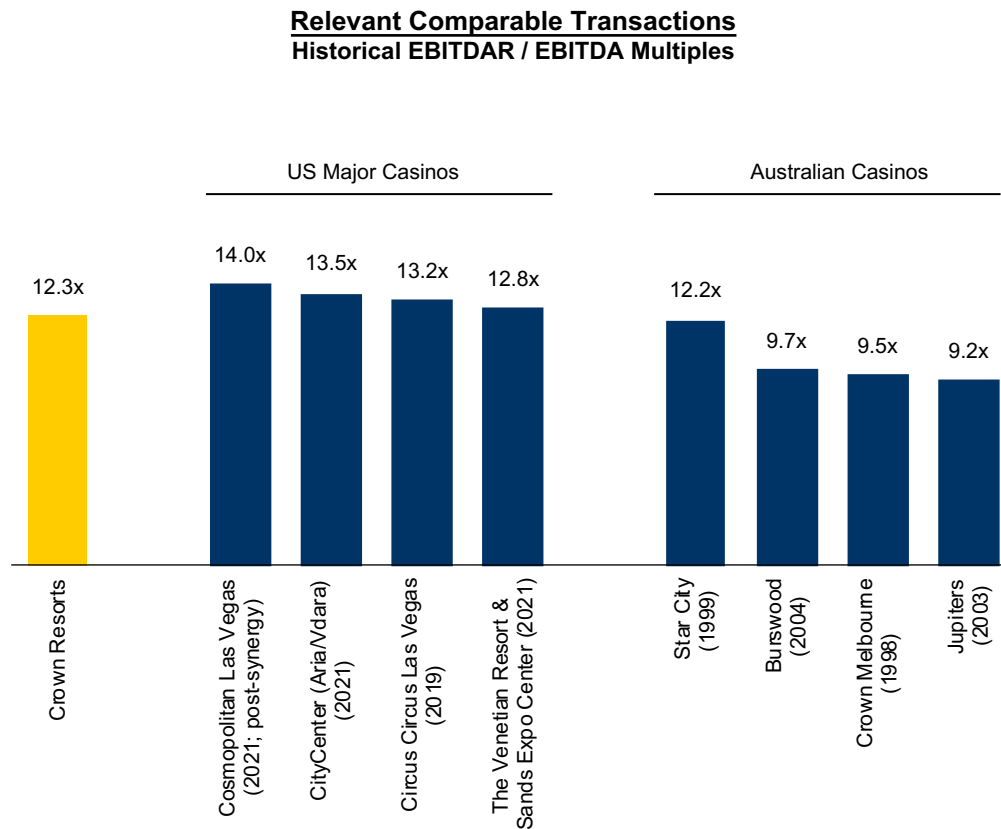
⁵ Represents EBITDA before Significant Items based on theoretical win rates (pre-AASB 16) of \$762 million.

⁶ Represents EBITDA before Closure Costs and Significant Items based on theoretical win rates (pre-AASB 16) of \$231 million.

⁷ The chart recreates information from the Independent Expert's Report, but focusses on the Australian comparable transactions and US Major Casinos that have property and operations, given these are more comparable to Crown than the other comparable transactions presented in the Independent Expert's Report. In concluding the acquisition multiple implied by the Scheme Consideration appears to be in line with the offshore comparable casino transactions, this takes into account differences in the market and operations of the targets in the offshore comparable transactions, which are described in section 6.3.2 of the Independent Expert's Report.

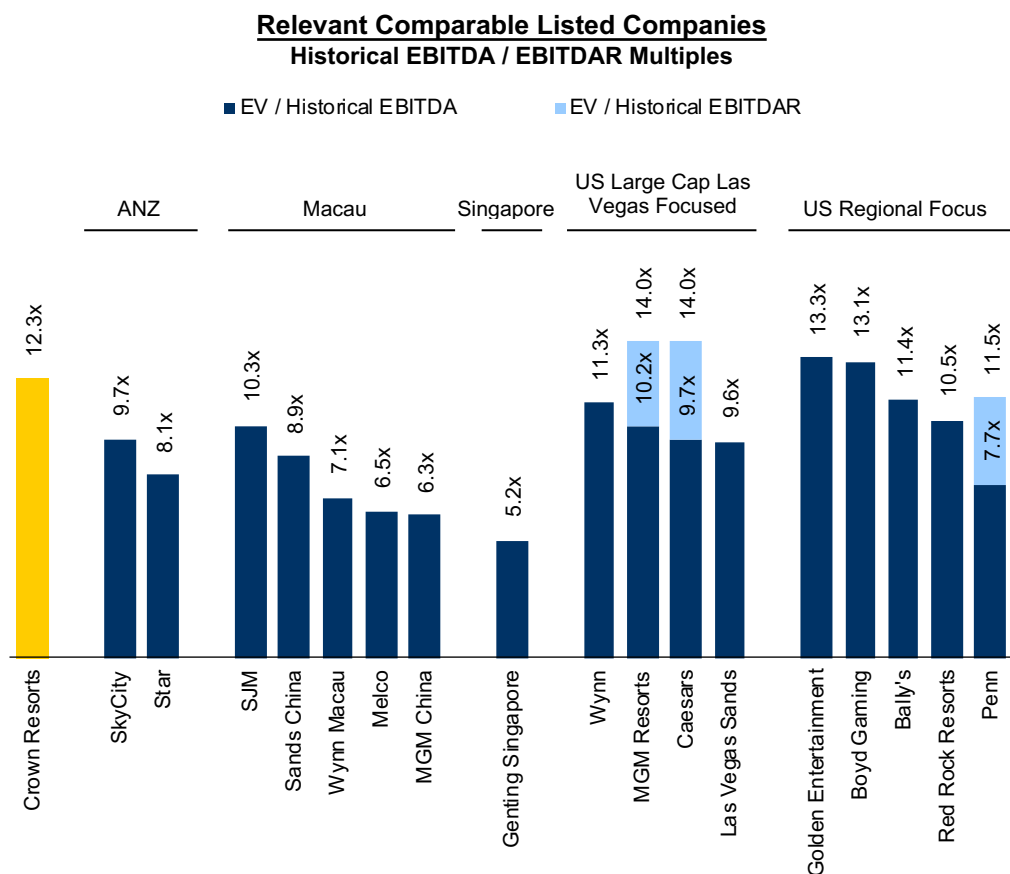
1 Key considerations relevant to your vote

This is shown in the chart below which compares the CY2019 EV/EBITDA multiple implied by the Scheme Consideration offered to Crown Shareholders of \$13.10 cash per Crown Share as set out above against the historical EV/EBITDA multiples realised in comparable casino transactions as set out in the Independent Expert's analysis in Annexure 1.



The acquisition multiples implied by the Scheme Consideration of \$13.10 cash per Crown Share appear to be in line with the trading multiples of offshore listed comparable casino operators, and generally compares favourably to the trading multiples of domestic comparable listed casino operators.

This is shown in the chart below⁸ which compares the CY2019 EV/EBITDA multiple implied by the Scheme Consideration as set out above to the trading multiples of listed casino operators as set out in the Independent Expert's Report in Annexure 1.



(e) The all-cash Scheme Consideration of \$13.10 per Crown Share provides you with certainty of value for your investment in Crown, avoiding the uncertainties and risks associated with an ongoing investment in the Crown business or assets

The Scheme Consideration is 100% cash, providing Crown Shareholders with certainty of value and the opportunity to realise their investment in full for the Scheme Consideration.

If the Scheme does not proceed, the amount which Crown Shareholders will be able to realise in terms of price and future dividends will necessarily be uncertain and subject to a number of risks, including those outlined in section 7.

Crown has not paid a dividend since its FY20 interim dividend, primarily due to the impacts of COVID-19 on its financial position. Crown may be restricted from paying future dividends under its financing arrangements (refer to section 5.8 for further information).

⁸ In considering historical EBITDAR / EBITDA multiples of listed comparable casino operators, Grant Samuel has used the equivalent of FY19 EBITDA multiples as the best proxy for historical earnings. For most listed companies this is the year ended 31 December 2019. Refer to section 6.3.2 of the Independent Expert's Report for further information.

1 Key considerations relevant to your vote

(f) If the Scheme is implemented, you will no longer be exposed to risks associated with the Crown business or assets

Crown's aim is to be Australia's leading luxury integrated resort and casino operator, operating its businesses in a responsible manner whilst generating sound returns and sustainable value for all stakeholders. However, the successful execution of Crown's strategic objectives involves managing a number of general market risks, industry risks and business risks, as well as Crown-specific risks. These risks are described in section 7, and in summary include:

- regulatory risks:
 - suspension, restriction or cancellation of Crown's Gaming Licences;
 - potential for legislative and regulatory changes which may have an adverse impact on Crown's operational and financial performance arising from (i) the Victorian Royal Commission, (ii) the Perth Casino Royal Commission or (iii) the Bergin Inquiry;
 - potential penalties and regulatory actions, including arising out of matters exposed during (i) the Victorian Royal Commission, (ii) the Perth Casino Royal Commission or (iii) the Bergin Inquiry;
 - potential penalties arising from the commencement of proceedings by AUSTRAC on 1 March 2022 against Crown Melbourne and Crown Perth; and
 - potential regulatory action arising from investigations and reviews by the Gaming Regulatory Authorities and other bodies (including ASIC) of Crown's operations arising from the normal course of regulatory oversight;
- potential damages, awards or settlement costs arising from current or future litigation and disputes, including class action proceedings;
- ongoing challenges arising out of the COVID-19 pandemic, as well as uncertainty surrounding the post-COVID-19 operating environment;
- uncertainty in realising the potential returns from the investment in Crown Sydney, which has only recently commenced non-gaming operations, and noting that there being ongoing delays in the commencement of gaming in Sydney;
- uncertain future operating performance of Crown's VIP business given the negative operating environment and revised operating model following the cessation of dealings with junket operators and significant business restructuring;
- failure to implement the Remediation Plan in an effective and timely manner or to the satisfaction of a Gaming Regulatory Authority, Special Manager and/or Independent Monitor, including the potential impact of such failure on Crown's Gaming Licences;
- negative publicity which may have an adverse impact on Crown's reputation or relationships with key stakeholders;
- volatility of gaming revenue;
- unfavourable changes in local and international economic conditions;
- key personnel risk as well as broader staff shortages across Crown's businesses due to labour market tightness;
- no assurances in relation to the potential payment of future dividends;
- financial risk management, including risk of covenant breach by Crown in respect of its existing financing arrangements as well as interest rate risk, credit risk, refinancing risk, liquidity risk and credit rating pressure;
- risks relating to the provision of gaming services by Crown in a responsible manner, including uncovering instances where such services have not been provided in a responsible manner, in accordance with Crown policies, relevant responsible gaming codes and regulatory or community expectations and risks associated with community standards and expectations towards responsible gaming evolving and Crown's reviews from time to time of its practices in this area;
- taxation risk, including the potential payment of historic casino taxes and other taxation matters arising from (i) the Victorian Royal Commission or (ii) the Perth Casino Royal Commission; and
- ransomware, cyber-attack and data security.

If the Scheme does not proceed, Crown Shareholders will continue to be exposed to these and other risks inherent in Crown's business or assets, and the potential impact of these risks on both the price of Crown Shares and the value of the business. On the other hand, if the Scheme proceeds, Scheme Shareholders will receive the all-cash Scheme Consideration of \$13.10 per Crown Share on the Implementation Date (currently expected to be 12 May 2022), thereby eliminating any continuing investment exposure to these risks.

(g) No Superior Proposal has emerged

Crown first announced receipt of an unsolicited, non-binding and indicative proposal from Blackstone on 22 March 2021. Since then, Crown has also announced four separate revised proposals from Blackstone, as well as other unsolicited proposals from The Star Entertainment Group Limited (who subsequently withdrew its proposal) and Oaktree Capital Management, L.P.

None of the approaches from parties other than Blackstone have resulted in a binding proposal. Further, a significant period of time has passed since the other proposals were made, providing reasonable opportunity for further proposals to be made by interested parties.

Since entry into the Scheme Implementation Deed was announced to the ASX on 14 February 2022 and up until the date of this Scheme Booklet, no Superior Proposal has emerged.

Your Directors are not aware of any Superior Proposal as at the date of this Scheme Booklet.

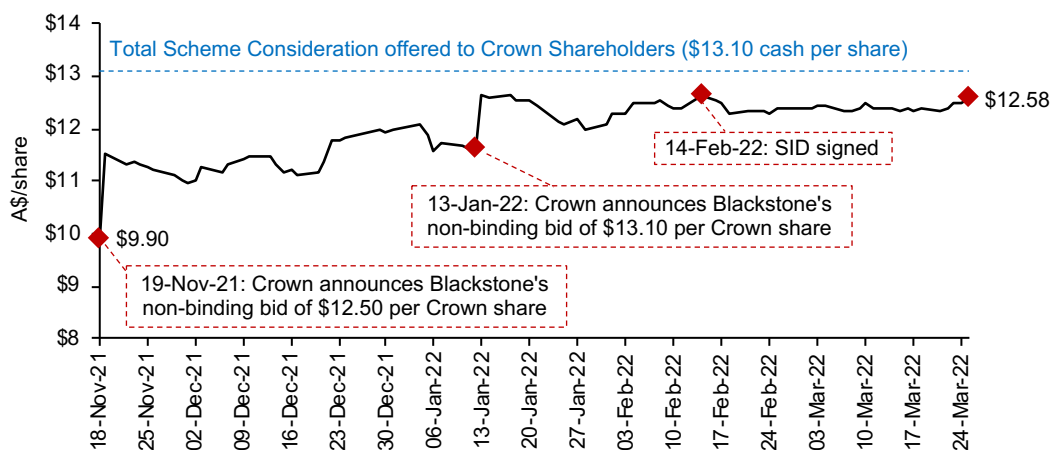
(h) The Crown Share price will continue to be subject to market volatility and is expected to fall in the short term if the Scheme does not proceed, in absence of a Superior Proposal

If the Scheme does not proceed, and no comparable proposal or Superior Proposal is received by the Crown Board, then the Crown Share price is expected to fall.

If the Scheme is not implemented, Crown Shares will remain quoted on the ASX and will continue to be subject to market volatility, the impact of general economic conditions, the impact of global geopolitical uncertainty on local and global equity capital markets, and the risks to which Crown is exposed (summarised above, including the prevailing uncertainty with respect to the impact of COVID-19 and ongoing regulatory investigations). These factors may have an impact on the Crown Share price in the short, medium and long term.

Furthermore, based on the recommendations of the Victorian Royal Commission, the company's largest shareholder CPH (who has lodged a substantial holder notice with the ASX notifying the market of a 36.81% holding of Crown Shares on issue) would be required to sell down its position to less than 5% by September 2024. The sale of a large volume of Crown Shares by CPH, and future expectation of such a sale, may put additional downward pressure on the Crown Share price.

Since market close on 18 November 2021 (being the last day on which Crown Shares traded prior to Crown announcing the proposal from Blackstone at a price of \$12.50 per Crown Share), the Crown Share price has increased 27.1% up to a closing price of \$12.58 on the Last Practicable Date, as shown in the graph below.



1 Key considerations relevant to your vote

(i) No brokerage charges will be payable by you for the transfer of your Crown Shares under the Scheme

You will not incur any brokerage charges on the transfer of your Crown Shares to Blackstone BidCo under the Scheme.

It is possible that such brokerage charges (and, potentially GST on those charges) would be incurred if you dispose of your Crown Shares other than under the Scheme.

1.3 Why you may wish to vote against the Scheme

(a) You may disagree with the Crown Directors' unanimous recommendation and the Independent Expert's conclusion

Despite the unanimous recommendation of the Crown Directors to vote in favour of the Scheme and the conclusion of the Independent Expert that the Scheme is in the best interests of Crown Shareholders, you may believe that the Scheme Consideration of \$13.10 cash per Crown Share does not reflect the fair value of Crown Shares and that the Scheme is not in your best interests.

(b) You may prefer to participate in the future financial performance of the Crown business or assets

If the Scheme is implemented, you will no longer be a Crown Shareholder and will forgo any benefits that may result from being a Crown Shareholder.

This will mean that you will not participate in the future performance of Crown or retain any exposure to Crown's business or assets or have the potential to share in the value that could be generated by Crown in the future. In particular, you may consider that the Scheme Consideration does not adequately reflect one or more of the following:

- the value of Crown's freehold and long-term leasehold property portfolio across Melbourne, Perth and Sydney;
- the potential market opportunity for the newly developed Crown Sydney;
- the various development opportunities which exist for Crown, including the One Queensbridge site in Melbourne, expansion of the gaming floor at Crown Sydney and future development opportunities in Perth;
- the likelihood and speed of Crown's recovery from COVID-19 related closures;
- the potential for Crown to divest or realise additional value from one or more of its assets in a favourable manner and within a reasonable timeframe; and
- the quality and capability of Crown's refreshed management team who are committed to building strong working relationships with the Gaming Regulatory Authorities and other relevant stakeholders, and have taken important steps to significantly improve Crown's culture and operations.

You may also consider that the price of Crown Shares has been temporarily adversely impacted by either or both of the following:

- the challenges caused by the COVID-19 pandemic and associated government restrictions; and
- the uncertainty with respect to potential outcomes of regulatory investigations and proceedings to which Crown is subject or actions that may be taken by a Gaming Regulatory Authority that may impact on Crown's operations or financial performance.

As a result, you may believe that the Crown Share price is likely to trade at a higher price than the Scheme Consideration of \$13.10 per Crown Share in the medium to longer term.

However, there is no guarantee as to Crown's future performance, as is the case with all investments. Crown will remain subject to a number of risks, including those outlined in section 7 and, in particular, those risks associated with regulatory reforms arising out of the Victorian Royal Commission, the Perth Casino Royal Commission and the Bergin Inquiry, civil penalties that may be sought by AUSTRAC and other regulatory action and/or penalties that may be pursued by a Gaming Regulatory Authority.

(c) You may believe it is in your best interests to maintain your current investment and risk profile

You may prefer to keep your Crown Shares to preserve your investment in a listed company with the specific characteristics of Crown.

In particular, you may consider that, despite the risk factors relevant to Crown's potential future operations (including those set out in section 7), Crown may be able to return greater value from its assets by remaining a listed entity or by seeking alternative corporate transactions in the future.

You may also consider that it would be difficult to identify or invest in alternative investments that have a similar investment profile to that of Crown or may incur transaction costs in undertaking any new investment.

(d) You may believe that there is potential for a superior proposal to emerge

You may consider that a superior proposal could emerge in the future. However, the Crown Directors are, as at the date of this Scheme Booklet, not aware of, and have not received, any Superior Proposal.

(e) The tax consequences of transferring your Crown Shares pursuant to the Scheme may not be attractive to you

The tax consequences of the Scheme will depend on your personal situation. You may consider that the tax consequences of transferring your Crown Shares to Blackstone BidCo pursuant to the Scheme are not attractive to you.

Crown Shareholders should read the tax implications of the Scheme outlined in section 8. Section 8 is general in nature, and Crown Shareholders should consult with their own independent taxation advisers regarding the tax implications of the Scheme.

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Section 2

Frequently asked questions



2 Frequently asked questions

This section 2 answers some frequently asked questions relating to the Scheme. It is not intended to address all relevant issues for Crown Shareholders. This section 2 should be read together with all other parts of this Scheme Booklet.

Question	Answer	More information
Overview of the Scheme		
Why have I received this Scheme Booklet?	<p>This Scheme Booklet has been sent to you because you are a Crown Shareholder and you are being asked to vote on the Scheme.</p> <p>This Scheme Booklet is intended to help you to consider and decide on how to vote on the Scheme at the Scheme Meeting.</p>	Section 4 contains an overview of the Scheme and a copy of the Scheme is contained in Annexure 2.
What is the Scheme?	<p>The Scheme is a scheme of arrangement between Crown and the Scheme Shareholders. A scheme of arrangement is a statutory procedure in the Corporations Act that is commonly used to enable one company to acquire another company.</p> <p>If the Scheme is approved and implemented, Blackstone BidCo will acquire all of the Scheme Shares for \$13.10 cash per share (being the Scheme Consideration). Crown will be delisted from the ASX and become a wholly owned subsidiary of Blackstone BidCo.</p>	Section 4 contains an overview of the Scheme and a copy of the Scheme is contained in Annexure 2.
Who is Blackstone?	<p>Blackstone is one of the world's leading investment firms investing capital on behalf of pension funds, large institutions and individuals. It is headquartered in the United States and has offices across Europe, Australia and Asia. Blackstone is listed on the New York Stock Exchange.</p> <p>Blackstone invests across the alternative asset classes in private equity, real estate, credit and hedge funds as well as in infrastructure, life sciences, insurance, and growth equity. Blackstone's efforts and capital grow hundreds of companies and support local economies.</p>	Section 6 contains further information about Blackstone.
Who is Blackstone BidCo?	<p>SS Silver II Pty Ltd is a new Australian company that was incorporated for the purpose of acquiring the Scheme Shares. For convenience, SS Silver II Pty Ltd is referred to in this Scheme Booklet as 'Blackstone BidCo'.</p> <p>The immediate holding company of Blackstone BidCo is Blackstone HoldCo. Blackstone HoldCo was incorporated for the purpose of holding all the shares in Blackstone BidCo and is owned by funds managed or advised by Blackstone Inc. and its affiliates.</p>	Section 6 contains further information about Blackstone BidCo.

Question	Answer	More information
Does Blackstone BidCo own Crown Shares?	<p>No. As at the date of this Scheme Booklet, Blackstone BidCo does not own any of the Crown Shares on issue.</p> <p>However, Midnight Acacia, a wholly owned subsidiary of BREP LP, is the registered holder of 67,675,000 Crown Shares which equates to a 9.99% ownership interest in Crown (Existing Interest). Prior to the Scheme Meeting Date, a newly established wholly owned subsidiary of Blackstone HoldCo, SS Silver III, intends to acquire from Midnight Acacia its Existing Interest. If completed, SS Silver III will become the 'Blackstone Existing Shareholder ' (as defined) and the Existing Interest transferred to SS Silver III will not be Scheme Shares.</p>	<p>Section 6 contains further information about the Blackstone Existing Shareholders and the Existing Interest.</p>
What are Blackstone BidCo's intentions for Crown if the Scheme proceeds?	<p>The intentions of Blackstone BidCo for Crown if the Scheme proceeds are set out in section 6.5.</p>	<p>Section 6.5 contains further information on Blackstone BidCo's intentions.</p>
What do the Crown Directors recommend and how do they intend to vote?	<p>The Crown Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Crown Shareholders.</p> <p>The reasons for this recommendation and other relevant considerations are set out in section 1.</p> <p>Each Crown Director who holds Crown Shares intends to vote any of those Crown Shares held or controlled by him or her at the time of the Scheme Meeting in favour of the Scheme at the Scheme Meeting in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Crown Shareholders.</p>	<p>The letter from the Chairman of the Crown Board and sections 1.1(a) and 1.2 provides a summary of some of the reasons why the Crown Board considers that Crown Shareholders should vote in favour of the Scheme.</p> <p>The interests of Crown CEO and Managing Director, Steve McCann, and the other Crown Directors, are disclosed in sections 9.1 and 9.2.</p>

2 Frequently asked questions

Question	Answer	More information
What are the reasons why you should vote in favour of the Scheme?	<p>Reasons why you should vote in favour of the Scheme are set out in section 1.2 of this Scheme Booklet. In summary, these reasons include:</p> <ul style="list-style-type: none">• Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Crown Shareholders.• The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, in your best interests, in the absence of a superior proposal.• The Scheme Consideration of \$13.10 cash per Crown Share represents a significant premium to the closing price of Crown Shares on 18 November 2021 and represents a reasonable acquisition multiple.• The Scheme Consideration represents a reasonable acquisition multiple that appears to be in-line with offshore comparable casino transactions, and compares favourably to domestic comparable casino transactions and global listed trading multiples, as referenced in the Independent Expert's Report.• The all-cash Scheme Consideration provides Crown Shareholders with certainty of value, avoiding the uncertainties and risks associated with an ongoing investment in Crown.• If the Scheme is implemented, you will no longer be exposed to the risks associated with the Crown business or assets.• No Superior Proposal has emerged.• The Crown Share price will continue to be subject to market volatility and is expected to fall if the Scheme does not proceed, in the absence of a Superior Proposal.• No brokerage charges will be payable.	<p>Sections 1.1(a) and 1.2 provides a summary of the reasons why the Crown Board considers that Crown Shareholders should vote in favour of the Scheme.</p>

Question	Answer	More information
What are the reasons why you may vote against the Scheme?	<p>Reasons why you may consider voting against the Scheme are set out in section 1.3. In summary, these reasons include:</p> <ul style="list-style-type: none"> • You may disagree with the Crown Directors' unanimous recommendation and the Independent Expert's conclusion. • You may believe that the Scheme Consideration of \$13.10 cash per Crown Share does not reflect the fair value of Crown Shares. • You may prefer to participate in the future financial performance of the Crown business or assets. • You may believe it is in your best interests to maintain your current investment and risk profile. • You may believe that there is potential for a superior proposal to emerge. • The tax consequences may not be attractive to you. 	<p>Sections 1.1(b) and 1.3 provides a summary of the reason why the Crown Board considers that Crown Shareholders may vote against the Scheme.</p>
What is the opinion of the Independent Expert?	<p>The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Crown Shareholders, in the absence of a superior proposal.</p>	<p>A copy of the Independent Expert's Report is contained in Annexure 1.</p>
What if the Independent Expert changes its opinion?	<p>If the Independent Expert changes its opinion, this will be announced to the ASX. In such circumstances, the Crown Board will consider the Independent Expert's revised opinion and advise Crown shareholders of its recommendation.</p> <p>The Crown Board, and the Crown Directors individually, may withdraw, adversely revise or adversely qualify their recommendation to vote in favour of the Scheme and Crown may terminate the Scheme Implementation Deed without paying the Break Fee to Blackstone BidCo, if in any update of, or any revision, amendment or addendum to, the Independent Expert's Report, the Independent Expert concludes that the Scheme is no longer fair and reasonable and, therefore, in the best interests of Crown Shareholders (other than where the conclusion is due to the existence of a Competing Proposal).</p>	<p>Section 9.4 contains further information on the Scheme Implementation Deed.</p>

2 Frequently asked questions

Question	Answer	More information
Overview of the Scheme Consideration		
What is the Scheme Consideration?	If the Scheme is approved and implemented, Scheme Shareholders will receive the Scheme Consideration of \$13.10 cash per Crown Share.	Section 4.2 contains further information on the Scheme Consideration.
When and how will I receive my Scheme Consideration?	<p>If the Scheme becomes Effective, Scheme Shareholders will be sent the Scheme Consideration on the Implementation Date (currently expected to be 12 May 2022).</p> <p>Scheme Shareholders who have validly registered their Australian dollar bank account details with the Crown Share Registry before the Scheme Record Date will have their Scheme Consideration sent directly to their bank account.</p> <p>Otherwise, Scheme Shareholders will have their Scheme Consideration sent by an Australian dollar cheque to their address shown on the Crown Share Register, unless:</p> <ul style="list-style-type: none"> • your registered address is in New Zealand; or • Crown believes that you are not known at your registered address, <p>which will result in the Scheme Consideration being paid to a Crown bank account, to be held until an Australian bank account into which a payment may be made, subject to relevant laws dealing with unclaimed money.</p> <p>You will not have to pay brokerage on the transfer of your Crown Shares to Blackstone BidCo under the Scheme.</p>	Section 4.2 contains further information on the Scheme Consideration.
What are the taxation implications of the Scheme?	<p>The taxation implications of the Scheme will depend on your particular circumstances.</p> <p>Section 8 provides a general description of the Australian taxation consequences for Scheme Shareholders.</p> <p>You should seek independent professional taxation advice with respect to your particular circumstances.</p>	Section 8 sets out a general description of taxation implications of the Scheme.
How is Blackstone BidCo funding the Scheme Consideration?	<p>Blackstone BidCo intends to fund payment of the aggregate Scheme Consideration using a combination of debt and equity.</p> <p>For the equity, Blackstone BidCo has received a legally binding Equity Commitment Letter from the Equity Commitment Parties. For the debt, Blackstone BidCo and Blackstone FinCo have entered into a Debt Commitment Letter with the Debt Commitment Parties.</p> <p>On the basis of the funding arrangements described above and in section 6.4, Blackstone BidCo believes that it will be able to satisfy its obligation to provide the aggregate Scheme Consideration as and when it is due under the terms of the Scheme.</p>	Section 6.4 contains further information on funding arrangements and arrangements between Blackstone BidCo and Blackstone FinCo.

Question	Answer	More information
Conditions to the Scheme and voting at the Scheme Meeting		
Are there any conditions to the Scheme?	<p>There are a number of Conditions Precedent that will need to be satisfied or waived (where capable of waiver) before the Scheme can become Effective.</p> <p>Prior to the date of this Scheme Booklet, the office of the Treasurer of the Commonwealth of Australia has confirmed to Blackstone that the Commonwealth of Australia has no objection to Blackstone BidCo acquiring Crown. Accordingly, Blackstone BidCo has confirmed the FIRB approval Condition Precedent has been satisfied.</p> <p>As at the date of this Scheme Booklet, the following Conditions Precedent remain outstanding:</p> <ol style="list-style-type: none"> 1 Blackstone BidCo having received regulatory authority approvals from Government Agencies and counterparties to Framework Agreements required for the acquisition of the Scheme Shares; 2 Material Third Party Consents have been obtained; 3 approval by Crown Shareholders; 4 approval by the Court; 5 no Gaming Regulatory Event having occurred; 6 no legal restraint preventing the Transaction; 7 all Crown Equity Incentives having vested or lapsed; 8 Independent Expert continuing to maintain its conclusion; 9 no Material Adverse Change occurring; 10 no Prescribed Occurrence occurring; and 11 the representations and warranties given by Crown and Blackstone BidCo in the Scheme Implementation Deed being true and correct. <p>The satisfaction of the Conditions Precedent listed in 5 to 11 above will not be known until 8.00am on the Second Court Date (or the Effective Date in the case of the no restraints Conditions Precedent). Crown will update Crown shareholders in respect of these Conditions Precedent via the ASX.</p>	<p>Sections 4.3 and 9.4(b) contain further information on the Conditions Precedent to the Scheme.</p>
What is required for the Scheme to become Effective?	<p>The Scheme will become Effective if:</p> <ul style="list-style-type: none"> • the Scheme is approved by the Requisite Majorities of Crown Shareholders at the Scheme Meeting scheduled to be held on 29 April 2022; • the Court approves the Scheme at the Second Court Hearing; and • all of the other Conditions Precedent to the Scheme are satisfied or waived (as applicable). 	N/A

2 Frequently asked questions

Question	Answer	More information
When and where will the Scheme Meeting be held?	The Scheme Meeting will be held as a virtual meeting (https://meetnow.global/MQFCGRC) at 10.00am (Melbourne time) scheduled for 29 April 2022. Crown Shareholders and their authorised proxies, attorneys and corporate representatives may participate in and vote at the Scheme Meeting via the online platform.	The Notice of Scheme Meeting in Annexure 4 sets out further details of the Scheme Meeting.
What vote is required to approve the Scheme?	<p>In order for the Scheme to proceed, the Scheme Resolution must be approved by the Requisite Majorities, being:</p> <ul style="list-style-type: none"> • unless the Court orders otherwise, a majority in number (more than 50%) of Crown Shareholders who vote on the Scheme Resolution; and • at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting. <p>An entity associated with Blackstone BidCo, Midnight Acacia, currently holds approximately 9.99% of Crown Shares and is not permitted to vote on, or participate in, the Scheme. Crown understands that, prior to the Scheme Meeting Date, Blackstone intends to facilitate the newly established owned subsidiary of Blackstone HoldCo, SS Silver III, to acquire from Midnight Acacia its Existing Interest. If completed, SS Silver III will become the 'Blackstone Existing Shareholder' (as defined in section 10) and the Existing Interest transferred to SS Silver III will not be permitted to vote on, or participate in, the Scheme.</p> <p>Even if the Scheme is approved by the Requisite Majorities of Crown Shareholders at the Scheme Meeting, the Scheme is still subject to the approval of the Court.</p>	Section 4.5 and the Notice of Scheme Meeting contained in Annexure 4 sets out details on the Scheme approval requirements.
Am I entitled to vote at the Scheme Meeting?	<p>If you are registered as a Crown shareholder (and are not a Blackstone Existing Shareholder) on the Crown Share Register as at 7.00pm (Melbourne time) on 27 April 2022, you will be entitled to participate in and vote at the Scheme Meeting.</p> <p>Please note that, Midnight Acacia and Blackstone Existing Shareholder (and any Blackstone Group Member that acquires any Crown Shares) are excluded from, and are not permitted to vote on, the Scheme.</p>	The Notice of Scheme Meeting in Annexure 4 sets out further details on your entitlement to vote.

Question	Answer	More information
How can I vote if I am not able to participate in the Scheme Meeting?	If you would like to vote but cannot participate in the Scheme Meeting online, you can vote by appointing a proxy, attorney or corporate representative to participate and vote on your behalf.	The Notice of Scheme Meeting contained in Annexure 4 sets out further information on how to vote at the Scheme Meeting and appointing a proxy, attorney or corporate representative.
When will the results of the Scheme Meeting be known?	The results of the Scheme Meeting are expected to be available shortly after the conclusion of the Scheme Meeting and will be announced to the ASX (www2.asx.com.au/markets/company/cwn) once available.	N/A
What happens to my Crown Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective and is implemented?	If you do not vote, or vote against the Scheme, and the Scheme becomes Effective and is implemented, any Crown Shares held by you on the Scheme Record Date (currently expected to be 7.00pm (Melbourne time) on 5 May 2022) will be transferred to Blackstone BidCo and you will receive the Scheme Consideration on the Implementation Date (currently expected to be 12 May 2022), despite not having voted or having voted against the Scheme.	N/A
Other questions		
Is a Superior Proposal likely to emerge?	Since the announcement of the execution of the Scheme Implementation Deed on 14 February 2022, and up to the date of this Scheme Booklet no Superior Proposal has emerged. Your Directors are not aware of any Superior Proposal, as at the date of this Scheme Booklet.	Section 1.2(g) sets out further detail on approaches from other parties prior to the execution of the Scheme Implementation Deed. None of the other approaches from parties other than Blackstone have resulted in a binding proposal to date.
What happens if a Competing Proposal is received?	If a Competing Proposal is received, the Crown Directors will carefully consider it. Crown must notify Blackstone BidCo of that Competing Proposal in accordance with the Scheme Implementation Deed. Crown Shareholders should note that Crown has agreed to certain exclusivity provisions in favour of Blackstone BidCo under the Scheme Implementation Deed.	Section 9.4(e) sets out further information on the Scheme Implementation Deed and the process if a Competing Proposal is received.

2 Frequently asked questions

Question	Answer	More information
What happens if the Scheme does not proceed?	<p>If the Scheme is not approved at the Scheme Meeting, or another Condition Precedent to the Scheme is not satisfied or waived (where capable of waiver), the Scheme will not be implemented.</p> <p>If the Scheme is not implemented, Scheme Shareholders will not receive the Scheme Consideration but will retain their Crown Shares. In these circumstances, Crown will, in the absence of any alternative or Competing Proposal, continue to operate as a stand-alone company listed on the ASX.</p>	Section 4.4 sets out further details on what happens if the Scheme does not proceed.
Can I sell my Crown Shares now?	<p>You can sell your Crown Shares on market at any time before the close of trading on the ASX on the Effective Date at the then prevailing market price (which may vary from the Scheme Consideration).</p> <p>If the Scheme becomes Effective, Crown intends to apply to the ASX for Crown Shares to be suspended from trading on the ASX from close of trading on the Effective Date. You will not be able to sell your Crown Shares on market after this date.</p>	N/A
Where can I get further information?	<p>For further information, please contact the Crown Shareholder Information Line on 1300 659 795 (within Australia) or +61 3 9415 4254 (outside Australia), between 8.30am and 5.30pm (Melbourne time), Monday to Friday.</p> <p>If you are in doubt about anything in this Scheme Booklet, please contact your financial, legal, taxation or other professional adviser immediately.</p>	N/A

Section 3

What should you do?



3 What should you do?

3.1 Step 1: Read this Scheme Booklet

You should carefully read this Scheme Booklet in its entirety before deciding whether to vote in favour of the Scheme.

If you have any questions, please contact the Crown Shareholder Information Line on 1300 659 795 (within Australia) or +61 3 9415 4254 (outside Australia), between 8.30am and 5.30pm (Melbourne time), Monday to Friday.

If you are in any doubt as to what you should do, please consult your legal, financial, tax or other professional adviser immediately.

3.2 Step 2: Vote on the Scheme

(a) Your vote is important

For the Scheme to proceed, it is necessary that sufficient Crown Shareholders vote in favour of the Scheme.

(b) Who is entitled to vote?

If you are registered on the Crown Share Register at 7.00pm (Melbourne time) on 27 April 2022, you will be entitled to vote on the Scheme.

Please note that the Blackstone Existing Shareholder, Midnight Acacia, and any Blackstone Group Member that acquires any Crown Shares are excluded from, and are not permitted to vote on, the Scheme.

Further details on entitlements to vote are set out in the Notice of Scheme Meeting contained in Annexure 4.

(c) Notice of Scheme Meeting

The Scheme Meeting will be held virtually and scheduled for 10.00am on 29 April 2022 (Melbourne time). The Scheme Meeting will be held virtually via an online platform at <https://meetnow.global/MQFCGRC>. Crown Shareholders and their authorised proxies, attorneys and corporate representatives may participate in the Scheme Meeting. Crown Shareholders are encouraged to participate in the Scheme Meeting using a desktop, laptop or mobile / tablet device with internet access.

Crown Shareholders who are unable to, or do not wish to, participate in the Scheme Meeting, or will not have access to a device and the internet, are encouraged to submit a directed proxy vote as early as possible and in any event by 10.00am (Melbourne time) on 27 April 2022 by completing and submitting a proxy form.

The Notice of Scheme Meeting is contained in Annexure 4.

(d) How to vote?

You may vote:

- **online**, by participating and voting via the online platform at <https://meetnow.global/MQFCGRC>;
- **by proxy**, by lodging a proxy form online at www.investorvote.com.au or by completing, signing and lodging a proxy form for the Scheme Meeting in accordance with the instructions set out on the form. To be valid, your proxy form must be received by the Crown Share Registry by 10.00am (Melbourne time) on 27 April 2022;
- **by attorney**, by appointing an attorney to attend and vote at the Scheme Meeting on your behalf and providing a duly executed power of attorney to the Crown Share Registry by 10.00am (Melbourne time) on 27 April 2022; or
- **by corporate representative**, in the case of a body corporate which is a Crown Shareholder, by appointing a corporate representative to attend and vote at the Scheme Meeting on behalf of that Crown Shareholder and providing a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to admission to the Scheme Meeting.

Further information on how to participate and vote via the online platform, and ask questions during the Scheme Meeting, is set out in the Notice of Scheme Meeting contained in Annexure 4 and in the Scheme Meeting Online Guide available on the Scheme website at www.crownresorts.com.au/investors-and-media/Blackstone-Transaction.

Registration via the online platform will open one hour prior to the scheduled 10.00am (Melbourne time) start time of the Scheme Meeting. Logging into the online platform at least 15 minutes prior to the start time is recommended.

Section 4

Overview of the Scheme



4 Overview of the Scheme

4.1 Background to the Scheme

On 14 February 2022, Crown announced that it had entered into the Scheme Implementation Deed with Blackstone BidCo under which it is proposed that Blackstone BidCo will acquire all of the Scheme Shares on issue by way of the Scheme.

The Crown Board reviewed and considered the proposal from Blackstone BidCo in respect of the Scheme, and your Directors unanimously recommend that you vote in favour of the Scheme and intend to vote the Shares they own or control in favour of the Scheme, in each case in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Crown Shareholders.

The interests of Crown CEO and Managing Director, Steve McCann, and the other Crown Directors are disclosed in section 9. Crown Shareholders should have regard to these interests when considering how to vote on the Scheme, including Mr McCann's recommendation on the Scheme, which appears throughout this Scheme Booklet.

4.2 Scheme Consideration

If the Scheme is approved and implemented, Scheme Shareholders will be entitled to receive the Scheme Consideration of \$13.10 cash per Crown Share held by them on the Scheme Record Date.

The Scheme Consideration will be sent to Scheme Shareholders on the Implementation Date (currently expected to be 12 May 2022). Scheme Shareholders who have validly registered their bank account details with the Crown Share Registry before the Scheme Record Date will have their Scheme Consideration sent directly to their bank account. Otherwise, Scheme Shareholders will have their Scheme Consideration sent by cheque to their address shown on the Crown Share Register, unless (1) your address is in New Zealand or (2) Crown believes that the Scheme Shareholder is not known at their registered address, which will result in the Scheme Consideration being paid to a Crown bank account, to be held until you nominate an Australian bank account into which a payment may be made, subject to relevant laws dealing with unclaimed money.

It is important to note that you will only receive the Scheme Consideration if you are a Scheme Shareholder. You will be a Scheme Shareholder if you hold Crown Shares at the Scheme Record Date (currently expected to be 7.00pm (Melbourne time) on 5 May 2022) or such other time and date as Crown and Blackstone BidCo agree in writing).

4.3 Conditions to the Scheme

The Scheme will not become Effective and you will not receive the Scheme Consideration unless all of the Conditions Precedent to the Scheme are satisfied or waived (where capable of waiver) in accordance with the Scheme Implementation Deed.

The Conditions Precedent to the Scheme, including the status of the Conditions Precedent, are summarised in section 9.4(b) of this Scheme Booklet.

4.4 Implications if the Scheme does not become Effective

If the Scheme does not proceed:

- Crown Shareholders will continue to hold Crown Shares and will be exposed to general risks as well as risks specific to Crown, including those set out in section 7;
- Scheme Shareholders will not receive the Scheme Consideration;
- a Break Fee of \$88,707,733.50 (excluding GST, if any) may be payable by Crown to Blackstone BidCo under certain circumstances. The Break Fee will not be payable solely because Crown Shareholders fail to approve the Scheme at the Scheme Meeting. Further information on the Break Fee is set out in section 9.4(f);
- a Reverse Break Fee of \$88,707,733.50 (excluding GST, if any) may be payable by Blackstone BidCo to Crown under certain circumstances. Further information on the Reverse Break Fee is set out in section 9.4(g);
- Crown will continue as a standalone company listed on the ASX with management continuing to implement the business plan and financial and operating strategies it had in place prior to 14 February 2022, being the date of announcement of the Scheme to the ASX; and
- the Crown Directors are of the opinion that the price of a Crown Share on the ASX is expected to fall in the short term, in the absence of a Superior Proposal.

4.5 Key steps in the Scheme

(a) Scheme Meeting and Scheme approval requirements

The Court has ordered Crown to convene the Scheme Meeting at which Crown Shareholders will be asked to vote on the Scheme.

The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Scheme Meeting in Annexure 4.

The Scheme will only become Effective and be implemented if:

- it is approved by the Requisite Majorities of Crown Shareholders at the Scheme Meeting scheduled to be held on 29 April 2022;
- it is approved by the Court at the Second Court Hearing; and
- the other Conditions Precedent to the Scheme outlined in section are satisfied or waived (as applicable).

The Requisite Majorities of Crown Shareholders to approve the Scheme are:

- a majority in number (more than 50%) of Crown Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or corporate representative); and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Crown Shareholders present and voting (either in person or by proxy, attorney or corporate representative).

The Court has the power to waive the first requirement.

The entitlement of Crown shareholders to participate in and vote at the Scheme Meeting is set out in the Notice of Scheme Meeting in Annexure 4.

Voting is not compulsory. However, the Crown Directors unanimously recommend that Crown Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Crown Shareholders.

The results of the Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meeting and will be announced to the ASX (www2.asx.com.au/markets/company/cwn) once available.

Please note that the Scheme Meeting may be postponed or adjourned, including if satisfaction of a Condition Precedent is delayed. Any such postponement or adjournment will be announced by Crown to the ASX.

(b) Court approval of the Scheme

In the event that:

- the Scheme is approved by the Requisite Majorities of Crown Shareholders at the Scheme Meeting; and
- all other Conditions Precedent to the Scheme (except Court approval of the Scheme) have been satisfied, or remain capable of being satisfied, or waived (as applicable),

then Crown will apply to the Court for orders approving the Scheme.

Each Crown shareholder has the right to appear at the Second Court Hearing.

(c) Effective Date

If the Court approves the Scheme, the Scheme will become Effective on the Effective Date, being the date an office copy of the Court order from the Second Court Hearing approving the Scheme is lodged with ASIC. Crown will, on the Scheme becoming Effective, give notice of that event to the ASX.

(d) Scheme Record Date and entitlement to Scheme Consideration

Those Crown Shareholders who are recorded on the Crown Share Register on the Scheme Record Date (currently expected to be 7.00pm (Melbourne time) on 5 May 2022) or such other time and date as the parties agree in writing) will be entitled to receive the Scheme Consideration in respect of the Crown Shares they hold at that time.

(1) Dealings on or prior to the Scheme Record Date

For the purposes of determining which Crown Shareholders are eligible to participate in the Scheme, dealings in Crown Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered on the Crown Share Register as the holder of the relevant Crown Shares before the Scheme Record Date; and
- in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received by the Crown Share Registry before the Scheme

4 Overview of the Scheme

Record Date (and the transferee remains registered as at the Scheme Record Date).

For the purposes of determining entitlements under the Scheme, Crown will not accept for registration or recognise any transfer or transmission applications in respect of Crown Shares received after the Scheme Record Date.

(2) Dealings after the Scheme Record Date

For the purposes of determining entitlements to the Scheme Consideration, Crown must maintain the Crown Share Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Shareholders. The Crown Share Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- all statements of holding for Crown Shares (other than statements of holding in favour of Blackstone BidCo and/or Blackstone Existing Shareholder) will cease to have effect as documents relating to title in respect of such Crown Shares; and
- each entry on the Crown Share Register (other than entries on the Crown Share Register in respect of Blackstone BidCo and/or Blackstone Existing Shareholder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Crown Shares relating to that entry.

(e) Implementation Date

By no later than the Business Day before the Implementation Date (currently expected to be 12 May 2022), Blackstone BidCo will deposit (or will procure the deposit of) an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders (less any amount that Blackstone BidCo is required to pay to the ATO pursuant to clause 5.1(d) of the Scheme, as discussed in section 8.4 of this Scheme Booklet) into an Australian dollar denominated trust account operated by Crown (or by the Crown Share Registry on behalf of Crown) as trustee for the Scheme Shareholders.

Scheme Shareholders will be sent the Scheme Consideration on the Implementation Date. Immediately after the Scheme Consideration is sent to Scheme Shareholders, the Scheme Shares will be transferred to Blackstone BidCo.

(f) Deed Poll

As at the date of this Scheme Booklet, a Deed Poll has been entered into by Blackstone BidCo in favour of the Scheme Shareholders, to:

- provide the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders under the Scheme, subject to the Scheme becoming Effective; and
- undertake all other actions attributed to Blackstone BidCo under the Scheme.

A copy of the Deed Poll is contained in Annexure 3.

4.6 Warranties by Scheme Shareholders

Under the terms of the Scheme, each Scheme Shareholder is taken to have warranted to Crown and Blackstone BidCo, and appointed and authorised Crown as its attorney and agent to warrant to Blackstone BidCo, on the Implementation Date, that:

- all their Crown Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any Security Interest) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
- they have full power and capacity to sell and transfer their Crown Shares together with all rights and entitlements attaching to those shares to Blackstone BidCo under the Scheme; and
- they have no existing right to be issued any Crown Shares, Crown Equity Incentives convertible into Crown Shares or any other Crown securities.

4.7 Trading of Crown Shares

If the Scheme becomes Effective, Crown will apply to ASX to suspend trading in Crown Shares with effect from the close of trading on the Effective Date.

Crown will apply for the termination of the official quotation of Crown Shares on the ASX and for Crown to be removed from the official list of the ASX, each to occur on a date after the Implementation Date.

Section 5

Information about Crown



5 Information about Crown

5.1 Introduction

Crown is one of Australia's largest casino and entertainment groups and makes a major contribution to the Australian economy through its role in tourism, employment and training, and its corporate responsibility programs.

5.2 Business overview

(a) Australian resorts

In Australia, Crown owns and operates two of Australia's leading integrated resorts, Crown Melbourne and Crown Perth, as well as Sydney's latest premium hotel resort and dining precinct at Crown Sydney.

(1) Crown Melbourne

Crown Melbourne is one of Australia's leading integrated resorts, which is a regularly visited tourist destination in Australia offering an exceptional and world class range of entertainment and tourism facilities. Crown Melbourne is licensed to operate 2,628 gaming machines and 540 gaming tables.

Crown Melbourne features three hotels:

- Crown Towers Melbourne (481 guest rooms);
- Crown Metropal Melbourne (658 guest rooms); and
- Crown Promenade Melbourne (465 guest rooms).

Crown also wholly owns the One Queensbridge development site which could accommodate a fourth Crown hotel.

The Crown Melbourne entertainment complex also includes:

- the Crown Conference Centre, featuring 7,350 square metres of conference and meeting facilities across three floors;
- banqueting facilities including the Palladium's 1,500-seat ballroom and The Palms' 900-seat cabaret venue; and
- a broad selection of restaurants and bars.

Crown Melbourne's retail precinct features prestigious designer brands and luxury retail outlets.

(2) Crown Perth

Crown Perth is Western Australia's only integrated resort offering, with an exceptional range of entertainment and tourism experiences. Crown Perth has approval to operate 2,500 gaming machines and 350 gaming tables.

Crown Perth features three hotels:

- Crown Towers Perth (500 guest rooms);
- Crown Metropal Perth (397 guest rooms); and
- Crown Promenade Perth (291 guest rooms).

Crown Perth offers large-scale entertainment facilities including the 1,500-seat Crown Ballroom and 2,300-seat Crown Theatre Perth, along with world-class convention facilities, and a premium selection of restaurants and bars located across the resort in addition to casual dining options.

(3) Crown Sydney

Crown Sydney is located at One Barangaroo Avenue on the foreshore of Sydney Harbour and is Sydney's latest premium hotel resort and dining precinct, with non-gaming operations progressively commencing from late 2020. The landmark building offers views of two of Australia's most celebrated icons, the Sydney Harbour Bridge and Sydney Opera House.

The Crown Towers Sydney hotel contains 349 hotel rooms and suites. Crown Sydney also features the "Crown Residences" luxury apartments, retail outlets, pool and spa facilities, conference rooms and a premium selection of restaurants and bars.

Crown Sydney's gaming areas are not currently in operation. The opening of these gaming areas remains subject to the receipt of regulatory approval.

(b) Other Crown businesses

In addition to Crown Melbourne, Crown Perth and Crown Sydney, Crown owns the following businesses:

Crown Aspinalls	Boutique high-end London casino.
Betfair	Betting exchange (Australia and New Zealand).
DGN Games	Developer of online social games.
Nobu Group (20% interest)	International hotel and restaurant brand.
Aspers Group (50% interest)*	Operates four regional casinos in the United Kingdom.
Chill Gaming (50% interest)	Developer of new and innovative gaming products.

* During financial year 2021, Crown committed to a plan to divest its interest in Aspers Group and expects the transaction to be completed in the coming months.

5.3 Crown Board and senior management

(a) Crown Board

The Crown Board comprises the following directors:

Name	Position
Dr Ziggy Switkowski AO	Chairman
Bruce Carter	Non-executive Director
Jane Halton AO PSM	Non-executive Director
Steve McCann	Chief Executive Officer and Managing Director of Crown Chief Executive Officer and Director of Crown Melbourne
Nigel Morrison	Non-executive Director
Anne Ward	Non-executive Director

(b) Crown senior management

Crown's senior management comprises the following members:

Name	Position
Steve McCann	Chief Executive Officer and Managing Director of Crown Chief Executive Officer and Director of Crown Melbourne
Steven Blackburn	Group Chief Risk Officer
Shannon Blake	Interim Chief Operating Officer – Gaming Crown Perth
Nic Emery	Chief Customer and Digital Officer
Betty Ivanoff	Group General Counsel
Danielle Keighery	Chief Brand and Corporate Affairs Officer
Mark Mackay	Interim Chief Operating Officer – Crown Melbourne
Simon McGrath	Chief Executive Officer Crown Sydney and Group Head of Hospitality of Crown
Alan McGregor	Chief Financial Officer and Interim Company Secretary
Jeannie Mok	Chief of Staff
Nick Weeks	Executive General Manager, Transformation and Regulatory Response
Tony Weston	Chief People and Culture Officer

5 Information about Crown

5.4 Historical financial information

(a) Basis of preparation

This section 5.4 sets out a summary of historical financial information in relation to Crown for the purpose of this Scheme Booklet. The financial information has been derived from Crown's financial statements for the:

- half year ended 31 December 2021, which was reviewed by KPMG;
- financial year ended 30 June 2021, which was audited by KPMG; and
- financial years ended 30 June 2020 and 30 June 2019, which were audited by Ernst & Young.

The historical financial information of Crown below is presented in an abbreviated form and does not contain all the disclosures, presentations, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act.

(b) Historical consolidated income statement

	1H FY22	FY21	FY20	FY19
	\$m	\$m	\$m	\$m
Revenues	778.6	1,536.8	2,237.2	2,929.2
Other income	86.3	207.8	0.1	0.2
Expenses	(1,098.9)	(1,975.4)	(2,074.2)	(2,326.8)
Share of profits/(losses) of associates	7.3	(8.7)	0.3	13.3
Profit/(loss) before income tax and finance costs	(226.7)	(239.5)	163.4	615.9
Finance costs	(36.2)	(69.1)	(10.2)	(36.6)
Profit/(loss) before income tax	(262.9)	(308.6)	153.2	579.3
Income tax benefit/(expense)	66.6	47.3	(71.3)	(176.4)
Net profit/(loss) after tax	(196.3)	(261.3)	81.9	402.9
Attributable to:				
Equity holders of the Parent	(196.3)	(261.6)	79.5	401.8
Non-controlling interests	-	0.3	2.4	1.1
	(196.3)	(261.3)	81.9	402.9

(c) Comparison of theoretical to actual financial performance

	1H FY22	FY21	FY20	FY19	1H FY22	FY21	FY20	FY19
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
		Theoretical ¹				Actual ²		
EBITDA before Closure Costs³ and Significant Items⁴								
Crown Melbourne	7.1	94.1	354.3	589.5	7.1	90.7	447.6	615.0
Crown Perth	109.6	254.2	161.8	221.8	109.6	254.4	173.9	244.6
Crown Sydney	(4.3)	(22.8)	-	-	(4.3)	(22.8)	-	-
Crown Aspinalls	(3.2)	(6.3)	(2.7)	6.4	(5.5)	(6.3)	3.5	5.7
Crown Digital ⁵	14.3	34.1	34.7	26.1	14.3	34.1	34.7	26.1
Corporate costs	(94.7)	(111.6)	(44.3)	(41.7)	(94.7)	(111.6)	(44.3)	(41.7)
EBITDA before Closure Costs and Significant Items	28.8	241.7	503.8	802.1	26.5	238.5	615.4	849.7
Depreciation & amortisation	(155.1)	(290.3)	(275.5)	(273.6)	(155.1)	(290.3)	(275.5)	(273.6)
EBIT before Closure Costs and Significant Items	(126.3)	(48.6)	228.3	528.5	(128.6)	(51.8)	339.9	576.1
Net interest income / (expense)	(35.8)	(44.3)	(0.0)	(10.1)	(35.8)	(44.3)	(0.0)	(10.1)
Income tax	42.3	17.7	(71.6)	(162.0)	42.7	18.7	(104.4)	(176.4)
Equity accounted investments ⁶	7.3	(8.7)	6.7	13.3	7.3	(8.7)	6.7	13.3
Non-controlling interest (NCI)	-	(0.3)	(2.4)	(1.1)	-	(0.3)	(2.4)	(1.1)
NPAT attributable to the parent before Closure Costs and Significant Items	(112.5)	(84.2)	161.0	368.6	(114.4)	(86.4)	239.8	401.8
Closure Costs (net of tax)					(79.2)	(120.6)	(81.6)	-
Significant Items (net of tax)					(2.7)	(54.6)	(78.7)	-
NPAT attributable to the parent					(196.3)	(261.6)	79.5	401.8
EBITDA after Closure Costs and Significant Items⁷	(45.2)	117.3	393.0	802.1	(47.5)	114.1	504.6	849.7

1. Theoretical results have been adjusted to exclude the impact of any variance from theoretical win rate on VIP program play. The theoretical win rate is the expected hold percentage on VIP program play over time. The theoretical result gives rise to adjustments to VIP program play revenue, operating expenses and income tax expense. Crown believes that theoretical results are the relevant measure of viewing performance of the business as it removes the inherent volatility in VIP gaming revenue.

2. Actual results reflect revenues and expenses at actual win rates.

3. Closure Costs reflect costs incurred at Crown Melbourne, Crown Perth, Crown Sydney and Crown Aspinalls whilst the properties were closed due to Government direction. Closure Costs are a non-IFRS measure. Refer to note 3 of the Appendix 4D for the half year ended 31 December 2021, and note 2 of the 2021 and 2020 Annual Reports for further details.

4. Significant Items are transactions that are not in the ordinary course of business or are material or unexpected due to their size and nature. Significant Items are a non-IFRS measure. Refer to note 4(e) of the Appendix 4D for the half year ended 31 December 2021, and note 3(e) of the 2021 and 2020 Annual Reports for further details.

5. Financials represented as Crown Digital includes Crown's wagering and online social gaming operations comprising Betfair and DGN Games and Crown's investment in Chill Gaming.

6. Crown's equity accounted result was comprised of its net equity accounted share of NPAT from the Nobu Group, Aspers Group and Chill Gaming. During FY21, Aspers Group was classified as an asset held for sale and no longer equity accounted.

7. Significant Items in 'EBITDA after Closure Costs and Significant Items' includes EBITDA related Significant Items only.

5 Information about Crown

(d) Historical consolidated statement of financial position

	1H FY22	FY21	FY20	FY19
	\$m	\$m	\$m	\$m
Current assets				
Cash and cash equivalents	747.0	476.0	286.9	1,126.0
Trade and other receivables	16.7	19.6	111.2	98.7
Income tax receivable	65.1	65.3	-	-
Inventories	27.4	21.5	17.2	16.7
Prepayments	49.5	45.4	41.6	38.1
Assets held for sale	219.2	425.8	-	-
Other financial assets	-	-	-	5.5
Total current assets	1,124.9	1,053.6	456.9	1,285.0
Non-current assets				
Receivables	-	-	-	157.8
Other financial assets	23.4	12.7	29.3	37.5
Investments in associates	133.3	127.4	186.0	206.9
Property, plant and equipment	4,194.6	4,316.6	4,871.2	4,259.0
Intangible assets - licences	1,022.3	1,030.6	1,047.3	1,064.0
Other intangible assets	298.9	330.4	355.6	415.3
Deferred tax assets	227.3	183.5	170.7	159.5
Other assets	47.1	45.6	48.8	48.8
Total non-current assets	5,946.9	6,046.8	6,708.9	6,348.8
Total assets	7,071.8	7,100.4	7,165.8	7,633.8
Current liabilities				
Trade and other payables	372.9	429.4	426.5	433.1
Interest-bearing loans and borrowings	6.3	314.3	8.2	287.6
Income tax payable	-	-	32.5	153.9
Provisions	217.9	304.1	200.3	186.0
Other financial liabilities	-	0.1	2.4	-
Total current liabilities	597.1	1,047.9	669.9	1,060.6
Non-current liabilities				
Other payables	179.7	177.2	172.3	255.1
Interest-bearing loans and borrowings	1,573.2	974.1	1,121.8	791.0
Deferred tax liabilities	408.3	406.7	420.5	401.5
Provisions	27.3	28.7	27.0	24.2
Other financial liabilities	-	-	-	4.5
Total non-current liabilities	2,188.5	1,586.7	1,741.6	1,476.3
Total liabilities	2,785.6	2,634.6	2,411.5	2,536.9
Net assets	4,286.2	4,465.8	4,754.3	5,096.9
Equity				
Contributed equity	(203.3)	(203.3)	(203.3)	(203.3)
Reserves	(7.1)	(23.8)	3.1	1.4
Retained earnings	4,496.6	4,692.9	4,954.5	5,298.8
Total equity	4,286.2	4,465.8	4,754.3	5,096.9

(e) Historical consolidated statement of cash flows

	1H FY22	FY21	FY20	FY19
	\$m	\$m	\$m	\$m
Cash flows from operating activities				
Receipts from customers	840.8	1,605.2	2,258.3	3,070.1
Payments to suppliers and employees	(1,014.1)	(1,471.6)	(1,847.5)	(2,177.4)
Dividends received	6.5	-	5.9	8.9
Interest received	0.3	1.1	12.2	28.6
Borrowing costs paid	(58.1)	(76.4)	(66.0)	(76.6)
Income tax paid	21.1	(72.3)	(36.0)	(75.5)
Net cash flows from/(used in) operating activities	(203.5)	(14.0)	326.9	778.1
Cash flows from investing activities				
Purchase of property, plant and equipment	(69.0)	(559.1)	(746.3)	(538.7)
Proceeds from sale of property, plant and equipment	252.8	650.5	0.1	0.2
Payment for the acquisition of equity accounted associates	(1.2)	(1.8)	(3.9)	(5.5)
Payment for the acquisition of controlled entities	-	(16.3)	-	-
Proceeds from disposal of investments	-	-	-	7.6
Other (net)	-	0.3	-	4.4
Net cash flows from/(used in) investing activities	182.6	73.6	(750.1)	(532.0)
Cash flows from financing activities				
Proceeds from borrowings	293.3	590.0	315.1	56.1
Repayment of borrowings	(1.9)	(459.8)	(328.8)	(481.1)
Dividends paid	-	-	(406.2)	(409.0)
Payments for share buy-back	-	-	-	(131.4)
Net cash flows from/(used in) financing activities	291.4	130.2	(419.9)	(965.4)
Net increase/(decrease) in cash and cash equivalents	270.5	189.8	(843.1)	(719.3)
Cash and cash equivalents at the beginning of the financial year	476.0	286.9	1,126.0	1,844.6
Effect of exchange rate changes on cash	0.5	(0.7)	4.0	0.7
Cash and cash equivalents at the end of the period	747.0	476.0	286.9	1,126.0

5.5 Impact of the COVID-19 pandemic on Crown's operations

The COVID-19 pandemic, as well as government and consumer responses to it have had a significant impact on Crown's business and operations and its financial position.

Since March 2020, Crown has been directed by relevant State Governments to suspend its gaming activities and other non-essential services for various periods of time.

When open, various operating restrictions have been imposed such as capacity and density limits, mask and vaccination requirements, restrictions on available gaming product and physical distancing protocols.

Notwithstanding the material decline in revenue as a result of these closures or restrictions, Crown's properties have continued to incur expenses to maintain their operations and to maintain its workforce.

5 Information about Crown

While all three Australian properties are currently trading as at the date of this Scheme Booklet, Crown faces the ongoing prospect of impacts to its business as a result of COVID-19, including operating restrictions and the continued subdued customer sentiment currently being experienced.

In particular, the outbreak of the Omicron variant of COVID-19 in Victoria and New South Wales has adversely impacted trading performance at Crown Melbourne and Crown Sydney to begin the calendar year, with a number of staff required to isolate impacting operating capacities, and reduced patronage to the properties.

In addition, since the beginning of the calendar year, increased uncertainty from growing COVID-19 case numbers in Western Australia and the imposition of new restrictions in Perth continues to have a significant impact on patronage to Crown Perth, with a resulting impact on financial performance.

The future impacts of COVID-19 on Crown and its operations, including the potential for further variants emerging, and the likelihood and timeline for business volumes to recover to pre-COVID-19 levels, remains uncertain.

5.6 Regulatory investigations and litigation

Crown has recently been, and continues to be, the subject of a number of inquiries, Royal Commissions and regulatory investigations. Set out below is the status of these matters.

(a) AUSTRAC enforcement proceedings

As announced by Crown to the ASX on 1 March 2022, Crown Melbourne and Crown Perth have been served a statement of claim from AUSTRAC, commencing civil penalty proceedings alleging contraventions of obligations under the AML/CTF Act. The statement of claim does not include any quantification of the penalty sought by AUSTRAC and alleges that from 1 March 2016:

- Crown Melbourne and Crown Perth have each contravened, on an innumerable number of occasions, and continue to contravene section 81 of the AML/CTF Act by not adopting and maintaining an AML/CTF program that complies with all requirements of the AML/CTF Act and AML/CTF Rules; and
- Crown Melbourne and Crown Perth have each contravened section 36 of the AML/CTF Act by not conducting appropriate ongoing customer due diligence on 382 and 165 occasions (respectively), giving a total of 547 contraventions in relation to 507 customers.

The commencement of proceedings by AUSTRAC follows a long-running investigation that commenced in October 2020, as announced by Crown to the ASX on 19 October 2020 and 7 June 2021. Crown Melbourne and Crown Perth have fully cooperated with AUSTRAC during the course of its investigations.

As announced by Crown to the ASX in its 2021 Annual Report and its 2022 Half Year Results, Crown considers that it is likely that Crown Melbourne and Crown Perth will be required to pay significant civil penalties.

(b) Victorian Royal Commission

On 26 October 2021, the Victorian Royal Commission Report was publicly released after being tabled in the Victorian Parliament. On the same day, the Victorian Government released its response in relation to the Victorian Royal Commission Report.

The Commissioner of the Victorian Royal Commission made a number of findings regarding Crown Melbourne and its associates (including Crown), including that Crown Melbourne is not a suitable person to continue to hold a casino licence under the *Casino Control Act 1991* (Vic). The Commissioner of the Victorian Royal Commission did not recommend the immediate cancellation of Crown Melbourne's Gaming Licence. Instead, the Commissioner of the Victorian Royal Commission recommended that Crown Melbourne be required to operate under the oversight and direction of the Special Manager for a period of two years, with the costs of establishing and the performance of the office of the Special Manager to be borne by Crown Melbourne.

The Commissioner of the Victorian Royal Commission made 33 recommendations in total, addressing a broad range of areas affecting Crown Melbourne's structure and operations.

The Victorian Government enacted legislation on 14 December 2021 to give effect to nine 'priority' recommendations, including establishing the position of the Special Manager, repealing certain provisions that provided that the Victorian State Government may be liable to pay compensation to Crown in certain

circumstances, increasing the maximum penalty that can be imposed for each disciplinary action (from \$1 million to \$100 million), and enabling the VGCCC to take disciplinary action (other than cancellation or suspension of Crown Melbourne's Gaming Licence) on any ground that consists of or relies on a finding or recommendation of the Victorian Royal Commission without serving a 'show cause' notice on Crown or otherwise affording Crown an opportunity to make submissions or be heard on the matter.

The Special Manager was appointed from 1 January 2022 for a period of two years and six months. The role of the Special Manager is to investigate a range of matters identified in the Victorian Royal Commission Report (and any other matters the Special Manager considers require investigation) and to report to the VGCCC and the Minister on an interim basis and at the end of the second year of the Special Manager's appointment. The Special Manager has wide powers to perform his functions, including full and free access to all books and records of Crown Melbourne, all the powers, rights and privileges of a director of Crown Melbourne (other than the right to vote) and the power to issue Crown Melbourne with directions to take or refrain from any action.

The VGCCC must consider each report of the Special Manager and take whatever action the VGCCC considers appropriate in light of the findings and recommendations of the report. Upon receipt of the Special Manager's final report, the VGCCC may determine that it is clearly satisfied that Crown Melbourne is a suitable person to continue to hold its Gaming Licence and that it is in the public interest for its Gaming Licence to continue in force. Unless the VGCCC makes such a determination, Crown Melbourne's Gaming Licence will be cancelled.

As at the date of this Scheme Booklet, it is not known what the Special Manager's findings will be nor is it known whether the VGCCC will determine that it is clearly satisfied that Crown Melbourne is suitable to hold its Gaming Licence and that it is in the public interest that its Gaming Licence continue to be in force. There is a possibility that, as a result of the Special Manager's final report and other matters which the VGCCC is required to consider, the VGCCC might conclude that it is not clearly satisfied that Crown Melbourne is suitable to hold its Gaming Licence and that it is in the public interest that its Gaming Licence continue in force, in which case the Gaming Licence will be cancelled. Crown is focussed on working towards minimising the risk of this outcome eventuating.

The Victorian Government has expressed its support for the remaining 24 recommendations in the Victorian Royal Commission Report, subject to further detailed analysis and consultation being undertaken. Those recommendations cover a range of areas, including the minimisation of gambling harm, structural reforms to Crown Melbourne and addressing anti-money laundering risks. Crown expects that further legislation addressing these recommendations will be introduced to the Victorian Parliament by the Victorian Government this year.

These legislative changes may well have an adverse impact on the future operations and financial performance of Crown Melbourne.

(c) Perth Casino Royal Commission

On 24 March 2022, the Perth Casino Royal Commission Report was publicly released after being tabled in the Western Australian Parliament.

The Perth Casino Royal Commission made a number of findings regarding Crown Perth, Crown, Burswood and Burswood Management, including that each of those entities is not presently a 'suitable person' to be concerned or associated with the organisation and conduct of gaming operations of a licensed casino, and that Crown Perth is not a 'suitable person' to continue to hold its Gaming Licence.

The Perth Casino Royal Commission did not recommend the immediate cancellation of Crown Perth's Gaming Licence. Instead, the Perth Casino Royal Commission determined that in order to become a suitable person, each of Crown Perth, Crown, Burswood and Burswood Management would be required to embark on a pathway to suitability, with their remediation activities overseen by an independent monitor. The Perth Casino Royal Commission has stated that this period of oversight would likely last for a period of about two years (from 4 March 2022), after which the independent monitor would provide a report to the GWC.

The Perth Casino Royal Commission has also made 59 recommendations relating to various matters, including the trust and corporate structure of Crown Perth, the governance of each of Crown Perth, Crown, Burswood and Burswood Management, gaming operations at Crown Perth and the regulatory framework that applies to Crown Perth.

5 Information about Crown

Crown is considering the Perth Casino Royal Commission Report and intends to work cooperatively and constructively with the Western Australian Government in relation to the findings and recommendations of the Perth Casino Royal Commission Report.

(d) Bergin Inquiry

On 9 February 2021, the Bergin Report was released. ILGA wrote to Crown stating that, having regard to the contents of the Bergin Report, it presently considered that Crown Sydney is no longer a suitable person to give effect to the restricted Gaming Licence in New South Wales and that Crown Sydney had breached clause 14(a) of the VIP Gaming Management Agreement (**VIP GMA**) and gave Crown a notice to that effect. Since that notification, and as part of the consultation process contemplated under the VIP GMA, Crown has developed a comprehensive Remediation Plan which is designed to address matters raised in the Bergin Report. The Remediation Plan for Crown Sydney is currently in the process of being superseded with an amended Remediation Plan. This amended Remediation Plan will be annexed to a further agreement with ILGA, which is currently under discussion between the parties as part of seeking the commencement of gaming at Crown Sydney.

(e) Other regulatory matters

Regulators, including Gaming Regulatory Authorities and other bodies (including ASIC), routinely conduct investigations and reviews of Crown's operations in the normal course of regulatory oversight and of matters disclosed by Crown to regulators and of those disclosed to the market. Crown regularly receives various notices and requests for information from regulators regarding a wide variety of matters and some of these remain open and subject to further review, investigation and possible disciplinary or other action. The potential quantum and timing for any future action, fines and penalties remains uncertain.

(f) Litigation

As announced by Crown to the ASX on 14 December 2020, Maurice Blackburn Lawyers commenced a class action proceeding against Crown in the Supreme Court of Victoria. The claim alleges that, in the period from 11 December 2014 to 18 October 2020, Crown had inadequate systems and processes for ensuring compliance with its obligations under anti-money laundering laws and that Crown engaged in misleading and deceptive conduct, breached its continuous disclosure obligations and conducted its affairs contrary to the interests of Crown shareholders as a whole in the period. The claim aims to recover compensation from Crown and seeks the potential buy-back of shares from persons who acquired or held an interest in fully paid ordinary shares in Crown during the period from 11 December 2014 to 18 October 2020, and continue to hold those shares, at fair value. Crown is defending the proceeding. At the date of this Scheme Booklet, the potential outcome, insurance coverage and total costs related to this class action remain uncertain.

As announced 29 October 2021, Crown reached an agreement to settle the shareholder class action commenced against it by Zantran Pty Limited in the Federal Court on 4 December 2017. The expected total settlement amount is \$125 million, inclusive of interest and costs, of which Crown has contributed \$20 million. Crown is considering its legal rights of recovery for this contribution. The settlement of this proceeding is subject to Federal Court approval and other conditions, and is scheduled for an approval hearing on 28 April 2022.

In addition to these matters, members of the Crown Group are from time to time the subject of legal proceedings arising from the conduct of their business.

5.7 Remediation Plan

As part of Crown's response to matters raised throughout various regulatory processes and through its engagement with regulators, Crown has developed a comprehensive Remediation Plan. Successful implementation of the Remediation Plan is intended to position Crown as a leader in the industry in its approach to governance, compliance, responsible gaming and the management of financial crime risk, underpinned by an uplifted organisational culture.

Crown has already made significant progress towards implementing the changes outlined in the Remediation Plan, including investment in people, systems, processes and culture and a focus upon responsible gaming and the prevention of financial crime.

With significant change at both the Crown Board and senior executive level over the last 18 months, there is now an almost entirely new leadership team in place leading this reform process.

Select achievements to date include:

- Crown Board renewal and wholesale senior management changes;
- revised organisational structure;
- development of a comprehensive Financial Crime & Compliance Change Program, the implementation of which is well advanced, including the addition of approximately 55 full time equivalent employees;
- completion of a forensic audit and controls assessment of Crown's patron bank accounts by an independent expert consultant;
- development of a Culture Transformation Program, the implementation of which has commenced, including the roll-out of a revised Purpose and Values, and the introduction of new short term incentive and long term incentive structures for eligible employees which include values based hurdles and mandatory compliance and risk performance objectives;
- enhancements to Crown's approach to responsible gaming, with work on the development of a Responsible Gaming Change Program underway;
- development of a Risk Uplift Plan, the implementation of which has commenced;
- restructuring Crown's VIP business, including the cessation of dealing with junket operators;
- implementation of strengthened processes to assess and manage customer risks; and
- changes to Crown's relationship with its major shareholder, CPH, including the termination of information sharing agreements and CPH no longer being separately represented on the Crown Board.

As at the date of this Scheme Booklet, Crown is currently in the process of, or anticipates, developing a separate and amended Remediation Plans for:

- Crown Sydney, in connection with the potential commencement of gaming at Crown Sydney;
- Crown Melbourne, to reflect the recommendations in the Victorian Royal Commission Report; and
- Crown Perth, following receipt of the findings of the Perth Casino Royal Commission.

5.8 Arrangements with lenders

As was disclosed in Crown's 2022 Half Year Results, in the half year ended 31 December 2021, Crown reached agreement with its relationship banks regarding a series of modifications to Crown's existing financing arrangements, including:

- an extension of near-term maturities by amending and aligning the maturity date of all of the \$560 million in bilateral facilities to October 2023;
- a waiver of financial covenants in relation to the 31 December 2021 testing date;
- an amendment to the financial covenants in relation to the 30 June 2022 testing date, which will now be tested by reference to EBITDA for the six months period ending on 30 June 2022, annualised on a straight-line basis; and
- a waiver of certain events of default that would otherwise arise from cancellation or suspension (for a certain period of time) of any of Crown's Australian casino licences. If any such licence event was to occur, Crown has agreed to a review process providing it with a period of time to negotiate with lenders or otherwise refinance the facilities.

As part of the arrangements agreed with lenders, Crown agreed not to declare or pay dividends in respect of the half year ending 31 December 2021 or where a review event is triggered as a result of cancellation or suspension of any of Crown's Australian casino licences. In addition, Crown has agreed not to declare or pay any dividends in respect of the financial year ending 30 June 2022 if any of its financial covenants would not have been met as at the 30 June 2022 testing date without the benefit of the annualisation treatment described in this section .

Based on Crown's performance against the applicable financial ratios for the six months ended 31 December 2021, a 'Mandatory Deferral Event' exists in relation to the Crown Subordinated Notes II, resulting in the interest payments scheduled to be paid on 15 March 2022 and 14 June 2022 being subject to mandatory deferral and payable at a later date.

5 Information about Crown

5.9 Material changes in financial position (since 31 December 2021)

To the knowledge of the Crown Directors, there have been no material changes to the financial position of Crown and the Crown Group since 31 December 2021, other than as a result of the ordinary course of trading, as disclosed in this Scheme Booklet or as otherwise announced to the ASX by Crown.

5.10 Outlook

Crown continues to operate in an uncertain external environment with ongoing impacts to business performance as a result of COVID-19. The emergence of the Omicron variant of COVID-19, as well as impact of increased community transmission of COVID-19 in Western Australia, continues to adversely impact business performance. In addition, the re-opening of the Western Australian border on 3 March 2022 has created further uncertainty on business performance into the second half of financial year 2022.

Crown Group Members also remain the subject of ongoing regulatory and litigation processes, with the outcome of these processes, and the resultant impact on Crown and its business performance, remaining uncertain.

Crown is continuing to progress its wide-ranging Remediation Plan. Whilst this is driving important changes to Crown's personnel, systems, processes and culture, it is also resulting in higher costs for Crown's business, particularly in Melbourne. In addition, Crown continues to incur additional costs associated with responding to these various regulatory and litigation processes, as well as in relation to regulatory oversight.

Crown will continue to work hard to earn the continued trust of key stakeholders (including Gaming Regulatory Authorities) and communities as a responsible operator of outstanding integrated resorts.

As conditions for the tourism and hospitality sectors improve, Crown considers itself well positioned to leverage its world-class assets to take advantage of the demand from both domestic and international customers.

5.11 Crown Directors' intentions

The Corporations Regulations require a statement by the Crown Directors of their intentions regarding Crown's business. If the Scheme is implemented, the current Crown Directors intend to resign and an alternate Board will be determined by Blackstone BidCo. It is for the reconstituted Crown Board to determine its intentions as to:

- the continuation of the business of Crown;
- any major changes, if any, to be made to the business of Crown; and
- the future employment of the present employees of Crown.

If the Scheme is implemented, Blackstone BidCo will have 100% ownership and control of Crown. The current intentions of Blackstone BidCo with respect to these matters are set out in section 6.5.

If the Scheme is not implemented, the Crown Directors intend to continue to operate in the ordinary course of the business and explore other opportunities that may arise from time to time and that may be in the best interests of Crown shareholders.

5.12 Capital structure

As at the Last Practicable Date, the capital structure of Crown was:

Type of security	Number on issue
Crown Shares	677,158,271
Performance Rights issued under employee incentive arrangements of the Crown Group	970,247
Options to subscribe for Crown Shares issued under employee incentive arrangements of the Crown Group	2,730,000

Additional details about the employee incentive arrangements of the Crown Group are set out in section 9.2.

5.13 Substantial holders in Crown Shares

As extracted from filings released on the ASX on or before the Last Practicable Date, the following persons were substantial holders of Crown Shares:

Substantial holder	Number of Crown Shares	Voting power in Crown
Consolidated Press Holdings Ltd	249,253,302	36.81%
Midnight Acacia Holdings Pte. Limited (being a Blackstone Existing Shareholder)	67,675,000	9.99%

5.14 Publicly available information about Crown

Crown is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, Crown is subject to Listing Rules which require (subject to some exceptions) continuous disclosure of any information that Crown has that a reasonable person would expect to have a material effect on the price or value of Crown Shares.

ASX maintains files containing publicly disclosed information about all entities listed on the ASX.

Information disclosed to ASX by Crown is available on ASX's website at www2.asx.com.au/markets/company/cwn.

In addition, Crown is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Crown may be obtained from an ASIC office.

Crown shareholders may obtain a copy of Crown's 2021 Annual Report and 2022 Half Year Results from ASX's website (www2.asx.com.au/markets/company/cwn), from Crown's website (www.crownresorts.com.au) or by calling the Crown Shareholder Information Line on 1300 659 795 (within Australia) or +61 3 9415 4254 (outside Australia), between 8.30am and 5.30pm (Melbourne time), Monday to Friday.

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Section 6

Information about Blackstone BidCo



6 Information about Blackstone BidCo

This section 6 has been prepared by Blackstone BidCo. The information concerning Blackstone BidCo and the intentions, views and opinions contained in this section 6 are the responsibility of Blackstone BidCo. Crown and its officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

6.1 Overview of Blackstone

Blackstone is one of the world's leading investment firms investing capital on behalf of pension funds, large institutions and individuals. It is headquartered in the United States and has offices across Europe, Australia and Asia. Blackstone is listed on the New York Stock Exchange.

Blackstone invests across the alternative asset classes in private equity, real estate, credit and hedge funds as well as in infrastructure, life sciences, insurance, and growth equity. Blackstone's efforts and capital grow hundreds of companies and support local economies.

6.2 Overview of Blackstone BidCo Group

(a) Introduction

Blackstone BidCo is a new Australian company that was incorporated for the purpose of acquiring the Scheme Shares, and has not conducted any other business.

The immediate holding company of Blackstone BidCo is Blackstone HoldCo. Blackstone HoldCo was incorporated for the purpose of holding all the shares in Blackstone BidCo. Blackstone HoldCo has also incorporated a new Australian company, being Blackstone FinCo. Blackstone FinCo is a new Australian company which will borrow under the Facilities Agreement and will on-lend the funds to Blackstone BidCo.

Blackstone Singapore HoldCo was incorporated for the purpose of holding all the shares in Blackstone HoldCo. BREP Singapore HoldCo and BCP Singapore HoldCo were incorporated for the purposes of holding approximately 63% and 37% (respectively) (as at the Implementation Date) of the shares in Blackstone Singapore HoldCo.

Except as described in this section 6, none of Blackstone BidCo, Blackstone HoldCo, Blackstone FinCo and Blackstone Singapore HoldCo have commenced trading or conducted business, and none of them have any assets or liabilities, other than in connection with their incorporation, the entry into transaction documents in connection with the Scheme and the taking of such other actions as are necessary to facilitate the Scheme (including actions in relation to the incurrence of costs, fees and expenses in connection with the Scheme and arranging of finance in connection with the Scheme). Blackstone HoldCo also intends to acquire the Existing Interest (refer to section 6.6(a) for further information).

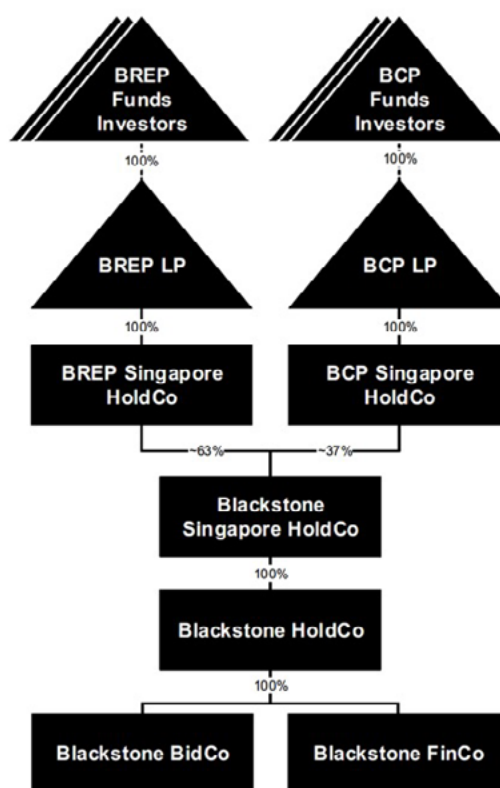
If the Scheme becomes Effective and is implemented, Blackstone BidCo will acquire all of the Scheme Shares on the Implementation Date.

(b) Ownership structure

As at the date of this Scheme Booklet:

- Blackstone BidCo is a wholly-owned subsidiary of Blackstone HoldCo;
- Blackstone HoldCo is a wholly-owned subsidiary of Blackstone Singapore HoldCo;
- Blackstone Singapore HoldCo is currently a wholly-owned subsidiary of BREP Singapore HoldCo. Prior to the Implementation Date (as illustrated in the diagram below), BCP Singapore HoldCo will become a shareholder of Blackstone Singapore HoldCo and the percentage ownership split of BREP Singapore HoldCo and BCP Singapore HoldCo in Blackstone Singapore HoldCo is currently anticipated to be approximately 63% and 37% (respectively) of the shares in Blackstone Singapore HoldCo;
- BREP Singapore HoldCo is a wholly-owned subsidiary of BREP LP and BCP Singapore HoldCo is a wholly-owned subsidiary of BCP LP; and
- the BREP Funds Investors are limited partners of BREP LP and the BCP Funds Investors are limited partners of BCP LP.

The ownership structure of Blackstone BidCo (as at the Implementation Date) is illustrated below.



6.3 Blackstone BidCo Director profiles

(a) Blackstone BidCo Directors

As at the date of this Scheme Booklet, the directors of Blackstone BidCo and Blackstone HoldCo are: Alan Miyasaki, Christopher Heady, Chris Tynan, James Carnegie and Kimmo Tammela; and the directors of Blackstone Singapore HoldCo are: Alan Miyasaki and Kimmo Tammela.

(b) Blackstone BidCo Director profiles

Alan Miyasaki

Alan Miyasaki is the Head of Blackstone Real Estate Acquisitions Asia and is a Senior Managing Director at Blackstone. Mr Miyasaki is based in Singapore and is responsible for the day-to-day management of the Blackstone Real Estate group's investment activities in Asia.

Before joining Blackstone, Mr Miyasaki was with Starwood Capital Group, where he worked in acquisitions. He currently serves on the board of the Singapore American School Foundation.

Mr Miyasaki received a Bachelor in Economics from The Wharton School of the University of Pennsylvania, where he graduated cum laude.

6 Information about Blackstone BidCo

Christopher Heady Christopher Heady is the Chairman of Blackstone Asia Pacific, Head of Blackstone Real Estate Asia and is a Senior Managing Director at Blackstone. Mr Heady is based in Hong Kong and is responsible for the day-to-day management of the Blackstone Real Estate group's investment activities and personnel in Asia.

Mr Heady joined Blackstone in 2000 and has been involved in a variety of real estate acquisitions and initiatives in the U.S., Europe and Asia. Since 2007, Mr Heady has played a key role in the Blackstone Real Estate Group's Asia expansion including establishing teams and executing investments in Greater China, India, Singapore, Japan and Australia.

Before joining Blackstone, Mr Heady was with Morgan Stanley in London and New York, where he was involved in real estate private equity. Mr Heady received a Bachelor of Arts in Public Policy from the University of Chicago, where he graduated with honours.

Chris Tynan Chris Tynan is the Head of Blackstone Real Estate Australia and is a Senior Managing Director at Blackstone, based in Sydney. Since joining Blackstone in 2016, Mr Tynan has been involved in Blackstone's investments across Australia and New Zealand.

Before joining Blackstone, Mr Tynan was a Managing Director with Morgan Stanley where he led real estate investing activities in Australasia for Morgan Stanley's real estate funds. He currently serves on the Boards of 151 Property Group and La Trobe Financial Group.

Mr Tynan received a Bachelor of Commerce (Merit) and a Bachelor of Laws from the University of New South Wales.

James Carnegie James Carnegie is a Senior Managing Director in the Blackstone Private Equity Group, based in Sydney. Mr Carnegie commenced with Blackstone in 2012 as a Senior Advisor and joined in full time capacity in 2014.

Before joining Blackstone, he was a partner at Archer Capital, one of Australia's leading domestic private equity firms and a director of the Macquarie Direct Investment group, Macquarie Bank's private equity division. He is currently a director of NN Holdco, which is an entity related to the Nucleus Networks business.

Mr Carnegie received a Bachelor of Commerce from the University of Melbourne as well as an M.B.A. with Distinction from Harvard University.

Kimmo Tammela Kimmo Tammela is Blackstone's Head of Finance for Asia Pacific, based in Singapore. He manages Blackstone's Asia Pacific finance functions including corporate reporting, real estate, private equity, and tactical opportunities business support teams as well as the Blackstone Asia Pacific Real Estate Tax team.

Prior to joining Blackstone in 2010, Kimmo worked in real estate private equity for Bank of America Merrill Lynch in Singapore. Prior to that, he spent fourteen years at Goldman Sachs in London in various principal investing roles.

Kimmo received a BA in Economics and International Affairs from Brown University and a Masters in International Finance from Columbia University.

6.4 Funding arrangements for the Scheme Consideration

(a) Overview

If the Scheme is implemented, Scheme Shareholders will receive \$13.10 cash for each Scheme Share they hold as at the Scheme Record Date.

The maximum aggregate amount of cash payable on implementation of the Scheme by Blackstone BidCo to Scheme Shareholders will be approximately \$8 billion⁹.

Blackstone BidCo intends to fund payment of the aggregate Scheme Consideration using a combination of debt and equity. These funding arrangements are described in sections 6.4(b) and 6.4(c). The proceeds available to Blackstone BidCo under the debt and equity commitment letters (detailed below) are in excess of the maximum aggregate amount of cash payable on implementation of the Scheme.

(b) Equity Funding

Blackstone BidCo has received a legally binding commitment letter from:

- Blackstone Real Estate Partners Asia II L.P. for \$260,000,000; and
- Blackstone Real Estate Partners (Offshore) IX L.P. for \$2,340,000,000,

(each an **Equity Commitment Party**) dated 14 February 2022 (**Equity Commitment Letter**) under which the relevant Equity Commitment Party commits, on a several basis (but not jointly nor jointly and severally), to provide, subject to the terms and conditions of the Equity Commitment Letter, their individual respective cash amount to Blackstone BidCo, totalling \$2,600,000,000 (together, the **Equity Funding**), for the purpose of funding part of the aggregate Scheme Consideration. The Equity Funding will be paid to Blackstone BidCo on or before the Implementation Date by way of equity contribution.

To fund the equity, the Equity Commitment Parties will draw on uncalled capital commitments from their limited partners. In addition, pursuant to the terms of the Equity Commitment Letter, the Equity Commitment Parties are entitled to source funds through certain funds or vehicles affiliated with the Equity Commitment Parties.

The respective Equity Funding of each Equity Commitment Party is subject to:

- satisfaction or waiver of the Conditions Precedent of the Scheme Implementation Deed; and
- the Scheme becoming Effective.

The Equity Funding is otherwise unconditional, subject to the below.

The Equity Commitment Parties have sole discretion to determine whether the Equity Commitment Letter can be enforced against them by Blackstone BidCo. Crown is not a party to the Equity Commitment Letter. In the event that the Equity Commitment Parties do not provide the Equity Funding, Crown does not have a right of recovery under the Equity Commitment Letter (though it has rights under the Guaranty discussed below). In addition to the satisfaction of the conditions detailed above, the Equity Funding is subject to the Equity Commitment Letter not having been terminated in accordance with its terms, including termination due to the assertion by Crown or any of its affiliates, Related Bodies Corporate or Representatives in any litigation or other proceeding for any claim under the Equity Commitment Letter or otherwise against the Equity Commitment Parties or Blackstone BidCo or of their certain related parties in connection with the Scheme Implementation Deed or Guaranty (see paragraph below) or any of the transactions contemplated by the Scheme Implementation Deed or Guaranty (other than claims against Blackstone BidCo under the Scheme Implementation Deed or claims against the Equity Commitment Parties under the Guaranty). As a result, payment of the Scheme Consideration to Scheme Shareholders is dependent on Blackstone BidCo enforcing its rights under the Equity Commitment Letter.

The Equity Commitment Parties have separately (severally but not jointly or jointly and severally) entered into a guaranty (the **Guaranty**) in favour of Crown totalling \$88,707,733.50 (in accordance with the Equity Commitment Parties' respective pro rata percentage Equity Funding commitments detailed above) in circumstances where the Reverse Break Fee becomes payable by Blackstone BidCo, subject to the Guaranty not having been terminated in accordance with its terms. Recourse under the Guaranty is the sole and exclusive remedy of Crown against the Equity Commitment Parties, including in circumstances where Blackstone BidCo has materially breached its obligations under the Scheme Implementation Deed.

⁹ This amount is calculated on the assumption that all Crown Equity Incentives are dealt with as set out in section 9.2 of this Scheme Booklet and that no dividends or distributions are paid by Crown (which is prohibited under the terms of the Scheme Implementation Deed).

6 Information about Blackstone BidCo

Each Equity Commitment Party has the financial capacity to fund their respective Equity Funding and fund their respective portion of the guaranteed obligations under the Guaranty.

The Guaranty and the Equity Commitment Letter are each governed by the laws of New York and subject to the exclusive jurisdiction of the Southern District of New York.

(c) Debt Funding

Blackstone BidCo and Blackstone FinCo have entered into a debt commitment letter dated 14 February 2022 (the **Debt Commitment Letter**) under which Blackstone FinCo will enter into a senior syndicated facilities agreement with: (1) affiliates of, or funds managed or advised by, Starwood Capital Group (being SPT Victoria Holdings 1 Ltd, SPT Victoria Holdings 2 Ltd, SREIT Project Silver Lender I, L.L.C. and SREIT Project Silver Lender II, L.L.C.); and (2) entities owned by real estate debt funds managed or advised by Blackstone or its affiliates (being Silver Fin Sub TC Pty Ltd ACN 657 021 675 as trustee for Silver Fin Sub Trust and Elements Sub TC Pty Ltd ACN 656 225 777 as trustee for Elements Sub Trust (collectively, the **Debt Commitment Parties**) (**Facilities Agreement**)). Pursuant to the Debt Commitment Letter, the Debt Commitment Parties have agreed to provide a senior term facility with a facility limit of \$5,400,000,000 (**Term Facility**).

The Debt Commitment Letter also allows for any of Blackstone BidCo, Blackstone FinCo and certain other members of the Blackstone BidCo Group to obtain commitments for a super senior revolving credit facility of up to \$500,000,000 (**SSRCF**), which will also form part of the Facilities Agreement. The purpose of the SSRCF is to finance working capital and general corporate purposes of Blackstone HoldCo, Blackstone BidCo and its subsidiaries.

Blackstone BidCo is permitted to use the proceeds of borrowings under the Term Facility to: (1) fund part of the aggregate Scheme Consideration payable by Blackstone BidCo under the Scheme; (2) the refinancing of (i) the existing indebtedness of the Crown Group and (ii) the acquisition of the Existing Interest; and (3) to pay fees, costs and expenses relating to the Transaction, the Term Facility and the SSRCF. As a result, payment of the Scheme Consideration to Scheme Shareholders is dependent on the debt funding being made available to Blackstone BidCo. As a result, payment of the Scheme Consideration to Scheme Shareholders is dependent on the debt funding being made available to Blackstone BidCo via Blackstone FinCo, as borrower under the Debt Commitment Letter.

The Term Facility will be provided by the Debt Commitment Parties on a customary 'certain funds' basis and is subject to the satisfaction of certain customary conditions precedent, including (but not limited to):

- confirmation that consummation of the acquisition of the Scheme Shares by Blackstone BidCo under the Scheme will occur in accordance with the terms of the Scheme Implementation Deed (and related documentation);
- confirmation that no material provision of the Scheme Implementation Deed has been amended, varied, novated, supplemented, superseded, waived or terminated in a way that is materially adverse to the interests of the majority Debt Commitment Parties (taken as a whole) except with the consent of the majority of the Debt Commitment Parties;
- execution of definitive long form syndicated facility documentation (and related definitive financing documentation) as described below; and
- the accuracy of certain representations identified in the Debt Commitment Letter made with respect to Blackstone BidCo, Blackstone FinCo, Blackstone HoldCo and the Blackstone Existing Shareholder, prior to funding of the Term Facility.

In addition to these customary conditions precedent, the availability of the Term Facility is subject to:

- evidence that Blackstone BidCo has received each regulatory authority approval for the acquisition of the Scheme Shares to satisfy the Condition Precedent described in clause 3.1(b) of the Scheme Implementation Deed; and
- no Regulatory Drawstop Event being continuing as at the Second Court Date. A Regulatory Drawstop Event is a Gaming Regulatory Event as defined in the Scheme Implementation Deed, other than a Gaming Regulatory Event with respect to Crown Perth's Gaming Licence or Crown Casino Perth (described in clause 3.2(c) of the Scheme Implementation Deed).

If all conditions precedent are satisfied, then the Debt Commitment Parties must provide the funds for their portion of the commitment under the Term Facility.

It is expected that on or before the Second Court Date, the Debt Commitment Letter will be superseded by the Facilities Agreement and related definitive financing documentation required to be entered into as a condition precedent to the initial borrowings under the Term Facility among the parties thereto, the material terms and conditions of which are specified in the Debt Commitment letter.

It is expected that the conditions precedent to the Term Facility will be satisfied on or before the Second Court Date (other than certain procedural conditions which are intended to be satisfied concurrently with, or prior to, the initial borrowings under the Term Facility, including the payment of fees, costs and expenses).

As at the date of this Scheme Booklet, Blackstone BidCo is not aware of any reason why the conditions precedent to the Term Facility will not be satisfied so as to enable the Term Facility to be drawn for the purpose of funding part of the aggregate Scheme Consideration.

(d) Provision of Scheme Consideration

On the basis of the funding arrangements described above, Blackstone BidCo is of the opinion that it has a reasonable basis for holding the view, and holds the view, that it will be able to satisfy the funding commitments described in this section 6.4.

6.5 Intentions of Blackstone BidCo if the Scheme is implemented

This section 6.5 sets out Blackstone BidCo's present intention only with respect to the Crown Group if the Scheme is implemented and is based on the information concerning Crown Group (including certain non-public information made available by Crown to Blackstone BidCo prior to the entry into the Scheme Implementation Deed) and the general business environment which is known to Blackstone BidCo at the time of preparation of this Scheme Booklet. Blackstone BidCo does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess all of the operational, regulatory, commercial, taxation and financial implications of its present intentions. The intentions of Blackstone HoldCo and Blackstone Singapore HoldCo are the same as the intentions of Blackstone BidCo. If the Scheme is implemented, Blackstone BidCo intends to undertake a detailed review of Crown's assets and operations. Blackstone BidCo will only make final decisions following the completion of this review and based on the facts and circumstances at the relevant time.

Accordingly, the statements set out in this section 6.5 are statements of present intention and may change as new information becomes available or as circumstances change.

(a) Delisting from the ASX

If the Scheme is implemented, it is intended that the quotation of Crown Shares on the ASX will be terminated and Crown will be removed from the official list of the ASX on or around the Business Day immediately following the Implementation Date.

(b) Head office

If the Scheme is implemented, Blackstone BidCo presently intends for Crown to maintain its head office in Melbourne, Victoria.

(c) Board of directors

As at the date of this Scheme Booklet, if the Scheme is implemented, Blackstone BidCo's intention is to reconstitute the Crown Board, such that all of the Crown Directors will be replaced, with effect on and from the Implementation Date. At the date of this Scheme Booklet, the final composition of the Crown Board has not been confirmed.

(d) Changes to Crown's constituent documents

Blackstone BidCo intends to replace Crown's constitution following implementation of the Scheme with a constitution on terms which are typical for a proprietary company limited by shares. This is consistent with the intention that Crown Shares will no longer be publicly listed and Crown will be converted into a proprietary company limited by shares following implementation of the Scheme.

(e) Employees, business operations and vision

Following implementation of the Scheme, Blackstone BidCo will review Crown's business operations and organisational structure to ensure Crown has the relevant mix and level of employees and skills that is appropriate for an unlisted entity to enhance the business going forward and to enable the business to pursue growth opportunities.

6 Information about Blackstone BidCo

Blackstone BidCo currently intends to maintain Crown's current strategic direction with an investment case based on furthering its position as a leading owner and operator of entertainment businesses, predominantly across Australia.

Blackstone BidCo does not currently intend to pursue a sale and leaseback transaction (or series of transactions) in respect of Crown and has advised the relevant authorities (including the relevant gaming regulatory authorities and ASIC) of this intention.

Blackstone BidCo will undertake a full review of Crown's business, operations, assets and employees following implementation of the Scheme to determine how best to execute Crown's strategy and develop and grow Crown. Blackstone BidCo does not intend to make significant changes to Crown's business and employees. However, final decisions on these matters will, if necessary, only be made following implementation of the Scheme based on all material facts and circumstances at the relevant time.

6.6 Additional information on Blackstone BidCo Group

(a) Interests in Crown Shares

As at the date of this Scheme Booklet:

- none of Blackstone BidCo, Blackstone HoldCo and Blackstone Singapore HoldCo (including the directors of each entity) is the registered holder of, has the power to control voting rights attached to, or the power to dispose of, any Crown Shares; and
- Midnight Acacia, a wholly owned subsidiary of BREP LP, is the registered holder of 67,675,000 Crown Shares which equates to a 9.99% ownership interest and voting power in Crown (**Existing Interest**). Midnight Acacia acquired the Existing Interest on 29 April 2020 and has not acquired or disposed of any Crown Shares since that date.

Prior to the Scheme Meeting Date, a newly established wholly owned subsidiary of Blackstone HoldCo, SS Silver III, intends to acquire from Midnight Acacia its Existing Interest. If completed, SS Silver III will become the 'Blackstone Existing Shareholder' (as defined) and the Existing Interest transferred to SS Silver III will not be Scheme Shares.

(b) No dealings in Crown Shares in previous four months

Neither Blackstone BidCo nor any other member of the Blackstone BidCo Group has provided or agreed to provide consideration for any Crown Shares under any transaction or agreement during the period of four months before the date of this Scheme Booklet, except for the Scheme Consideration which Blackstone BidCo has agreed to provide under the Scheme.

(c) No inducing benefits given during previous four months

During the four months before the date of this Scheme Booklet, none of Blackstone BidCo nor a member of the Blackstone BidCo Group have given, or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an associate to:

- vote in favour of the Scheme; or
- dispose of Scheme Shares,

where the benefit was not offered to all Scheme Shareholders.

(d) Benefits to current Scheme Shareholders

Neither Blackstone BidCo nor a member of the Blackstone BidCo Group has given or agreed to give any payment or benefit to any current officers of Crown or any of its Related Bodies Corporate as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices dependent on the Scheme being implemented.

6.7 No other material information

Except as otherwise disclosed in this section 6, there is no other Blackstone BidCo Information that is material to the making of a decision in relation to the Scheme, being Blackstone BidCo Information that is within the knowledge of the directors of Blackstone BidCo, at the date of this Scheme Booklet, which has not previously been disclosed to Crown Shareholders.

Section 7

Risks



7 Risks

7.1 Introduction

The Crown Board considers that it is appropriate for Crown Shareholders, in considering the Scheme, to be aware that there are a number of risks, both general and specific, which may materially adversely affect the future operations and financial performance of Crown, as well as the value of Crown Shares and the Crown Group's ability to pay dividends.

This section 7 outlines some of the:

- general investment risks associated with owning Crown Shares (see section 7.2);
- general and specific risks relating to the business and operations of Crown (see section 7.3); and
- risks which relate to the Scheme (see section 7.4).

Where practicable, Crown seeks to implement risk mitigation strategies to minimise its exposure to some of the risks outlined in this section 7. However, there can be no assurance that such strategies will protect Crown and Crown shareholders from these risks. Other risks are beyond Crown's control and cannot be mitigated. In addition, it is possible that some of the risks outlined in this section 7 may increase if the Scheme is not implemented.

If the Scheme proceeds, Scheme Shareholders will receive the Scheme Consideration of \$13.10 cash, will cease to hold Crown Shares and will also no longer be exposed to the risks set out in sections 7.2 and 7.3 and (and other risks to which Crown may be exposed) insofar as these risks relate to an investment in Crown Shares. If the Scheme does not proceed, Crown shareholders will continue to hold Crown Shares and continue to be exposed to risks associated with their investment in Crown.

The risk factors set out in this section 7 do not take into account the individual investment objectives, financial situation, position or particular needs of Crown shareholders. In addition, this section 7 is a summary only and does not purport to list every risk that may be associated with an investment in Crown now or in the future.

You should carefully consider the risk factors discussed in this section 7, as well as the other information contained in this Scheme Booklet before voting on the Scheme.

7.2 General investment risks

Crown is exposed to a number of general risks that could materially adversely affect its assets and liabilities, financial position, profits, prospects and potential to make further distributions to Crown shareholders, and the price and/or value of Crown Shares. General risks that may impact on Crown or the market for Crown Shares include:

- changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, commodity prices and consumer demand;
- changes to government policy, legislation or regulation, including government or political intervention;
- the nature of competition in the markets in which Crown operates;
- natural disasters, catastrophes, pandemics or endemics, outbreak of war or other general operational and business risks;
- the impacts of global geopolitical uncertainty on the Crown business and local and global equity capital markets;
- variations in Crown's operating results;
- changes in investor sentiment and overall performance of the Australian and international stock markets;
- inclusion or removal from major market indices;
- recommendations by securities analysts;
- the operating and trading price performance of other comparable listed entities; and
- changes to accounting standards and reporting standards.

Some of these factors could affect the market price of Crown Shares regardless of Crown's underlying operating performance.

7.3 Risks relating to the business and operations of Crown

This section 7.3 describes the general and specific risks relating to the business and operations of Crown. These risks may have an adverse impact on the financial position, performance and operations of Crown, as well as the trading price of Crown Shares and potential future dividends.

(a) Suspension, restriction or cancellation of Crown's Gaming Licences

Crown's operations are regulated by laws, licences, permits and other approvals from relevant Government Agencies (including Gaming Regulatory Authorities), which creates a risk that a material licence (including a Gaming Licence) held by Crown could be cancelled, suspended, restricted or not renewed.

As described in section 5.6(b), the Victorian Royal Commission made the finding that Crown Melbourne is not a suitable person to continue to hold a casino licence under the *Casino Control Act 1991 (Vic)*. The Victorian Royal Commission did not recommend the immediate cancellation of Crown Melbourne's Gaming Licence. Instead, upon receipt and consideration of the Special Manager's final report (and other documents including the Victorian Royal Commission Report, the Bergin Report and the Perth Casino Royal Commission Report), the VGCCC may determine that it is clearly satisfied that Crown Melbourne is a suitable person to continue to hold its Gaming Licence and that it is in the public interest for its Gaming Licence to continue in force. Unless the VGCCC makes such a determination, Crown Melbourne's Gaming Licence will be cancelled.

In addition, the New South Wales gaming regulator's determination that Crown Sydney Gaming was no longer a suitable person to give effect to the restricted Gaming Licence in New South Wales, described in section 5.6(d), has resulted in gaming operations not yet commencing at Crown Sydney. Crown continues to work through the consultation process with the casino regulator, ILGA, and Crown is targeting to be in a position to announce the opening of the gaming floor shortly. However, there is no certainty as to when gaming operations may commence.

Most recently, as described in section 5.6(c), while the Perth Casino Royal Commission did not recommend the immediate cancellation of Crown Perth's Gaming Licence, the commission did find that, in order to become a suitable person, each of Crown Perth, Crown, Burswood and Burswood Management would be required to remediate the deficiencies which the commission found rendered them unsuitable. The Perth Casino Royal Commission determined that an independent monitor should oversee Crown's remediation activities and would report to the GWC on its findings at the end of the oversight period.

As discussed in sections 5.8 and 7.3(o), a cancellation or suspension (for a certain period of time) of any of Crown's Australian casino licences could also trigger review events under Crown's debt facilities. If any such licence event was to occur, the review event process would provide Crown with a period of time to negotiate with lenders or otherwise refinance the facilities.

(b) Potential for legislative and regulatory changes

Crown operates in a highly regulated industry and is subject to receiving and maintaining regulatory approvals in the jurisdictions in which it conducts gaming and non-gaming operations. Legislative and regulatory changes are outside the control of Crown and may have an adverse impact on Crown.

Section 5.6 describes some of the immediate regulatory changes faced by Crown, including:

- further legislation (and regulatory action) addressing the remaining 24 recommendations in the Victorian Royal Commission Report, which is expected to be introduced to the Victorian Parliament this year and may well have an adverse impact on Crown;
- the introduction of legislation that may result from or be connected to the Bergin Report; and
- that the Perth Casino Royal Commission has made recommendations which, if adopted by the Western Australian Government, may have an adverse impact on Crown.

(c) Legal and regulatory compliance

Crown operates in a highly regulated industry and is subject to regulatory approvals in the jurisdictions in which it conducts gaming and non-gaming operations. Crown's operations, financial performance and future prospects are dependent on the legal and regulatory frameworks in which it operates.

Failure to comply with legal and regulatory requirements may give rise to significant investigations or reviews, disciplinary actions, the imposition of monetary fines or the loss of, or additional restrictions in

7 Risks

respect of, a licence. The consequences of such events could be significant for Crown, including reduced revenues, increased expenses, the payment of significant monetary amounts, loss of government, consumer and community trust in Crown and, in extreme situations, the loss of parts of Crown's business. Such occurrences could also have an adverse impact on Crown's reputation and increase Crown's expenditure due to additional costs and/or potential claims for compensatory damages.

Recently, Crown has been the subject of the Bergin Inquiry, Victorian Royal Commission and Perth Casino Royal Commission. While the current status of these regulatory matters are described in section 5.6, the impacts of these events on Crown and its business and operations are not yet fully known.

Further, Crown operates in an industry that presents high money-laundering risks. As a provider of 'designated services' under the AML/CTF Act, some entities within the Crown Group are 'reporting entities' which are subject to obligations under the AML/CTF Act and AML/CTF Rules. A failure to comply with these obligations could expose Crown to significant civil and/or criminal penalties or other regulatory actions. As described in section 5.6(a), Crown Melbourne and Crown Perth have been served a statement of claim from AUSTRAC, commencing civil proceedings alleging contraventions of obligations under the AML/CTF Act. The statement of claim does not include any quantification of the penalty sought by AUSTRAC. As announced by Crown in its 2021 Annual Report and 2022 Half Year Results, Crown considers that it is likely that Crown Melbourne and Crown Perth will be required to pay significant civil penalties (though as at the date of this Scheme Booklet the amount of these penalties cannot be reliably estimated).

Crown notes that AUSTRAC has commenced civil penalty proceedings on three occasions against other reporting entities, each of which concluded with the Federal Court ordering that the respondent pay significant civil penalties. These civil penalties were: \$45 million (ordered in 2017); \$700 million (ordered in 2018); and \$1.3 billion (ordered in 2020). As the judgments in each of the three civil penalty proceedings make clear, the Federal Court's determination of the appropriate penalty was specific to the facts in each case, and was arrived at only after consideration of the detailed statement of agreed facts and admissions and joint submissions filed by AUSTRAC and the respondents.

In determining the appropriate penalties against Crown Melbourne and/or Crown Perth, the Federal Court would be required to have regard to all relevant matters, including among other things the nature and extent of the contraventions and any loss and damage suffered as a result, the efforts Crown has made to date to address potential gaps in its systems and processes, as well as the financial position of Crown Melbourne and Crown Perth. Until there is greater certainty as to some of the relevant matters, Crown considers that it is not possible to reliably estimate the amount that Crown Melbourne and Crown Perth may ultimately be required to pay as a result of the civil penalty proceedings commenced on 1 March 2022. Accordingly, no provision has been raised in respect of these matters.

If any civil penalties are imposed by the Federal Court, which Crown considers is likely to be the case, the time by which Crown Melbourne and Crown Perth will be required to pay the civil penalties will depend on a number of factors, including the timetable ordered by the Federal Court and whether the parties are able to agree any proposed settlement, to be put to the Federal Court for approval.

(d) Litigation and disputes

From time to time, the Crown Group may become involved in claims, litigation and disputes, which may be with or without merit. If the Crown Group is involved in such claims, disputes or legal proceedings, this may disrupt Crown's business, cause Crown to incur significant legal costs and/or may divert management's attention away from the day-to-day operations of the business.

As described in section 5.6(f), Crown is the subject of an ongoing class action claim brought against it by Maurice Blackburn Lawyers. The class action claim alleges that, in the period from 11 December 2014 to 18 October 2020, Crown had inadequate systems and processes for ensuring compliance with its obligations under anti-money laundering laws and that Crown engaged in misleading and deceptive conduct, breached its continuous disclosure obligations and conducted its affairs contrary to the interests of Crown shareholders as a whole during this period. The risk of Crown being ordered to pay damages in relation to this class action, and the potential impact of this on Crown and its business and financial position, are not yet known.

As described in section 5.6(f), Crown reached an agreement to settle the shareholder class action

commenced against it by Zantran Pty Limited in the Federal Court on 4 December 2017. Crown is currently waiting for the Federal Court to consider and approve the expected settlement of \$125 million (inclusive of interests and costs) listed for 28 April 2022. Crown is considering its legal rights of recovery for its contribution of \$20 million to this settlement. Until the settlement is approved by the Federal Court and Crown has fully considered its legal rights of recovery, this settlement amount and Crown's contribution to the settlement after insurance is not certain.

(e) COVID-19 related risks

The COVID-19 pandemic has had a significant impact on Crown's business operations and financial performance, and has significantly impacted Crown's financial position. Details on the impacts of COVID-19 on Crown and its operations are set out in section 5.5.

The future impacts of COVID-19 on Crown and its operations, including the potential for further variants emerging, and the likelihood and timeline for business volumes to recover to pre-COVID-19 levels, remains uncertain.

If State Governments issue further directions for the closure of casinos, restaurants and/or hotels, then Crown will suffer significant loss of revenues and continue to incur significant costs.

Even absent the closure of casinos, restaurants and/or hotels, the direct effects of COVID-19 and measures introduced by State and Federal Governments to limit the spread of COVID-19 have had and may continue to have a significant material effect on Crown and its business and operations. For example, measures such as capacity limits, mask and vaccination requirements, restrictions on available gaming products and physical distancing protocols, can each have an adverse impact on Crown's operational performance. The COVID-19 pandemic may also continue to impact consumer confidence and behaviour, resulting in reduced patronage to the central business districts in Australia and large hospitality venues such as Crown's properties.

The COVID-19 pandemic may also present indirect risks for Crown, for example, economic downturn, market volatility and a more adverse operating environment for Crown may impact investor appetite to invest in Crown. This may also continue to impact Crown's operations. Similarly, decreased investor confidence due to the effects of the COVID-19 pandemic may lead to increased volatility on the ASX and result in a reduction in the trading price of Crown Shares and potential future dividends.

It is expected that the medium to long term economic consequences of the ongoing COVID-19 pandemic are unlikely to be fully understood for some time.

In addition, the risks relating to the COVID-19 pandemic may apply to future pandemics that are unrelated to COVID-19 but have a similar impact on Crown's business and operations.

(f) Crown Sydney gaming business model

Crown Sydney is a significant project and investment for Crown, and the potential return from that invested capital is yet to be realised.

The operations of the restricted gaming facility, being a tables only facility with prescribed minimum bet limits that is only available to members (and guests), is unique within the Australian market. Crown Sydney is also opening into a market with an established competitor, The Star Casino.

Due to the ongoing delays in the commencement of gaming at Crown Casino Sydney, the business model of Crown Sydney is largely untested and therefore unproven.

(g) Crown's VIP business

Crown has ceased dealing with junket operators and has recently revised the operating model of its VIP business. Furthermore, the global VIP business continues to be challenged by a negative operating environment, including continued restrictions on international travel as a result of the COVID-19 pandemic. In addition, Crown Perth has been directed by the GWC to no longer participate in the conduct of junkets or commission based gaming.

Any recovery in Crown's VIP business remains uncertain. It is possible that business volumes do not recover to the levels previously experienced by Crown in the foreseeable future.

(h) Remediation Plan

As described in section 5.7, Crown has developed a comprehensive and wide-ranging Remediation Plan.

7 Risks

Crown believes the Remediation Plan will allow it to build a stronger and more transparent business, while setting the business on a path towards industry-leading governance, compliance and risk management.

However, Crown is investing significant resources and making significant changes to its business as part of implementing the Remediation Plan, which is also resulting in Crown incurring materially higher costs. The Remediation Plan will also result in alterations to the Crown Group and its operations, which may have an adverse impact on Crown's financial performance.

Further, notwithstanding the fact that Crown continues to make good progress on the Remediation Plan, there is a risk that Crown fails to implement the Remediation Plan in an effective and timely manner, which could result in the loss of trust by the Gaming Regulatory Authorities and potentially give rise to adverse regulatory outcomes, such as a Gaming Regulatory Authority making an adverse finding against Crown and its business that causes the loss of one or more of Crown's Gaming Licences or that diminishes its financial position and/or performance. This includes anticipated new or amended Remediation Plans, as contemplated in section 5.7, and which may require further, different or more onerous actions to be taken by Crown.

(i) Negative publicity

Over the last 24 months, Crown has been the subject of extensive regulatory investigations and media attention. This negative publicity of Crown may have an adverse impact on Crown's reputation.

(j) Relationships with key stakeholders

The extensive regulatory investigations and negative publicity in respect of Crown may have an adverse impact on Crown's relationships with key stakeholders, including Gaming Regulatory Authorities.

Any deterioration of Crown's relationships with key stakeholders may have an adverse impact on Crown.

Some of Crown's employees are represented by unions or employed under awards or enterprise agreements. If employees take industrial action or industrial disputes arise, Crown could be exposed to disruptions and/or loss. Further, the application of awards, enterprise agreements and other employment instruments or law are complex and subject to potential change, and Crown's failure to comply with obligations arising from such instruments or law and changes in such matters may also cause disruptions and/or loss for Crown.

(k) Volatility of gaming revenue

Crown's gaming operations may experience variations from theoretical win rates due to the element of chance in gaming activities, including in a lower gaming volume environment. Sustained unfavourable variations in the actual win rate compared to the theoretical win rate would likely have an adverse impact on Crown.

(l) Unfavourable changes in local and international economic conditions

In recent times, there have been unfavourable changes in local and international economic conditions and other events outside of the control of Crown, including pandemics, natural disasters and outbreak of war. These have had and may continue to have an adverse impact on Crown's customers and employees, and operational and financial performance, and investors' views on investing in Crown.

(m) Personnel matters

Loss of key staff with corporate knowledge, industry knowledge and experience or who hold key governance and operational roles, particularly following the various regulatory processes which remain ongoing, may have an adverse impact on Crown.

Crown is also exposed to the risk of staff shortages across businesses which may have an adverse impact on Crown, including due to a tight labour market following the COVID-19 pandemic as a result of travel restrictions and other impacts to labour availability.

(n) Future dividends

No assurances can be given in relation to the payment of future dividends. The payment of future dividends will be at the discretion of the Crown directors at the time having regard to a range of factors including the Crown Board's assessment of Crown's financial position, the availability of profits, future capital requirements, covenants and other arrangements with Crown's lenders, general business and financial conditions and other factors considered relevant by the directors at the time.

Crown may be restricted from paying future dividends under its financing arrangements (refer to section 5.8 for further information).

(o) Availability of funding and service of debt financing

Crown is exposed to risks relating to the cost and availability of funds to support its operations, including the ongoing provision of debt financing as required. From time to time, Crown will be required to refinance its debt facilities. There is no certainty as to the availability of debt facilities or the terms in which such facilities may be provided to the Crown Group in the future. The Crown Group's ability to refinance its debt on acceptable terms as it becomes due or to repay the debt and its ability to raise further finance on favourable terms for any need that may arise, will depend on market conditions and the Crown Group's future operating performance. In particular, the Crown Group may incur higher interest rates and/or additional fees associated with future debt refinancing. If the Crown Group is unable to refinance its debt obligations, or to do so on reasonable terms, this may have an adverse effect on the financial position of Crown and its ability to meet its financial obligations.

As part of its arrangements with its external financiers, Crown is subject to a number of conditions and financial covenants. As described in section 5.8, Crown has received the benefit of certain waivers of or modifications to its financial covenants in relation to recent and current reporting periods. Given the prolonged and ongoing impact of the COVID-19 pandemic on Crown's operations and financial performance, there is a risk that Crown may breach its financial covenants in the future. There is no guarantee that Crown's lenders would continue to extend such waivers if the Scheme does not proceed.

A failure to comply with these conditions and financial covenants may require Crown to repay borrowings earlier than anticipated, and in some cases may result in increased financing costs for Crown.

In the event the Scheme does not proceed, Crown will be required to undertake a refinancing of a large component of its existing facilities in the near term, with \$560 million in bilateral facilities and \$300 million in non-bank loans maturing in October 2023. There is no guarantee Crown will be able to secure sufficient commitments from third party financiers to repay existing indebtedness upon maturity, or in the event Crown was required to refinance its existing facilities early.

Similarly, in respect of the waivers described in section 5.8 granted by Crown's lenders for certain events of default that would otherwise arise from cancellation or suspension (for a certain period of time) of any of Crown's Australian casino licences, there is no guarantee that Crown would be able to negotiate an acceptable outcome with the lenders, or successfully refinance the debt facilities.

Lastly, under the terms of Crown's Euro Medium Term Notes (**Notes**), in the event that the Notes are unrated, or are rated below investment grade by any rating agency which rates the Notes (currently Fitch Ratings and Standard & Poor's), any holder of the Notes would be entitled to require redemption of its Notes at the outstanding principal amount plus a make whole premium (which may be significant) and accrued interest, subject to the terms of the Notes.

If the Scheme does not proceed and some or all of the other risks in sections and are realised, then Crown may need to raise additional funding, which may include through additional equity or debt financing or asset divestments.

(p) Responsible service of gaming

Crown is committed to responsible service of gaming at each of its venues, engaging internally and externally with an aim to achieve socially responsible outcomes. There is a risk that Crown identifies issues relating to the provision of gaming services, including instances where such services have not been provided by Crown in a responsible manner, in accordance with Crown policies, relevant responsible gambling codes and regulatory or community expectations.

Crown also recognises that, as community standards and expectations evolve to require more harm management responsibility to be exercised by the operators of gaming services, ongoing work and reform will be required by Crown in this important area. For example, Crown is seeking to enhance and uplift Crown's approach to the management of gaming-related harm and problem gaming through the Responsible Gaming Change Program. Crown's approach to responsible gaming will change over time as new opportunities arise, new relevant research is identified, internal and external stakeholders provide feedback and as initiatives are tested and improved. As Crown further analyses, implements and tests

7 Risks

each initiative, it is possible that Crown will identify instances where initiatives may not be as effective as would have been hoped.

These matters may require new measures to be adopted to better respond to these issues, may cause Crown to be subject to further regulatory investigations and may have an adverse impact on Crown's operations and reputation or involve significant monetary penalties.

(q) Taxation risk

The Crown Group is required to calculate and pay certain taxes and other payments to Government Agencies in the various jurisdictions in which the Crown Group operates, including in each of Victoria, Western Australia and New South Wales (as well as taxes and payments arising under federal taxation law). From time to time, a Government Agency may allege, and it may be found, that the Crown Group has not correctly calculated or paid the applicable taxes and payments owed, which may result in it having to make additional payments in respect of these taxes and payments. Further, the Crown Group may from time to time seek rulings or other guidance or agreement in respect of such taxes payable, which Government Agencies may or may not agree to.

As announced by Crown to the ASX on 27 July 2021, Crown paid approximately \$61 million (inclusive of interest) to the Victorian Commission for Gambling and Liquor Regulation (the predecessor to the VGCCC) relating to the prior incorrect deduction of certain bonus rewards provided to patrons in connection with play on Crown Melbourne's electronic gaming machines. Crown also previously announced to the ASX on 2 August 2021 that it had completed a review of other aspects of potential casino tax underpayments by Crown Melbourne referred to in the Victorian Royal Commission, including a review of deductions made in respect of Matchplay. Crown notes that its position in respect of Matchplay and potential casino tax underpayments does not align with the views of the Commissioner of the Victorian Royal Commission, who believes that Crown's treatment of Matchplay has resulted in an underpayment of casino tax. If the Commissioner's views are correct, the additional liability would be significant for Crown.

The VGCCC has reserved its position and is continuing its review into these matters. There is a risk that this, or other reviews by Gaming Regulatory Authorities, may result in the Crown Group being required to pay further amounts in respect of historical tax amounts.

The Crown Group has also applied for special leave to the High Court of Australia to appeal the decision of the full Federal Court of Australia handed down in August 2021 regarding assessments of gambling profits and losses, which did not take account of win / loss rebates and commissions in respect of foreign patrons who attended Crown's casinos as part of junkets. The application for special leave is scheduled to be heard in the High Court of Australia during 2022 and, if granted, the substantive appeal is expected to be heard during 2022. Therefore, the outcome of this matter is unknown. However, as this matter concerns a possible refund of GST already paid by the Crown Group, an unfavourable decision by the High Court is not expected to have a material financial impact on the Crown Group.

(r) Ransomware, cyber-attack and data security

Crown maintains confidential customer and commercial sensitive data. When possessing confidential customer and commercial sensitive data, there is a risk of a leak or unauthorised use. From time to time, the Crown business is subject to unprovoked cyber-attacks that may cause unauthorised use of confidential customer and commercial sensitive data.

7.4 Risks relating to the Scheme

(a) Implications for Crown Shareholders if the Scheme is not implemented

If the Scheme does not become Effective and is not implemented, Scheme Shareholders will not receive the Scheme Consideration of \$13.10 cash per Crown Share and Crown will continue, in the absence of a Superior Proposal, to operate as an ASX-listed entity.

Unless Crown Shareholders choose to sell their Crown Shares on the ASX, Crown Shareholders will continue to hold Crown Shares and will be exposed to both the risks (including those set out in this section 7) and the potential future benefits in retaining exposure to Crown's business or assets.

The Crown Share price will also remain subject to market volatility, and is expected to fall in the absence of a Superior Proposal.

(b) The Scheme Implementation Deed may be terminated by Crown and/or Blackstone BidCo in certain circumstances, and the Scheme is also subject to various conditions

Each of Crown and Blackstone BidCo has the right to terminate the Scheme Implementation Deed in certain circumstances, in which case the Scheme will not proceed. These termination rights are summarised in section 9.4(h) of this Scheme Booklet.

The Scheme is also subject to various Conditions Precedent that must be satisfied or waived (where capable of waiver) in order for the Scheme to be implemented. These Conditions Precedent are outlined in section 9.4(b) of this Scheme Booklet and set out in full in clause 3.1 of the Scheme Implementation Deed. The failure of a Condition Precedent to be satisfied or waived (where capable of waiver) may also give rise to a right for either Crown or Blackstone BidCo to terminate the Scheme Implementation Deed.

In particular, the Scheme is conditional on there being no Material Adverse Change occurring prior to 8.00am on the Second Court Date (see section 9.4(b) for a description of this Condition Precedent). As described in section 5.6(a), AUSTRAC has commenced civil proceedings alleging contraventions of obligations under the AML/CTF Act. The no Material Adverse Change condition is triggered by any event, occurrence, change, condition, matter, circumstance or thing (which may include the AUSTRAC proceeding or a development in that proceeding), which whether individually or when aggregated with other applicable events, has had, or would be considered reasonably likely to have the effect of, a material adverse change on the business, operations and/or affairs of Crown, including a diminution in the value of the consolidated net assets of the Crown group, taken as a whole, by at least \$750 million against what the value of such consolidated net assets would reasonably be expected to have otherwise been but for the relevant event. Crown previously disclosed in its 2021 Annual Report and its 2022 Half Year Results that it was likely that Crown Melbourne and Crown Perth would be required to pay significant civil penalties. AUSTRAC has not specified a penalty it seeks in the statement of claim. At this stage, it is not possible to reliably estimate the amount that Crown Melbourne and/or Crown Perth may ultimately be required to pay.

Except as disclosed in this Scheme Booklet, as at the date of this Scheme Booklet, Crown is not aware of any circumstances which would cause any outstanding Condition Precedent not to be satisfied or waived (where capable of waiver). Despite this, there is a possibility that one or more of the Conditions Precedent will not be satisfied or waived (where capable of waiver) and that the Scheme will not proceed. In particular, there are a number of Conditions Precedent which are outside the control of Crown. There is also a risk that some of the Conditions Precedent requiring actions by third parties may be delayed.

If, for any reason, all of the Conditions Precedent are not satisfied or waived (where capable of waiver) and the Scheme does not proceed, or otherwise if the Scheme Implementation Deed is terminated, the Crown Share price will continue to be subject to market volatility and is expected to fall in the absence of a Superior Proposal.

(c) Tax consequences for Scheme Shareholders

If the Scheme becomes Effective, there will be tax consequences for the Scheme Shareholders which may include tax being payable. For further detail regarding general Australian tax consequences of the Scheme, refer to section 8 of this Scheme Booklet. The tax consequences may vary depending on the nature and characteristics of Scheme Shareholders and their specific circumstances. Accordingly, you should seek professional tax advice in relation to your particular circumstances.

(d) Risks if the Scheme is implemented

If the Scheme is implemented, you will no longer be a Crown Shareholder and will forgo any future benefits that may result from being a Crown Shareholder. In particular, if the Scheme is implemented, you will not be able to participate in the future financial and share price performance of Crown, retain any exposure to Crown's business or assets or have the opportunity to share in any value that could be generated by Crown in the future. However, there is no guarantee as to Crown's future performance, or its future share price and financial performance, as is the case with all investments.

Crown Shareholders may also consider that it would be difficult to identify or invest in alternative investments that have a similar investment profile to that of Crown, or may incur transaction costs in undertaking any new investment.

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Section 8

Tax implications



8 Tax implications

8.1 Introduction

This section 8 provides a summary of the general Australian taxation consequences for Scheme Shareholders in relation to the Scheme and should be considered in conjunction with the rest of this Scheme Booklet.

The information contained in this section 8 is only a general guide and is not intended to be an authoritative or complete statement of the taxation law applicable to the specific circumstances of each Scheme Shareholder and should not be relied upon by Scheme Shareholders as taxation advice. Scheme Shareholders are strongly advised to seek their own professional advice with respect to the taxation implications of the Scheme.

8.2 Overview

The following is a general summary of the Australian taxation (including CGT, GST and stamp duty) implications for Scheme Shareholders, who hold their Crown Shares on capital account, of participating in the Scheme.

This summary does not apply to Scheme Shareholders who:

- are non-residents of Australia for Australian taxation purposes who hold their Crown Shares in carrying on a business through a permanent establishment in Australia;
- hold their Crown Shares as revenue assets, as trading stock, or are subject to the Taxation of Financial Arrangements provisions in Division 230 of the Tax Act;
- acquired their Crown Shares pursuant to an employee share, option or rights arrangement; or
- are financial institutions, insurance companies, taxation exempt organisations, dealers in securities or shareholders who change their taxation residency while holding shares, each of which may be subject to additional taxation rules.

This section 8 has been prepared on the basis of Australian taxation law and administrative practice as at the date of this Scheme Booklet. References to Australian resident Scheme Shareholders are to Scheme Shareholders who are residents of Australia for Australian income taxation purposes and are not taxation residents in any other jurisdiction.

Scheme Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law.

8.3 Australian taxation implications of the Scheme

(a) Disposal of Crown Shares by Australian resident Scheme Shareholders

(1) Australian CGT

The disposal of Crown Shares by an Australian resident Scheme Shareholder pursuant to the Scheme should constitute a CGT event for Australian income taxation purposes. The CGT event should occur on the Implementation Date.

Australian resident Scheme Shareholders should make:

- a capital gain if the capital proceeds from the disposal of their Crown Shares are greater than the cost base of those Crown Shares; or
- a capital loss if the capital proceeds from the disposal of their Crown Shares are less than the reduced cost base of those Crown Shares.

Australian resident Scheme Shareholders who make a capital gain on disposal of their Crown Shares should be required to include the net capital gain (if any) for the income year in their assessable income. In this regard, capital gains and capital losses of a taxpayer in a year of income from Crown Shares and any other relevant CGT events affecting CGT assets of a taxpayer are aggregated to determine whether there is a net capital gain or loss.

Australian resident Scheme Shareholders who make a capital loss on the disposal of their Crown Shares can only offset the capital loss against capital gains realised in the same, or subsequent, income years. Specific loss recoupment rules apply to companies and may restrict their ability to utilise any such capital losses in a future period.

(2) Capital proceeds

The capital proceeds from the disposal of Crown Shares under the Scheme should be the Scheme Consideration.

(3) Cost base

The cost base and reduced cost base of Crown Shares should generally include the amount paid to acquire the Crown Shares, and the market value of any property given to acquire the Crown Shares, plus certain incidental costs of acquisition and disposal (e.g. brokerage fees and stamp duty) that are not otherwise deductible to the Scheme Shareholder.

(4) CGT discount

Generally, Australian resident Scheme Shareholders who are individuals, trusts or complying superannuation funds that have held their Crown Shares for at least 12 months at the time of disposal may be entitled to benefit from the CGT discount to reduce the amount of capital gain on disposal of their Crown Shares.

The CGT discount is applied after available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which should reduce a capital gain arising from the disposal of Crown Shares is:

- 50% for individuals and trusts (for trustees, the ultimate availability of the discount for the beneficiaries of a trust will depend on the particular circumstances of the beneficiaries); and
- 33 1/3% for a complying superannuation fund.

The CGT discount is not available for Australian resident Scheme Shareholders who are companies or otherwise considered a corporate tax entity.

(b) Disposal of Crown Shares by non-resident Scheme Shareholders

For a Scheme Shareholder who is not a resident of Australia for Australian tax purposes, the disposal of Crown Shares should generally only result in Australian CGT implications if:

- that Scheme Shareholder together with its associates held 10% or more of the Crown Shares at the time of the CGT event or for any continuous 12 month period within two years preceding the CGT event (referred to as a 'non-portfolio interest'); and
- more than 50% of Crown's value is due to direct or indirect interests in taxable Australian real property (as defined in the Tax legislation).

However, if you are a non-resident Scheme Shareholder who holds a 'non-portfolio interest' in Crown or holds Crown Shares in carrying on a business through a permanent establishment in Australia, you should obtain independent advice as to the tax implications of sale, including the application and effect of a relevant double tax treaty.

Also, if you are a non-resident individual Scheme Shareholder who has previously been a resident of Australia for tax purposes and chose to disregard a capital gain or loss in respect of your Crown Shares on ceasing to be a resident, you will be subject to Australian CGT consequences on disposal of the Crown Shares as set out in section 8.3(a).

As noted above, Scheme Shareholders who have been non-residents for tax purposes for part of their ownership period will generally have their discount percentage reduced to take into account the period of non-residence.

(c) GST

No GST should be payable by Australian resident Scheme Shareholders on their sale of Crown Shares.

GST may be incurred by Australian resident Scheme Shareholders in regard to their adviser fees and other costs of participating in the Scheme. The ability for an Australian resident Scheme Shareholder to recover any of the GST incurred will depend on the individual circumstances of the Australian resident Scheme Shareholder. Australian resident Scheme Shareholders should seek their own independent taxation advice in regard to this.

(d) Stamp duty

The sale of Crown Shares should not have any stamp duty implications for Australian resident Scheme Shareholders.

8 Tax implications

8.4 Foreign resident capital gains withholding taxation

The foreign resident capital gains withholding regime may impose a 12.5% 'withholding' obligation (calculated by reference to the Scheme Consideration) (the **FRCGW amount**) on Blackstone BidCo if:

- Blackstone BidCo considers, or reasonably believes that a Scheme Shareholder is a foreign resident; and
- the Scheme Shareholder satisfies the 'non-portfolio interest' test referred to above.

Based on the Crown Share Register for the preceding 24 months, Blackstone BidCo does not anticipate that any FRCGW amounts will be withheld from the Scheme Consideration. Blackstone BidCo has informed Crown that it has agreed an approach to determine this with the ATO.

Scheme Shareholders with an address outside Australia (or which Blackstone BidCo, as a purchaser, reasonably believes is a 'relevant foreign resident') and who Blackstone BidCo also reasonably believes may have, together with their associates, a 10% or greater interest in Crown, will be provided with a Relevant Foreign Resident Declaration Form (**Declaration Form**) for the purposes of determining if Blackstone BidCo has an obligation to withhold and remit a FRCGW amount to the Commissioner of Taxation for these Scheme Shareholders.

Scheme Shareholders who are asked to complete the Declaration Form must return their signed Declaration Form by the date specified in the correspondence included with the Declaration Form in order to prevent the FRCGW amount being deducted from the Scheme Consideration.

The FRCGW amount is not a final tax and can be credited against the actual tax liability of the Scheme Shareholder, with any excess refunded.

Section 9

Additional Information



9 Additional information

9.1 Interests of Crown Directors in Crown Shares

As at the Last Practicable Date, none of the Crown Directors have a Relevant Interest in any Crown Shares, except for Jane Halton who holds 948 Crown Shares. In addition, as at the Last Practicable Date, Steve McCann holds 400,000 Performance Rights on terms which were approved by Crown shareholders at Crown's Annual General Meeting held on 21 October 2021. Those Performance Rights will vest in the manner described in section 9.2 below.

No Crown Director acquired or disposed of a Relevant Interest in any Crown Shares during the four months before the date of this Scheme Booklet.

Crown Directors who hold Crown Shares, or entities who hold Crown Shares, on behalf of Crown Directors, will be entitled to vote at the Scheme Meeting and, if the Scheme is implemented, will receive the Scheme Consideration for their Crown Shares along with the other Scheme Shareholders.

9.2 Crown Equity Incentive arrangements

(a) Performance Rights

Crown operates the FY22 Long Term Incentive Plan (governed under the Umbrella Incentive Plan Rules) (**FY22 LTI**) under which Performance Rights are offered to certain senior executives. Each Performance Right entitles the holder to be allocated one Crown Share, subject to the satisfaction of certain conditions. As at the Last Practicable Date, there are 970,247 Performance Rights on issue. Crown's CEO and Managing Director, Steven McCann, is the holder of 400,000 Performance Rights, which Crown's shareholders approved at the 2021 Annual General Meeting.

A Condition Precedent of the Scheme proceeding is that Crown has taken all necessary steps to ensure that, before the Scheme Record Date, all Crown Equity Incentives vest or lapse and ensure that at the Scheme Record Date there are no Crown Equity Incentives on issue.

In accordance with the FY22 LTI Invitation Letters, the Crown Board has determined that if the Scheme becomes Effective and is implemented, all Performance Rights will vest, and the holders of the Performance Rights will receive a cash payment equal to the Scheme Consideration for each Performance Right held (for Mr McCann this will equal \$5.2 million in aggregate, less applicable taxes).

Crown Shareholders should have regard to the Performance Rights held by Mr McCann and the above matters when considering Mr McCann's recommendation on the Scheme, which appears throughout this Scheme Booklet. The Crown Board considers that, notwithstanding these arrangements, it is appropriate for Mr McCann to make a recommendation on the Scheme, given his role in the operation and management of Crown and that Crown Shareholders would wish to know Mr McCann's views in relation to the Scheme. If the Scheme does not proceed, the Performance Rights held by Mr McCann will remain on issue and will vest three years after their issue (which will be 1 June 2024), subject to Mr McCann being employed on the vesting date or if terminated by Crown without cause.

(b) Options

Crown also operated the Senior Executive Incentive Plan under which Options were issued to certain senior executives and key management personnel. Each Option entitles the holder to be allocated one fully paid ordinary shares in Crown, subject to the satisfaction of certain conditions. As at the Last Practicable Date, Crown had 2,730,000 Options on issue held by a small number of current and former senior executives. These Options have an exercise price of \$13.35 (less the amount per share of special dividends and capital returns) and an expiry date of 8 August 2022. The Crown Board has determined that if the Scheme becomes Effective the Options will be cancelled prior to the Scheme Record Date.

As set out in the 2021 Annual Report, each holder of an Option has paid a fee equal to the market value of the Option at the date they were agreed to be issued, which was paid by the option holder through a loan advanced by Crown. In accordance with the terms of those loans, upon cancellation of the options described in this section 9.2(b), no amount will be repayable by the option holders and the loans will be extinguished.

(c) STI treatment

Crown also operates an FY22 Short Term Incentive Plan (**FY22 STI**) whereby participating employees are entitled to receive cash bonuses conditional on performance against a scorecard of financial and non-financial performance measures including mandatory compliance and risk performance indicators and individual key performance objectives. On a change of control event, the Crown Board has the discretion to determine the treatment of the FY22 STI for participants. The Crown Board has determined that if the Scheme becomes Effective, each participant will receive an FY22 STI cash payment calculated as if they had achieved 'at-target' performance. These payments are subject to an individual participant having performed satisfactorily against their commitments to Crown's values for the year. This treatment of the FY22 STI would result in Crown's CEO and Managing Director, Mr McCann, receiving a payment of 60% of his total fixed remuneration (which equates to \$1.5 million, less applicable taxes) after the Scheme has become Effective.

9.3 Other benefits and agreements

(a) Interests of Crown Directors in Blackstone BidCo

No Crown Director has a Relevant Interest in any securities of Blackstone BidCo or any other member of the Blackstone BidCo Group.

(b) Benefits in connection with retirement from office

Other than as described in this Scheme Booklet or in the 2021 Annual Report, there is no payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of Crown (or any of its Related Bodies Corporate) as compensation for the loss of, or consideration for or in connection with his or her retirement from, office in Crown (or any of its Related Bodies Corporate) in connection with the Scheme.

(c) Benefits from Blackstone BidCo or a Blackstone BidCo Group Member

No Crown Director has agreed to receive, or is entitled to receive, any benefit from Blackstone BidCo, or any Blackstone BidCo Group Member, which is conditional on, or is related to, the Scheme.

(d) Interests of Crown Directors in contracts with Blackstone BidCo

None of the Crown Directors has any interest in any contract entered into by Blackstone BidCo.

(e) Agreements connected with or conditional on the Scheme

Other than as disclosed in this Scheme Booklet, there are no agreements or arrangements made between any Crown Director and any other person in connection with, or conditional on, the outcome of the Scheme.

9.4 Scheme Implementation Deed

(a) Introduction

On 14 February 2022, Crown and Blackstone BidCo entered into the Scheme Implementation Deed, which governs the conduct of the Scheme.

A summary of the key terms of the Scheme Implementation Deed is set out below. A full copy of the Scheme Implementation Deed was released to ASX on 14 February 2022 and can be obtained at www2.asx.com.au/markets/company/cwn.

(b) Conditions Precedent (clause 3.1)

The Scheme is subject to a number of Conditions Precedent set out in clause 3.1 of the Scheme Implementation Deed, including the following:

- **FIRB approval:** notice is received by or on behalf of the Treasurer of the Commonwealth of Australia advising Blackstone BidCo that the Commonwealth of Australia has no objections to Blackstone BidCo acquiring Crown. The current status of FIRB approval is discussed in section 9.4(b)(1);
- **Regulatory authority approvals:** approval is received by Blackstone BidCo from each Government Agency and counterparty to a Framework Agreement for the acquisition of the Scheme Shares by Blackstone BidCo, as described in section 9.4(b)(2);

9 Additional information

- **Gaming Regulatory Events:** no Gaming Regulatory Event occurs before 8.00am on the Second Court Date;
- **Restraints:** no Court or another Government Agency has taken any action permanently restraining or otherwise prohibiting or preventing the Transaction, or has refused to do anything necessary to permit the Transaction to be implemented by the End Date, and the action or refusal has become final and cannot be appealed or reviewed or Blackstone BidCo or Crown (as applicable) believes that there is no realistic prospect of appeal or review succeeding by the End Date;
- **Shareholder approval:** Crown Shareholders approve the Scheme by the Requisite Majorities;
- **Crown Equity Incentives:** Crown has taken all necessary steps prior to 8.00am on the Second Court Date to ensure that, before the Scheme Record Date, all Crown Equity Incentives vest or lapse and ensure that at the Scheme Record Date there are no equity incentives that are not Crown Shares on issue;
- **Independent Expert:** the Independent Expert does not formally change its conclusion or withdraw its Independent Expert's Report before 8.00am on the Second Court Date;
- **Court approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act (either unconditionally and without modification or with modifications or conditions consented to by Blackstone in accordance with clause 4.3 of the Scheme Implementation Deed);
- **Material Third Party Consents:** Crown and Blackstone BidCo have obtained all third party consents or confirmations or the waiver of any termination right by the relevant counterparty in respect of the Material Contracts before 8.00am on the Second Court Date;
- **No Material Adverse Change:** no Material Adverse Change is discovered, announced, disclosed or otherwise becomes known to Blackstone BidCo (whether occurring before or after the date of the Scheme Implementation Deed), between (and including) the date of the Scheme Implementation Deed and before 8.00am on the Second Court Date;
- **No Prescribed Occurrence:** no Prescribed Occurrence occurs between (and including) the date of the Scheme Implementation Deed and 8.00am on the Second Court Date; and
- **Representations and warranties:** the representations and warranties given by Crown and Blackstone BidCo to each other are true and correct in all material respects at all times on and before 8.00am on the Second Court Date (other than certain representations and warranties which are given at a particular time).

Full details of the Conditions Precedent and the ability of Crown and Blackstone BidCo to rely on the various Conditions Precedent and the provisions relating to satisfaction or waiver of these Conditions Precedent are set out in clause 3 of the Scheme Implementation Deed.

(1) FIRB

As noted above, the Scheme is subject to Treasurer of the Commonwealth of Australia providing notice that the Commonwealth Government has no objections to Blackstone BidCo acquiring Crown.

Blackstone BidCo has received written confirmation from the office of the Treasurer of the Commonwealth of Australia that the Commonwealth has no objections to Blackstone BidCo implementing the Scheme. Accordingly, Blackstone BidCo has confirmed the FIRB approval Condition Precedent in clause 3.1(a) of the Scheme Implementation Deed has been satisfied.

(2) Gaming Regulatory Authority approvals

The Scheme is also subject to receipt of a number of Gaming Regulatory Authority approvals, which are detailed below.

Jurisdiction	Consent, approval, exemption or other action
New South Wales	Each Relevant Blackstone Entity to obtain approval of ILGA to become a 'close associate' (within the meaning of the <i>Casino Control Act 1992</i> (NSW)) of Crown Sydney.
Victoria	Each Relevant Blackstone Entity to obtain approval of the VGCCC to become an 'associate' (within the meaning of the <i>Casino Control Act 1991</i> (Vic)) of Crown Melbourne. Crown Melbourne to obtain written approval of the VGCCC to allow each Relevant Blackstone Entity to be entitled to more than 5% of the shares in Crown Melbourne.
Western Australia	Each Relevant Blackstone Entity to obtain approval of the GWC to acquire more than 10% of the issued shares in Burswood. Each Relevant Blackstone Entity to obtain approval of the Minister for Racing and Gaming to become a 'close associate' (within the meaning of the <i>Casino Control Act 1984</i> (WA)) of Crown Perth. Burswood Management to obtain approvals and/or exemptions from the Minister for Racing and Gaming in respect of the following: <ol style="list-style-type: none">1 the each Relevant Blackstone Entity to be entitled to all of the units in the Burswood Property Trust; and2 the change in control or ownership of Burswood Management. Burswood to obtain approvals and/or exemptions from the Minister for Racing and Gaming to allow each Relevant Blackstone Entity that is a foreign person to: <ol style="list-style-type: none">1 become entitled to more than 40% of the units in the Burswood Property Trust; and2 have a relevant interest in more than 40% of the shares in Burswood.
Northern Territory	Betfair to obtain confirmation that Blackstone BidCo is a suitable person to hold or effectively control Betfair and that Betfair will remain a fit and proper person to hold a betting exchange licence.

Crown and Blackstone BidCo have submitted applications to each relevant Gaming Regulatory Authority in respect of the approvals it requires for the acquisition of Scheme Shares. As at the date of the Last Practicable Date, those consents or approvals have not yet been received. The Scheme will not become Effective unless the Gaming Regulatory Authority approvals described above are received (or this Condition Precedent is waived by Blackstone BidCo).

Although not a Condition Precedent, in addition to the approvals set out in the table above, Crown is required to lodge applications for the appointment of Blackstone BidCo's nominee directors and auditors to certain members of the Crown Group.

(3) Satisfaction of Conditions Precedent

If Crown Shareholders approve the Scheme by the Requisite Majorities at the Scheme Meeting, the other Conditions Precedent must also be satisfied or waived (where capable of waiver) in order for the Scheme to become Effective and be implemented. If all the Conditions Precedent are not satisfied or waived (where capable of waiver), the Scheme will not proceed (unless Blackstone BidCo and Crown agree otherwise).

As at the Last Practicable Date, and subject to the circumstances disclosed in this Scheme Booklet, Crown is not aware of any reason why the Conditions Precedent will not be satisfied.

9 Additional information

(c) Conduct of business (clause 6)

The Scheme Implementation Deed requires that Crown carry on its business and operations in the ordinary and usual course and in a manner consistent with past practices (this includes not making any significant change to the nature of scale of any business or operation, and conducting the business in compliance with applicable laws, any contracts to which Crown is a party and any directions of the Special Manager or Independent Monitor). In addition, subject to some exceptions, Crown must not undertake certain specific activities relating to the conduct of its business without the consent of Blackstone BidCo. The conduct of business restrictions are set out in full in clause 6 of the Scheme Implementation Deed.

(d) Representations and warranties (clause 8)

The Scheme Implementation Deed contains representations and warranties given by each of Crown and Blackstone BidCo to each other.

These representations and warranties are set out in Schedule 1 (in the case of Crown) and Schedule 2 (in the case of Blackstone BidCo) of the Scheme Implementation Deed.

(e) Exclusivity (clause 12)

The Scheme Implementation Deed contains certain exclusivity arrangements in favour of Blackstone BidCo. These arrangements are in line with market practice in this regard and may be summarised as follows:

- **No shop:** Crown must not solicit any inquiry, expression or interest, offer, proposal or discussion which may be expected to lead to a Competing Proposal;
- **No talk:** Crown must not participate in any discussions or provide certain information which would reasonably be expected to lead to (or encourage) a Competing Proposal;
- **Notification:** if Crown is approached in relation to a Competing Proposal, or a proposed or potential Competing Proposal, Crown must notify Blackstone BidCo as soon as reasonably practicable (and in any event within 24 hours), and provide all material terms and conditions of the Competing Proposal;
- **Matching right:** Crown is prohibited from entering into an agreement to undertake a Competing Proposal and any member of the Crown Board is prohibited from withdrawing or adversely changing, modifying or qualifying their recommendation or endorsing a proposed or potential Competing Proposal, unless Crown has given Blackstone BidCo at least 5 Business Days to provide a matching or Superior Proposal; and
- **No facilitation:** Crown Group must not encourage, facilitate or assist (including by providing non-public information) a third party to directly or indirectly acquire a Relevant Interest in 10% or more of Crown Shares, or a person to dispose of (or agree to dispose) their Relevant Interest in 10% or more of Crown Shares. Crown must notify Blackstone of any approach from a third party relating to such proposal (promptly (and in any event within 24 hours) and disclose to Blackstone the identity of the third party and any terms and conditions of the proposal known to Blackstone.

Crown is not required to comply with the no talk provision in respect of a Competing Proposal if the Crown Board determines that the Competing Proposal could become a Superior Proposal, and complying with the no talk provision would be likely to constitute a breach of the fiduciary or statutory duties owed by the Crown Directors.

These exclusivity provisions are set out in full in clause 12 of the Scheme Implementation Deed.

(f) Break Fee (clause 13)

Crown has agreed to pay Blackstone BidCo the Break Fee of \$88,707,733.50 (excluding GST, if any) (which is equal to 1% of the equity value of Crown) in certain circumstances. In summary, those circumstances are in relation to:

- the withdrawal or change of recommendation by any member of the Crown Board, except in certain circumstances;
- a Competing Proposal being announced or made before the Second Court Date and completed within 18 months of the date of such announcement; or
- termination of the Scheme Implementation Deed by Blackstone BidCo for material breach by Crown of the Scheme Implementation Deed, including a breach of representations and warranties given by Crown.

The Crown Directors consider the Break Fee is reasonable and appropriate in amount, structure and effect. The Break Fee is not payable if the Scheme does not proceed solely because Crown Shareholders do not vote in favour of the Scheme to satisfy the Requisite Majorities at the Scheme Meeting.

For full details of the Break Fee, see clause 13 of the Scheme Implementation Deed.

(g) Reverse Break Fee (clause 14)

Blackstone BidCo has agreed to pay Crown the Reverse Break Fee of \$88,707,733.50 (excluding GST, if any) (which is equal to 1% of the equity value of Crown) in certain circumstances. Those circumstances are in relation to:

- termination of the Scheme Implementation Deed by Crown for material breach by Blackstone BidCo of the Scheme Implementation Deed, including a breach of representations and warranties given by Blackstone BidCo; or
- failure of Blackstone BidCo to pay the Scheme Consideration in accordance with the Scheme Implementation Deed and Deed Poll.

For full details of the Reverse Break Fee, see clause 14 of the Scheme Implementation Deed.

(h) Termination (clause 15)

Either party may terminate the Scheme Implementation Date before 8.00am on the Second Court Date, in summary:

- where the other party is in material breach of the Scheme Implementation Deed (and that breach has not been remedied within 5 Business Day or any shorter period ending at 5.00pm on the Business Day before the Second Court Date);
- in certain circumstances where an event occurs which would or does prevent certain Conditions Precedent being satisfied; or
- it becomes more likely than not that the Scheme will not become Effective by the End Date.

Blackstone BidCo may terminate the Scheme Implementation Deed before 8.00am on the Second Court Date if:

- for any reason any member of the Crown Board withdraws, adversely changes, adversely modifies or adversely qualifies their support of the Scheme or their recommendation that the Scheme Shareholders vote in favour of the Scheme or makes a public statement indicating that they no longer recommend, endorse or support the Transaction or they recommend, endorse or support another transaction (including any Competing Proposal);
- a Crown Group Member enters into a definitive agreement to undertake or implement a Competing Proposal; or
- Crown is in breach of its no facilitation obligation summarised in section 9.4(e) above (and has failed to remedy the breach within 5 Business Days or any shorter period ending at 5.00pm on the Business Day before the Second Court Date).

Crown may terminate the Scheme Implementation Date before 8.00am on the Second Court Date if a majority of the Crown Board:

- withdraws, adversely changes, adversely modifies or adversely qualifies their support of the Scheme or their recommendation that Crown Shareholders should vote in favour of the Scheme; or
- makes a public statement indicating that they no longer recommend, endorse or support the Transaction or they recommend, endorse or support another transaction (including any Competing Proposal).

9.5 Consents, disclosures and fees

(a) Consents

This Scheme Booklet contains statements made by, or statements said to be based on statements made by:

- Blackstone BidCo in respect of the Blackstone BidCo Information only; and
- Grant Samuel & Associates Pty Limited as the Independent Expert.

Each of those persons named above has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Scheme Booklet.

9 Additional information

The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:

- UBS Securities Australia Limited and Gresham Advisory Partners Limited each as financial adviser to Crown;
- Herbert Smith Freehills as legal adviser to Crown; and
- Computershare Investor Services Pty Limited as the Crown Share Registry.

(b) Disclosures and responsibility

Each person named in section 9.5(a):

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than:
 - Blackstone BidCo in respect of the Blackstone BidCo Information only; and
 - Grant Samuel & Associates Pty Limited in relation to its Independent Expert's Report; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this section 9.5(b).

9.6 Regulatory relief

(a) ASIC relief

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires this Scheme Booklet to set out whether, within the knowledge of the Crown Directors, the financial position of Crown has materially changed since the date of the last balance sheet laid before Crown in general meeting (being its financial statements for the financial year ended 30 June 2021) or sent to Crown shareholders in accordance with section 314 or 317 of the Corporations Act and, if so, full particulars of any change. ASIC has granted Crown relief from this requirement so that this Scheme Booklet only needs to set out whether, within the knowledge of the Crown Directors, the financial position of Crown has materially changed since 31 December 2021 (being the last date of the period to which the financial statements for the half-year ended 31 December 2021 relate) and, if so, full particulars of any change.

(b) ASX waiver

The ASX has granted Crown a waiver of ASX Listing Rule 6.23.3 to the extent necessary to permit the treatment of the Performance Rights as set out in section 9.2.

9.7 No other material information

Except as disclosed elsewhere in this Scheme Booklet, so far as the Crown Directors are aware, there is no other information that is:

- material to the making of a decision by a Crown Shareholder whether or not to vote in favour of the Scheme; and
- known to any Crown Director at the date of lodging this Scheme Booklet with ASIC for registration, which has not previously been disclosed to Crown shareholders.

9.8 Supplementary disclosure

Crown will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the Second Court Date:

- a material statement in this Scheme Booklet is false or misleading in a material respect;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of this Scheme Booklet.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Crown may circulate and publish any supplementary document by:

- making an announcement to the ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to Crown shareholders at their address shown on the Crown Share Register; and/or
- posting a statement on Crown's website at www.crownresorts.com.au,

as Crown, in its absolute discretion, considers appropriate.

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Section 10

Glossary



10 Glossary

10.1 Definitions

In this Scheme Booklet, unless the context otherwise appears, the following terms have the meanings shown below:

Term	Meaning
2021 Annual Report	the Crown Annual Report for the year ended 30 June 2021, as announced by Crown to the ASX on 9 September 2021.
2022 Half Year Results	the Appendix 4D announced by Crown to the ASX on 17 February 2022.
AML/CTF	anti-money laundering and counter-terrorism financing.
AML/CTF Act	the <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (Cth).
AML/CTF Rules	the <i>Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007</i> (No. 1).
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning set out in section 12 of the Corporations Act as if subsection 12(1) of the Corporations Act included a reference to this Scheme Booklet and Crown was the designated body.
Aspers Group	Aspers Holdings (Gibraltar) Ltd.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
ATO	the Australian Taxation Office.
AUSTRAC	the Australian Transaction Reports and Analysis Centre.
BCP Funds Investors	foreign investors and investment vehicles comprising the funds commonly known as Blackstone Capital Partners Asia II and Blackstone Capital Partners VIII (including, their respective parallel vehicles, alternative vehicles, co-investment vehicles and side-by-side vehicles), being funds managed, controlled or advised by Blackstone or by entities which are ultimately owned and/or controlled by, or share common control with, Blackstone.
BCP LP	BCP Silver UK Holdings LP, a UK Limited Partnership, which is a collective investment scheme, as defined, under the <i>United Kingdom's Financial Services and Markets Act 2000</i> .
BCP Singapore HoldCo	Sunset Silver Holdings Pte. Ltd.
Bergin Inquiry	the inquiry under section 143 of the <i>Casino Control Act 1992</i> (NSW) undertaken by the Hon. Patricia Bergin, AO, SC to look into whether Crown Sydney was suitable to hold a casino licence in New South Wales.
Bergin Report	the report tabled in the Parliament of New South Wales on 9 February 2021 titled "Report of the Inquiry under section 143 of the <i>Casino Control Act 1992</i> (NSW), dated 1 February 2021 (Volumes One and Two)".
Betfair	Betfair Pty Limited ACN 110 084 985.
Blackstone	Blackstone Inc. and its affiliates and their employees but excluding any portfolio companies thereof.
Blackstone BidCo	SS Silver II Pty Ltd ACN 644 174 890.
Blackstone BidCo Board	the board of directors of Blackstone BidCo.
Blackstone BidCo Director	a member of the Blackstone BidCo Board.
Blackstone BidCo Group	Blackstone BidCo and each of its Related Bodies Corporate, and a reference to a ' Blackstone BidCo Group Member ' or a ' member of the Blackstone BidCo Group ' is to Blackstone BidCo or any of its Related Bodies Corporate.

Term	Meaning
Blackstone BidCo Information	<p>information regarding the Blackstone BidCo Group provided by or on behalf of Blackstone BidCo to Crown in writing for inclusion in this Scheme Booklet, being:</p> <ol style="list-style-type: none"> 1 information about Blackstone BidCo, its Related Bodies Corporate, its business and interests and dealings in Crown Shares and Blackstone BidCo's intentions for Crown and Crown's employees and Blackstone BidCo's funding; 2 any other information required under the Corporations Act, Corporations Regulations or RG 60 to enable this Scheme Booklet to be prepared that the parties agree is 'Blackstone BidCo Information' and that is identified in this Scheme Booklet as such; and 3 the information included in section 9.4(b)(1) and 9.4(b)(2). <p>For the avoidance of doubt, the Blackstone BidCo Information excludes the Crown Information and the Independent Expert's Report.</p>
Blackstone Existing Shareholder	<ol style="list-style-type: none"> 1 Midnight Acacia; or 2 any person who is registered as the holder of a Crown Share in the Crown Share Register and who is a Blackstone BidCo Group Member or any person who holds any Crown Shares on behalf of, or for the benefit of, or is a Related Bodies Corporate of any, Blackstone BidCo Group Member as at the Scheme Record Date.
Blackstone FinCo	SS Silver FinCo Pty Ltd ACN 655 570 657.
Blackstone HoldCo	SS Silver Pty Ltd ACN 644 174 710.
Blackstone Singapore HoldCo	Sun Silver Holdings Pte. Ltd.
Break Fee	\$88,707,733.50.
BREP Funds Investors	foreign investors and investment vehicles comprising the funds commonly known as Blackstone Real Estate Partners IX, Blackstone Real Estate Partners Asia II and Blackstone Real Estate Partners Asia III (including, their respective parallel vehicles, alternative vehicles, co-investment vehicles and side-by-side vehicles), being funds managed, controlled or advised by Blackstone or by entities which are ultimately owned and/or controlled by, or share common control with, Blackstone.
BREP LP	BREP Asia II Gold UK Holdings L.P., a UK Limited Partnership, which is a collective investment scheme, as defined, under the United Kingdom's Financial Services and Markets Act 2000.
BREP Singapore HoldCo	Sunrise Silver Holdings Pte. Ltd.
Burswood	Burswood Limited ACN 075 071 537.
Burswood Management	Burswood Resort (Management) Limited ACN 009 396 945.
Business Day	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Melbourne, Sydney, London or Singapore.
CGT	capital gains tax.
Chill Gaming	Chill Gaming Pty Ltd ACN 609 930 574.

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Term	Meaning
Competing Proposal	<p>any proposal, agreement, arrangement or transaction (or expression of interest therefor) which, if entered into or completed, would result in a third party (either alone or together with any Associate):</p> <ol style="list-style-type: none"> 1 directly or indirectly acquiring a Relevant Interest in, or having a right to acquire, a legal, beneficial or economic interest in, or Control of, 20% or more of the Crown Shares; 2 acquiring Control of Crown; 3 directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or Control of, all or a substantial or material part of Crown's business, assets or undertakings or the business, assets or undertakings of the Crown Group; 4 otherwise directly or indirectly acquiring, being stapled to, or merging with Crown; or 5 requiring Blackstone BidCo to abandon, or otherwise fail to proceed with, the Transaction, <p>whether by way of takeover bid, members' or creditors' scheme of arrangement, trust scheme, reverse takeover, shareholder approved acquisition or disposal, divestment, sell-down, capital reduction, buy-back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement, recapitalisation, refinancing or other transaction or arrangement. Each successive material modification or variation of any actual, proposed or potential Competing Proposal will constitute a new actual, proposed or potential Competing Proposal and the procedures set out in clause 12.6 of the Scheme Implementation Deed must again be followed prior to any Crown Group Member entering into any definitive agreement of the type referred to in the first paragraph of clause 12.6(a) of the Scheme Implementation Deed in respect of such actual, proposed or potential Competing Proposal.</p>
Conditions Precedent	each of the conditions to the Scheme set out in clause 3.1 of the Scheme Implementation Deed.
Control	has the meaning given in section 50AA of the Corporations Act, disregarding subsection 50AA(4).
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulation 2001</i> (Cth).
Court	the Federal Court of Australia (Victorian Registry) or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Crown and Blackstone BidCo.
CPH	Consolidated Press Holdings Ltd ACN 008 394 509.
Crown	Crown Resorts Limited ABN 39 125 709 953.
Crown Aspinalls	the private members club which features a casino operated by Aspinall's Club Limited in London.
Crown Board	the board of directors of Crown.
Crown Casino Melbourne	means the casino in respect of which a casino gaming licence has been granted to Crown Melbourne under part 2 of the <i>Casino Control Act 1991</i> (Vic).

Term	Meaning
Crown Casino Perth	the casino in respect of which a casino gaming licence has been granted to Crown Perth under section 21 of the <i>Casino Control Act 1984</i> (WA) (and described in the Casino (Burswood Island) Agreement the subject of the <i>Casino (Burswood Island) Agreement Act 1985</i> (WA) as Burswood Casino).
Crown Casino Sydney	the casino in respect of which a restricted casino gaming licence has been granted to Crown Sydney under section 18 of the <i>Casino Control Act 1992</i> (NSW).
Crown Digital	Crown Digital Holdings Pty Ltd ACN 616 253 822.
Crown Director or Your Director	a member of the Crown Board.
Crown Equity Incentive	any rights to Crown Group Shares issued under employee incentive arrangements of the Crown Group.
Crown Group	Crown and each of its Related Bodies Corporate, and a reference to a ' Crown Group Member ' or a ' member of the Crown Group ' is to Crown or any of its Related Bodies Corporate.
Crown Information	information regarding the Crown Group prepared by Crown for inclusion in this Scheme Booklet, which for the avoidance of doubt comprises the entirety of this Scheme Booklet other than the Blackstone BidCo Information, the Independent Expert's Report (or references to the Independent Expert's analysis or conclusions).
Crown Melbourne	Crown Melbourne Limited ACN 006 973 262 being the holder of the casino gaming licence and the operator of the integrated resort complex in Melbourne, including Crown Casino Melbourne.
Crown Perth	Burswood Nominees Limited ACN 078 250 307 being the trustee of the Burswood Property Trust and holder of the casino gaming licence in respect of the Crown Casino Perth and the operator of the integrated resort complex in Perth.
Crown Share	a fully paid ordinary share in the capital of Crown.
Crown Share Register	the register of members of Crown maintained by the Crown Share Registry in accordance with the Corporations Act.
Crown Share Registry or Computershare	Computershare Investor Services Pty Limited.
Crown Shareholder	a person who is registered as the holder of a Crown Share in the Crown Share Register (other than a Blackstone Existing Shareholder).
Crown Shareholder Information Line	1300 659 795 (within Australia) or +61 3 9415 4254 (outside Australia), between 8.30am and 5.30pm (Melbourne time), Monday to Friday.
Crown Sydney	Crown Sydney Gaming Pty Ltd ACN 166 326 843 being the holder of the restricted casino gaming licence in respect of Crown Casino Sydney and the operator of the integrated resort complex in Sydney.
CY	calendar year, such that CY2019, CY2020 and CY2021 are calendar years 2019, 2020 and 2021, respectively.
Debt Commitment Letters	the binding, executed debt commitment letter dated on or before the date of the Scheme Implementation Deed and addressed to Blackstone BidCo and Blackstone FinCo, as provided to Crown on the date of the Scheme Implementation Deed.

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Term	Meaning
Debt Commitment Parties	<p>1 affiliates of or funds managed or advised by Starwood Capital Group (being SPT Victoria Holdings 1 Ltd, SPT Victoria Holdings 2 Ltd, SREIT Project Silver Lender I, L.L.C. and SREIT Project Silver Lender II, L.L.C.); and</p> <p>2 entities owned by real estate debt funds managed or advised by Blackstone or its affiliates (being Silver Fin Sub TC Pty Ltd ACN 657 021 675 as trustee for Silver Fin Sub Trust and Elements Sub TC Pty Ltd ACN 656 225 777 as trustee for Elements Sub Trust).</p>
Debt Funding	the financing commitments set out in the Debt Commitment Letters.
Declaration Form	a Relevant Foreign Resident Declaration Form for the purposes of determining if Blackstone BidCo has an obligation to withhold and remit a 12.5% foreign resident capital gains tax withholding amount to the Commissioner of Taxation for a Scheme Shareholder with an address outside Australia (or which Blackstone BidCo, as a purchaser, reasonably believes is a 'relevant foreign resident') and who Blackstone BidCo also reasonably believes may have, together with their associates, a 10% or greater interest in Crown.
Deed Poll	a deed poll to be entered into by Blackstone BidCo substantially in the form of Annexure 3 under which Blackstone BidCo covenants in favour of the Scheme Shareholders to perform the obligations attributed to Blackstone BidCo under the Scheme.
DGN Games	DGN Games, LLC.
Disclosure Materials	<p>1 the documents and information contained in the virtual data room made available by Crown to Blackstone BidCo and its related persons prior to 11.59pm on 11 February 2022; and</p> <p>2 written responses from Crown and its related persons to requests for further information made by Blackstone BidCo and its related persons via the virtual data room prior to 11.59pm on 11 February 2022.</p>
EBIT	earnings before interest and taxes.
EBITDA	earnings before interest, taxes, depreciation and amortisation.
EBITDAR	earnings before interest, taxes, depreciation; amortisation and rent payments.
Effective	when used in relation to the Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective.
Encumbrance	means a mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, or any other security agreement or arrangement in favour of any person, whether registered or unregistered, including any Security Interest.
End Date	14 August 2022 (being 6 months after the date of the Scheme Implementation Deed), or such other date as agreed in writing by the parties.
Equity Commitment Letters	the binding, executed commitment letters dated on or before the date of the Scheme Implementation Deed and addressed to Blackstone BidCo, as provided to Crown on the date of the Scheme Implementation Deed.
Equity Commitment Party	Blackstone Real Estate Partners Asia II L.P and Blackstone Real Estate Partners (Offshore) IX L.P.
Equity Funding	the Equity Commitment Party committing to provide their individual respective cash amount to Blackstone BidCo, totalling \$2,600,000,000.
Existing Interest	the 9.99% ownership interest of Crown held by Midnight Acacia (or any other Related Body Corporate of Blackstone BidCo from time to time).

Term	Meaning
EV	enterprise value.
Facilities Agreement	senior syndicated facilities agreement to be entered into with, among others, the Debt Commitment Parties.
FIRB	the Foreign Investment Review Board.
Framework Agreement	any agreement, contract or deed between any member or members of the Crown Group and any Government Agency concerning the casino, gaming or other business operations of any member of the Crown Group.
FY22 Long Term Incentive Plan	the Crown Resorts Limited Umbrella Incentive Plan Rules adopted by the Crown Board on 23 December 2021.
FY22 STI	FY22 Short Term Incentive Plan.
Gaming Laws	all applicable casino and gaming laws and regulations in each of the respective jurisdictions in which the Crown Group operates (including, for the avoidance of doubt, jurisdictions in Australia and the United Kingdom).
Gaming Licence	means any licence, registration, permit or authorisation issued by a Gaming Regulatory Authority that is required under the Gaming Laws to conduct casino or gaming operations in each of the respective jurisdictions in which the Crown Group operates (including, for the avoidance of doubt, jurisdictions in Australia and the United Kingdom).
Gaming Regulatory Authority	each of: 1 VGCCC; 2 ILGA; 3 GWC; 4 the Northern Territory Racing Commission; and 5 the Gambling Commission of Great Britain.

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Term	Meaning
Gaming Regulatory Event	<ol style="list-style-type: none"> 1 Crown Melbourne's Gaming Licence is cancelled, suspended for an unspecified period or a specified period of at least 6 months or surrendered, or any Gaming Regulatory Authority announces and/or makes a decision that Crown Melbourne's Gaming Licence is, or will be, cancelled, suspended for an unspecified period or a specified period of at least 6 months or surrendered, other than a cancellation pursuant to section 36I of the <i>Casino Control Act 1991</i> (Vic); 2 ILGA (or any Government Agency established under legislation with responsibility for casino and gaming regulation in NSW): <ul style="list-style-type: none"> – takes action which prohibits Crown Sydney from conducting any gaming operations at Crown Casino Sydney for a period extending beyond 31 December 2022; or – announces and/or makes a decision that Crown Sydney's Gaming Licence is, or will be, cancelled, suspended for an unspecified period or a period of at least 6 months or surrendered; or 3 GWC (or any Government Agency established under legislation with responsibility for casino and gaming regulation in WA) or the Perth Casino Royal Commission: <ul style="list-style-type: none"> – announces and/or makes a decision that Crown Perth's Gaming Licence is, or will be, cancelled or surrendered; and/or – takes action whether by way of a licence cancellation, suspension or otherwise (or the announcement that a licence will be suspended), which prohibits or will prohibit any Crown Group Member from conducting gaming operations at Crown Casino Perth for an unspecified period or a specified period extending beyond 31 December 2022, other than where the cancellation, surrender, suspension or other prohibiting action would follow a remediation, probationary or similar period (regardless of duration) during which gaming operations at Crown Casino Perth may continue and the relevant Government Agency or the Perth Casino Royal Commission has stated that there is an opportunity for the relevant Crown Group Member to rectify and avoid the cancellation, surrender, suspension or other prohibiting action (including where subject to a third party recommendation, report or finding to the relevant Government Agency).
Government Agency	any foreign or Australian government or governmental, semi-governmental, local authority, statutory corporation, administrative, statutory, fiscal or judicial body, department, commission, authority, tribunal, minister, agency or entity (or similar) (including, for the avoidance of doubt, any non-government or non-governmental body, authority, agency, commission, person or entity (or similar) having similar powers, responsibilities or jurisdiction), or any premier or minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian, including the Gaming Regulatory Authorities.
GST	goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.
GST Act	the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
GST Law	has the same meaning as in the GST Act.
Guaranty	the binding, executed guaranty entered into by the Equity Commitment Parties in favour of Crown totalling \$88,707,733.50 (in accordance with the Equity Commitment Parties respective pro rata percentage Equity Funding commitments).
GWC	the Gaming and Wagering Commission of Western Australia.

Term	Meaning
ILGA	the NSW Independent Liquor & Gaming Authority.
Implementation Date	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as the parties agree in writing.
Independent Expert	Grant Samuel & Associates Pty Limited ABN 28 050 036 372, the independent expert in respect of the Scheme appointed by Crown.
Independent Expert's Report	the report issued by the Independent Expert in connection with the Scheme, as set out in Annexure 1.
Independent Monitor	the entity appointed by ILGA to review and report to ILGA on the implementation of the Crown Group's Remediation Plan.
Insolvency Event	<p>in relation to an entity:</p> <ol style="list-style-type: none"> 1 the entity resolving that it be wound up or a court making an order for the winding up or dissolution of the entity, other than where the order is set aside within 14 days; 2 the entity entering into an arrangement, compromise or composition with, or assignment for the benefit of, its creditors or a class of them; 3 a Controller (as defined in the Corporations Act), liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official being appointed to the entity or in relation to the whole, or a substantial part, of its assets; 4 an application is made to a court, a meeting is convened or a resolution is passed for the entity to be wound up or dissolved or for the appointment of a Controller (as defined in the Corporations Act), liquidator, provisional liquidator or administrator to the entity of any of its assets; 5 the entity seeks or obtains protection from its creditors under any statute or any other law; 6 the entity executing a deed of company arrangement; 7 the entity ceases, or threatens to cease to, carry on substantially all the business conducted by it as at the date of the Scheme Implementation Deed; 8 the entity is or becomes unable to pay its debts when they fall due, is insolvent within the meaning of the Corporations Act (or, if appropriate, legislation of its place of incorporation) or is otherwise presumed to be insolvent under the Corporations Act or any analogous circumstances arises under any other statute or law; 9 an Encumbrance becoming enforceable or being enforced over a substantial part of the property of the entity; or 10 the entity being deregistered as a company or otherwise dissolved (whether pursuant to Chapter 5A of the Corporations Act or otherwise), <p>or any other like event, matter or circumstance occurring in relation to an entity in another jurisdiction.</p>
Last Practicable Date	26 March 2022.
Listing Rules	the official listing rules of the ASX.

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Term	Meaning
Material Adverse Change	<p>any event, occurrence, change, condition, matter, circumstance or thing (each a Specified Event) which, whether individually or when aggregated with all such Specified Events that have occurred, has had or would be considered reasonably likely to have the effect of a material adverse change on the business, operations and/or affairs of the Crown Group, including of a diminution in the value of the consolidated net assets of the Crown Group, taken as a whole, by at least \$750 million against what the value of such consolidated net assets would reasonably have been expected to have been but for such Specified Event, other than an event, change, condition, matter, circumstance or thing:</p> <ol style="list-style-type: none"> 1 except in connection with or in response to a Prescribed Regulatory Event, that was fairly disclosed in: (a) the Disclosure Materials; or (b) any announcement to the ASX made by Crown within 24 months prior to the date of the Scheme Implementation Deed; 2 agreed to in writing by Blackstone BidCo; 3 arising as a result of any generally applicable change in law or governmental policy, provided that such changes do not have a materially disproportionate effect on the hotel and casino businesses relative to other businesses; 4 arising from changes in economic or business conditions that impact on Crown and other businesses in a similar matter provided that such changes do not have a materially disproportionate effect on Crown or the Crown Group; 5 arising from the Coronavirus or COVID-19 pandemic, including the outbreak, escalation or any impact of, or recovery from, the Coronavirus or COVID-19 pandemic, including in connection with lockdowns, travel restrictions, social distancing and restrictions; 6 arising from any act of terrorism, outbreak or escalation of war (whether or not declared) or major hostilities, an act of God, lightning, storm, flood, fire, earthquake or explosion, cyclone, tidal wave, landslide, other natural disaster or adverse weather conditions or the like; or 7 required to implement any recommendation made in the: <ul style="list-style-type: none"> – Bergin Report, in accordance with how any recommendation is set out in that report; or – Victorian Royal Commission Report, in accordance with how any recommendation is set out in that report and additional matters referred to in Melissa Horne MP's press announcement of 26 October 2021 (as enacted in the <i>Casino and Gambling Legislation Amendment Act 2021</i>), <p>In each case, to the extent reasonably undertaken or implemented. For the avoidance of doubt, any action taken by or at the direction or request of the Special Manager or Independent Monitor, or any action taken by a Crown Group Member, in response to any action, direction or request by the Special Manager or Independent Monitor, which purports to implement a recommendation of the Bergin Report or Victorian Royal Commission Report but which expands upon or exceeds the recommendations as set out in those reports may constitute a Material Adverse Change.</p>
Material Contract	the list of documents agreed in writing between Blackstone BidCo and Crown on or around the date of the Scheme Implementation Deed.
Material Third Party Consents	any consent required to be obtained in accordance with the Condition Precedent set out in clause 3.1(i) of the Scheme Implementation Deed.
Midnight Acacia	Midnight Acacia Holdings Pte Limited.
NN HoldCo	NN Holdco Pty Ltd ACN 623 535 982.
Notes	Crown's Euro Medium Term Notes.

Term	Meaning
Notice of Scheme Meeting	the notice of meeting relating to the Scheme Meeting which is contained in Annexure 4.
Option	options to subscribe for Crown Shares issued under the Senior Executive Incentive Plan.
Performance Right	a performance right issued by Crown to senior executives under the Performance Right Plan.
Performance Right Plan	the 2021 Umbrella Incentive Plan Rules adopted by the Crown Board on 23 December 2021.
Perth Casino Royal Commission	the royal commission established by commission dated 5 March 2021 under the <i>Royal Commission Act 1968</i> (WA) to inquire into and report on the affairs of Crown Perth and related matters.
Perth Casino Royal Commission Report	the report delivered to the Governor of Western Australia by the Honourable Neville John Owen AO (Chair), the Honourable Carolyn Frances Jenkins and Mr Colin Murphy PSM on 4 March 2022 titled "Perth Casino Royal Commission Final Report".
Prescribed Occurrence	<p>other than an event:</p> <ol style="list-style-type: none"> 1 expressly permitted or required to be undertaken or procured by the Crown Group pursuant to the Transaction documents; 2 except in connection with or in response to a Prescribed Regulatory Event, which is: <ul style="list-style-type: none"> – fairly disclosed in the Disclosure Materials; or – fairly disclosed in any announcement to the ASX made by Crown within 24 months prior to the date of the Scheme Implementation Deed; 3 as agreed to in writing by Blackstone BidCo; 4 in connection with the disposal of any apartments listed in a document the virtual data room document (plus or minus 2% of the purchase price detailed in that document); or 5 required by law, any Government Agency, the Special Manager or the Independent Monitor, provided to the extent practicable Crown has consulted with Blackstone BidCo reasonably in advance of undertaking such actions and has raised any reasonable concerns or proposals (or similar) of Blackstone BidCo with the court, Government Agency, the Special Manager or the Independent Monitor or similar body (as applicable); <p>the occurrence of any of the following after the date of the Scheme Implementation Deed:</p> <ol style="list-style-type: none"> 6 Crown converting all or any of its shares into a larger or smaller number of shares or a resolution is passed to do so; 7 any member of the Crown Group making any change to its constitution (or equivalent or similar document in a jurisdiction other than Australia); 8 Crown or another member of the Crown Group reducing or resolving to reduce its share capital in any way or resolves to re-classify, combine, split, redeem or re-purchase directly or indirectly any of its shares; 9 Crown or another member of the Crown Group buying back or agreeing to buy back any Crown Shares, including: <ul style="list-style-type: none"> – entering into a buy-back agreement; or – resolving to approve the terms of a buy-back agreement or withdrawal offer under the Corporations Act;

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Term	Meaning
Prescribed Occurrence (Cont'd)	<p>10 any member of the Crown Group issuing shares, or granting a performance right or an option over its shares, or agreeing to make such an issue or grant such an option or performance right (other than from any member of the Crown Group to any other member of the Crown Group, the reasonable granting of Crown Equity Incentives to a new employee, or the vesting of rights under the Crown Equity Incentives);</p> <p>11 any member of the Crown Group creates any new security-based incentive plan or scheme, modifies any existing Crown Equity Incentive plan, or issues or makes any offers to participate in the Crown Equity Incentive plans (other than a reasonable issue or offer of Crown Equity Incentives to a new employee);</p> <p>12 any member of the Crown Group issues, or agrees to issue, convertible notes or any other securities convertible into shares or debt securities (other than from any member of the Crown Group to any other member of the Crown Group, or the issue of, or a reasonable agreement to issue, Crown Equity Incentives to a new employee);</p> <p>13 a member of the Crown Group agrees to pay, declares, pays or makes, or incurs a liability to pay or make, a dividend, distribution of income, profits, assets or capital to any person (other than to another wholly owned Crown Group Member)</p> <p>14 any member of the Crown Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property (including a surrender or partial surrender of lease) the value of which exceeds \$1 million (individually or in aggregate), or Crown disposes of any Crown Group Member;</p> <p>15 any member of the Crown Group ceases, or threatens to cease, carrying on the whole or a material part of the business of the Crown Group;</p> <p>16 Crown or one or more Crown Group Member enters into, or resolves to enter into, any agreement or arrangement to restructure or reorganise their assets or securities;</p> <p>17 a third party is appointed (including, but not limited to, appointment pursuant to any regulatory instrument or order (or similar)) to manage or operate any material part of any casino or hotel wholly-owned by the Crown Group, other than where consistent with the Crown Group's past or current practice as at the date of the Scheme Implementation Deed;</p> <p>18 a Crown Group Member creating an Encumbrance, or agreeing to grant an Encumbrance, or declaring itself the trustee of, any part of its business or property securing an indebtedness or performance of an obligation other than a permitted encumbrance (as defined in the Scheme Implementation Deed);</p> <p>19 an Insolvency Event occurs in relation to any Crown Group Member; or</p> <p>20 any member of the Crown Group authorising, agreeing, committing or resolving to do any of the matters set out above.</p>

Term	Meaning
Prescribed Regulatory Event	<p>1 the announcement, proposal or imposition of any terms, conditions, restrictions, suspensions, processes, protocols, fines, taxes, penalties, investigations or similar action by any Government Agency on or affecting any Crown Group Member including (but not limited to):</p> <ul style="list-style-type: none"> – any action announced, proposed, taken or requested to be taken against a Crown Group Member following advice from the Special Manager, Independent Monitor or any other appointed advisor; – any fine announced, proposed, imposed or requested to be imposed by AUSTRAC on a Crown Group Member; – any recovery action or assessment issued, announced or undertaken, or proposed or requested to be issued, announced or undertaken, by a revenue or taxation authority against a Crown Group Member; or – as a result of any variation, modification or amendment made, announced or proposed to any Gaming Laws, Framework Agreements or Gaming Licences held by any Crown Group Member; or <p>2 any action or class action commenced or threatened to be commenced against a Crown Group Member before or after the date of the Scheme Implementation Deed.</p>
Related Bodies Corporate	has the meaning set out in section 50 of the Corporations Act.
Relevant Blackstone Entities	each Blackstone BidCo Group Member and other affiliates of Blackstone Inc. that are required to obtain an approval, consent, waiver or exemption under the Gaming Laws or Framework Agreements in accordance with the Scheme Implementation Deed.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Remediation Plan	the collection of initiatives commenced by the Crown Group in response to the Bergin Report, Victorian Royal Commission Report and Perth Casino Royal Commission and through its engagement with the Regulatory Authorities, as amended, supplemented or replaced from time to time.
Requisite Majorities	<p>in relation to the Scheme Resolution, a resolution passed by:</p> <ol style="list-style-type: none"> 1 unless the Court orders otherwise, a majority in number (more than 50%) of Crown Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Crown Shareholders, corporate representative); and 2 at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Crown Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate Crown Shareholders, corporate representative).
Reverse Break Fee	\$88,707,733.50.
RG 60	Regulatory Guide 60 issued by ASIC in September 2020.
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between Crown and the Scheme Shareholders, the form of which is attached as Annexure 2, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Blackstone BidCo and Crown.
Scheme Booklet	this document being the explanatory statement in respect of the Scheme, which has been prepared by Crown in accordance with section 412 of the Corporations Act.

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Term	Meaning
Scheme Consideration	the consideration to be provided by Blackstone BidCo to each Scheme Shareholder for the transfer to Blackstone BidCo of each Scheme Share, being \$13.10 cash for each Crown Share held by a Scheme Shareholder as at the Scheme Record Date.
Scheme Implementation Deed	the Scheme Implementation Deed dated 14 February 2022 between Crown and Blackstone BidCo, a copy of which was released to the ASX on 14 February 2022.
Scheme Meeting	the meeting of Crown Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Meeting Online Guide	the Scheme Meeting Online Guide available on the Scheme website at www.crownresorts.com.au/investors-and-media/Blackstone-Transaction .
Scheme Record Date	7.00pm on the second Business Day after the Effective Date or such other time and date as the parties agree in writing.
Scheme Resolution	the resolution to the terms of the Scheme, as set out in the Notice of Scheme Meeting in Annexure 4.
Scheme Shareholder	a Crown Shareholder recorded in the Crown Share Register as at the Scheme Record Date (and for the avoidance of doubt, does not include the Blackstone Existing Shareholder).
Scheme Shares	all Crown Shares held by the Scheme Shareholders as at the Scheme Record Date.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
Security Interest	has the meaning given in section 12 of the <i>Personal Property Securities Act 2009</i> (Cth).
Special Manager	the Special Manager appointed to Crown Melbourne under section 36B of the <i>Casino Control Act 1991</i> (Vic).
SS Silver III	SS Silver III Pty Ltd ACN 652 368 039.
SSRCF	a super senior revolving credit facility with a facility limit of \$500,000,000.

Term	Meaning
Superior Proposal	<p>a bona fide written Competing Proposal of the kind referred to in any of paragraphs 2, 3 or 4 of the definition of Competing Proposal received by the Crown Board, which the Crown Board, acting in good faith and in order to satisfy what the Crown Board considers to be the Crown Directors' statutory or fiduciary duties (after receiving advice from its legal and financial advisers and not received as a result of a breach by Crown of its obligations under clause 12 of the Scheme Implementation Deed), determines:</p> <p>1 is reasonably capable of being valued and completed within a reasonable timeframe in accordance with its terms; and</p> <p>2 would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction that is more favourable to Crown Shareholders (as a whole) than the Transaction (as the Transaction may be amended or varied following application of the matching right set out in clause 12.6 of the Scheme Implementation Deed),</p> <p>in respect of both paragraphs 1 and 2 above, taking into account all aspects of the Competing Proposal and the Transaction, including conditions, the identity, reputation and financial condition of the person making the proposal and all relevant legal, regulatory and financial matters (including the value and type of consideration, funding, its conditions and the likelihood and timing of those conditions being satisfied, the level of certainty in respect of the funding required, the probability of the Competing Proposal being completed compared to the Transaction, any conditions precedent or other matters affecting the probability of the proposal being completed).</p>
Tax	any tax, levy, charge, impost, fee, deduction, goods and services tax, compulsory loan or withholding, stamp, transaction or registration duty or similar charge that is assessed, levied, imposed or collected by any Governmental Agency and includes any interest, fine, penalty, charge, fee or any other amount imposed on, or in respect of, any of the above.
Tax Act	the <i>Income Tax Assessment Act 1997</i> (Cth).
Term Facility	a senior term facility with a facility limit of \$5,400,000,000.
Transaction	the proposed acquisition of the Scheme Shares by Blackstone BidCo through implementation of the Scheme in accordance with the terms of the Scheme Implementation Deed.
VGCCC	the Victorian Gambling and Casino Control Commission.
Victorian Royal Commission	the commission established to enquire into and report on the suitability of Crown Melbourne.
Victorian Royal Commission Report	the report delivered to the Governor of Victoria by Commissioner the Hon. Ray Finkelstein AO QC on 15 October 2021 titled "Report of the Royal Commission into the Casino Operator and Licence".
VIP GMA	VIP Gaming Management Agreement.
VWAP	volume-weighted average price.

10 Glossary

10.2 Interpretation

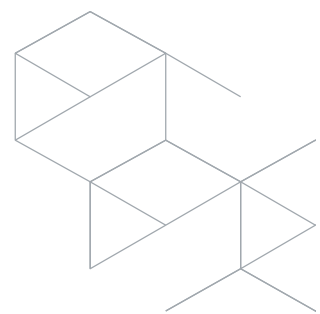
In this Scheme Booklet, unless expressly stated or the context otherwise appears:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section or annexure is a reference to a section of and an annexure to this Scheme Booklet as relevant;
- (f) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- (h) a reference to time is a reference to time in Melbourne, Australia;
- (i) a reference to writing includes facsimile transmissions; and
- (j) a reference to dollars, \$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

Annexure 1

Independent Expert's Report





29 March 2022

The Directors
Crown Resorts Limited
Level 3, Crown Towers
8 Whiteman Street
Southbank Victoria 3006

Dear Directors

Blackstone Scheme

1 Introduction

On 14 February 2022, Crown Resorts Limited (“Crown”) announced that it had entered into a Scheme Implementation Deed with SS Silver II Pty Ltd ACN 644 174 890, an entity owned by funds managed or advised by Blackstone Inc. and its affiliates (“Blackstone”) under which Blackstone had agreed to acquire all of the shares in Crown by way of a scheme of arrangement (“Scheme”). The total consideration under the Scheme is \$13.10 cash per share, less any dividend or distribution declared or paid by Crown (“Scheme Consideration”).

Entry into the Scheme Implementation Deed followed a series of proposals over the past three years that, if effected, would have resulted in a change of control in Crown, including an initial proposal from Blackstone in March 2021 to acquire Crown at an indicative price of \$11.85 cash per share and a subsequent offer in May 2021 of \$12.35 per share, the latter of which was rejected by the Crown Board. Following a period of inactivity between July and October, Crown announced on 19 November 2021 that it had received an unsolicited and non-binding proposal from Blackstone to acquire, by way of scheme of arrangement, all of the issued shares in Crown at a price of \$12.50 cash per share (less the value of any dividends or distributions declared or paid by Crown). The Crown Board viewed the proposal as not representing “compelling value” for shareholders but agreed to provide Blackstone with the opportunity to conduct due diligence on a non-exclusive basis to allow Blackstone to submit a revised proposal that more adequately reflected the value of Crown.

This process led to a further revised proposal from Blackstone that was announced to the market on 13 January 2022. The revised proposal of \$13.10 cash per share was on terms and conditions consistent with the November 2021 proposal. The Crown Board agreed to continue providing Blackstone with the opportunity to finalise its due diligence inquiries and negotiate the terms of the Scheme Implementation Deed that resulted in the announcement of the Scheme on 14 February 2022.

The Scheme is subject to a number of conditions which are set out in full in the Scheme Booklet to be sent by Crown to its shareholders. Other elements of the Scheme include “no-talk” obligations, break fees and arrangements in relation to outstanding performance rights and Crown options.

Subject to an independent expert concluding (and continuing to conclude) that the Scheme is in the best interests of Crown shareholders and in the absence of a superior proposal (as defined in the Scheme Implementation Deed), the Crown Board unanimously recommends that shareholders vote in favour of the Scheme. Subject to the same qualifications, each Crown director intends to vote, or procure the voting of, shares held or controlled by them in their personal capacity in favour of the Scheme.

The directors of Crown have engaged Grant Samuel & Associates Pty Limited (“Grant Samuel”) to prepare an independent expert’s report setting out whether, in its opinion, the Scheme is in the best interests of Crown shareholders other than Blackstone (“non-associated shareholders”). A copy of the report



(including this letter) will accompany the Scheme Booklet to be sent to Crown shareholders. This letter contains a summary of Grant Samuel’s opinion and main conclusions.

2 Opinion

Grant Samuel has concluded that the Scheme is fair and reasonable. Accordingly, in Grant Samuel’s opinion the Scheme is in the best interests of the non-associated shareholders in the absence of a superior proposal.

3 Key Conclusions

■ The Scheme is being proposed against a backdrop of uncertainty well beyond that for most corporate transactions

The emergence and likely aftermath of the COVID-19 pandemic and Crown’s regulatory travails have introduced a level of uncertainty to the valuation of Crown:

- Crown’s earnings have been decimated by the lockdowns and other restrictions imposed by State and Territory governments in the wake of the COVID-19 crisis. While a broader recovery towards pre COVID-19 levels of activity across the economy is occurring, the pandemic remains an unprecedented event and the effect on individual sectors and their recovery is very different. The range of plausible outcomes for Crown’s value is wide and there is a distinct possibility of events (e.g. outbreaks of COVID-19 variants) that could derail progress;
- the future performance of *Crown Sydney*, particularly the gaming operations (assuming they are allowed to open), cannot be reliably predicted. The new casino resort has no track record and will be launching into a competitive market (albeit in a niche high-end premium product);
- the cumulative effects of the various regulatory inquiries and legislative and other changes will have a financial impact on Crown’s operations but are impossible to assess with any precision or certainty;
- Crown is exposed to a number of contingent liabilities including potential penalties arising from Australian Transaction Reports and Analysis Centre (“AUSTRAC”) proceedings, disputes with relevant authorities in relation to both Commonwealth taxes and State based gaming taxes, the Maurice Blackburn Lawyers (“MBL”) class action, potential one-off costs associated with the various regulatory processes (including Royal Commissions, funding of any monitoring regime and implementation of other recommendations) and potential tax shortfall payments in relation to *Crown Sydney’s* financial arrangements with its regulator. None of these matters is expected to be finalised for some period of time and the outcomes are unknown; and
- Crown also faces existential risks in relation to its licences. Crown will need to meet the conditions of the regulator to commence and continue gaming operations at *Crown Sydney*, and over the next two years, Crown will need to demonstrate its suitability to hold a licence or face cancellation of its licence at *Crown Melbourne*. In relation to *Crown Perth*, Crown will need to consider the findings of the Perth Casino Royal Commission and the response from the regulator, which are not yet known.

Accordingly, it is unrealistic to be precise or definitive about value at the current point in time. Value could fall within a very wide range. It is therefore challenging for shareholders to make an informed decision on the merits of the Scheme. However, that is the reality of the current situation. While it may be preferable to wait for all the uncertainties to be settled, the Scheme has to be voted on imminently.

G R A N T S A M U E L



- **The Scheme Consideration is the highest price secured in an open, competitive environment**

In these circumstances, Grant Samuel believes that, in forming a view on fairness, it is appropriate to put significant weight on the fact that the Scheme is the result of three years of dealings with various parties that were interested in acquiring control of Crown.

It is true that Blackstone is the only party that has been allowed to undertake due diligence. In addition, a number of factors (e.g. regulatory uncertainties and Crown’s potentially very substantial unquantifiable contingent liabilities) may have discouraged other parties to put forward a proposal to acquire Crown at the present time.

Nevertheless, it still has been open for any party to put forward a proposal at any time. Crown has effectively been “in play” since 2019 and Blackstone’s first approach was in March 2021. The new Blackstone proposal (that led to the Scheme) was announced on 19 November 2021, approximately four months ago. That is ample time for any counterbidder to develop an alternative proposal. Subsequent to that announcement (but prior to the Scheme), Crown’s advisers engaged (or, in some cases, re-engaged) with a range of potential strategic and financial counterbidders to see if there was any interest. To date, no party has put forward an alternative proposal. The Star Entertainment Group Limited (“Star”) had put forward a merger proposal to Crown in May 2021 (but has since withdrawn the offer) and its management has publicly expressed a view on the Scheme that “*at that price we’re out*”¹.

The Scheme Consideration can therefore be reasonably described as the highest price secured in an open, competitive environment over an extended period. By definition, it represents full underlying value at the present time. On these grounds alone, the Scheme is fair. Indeed, it is arguably a more relevant and robust basis than theoretical assessments of value based on forecasts subject to significant uncertainty.

- **Grant Samuel has estimated the enterprise value of Crown to be in the range \$9.4-10.6 billion**

The enterprise value is summarised below:

CROWN – ENTERPRISE VALUE (\$ MILLIONS)

	FULL REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Australian Resorts	6.3	9,500	10,500
Other business operations	6.4	240	300
Capitalised corporate overhead costs (net of savings)	6.5	(710)	(760)
Business Operations		9,030	10,040
Investments	6.6	160	195
Other assets and liabilities	6.7	247	329
Enterprise value		9,437	10,564

The valuation is premised on the following underlying assumptions:

- no further outbreaks of COVID-19 variants (to any material extent) and no further lockdowns or other significant restrictions on activity;
- Australia’s international borders remain open;
- a broad based economic recovery in Australia over the next 2-3 years (albeit with the consequential effects of past government stimulus) and modest interest rate rises;
- Crown is granted approval to open *Crown Sydney’s* gaming operations; and

¹ *Sydney Morning Herald*, 17 February 2022



- Crown retains its casino licences to operate in Melbourne, Perth and Sydney (post Special Manager and monitoring regimes).

There are, of course, risks that one or more of these assumptions cannot be sustained. To the extent that this is the case, there would be a reduction in the value of Crown (very material in the case of loss of licence).

The value attributed to the business operations of \$9.0-10.0 billion is an overall judgement having regard to a number of valuation methodologies and parameters, including discounted cash flow (“DCF”) analysis and capitalisation of earnings or cash flows (multiples of EBITDA²). Crown’s Australian Resorts (*Crown Melbourne*, *Crown Perth* and *Crown Sydney*) comprise the majority of the value of Crown’s business operations. The principal approach to valuing the Australian Resorts was DCF analysis, with multiples analysis (EBITDA) used as a cross check.

The value ranges selected for Crown’s business operations are judgements. The objective is to determine a value that both fits with the output of DCF analysis in terms of the various scenarios and their likelihood and is consistent with the market evidence as to multiples.

The valuation allows for:

- synergies that are available to multiple acquirers, including corporate overhead cost savings that any acquirer of Crown would be able to achieve (e.g. costs of being a publicly listed company);
 - Crown’s investments in *Nobu*, *Aspers* and *Chill Gaming*; and
 - other assets and liabilities, which comprise *Crown Sydney* apartment sale proceeds, surplus properties, estimated insurance recoveries from a class action settlement and the net present value (“NPV”) of the *Crown Melbourne* casino licence payment due in 2033.
- **The DCF analysis for Crown’s Australian Resorts incorporates a number of scenarios that support the value range**

Simplified, high level financial models have been developed for each of the Australian Resorts. The DCF models use the 5 Year Corporate Plan provided by Crown (prepared on a business as usual basis excluding potential regulatory changes) as a starting point.

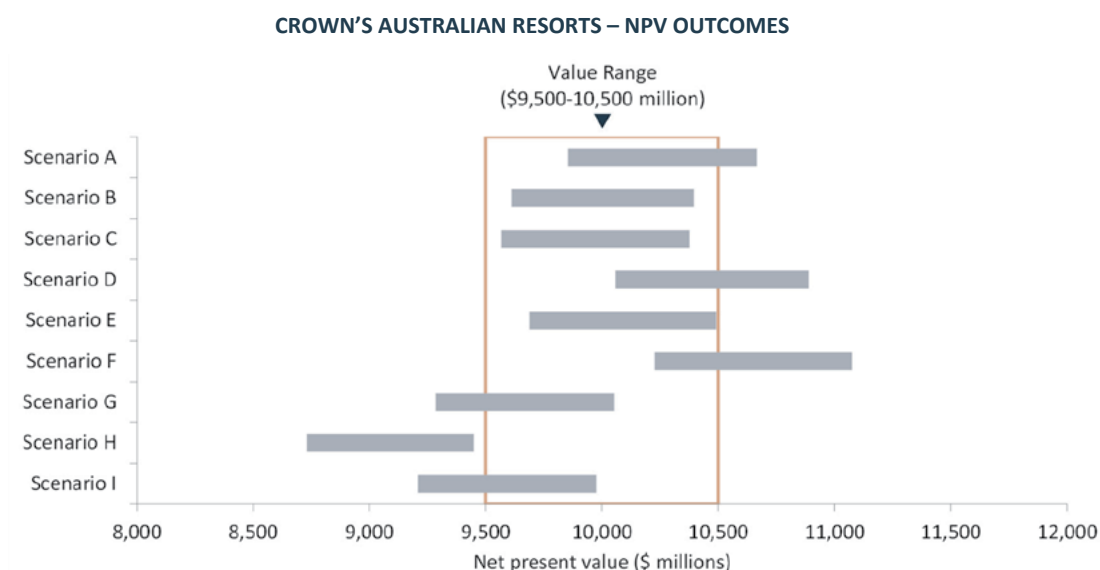
The DCF analysis for each of the Australian Resorts:

- allows the key drivers of revenue and earnings (i.e. turnover, table drop and EBITDA margins) to be modelled;
- projects nominal after tax cash flows from 1 January 2022 to 30 June 2031, with terminal values calculated to represent the value of cash flows in perpetuity (assuming a terminal growth rate of 2.5%);
- applies a discount rate in the range of 8.5-9.0% (Appendix 2 to the full report sets out a detailed analysis of the selection of this discount rate); and
- considers a number of scenarios (see Section 6.3.1 of the full report for a description of the assumptions underlying the scenarios for each of the Australian Resorts) that incorporate:
 - upside growth catalysts such as the *Crown Sydney* expansion and better than expected international VIP performance; as well as
 - downside risks including slower recovery in *Crown Melbourne*, slower penetration of the Sydney market and various impacts from the legislation following Phase 2 of the Victorian Royal Commission recommendations.

² EBITDA is earnings before net interest, tax, depreciation and amortisation.



The NPV outcomes are depicted diagrammatically below:



NPV outcomes from DCF analysis are subject to significant limitations and should always be treated with considerable caution. The range of NPVs produced by the scenarios is wider than the value range Grant Samuel has placed on Crown’s Australian Resorts. Grant Samuel has considered the outcome of all of the scenarios in determining its value range for Crown’s Australian Resorts and believes that the values produced by the DCF analysis support a value range of \$9.5-10.5 billion for the Australian Resorts.

- **The multiples implied by the valuation of Crown’s business operations are reasonable relative to the available market evidence**

The earnings multiples implied by the valuation of Crown’s business operations are summarised below:

CROWN'S BUSINESS OPERATIONS – IMPLIED VALUATION PARAMETERS

	FULL REPORT SECTION REFERENCE	VARIABLE (\$ MILLIONS)	RANGE OF PARAMETERS	
			LOW	HIGH
Value of business operations (\$ millions)	6.1	as above	9,030	10,040
Multiple of EBITDA (times)				
FY19 ³ (theoretical)	4.5	802.1	11.3	12.5
CY19 ⁴ (theoretical)	--	762.0	11.9	13.2
FY23 (broker consensus, theoretical)	4.5	686.8	13.1	14.6

These multiples reflect the particular attributes of Crown’s business operations, including factors such as its:

- scale as Australia’s leading gaming and entertainment group with a portfolio of three premium integrated resorts;
- strong competitive position and barriers to entry;

³ FYXX = financial year end 30 June 20XX (i.e. FY21 is the financial year end 30 June 2021).

⁴ CYXX = calendar year end 31 December 20XX (i.e. CY21 is the calendar year end 31 December 2021).



- ownership of the Australian Resort properties which are located in prime destinations in Australia, all of which are in three of Australia’s largest and fastest growing population centres that have also historically attracted inbound international tourism; and
- significant opportunity to establish a foothold in the Sydney gaming market, which has arguably been underpenetrated especially in the premium tables segment.

In Grant Samuel’s opinion, multiples of around 12 times “normalised” EBITDA (to the extent normalised earnings can be determined) are reasonable relative to the market evidence. They are lower than multiples implied by recent transactions for major Las Vegas Strip casinos (approximately 13-14 times EBITDAR⁵) but:

- *Crown Melbourne* and *Crown Perth* are mature businesses with modest growth prospects once operations return to normalised levels;
- Crown faces an unprecedented level of regulatory scrutiny that may have a significant impact on its operations and earnings capacity. The full extent of the new regulatory legislation following the Victorian Royal Commission and Perth Casino Royal Commission has yet to be determined;
- there are significant uncertainties about the return of the international VIP market; and
- the Las Vegas Strip casinos have certain attractive features that would justify a higher multiple than Crown (e.g. premier gambling destination and anticipated earnings growth).

Moreover, transactions involving Australian casinos have generally occurred at a discount to the transactions for major Las Vegas Strip casinos while listed Australian casino operators also trade at multiples below similar United States (“US”) majors.

The multiples are materially above the implied multiples of historical EBITDAR applying to recent acquisitions of combined property and operators in regional US markets (generally circa 8-9 times) as well as forecast EBITDAR multiples for listed major US casinos (9-10 times) and listed Australian casino operators (8-9 times).

The higher multiples of FY23 earnings are appropriate as FY23 incorporates only a partial (albeit substantial) recovery and could be effectively even higher if the broker forecasts do not include all of the potential regulatory impacts.

The implied EBITDA multiples for *Crown Melbourne* and *Crown Perth* are lower than the blended multiples for Grant Samuel’s value range of Crown’s business operations due to the maturity of the assets (and consequently lower revenue growth rates), whereas the implied EBITDA multiples for *Crown Sydney* are higher, reflecting its long-term upside potential.

■ **No additional value has been included for a potential sale and leaseback transaction**

While it may appear that there is significant enhancement of value achievable through a sale and leaseback of Crown’s properties and it is quite conceivable that Blackstone would pursue such a transaction, no additional value has been attributed for a number of reasons:

- the value analysis above should already incorporate the upside value of a property owner. The DCF analysis was premised on a relatively low beta (and therefore discount rate) compared to market evidence. The earnings multiples analysis is focused on:
 - transactions involving casinos that were owned and operated, for which there were combined property and “OpCo” multiples; and
 - listed companies that were also owned and operated, or for which EBITDAR (i.e. pre-rent) multiples were estimated;

⁵ EBITDAR = EBITDA before rental payments.

GRANT SAMUEL



- there are substantial execution risks. The attitude of regulators to such a transaction is unknown but given Crown’s recent history, there is likely to be considerable caution. In any event:
 - it is possible, if not likely, that the assets to be sold could be restricted in some way (e.g. sale of non-gaming assets only) or limited to a sale of a minority interest (e.g. 49%). In either case, there could be an impact on the quantum of the value gain; and
 - it is unlikely to be achievable in the next 2-3 years until earnings have recovered and there can be confidence in Crown’s retention of its licences;
 - the potential value gain is very sensitive to the parameters, particularly initial property yield and the EBITDA multiple of the residual operating company. There has been no market testing of Crown properties since 2016. Market evidence in relation to multiples (of casino OpCos) would suggest no more than 8-9.5 times EBITDA, reflecting the impact on strategic flexibility and the substantial fixed rental obligation; and
 - a sale and leaseback transaction may result in significant costs (e.g. tax leakages) that would impact on net proceeds for Crown.
- **The value of equity in Crown is subject to significant uncertainty because of contingent liabilities. In any event, the Scheme Consideration is fair even if they do not materialise**

Crown is exposed to various contingent liabilities, including AUSTRAC penalties, tax disputes with Commonwealth and State authorities, the MBL class action, one-off costs following ongoing regulatory processes and minimum guaranteed tax payments in relation to *Crown Sydney’s* financial arrangements with its regulator.

Some of these items are both highly likely to arise and very material in their own right. Crown has stated that it anticipates that the potential AUSTRAC penalties will be significant. However, the amounts that will be required to be paid are so uncertain that they cannot be reliably quantified. On the other hand, they do need to be taken into account in a value analysis since there are reasonable prospects of at least some of them arising.

The following analysis illustrates how the equity value of Crown is impacted if the total liabilities arising from the contingencies are, hypothetically, (say) \$340 million (\$0.50 per share) and \$680 million (\$1.00 per share):

CROWN – EQUITY VALUE PER SHARE

	FULL REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Enterprise value (\$ millions)	6.1	9,437	10,564
Adjusted net borrowings (\$ millions)	6.8	(946)	(946)
Value of equity (\$ millions)		8,491	9,618
Fully diluted shares on issue (millions)	4.9.1	678.1	678.1
<i>Value per share (\$)</i>			
<i>No additional liabilities</i>		<i>12.52</i>	<i>14.18</i>
<i>\$340 million in contingent liabilities (or \$0.50 per share)</i>		<i>12.02</i>	<i>13.68</i>
<i>\$680 million in contingent liabilities (or \$1.00 per share)</i>		<i>11.52</i>	<i>13.18</i>

The analysis shows that the Scheme Consideration is fair even if none of the contingent liabilities arise. If as little as \$180 million in liabilities arise, the Scheme Consideration would be in the top half of the value range and, if contingent liabilities totalled \$680 million, the Scheme Consideration would be demonstrably fair.





■ **The Scheme is in the best interests of non-associated shareholders, in the absence of a superior proposal**

As the Scheme is fair, it is also reasonable. In any event, there are other factors that support the reasonableness of the Scheme:

- the Scheme Consideration of \$13.10 per share represents a premium over pre announcement share prices that is consistent with the level of premiums typically associated with takeovers in Australia (20-35%). However, it is important to recognise that prices in the pre announcement period (June to November 2021):
 - were not necessarily “undisturbed” as there may well have been some expectation that Blackstone would “come back to the table”; and
 - may have reflected the negative sentiment at the time (e.g. Victorian Royal Commission, significant outbreaks of the Delta variant and lockdowns in Victoria) that no longer applies;
- in the absence of the Scheme or a similar transaction, it is likely that, under current market conditions, Crown shares would trade at prices well below \$13.10. A share price of \$13.10 would imply forward multiples well above the levels at which Crown shares (and its two primary counterparts in Australia and New Zealand, Star and SkyCity Entertainment Group Limited) have traded over the past few years prior to the emergence of the COVID-19 pandemic;
- if the Scheme is not approved, Crown will need to undertake a major refinancing of its debt facilities, a significant portion of which becomes due and payable in late 2023. Crown would need to refinance these debt facilities before December 2022 to avoid them being recorded as a current liability. Refinancing will, however, be challenging even though Crown has a relatively modest level of gearing:
 - earnings and cash flows currently remain close to breakeven. Lenders will be wary of the potential for slippage in the timing of recovery (and the potential for external events such as the Russia/Ukraine situation to damage the global recovery) as well as the potential impact of the regulatory restrictions that may arise;
 - potential liabilities relating to the AUSTRAC proceedings, regulatory issues (e.g. retaining casino licences) and tax disputes will collectively be a substantial hurdle for many lenders; and
 - banks have become increasingly conscious of reducing their exposure to companies that involve environmental, social and governance risks. This includes the casino industry, and in Crown’s case, the numerous regulatory entanglements and the findings of the various inquiries (including AUSTRAC).

By voting in favour of the Scheme, the non-associated shareholders will no longer be exposed to this set of risks;

- the total consideration under the Scheme of \$13.10 per share is the highest offer price received in an open, competitive environment. While Blackstone has not stated that the Scheme Consideration is its “best” or “final” offer, Blackstone has already increased its offer several times from an initial \$11.85 per share in March 2021, albeit some of the increase may be justified by the reopening of the economy and progress in resolving some of Crown’s regulatory issues. The Scheme Consideration is the result of extensive negotiations between Crown and Blackstone over an extended period of time. While a higher offer is possible, it would be imprudent for shareholders to reject the Scheme on the assumption that a higher offer from Blackstone would emerge after the shareholder meeting; and
- there has been ample time since the Blackstone proposal of \$12.50 was announced on 19 November 2021 for a third party to come forward with a superior proposal. Prior to the Scheme Implementation Deed being executed, Crown’s advisers approached a wide range of potential acquirers to see if there was any interest in acquiring Crown. To date, no one has come forward



with a proposal. If no alternate proposal is put forward by the time of the meeting to approve the Scheme, it would be imprudent to vote against it in expectation of a higher offer from a third party.

As the Scheme is fair and reasonable, it is also in the best interests of the non-associated shareholders.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual non-associated shareholders. Accordingly, before acting in relation to their investment, non-associated shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation and needs. Non-associated shareholders should read the Scheme Booklet issued by Crown in relation to the Scheme.

Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Scheme, the responsibility for which lies with the directors of Crown. In any event, the decision to vote for or against the Scheme is a matter for individual non-associated shareholders based on their own views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Non-associated shareholders who are in doubt as to the action they should take in relation to the Scheme should consult their own professional adviser.

Grant Samuel has prepared a Financial Services Guide as required by the *Corporations Act, 2001 (Cth)*. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully

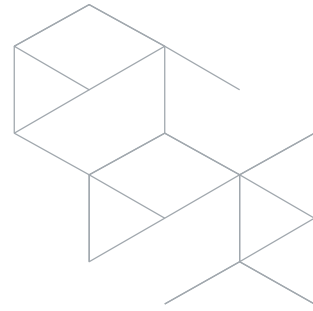
GRANT SAMUEL & ASSOCIATES PTY LIMITED



FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S REPORT
IN RELATION TO THE ACQUISITION PROPOSAL BY
BLACKSTONE

GRANT SAMUEL & ASSOCIATES PTY LIMITED
ABN 28 050 036 372

29 MARCH 2022



FINANCIAL SERVICES GUIDE

Grant Samuel & Associates Pty Limited (“Grant Samuel”) holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 (Cth) (“Corporations Act”) requires Grant Samuel to provide this Financial Services Guide (“FSG”) in connection with its provision of an independent expert’s report (“Report”) which is included in a document (“Disclosure Document”) provided to members by the company or other entity (“Entity”) for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel’s client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Crown Resorts Limited in relation to the acquisition proposal by proposal by SS Silver II Pty Ltd ACN 644 174 890, an entity owned by funds managed or advised by Blackstone Inc. and its affiliates (“the Crown Report”), Grant Samuel will receive a fixed fee of \$1.5 million plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 8.3 of the Crown Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Crown Report.

Grant Samuel is required to be independent of the Entity to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 8.3 of the Crown Report:

“Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Crown or Blackstone or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Scheme.

Grant Samuel had no part in the formulation of the Scheme. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$1.5 million for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Scheme. Grant Samuel’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.”

Grant Samuel has internal complaints-handling mechanisms and is a member of the Australian Financial Complaints Authority, No. 11929. If you have any concerns regarding the Crown Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Australian Financial Complaints Authority at GPO Box 3 Melbourne VIC 3001 or 1800 931 678. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act.

Grant Samuel is only responsible for the Crown Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.



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1 Details of the Scheme

On 14 February 2022, Crown Resorts Limited (“Crown”) announced that it had entered into a Scheme Implementation Deed with SS Silver II Pty Ltd ACN 644 174 890, an entity owned by funds managed or advised by Blackstone Inc. and its affiliates (“Blackstone”), under which Blackstone had agreed to acquire all of the shares in Crown by way of a scheme of arrangement (“Scheme”). The total consideration under the Scheme is \$13.10 cash per share, less any dividend or distribution declared or paid by Crown (“Scheme Consideration”).

Blackstone Inc. is a leading global alternative asset manager with over US\$880 billion in assets under management across real estate, private equity, hedge fund solutions, insurance and credit investments. Blackstone is listed on the New York Stock Exchange and has a market capitalisation of around US\$148 billion (circa A\$210 billion). Blackstone currently owns a 9.99% interest in Crown.

Over the last three years, Crown has been the subject of several proposals that, if effected, would have resulted in a change of control. In the first instance:

- Crown announced on 9 April 2019 that it was in confidential discussions with Wynn Resorts, Limited (“Wynn”) on a potential 50:50 cash and scrip acquisition of Crown via a scheme of arrangement. The total acquisition consideration was estimated to have an implied value of \$14.75 per share. Crown announced that Wynn had terminated discussions a day after the initial announcement; and
- Crown advised on 31 May 2019 that it had been informed by its major shareholder, Consolidated Press Holdings Pty Limited¹ (“CPH Group”), that it had entered into a share sale agreement with Melco Resorts and Entertainment Limited (“Melco”) to divest a 19.99% interest in Crown at a price of \$13.00 per share in two approximately equal tranches. The first tranche was completed on 6 June 2019. On 28 August 2019, it was announced that the share sale agreement was amended to include conditions to complete the second tranche of shares, including approval from the New South Wales Independent Liquor and Gambling Authority (“ILGA”). The share sale agreement was eventually terminated on 7 February 2020. As a result, the second tranche of the share sale was not completed.

There were no further developments announced in relation to a change of control transaction until approximately 12 months later when, in April 2020, Blackstone purchased Melco’s 9.99% interest in Crown for a price of \$8.15 per share following Melco’s reassessment of all non-core investments in light of the unfolding COVID-19 pandemic. However, Blackstone took no further action until early to mid 2021 when a series of proposals were made by Blackstone and others. Crown announced:

- on 22 March 2021, that it had received an unsolicited, non-binding and indicative proposal from Blackstone to acquire, by way of scheme of arrangement, all of the issued shares in Crown at an indicative price of \$11.85 cash per share, less the value of dividends or distributions declared or paid by Crown. This was followed by an announcement on 13 April 2021, that Blackstone had written to Crown setting out a modification to conditions in its initial proposal in relation to regulatory approvals. The Crown Board noted that it was continuing its evaluation of the merits of the proposal and that Crown shareholders did not need to take any action in relation to the proposal at that stage;
- on 19 April 2021, that it had received a proposal from Oaktree Capital Management L.P. (“Oaktree”) in relation to a funding commitment of approximately \$3.0 billion to selectively buy-back Crown shares held by CPH Group. The Crown Board had not yet formed a view on the merits of the Oaktree proposal but noted that Crown shareholders did not need to take any action in relation to the proposal at that stage;

¹ The Crown shares are held by Consolidated Press Holdings Pty Limited and its wholly owned subsidiary, CPH Crown Holdings Pty Limited.



- on 10 May 2021, that it had received a revised offer from Blackstone for \$12.35 cash per share, which was a 4.2% increase in the equity value compared to the original proposal submitted in March. The revised proposal was rejected by the Crown Board on 17 May 2021, noting that it undervalued Crown and presented an unacceptable level of regulatory uncertainty and therefore was not in the best interests of Crown shareholders;
- on 10 May 2021, that it had received an unsolicited, non-binding and indicative proposal from The Star Entertainment Group Limited (“Star”) to merge with Crown by way of scheme of arrangement. The proposal contemplated a merger ratio of 2.68 Star shares for each Crown share (estimated by Star to have a value in excess of \$14 per share based on its pro forma estimates, which included potential value uplift from a sale and leaseback transaction² as well as other value accretive synergies between the merged entity). The Star proposal included a cash alternative of \$12.50 per Crown share (subject to a cap of 25% of total Crown shares on issue). Star withdrew its merger proposal on 23 July 2021 but noted that it will continue to remain open to exploring value enhancing opportunities with Crown; and
- on 15 June 2021, that it had received a revised proposal from Oaktree setting out modifications to its funding commitment (including structure and term) to fund a selective buy back of CPH’s shareholding in Crown. Following the release of its FY21 earnings results, Crown announced that it was no longer in discussions with Oaktree regarding the revised proposal.

Following the termination of these discussions there was again a period of inactivity until 19 November 2021 when Crown announced that it had received a new unsolicited and non-binding proposal from Blackstone to acquire, by way of scheme of arrangement, all of the issued shares in Crown at a price of \$12.50 cash per share (less the value of any dividends or distributions declared or paid by Crown). The Crown Board viewed the proposal as not representing “compelling value” for Crown shareholders but agreed to provide Blackstone with the opportunity to conduct due diligence on a non-exclusive basis to allow Blackstone to submit a revised proposal that more adequately reflected the value of Crown.

This process led to a further revised proposal from Blackstone of \$13.10 cash per share on terms and conditions consistent with the November 2021 proposal which was announced to the market on 13 January 2022. The Crown Board agreed to continue providing Blackstone with the opportunity to finalise its due diligence inquiries and negotiate the terms of the Scheme Implementation Deed culminating in the announcement of the Scheme on 14 February 2022.

The Scheme is subject to a number of conditions which are described in the Scheme Booklet to be sent by Crown to shareholders including approval under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)* and approval by Crown shareholders under Section 411 of the *Corporations Act 2001 (Cth)* (“Corporations Act”) (“Section 411”). As a casino owner-operator, Crown is also subject to certain gaming legislation and framework agreements in each of the respective jurisdictions in which it operates (including Victoria, Western Australia and New South Wales as well as Northern Territory (in respect of its Betfair business) and Great Britain (in respect of its Aspinalls business)). Accordingly, the Scheme is also subject to approval by certain gaming regulatory authorities (“Gaming Regulatory Authorities”) on terms and conditions acceptable to Blackstone (acting reasonably). Blackstone and Crown (as applicable) have already lodged applications with the Foreign Investment Review Board (“FIRB”), the Gaming Regulatory Authorities and the relevant counterparties to Framework Agreements in respect of the approvals required for the Scheme.

Other elements of the Scheme include the following:

- Crown has agreed to certain exclusivity arrangements (including no-shop, no-talk and no-due diligence restrictions and a notification obligation) that apply during the exclusivity period. The no-talk and no-

² A strategy of selling the underlying real estate of casino resorts to a property investor and then leasing back the property to the casino operator.



due diligence provisions are subject to a carve out in respect of the fiduciary and statutory obligations of Crown's directors;

- no Gaming Regulatory Event (as defined in the Scheme Implementation Deed) occurring before the second court hearing which results in the cancellation, suspension (for an unspecified period or for a prescribed minimum period defined as six months for *Crown Melbourne* or until 31 December 2022 for *Crown Sydney* and *Crown Perth*) or surrender of the gaming licences of *Crown Melbourne*, *Crown Perth* or *Crown Sydney*;

See Section 9.4(b) of the Scheme Booklet for more detail on Scheme conditions relating to Gaming Regulatory Events;

- no Material Adverse Change (as defined in the Scheme Implementation Deed) occurring before the second court date. This includes any event that, either individually or when aggregated with other applicable events, would be considered reasonably likely to have the effect of, a material adverse change on the business, operations and/or affairs of Crown, including a diminution in the value of the Crown group's net assets by at least \$750 million from what they would reasonably be expected to have otherwise been but for the relevant event but which excludes changes in economic or business conditions, arising from the COVID-19 pandemic and regulatory requirements to implement recommendations made in the Bergin Inquiry or Victorian Royal Commission report (among other things);
- a break fee of approximately \$89 million may be payable by Crown or Blackstone in certain circumstances; and
- Crown must ensure that no performance rights and share options are in existence on the Scheme record date. The Crown Board may exercise its discretion to accelerate the vesting of all outstanding performance rights and share options and, , under the rules that apply to these incentives, may make cash equivalent or substitute payments.

Subject to an independent expert concluding (and continuing to conclude) that the Scheme is in the best interests of Crown shareholders and in the absence of a superior proposal, the Board of directors of Crown unanimously recommends that Crown shareholders vote in favour of the Scheme. Subject to the same qualifications, each Crown director intends to vote, or procure the voting of, shares held or controlled by them in their personal capacity in favour of the Scheme.



2 Scope of the Report

2.1 Purpose of the Report

Under Section 411, the Scheme must be approved by a majority in number (i.e. more than 50%) of each class of shareholders present and voting (either in person or by proxy) at the meeting, representing at least 75% of the votes cast on the resolution. If approved by Crown shareholders, the Scheme will then be subject to approval by the Federal Court of Australia.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion.

Although there is no requirement in the present circumstances for an independent expert's report pursuant to the Corporations Act or the Australian Securities Exchange ("ASX") Listing Rules, the directors of Crown have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Scheme is in the best interests of Crown shareholders other than Blackstone ("non-associated shareholders") and to state reasons for that opinion. A copy of the report will accompany the Notice of Meeting and Explanatory Memorandum ("the Scheme Booklet") to be sent to shareholders by Crown.

2.2 Basis of Evaluation

There is no legal definition of the expression "in the best interests". However, the Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 ("RG111") which establishes guidelines in respect of independent expert's reports. RG111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable". A proposal that was "fair and reasonable" or "not fair but reasonable" would be in the best interests of shareholders (being the opinion required under Part 3 of Schedule 8). For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for shareholders. If the advantages outweigh the disadvantages, a proposal would be in the best interests of shareholders.

The Scheme is economically the same as a takeover offer. Accordingly, Grant Samuel has evaluated the Scheme as a control transaction and formed a judgement as to whether the proposal is "fair and reasonable".

Fairness involves a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. For this comparison, value is determined assuming 100% ownership of the target and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer such as:

- the offeror's existing shareholding;
- other significant shareholdings;
- the probability of an alternative offer; and



- the liquidity of the market for the target company’s shares.

An offer could be considered “reasonable” if there were valid reasons to accept the offer notwithstanding that it was not “fair”.

Fairness is a more demanding criteria. A “fair” offer will always be “reasonable” but a “reasonable” offer will not necessarily be “fair”. A fair offer is one that reflects the full market value of a company’s businesses and assets. An offer that is in excess of the pre-bid market prices but less than full value will not be fair but may be reasonable if shareholders are otherwise unlikely in the foreseeable future to realise an amount for their shares in excess of the offer price. This is commonly the case where the bidder already controls the target company. In that situation, the minority shareholders have little prospect of receiving full value from a third party offeror unless the controlling shareholder is prepared to sell its controlling shareholding.

Grant Samuel has determined whether the Scheme is fair by comparing the estimated underlying value range of Crown with the offer price. The Scheme will be fair if it falls within the estimated underlying value range. In considering whether the Scheme is reasonable, the factors that have been considered include:

- the existing shareholding structure of Crown;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price of Crown shares and financial position of Crown in the absence of the Scheme; and
- other advantages and disadvantages for Crown shareholders of approving the Scheme.

2.3 Sources of Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Scheme Booklet (including earlier drafts);
- annual reports of Crown for the FY18³ to FY21;
- half year announcement of Crown for the six months ended 31 December 2021;
- press releases, public announcements, media and analyst presentation material and other public filings by Crown including information available on its website;
- brokers’ reports and recent press articles on Crown and the Australian casino and gaming industry;
- sharemarket data and related information (including brokers’ reports and company announcements) on:
 - selected Australian and international listed companies engaged in the casino and gaming industry; and
 - selected acquisitions of companies and businesses in the casino and gaming industry; and
- information relating to the Australian casino and gaming industry including supply/demand forecasts and regulatory decisions and pronouncements (as appropriate).

Non Public Information provided by Crown

- budget for FY22 (“FY22 Budget”) prepared by Crown management;

³ FYXX = financial year end 30 June 20XX (i.e. FY21 is the financial year end 30 June 2021).



- FY22-FY26 strategic business case plan prepared by Crown management in February 2022 (“5 Year Corporate Plan”); and
- other confidential documents, Board papers, presentations and working papers.

In preparing this report, Grant Samuel has held discussions with, and obtained information from, senior management of Crown and its advisers.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel’s opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by Crown and its advisers. Grant Samuel has considered and relied upon this information. Crown has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Scheme is fair and reasonable to, and in the best interests of Crown shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or “due diligence” investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report comprises the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Crown. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included:

- the FY22 Budget prepared by management and noted by the directors of Crown; and
- the 5 Year Corporate Plan⁴

⁴ The five year corporate business plan for the period ending 30 June 2026.

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Crown is responsible for the information contained in the FY22 Budget and the 5 Year Corporate Plan (“the forward looking information”). The directors of Crown have decided not to include the FY22 Budget or the longer term forecasts in the Scheme Booklet and therefore this information has not been disclosed in this report.

To provide an indication of the expected financial performance of Crown, Grant Samuel has considered brokers’ forecasts for Crown. While the broker consensus forecasts for FY23 are sufficiently close to Crown’s own 5 Year Corporate Plan to be useful for analytical purposes, the FY24 broker forecasts differ materially from the plan. In this regard, Crown’s 5 Year Corporate Plan assumes a “business as usual” forecast and does not account for any further regulatory changes beyond what has been legislated as of the date of this report. However, it is not clear the basis on which broker forecasts have been prepared beyond FY23 (e.g. what impacts (if any) from various potential regulatory changes have been assumed). As a result, FY24 broker forecasts have not been included in this report or relied upon in Grant Samuel’s analysis.

The major assumptions underlying the forward looking information were reviewed by Grant Samuel in the context of current economic, financial and other conditions. It should be noted that the forward looking information and the underlying assumptions have not been reviewed (nor is there a statutory or regulatory requirement for such a review) by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions.

Grant Samuel has no reason to believe that the forward looking information reflects any material bias, either positive or negative. However, the achievability of the forward looking information is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

Subject to these limitations, Grant Samuel considers that, based on the inquiries it has undertaken and only for the purposes of its analysis for this report (which do not constitute, and are not as extensive as, an audit or accountant’s examination), there are reasonable grounds to believe that the forward looking information has been prepared on a reasonable basis. In forming this view, Grant Samuel has taken the following factors into account that:

- the 5 Year Corporate Plan:
 - was reviewed in detail and has been adopted by the directors of Crown;
 - was updated by Crown management to reflect Crown’s actual operating results for the seven months ended 31 January 2022;
 - is managed centrally but based on inputs from management teams with responsibility for each business operation;
 - is used by Crown for general business planning and management purposes (including strategic planning); and
 - is reviewed and updated regularly; and
- Crown has sophisticated management and financial reporting processes. The forward looking information has been prepared through a detailed process involving preparation of forecasts using key metrics by site and category of business and is subject to ongoing analysis and revision to reflect the impact of actual performance or assessments of likely future performance.

At the same time, it is important to recognise that:

- Crown’s business operations (similar to almost all hospitality and travel businesses) have been severely impacted by the lockdowns and other restrictions imposed by State and Commonwealth governments in the wake of the COVID-19 crisis. Broker forecasts are generally premised on a strong



recovery back towards “normal” levels of activity over FY23 and beyond. However, the pandemic is an unprecedented event (within living memory) and it is extremely difficult to forecast the pace at which any recovery can reasonably be expected and the level of activity once the new “normal” is reached (although historical levels prior to the pandemic provide strong guidance); and

- there are significant unknowns and risks attaching to Crown’s future financial performance including:
 - the opening and performance of *Crown Sydney* gaming, which is a new business opening against a well established competitor;
 - the recovery of its VIP business performance following an extended period of international travel bans, as well as significant business restructuring following the decision to cease dealings with junket operators;
 - a number of regulatory changes have been introduced during the pandemic. Their effect on revenue and costs cannot be accurately identified at this point in time; and
 - various regulatory matters that are yet to be finalised which could incur one-off costs (including fines or penalties) as well as materially impact ongoing revenue generation, future operating costs and even the right to operate.

Accordingly, any forecast for a business such as Crown needs to be treated with considerable caution. The range of potential outcomes that could be considered realistic is extremely wide.

Grant Samuel has not relied on the 5 Year Corporate Plan for the purposes of its report but has considered this information in its review of the future business strategy of Crown and its prospects and used this information in developing financial models for Crown’s business operations as discussed in Section 6.3.1 of this report. As part of its analysis, Grant Samuel has considered a range of different forecast outcomes based on alternative sets of assumptions and has reviewed the impact on net present values to changes in these assumptions. This analysis isolates a limited number of assumptions and shows the impact of variations to those assumptions. No opinion is expressed as to the probability or otherwise of those variations occurring. Actual variations may be greater or less than those modelled. In addition to not representing best and worst outcomes, the analysis does not, and does not purport to, show the impact of all possible variations. The actual performance of the business may be negatively or positively impacted by a range of factors including, but not limited to:

- changes to the assumptions other than those considered in the sensitivity analysis;
- greater or lesser variations to the assumptions considered in the sensitivity analysis than those modelled; and
- combinations of different variations to a number of different assumptions that may produce outcomes different to the combinations modelled.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the assessments by Crown and its advisers with regard to legal, regulatory, tax and accounting matters relating to the Scheme are accurate and complete;
- the information set out in the Scheme Booklet sent by Crown to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Scheme will be implemented in accordance with its terms; and

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- the legal mechanisms to implement the Scheme are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.



3 Industry Overview

3.1 Introduction

The gambling industry encompasses a wide range of distinct activities including:

- lotteries (and other similar products such as keno, bingo and raffles);
- electronic gaming machines (“EGMs”) (also called “poker machines”, “pokies” or “slots”) which, in Australia, are typically located in pubs and clubs;
- casinos (premises containing table games such as roulette, baccarat and poker as well as, in many cases, EGMs);
- games (such as poker); and
- various forms of wagering such as:
 - racing (thoroughbreds, harness racing and greyhounds) including:
 - on and off course totalisator (or “Tote” or “pari mutuel”) betting through official organisations such as TABs⁵ in Australia;
 - on course fixed odds betting with individual bookmakers or other licensed operators with booths or outlets at the track such as the State based TABs in Australia); and
 - off course fixed odds betting;
 - sports betting (other than racing); and
 - non sports or “novelty” betting (e.g. election outcomes or other measurable events).

Gambling varies from activities based solely on luck (such as lotteries, EGMs, some casino games) to those involving an element of skill and/or analysis (poker, most wagering) as well as luck.

Traditionally, most gambling took place in licensed venues (e.g. casinos, race tracks) or other officially sanctioned distribution channels such as retail betting shops or licensed premises (hotels and clubs). At the same time, there has always been a considerable level of illegal gambling (e.g. poker dens and “underground” casinos). Indeed, the evolution of TABs in Australia in the 1960s was a government response to high levels of illegal off course betting on horse races.

The advent of the internet⁶ has wrought dramatic change across the industry over the past 20 years, which has accelerated over the past ten years with the development of sophisticated applications (“apps”) that can be easily used on mobile devices.

Internet based (or “online”) gambling occurs across virtually all sectors of the industry (although some activities may be illegal in certain jurisdictions, including Australia). Today, there are:

- online lotteries (e.g. Lottoland although it is, strictly, a form of wagering) and online distribution of official lotteries;
- online casino games (such as roulette and blackjack) and online EGMs (pokies or slots) which are generally referred to as “iGaming”;
- online poker; and
- online wagering across racing, sports and novelty betting.

⁵ Totalisator Agency Board (in its original form). These organisations have now been corporatised and privatised (except Western Australia) but continue to use the TAB brand.

⁶ Prior to internet based betting there was “phone betting” but its impact was relatively minor.



The gambling industry is heavily regulated (including as to accessibility and distribution methods) and heavily taxed, although these elements vary substantially between countries and, in federated jurisdictions, there can also be marked differences between individual States. In this respect, there is no global gambling industry, only individual markets albeit that there is a significant level of unregulated (and often illegal), offshore based online gambling activity that transcends State and national boundaries.

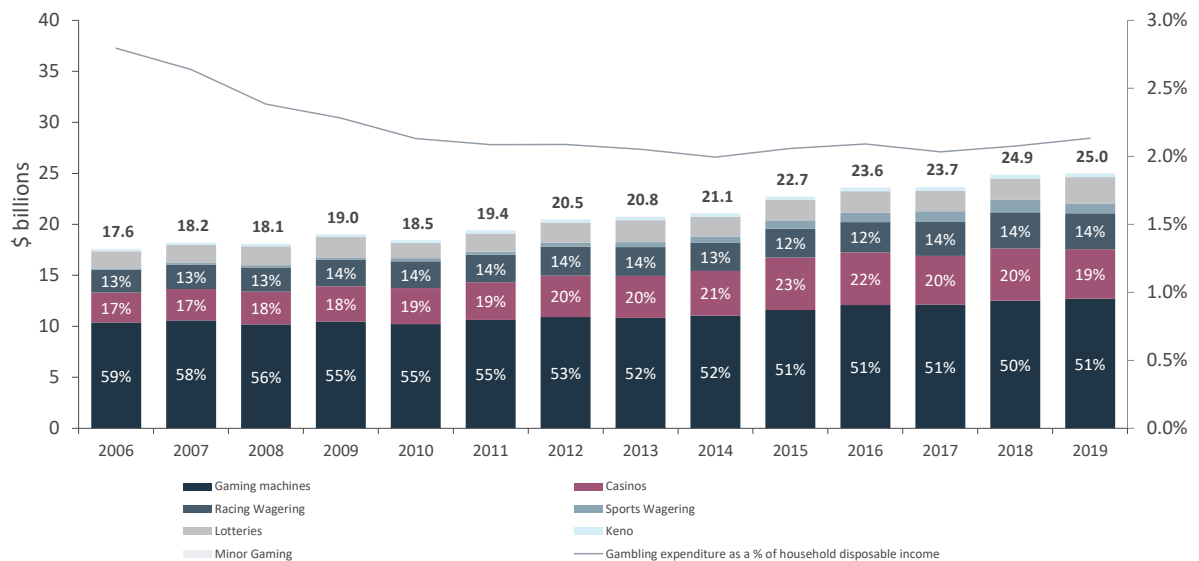
3.2 Gambling in Australia

Australia has some of the highest levels of gambling in the world. Gambling turnover⁷ in Australia FY19 was \$225 billion and gambling expenditure⁷ was estimated to be \$25.0 billion (or over \$1,000 per capita)⁸. Data for the COVID-19 affected years of FY20 and FY21 is not yet available but is expected to show a downturn as well as a shift to online (because of physical venue closures). However, that is likely to be followed by a recovery to previous levels and a resumption of historical trends.

The Australian gambling industry is relatively mature. Although year on year growth has varied, average annual growth over the past ten years (2.8%) has been broadly in line with growth in the economy.

Gambling activities compete with other consumer products and services for consumers’ discretionary expenditure and, in particular, with other forms of leisure and entertainment including cinema, restaurants, sporting events, the internet and pay television. Although gambling expenditure as a percentage of household disposable income has declined from its peak of circa 3% at the turn of the century, it appears to have stabilised at around 2% over the last decade:

**GAMBLING EXPENDITURE IN AUSTRALIA
2006 TO 2019**



Source: Source: Australian Gambling Statistics, 36th edition, Queensland Government Statistician’s Office, Queensland Treasury; Australian Bureau of Statistics

Note: Gambling expenditure by product excludes minor gambling (raffles, bingo, lucky envelopes etc.) which represents less than 1% of total gambling expenditure.

⁷ Gambling turnover is the total amount gambled. Gambling expenditure is gambling turnover less the total amount won by players (i.e. the net loss incurred by gamblers).

⁸ Source: Australian Gambling Statistics, 36th edition, Queensland Government Statistician’s Office, Queensland Treasury. FY19 is the latest information available at the date of this report. All market size and share information in this section has been sourced from this publication unless stated otherwise.



In FY19, expenditure on EGMs (in clubs and hotels) represented just over half of all gambling expenditure, with the largest proportion by far in New South Wales which has almost 50% of all machines. Nationally, EGM’s share has declined since 2001 due to social pressures, the growth of other forms of betting (e.g. online sports betting) and the expansion of casinos. By contrast, casinos (which include EGMs on premises) represent only approximately 20% of gambling expenditure. However, expenditure has declined from its peak in FY15 and FY16 (both in dollar terms and share) as the international VIP business was curtailed. Nevertheless, expenditure at casinos has grown at an average annual rate of 3.5% since FY06 and 3.7% over the decade to FY19.

New South Wales, Victoria and Queensland together account for approximately 80% of gambling expenditure in Australia, in line with the concentration of the population in these eastern seaboard States. Excluding the Northern Territory (which has unusually high per capita gambling expenditure because it is the primary place of registration for online wagering businesses), New South Wales, Victoria and Queensland also lead on a per capita basis, with gambling expenditure in the range \$1,000-1,600 in FY19⁹.

3.3 The Casino Industry in Australia

3.3.1 Operators and Facilities

There are currently 13 casinos in operation across Australia. *Crown Sydney* and *Queen’s Wharf Brisbane* have yet to commence operations. A summary of the operators is set out below:

AUSTRALIAN CASINOS¹⁰

CASINO	LOCATION	OWNER	TABLES	EGMS	HOTELS	ROOMS
<i>Crown Melbourne</i>	Melbourne	Crown	540	2,628	3	1,604
<i>Crown Perth</i>	Perth	Crown	350 ¹¹	2,500	3	1,188
<i>Crown Sydney</i>	Sydney	Crown	no limit ¹²	--	1	349
<i>The Star Sydney</i>	Sydney	Star	no limit	1,500	2	650
<i>Treasury Brisbane</i> ¹³	Brisbane	Star	326	1,632	1	125
<i>The Star Gold Coast</i>	Gold Coast	Star	333	1,651	3	596
<i>Queen’s Wharf Brisbane</i>	Brisbane	Destination Brisbane Consortium (incl. Star)	no limit	2,500	5	>1,100
<i>SkyCity Adelaide</i>	Adelaide	SkyCity Entertainment Group Limited (“SkyCity”)	500	1,500	1	120
<i>Mindil Beach Casino</i>	Darwin	Delaware North	68	637	1	152
<i>Casino Canberra</i>	Canberra	Aquis	39	--	--	--
<i>The Reef Hotel Casino</i>	Cairns	Casinos Austria	76	660	1	127
<i>The Ville Resort and Casino</i>	Townsville	Colonial Leisure	57	353	1	196
<i>Country Club Tasmania</i>	Launceston	Federal Group	12	535	2	>200
<i>Wrest Point Hotel</i>	Hobart	Federal Group	16	554	1	269
<i>Lasseters</i>	Alice Springs	Lasseters	22	330	1	205

Source: Grant Samuel analysis; Office of Liquor and Gaming Regulation, Northern Territory Government. Company filings

⁹ Understated due to inclusion of online activities under Northern Territory.

¹⁰ Fully automated tables are included under tables. However, based on statistics published by the Northern Territory Government. Fully automated tables are included in EGMs.

¹¹ Represents the number of table games Crown is licenced to operate.

¹² Under the casino licence, there is no prescribed limit to the number of tables that the licenceholder is allowed to operate. However, this is subject to a gaming floor capacity restriction.

¹³ The *Treasury Brisbane* will be permanently closed upon opening of *Queen’s Wharf Brisbane*. The first stage of *Queen’s Wharf Brisbane* is expected to open in the first half of 2023.



3.3.2 Competitive Environment

Crown and Star are by far the two largest casino resort operators in Australia with:

- Crown operating casinos in Melbourne, Perth and (expected shortly) Sydney; and
- Star operating casinos in Sydney (*The Star Sydney*), Brisbane (*Treasury Brisbane*¹³) and Gold Coast (*The Star Gold Coast*).

Both operate across all three segments of the industry:

- VIP Gaming – premium gaming to the highest value customers, mostly international customers;
- Domestic Gaming – premium mass market and leisure (i.e. irregular or occasional) customers. This category includes both table games and EGMs;
- Non-Gaming – food and beverage, accommodation, entertainment.

In this context, it should be noted that the “integrated” model operated by Crown and Star in particular is designed so that the different components of the business are mutually reinforcing:

- foot traffic in the main gaming areas drives food and beverage consumption (particularly at bars);
- VIP business contributes to hotel occupancy and high-end food and beverage and retail; and
- non-gaming facilities help draw customers to the resort which in turn can lead to gaming activity.

The other smaller operators tend to have less extensive non-gaming facilities and do not have any meaningful international VIP programs.

With the exception of Sydney (when *Crown Sydney* opens), each casino operates as a virtual monopoly within its catchment area (or city/region/state) at least as far as domestic table game activities are concerned. However, individual casino resorts do face competition from:

- pubs and clubs in relation to EGMs (except in Western Australia where *Crown Perth* is the only licenced operator of EGMs in the state); and
- the broader hospitality market in relation to food and beverage, hotel operations and conferences and events.

By contrast, there is a much greater level of direct competition between major participants (i.e. Crown and Star) for the VIP gaming market.

3.3.3 Performance Drivers

The financial performance of casinos is driven by a combination of nationwide factors and local market conditions.

The broad factors include:

- national economic performance including unemployment, wages growth, disposable income and taxes; and
- international inbound tourism levels and the relative attractiveness of Australia as a tourist destination.

However, individual casino resorts are mostly impacted by specific local dynamics including:

- population growth within the catchment area;
- the degree to which local economic conditions vary from national trends;



- the level of competition from pubs and clubs offering EGMs (and any differences in tax or regulatory treatment compared to casinos);
- the extent of competition from alternative forms of gambling (e.g. sports betting) or leisure activities (e.g. sports events, performing arts);
- the quality of food and beverage and hotel offerings compared to those available in the local market;
- the success of entertainment offerings and conventions in drawing visitors to the facility; and
- the ability to attract international high-end gamblers to visit the particular city or region.

Finally, performance is also affected by:

- regulatory constraints and operating rules; and
- social pressures (e.g. anti-gambling campaigns).

3.3.4 Regulation

The casino industry across Australia is tightly regulated under separate State-based regimes. All States and Territories:

- issue casino licences to an approved operator. Several (Victoria, South Australia, Western Australia and the Australian Capital Territory) currently have only one licensed operator;
- set caps on the number of games or machines (or the space available);
- have a regulatory authority responsible for setting requirements for the operation of games, equipment, rules and operating hours as well as monitoring compliance with the requirements and any other applicable laws (e.g. ownership probity tests); and
- set their own taxes through negotiation with the operator. Tax rates usually vary between EGMs, domestic table games and international VIP business, and across States and Territories.



4 Profile of Crown

4.1 Background

Crown's origins can be traced to 1991 when the Crown Casino Limited ("Crown Casino") joint venture was formed by a consortium of leading Australian companies (i.e. Hudson Conway Limited, Federal Hotels Limited and Carlton & United Breweries Limited) in response to the Victorian Government's expression of interest process to develop and operate a new casino in Melbourne. In 1993, the Victorian Casino Control Authority (the Victorian casino regulator at the time) granted Crown Casino the licence to operate the Melbourne casino.

To finance the development, Crown Casino raised new capital through an initial public offering and was listed on the ASX in March 1994. Construction occurred over the next three years and *Crown Melbourne* launched operations in its current Southbank location in May 1997. However, the casino sustained significant losses in early years partly due to weak international tourist traffic that was substantially subdued as a result of the Asian Economic Crisis as well as unexpected losses from its VIP gaming operations. The company's financial position grew increasingly tenuous as a result of its significant debt burden.

In 1998, Publishing and Broadcasting Limited ("PBL"), part of the Kerry Packer-led CPH Group, acquired Crown Casino for \$1.8 billion. This was the media group's initial foray into the gaming industry and marked the first of a series of investments over the next eight years to expand its gaming business, including the:

- acquisition of Burswood, Perth's largest casino and entertainment complex (now *Crown Perth*);
- establishment of a joint venture with Betfair United Kingdom to operate Betfair Australasia, a new online betting exchange focused on Australian and New Zealand customers;
- establishment of a joint venture with Melco International Development Limited to create a gaming company in Asia, which eventually proceeded to develop *Crown Macau*;
- acquisition of a 50% interest in the Aspinalls casino business in the United Kingdom. This business comprised three existing casinos (*Aspinall's Club Mayfair*, *Aspers at the Gate* and *Aspers at Salubrious Palace*) and two new casino developments; and
- making of a number of noncontrolling investments across North America, including Fontainbleau Equity Holdings LLC (19.6% interest in a Las Vegas-based resort) and LVTI LLC (37.5% interest in a 27-acre development site in Las Vegas).

In just under a decade, PBL had expanded its reach across new geographies both domestically and internationally. In 2007, PBL implemented a demerger which established a gaming focused business, Crown Limited (later renamed to Crown Resorts Limited).

Following the demerger, Crown continued to execute its strategy to expand its gaming business globally. Significant initiatives included:

- completing a major upgrade of its Australian resorts, including constructing *Crown Metropol Melbourne* hotel (2010), *Crown Towers Perth* (2016) and completing major refurbishments (e.g. main gaming floors and extensions of *Crown Melbourne's* VIP gaming rooms);
- investing in growing its international presence in:
 - Asia, where the Melco joint venture delivered brand new casinos over the period, including *City of Dreams* resort in Macau (2009), *City of Dreams* resort in the Philippines (2014) and *Studio City* hotel resort in Macau (2015); and



- North America, where the company also acquired a 24.5% interest Cannery Casino Resorts LLC and minority interests in other Las Vegas-based casino operators such as Harrah’s Entertainment and Station Casinos; and
- expanding into adjacent and complementary businesses. Crown launched the *CrownBet* bookmaking platform in 2014, acquired a majority interest in game developer DGN Games LLC in 2015 and acquired a 20% interest in restaurant and hotel operator Nobu Hospitality LLC in 2015.

However, the global casino market began to weaken in 2014 as the Chinese government tightened anti-corruption rules that targeted high-end junket operators. These junket operators were valuable marketing channels for casinos such as Crown given the junket operators’ access to high wealth customers (“VIPs”). They also provided credit underwriting of the individual gamblers. The increased scrutiny had an especially acute impact on Macau’s gaming market as the rapid introduction of new casino supply in recent years, new partial bans on smoking and tighter table allocations for new casinos collectively impacted the performance of all operators. Between 2013 and 2016, Macau (the largest casino market in the world) saw gross gambling revenues decline by nearly 40%¹⁴.

The detention of Crown employees in China in October 2016 as well as the decline of the global VIP market impacted Crown’s financial performance and total VIP program play declined by approximately 50% in FY17. The majority of its international VIP gaming program visitors originated from a range of regions such as Southeast Asia, North Asia, Europe and the Middle East but China accounted for nearly half of the group’s international VIP revenues.

In response, Crown embarked on a series of initiatives to focus on its core Australian resort assets and UK-based operations. Between 2016 and 2017, Crown progressively divested its entire interest in the Melco joint venture and decided not to proceed with a major Las Vegas casino development (subsequently selling the land parcel). The company also explored the potential of spinning off its property assets through a sale and leaseback transaction although this did not proceed at the time. These initiatives enabled Crown to successfully reduce its debt levels and materially improve its financial flexibility to adapt and respond to the prevailing industry headwinds. Moreover, these initiatives also enabled it to strengthen its Australian resorts portfolio, including developing and constructing the brand new *Crown Sydney* hotel resort which commenced construction in 2016.

Today, Crown remains Australia’s leading gaming and entertainment group focused on operating and developing premium integrated resorts. It is a top 100 ASX listed company and, prior to the announcement of the Blackstone proposal on 19 November 2021, had a market capitalisation of approximately \$6.7 billion.

4.2 Business Overview

Crown operates a portfolio of integrated resorts and entertainment offerings in Australia and the United Kingdom. Its key business operations are summarised below:

CROWN – BUSINESS OPERATIONS

	INTEREST	DESCRIPTION
<i>Crown Melbourne</i>	100.0%	<ul style="list-style-type: none"> • Operates the <i>Crown Melbourne</i> Entertainment Complex • See Section 5.1 for further information
<i>Crown Perth</i>	100.0%	<ul style="list-style-type: none"> • Operates the <i>Crown Perth</i> Entertainment Complex • See Section 5.2 for further information
<i>Crown Sydney</i>	100.0%	<ul style="list-style-type: none"> • Crown’s most recent greenfield entertainment complex development • See Section 5.3 for further information

¹⁴ Source: Gaming Inspection and Coordination Directorate, Macau SAR.

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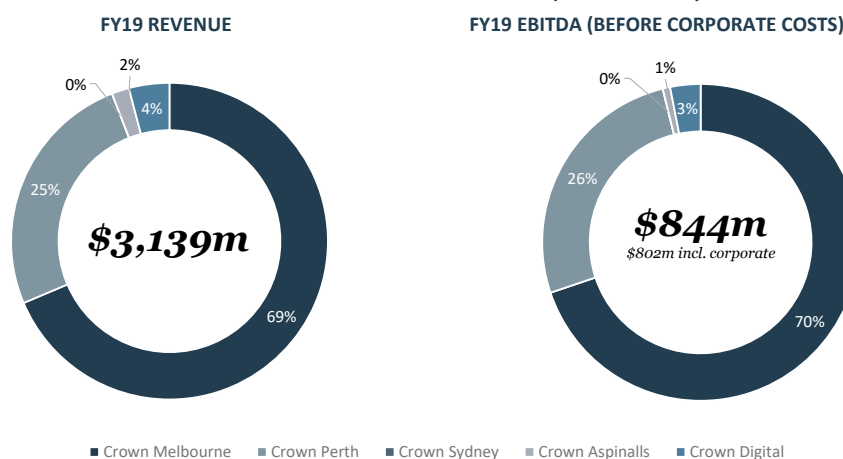
CROWN – BUSINESS OPERATIONS

	INTEREST	DESCRIPTION
 Crown Aspinalls	100.0%	<ul style="list-style-type: none"> High-end casino in London See Section 5.4 for further information
 Betfair Australasia Pty Ltd (“Betfair”)	100.0%	<ul style="list-style-type: none"> Provides access to Australian and New Zealand residents to a world leading online betting exchange Included in the <i>Crown Digital</i> business operation. See Section 5.5 for further information
 DGN Games LLC (“DGN Games”)	100.0%	<ul style="list-style-type: none"> Developer of online social and casual games Included in the <i>Crown Digital</i> business operation. See Section 5.5 for further information
 CHILL GAMING	50.0%	<ul style="list-style-type: none"> Developer of innovative gaming machine products <i>Chill Gaming</i> remains largely pre-revenue at this stage
 ASPERS CASINO	50.0%	<ul style="list-style-type: none"> Four regional casino business in the United Kingdom Crown sale process in progress. Completion expected by the end of FY22
 NOBU	20.0%	<ul style="list-style-type: none"> Internationally recognised Japanese brand with a portfolio of 30 restaurants and 12 hotels Employs a mix of owner-operated and licenced restaurants

Source: Crown

The majority of Crown’s revenue and earnings is generated by *Crown Melbourne* and *Crown Perth*, which collectively comprised approximately 95% of Crown’s FY19 revenue and FY19 EBITDA^{15,16} (before corporate costs). While *Crown Sydney* is expected to contribute a material share of Crown’s future revenues and earnings, the facility was still under construction in FY19 and its gaming floors currently remain closed until it receives regulatory approvals.

CROWN – CONTRIBUTION BY BUSINESS (THEORETICAL)¹⁷



Source: Crown and Grant Samuel analysis

Crown’s business operations are described in Section 5 of this report.

¹⁵ Due to the impact of the government mandated closures in response to the COVID-19 pandemic, Crown’s revenue and earnings profile in FY21 are heavily skewed towards operations that have been able to operate over longer periods of time throughout the fiscal year. As a consequence, FY20 and FY21 revenues and earnings may not be reflective of the underlying performance of each of Crown’s business operations. Accordingly, FY19 has been adopted as a better reflection of normalised contributions.

¹⁶ EBITDA is earnings before net interest, tax, depreciation and amortisation.

¹⁷ Assumes a “normalised” or “theoretical” win rate (long term average of 1.35%) that casinos can expect to win from VIPs over the long term. See Section 4.5 for more detail.



4.3 Regulatory Overview

Background

Crown's Australian casino operations are subject to regulations and regulatory oversight that vary across the different states. For instance:

- in New South Wales, *Crown Sydney* is subject to the Casino Control Act 1992 (NSW). The ILGA is tasked with maintaining and administering systems for the licensing, supervision and control of casinos;
- in Victoria, *Crown Melbourne* is subject to the Casino (Management Agreement) Act 1993 (VIC), the Casino Control Act 1991 (VIC) and the Gaming Regulation Act 2003 (VIC). The operation is regulated by the Victorian Gambling and Casino Control Commission ("VGCCC"), which is tasked with overseeing the regulation of gambling and liquor in the state and ensure the objectives of the Casino Control Act 1991 (VIC) are fulfilled; and
- in Perth, *Crown Perth* is subject to the legal and regulatory framework established under the Casino (Burswood Island) Agreement Act 1985 (WA) and the Casino Control Act 1984 (WA). The Gaming and Wagering Commission of Western Australia ("GWC") is responsible for administering the law relating to gaming and wagering in the State.

Crown is also subject to other broader obligations that are monitored and enforced by the Australian Transaction Reports and Analysis Centre ("AUSTRAC"), a Commonwealth government entity. This includes the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) and Anti-Money Laundering and Counter-Terrorism Financing Rules 2007 (Cth).

Recent Regulatory Inquiries and Processes

Over the last three years, Crown emerged as the subject of a series of regulatory inquiries that have been highly disruptive to the business.

In July 2019, Crown became subject to a number of allegations regarding the company's anti-money laundering and counter terrorisms financing ("AML/CTF") governance and its relationships with junket operators, including a number which were alleged to have criminal connections. AUSTRAC initiated a formal enforcement investigation into the compliance of *Crown Melbourne* and *Crown Perth* in October 2020 and June 2021, respectively. On 1 March 2022, Crown announced that *Crown Melbourne* and *Crown Perth* have been served with a statement of claim from AUSTRAC, commencing civil penalty proceedings alleging contraventions of obligations under the AML/CTF Act.

In August 2019, the NSW ILGA initiated an inquiry (the "Bergin Inquiry") into the share sale agreement between the CPH Group and Melco, under which Melco agreed to acquire approximately 19.99% interest in Crown. The Bergin Inquiry was launched in light of the allegations that were aired in July 2019 and aimed to assess the suitability of Crown (which would have effectively had Melco as a significant shareholder) as the gaming licence holder in New South Wales.

The hearings were temporarily placed on hold due to COVID-19, recommenced in July 2020 and concluded in November 2020. The inquiry hearings raised issues around Crown's "poor corporate governance, deficient risk management structures and processes and poor corporate culture". Due to the timing of the inquiry hearings, Crown announced on 18 November 2020 that it would focus on opening the non-gaming operations at *Crown Sydney* as planned in December 2020 but would defer the launch of gaming operations.

In February 2021, the Bergin Inquiry concluded that, among other matters, Crown was no longer a suitable person to hold the restricted gaming licence that authorised it to operate the *Crown Sydney* gaming



facilities. The report outlined 19 recommendations to further enhance and tighten the regulation of casinos in New South Wales, which included, among other things:

- a requirement that all licenced casinos prevent any money laundering activities within their casino operations;
- establishment of a new specialist casino regulator (Independent Casino Commission) that would be responsible for any decision about a casino licence and disciplinary action (among other responsibilities);
- heightened customer due diligence and patron monitoring obligations; and
- strict prohibition against dealing with junket operators.

However, the inquiry also outlined a series of steps that would allow Crown to restore its suitability to hold the restricted gaming licence. At the core of these steps was providing the regulators with a “detailed written remediation action plan” that covered Crown’s proposed undertakings in relation to governance, independent monitoring and accountability. In response to this finding, Crown has launched a major governance and culture transformation program designed to address the key issues highlighted by the Bergin Inquiry (see *Remediation Plan* on the following page).

The NSW ILGA also reached an agreement with CPH Group on 16 April 2021 to address the regulator’s concerns over the influence of CPH (as the dominant shareholder of Crown) on the management and operation of *Crown Sydney*. Under this agreement, CPH agreed to:

- not enter into any information sharing agreements with Crown;
- not initiate any non-public discussions with Crown about the company’s business or operations;
- not seek to have a nominee appointed to Crown’s Board before October 2024; and
- not seek any amendment to the Crown constitution which would affect the management and operation of Crown’s business.

As of the date of this report, Crown continues to engage with the ILGA on the finalisation of terms that will apply to allow it to commence gaming operations at *Crown Sydney*.

Shortly after the publication of the Bergin Inquiry report, the State Governments of Victoria and Western Australia each established a Royal Commission to investigate Crown (and its associates) in relation to the operation of their respective casino licences. In summary:

- the Victorian Royal Commission was established on 22 February 2021. The scope of its investigation covered a broad range of issues including the corporate culture at *Crown Melbourne*, gambling harm minimisation and claims against casino tax underpayments. Due to the nature of the submissions and evidence that was brought forth to the Royal Commission, the Victorian Government extended the time to complete the Royal Commission to October 2021.

The hearings reiterated a number of the themes that were brought forth by the Bergin Inquiry and coincided with an overhaul of Crown’s senior executive team, including the appointment of the Crown Chief Executive Officer to also take the top job at *Crown Melbourne*. The hearings also drew out issues around the influence of CPH Group (as the dominant shareholder) over the company’s decision-making, compliance monitoring (e.g. casino tax underpayments) and responsible gaming obligations.

On 26 October 2021, the Victorian Government released the Victorian Royal Commission Report, which found:

- ongoing legal breaches and misconduct often with knowledge of Crown executives;
- consistent patterns of non cooperation with regulators (including the provision of false information, delaying and frustrating the investigation process);



- intentional commitment (and concealment) of tax breaches; and
- systemic breaches of responsible gaming obligations.

On this basis, the Royal Commission concluded that Crown was not suitable to hold a casino licence in Victoria, highlighting key issues within the company such as the failure of the Board and senior executives to carry out their responsibilities (and legal obligations) and the significant influence from CPH Group as the dominant shareholder. However, the Royal Commission acknowledged that Crown should still be permitted to continue operating *Crown Melbourne* under a newly appointed manager (“Special Manager”) for two years while it undertakes a comprehensive reform agenda to restore its suitability to hold the casino licence.

The Victorian Royal Commission made 33 recommendations that covered a broad range of topics to be effected through legislation, all of which were accepted in principle by the Victorian Government. The key elements of the government response are:

- the first of phase of legislation (i.e. The Casino and Gambling Legislation Amendment Act of 2021) implemented 9 of 33 recommendations, including expanding the regulator’s powers, establishing the position of the Special Manager and prohibiting Crown from dealing with junket tour operators; and
- the second phase of legislation is expected to be introduced in 2022. This phase is expected to cover a broad range of topics including responsible gambling, structural reforms to the casino operator and AML risks. Some recommendations included changes to *Crown Melbourne’s* current gaming operations including mandatory carded play, cashless gaming and capped play periods. Implementation of the second phase of legislation is still subject to further industry consultation to assess the broader industry impacts including the applicability to other pubs and gaming venues across Victoria; and
- the Perth Casino Royal Commission was established on 12 March 2021 to examine the suitability of *Crown Perth* to continue holding a casino licence in Western Australia. The key areas of focus are the adequacy of the existing regulatory framework, the internal governance of *Crown Perth* (including Board independence), responsible gaming obligations and AML/CTF matters. The Perth Casino Royal Commission delivered its final report to the Western Australian Government by 4 March 2022 and its recommendations were released on 24 March 2022. The Perth Casino Royal Commission found Crown was not suitable to hold a casino licence but allowed it to retain its licence subject to an independent monitor being put in place to oversee the implementation of Crown’s remediation plan at *Crown Perth*. The Commission also made a number of other recommendations, including more stringent regulation, higher penalties and various measures related to responsible gambling.

See Section 5.6 of the Scheme Booklet for a summary of Crown’s recent regulatory processes.

The Remediation Plan

In response to the increased regulatory uncertainty and scrutiny on the organisation, Crown has developed a comprehensive remediation plan (the “Remediation Plan”) which is intended to position Crown as a leader in the industry in its approach to governance, compliance, responsible gaming and management of financial crime risk, underpinned by an uplifted organisational culture. The Remediation Plan covers a comprehensive range of matters raised as part of Crown’s engagement with its regulators, including the issues raised in the Bergin Inquiry. This broadly includes core topics such as corporate governance, leadership renewal, cultural transformation, junket and key customer relationships, significant shareholder relationships (i.e. the CPH Group), financial crime risk management, responsible gaming obligations and enhancing broader risk management governance frameworks.

Crown has already implemented a number of the initiatives outlined in the Remediation Plan. These include changes to:



- senior leadership. Crown has appointed a new Board Chairman and three new non-executive directors and completed a major overhaul to the senior management team (including Group CEO and CEO of *Crown Melbourne*, *Crown Perth* and *Crown Sydney*);
- the VIP program. Crown has permanently ceased dealing with all junket operators and restructured the VIP business (including closure of offshore offices);
- Crown’s relationship with CPH. All CPH nominee directors have resigned and Crown has terminated all information sharing agreements with CPH;
- compliance and risk management, including in relation to its AML/CTF program. Crown has increased resourcing by more than 50 full time employees, implemented enhanced risk management AML/CTF controls and rolled out comprehensive financial crime and compliance change program; and
- approach to promoting responsible gaming. This includes, among other items, the implementation of recommendations received from an independent advisory panel appointed to provide independent advice to Crown in relation to responsible gaming and exploring ways to move to cashless gaming.

Crown is committed to implementing the balance of the Remediation Plan.

See Section 5.7 of the Scheme Booklet for more detail on Crown’s Remediation Plan and key achievements to date.

4.4 Strategy

The backdrop of continued economic and industry uncertainty caused by the COVID-19 pandemic as well as numerous regulatory issues continue to place unprecedented pressure on Crown’s financial and operating performance. To navigate through these challenges, Crown’s strategy is to:

- **restore public and regulatory confidence**, with the aim of restoring Crown’s regulatory and social licence to operate by:
 - fully cooperating with the regulatory matters that Crown is subject to and ensuring that the company has devoted sufficient resources to respond to these investigations. To date, Crown has nearly doubled the size of its Financial Crime & Compliance team and provided additional AML/CTF training to Crown employees and senior management;
 - implementing the Remediation Plan and establishing industry-leading standards for governance, compliance, responsible gaming and risk management; and
 - investing in technology to improve Crown’s ability to respond to the evolving risk environment;
- **improve the underlying performance of Crown’s business**, which includes:
 - managing the uncertainty of Government-mandated closures and operating restrictions to ensure that Crown maintains a safe operating environment;
 - preparing for the launch of gaming at *Crown Sydney* (subject to regulatory approval) and driving the ramp-up of operations;
 - reviewing the operating model and cost structure of the business. Crown’s decision to permanently cease dealing with junket operators and the impact of COVID-19 pandemic on travel and tourism has required a renewed approach to Crown’s approach to doing business; and
 - maximising revenue potential by continuing to invest in refurbishing and upgrading non-gaming facilities (food and beverage, hotels) to enhance the utilisation of commercial space; and
- **strengthen its capital position**, to maximise Crown’s financial flexibility and ensuring that adequate management resources are focused on the company’s core assets. This strategy includes:
 - maintaining a conservative level of gearing;



- completing the sale of the remaining apartments in *Crown Sydney*; and
- continuously reviewing Crown’s portfolio of non-core assets. As part of the Scheme conditions, Crown is currently managing these businesses to preserve value.

The success of these objectives is built on the foundation of transforming the organisational culture to restore its regulatory and social licence to operate.

4.5 Financial Performance

Historical Financial Performance

The historical financial performance of Crown for FY17 to FY21 and 1HY22¹⁸ is summarised below:

CROWN – HISTORICAL FINANCIAL PERFORMANCE (\$ MILLIONS)

	FY17 ACTUAL PRE AASB16	FY18 ACTUAL PRE AASB16	FY19 ACTUAL PRE AASB16	FY20 ACTUAL POST AASB16	FY21 ACTUAL POST AASB16	1HY22 ACTUAL POST AASB16
Theoretical revenue¹⁹	3,229.0	3,481.2	3,139.0	2,258.6	1,542.0	780.5
Theoretical EBITDA (before closure costs and significant items)	827.9	878.3	802.1	503.8	241.7	28.8
VIP win rate & commission adjustment	(37.7)	(85.9)	47.6	111.6	(3.2)	(2.3)
EBITDA (before closure costs and significant items)	790.2	792.4	849.7	615.4	238.5	26.5
Depreciation and amortisation	(296.8)	(285.9)	(273.6)	(275.5)	(290.3)	(155.1)
EBIT (before closure costs and significant items)²⁰	493.5	506.5	576.1	339.9	(51.8)	(128.6)
Net finance costs	(101.6)	(46.0)	(10.1)	-	(44.3)	(35.8)
Income tax benefit/(expense)	(127.1)	(144.3)	(176.4)	(104.4)	18.7	42.7
Share of profit/(loss) of associates	39.2	9.3	13.3	6.7	(8.7)	7.3
Non-controlling interests (including significant items)	41.1	(14.3)	(1.1)	(2.4)	(0.3)	-
NPAT²¹ attributable to Crown shareholders (before closure costs and significant items)	345.1	311.2	401.8	239.8	(86.4)	(114.4)
Significant and non-recurring items (net of tax) ²²	1,521.0	247.7	-	(78.7)	(54.6)	(2.7)
Closure costs (net of tax) ²³	-	-	-	(81.6)	(120.6)	(79.2)
NPAT attributable to Crown shareholders	1,866.1	558.9	401.8	79.5	(261.6)	(196.3)

¹⁸ 1HY22 is the six months ending 31 December 2021.

¹⁹ Theoretical revenue comprises actual revenue from all activities except VIP gaming. In relation to VIP gaming, the theoretical revenue is calculated by applying a theoretical win rate of 1.35% to the actual VIP turnover.

²⁰ EBIT is earnings before net interest and tax.

²¹ NPAT is net profit after tax.

²² Significant and non-recurring items are presented on a 100% basis.

²³ Closure costs reflect costs incurred at *Crown Melbourne*, *Crown Perth*, *Crown Sydney* and *Crown Aspinalls* whilst the properties were closed due to Government direction.

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CROWN – HISTORICAL FINANCIAL PERFORMANCE (\$ MILLIONS)

	FY17 ACTUAL PRE AASB16	FY18 ACTUAL PRE AASB16	FY19 ACTUAL PRE AASB16	FY20 ACTUAL POST AASB16	FY21 ACTUAL POST AASB16	1HY22 ACTUAL POST AASB16
<i>STATISTICS</i>						
Basic earnings per share	+257c	+82c	+59c	+12c	-39c	-29c
Dividends per share	143c	60c	60c	30c	-	-
Dividend payout ratio	56%	73%	102%	256%	n.m.	n.m.
Amount of dividend franked	60%	60%	43%	0%	-	-
Theoretical revenue growth	-10%	+8%	-10%	-28%	-32%	+33%
Theoretical EBITDA growth	-3%	+6%	-9%	-37%	-52%	-80%
EBITDA growth	-8%	+0%	+7%	-28%	-61%	-81%
EBIT growth	-15%	+3%	+14%	-41%	-115%	n.m.
Theoretical EBITDA margin	+26%	+25%	+26%	+22%	+16%	+4%
EBITDA margin	+24%	+23%	+27%	+27%	+15%	+3%
EBIT margin	+15%	+15%	+18%	+15%	-3%	-16%
Interest cover	5.0x	11.0x	16.7x	9.4x	3.2x	0.5x
Effective tax rate ²⁴	32%	31%	31%	31%	19%	26%

Source: Crown and Grant Samuel analysis

Crown's revenues are primarily derived from its gaming and non-gaming operations at its integrated resorts. Theoretical revenue primarily comprises:

- gaming revenues, which are effectively the net difference between gaming wins and losses, less any commissions and rebates paid. Due to the large amounts wagered by VIP players, VIP revenue can be very volatile and have a significant influence on a casino's revenues and earnings over a defined time period. Theoretical gaming revenue (shown in the table above) is regarded as a better measure of underlying performance as it assumes a "normalised" or "theoretical" win rate that casinos can expect to win from VIPs over the long term. The theoretical win rate is the expected long term average hold percentage on VIP program play and is assumed to be 1.35%. Over time, the adjustments to actual EBITDA are expected to net to zero; and
- non-gaming revenues, which are derived from Crown's hotel, event facilities and food & beverage operations. Revenues from hotel and event facilities are primarily driven by the occupancy rates or temporary rentals of these facilities. However, Crown adopts a range of structures for its food and beverage business model that impact its revenue and earnings. These structures include owned and operated venues (i.e. consolidate all concession revenues less a revenue or profit share), tenanted (i.e. rental incomes only) and partnership models (i.e. base fees plus a revenue or profit share).

Crown's financial performance over the past five years can be categorised into two phases:

- prior to March 2020, Crown's operating performance was relatively consistent except for the volatility of the VIP business. At its peak, VIP program revenues contributed more than \$1 billion in revenues to the group. However, the tightening of Chinese regulations on the business dealings of junket tour operators led to a global contraction in VIP activity including across Crown's casino operations. Further, the detention of Crown employees by Chinese authorities in relation to alleged promotion of gambling in October 2016 had a significant impact on Crown's VIP program business. By FY17, Crown's VIP program revenues had declined by nearly 50% from its peak. Despite a temporary rebound in VIP program revenues in FY18 (albeit at the expense of operating margins), VIP program revenues reverted to the long-term structural decline in FY19.

²⁴ Effective tax rate is income tax benefit/(expense) divided by EBIT (before closure costs and significant items) after net finance costs.



In response to the industry uncertainty, Crown undertook a review of its business and renewed its focus on the core operations. During FY17 and FY18, Crown divested its interests in:

- the Melco joint venture, which had historically been a major growth driver for Crown’s earnings and comprised up to 43% of Crown’s total NPAT (approximately \$280 million in equity accounted earnings in FY14). However, the joint venture was not immune to the tightening of Chinese regulations on junket operators and, by FY17, contributed less than \$40 million in equity accounted earnings; and
- the *CrownBet* joint venture, which generated more than \$250 million in FY18 revenues²⁵ and was one of the primary growth drivers for *Crown Digital*. The revenue decline in FY19 of approximately 10% was primarily attributable to the sale of *CrownBet*, among other factors.

During this period, revenues fluctuated between \$3.1 billion and \$3.5 billion. However, Crown’s profit margins were cushioned by an improved revenue mix through the sale of the high growth but loss-making *CrownBet* business and decline of the low margin junket-based VIP program business. The company also maintained cost discipline on its corporate costs (i.e. legal and advisory fees, directors’ fees and insurance costs, marketing and public relations and Crown Foundation contributions), which generally remained between \$40-50 million per annum. As a result, Theoretical EBITDA was consistently within a narrow range of between \$800 and \$880 million; and

- since March 2020, Crown’s results have been primarily dictated by the COVID-19 pandemic and are not reflective of its earnings capacity. The onset of the COVID-19 pandemic in FY20 and subsequent government mandated closures and international border restrictions resulted in a sharp decline in Crown’s revenues. To better represent operating performance, all operating costs incurred during closure periods have been treated as a below the underlying profit item. However, even when mandated closures were lifted, the resorts were still required to operate under restricted conditions (e.g. capacity limits) which contributed to higher operating costs, constrained operating activity and impacted margins. The extent of closures and restrictions also varied significantly between Victoria and Western Australia.

In addition, the structural decline of VIP revenues was exacerbated by the international border restrictions and Crown’s commitment to cease all activity with junket tour operators (who have historically been the primary channel to access the VIP market). In 1HY22, VIP program play only accounted for approximately \$7 million in revenues.

As a result, Crown’s FY20 and FY21 theoretical revenue declined by an average of 30% per annum. Over the last six months, operating conditions have improved but remain challenging. While 1HY22 revenues grew by 33% over the prior comparable period, they remain 47% below 1HY19 levels. Furthermore, corporate costs increased sharply in FY21 as legal and consulting costs increased by approximately \$50 million as a result of the ongoing regulatory inquiries and class actions. While Crown’s EBITDA margin (before closure costs and significant items) has remained positive throughout the challenging period, the lack of operating activity and near term doubling of corporate costs has placed immense pressure on its margins.

The operating performance of each of Crown’s business operations is discussed in Section 5 of this report.

Shares of profits and losses of associates are primarily in relation to Crown’s investments in *Nobu* and *Chill Gaming*. Historically, this amount also included Crown’s investment in *Aspers* (reclassified to asset held for sale in FY21) as well as its investments in *Melco* (through FY17), *Ellerston Leisure Pty Limited* (through FY18) and *Draftstars Pty Limited* (through FY18).

Crown incurred a large number of significant items and non-recurring items from FY17 to FY21 and 1HY22:

²⁵ Based on CrownBet Holdings Pty Limited statutory financial statements. Crown’s FY18 consolidated financial performance only includes CrownBet financials through 28 February 2018.

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CROWN – SIGNIFICANT ITEMS (\$ MILLIONS)

	FY17 ACTUAL	FY18 ACTUAL	FY19 ACTUAL	FY20 ACTUAL	FY21 ACTUAL	1HY22 ACTUAL
Profit on disposal of <i>Crown Sydney</i> apartments	-	-	-	-	207.8	74.9
<i>Crown Sydney</i> pre-opening costs	-	-	-	(3.5)	(62.0)	(20.1)
Underpayment of casino tax (including interest)	-	-	-	-	(61.2)	-
One-off allowance for expected credit losses	-	-	-	-	(27.2)	-
Restructuring costs	(89.6)	(15.5)	-	-	(21.7)	(7.1)
Contribution towards class action settlement	-	-	-	-	-	(20.0)
Contribution towards Bergin inquiry	-	-	-	-	(12.5)	-
Impairments (net of reversals)	(260.2)	122.3	(48.9)	(74.5)	(53.6)	(31.8)
Reassessment of contingent consideration	-	-	48.9	(1.7)	(2.0)	-
Net gain on disposals and sales (incl. FX gains)	1,834.3	170.3	-	-	-	11.4
Special dividend from the Melco joint venture	48.6	-	-	-	-	-
Associates' significant items	-	(2.7)	-	-	-	-
Early debt retirement costs	(32.4)	-	-	-	-	-
Significant items (pre-tax)	1,500.7	274.4	0.0	(79.7)	(32.4)	7.3
Tax effect on significant items	20.3	(26.7)	-	1.0	(22.2)	(10.0)
Significant items (post-tax)	1,521.0	247.7	0.0	(78.7)	(54.6)	(2.7)

Source: Crown and Grant Samuel analysis

Note: The table above presents significant items on a 100% basis

In summary, the significant items primarily comprise:

- more than \$2 billion in net gains on divestments of businesses, including the sale of Crown's interest in the Melco joint venture in FY17 and the sale of Crown's interest in *CrownBet* in FY18. In FY17, Crown also received a \$48.6 million special dividend as part of its exit from the Melco joint venture;
- approximately \$350 million in asset impairments (net of reversals) of Crown's investments, including:
 - the *Alon Las Vegas* project, when Crown decided not to proceed with developing the project in FY17. The impairment was partially reversed in FY19 when the land was sold;
 - *DGN Games* in FY19 (\$49 million), FY21 (\$17 million) and 1HY22 (\$32 million). The impairment in FY19 was fully offset by the revaluation of a contingent consideration (of which the payment amount was linked to the value of *DGN Games*); and
 - *Crown Aspinals* and *Nobu*, which were written down by a total of approximately \$75 million in light of the slowdown in operating conditions in FY20;
- more than \$280 million in profits on the sales of *Crown Sydney* apartments, less approximately \$85 million in pre-opening costs between FY20 and 1HY22; and
- around \$130 million of costs in relation to a broader organisational restructure undertaken in FY17 and the closure of the international VIP business and changes to senior management personnel in FY21 through to 1HY22.

Closure costs reflect costs incurred at *Crown Melbourne*, *Crown Perth* and *Crown Sydney* while the casino resorts were closed due to government-mandated restrictions. Between FY20 and 1HY22, Crown has incurred approximately \$280 million in closure costs (net of tax) across its three venues.

Depreciation and amortisation have remained relatively stable over the period as the major refurbishments and developments (e.g. *Crown Towers Perth*) were completed before FY17. *Crown Sydney* remained under construction for the majority of the period and therefore did not incur material amounts of depreciation but will do so moving forward. Crown adopted AASB16 in relation to the capitalisation of leases from 1 July 2019. As a result, in FY20 and the following years, lease payments have been replaced by depreciation and



interest expense. However, the impact on Crown’s financials statements (particularly for depreciation expense) is negligible as it only recognised \$32 million in new right of use assets as at 1 July 2019 (less than 1% of total property, plant and equipment).

Net finance costs have generally moved in line with net borrowings, declining between FY17 to FY19 as Crown repaid its outstanding debt obligations following asset sales, before rising between FY20 and FY21 as Crown completed the construction of *Crown Sydney* (capitalised interest associated with the project).

Non-controlling interests represent the interests in the earnings of *CrownBet* and in *DGN Games* that were attributable to shares that Crown did not hold. Crown divested its interest in *CrownBet* and acquired 100% of *DGN Games* prior to 30 June 2021. Consequently, there are no profits or losses attributable to non-controlling interests in 1HY22.

Crown’s dividend policy has changed in recent years to reflect the evolving capital management needs of the business. In FY16, Crown adopted a new dividend policy to pay 100% of underlying NPAT to boost cash returns for its shareholders. The dividends paid in FY17 are reflective of this amended policy. However, the dividend policy was revised after FY17 with a new policy to pay 60 cents distribution per share on a full year basis through to the first half of FY20. The dividend has been temporarily suspended since the second half of FY20 in light of the challenging operating environment.

Outlook

Crown has not publicly released earnings forecasts for FY22 or beyond. However, to provide an indication of the expectation future financial performance of Crown, Grant Samuel has included brokers’ forecasts for Crown for FY22 and FY23.

These broker forecasts generally reflect the broad expectation for Crown is a strong recovery in earnings back towards FY19 levels over the next 2-3 years (FY22 earnings will still be heavily impacted by COVID-19 and are not considered relevant). FY23 is seen as a year of rebuilding while FY24 is expected to be the first year of “normal” earnings (assuming no further COVID-19 pandemic related upheavals). However, the FY24 broker forecasts differ materially from the Crown’s forecasts. This difference may be attributable to the potential impacts of future regulatory changes, which have not been accounted for in Crown’s 5 Year Corporate Plan but may be incorporated in broker forecasts.

Specifically, the broker forecasts suggest:

- FY23 is expected to have a full year contribution from *Crown Sydney* (including gaming) albeit not operating to its full potential. FY24 is expected to be close to normal earnings but with strong growth potential over time (including gaming table expansion opportunities over the longer term);
- *Crown Perth* is expected to recover quickly given the limited closures experienced while *Crown Melbourne* will require a longer period to rebuild its clientele and their propensity to gamble on premises; and
- earnings in FY23 and FY24 will be adversely impacted by various regulatory measures including:
 - elimination of junket operations;
 - tighter rules around patron monitoring (stronger AML/CTF controls); and
 - additional ongoing costs of increased compliance and monitoring (including both labour and technology costs).

Beyond FY24, there may be further regulatory impacts if initiatives such as mandatory carded play, cashless gaming and capped play periods are introduced by the Government or regulator.

The brokers’ forecasts for Crown for FY22 and FY23 are presented in the table below:

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CROWN – FORECAST FINANCIAL PERFORMANCE (\$ MILLIONS)

	FY21 ACTUAL	FY22 BROKER CONSENSUS (MEDIAN)	FY23 BROKER CONSENSUS (MEDIAN)
Theoretical revenue	1,542.0	1,850.7	2,982.6
Theoretical EBITDA (before closure costs and significant items)	241.7	193.4	686.8
EBIT (before closure costs and significant items)	(51.8)	(119.8)	364.4

Source: Grant Samuel analysis; Broker reports

These earnings do not include:

- residual profits and costs relating to the sale of apartments at *Crown Sydney*; and
- one off costs such as potential AML/CTF related penalties and other costs associated with the various regulatory processes.

4.6 Financial Position

Historical financial position

The financial position of Crown at 31 December 2021 is summarised below:

CROWN – FINANCIAL POSITION (\$ MILLIONS)

	AT 31 DECEMBER 2021 ACTUAL
Receivables and prepayments	113.3
Working capital cash	116.3
Inventories	27.4
Payables and other liabilities	(372.9)
Net working capital	(115.9)
Property, plant and equipment (net) (including right of use asset)	4,194.6
Intangible assets - Casino licences	1,022.3
Intangible assets – Other	298.9
Casino licence payable (due in 2033)	(179.7)
Investments in associates	133.3
Net tax balance	(115.9)
Provisions	(245.2)
Assets held for sale	219.2
Total funds employed	5,211.6
Cash and cash equivalents	630.7
Borrowings (net of hedging and capitalised borrowing costs)	(1,485.6)
Lease liabilities	(70.5)
Net borrowings	(925.4)
Equity attributable to Crown shareholders	4,286.2

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CROWN – FINANCIAL POSITION (\$ MILLIONS)

	AT 31 DECEMBER 2021 ACTUAL
<i>STATISTICS</i>	
<i>Shares on issue at period end (millions)</i>	677.2
<i>Net assets per share</i>	\$6.33
<i>NTA²⁶ per share</i>	\$4.38
<i>Gearing²⁷</i>	18%

Source: Crown and Grant Samuel analysis

The majority of Crown's funds employed (approximately 95%) is represented by long term assets including:

- property, plant and equipment, which primarily comprised the casino and entertainment complex buildings and associated capitalised on-site refurbishments. Crown also holds a vast portfolio of freehold and leasehold land. In particular, this includes:
 - approximately 250,000 square metres of freehold land across *Crown Perth* and *Crown Melbourne* locations. Crown's operations are spread across the majority of the freehold land parcels. However, Crown also holds surplus land assets that have been independently valued at total of \$165 million as of July 2021. This includes the freehold title over One Queensbridge development site and other unused surplus land parcels located next to the *Crown Melbourne* site; and
 - approximately 76,000 square metres of leasehold land at:
 - *Crown Melbourne*, which entered into a 99-year lease agreement with the State of Victoria (expiry 2092) over approximately 69,000 square metres in Melbourne's Southbank precinct. Under the lease agreement, the annual rent payable is only \$1 per annum through 2033 and will step up to the then prevailing market rent from 2034 onwards; and
 - *Crown Sydney*, which has a 99-year lease agreement with the State of New South Wales (expiring 2119) covering circa 7,000 square metres Sydney's Barangaroo precinct; and
- intangible assets and goodwill. Casino licences and casino management agreements comprise the majority (80%) of this balance, with the remainder largely accounted for by goodwill. Casino licences and management agreements include:
 - the *Crown Melbourne* licence and casino management agreement, which is carried at circa \$580 million and is being amortised through 2050, the end of the casino licence term. This is partly offset by a casino licence fee payable of \$180 million, which is the net present value of a \$250 million payment due to be paid to the Victorian State Government in 2033;
 - the *Crown Perth* licence, which is carried at \$440 million and is assessed as an indefinite life asset and consequently not subject to amortisation; and
 - the *Crown Sydney* licence, which is carried at \$100 million and will only become amortisable once gaming activities commence.

The negative net working capital position is primarily in relation to the unredeemed casino chips, loyalty program liabilities and advance customer deposits. By virtue of this working capital position, Crown can expect to generate cash as the business grows (or on the contrary, utilise cash if revenues decline).

Provisions primarily relate to employee entitlements (e.g. annual leave, long service leave and incentives). In the past year, Crown had also provisioned for certain gaming matters, including the *Crown Melbourne* tax shortfall (\$25 million), underpayment of casino tax and associated interest (\$61 million) and a payment

²⁶ NTA is net tangible assets, which is calculated as net assets less intangible assets.

²⁷ Gearing is net borrowings divided by net assets plus net borrowings.



for the contribution towards the cost of the Bergin Inquiry (\$12.5 million). These have all been paid in 1HY22 so are not included in the balance sheet at 31 December 2021.

Crown also holds investments in associates. This is represented by its equity-accounted investment in the *Nobu* (circa \$116 million), with the remainder accounted for by its 50% interest in *Chill Gaming*.

Assets held for sale comprise the carrying value of Crown's 50% interest in *Aspers*, *Crown Sydney* apartments that are actively being marketed for sale and an aircraft that was previously used for Crown's VIP operations. Crown is in advanced stages of completing a sale of its interest in *Aspers*. The sale of the aircraft was settled in February 2022.

Net borrowings

Crown has a diversified funding mix that includes bank facilities (approximately 40% of total facilities), unsecured private term loans (approximately 15% of total facilities) and capital markets funding (approximately 40% of total facilities):

CROWN – NET BORROWINGS AT 31 DECEMBER 2021 (\$ MILLIONS)

FACILITY	FACILITY LIMIT	AMOUNT DRAWN	MATURITY
Bank facilities	810.0	420.0	2023
Unsecured term loan facilities (net of capitalised costs)	-	293.4	October 2023
Capital market debt – Euro Medium Term Notes	-	179.5	July 2036
Capital markets debt – subordinated notes (net of capitalised costs)	-	616.1	April 2075
Lease liabilities	-	70.5	n/a
Derivatives (net)	-	(23.4)	n/a
Total borrowings	-	1,556.1	--
Capitalised interest	-	20.5	n/a
Cash and cash equivalents	-	(630.7)	--
Net borrowings		945.9	

Source: Crown

Over the past five years, Crown has significantly reduced its net debt to restore its balance sheet strength. Despite the impact of COVID-19 on the business, the company continues to maintain a gearing ratio in the range of 15-20% and has raised new financing to support its liquidity requirements such as the:

- April 2020 refinancing, which raised \$560 million in secured bank debt during the period of “peak uncertainty” as a result of the first wave of the COVID-19 pandemic. In August 2021, Crown renegotiated the terms to extend and align the maturity date, obtain a waiver of financial covenants (for the 31 December 2021 testing date) and a waiver of licence-related events of default. These measures aimed to provide additional financial flexibility through the period of uncertainty;
- September 2021 new bank debt financing, which raised \$250 million in debt facilities primarily to support any required redemption of Crown's Euro Medium Term Notes (“Euro MTNs”)²⁸ and in certain circumstances, for general corporate purposes; and
- November and December 2021 debt financing, which raised two separate \$150 million unsecured term loan facilities that were fully drawn as at 31 December 2021.

The capital market debt securities underpin nearly half of the total debt facilities and have substantially longer tenors (i.e. more than ten years) but:

²⁸ Under the terms of Crown's Euro Medium Term Notes programme, the noteholders are entitled to require Crown to redeem the notes at par plus a make whole premium in the event that the notes are either rated below investment grade by any rating agency which rates the notes (currently Fitch and S&P) or are unrated.



- the subordinated notes have been identified as an area of focus for Crown’s capital structure review in the next twelve months. As a hybrid security, the subordinated notes generally receive a 50% equity credit from credit rating agencies such as Standard & Poor’s (“S&P”), Moody’s Investors Service (“Moody’s”) and Fitch Ratings (“Fitch”). The equity credit provides quantitative benefits to the credit rating as only portion of the issued notes is treated as debt. However, S&P has determined that the equity credit treatment is no longer applicable for the subordinated notes (and hence no longer beneficial to the note’s S&P credit rating) as they have become callable by Crown; and
- the Euro MTNs are subject to certain terms, one of which provides that noteholders are entitled to require Crown to redeem the notes at par plus a make whole premium in the event that the notes are either rated below investment grade (BBB- or Baa3) by any rating agency which rates the notes (currently Fitch and S&P) or the notes are unrated. The company has maintained an investment grade credit rating of BBB from S&P, Baa3 from Moody’s and BBB from Fitch. However, Crown’s credit rating remains under scrutiny following Crown’s entry into the Scheme Implementation Deed with Blackstone, with:
 - S&P commenting the Blackstone bid could heighten negative pressure on the issuer credit rating of Crown, which has been impacted by the regulatory risks and COVID-related disruptions that Crown continues to face;
 - Moody’s placing the rating on review for downgrade given their expectation that if the proposed transaction completes, Crown will likely observe more aggressive financial policies (and leverage) that will lead to a deterioration of its key debt metrics than currently factored into the rating; and
 - Fitch placing the rating on rating watch negative, noting the negative outlook given Fitch’s expectation that Crown’s capital structure would become more aggressive (and highly geared) if the Scheme were to be implemented, noting Blackstone’s track record in the US gaming sector.

Contingent liabilities

At 31 December 2021, Crown had contingent liabilities in relation to:

- a class action lawsuit filed by Maurice Blackburn Lawyers in relation to the alleged breach of continuous disclosure obligations, compliance with AML obligations and other related matters during the period from 11 December 2014 to 18 October 2020 (“the MBL class action”). Crown continues to defend the proceedings. The potential outcome and costs to Crown (net of insurance) remain uncertain;
- AUSTRAC’s enforcement investigation into *Crown Melbourne* and *Crown Perth*. Each of these investigations remain ongoing. On 1 March 2022, Crown announced that *Crown Melbourne* and *Crown Perth* have been served with a statement of claim from AUSTRAC, commencing civil penalty proceedings alleging contraventions of obligations under the AML/CTF Act. While it currently remains unclear as to the quantum of penalty that may be levied against Crown, the company expects that, at minimum, *Crown Melbourne* and *Crown Perth* will be required to pay significant civil penalties; and
- regulatory processes in relation to Crown’s casino licences for each state. In this regard, the Victorian Government passed the Casino and Gaming Legislation Amendment Act of 2021 which, among other items, increased the maximum fine from \$1 million to \$100 million. The regulatory process for Phase 2 legislation is expected to conclude at the end of 2022 and as such, the potential quantum and timing for any future action, fines and penalties remains uncertain.

Crown also remains closely engaged with the NSW ILGA and is awaiting the new legislation following the recommendations published by the Perth Casino Royal Commission. It remains unclear what the range of potential consequences could be.

See Section 4.3 for background on the regulatory processes.



4.7 Cash Flow

Crown's cash flow (excluding debt drawdowns and repayments) for FY17 to FY21 and for 1HY22 is summarised below:

CROWN – CASH FLOW (PRE-FINANCING) (\$ MILLIONS)

	FY17 ACTUAL	FY18 ACTUAL	FY19 ACTUAL	FY20 ACTUAL	FY21 ACTUAL	1HY22 ACTUAL
Theoretical EBITDA (before closure costs and significant items)	828.0	878.3	802.1	503.8	241.7	28.8
Win rate variance	(37.7)	(85.9)	47.6	111.6	(3.2)	(2.3)
EBITDA (before closure costs and significant items)	790.3	792.4	849.7	615.4	238.5	26.5
Cash flows relating to closure costs	-	-	-	(107.3)	(171.4)	(113.1)
Cash flows relating to significant items	-	-	-	(3.5)	47.0	39.1
Changes in working capital and other adjustments	(122.9)	69.4	43.0	(93.8)	19.5	(125.8)
Dividends received	70.6	9.1	8.9	5.9	-	6.5
Operating cash flow before interest and tax	738.0	870.9	901.6	416.7	133.6	(166.8)
Net interest paid	(164.4)	(79.9)	(48.0)	(53.8)	(75.3)	(57.8)
Tax paid	(107.9)	(59.3)	(75.5)	(36.0)	(72.3)	21.1
Operating cash flow	465.7	731.7	778.1	326.9	(14.0)	(203.5)
Purchase of property, plant and equipment	(404.5)	(393.7)	(538.7)	(746.3)	(559.1)	(69.0)
Proceeds from sale of property, plant and equipment	56.4	338.6	0.2	0.1	650.5	252.8
Proceeds/(Payment) for the disposal/(acquisition) of equity accounted associates and controlled entities	3,128.2	186.8	(5.5)	(3.9)	(18.1)	(1.2)
Proceeds from disposal of investments	39.0	70.7	7.6	-	-	-
Dividends paid	(1,110.8)	(413.4)	(409.0)	(406.2)	-	-
Share buy-back payments	(499.9)	(18.8)	(131.4)	-	-	-
Effect of exchange rates on cash	(6.1)	1.5	0.7	4.0	(0.7)	0.5
Other (net)	(2.0)	(1.5)	4.4	-	0.3	-
Net cash generated / (required)	1,666.0	501.9	(293.6)	(825.4)	58.9	(20.4)
STATISTICS						
<i>Operating cash flow before interest and tax as a % of EBITDA (before closure costs and significant items)</i>	93%	110%	106%	68%	56%	n.m.
<i>Maintenance capital expenditure</i>	<i>115.7</i>	<i>102.9</i>	<i>115.0</i>	<i>100.9</i>	<i>86.6</i>	<i>31.0</i>
<i>Growth capital expenditure</i>	<i>288.8</i>	<i>290.8</i>	<i>423.7</i>	<i>645.4</i>	<i>472.5</i>	<i>38.0</i>

Source: Crown and Grant Samuel analysis

Note: The table above excludes cash flows in relation to debt drawdowns and repayments

Since FY17, the main drivers of Crown's cash flow requirements have been its capital expenditure program and its return to shareholders (either via dividends or share buy-backs). Crown has:

- invested approximately \$2.7 billion in capital expenditures since FY17. While Crown's recurring capital expenditure requirements are generally quite stable (e.g. maintenance related capital expenditures have generally ranged between \$100 and 115 million per annum since FY17), the majority of its investment requirements have been driven by growth-related investments. Over the last ten years, approximately \$2.2 billion was invested in developing *Crown Sydney*. *Crown Melbourne* and *Crown Perth* completed major upgrades (e.g. new luxury six-star hotel in *Crown Perth* in 2016) earlier in the decade and have since required minimal levels of maintenance related capital expenditures; and



- distributed nearly \$3.0 billion in dividends and share buy-backs between FY17 and the first half of FY20. Prior to temporarily suspending its dividend payments in light of the slowdown in trading conditions, Crown had paid a significant proportion of its cash flows as dividends.

Crown is a highly cash generative business when operating under “normal” trading conditions. Between FY17 and FY19, the cash flow conversion rate (i.e. operating cash flow before interest and tax as a % of EBITDA) ranged between 90% and 110%. During FY17 and FY18, Crown also divested its interests in certain businesses that generated nearly \$3.8 billion in proceeds. These divestments included Crown’s interests in Melco joint venture, *CrownBet* and other non-core interests. As a result, cash flow during this period was significantly positive and resulted in a material decrease in net debt as well as substantial payments to shareholders.

However, the slowdown in trading conditions has had a significant impact on operating cash flows. Operating cash flows fell sharply in FY20 and FY21 as a result of the COVID-19 induced closures and associated restrictions. The challenging conditions continued into 1HY22 during which Crown generated negative operating cash flows before interest and tax. Despite these conditions, net cash flow has remained largely breakeven since FY21 due to the cessation of dividends and sale proceeds from the *Crown Sydney* apartments (which have generated over \$900 million in cash).

4.8 Taxation

Crown has a consolidated tax group for income tax purposes which includes each of its wholly owned Australian resident entities. Members of the group have entered into tax sharing and tax funding agreements with Crown (as the head entity of the consolidated tax group), which govern certain aspects of the operation of the group.

At 31 December 2021, Crown had carried forward income tax losses (including the provisional amount of losses relating to the 6 months ended 31 December 2021) of approximately \$230 million and negligible franking credits available to shareholders for future periods. Crown also has a total of approximately \$1,760 million in unrecognised tax losses (gross), of which nearly \$1.2 billion is in relation to the operating and capital losses generated by Crown’s foreign operations (which have largely been discontinued). The remainder is related to capital losses arising in Australia for offset against future capital gains. These losses had not been recognised as assets on Crown’s statement of financial position due to the uncertainties relating to their future utilisation.

There are a number of open matters with Commonwealth and State authorities in relation to federal taxes and gaming taxes as they apply to Crown. Most of these may not be resolved for some time. The outcomes are unknown (Crown has legal advice supporting its position in respect of each matter), as is the quantum of any resultant payment (or in some cases, refund). However, if some or all of these matters are resolved unfavourably, the costs to Crown could be significant.

4.9 Capital Structure and Ownership

4.9.1 Capital Structure

Crown has the following securities on issue:

- 677,158,271 ordinary shares;
- 6,300,000 subordinated Notes II;
- 2,730,000 options over unissued ordinary shares in Crown (“Crown Options”); and
- 970,247 performance rights over unissued ordinary shares.



Crown operates:

- a short term incentive plan (“STI Plan”) under which participating employees may be entitled to receive a cash bonus conditional on performance against a scorecard of performance measures. Crown introduced a new FY22 STI Plan with financial and non-financial individual key performance metrics that include mandatory compliance, risk performance indicators and key performance objectives which require individual participants having performed satisfactorily against their commitments to Crown’s values for the year. Cash incentive payments under the FY22 STI will be awarded based on ‘at-target’ performance if the Scheme becomes Effective and is implemented;
- a long term incentive plan governed under the Umbrella Incentive Plan Rules (“LTI Plan”) introduced in FY22 under which senior executives are offered performance rights subject to the satisfaction of certain conditions over a three-year performance period. Additionally, performance rights were issued in June 2021 to Crown CEO, Steve McCann as part of his employment arrangements. Each performance right entitles the holder to be allocated one fully paid ordinary share in Crown, subject to satisfaction of certain conditions. The performance rights have no dividend entitlement or voting rights. Vesting of the performance rights is accelerated in full if the Scheme becomes Effective, in which case the Board has determined that the value of the performance rights that vest will be settled as a cash payment equal to the Scheme Consideration for each performance right held following implementation of the Scheme.
- two legacy long term incentive plans:
 - the Senior Executive Incentive Plan, through which a small number of senior executives were granted options exercisable into one fully paid ordinary share in Crown. The first tranche of these options was issued in April 2017 and expired on 22 February 2021. The second tranche of these options was issued in August 2018 and has an expiry date of 8 August 2022 and an exercise price of \$13.35. These Crown Options have no dividend entitlement or voting rights. The Board has determined that the Crown Options will be cancelled upon the Scheme becoming Effective; and
 - the Crown Digital Senior Executive Incentive Plan, through which Crown granted 8,513,980 options over unissued ordinary shares in Crown Digital Holdings Pty Ltd (a wholly owned subsidiary of Crown) to former Crown CEO Mr Ken Barton in December 2018. Each option is exercisable into one fully paid ordinary share in Crown Digital Holdings Pty Ltd and has an expiry date of 19 December 2022 and an exercise price of \$1.45. The Crown Digital Options are expected to be cancelled prior to the Scheme Record Date.

4.9.2 Ownership

Crown has approximately 41,600 registered shareholders. The top twenty shareholders accounted for approximately 91.5% of the ordinary shares on issue. Crown has received notices from the following substantial shareholders:

CROWN – SUBSTANTIAL SHAREHOLDERS

SHAREHOLDER	DATE OF NOTICE	NUMBER OF SHARES	PERCENTAGE
CPH Group	11 June 2019	249,253,302	36.81% ²⁹
Blackstone	1 May 2021	67,675,000	9.99% ³⁰

Source: IRESS

The ownership of casino owners and operators is regulated by individual state governments. These regulations include ownership caps to protect the independence of the Board and senior management and to limit the outside influence or control exerted by any individual person or company over the casino

²⁹ Based on issued shares on 10 June 2019.

³⁰ Based on issued shares on 30 April 2021.



operations. For example, Victoria’s *Casino Control Act* prohibits any shareholder from acquiring a relevant interest in 5% or more of the issued capital *Crown Melbourne* without the prior written approval of the state regulator³¹.

CPH Group is controlled by James Packer. One of the recommendations of the Victorian Royal Commission would require the CPH Group to reduce its stake in Crown to 5% by September 2024. This recommendation has yet to be legislated.

Blackstone provided an initial substantial shareholder notice on 1 May 2021, shortly after it purchased 67,675,000 Crown shares (i.e. 9.99%) from Melco.

At the time of the announcement of the Scheme, Perpetual Limited was also listed as a substantial shareholder with 9.99% interest in Crown shares. Since the implementation of the Scheme, it has reduced its interest and ceased to be a substantial holder on 15 March 2022.

4.10 Share Price Performance

Share Price History

The following graph illustrates the movement in the Crown share price and trading volumes since July 2016:



Source: IRESS

Between 2016 and 2019, Crown shares generally traded in the range of \$11.50-13.50, except for brief periods where the share price was impacted by company specific factors including:

- the detention of Crown employees by Chinese authorities in relation to alleged promotion of gambling, which resulted in a sharp fall in the Crown share price, trading as low as \$9.68 per share in October 2016;
- the temporary rebound of VIP turnover in FY18. Soft conditions in the international VIP market resulting from the tightening of Chinese regulations earlier in the decade continued to impact this segment. The Crown share price rose to over \$14 in August 2018 following the release of strong FY18 results before falling away in the subsequent year given the waning VIP program activity;

³¹ Source: Victorian Casino Control Authority. Consolidated Casino Agreement, 12th Variation to the Agreement.



- the announcement of a confidential merger discussions with Wynn in April 2019. The total acquisition consideration was estimated to have an implied value of \$14.75 per share. The Crown share price closed at \$14.05 on 9 April 2019, before retreating to \$12.77 on the following day when Crown announced that Wynn had terminated merger discussions; and
- the announcement of the Bergin Inquiry in August 2019, which would examine Crown’s suitability to operate the VIP gaming facilities at *Crown Sydney*.

However, the share price suffered a steep decline during March 2020 as the COVID-19 pandemic rapidly took hold and government took actions that required Crown to cease all gaming and on-site food and beverage and entertainment operations. The Crown share price traded below \$10 for the first time since 14 November 2016 and fell as low as \$5.84, or a 46.1% decline from the beginning of the month. Over the next month, the Crown share price began to rebound on the back of the market recovery as well as Blackstone’s acquisition of a 9.99% interest in Crown and Crown’s shoring up of its bank facilities.

Over the next ten months, Crown shares generally traded in the range \$8.00-10.00. The limited recovery from the lows of March 2020 (relative to the rest of the market as a whole) reflected:

- the fact that entertainment and hospitality businesses such as Crown were heavily impacted by the lockdowns and had limited ability to switch to an online operation to mitigate the loss of in-person activity; and
- the emergence of regulatory issues. The Bergin Inquiry hearings resumed in July 2020 and continued through the end of November 2020, weighing on the Crown share price. While the release of the Bergin Inquiry report in February 2021 provided temporary relief by way of clarity on the consequences and path to suitability, Crown became subject of two separate Royal Commissions in Victoria and Western Australia. Potential loss of licences in Victoria and/or Western Australia was a non trivial risk.

These factors outweighed more positive news such as the completion of *Crown Sydney* tower and the success of the ongoing apartment sales program.

Since then, movements in the Crown share price have been affected by the takeover and merger interest in the company. In March 2021, the share price increased by approximately 21% following Blackstone’s initial proposal to acquire the company for \$11.85. It continued to increase over the next two months and traded as high as \$13.33 per share following the merger proposal from Star, the revised proposal from Blackstone and the funding proposal from Oaktree. However, the Crown share price retreated over the following months following the Crown Board’s rejection of Blackstone’s revised offer and Star’s withdrawal of its proposal. At the end of July 2021, the share price closed at \$8.61, 35% lower than its peak amidst the wave of acquisition proposals.

Crown shares continued to trade within a range of \$8.70-10.00 over the next three months. Further lockdowns in Melbourne (from 16 to 27 July and from 6 August to 28 October) and, to a lesser extent, in Sydney and Perth brought renewed uncertainty on operating performance. The muted share price reaction to the weak FY21 results release reflected the dampened market expectations. However, the release of the Victorian Royal Commission Report on 26 October 2021 provided a reprieve for the share price, which traded above \$10 for the first time in three months and closed 9% higher over the previous day. The clear path to regaining suitability and securing the right to continue to operate the *Crown Melbourne* gaming facilities for the next two years provided significant relief to the market.

The revised takeover proposal from Blackstone at \$12.50 per share on 19 November 2021 provided further support for the share price which has consistently traded above \$11 since the announcement. While the Crown share price continued to move higher in line with the revised proposal from Blackstone (and eventually the announcement of the Scheme Implementation Deed), the share price has consistently



traded at a discount to the standing offer price, arguably reflecting the underlying regulatory uncertainty that could derail (or delay) the Scheme.

Liquidity

Crown is a reasonably liquid stock despite only having a free float of approximately 43%. Average weekly volume over the twelve months prior to the announcement on 19 November 2021 represented approximately 1.3% of average shares on issue or annual turnover of around 70% of total average issued capital (or 160% excluding non free floating shares).

Relative Performance

Crown is an ASX 100 company and is member of various other indices including the S&P/ASX 200 Index and the S&P/ASX 200 Consumer Discretionary Index. Its weighting in these indices was approximately 0.21% and 3.03% respectively.

The following graph illustrates the performance of Crown shares since 1 January 2016 relative to the S&P/ASX 200 Index and the S&P/ASX 200 Consumer Discretionary Index:

CROWN VS S&P/ASX 200 INDEX VS S&P/ASX 200 CONSUMER DISCRETIONARY INDEX
1 JANUARY 2016 TO 28 FEBRUARY 2022



Source: IRESS

Crown shares generally tracked the S&P/ASX 200 Index and the S&P/ASX 200 Consumer Discretionary Index until the initiation of the Bergin Inquiry in August 2019. From that time up until early 2021, Crown shares generally underperformed both indices, although this also needs to be considered in the context of:

- the significant concentration of the S&P/ASX 200 Consumer Discretionary Index in two companies (i.e. Wesfarmers Ltd (“Wesfarmers”) and Aristocrat Leisure Limited (“Aristocrat”)), which together account for nearly 50% of the total weighting in the index. As a consequence, the index’s performance is heavily influenced by the share price performance of these two companies; and
- differential impacts of the COVID-19 pandemic. While government mandated restrictions and closures impacted operations across most (if not all) businesses, the extent of its impact was uneven across companies. These impacts were particularly acute for companies such as Crown which were heavily exposed to hospitality and international travel. Most companies in the S&P/ASX 200 Consumer Discretionary Index successfully adapted to the impacts of COVID-19 and in fact generated higher revenues in FY21 than in FY19. These included the likes of Wesfarmers, Harvey Norman Holdings Limited and JB Hi-Fi Limited which were able to switch to online sales and benefited from the

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diversion of consumer spending away from travel, dining out and entertainment events. In contrast, companies like Crown and travel companies in the S&P/ASX 200 Consumer Discretionary Index continue to generate revenues well below their FY19 levels.



5 Business Operations

5.1 Crown Melbourne

Overview

Crown Melbourne is one of Australia’s largest integrated resorts and Victoria’s largest single-site private sector employer. The integrated resort is a leading destination for luxury accommodation, dining, conference and casino facilities. Historically, *Crown Melbourne* has been a significant driver of domestic and international tourism in Australia, particularly with international customers from Asia.

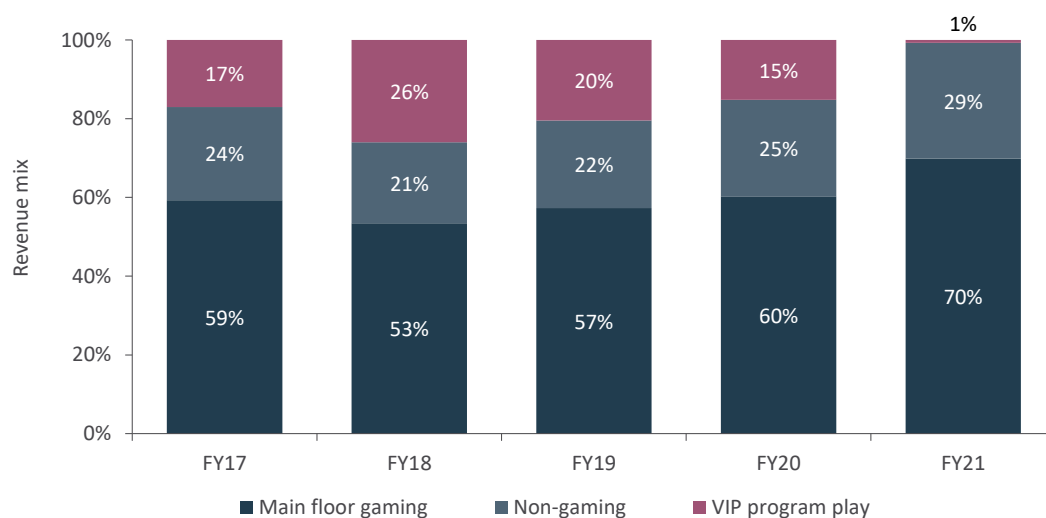
Crown Melbourne was initially granted a 40-year casino licence in 1993, which was later extended by seventeen years to 2050³². The non-exclusive casino licence allows *Crown Melbourne* to operate 2,628 gaming machines, 1,300 semi-automated table games and 540 table games (includes 100 poker tables and 250 fully automated table game terminals). The broad scope of the casino licence enables *Crown Melbourne* to cater to a wide range of gaming customers (i.e. from mid-market to premium and high-end).

Today, the casino’s gaming facilities include a main gaming floor and premium gaming facilities (e.g. private casino salons and premium casino rooms (Mahogany Room)). The casino complex is complemented by *Crown Melbourne’s* non-gaming offerings including:

- three luxury hotels (i.e. Crown Towers, Crown Metropol and Crown Promenade) with approximately 1,600 guest rooms;
- conference and meeting facilities;
- banqueting facilities such as the Palladium ballroom (1,500 seated capacity) and The Palms cabaret (870 seated capacity). These large scale facilities allow *Crown Melbourne* to host several high-profile events over the years including the AFL Brownlow Medal and Australian Masters Golf Gala Dinner; and
- a wide selection of restaurants, bars and luxury retail outlets.

The majority of *Crown Melbourne’s* revenues have historically comprised gaming activities:

CROWN MELBOURNE – HISTORICAL REVENUE MIX



Source: Crown and Grant Samuel analysis

³² In 2014, *Crown Melbourne* and the Victorian Government agreed to amend the casino management agreement to provide additional regulatory certainty to the operator and extend the casino licence by 17 years to 18 November 2050.

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The current *Crown Melbourne* entertainment complex is located on a mix of freehold and leasehold land in Melbourne's Southbank precinct. The original casino complex was built on approximately 69,000 square metres of land leased from the State of Victoria on a 99-year lease (expiry due in 2092). This included the primary Crown entertainment complex and the Crown Towers hotel. As part of the lease agreement, *Crown Melbourne* is contracted to pay a nominal annual rent to 2033, with a reversion to a market rent from 2033 onwards.

Crown also holds nearly 40,000 square metres in freehold land that envelopes the southern end of the leasehold land. The freehold land houses the newer Crown Promenade (established 2003) and Crown Metropol (established 2010) hotel buildings as well as the multi-level car park and conference centre. Crown also wholly owns the One Queensbridge development site, which could accommodate a future fourth Crown hotel.

The map below sets out the layout of the *Crown Melbourne* complex:

CROWN MELBOURNE – PROPERTY FOOTPRINT



Source: Crown



Operating Performance

The historical operating performance of *Crown Melbourne* for FY17 to FY21 and for 1HY22 is summarised below:

CROWN MELBOURNE – OPERATING PERFORMANCE (\$ MILLIONS)

	FY17 ACTUAL PRE- AASB16	FY18 ACTUAL PRE- AASB16	FY19 ACTUAL PRE- AASB16	FY20 ACTUAL POST- AASB16	FY21 ACTUAL POST- AASB16	1HY22 ACTUAL POST- AASB16
Main floor tables	733.5	767.1	772.4	548.7	241.2	115.2
Main floor machines	449.2	449.9	462.7	341.9	165.7	72.4
VIP program play	340.3	591.8	441.4	224.9	4.4	-
Wagering & non-gaming	471.8	470.2	478.9	362.3	171.2	77.4
Theoretical revenue	1,994.8	2,279.0	2,155.4	1,477.8	582.5	265.0
Theoretical EBITDA (before closure costs and significant items)	588.8	645.0	589.5	354.3	94.1	7.1
Closure costs	-	-	-	(65.8)	(145.9)	(94.5)
Significant items	-	-	-	-	(45.4)	7.8
Theoretical EBITDA	588.8	645.0	589.5	288.5	(97.2)	(79.6)
Depreciation and amortisation	(188.6)	(177.5)	(175.2)	(176.0)	(169.9)	(82.2)
Theoretical EBIT	400.2	467.5	414.3	112.5	(267.1)	(161.8)
<i>Capital expenditure – Maintenance</i>	63.1	61.6	75.2	58.8	41.6	17.5
<i>Capital expenditure – Growth</i>	4.3	--	--	24.5	3.4	1.9
STATISTICS						
<i>Theoretical revenue growth</i>	-14%	+14%	-5%	-31%	-61%	+173%
<i>Theoretical EBITDA (before closure costs and significant items) growth</i>	-13%	+10%	-9%	-40%	-73%	+22%
<i>Theoretical EBIT growth</i>	-16%	+17%	-11%	-73%	-337%	-5%
<i>Theoretical EBITDA (before closure costs and significant items) margin</i>	+30%	+28%	+27%	+24%	+16%	3%
<i>Theoretical EBIT margin</i>	+20%	+21%	+19%	+8%	n.m.	n.m.
<i>Capital expenditure as a % of revenue</i>	3.4%	2.7%	3.5%	5.6%	7.7%	7.3%
OCCUPANCY RATES						
<i>Crown Towers</i>	97%	96%	95%	71%	39%	28%
<i>Crown Metropol</i>	92%	94%	93%	87%	42%	21%
<i>Crown Promenade</i>	93%	94%	94%	88%	33%	21%

Source: Crown and Grant Samuel analysis

The operating performance of *Crown Melbourne* reflects its historical reliance on international visitors and exposure to VIP program play. Prior to FY17, VIP program play was a major driver of revenue growth and generated up to \$700 million in revenues per annum for the *Crown Melbourne* business (more than 30% of revenue). However, the detention of Crown employees in China in October 2016 as well as the decline of the global VIP market impacted *Crown Melbourne's* financial performance and total VIP program play declined by approximately 50% in FY17. Despite the temporary rebound in VIP program play revenues in FY18, the structural changes in the market contributed to reduced revenue in the subsequent years. The permanent suspension of *Crown Melbourne's* dealings with junket operators from 25 September 2020 onwards reinforced these prevailing trends.

Moreover, the onset of the COVID-19 pandemic had a profound impact on *Crown Melbourne's* trading conditions, which softened sharply starting late January 2020 as travel restrictions and community uncertainty began to emerge. Due to government mandated closures, *Crown Melbourne* has been closed

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for over 350 days since the beginning of 2020. Additional government mandated capacity restrictions further constrained operations even when *Crown Melbourne* was operations. Collectively, these resulted in revenue declines of 31% and 61% in FY20 and FY21, respectively.

EBITDA from FY20 to 1HY22 reflects operations only during the period in which Crown Melbourne was open. Operating costs incurred during days on which it was closed have been treated as closure costs and excluded from EBITDA. The interruption to operations resulted in declining EBITDA margins between FY17 and FY21. Notwithstanding the elimination of the lower margin VIP program play revenues, EBITDA margin (before closure costs and significant items) declined from 30% in FY17 to 16% in FY21 due to government restrictions on gaming and non-gaming activity (even when open), lower hotel occupancy rates and higher support costs (e.g. health and safety).

The significant item in FY21 is the payment of casino tax underpayments as well as one-off provisions for credit losses as a result of Crown's portfolio review of its outstanding gaming receivables.

Outlook

Based on broker consensus forecasts, *Crown Melbourne* is expected to recover in FY23 and FY24 (assuming no further COVID-19 outbreaks). The increased internal compliance may inhibit some level of activity but this should be offset by a strong uplift in premium business as a result of the recent refurbishment of premium gaming rooms as well as an increased number of EGMs allocated to these spaces. International VIP business is expected to be much lower than pre-pandemic levels (e.g. FY19) but:

- margins are expected to be higher as a result of the absence of junket related play; and
- the launch of *Crown Sydney* is expected to complement *Crown Melbourne* given their prime locations in Australia's two largest international tourist destinations and collective ability to offer customers a unique gaming and entertainment experience.

However, reaching previous levels of profitability will be more challenging because of a material increase in support costs (e.g. resources involved in financial crime and risk initiatives) arising from the implementation of the Remediation Plan.

To provide an indication of the expected future performance of *Crown Melbourne's* business operations, Grant Samuel has considered broker forecasts (see Appendix 3) as follows:

CROWN MELBOURNE – FORECAST FINANCIAL PERFORMANCE (\$ MILLIONS)

	FY21 ACTUAL	FY22 BROKER CONSENSUS (MEDIAN)	FY23 BROKER CONSENSUS (MEDIAN)
Theoretical revenue	582.5	874.1	1,618.1
Theoretical EBITDA (before closure costs and significant items)	94.1	121.0	439.8
Theoretical EBIT	(267.1)	(43.0)	273.6

Source: Grant Samuel analysis; Broker reports

It is not clear the basis on which broker forecasts have been prepared beyond FY23 relative to Crown's own 5 Year Corporate Plan, in particular what impacts (if any) from various potential regulatory changes have been assumed. As a result, FY24 broker forecasts have not been included in this report or relied upon in Grant Samuel's analysis.



5.2 Crown Perth

Overview

Crown Perth is Western Australia's premier integrated resort and consistently designated as one of its largest tourist destinations. Similar to *Crown Melbourne*, *Crown Perth* is also the largest single-site private sector employer in the State.

Crown Perth commenced operations as the *Burswood Casino* in 1985 and is licenced to operate for the life of the Burswood Property Trust (currently until 2060). Under the casino licence, *Crown Perth* is allowed to operate 2,500 electronic gaming machines (excludes spinning reel machines, which is prohibited in Western Australia) and 350 table games (including traditional table games, semi-automated table games and fully automated table games). *Crown Perth's* market position within Western Australia's gaming industry is firmly entrenched. While the casino licence is non-exclusive, *Crown Perth* the only venue in the state that is allowed to offer electronic gaming or table games. In addition, there are also significant barriers to entry in the Perth casino market as the casino licence requires any new casino located within 100 kilometres of *Crown Perth* to be at least of the same size and standard. By virtue of its effective monopoly position in the Western Australia gaming market, *Crown Perth* attracts a large share of intrastate visitors.

Today, *Crown Perth* gaming floor capacity offers a full range of table and electronic games across its main gaming floor and premium rooms (e.g. Riverside Room and Pearl Room). However, *Crown* no longer offers VIP program play at *Crown Perth* following the issuing of directions by the GWC.

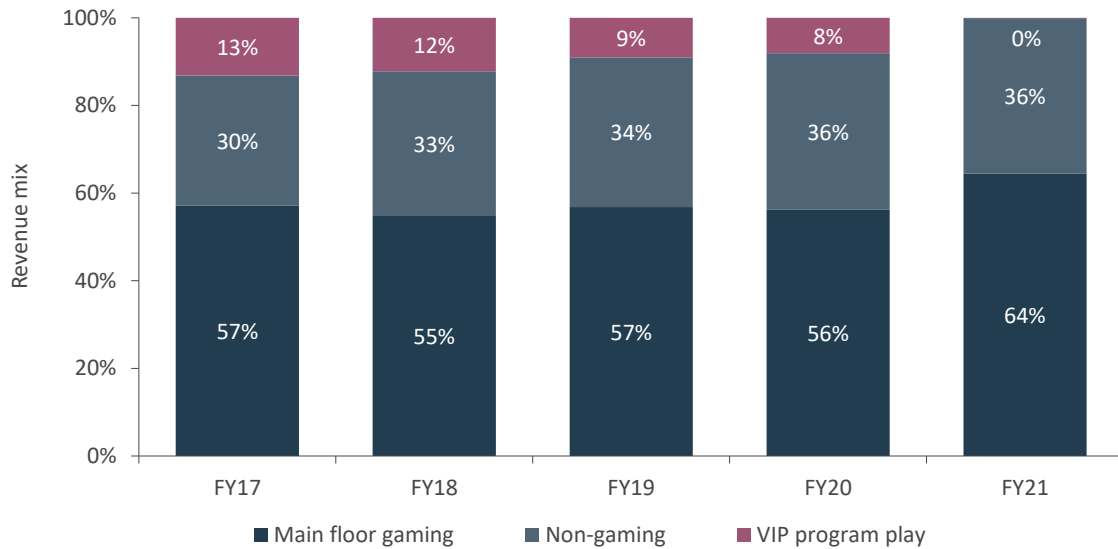
Crown Perth has a range of non-gaming offerings including:

- three luxury hotels (i.e. Crown Towers, Crown Metropol and Crown Promenade) with approximately 1,200 guest rooms;
- entertainment facilities such as the Crown ballroom (1,200 seated capacity) and Crown Theatre Perth (2,300 seated capacity);
- luxury day spa offering spa treatments, salon treatments, sauna and steam room facilities;
- state of the art convention centre; and
- award winning food and beverage outlets, ranging from fine dining to casual dining options.

Similar to *Crown Melbourne*, *Crown Perth* derives the majority of its revenues from gaming activities, albeit with a smaller share contributed by VIP program play over the historical period (no future contribution is expected from VIP program play due to the recent prohibition implemented by the Western Australian State Government):



CROWN PERTH – HISTORICAL REVENUE MIX

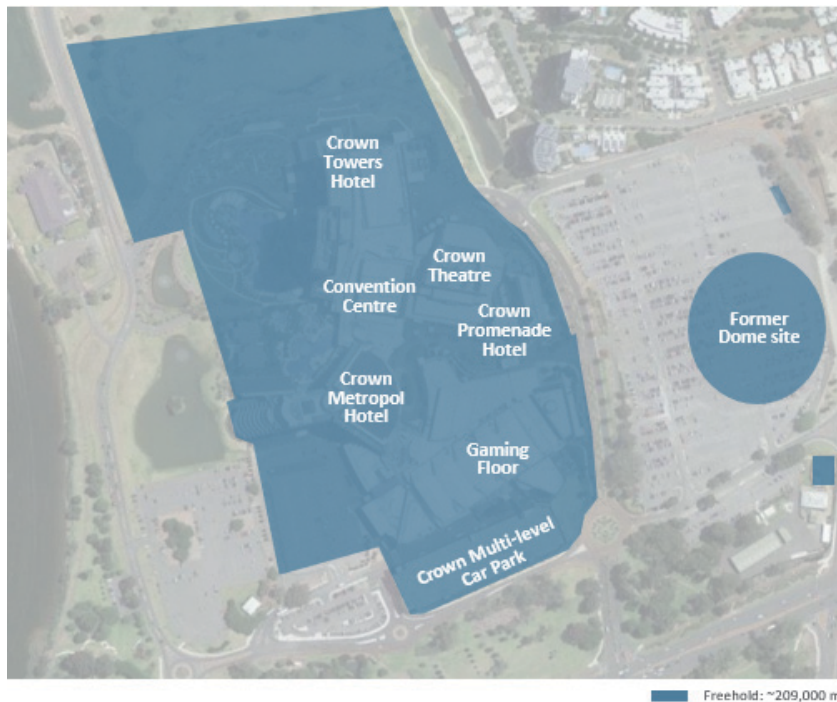


Source: Crown and Grant Samuel analysis

In contrast to *Crown Melbourne*, all of *Crown Perth* is situated on approximately 209,000 square metres of freehold land. The Crown Towers Perth hotel tower was the most recent property development on the site and opened to public in December 2016. While the current freehold title includes potential land developments (e.g. former Dome site), there are no firm plans to develop this land at this stage.

The map below sets out the layout of the *Crown Perth* complex:

CROWN PERTH – PROPERTY FOOTPRINT



Source: Crown



Operating Performance

The historical operating performance of *Crown Perth* for FY17 to FY21 and for 1HY22 is summarised below:

CROWN PERTH - OPERATING PERFORMANCE (\$ MILLIONS)

	FY17 ACTUAL PRE- AASB16	FY18 ACTUAL PRE- AASB16	FY19 ACTUAL PRE- AASB16	FY20 ACTUAL POST- AASB16	FY21 ACTUAL POST- AASB16	1HY22 ACTUAL POST- AASB16
Main floor tables	207.3	198.8	186.8	137.6	171.7	79.3
Main floor machines	266.8	265.1	267.4	207.0	306.6	157.2
VIP program play	109.4	103.0	72.0	49.5	0.4	-
Wagering & non-gaming	246.7	277.6	273.0	219.2	264.1	166.4
Theoretical revenue	830.1	844.5	799.2	613.3	742.8	402.9
Theoretical EBITDA (before closure costs and significant items)	244.8	248.8	221.8	161.8	254.2	109.6
Closure costs	-	-	-	(19.7)	(20.3)	(3.8)
Significant items	-	-	-	-	(2.3)	-
Theoretical EBITDA	244.8	248.8	221.8	142.1	231.6	105.8
Depreciation and amortisation	(79.6)	(87.0)	(85.3)	(79.6)	(75.7)	(37.2)
Theoretical EBIT	165.2	161.8	136.5	62.5	155.9	68.6
<i>Capital expenditure – Maintenance</i>	38.0	22.8	25.2	25.4	26.5	5.2
<i>Capital expenditure – Growth</i>	70.7	6.3	0.7	0.9	0.3	1.1
STATISTICS						
<i>Theoretical revenue growth</i>	-10%	+2%	-5%	-23%	+21%	-1%
<i>Theoretical EBITDA (before closure costs and significant items) growth</i>	-6%	+2%	-11%	-27%	+57%	-33%
<i>Theoretical EBIT growth</i>	-14%	-2%	-16%	-54%	+149%	-44%
<i>Theoretical EBITDA (before closure costs and significant items) margin</i>	+29%	+29%	+28%	+26%	+34%	+27%
<i>Theoretical EBIT margin</i>	+20%	+19%	+17%	+10%	+21%	+17%
<i>Capital expenditure as a % of revenue</i>	13.1%	3.5%	3.2%	4.3%	3.6%	1.6%
OCCUPANCY RATES						
<i>Crown Towers</i>	58%	77%	76%	61%	71%	77%
<i>Crown Metropol</i>	85%	86%	84%	69%	72%	75%
<i>Crown Promenade</i>	91%	90%	87%	70%	53%	61%

Source: Crown and Grant Samuel analysis

While *Crown Perth* faced the same industry headwinds as *Crown Melbourne* in recent years, the business has demonstrated a higher level of resilience partly due to its:

- low reliance on VIP program play. While VIP program play historically comprised approximately 25-30% of *Crown Melbourne* revenues, it only represented approximately 12-15% of *Crown Perth* revenues. The downturn in the VIP market and subsequent international travel restrictions into Australia have had a less pronounced impact on *Crown Perth*'s total operation; and
- softer operating restrictions during the COVID-19 pandemic. While *Crown Melbourne* was closed for over 350 days between FY20 and FY22 to-date, *Crown Perth* was closed for approximately 130 days over the same period. While patronage and other performance measures such as hotel occupancy were nonetheless negatively impacted by capacity limitations and other restrictions (such as mask mandates), *Crown Perth* was able to largely continue operating since June 2020.



It also has:

- a different revenue mix. Main floor machine revenues materially exceed that of table games, reflecting *Crown Perth's* monopoly on EGMs in Western Australia (by contrast, machine revenue is only 60-70% of table revenue at *Crown Melbourne*). In addition, since the opening of Crown Towers Perth, non-gaming revenues have consistently increased their share of *Crown Perth's* total revenues; and
- a very low level of premium table business, reflecting its different customer demographics (compared to *Crown Melbourne*).

With the severe restrictions that accompanied the initial COVID-19 outbreak, revenues declined by circa 23% in FY20 but rebounded in the following year as Western Australia's low infection rate enabled it to remain relatively open, at least initially. While Western Australia's interstate borders were closed, interstate business was never a significant feature of *Crown Perth's* operations. Main floor table games and gaming machines revenue grew by 39% in FY21, generating 5% more revenues than FY19 levels. This strong performance was partially offset by the loss of revenues resulting from the permanent cessation of the VIP program play on 24 February 2021, as directed by the GWC. All operational restrictions (apart from the VIP program play ban) were lifted on 23 June 2021 (just prior to a further short term forced closure on 29 June 2021).

Between FY17 and FY20, EBITDA margins (before closure costs and significant items) remained within a tight range of between 26% and 29%. However, as *Crown Perth* phased out its lower margin VIP program and continued to maintain rigorous discipline on marketing and promotional costs, EBITDA margin (before closure costs and significant items) jumped to 34% in FY21 but reverted to previous levels in 1HY22 due to the loss of JobKeeper payroll subsidies which helped support FY20 and FY21 earnings.

Outlook

Due to the less punitive restrictions and closures across Western Australia, *Crown Perth's* operations have been less severely impacted than *Crown Melbourne* and are expected by brokers to recover quicker with only modest improvements expected relative to FY21 and FY22. The existing ban against VIP gaming is expected to remain in place and, as a result, the majority of the growth is expected to be driven by improved performance across its main gaming floor (e.g. table games and gaming machines) and non-gaming offerings. However, the outlook for *Crown Perth* remains uncertain especially in light of the rising COVID-19 case numbers in 2022. The launch of new games (e.g. *Lightning Link*) have supported revenues through the downturn. Continued investments in new and successful games are expected to play a larger role in *Crown Perth's* performance in the future.

To provide an indication of the expected future performance of *Crown Perth's* business operations, Grant Samuel has considered broker forecasts (see Appendix 3) as follows:

CROWN PERTH – FORECAST FINANCIAL PERFORMANCE (\$ MILLIONS)

	FY21 ACTUAL	FY22 BROKER CONSENSUS (MEDIAN)	FY23 BROKER CONSENSUS (MEDIAN)
Theoretical revenue	742.8	724.3	798.7
Theoretical EBITDA (before closure costs and significant items)	254.2	188.6	227.9
Theoretical EBIT	155.9	114.5	157.6

Source: Grant Samuel analysis; Broker reports



5.3 Crown Sydney

Overview

Crown Sydney is Sydney's first 6-star luxury hotel resort and is an integral part of Crown's future growth strategy. The brand new \$2.2 billion hotel resort is the largest single development in Crown's recent history and comprised nearly half of Crown's total capital expenditures over the past ten years.

Planning for the *Crown Sydney* development began in 2012. Initial studies suggested that the Sydney market had been underperforming other peers (including Melbourne) and was falling short of capturing its potential share of a growing international gaming market³³. Crown's new development sought to leverage the company's strong brand recognition and track record in other major Australian capital cities and capitalise on a clear market opportunity in an underserved Sydney market that lacked a compelling offering for VIP gaming.

Crown's development proposal was fast tracked for approval by the NSW State Government and ILGA, which granted Crown a 99-year restricted gaming licence in July 2014. The gaming licence was subject to certain conditions that were reflective of the premium VIP only casino operation. These conditions included minimum bet limits and a strict membership and guest policy (i.e. no access to general public). Construction of the hotel resort began in 2016 and was completed in December 2020. *Crown Sydney's* arrangements with the ILGA also include certain minimum tax guarantee payments:

- base-line guarantee of \$1 billion over 15 years from 30 June 2022 (including the \$100 million licence payment); and
- start-up guarantee, under which taxes (from *Crown Sydney* and *The Star Sydney*) in the first three years must equal or exceed three times the taxes paid by *The Star Sydney* in the financial year immediately preceding commencement of *Crown Sydney's* gaming operations.

Crown Sydney comprises:

- **Crown Residences**, which includes 76 luxury residences of which approximately 85% of available apartments have been sold for a total of over \$1.0 billion (excluding GST). There are currently 11 remaining apartments to be sold, including one that has received a formal expression of interest and the two-level penthouse that has been listed for approximately \$100 million;
- **Crown Towers Sydney**, which contains 349 luxury hotel rooms (including 26 villas) and the Crown Spa. Crown Towers Sydney actively markets its luxury accommodation at a higher average price point than the Melbourne and Perth Crown Towers as well as other peers in the Sydney central business district. This higher average price point is expected to translate to a higher reliance on the international leisure market than the Melbourne and Perth Crown Towers;
- **VIP and high-end gaming facilities**, which will feature:
 - two high-roller gaming rooms called the Crystal Room and Mahogany Room, and Sky Gaming salons across two levels; and
 - traditional table games, semi-automated table games and fully automated table games (i.e. poker machines are not permitted). Once fully operational, *Crown Sydney* will initially offer up to 159 gaming tables and approximately 70 electronic table games;

The gaming facilities have the potential to grow further (e.g. conversion of floor space) as the business operation matures. *Crown Sydney* is not subject to a regulated cap on the number of gaming tables it can operate and is instead limited to total gaming area that is the lesser of 20,000 square metres or 20% of the total gross floor area of *Crown Sydney*; and

³³ Source: Joint Steering Committee for the Crown Sydney Resort Project & Echo Entertainment Group Ltd, Assessment Report, June 2013



- **other non-gaming operations**, including food and beverage and retail options. *Crown Sydney* comprises 13 signature restaurant and bars, up to three high-end retail outlets and event and conference room facilities.

Despite commencing its non-gaming operations in December 2020, the casino facilities remain closed subject to the receipt of necessary regulatory approvals. Crown continues to remain engaged in discussions with ILGA on the finalisation of terms that will apply to allow Crown to commence casino operations at *Crown Sydney*.

Operating Performance

The historical operating performance of *Crown Sydney* business since its inception in FY21 and in 1HY22 is summarised below:

CROWN SYDNEY – OPERATING PERFORMANCE (\$ MILLIONS)

	FY21 ACTUAL POST-AASB16	1HY22 ACTUAL POST-AASB16
Theoretical revenue	68.6	36.1
Theoretical EBITDA (before closure costs and significant items)	(22.8)	(4.3)
Closure costs	-	(14.8)
Significant items	145.8	54.8
Theoretical EBITDA	123.0	35.7
Depreciation and amortisation	(24.6)	(25.1)
Theoretical EBIT	98.4	10.6
<i>STATISTICS</i>		
<i>Occupancy</i>	<i>31%</i>	<i>17%</i>
<i>Theoretical revenue growth</i>	<i>n.a.</i>	<i>n.m.</i>
<i>Theoretical EBITDA (before closure costs and significant items) growth</i>	<i>n.a.</i>	<i>n.m.</i>
<i>Theoretical EBIT growth</i>	<i>n.a.</i>	<i>n.m.</i>
<i>Theoretical EBITDA (before closure costs and significant items) margin</i>	-33%	<i>n.m.</i>
<i>Theoretical EBIT margin</i>	143%	+29%

Source: Crown and Grant Samuel analysis

The financial profile of *Crown Sydney* reflects the partial opening of its resort. Select non-gaming operations (e.g. food and beverages and hotels) commenced operations in December 2020 with the remainder progressively commencing operations throughout 2021. However, gaming operations remain closed and are pending a determination of suitability by the NSW ILGA.

While *Crown Sydney* has welcomed nearly 40,000 hotel guests and approximately 385,000 covers at its restaurants, overall activity to date has been impacted by the stay-at-home orders or other operating restrictions (mask mandates or space restrictions) across New South Wales. Operating costs are further impacted by labour costs, particularly for the gaming operations. Crown has already recruited nearly 450 employees who will be employed in gaming related roles. These employees continue to be on the company payroll and undergo training as *Crown Sydney* prepares for the launch of its gaming operations. As a result, *Crown Sydney* continues to be loss-making on an EBITDA basis.

Significant items are primarily in relation to the profits realised on the sale of the *Crown Residences Sydney* apartments, less pre-opening costs.



Outlook

The outlook for *Crown Sydney* remains highly uncertain even if it gains approval to open gaming operations in the next few months. It is a new business with no track record and, in particular:

- it has to win business from an established competitor (Star) who can be expected to aggressively protect its clientele;
- the high-end premium level of the offering and tables only facility is untested in the Sydney market; and
- the potential impact of the stringent sign-up rules and member-only play are hard to gauge.

Broker forecasts expect *Crown Sydney* to launch gaming operations in early 2022 and progressively ramp up operations over the next 3-4 years. However, due to the start-up nature of *Crown Sydney*, estimating near term earnings is inherently variable. Broker estimates for *Crown Sydney* FY22, FY23 and FY24 EBITDA vary across a very wide range. On this basis, Grant Samuel has not relied on the broker consensus forecasts for *Crown Sydney*.

5.4 Crown Aspinalls

Overview

Crown Aspinalls is an exclusive private members club in London and is one of two high-end casinos located in London's West End entertainment district that are currently open. The casino opened in 1992 as the *Aspinall's Club* and was originally owned and operated by the Aspinall's family.

In September 2006, PBL acquired the initial 50% joint venture interest in the Aspinall's casino business which included *Aspinall's Club*. As part of PBL's structural separation to split its gaming and media businesses in 2007, the equity interest in the *Aspinall's Club* transferred to Crown. In May 2011, Crown acquired the remaining 50% interest in the *Aspinall's Club* that it did not already own and rebranded the club as *Crown London Aspinalls*. The acquisition was expected to enable Crown to integrate the London operation more fully into its international VIP business and leverage the sales and marketing capability of Crown's international VIP organisation. Today, *Crown Aspinalls* is wholly owned and operated by Crown.

The casino comprises one main gaming floor (i.e. the Club Room), four themed private gaming salons (the Sapphire Room, Jade Room, The Gallery and The Silk Room) and a separate gaming terrace (smoking area) which can be opened up to one large gaming area or segmented into three salons. *Crown Aspinalls* has 22 gaming tables (on average), which offer a range of games including baccarat, blackjack, roulette and three card poker. *Crown Aspinalls* also has a restaurant with private dining area, bar and lounge space.

Crown Aspinalls is exclusively a VIP only casino. The private members club offers two tiers of membership. The gaming membership is subject to a membership committee approval but provides gaming members access to the full suite of *Crown Aspinalls'* offering. The dining membership is open to non-gaming members and allows dining members to visit the *27 Restaurant & Bar* restaurant.

In recent years, the United Kingdom gambling and casino market has faced growing regulatory headwinds. Tighter regulations and increased scrutiny on responsible gambling obligations along with the historically high gaming taxes have collectively contributed to declining gambling spend in the high-end market since 2018. The decline of the global VIP market further accentuated the industry headwinds for *Crown Aspinalls*, which was heavily reliant on international VIPs and visitors. In 2021, Crown commenced a strategic review of the *Crown Aspinalls* business, particularly in relation to its recent business performance, future prospects and evolving industry regulations.

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Operating Performance

Crown Aspinall's historical financial performance from FY17 to FY21 and for 1HY22 is summarised below:

CROWN ASPINALLS – OPERATING PERFORMANCE (\$ MILLIONS)

	FY17 ACTUAL PRE- AASB16	FY18 ACTUAL PRE- AASB16	FY19 ACTUAL PRE- AASB16	FY20 ACTUAL POST- AASB16	FY21 ACTUAL POST- AASB16	1HY22 ACTUAL POST- AASB16
VIP Program Play revenue	98.8	63.4	54.9	32.3	2.1	7.4
Non-gaming revenue	1.0	1.0	1.1	0.8	0.2	0.5
Theoretical revenue	99.8	64.4	56.0	33.1	2.3	7.9
Theoretical EBITDA (before closure costs and significant items)	26.6	12.0	6.4	(2.7)	(6.3)	(3.2)
Closure costs	-	-	-	(1.2)	(5.2)	-
Significant items	-	-	-	-	(16.9)	-
Theoretical EBITDA	26.6	12.0	6.4	(3.9)	(28.4)	(3.2)
Depreciation and amortisation	(0.9)	(1.9)	(2.7)	(4.8)	(4.5)	(2.2)
Theoretical EBIT	25.7	10.1	3.7	(8.7)	(32.9)	(5.4)
Capital expenditure	4.1	6.7	0.7	0.8	0.8	0.1
STATISTICS						
Theoretical revenue growth	-8%	-35%	-13%	-41%	-93%	+508%
Theoretical EBITDA (before closure costs and significant items) growth	+0%	-55%	-47%	n.m.	n.m.	n.m.
Theoretical EBIT growth	+2%	-61%	-63%	n.m.	n.m.	n.m.
Theoretical EBITDA (before closure costs and significant items) margin	+27%	19%	+11%	-8%	n.m.	n.m.
Theoretical EBIT margin	+26%	16%	+7%	-26%	n.m.	n.m.
Capital expenditure as a % of revenue	4.1%	10.3%	1.2%	2.4%	33.8%	1.1%

Source: Crown and Grant Samuel analysis

Over the past five years, *Crown Aspinalls'* financial performance has deteriorated significantly. The downturn of the global VIP market had a profound impact on *Crown Aspinalls'* operations. VIP program play, mostly from the Far East region, historically accounted for nearly 98% of total revenues, with the remainder comprising non-gaming revenue revenues such as food and beverages. The major refurbishment of the club in 2017 was unable to offset the impact of slower VIP traffic from the Far East. Between FY17 and FY19, revenues declined by approximately 44% and EBITDA margins (before closure costs and significant items) compressed by more than 50%.

Revenues and EBITDA declined by a further 40% in FY20 as a result of COVID-19 related mandated closures effective 20 March 2020 through the end of the financial year. Despite resuming gaming operations in August 2020, *Crown Aspinalls* was closed for the majority of FY21. Reduced operating hours, constraints on international travel and social distancing restrictions impacted its financial performance even when the government mandates were relaxed. Accordingly, *Crown Aspinalls* has generated EBITDA losses since FY20.

The significant items comprise one-off provisions for credit losses as a result of Crown's portfolio review of its outstanding gaming receivables.

Outlook

While 1HY22 performance is significantly higher than the prior comparable period, it remains well below historical levels. Further recovery is expected over FY23 and FY24 by brokers with the business now focusing on the Middle East and domestic patronage. However, earnings are expected by brokers to be



subdued relative to historical levels in light of the highly competitive London market and the broader industry scrutiny and tightening regulation particularly around VIP gaming and the high roller segment.

5.5 Crown Digital

Overview

Crown Digital (formerly referred to as *Crown Wagering*) was originally formed in 2014 as Crown’s platform for investing in new high growth ventures across wagering and online social gaming operations. The launch of the *CrownBet* bookmaking platform spearheaded the growth of *Crown Digital* in its formative years. Within a year of its launch, *CrownBet* secured exclusive wagering partnership deals with the Australian Football League and ‘Racing.com’. Despite the promising early results from this venture, Crown sold its majority interest in *CrownBet* on 28 February 2018 as part of its debt reduction strategy.

Today, *Crown Digital* still holds Crown’s wagering and online social gaming operations which include:

- **Betfair Australia Pty Ltd (“Betfair”)**, which offers access to customers from Australian and New Zealand to an online peer-to-peer betting exchange. Betfair provides customers with a platform to place bets against each other on sporting events (e.g. racing, rugby leagues, etc.) and generates revenue by charging small commissions on customer net winnings. Betfair is the largest of the three *Crown Digital* operations, comprising approximately 75% of revenues. Betfair receives technology and support services from Flutter Entertainment plc (“Flutter”) (previously Betfair Group plc, the previous joint venture partner to Betfair and operator of Betfair UK, a leading betting exchange); and
- **DGN Games LLC (“DGN Games”)**, which is a developer of online social and casual games, including *Old Vegas Slots* and *Lucky Time Slots*. *DGN Games* is also in advanced development phase for two new casual games. The company has over 170 employees and contractors across Israel, Ukraine and Australia. *DGN Games* represents around 25% of *Crown Digital* revenues.

Operating Performance

Crown Digital’s historical financial performance from FY17 to FY21 and for 1HY22 is summarised below:

CROWN DIGITAL - OPERATING PERFORMANCE (\$ MILLIONS)

	FY17 ACTUAL PRE- AASB16	FY18 ACTUAL PRE- AASB16	FY19 ACTUAL PRE- AASB16	FY20 ACTUAL POST- AASB16	FY21 ACTUAL POST- AASB16	1HY22 ACTUAL POST- AASB16
Total revenue	303.3	293.3	130.1	135.5	147.0	69.5
EBITDA	14.8	26.9	26.1	34.7	34.1	14.3
Depreciation and amortisation	(22.3)	(14.8)	(6.8)	(9.4)	(11.4)	(7.0)
EBIT	(7.5)	12.1	19.3	25.3	22.7	7.3
Capital expenditure	10.5	11.8	13.9	15.9	17.6	7.0
EBITDA less capex	4.3	15.1	12.1	18.8	16.4	7.3
STATISTICS						
Revenue growth	+32%	-3%	-56%	+4%	+8%	-13%
EBITDA growth	-372%	+82%	-3%	+33%	-2%	-38%
EBIT growth	-65%	-261%	+60%	+31%	-10%	-59%
EBITDA margin	+5%	+9%	+20%	+26%	+23%	+21%
EBIT margin	-2%	+4%	+15%	+19%	+15%	+11%
EBITDA less capex margin	+1%	+5%	+9%	+14%	+11%	11%
Capital expenditure as a % of revenue	3%	4%	11%	12%	12%	10%

Source: Crown and Grant Samuel analysis



The sale of Crown's majority interest in *CrownBet* resulted in a much smaller (albeit a more profitable) *Crown Digital* business operation. However, the smaller scale of the business also highlighted the volatility in earnings that is typical for companies in early growth stages. In contrast to the other Crown businesses which faced significant disruptions as a result of the COVID-19 pandemic, *Crown Digital* revenues benefited from higher user activity on its online gaming platforms. However, these near term tailwinds are expected to subside as on-site gaming activity recovers.

Historically, *Crown Digital's* financial performance has been heavily impacted by a significant level of investments across user acquisition activities (e.g. marketing and promotional campaigns, which are expensed as incurred) and software development expenditures (which are capitalised). While the capitalisation of software development costs has helped support consistently positive EBITDA margins for the business (especially after the sale of the *CrownBet* business), the combined cash flow requirements for software development and significant level of investments across user acquisition activities limits the cash flow generation capabilities of *Crown Digital*. As a result, EBITDA less capex margin has averaged closed to 11-12% in the last three years (as opposed to approximately mid-20% EBITDA margins).

Outlook

The online and wagering business is highly competitive and requires constant investments in marketing and promotional activities to grow (if not maintain) share in the market. *Crown Digital* has historically been viewed as a "high growth" area for the business, which reflects the potential but also the underlying execution risks within this business. In this regard:

- *Betfair* has a strong niche position (as the only legal "betting exchange" in Australia) in a highly competitive market. It has made a renewed focus on protecting its profitability in light of the extremely heavy marketing expenditure being incurred by other online bookmakers. The company recently rolled out new commission rates across its platform and will maintain rigorous cost discipline in marketing and promotional spend as well as resourcing generally; and
- *DGN Games* is expected to continue to invest and develop online social games. Its existing game titles such as *Lucky Time Slots* and *Old Vegas Slots* have been in the market for more than six years and will continue to be available to users but are experiencing decline. These two games will be complemented by a new game title that is in early testing phases and expected to be soft launched later this year. Successful development will require considerable marketing and promotion resources.



6 Valuation of Crown

6.1 Valuation Summary

Enterprise Value

Grant Samuel has estimated the enterprise value of Crown in the range \$9.4-10.6 billion. The valuation is summarised below:

CROWN – ENTERPRISE VALUATION SUMMARY (\$ MILLIONS)

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Australian Resorts	6.3	9,500	10,500
Other business operations	6.4	240	300
Capitalised corporate overhead costs (net of savings)	6.5	(710)	(760)
Business Operations		9,030	10,040
Investments	6.6	160	195
Other assets and liabilities	6.7	247	329
Enterprise value		9,437	10,564

The valuation represents the estimated full underlying value of Crown’s businesses assuming 100% of the company was available to be acquired and includes a premium for control.

The valuation is premised on the following underlying assumptions:

- no further outbreaks of COVID-19 variants (to any material extent) and no further lockdowns or other significant restrictions on activity;
- Australia’s international borders remain open;
- a broad based economic recovery in Australia over the next 2-3 years (albeit with the consequential effects of past government stimulus) and modest interest rate rises;
- Crown is granted approval to open *Crown Sydney’s* gaming operations; and
- Crown retains its casino licences to operate in Melbourne, Perth and Sydney (post Special Manager and monitoring regimes).

There are, of course, risks that one or more of these assumptions cannot be sustained. To the extent that this is the case, there would be a reduction in the value of Crown (very material in the case of loss of licence).

The value attributed to the business operations of \$9.0-10.0 billion is an overall judgement having regard to a number of valuation methodologies and parameters, including discounted cash flow (“DCF”) analysis and capitalisation of earnings or cash flows (multiples of EBITDA). A general discussion of valuation methodologies is set out in Appendix 1.

The principal approach to valuing Crown’s business operations was by DCF analysis. The DCF analysis is based on simplified, high level models for each of Crown’s key business operations (*Crown Melbourne*, *Crown Sydney* and *Crown Perth*, or the “Australian Resorts”) developed by Grant Samuel. As a starting point, Grant Samuel had reference to the 5 Year Corporate Plan provided by Crown (prepared on a business as usual basis excluding potential regulatory changes) and the balance sheet of Crown as at 31 December 2021. Ungeared after tax cash flows were projected to FY31 and discounted to a net present value (“NPV”) at a discount rate of 8.5-9.0%.



The value range was selected based on consideration of a number of scenarios that incorporated upside growth catalysts such as:

- a potential expansion of *Crown Sydney*; and
- better than expected international VIP performance,

as well as downside risks including:

- slower recovery in *Crown Melbourne*;
- slower penetration of the Sydney market; and
- various impacts from the legislation following Phase 2 of the Victorian Royal Commission recommendations.

The latter have not yet been legislated or determined by the Victorian Government (currently in consultation phase) and the impact will depend on the extent to which they apply to the broader industry (and over what time frame). In any event, the immediate and long term impact of any particular change is difficult to predict. However, the recommendations will almost certainly come into effect in some form, so the value range selected takes these into account.

No additional value has been included for a potential sale and leaseback transaction. While it may appear that there is significant enhancement of value achievable through a sale and leaseback of Crown's properties and it is quite conceivable that Blackstone would pursue such a transaction, no additional value has been attributed for a number of reasons:

- the value analysis should already incorporate the upside value of a property owner;
- there are substantial execution risks;
- the potential value gain is very sensitive to the parameters and the gain would reduce materially if EBITDA multiples for the residual operating entity were 9 times or less; and
- a sale and leaseback transaction may result in significant costs (e.g. tax leakages) that would impact on net proceeds for Crown.

Grant Samuel has also valued Crown's other business operations (*Crown Aspinalls* and *Crown Digital*) and Crown's investments in *Nobu*, *Aspers* and *Chill Gaming* separately. However, given the basis of valuation (which in some cases includes commercially sensitive information) and their relatively small contribution to total value, these have been disclosed as single values for other business operations (See Section 6.4) and investments (See Section 6.6).

The value range was also considered by reference to the capitalisation of earnings. However, earnings multiples are problematic as Crown's earnings have been severely impacted by the COVID-19 pandemic and the associated government mandated lockdowns and other restrictions. As a consequence, FY20, FY21 and FY22 provide no meaningful guidance as to Crown's earnings capacity. FY23 is helpful but it represents only a partial recovery. FY24 is expected to be as close as practicable to a "normal" year, but broker consensus forecasts do not align with company projections (in part because the brokers may have incorporated possible regulatory impacts). In many ways, FY19 (being the financial year before COVID-19) and CY19 (being the last twelve month period before COVID-19) are the best proxies for "normalised" earnings particularly for a mature business such as Crown but there have been several significant changes to the business including:

- opening of *Crown Sydney* (although the gaming facilities are not yet open);
- termination of junket related activities;



- additional costs for *Crown Melbourne* (and Corporate) as part of the Remediation Plan with additional costs also likely for *Crown Perth*; and
- increased corporate overheads (primarily insurance costs).

In addition, an acquirer could save a proportion of corporate overheads. However, these factors offset each other to a significant degree and therefore FY19/CY19 can be utilised as rough proxies for “normalised” earnings.

The earnings multiples implied by the valuation of Crown’s business operations are summarised below:

CROWN BUSINESS OPERATIONS – IMPLIED VALUATION PARAMETERS

	VARIABLE (\$ MILLIONS)	RANGE OF PARAMETERS	
		LOW	HIGH
Value of business operations (\$ millions)		9,030	10,040
Multiple of EBITDA (times)			
FY19 (theoretical)	802.1	11.3	12.5
CY19 ³⁴ (theoretical)	762.0	11.9	13.2
FY23 (broker consensus, theoretical)	686.8	13.1	14.6

The implied multiples are blended multiples for Crown’s business operations and reflect the relative size of each of the business operations. The implied overall multiples are weighted towards the valuations of *Crown Melbourne* and *Crown Perth* but also incorporate the growth potential of *Crown Sydney*, which is expected to be a significant element of Crown’s overall growth going forward.

These multiples reflect the particular attributes of Crown’s business operations, including factors such as its:

- scale as Australia’s leading gaming and entertainment group with a portfolio of three premium integrated resorts;
- strong competitive position and barriers to entry;
- ownership of the Australian Resort properties which are located in prime destinations in Australia, all of which are in three of Australia’s largest and fastest growing population centres that have also historically attracted inbound international tourism; and
- significant opportunity to establish a foothold in the Sydney gaming market, which has arguably been underpenetrated especially in the premium tables segment.

In Grant Samuel’s opinion, multiples of around 12 times “normalised” EBITDA (to the extent normalised earnings can be determined) are reasonable relative to the market evidence. They are lower than multiples implied by recent transactions for major Las Vegas Strip casinos (approximately 13-14 times EBITDAR³⁵) but:

- *Crown Melbourne* and *Crown Perth* are mature businesses. Growth in core gaming operations beyond recovery to normalised levels is likely to be relatively modest;
- Crown faces an unprecedented level of regulatory scrutiny that may have a significant impact on its operations and earnings capacity. The full extent of the new regulatory legislation following the Victorian Royal Commission and Perth Casino Royal Commission have yet to be determined but there are likely to be stringent rules that inhibit gambling activity and have a material adverse impact on earnings;
- there are significant uncertainties about the return of the international VIP market; and

³⁴ CYXX = calendar year end 31 December 20XX (i.e. CY21 is the calendar year end 31 December 2021).

³⁵ EBITDAR = EBITDA before rental payments.



- the Las Vegas Strip casinos have certain attractive features that would justify a higher multiple than Crown:
 - the iconic status of these assets (Las Vegas is the world’s premier gambling destination); and
 - the anticipated earnings growth inherent in some of these acquisitions (from 2020 and 2021 levels).

Moreover, transactions involving Australian casinos have generally occurred at a slight discount to the transactions for major Las Vegas Strip casinos. Listed Australian casino operators also trade at multiples below similar United States (“US”) majors.

The multiples are also materially above the implied multiples of historical EBITDAR applying to recent acquisitions of combined property and operators in regional US markets (generally circa 8-9 times) as well as forecast EBITDAR multiples for listed major US casinos (9-10 times) and listed Australian casino operators (8-9 times).

The higher multiples of FY23 earnings are appropriate as FY23 incorporates only a partial (albeit substantial) recovery and could be effectively even higher if the broker forecasts do not include all of the regulatory impacts.

Equity Value

The equity value of Crown is calculated as its enterprise value less net debt and any other liabilities. In Crown’s case, there are significant potential liabilities and downside risks:

- any AUSTRAC penalties that may result from the civil proceedings commenced by AUSTRAC in March 2022 as any penalties are not currently able to be quantified;
- various tax matters (including gaming tax) that are currently unresolved and for which the ultimate outcome is uncertain. These mostly comprise (potentially significant) liabilities but there are some lesser matters that might lead to Crown receiving a tax refund;
- the MBL class action commenced against Crown in December 2020 (alleging that Crown had inadequate systems and processes for ensuring compliance with its obligations under anti-money laundering laws and that Crown engaged in misleading and deceptive conduct, breached its continuous disclosure obligations and conducted its affairs contrary to the interests of members as a whole over the period from 11 December 2014 to 18 October 2020) as the outcome and total costs related to this matter are uncertain;
- one-off costs associated with the various regulatory processes, including Royal Commissions, cost of any Special Manager or monitoring regime and implementation of other recommendations; and
- shortfall payments in relation to *Crown Sydney*’s financial arrangements with the ILGA in the event future cumulative tax payments do not meet the minimum thresholds.

There is a reasonable likelihood of some or all of these liabilities occurring and, in some cases, they could be very material. Crown itself expects to pay significant penalties in relation to the AUSTRAC proceedings. However, the amounts that will be required to be paid are so uncertain that they cannot be reliably quantified. On the other hand, they do need to be factored into shareholders’ consideration of the Scheme.

The equity value per share is summarised below. The following analysis illustrates how the equity value of Crown is impacted if the total liabilities arising from the contingencies are, hypothetically, \$340 million (\$0.50 per share) and \$680 million (\$1.00 per share).



CROWN – EQUITY VALUE PER SHARE

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Enterprise value (\$ millions)	as above	9,437	10,564
Adjusted net borrowings (\$ millions)	6.8	(946)	(946)
Value of equity (\$ millions)		8,491	9,618
Fully diluted shares on issue (millions) ³⁶	4.9.1	678.1	678.1
<i>Value per share (\$)</i>			
<i>No additional liabilities</i>		12.52	14.18
<i>\$340 million in contingent liabilities (or \$0.50 per share)</i>		12.02	13.68
<i>\$680 million in contingent liabilities (or \$1.00 per share)</i>		11.52	13.18

The values exceed the price at which, based on current market conditions, Grant Samuel would expect Crown shares to trade on the ASX in the absence of a takeover offer. Shares in a listed company normally trade at a discount of 15-25% to the underlying value of the company as a whole (but this discount does not always apply).

6.2 Valuation Approach

Grant Samuel’s valuation of Crown has been estimated by aggregating the estimated market value of its business operations (*Crown Melbourne, Crown Perth, Crown Sydney, Crown Aspinalls* and *Crown Digital*) together with the realisable value of investments and non-trading assets and deducting external borrowings and non-trading liabilities. The values of the business operations have been estimated on the basis of fair market value as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

In valuing Crown’s Australian Resorts, the primary focus was on DCF analysis, with earnings multiples analyses used as a cross check. Grant Samuel’s approach to DCF analysis for Crown is described in Section 6.3.1 of this report. The market evidence considered by Grant Samuel is summarised in Section 6.3.2.

The value ranges selected for Crown’s business operations are judgements. The objective is to determine a value that both fits with the output of DCF analysis in terms of the various scenarios and their likelihood and is consistent with the market evidence as to multiples.

The following factors should be noted when considering the value ranges assessed by Grant Samuel:

Valuation Date

The primary reference point for the valuation is the balance sheet at 31 December 2021. The DCF analysis has been prepared from 1 January 2022. While adjustments have been made for significant events post balance date (such as the receipt of proceeds in relation to the sale of the *Crown Sydney* apartment units), no adjustments have been made for movements in balance sheet items, in particular, the “mark to market” of derivative financial instruments as these vary daily and will continue to do so prior to implementation of the Scheme (but, in any event, should have minimal impact on net value as they are used as hedging instruments).

Single Business or Sum of the Part Valuation

Grant Samuel has separately valued each of Crown’s Australian Resorts. There are a number of reasons for this approach:

³⁶ Includes performance rights. The Board has resolved to settle the performance rights in cash at the Scheme Consideration which would increase net debt but decrease fully diluted shares. Grant Samuel has elected to treat them as shares that dilute value on a per share basis (with no adjustment to debt). The effect on value per share is negligible.

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- they are separate business operations, both geographically and in terms of their respective board and management structure. Each of the business operations has their own Chief Executive Officer and is subject to its own set of State regulations;
- while the overarching economic drivers of each of the Australian Resorts are similar (international travel, gambling expenditure per capita), the key drivers of operating performance are different:
 - *Crown Melbourne* and *Crown Perth* are the only casino resorts in their respective State capitals. In contrast, *Crown Sydney* is the second casino resort to be opened in Sydney (albeit catering to a high-end premium luxury clientele than the *Star Sydney* but it still faces a level of direct competition); and
 - domestic and intrastate gambling is expected to be a larger driver of *Crown Perth's* performance. It is the only venue in the state to offer electronic gaming or table gaming and EGMs represent a much larger proportion of revenue than at *Crown Melbourne*;
- each business operation is likely to have a different recovery from the COVID-19 pandemic in terms of the extent and duration of the impact and when patron activity (both gaming and non-gaming) can be expected to return to FY19 levels:
 - *Crown Melbourne* and *Crown Perth* are expected to have different paths to recovery due to a number of factors including the varying reliance on VIP gaming activity, and the extent of government mandated lockdowns that have affected behaviour; and
 - *Crown Sydney*, as a start-up operation that is purely focused on VIP program play, is likely to face a separate set of risks in addition to the prevailing industry themes; and
- transaction evidence is available for single-site integrated resorts across the United States and in Australia, although the majority of the transactions that completed in Australia occurred approximately twenty years ago.

However, the individual value ranges for each of the Australian Resorts have been aggregated for reasons of confidentiality. In any event:

- despite the different drivers for each of the resorts, they are operated as a portfolio of casino resorts across key markets in Australia's capital cities and the combination may be more valuable than single sites. For example, it is anticipated that *Crown Sydney* and *Crown Melbourne* will be co-operating closely in targeting the premium market, particularly the international VIP segment; and
- earnings multiples for each Australian Resort have been disclosed.

The individual value ranges for *Crown Aspinalls* and *Crown Digital* and the investments in *Nobu*, *Aspers* and *Chill Gaming* have not been disclosed separately in this report. Given the basis of valuation (which in some cases includes commercially sensitive information) and their relatively small contribution to total value, Grant Samuel has only disclosed in this report the aggregated value ranges for these other business operations and investments. Grant Samuel has provided qualitative commentary on the implied multiples for each of these business operations and investments (where applicable, relative to the relevant market evidence from comparable transactions and trading multiples).

Synergies

Normal valuation practice is to include (either implicitly or explicitly) a value for synergies that are available to multiple acquirers but to exclude synergy value that is unique to a particular acquirer.

Grant Samuel has explicitly included in the valuation corporate overhead cost savings that any acquirer of Crown would be able to achieve. Other synergy benefits such as operational cost savings potentially available to Blackstone (e.g. through the ownership of other leisure and entertainment assets globally) or the impact of using higher financial leverage have been excluded.



It should be noted that where earnings multiples from comparable transactions represent primary valuation evidence, adding synergies to earnings or making a further multiple adjustment for synergies would potentially result in “double counting” of value as the multiples from the comparable transactions are usually based on “standalone” earnings (either reported or forecast) and the value of synergies is therefore reflected in the multiple (i.e. the transaction multiple would be lower if based on earnings including synergy benefits). However, in this case, the most relevant transactions for Crown were not listed companies and therefore their implied multiples do not reflect listed company cost savings.

Earnings for Valuation Purposes

At a group level, FY19/CY19 is considered to be reasonable (if very rough) proxies for “normalised” earnings once Crown’s business operations have recovered. There are significant differences in circumstances today but their impacts on earnings offset to significant degree:

On the upside is the contribution expected from *Crown Sydney* once it reaches some level of maturity. This is partly offset by:

- higher operating costs at *Crown Melbourne* due to the increased resources devoted to implementing the Remediation Plan (including financial crime and risk governance initiatives). These costs are estimated to be approximately \$30 million per annum across *Crown Melbourne* and *Crown Perth*, but predominantly borne by *Crown Melbourne*;
- lower revenue and higher operating costs that may result from new regulations implemented under the Phase 2 legislation (Victorian Royal Commission), Perth Casino Royal Commission and AUSTRAC investigations. Some of these new regulations may overlap, but in any event are unable to be quantifiable at this point in time;
- higher corporate overhead costs, which are expected to be approximately \$150 million in FY22 before tapering to under \$100 million in latter years; and
- absence of junket related earnings (circa \$25 million in FY19).

Considering the 5 Year Corporate Plan forecasts, the FY19 earnings are considered useful for analytical purposes. Broker consensus for FY23 has also been utilised although it is a rebuilding year, rather than a year reflecting a full recovery. See Section 4.5 for further detail on Crown earnings.

6.3 Australian Resorts

6.3.1 Discounted Cash Flows Analysis

Overview of Approach

The DCF analysis is based on simplified, high level financial models for each of Crown’s Australian Resorts developed by Grant Samuel. The models use as their starting point Crown’s balance sheet at 31 December 2021 and project cash flows from 1 January 2022 to 30 June 2031. The DCF models use the FY22 forecast set out in the 5 Year Corporate Plan as their starting point. Grant Samuel has developed a number of scenarios based on the 5 Year Corporate Plan provided by Crown and has extended the model for a further five years based on broad assumptions in relation to main floor gaming revenue growth, VIP turnover, contribution margin and non-gaming revenue growth for each business operation. Overhead, capital expenditure and working capital assumptions have been made for each business operation.

The DCF models project nominal after tax cash flows for a period of 9.5 years, with terminal values calculated at 30 June 2031 to represent the value of cash flows in perpetuity. The terminal values have been calculated by capitalising net after tax cash flows using perpetual growth assumptions.



These DCF models allow the key drivers of earnings and capital expenditure to be modelled and are based on a number of assumptions that Grant Samuel considers reasonable. However, the DCF models do not constitute a forecast or projection by Grant Samuel of the future performance of Crown’s business operations and no assurance or warranty is given that future performance will be consistent with the assumptions adopted in the DCF models.

Limitations

The DCF models are based on a number of assumptions and are subject to significant uncertainties and contingencies, many of which are outside the control of Crown. Key assumptions regarding future operational performance are highly uncertain and there is scope for significant differences of opinion in relation to these assumptions. As a result of these uncertainties, there is a wide range of potential outcomes that could occur, both positive and negative (and an even greater number of possible combinations of those outcomes).

Moreover, DCF analysis is subject to significant limitations and NPV outcomes need to be treated with considerable caution. The calculated NPVs are extremely sensitive to small changes in assumptions regarding revenue growth, margins and capital expenditure for many years into the future. This sensitivity to assumptions regarding future operational performance is accentuated by the fact that the terminal value (the value contributed by cash flows generated after the end of the explicit cash flow forecast period) normally contributes a high proportion of the overall value.

These uncertainties are exacerbated by Crown’s circumstances with recent earnings (in FY20, FY21 and FY22) severely affected by the COVID-19 pandemic and the resulting lockdowns and other government mandated restrictions (e.g. on international and even domestic travel). The pathway for recovery is inherently uncertain and difficult to predict with any degree of reliability. A return to previous levels of activity (e.g. FY19) is a reasonable starting point but there are numerous reasons why it could be significantly different. Further uncertainties include:

- the impact of changes to the regulatory environment (which have not yet been settled); and
- the future performance of *Crown Sydney* where it is necessary to make assumptions as to the size of the market (premium gambling) and the ability to capture market share against an established competitor.

Scenario Analysis

Grant Samuel has considered a number of scenarios for each of Crown’s business operations to reflect the impact on value of key assumptions relating to main floor gaming revenue growth rate, VIP turnover, hotel occupancy rates and EBITDA margins. These scenarios have been developed following discussions with Crown’s management. The assumptions underlying the various scenarios are discussed in more detail below.

It should be recognised that the scenarios are highly simplified and focus on a limited number of key value drivers (e.g. post COVID-19 pandemic recovery, turnover rate, extent and impact of potential regulatory constraints on gaming activity and EBITDA margins), rather than detailed “bottom up” parameters. In addition, they are not mutually exclusive and compound scenarios are quite conceivable. Nevertheless, Grant Samuel considers that the analysis does provide some useful insight into value. The scenarios analysed are, to some extent, arbitrary. However, they reflect the range of judgements that potential buyers of the businesses could make. The scenarios do not, and do not purport to, represent the range of potential outcomes for Crown’s business operations or Grant Samuel’s forecasts of the future financial performance of Crown. They are simply theoretical indicators of the sensitivity of the NPVs derived from the DCF analysis.



The scenarios do not represent Grant Samuel’s forecasts of the future financial performance of Crown. Grant Samuel gives no undertaking and makes no warranty regarding the future financial performance of Crown. Such future performance is subject to fundamental uncertainty. Rather, the scenarios have been developed purely to allow Grant Samuel to assess the impact on calculated NPVs of alternative assumptions regarding the future growth and financial performance of Crown’s business operations.

Discount Rate

For the purposes of the analysis, Grant Samuel has utilised a nominal discount rate (weighted average cost of capital) (“WACC”) range of 8.5-9.0%. See Appendix 2 for further detail.

Key DCF Assumptions

The DCF assumptions for each of Crown’s Australian Resorts are summarised below.

OVERALL

The following general assumptions have been made in the DCF models developed by Grant Samuel:

- international VIP program win rate of 1.35%, consistent with the “normalised” or “theoretical” win rate that casinos can expect from VIPs over the long term;
- support costs (e.g. security services, property support and marketing costs) assumed to be higher than FY19 levels due to to additional resources required for financial crime and risk governance initiatives, IT and security;
- corporate tax rate of 30%. No taxes are assumed to be paid in FY22 due to negative taxable income during the period. A small amount of tax losses are utilised in FY23;
- working capital of negative 5% of total revenue, which reflects the historical average requirements for the business; and
- a terminal growth rate of 2.5%.

CROWN MELBOURNE

For Scenario A, the DCF model assumes the following:

- the elements of revenue growth are:
 - international VIP program turnover recovers to 50% of FY19 levels (aided by some conversion of previous junket players) by FY25, but at a significantly higher contribution margin than historical levels because of the absence of junket commission costs;
 - table games and gaming machines return to slightly above FY19 levels by FY23 then grow at 5-6% for two years, reflecting the increased turnover from premium gaming room refurbishments, expansion of private suites and electronic table games and premium machine initiatives. Total licenced capacity remains unchanged. Win/hold percentages remain in line with long-term averages; and
 - non-gaming operations grow at an average rate of 4% per annum as hotel room occupancies and food & beverage revenues recover following increased foot traffic in the casino complex. Hotel occupancy returns to just below FY19 levels (94-95%) by FY24 and is in line by FY25. Average room rates are circa 20% higher (from FY24) at *Crown Towers* following its proposed refurbishment while the other two hotels are approximately 8-10% above FY19 levels.



Total revenue grows at a higher rate in the initial years as the recovery from the industry downturn gains momentum and *Crown Melbourne* executes its premium direct strategy. Growth tapers to around 3% per annum by FY27, reflecting a combination of growth in household disposable income and stable gambling expenditure as a percentage of household disposable income. Collectively, these assumptions result in an average total revenue growth rate of approximately 2% per annum between FY19 and FY31;

- these assumptions result in the overall EBITDA margin improving from below breakeven in FY22 to approximately 28% by FY31 (consistent with margins in FY18 and FY19). While improved channel mix (i.e. higher margin VIP revenues) support improved profitability for *Crown Melbourne*, EBITDA margins remain below peak levels due to increased ongoing support costs;
- with the exception of near-term hotel refurbishment capex between FY22 and FY24, capital expenditure is expected to primarily comprise maintenance-related investment and average approximately 3.5% of revenue over the forecast period. An incremental \$40 million of refurbishment capital expenditure is assumed in the terminal year cash flow to account for the recurring need to periodically refresh the casino resort facilities; and
- terminal year EBITDA has been adjusted downwards by \$35 million to reflect the expected step-up in annual market rent for the *Crown Melbourne* main site lease from 2033 onwards.

CROWN PERTH

For Scenario A, the DCF model assumes the following:

- the primary elements of revenue growth are:
 - mass market gaming offerings such as:
 - local and domestic table games, where the drop (i.e. money exchanged for casino chips) from table games continues its recovery and grows by average rate of 7% per annum through FY26. Hold percentage (i.e. practically equivalent to a “win rate percentage” for table games) remains consistent with historical levels over the projected period; and
 - EGMs, where turnover grows at approximately 3% from FY24 onwards and is supported by continued new product launches. On average, *Crown Perth* launches new games at approximately 20% of its EGMs each year but expects a higher rate of new game launches over the next 12-24 months due to the current backlog resulting from the restriction on new games while the Perth Casino Royal Commission was being finalised. New game launches typically generate increased turnover. Win rate percentage remains consistent with historical levels over the projected period; and
 - non-gaming revenues including:
 - hotel revenues, which assumes a recovery in hotel occupancy rates and higher average room rates. Occupancy rates improve from 70% in FY22 to 80% by FY26, consistent with historical levels. Average room rates are 22% higher than FY19 levels at *Crown Towers* and approximately 10% higher for the other hotels (from FY25). Hotel revenues grow at an average rate of 3% per annum between FY22 and FY31; and
 - other non-gaming revenues (e.g. conference facilities, events and dining) are also assumed to grow at an average rate of 3% per annum between FY22 and FY31.



Growth tapers to around 3% per annum by FY27. No international VIP gaming revenue is assumed over the projected period due to Western Australia’s permanent ban on all high roller activity at *Crown Perth*. Collectively, these assumptions result in an average total revenue growth rate of 3% per annum between FY19 and FY31. The slightly higher rate than *Crown Melbourne* reflects the fact that *Crown Perth* had not experienced the same decline over FY20-22;

- the result of the above assumptions is that the EBITDA margin improves to 29% by FY31 (broadly consistent with FY17 to FY19). Improved product mix from mass market gaming offerings are expected to support higher EBITDA margins above historical levels but will be offset by increased support costs; and
- capital expenditure of 4% of revenues, which is slightly higher than *Crown Melbourne* to reflect the older casino resort facilities. An incremental \$30 million of refurbishment capital expenditure is assumed in the terminal year cash flow to account for the recurring need to periodically refresh the casino resort facilities.

CROWN SYDNEY

For Scenario A, the DCF model assumes the following:

- total revenue growth is expected to be significantly higher than the other Australian Resorts due to the ramp up of *Crown Sydney*’s operations. After the initial high growth phase (up to FY26), growth progressively tapers to around 3% per annum by FY31. Total revenue reaches \$1 billion by FY29. Key components are:
 - gaming operations commence in the fourth quarter of FY22 and gradually ramp up through FY26. The Sydney premium market is estimated to be \$670 million and *Crown Sydney* is assumed to capture a majority share (and have a similar win per table per day to *Crown Melbourne*) by FY26. Reopening of international borders will generate increased inbound international VIP traffic in FY23 and FY24 but it is assumed to build at a slower rate than domestic (premium) patronage. By FY26, international gaming revenue at *Crown Sydney* is assumed to approach levels generated at *Crown Melbourne*; and
 - non-gaming revenues, which are assumed to comprise approximately 30% of total *Crown Sydney* revenues, ramp up in FY23 as travel restrictions ease and additional foot traffic from gaming operations support stronger growth:
 - hotel occupancy rates improve to 75% by FY23 and reach 90% in FY25 and remain at that level for the remainder of the forecast period. Average room rates reflect current averages and increase by 2-3% per annum over the projected period;
 - food and beverage revenue increases almost 75% in FY23 with the gaming operations now open but grows modestly thereafter; and
 - non-gaming EBITDA margins are broadly consistent with those of *Crown Melbourne* and *Crown Perth*.
- the result of the above assumptions is that *Crown Sydney* breaks even in FY23 (at the EBITDA level). The EBITDA margin increases from slightly below breakeven in FY22 to approximately 24% by FY31. *Crown Sydney*’s EBITDA margin is assumed to be lower than the other Australian Resorts due to its higher revenue mix from VIP gaming; and
- capital expenditure of 2% of revenues, which is the lowest requirement among Crown’s Australian Resorts due to *Crown Sydney*’s brand new facilities. An incremental \$15 million of refurbishment capital expenditure (additional 1.5% of revenues) is assumed in the terminal year cash flow to account for the recurring need to periodically undertake a significant refresh of the casino resort facilities.

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DCF Scenarios

The key assumptions underlying each of the scenarios considered are outlined below:

CROWN AUSTRALIAN RESORTS – DCF SCENARIOS

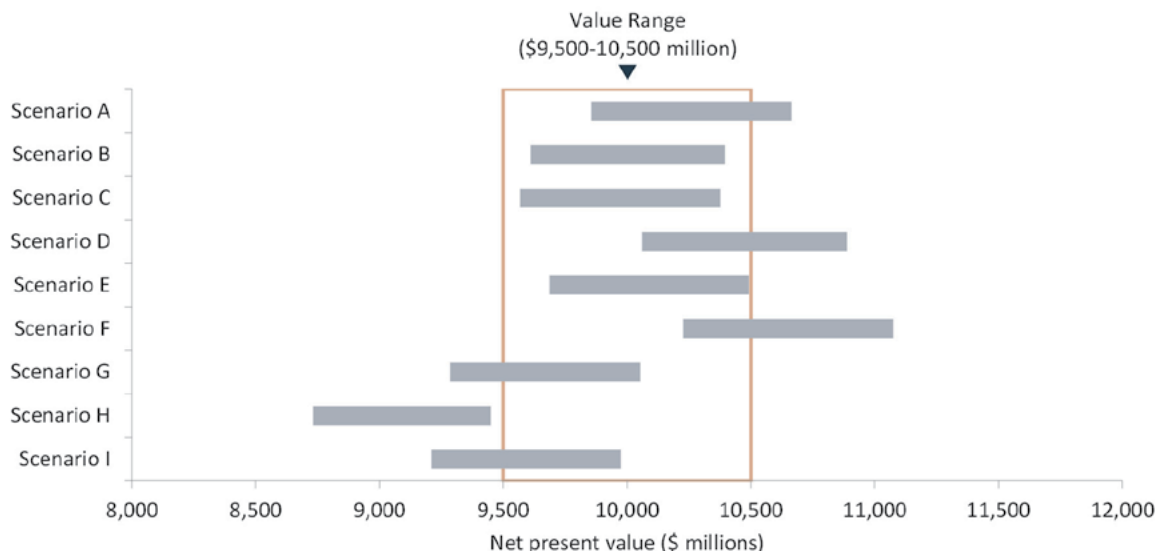
SCENARIO	DESCRIPTION
Scenario A	as above.
Scenario B	Scenario A, except revenue growth assumed to taper to 2.5% after FY26. Long term EBITDA margin remains unchanged for each of the Australian Resorts.
Scenario C	Scenario A, except recovery in <i>Crown Melbourne</i> revenues is expected to be delayed by one year. Average total revenue growth rate remains unchanged at 2% per annum between FY19 and FY31 as the delay does not alter the long term revenue potential of the business. Long term EBITDA margin remains unchanged.
Scenario D	Scenario A, except International VIP gaming revenue at <i>Crown Melbourne</i> is assumed to reach 75% of FY19 levels by FY26. Long term EBITDA margins remains unchanged.
Scenario E	Scenario A, except <i>Crown Sydney</i> ramp-up is delayed by one year. Average revenue growth rate and long term EBITDA margin remain unchanged.
Scenario F	Scenario A, except <i>Crown Sydney</i> incurs \$20 million in additional capital expenditures to expand gaming floor capacity by approximately 30%. Revenue only increases by approximately 15% over Scenario A. <i>Crown Sydney</i> EBITDA margin reaches 25% due to higher contribution from gaming revenues.
Scenario G	Scenario A, except regulatory reforms are assumed to be implemented by FY24. Main floor gaming and EGM revenues across <i>Crown Melbourne</i> and <i>Crown Perth</i> are reduced by 5% from FY24 onwards. Additional capital expenditure of \$80 million is assumed to be incurred across FY23 and FY24 and incremental ongoing support costs of circa \$3 million per annum are assumed to meet regulatory requirements (e.g. IT, compliance).
Scenario H	Scenario G, except main floor gaming and EGM revenues across <i>Crown Melbourne</i> and <i>Crown Perth</i> are reduced by 10% from FY24 onwards.
Scenario I	Scenario G, except main floor gaming and EGM revenues across <i>Crown Melbourne</i> and <i>Crown Perth</i> are reduced by 10% in FY24 before gradually reverting to a 5% reduction Scenario A levels by FY29.

NPV Outcomes

Grant Samuel’s selected value range of \$9,500-10,500 million for Crown’s Australian Resorts is based on a discount rate of 8.5-9.0%. The individual scenarios were not probability-weighted nor were they each treated as being equally probable. Rather, the range involves a subjective balancing across all of the scenarios. This is depicted diagrammatically below:

CROWN AUSTRALIAN RESORTS – NPV OUTCOMES

(AT 8.5-9.0% DISCOUNT RATE)



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Grant Samuel's value range incorporates all or virtually all of Scenarios A, B, C, E, G and I and the bottom halves of Scenarios D and F. Scenario H is outside of the value range. Grant Samuel has considered the NPV outcomes for all the scenarios in determining its value range for Crown's Australian Resorts business operations. In this regard:

- Scenarios A, B, C and E are all credible scenarios for Crown in the event that the impact of regulatory action is muted. While the most probable scenario would likely include an element of regulatory restrictions, these scenarios illustrate the potential value ranges for Crown on an unconstrained basis. In this regard:
 - Scenarios A and B show the sensitivity of the NPV outcomes to changes in the medium-term revenue growth rate and reflect industry growth rates. In the past decade, gambling expenditure has remained steady at close to 2% of household disposable income while household disposable incomes have grown steadily at around 2.5% over the same period and closer to 3% in the past five years; and
 - Scenarios C and E are all equally plausible. The recovery of *Crown Melbourne* and the ramp-up of *Crown Sydney* are both subject to uncertainty. Apart from the fact that international tourism could take several years to reach previous levels, the rebound in *Crown Melbourne* could easily take more time and effectively expanding the Sydney market (and taking share from *Star Sydney*) will be challenging;
- Scenarios G, H and I show the impact on NPV outcomes of potential regulatory restrictions on Crown's operations in both *Crown Melbourne* and *Crown Perth*. While the nature and extent of these changes are uncertain, it is clear that change is to come in some form and it should therefore be incorporated into the valuation. It is difficult (if not impossible) to be precise, let alone estimate, the impact these changes would have on Crown's business operations and NPV outcomes. There are no precedents, no guidance on the scope (i.e. industry wide or Crown only) and no prescribed form of the new restrictions or requirements to be legislated. Further, the Victorian and Western Australian State Governments may adopt different specific measures although the broad thrust of the changes is likely to be similar.

Consequently, Grant Samuel has developed these scenarios to understand the sensitivity of Crown's NPV to hypothetical impacts to revenues. While new measures such as mandatory carded play, cashless gaming, play period limitations and extended periods to maintain surveillance footage have been combined into the analysis, the scenarios were designed to be broad in nature and not exhaustive as to potential outcomes (i.e. the revenue impact may fall outside the scenarios considered). In this regard:

- Scenarios G and H assume that revenues are reduced by 5% and 10% respectively, and remain impacted in perpetuity. In these scenarios, Crown is likely the sole recipient of the new regulatory measures and faces an entrenched competitive disadvantage to its unencumbered peers; and
- Scenario I assumes that the measures are initially levied against Crown but are eventually rolled out across the industry and thereby reduce the competitive disadvantage that Crown faced in Scenario H and revert to levels more in line with Scenario G.

In aggregate, it is not unreasonable to believe that an industry-wide solution will eventually be adopted (whether in the current regulatory process or in a future one). Past precedents across the globe have demonstrated that customers may adjust their behaviour by redirecting their gambling expenditure to other forms of gambling. As a result, it is unlikely that a targeted reform against Crown (but not the rest of the industry) would remain in place permanently. On this basis, it is appropriate that the top halves of Scenarios G and I are included in the value range but Scenario H, being in Grant Samuel's view a less likely scenario, sits just outside the bottom end of the value range; and



- Scenarios D and F are considered more aspirational scenarios which are only partially captured in the value range:
 - Scenario D shows the NPV impact of Crown’s successful execution of its international VIP strategy and ability to deliver group level international VIP EBITDA in excess of FY19 levels by FY26. The Asian VIP market is substantial. Crown should be able to re-establish its share in the market as junket operators are being constrained in multiple jurisdictions. However, this would require sustained success in its premium direct model which has yet to be tested to be as successful in drawing customers as the junket operations previously have; and
 - Scenario F assumes *Crown Sydney* achieves all key operational metrics within the next four years and undertakes an expansion of its gaming facilities. While this is not outside the realm of possibilities, there remains significant execution risks even in the ramp-up of *Crown Sydney* (both gaming and non-gaming operations), the roll-out of the premium direct strategy and the return of international travel.

Taking these factors into account, Grant Samuel believes that the NPV outcomes produced by the DCF analysis support a value range for Crown’s Australian Resorts business operations of \$9,500-10,500 million.

6.3.2 Market Evidence on Earnings Multiples

Overview

Valuation analysis involves the review of earnings and other multiples that buyers have been willing to pay for similar businesses in the recent past and a review of the multiples at which shares in comparable listed companies trade on sharemarkets. This analysis will not always lead to an obvious conclusion of an appropriate range of multiples as there will often be a wide spread of multiples. It is necessary to consider the particular attributes of the business operation being valued (relative to the peers), the resilience of the patronage profile (reliance on either domestic or international tourism) and the competitive environment as well as the prevailing economic conditions and regulatory framework under which the business operates.

Crown primarily operates casinos in Australia, with a clear focus on luxury and premium integrated resorts. Grant Samuel’s review of the market evidence has considered transactions and listed companies involved in similar activities in Australia, Macau and the United States.

In particular, Grant Samuel has:

- separated the analysis of earnings multiples by geography and proximity to major gambling centres (e.g. Macau and Las Vegas) to better reflect the different growth prospects in each market; and
- calculated EBITDAR multiples (rather than EBITDA multiples) where appropriate for comparable transactions and comparable trading multiples to ensure that the market evidence is not distorted by the effect of sale and leaseback transactions on operating profits. While EBITDA multiples are generally more widely observed and referenced in the industry, companies adopt different asset ownership models (i.e. own or lease) which may introduce inconsistencies when comparing multiples between one company to another. Rental expense for Crown is immaterial as it wholly owns its Australian resorts and only pays a nominal rental payment for its land lease. As a result, Crown’s EBITDA is a close proxy for its EBITDAR. In contrast, rental expense may comprise a material share of EBITDAR for certain companies. For example, rental expense at Penn National Gaming Incorporated (“Penn”) represents up to 35% of EBITDAR. Consequently, EBITDAR multiples are a better basis of comparison than EBITDA multiples.



Transaction Evidence

Due to the strict regulatory framework surrounding casino ownership (particularly in Australia and Macau), casino resorts in these markets are traded infrequently. While Crown has been subject to takeover offers in recent years, the last time an acquisition of one of Crown’s Australian resorts completed was in 2004 when PBL acquired the *Burswood Casino* (now *Crown Perth*). There is a very limited number of transactions involving other Australian casino resorts in recent years. In any event, these casinos are significantly smaller in size and generally command lower foot traffic and a smaller international customer base than Crown (and are therefore less relevant valuation benchmarks for Crown’s Australian resorts).

While Grant Samuel would typically focus on recent Australian transaction evidence over, say, the past five years, earlier transactions (as far back as 1998) have been considered where they are particularly relevant (e.g. transactions involving Crown’s Australian Resorts) or provide meaningful benchmarks for the valuation of the Australian Resorts (e.g. the transactions involving other Australian integrated resorts such as Tabcorp’s acquisition of Star City Holdings Limited (“Star City”) in 1999 and Jupiters Limited (“Jupiters”) in 2003).

Due to the limited transaction evidence in the Australian casinos industry and the fact that most potential acquirers (with the exception of Star) are offshore, Grant Samuel has considered transaction evidence involving:

- large scale owner-operators of casino resorts across major tourist destinations (e.g. Las Vegas Strip) and regional markets in the United States. With the exception of Circus Circus Holdings Inc. (“Circus Circus”), all transactions had implied enterprise values of at least US\$1 billion;
- transactions where integrated resorts were divided with the real estate sold under a sale and leaseback structure and the residual operating entity (now with lease obligations) separately acquired. Virtually all of these transactions occurred in the United States; and
- casino operators (i.e. primarily operating leased casinos) that are predominantly focused in the United States gaming market.

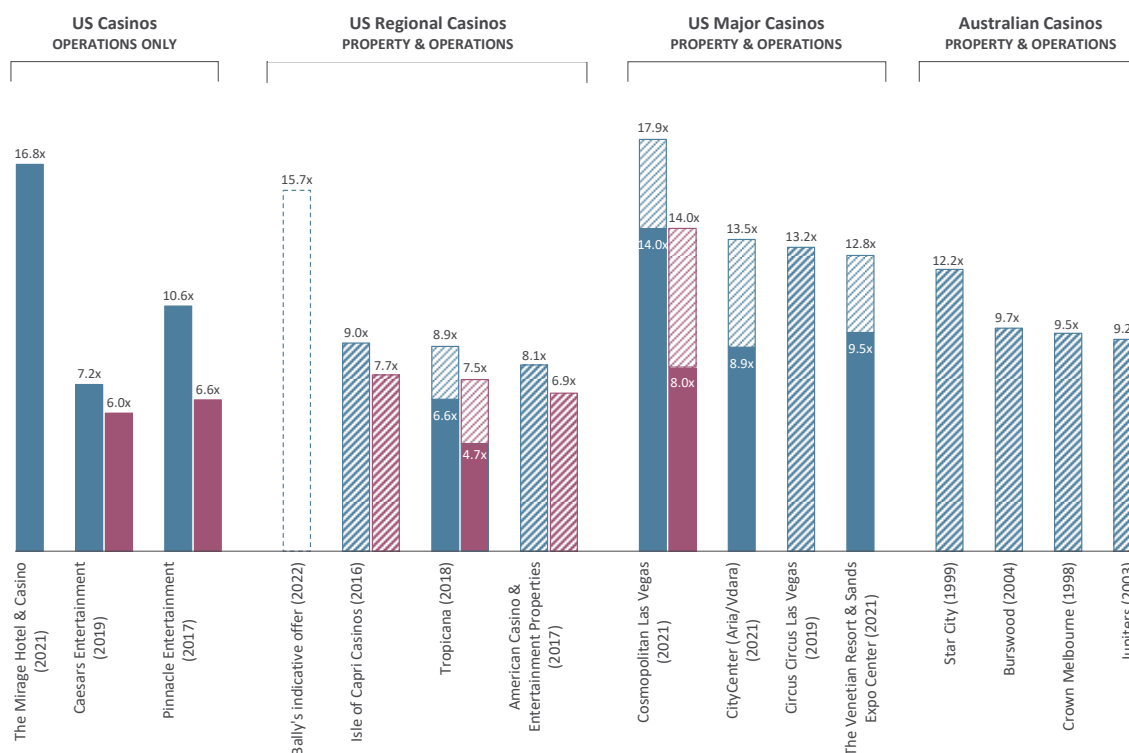
In considering the transaction evidence, it should be noted that:

- with the exception of the transactions involving *The Cosmopolitan of Las Vegas*, *The Venetian Resort and Sands Expo and Convention Center*, *The Mirage Hotel & Casino* and merger between Eldorado Resorts Inc. (“Eldorado”) and Caesar’s Entertainment Corporation (“Caesar’s”), virtually all of transactions (including all transactions involving Australian integrated resorts) occurred prior to the introduction of AASB16 and are therefore on a pre AASB16 basis; and
- for transactions occurring after 2019, there are complications in deriving meaningful historical earnings, particularly for 2020 which was particularly affected by COVID-19 related issues. Where appropriate, Grant Samuel has used 2019 earnings as the best proxy for historical earnings. Accordingly, the data is less robust than may typically be the case in analysing precedent transactions.

The following charts summarise the historical EBITDAR and EBITDA multiples implied by selected transactions:



RELEVANT COMPARABLE TRANSACTIONS
HISTORICAL EBITDAR / EBITDA MULTIPLES



Source: Grant Samuel analysis³⁷

In the chart above:

- the implied multiples for “pure” casino operating companies are in solid colours (and are post rent EBITDA multiples), whereas blended EBITDAR multiples for combined casino property and operations are shown in hatched shading with solid lines
- pre-synergy transaction multiples are in blue shade; and
- post-synergy transaction multiples are in red shade. These are a more meaningful basis to compare to Crown (where direct synergies are not material).

Most transactions involving large Australian casino resorts occurred between 1998 and 2004. Due to the strict regulatory oversight on ownership (including measures that cap the individual shareholdings of a single shareholder), control transactions are uncommon. The multiples for these transactions were lower than transactions involving comparable offshore peers due to the single-asset nature of the transactions, the large share of scrip in the transaction consideration (with the exception of *Burswood Casino*) and specific issues behind each of the transactions. These transactions followed the consolidation strategy of two leading entertainment companies:

- PBL, one of the leading pure-play media companies in Australia, strategically pivoted away from its traditional business of television and media and diversified into gaming and casinos. This pivot was underpinned by PBL’s acquisitions of:

³⁷ Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements, transaction documentation and, in the absence of company published financial forecasts, brokers’ reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each transaction depends on analyst coverage, availability and corporate activity.



- *Crown Melbourne* in 1998 at a relatively low acquisition multiple of 9.5 times historical EBITDA, which reflected the all-scrip nature of the consideration (that arguably did not include a full premium for control) and the company’s high debt burden after two tumultuous years of operations. The new casino’s launch in 1997 coincided with the Asian economic crisis which halted the stream of international tourists that were a significant element of the casino’s business case. *Crown Melbourne’s* consecutive years of widening net losses exacerbated the increasingly steeper challenge to refinance its debt laden balance sheet; and
- *Burswood Casino* (now known as *Crown Perth*) in 2004 at 9.7 times historical EBITDA, consistent with the *Crown Melbourne* transaction. While the *Burswood Casino* was significantly smaller than *Crown Melbourne* (approximately 70% less revenues and less than half of the total tables and gaming machines), *Burswood Casino* had a stronger market position (e.g. no pubs or clubs in Perth are allowed to own and operate EGMs), higher profitability and Western Australia has a lower casino tax regime; and
- Tabcorp, one of the largest diversified gaming companies in Australia with operations across wagering, sports betting, EGMs and gaming. The expansion into the casino industry reflected a continuation of its diversified gaming strategy and included the acquisitions of:
 - *Star City*, which owned *Star City* resort³⁸ (now known as *The Star Sydney*), at a relatively high acquisition multiple of 12.2 times historical EBITDA. The high multiple reflects a combination of factors including the size of the business (second largest casino in Australia), its position as the only casino resort in Sydney (which also is the largest tourist destination in Australia) with exclusivity through to 2019. The acquisition also came shortly after the New South Wales State Government approved new tax arrangements to enable *Star City* to enter the international VIP market which was expected to boost earnings; and
 - Jupiters, which owned hotel and casino resorts in Brisbane (*Conrad Treasury Brisbane*, now known as *Star Treasury*), Gold Coast (*Conrad Jupiters Gold Coast*, now known as *Star Gold Coast*) and Townsville as well as EGM monitoring operations in Queensland and New South Wales. Despite its size, diversified revenue base and protected market position (through a ten year exclusivity period for *Conrad Treasury Brisbane* ending 2005), Jupiters was sold at a lower historical EBITDA multiple than the other acquisitions due to the limited immediate cost synergies (there was an outsourced casino management contract with BI Gaming Corporation) and constrained flexibility to rebrand the resorts (at least through to 2010).

While there have been other transactions involving Australian casinos over the past two decades, these primarily relate to significantly smaller single-site operations (implied enterprise values well below \$300 million) and generally occurred at a discount to the larger peers. These include:

- SkyCity’s acquisition of *Adelaide Casino* in 2000, at 8.0 times historical EBITDA;
- SkyCity’s acquisition of *Darwin Casino* in 2004, at 7.3 times historical EBITDA; and
- Delaware North Companies Inc.’s acquisition of *SkyCity Casino Darwin* in 2019, at 7.5 times historical EBITDA.

These implied transaction multiples, while instructive in identifying the relative value drivers in the Australian casino industry, should be treated with caution as they occurred while the industry was still in its nascent stages and arguably subject to different risks and market forces.

In recent years, the transaction evidence across the United States shows a clear distinction between transactions involving:

³⁸ The management contract of *Star City* was subcontracted to a joint venture owned by Harrah’s Entertainment Inc. (85% interest) and Leighton Properties Pty Limited (15%). Ahead of the acquisition of *Star City* Holdings Inc., Tabcorp entered into a separate agreement with Harrah’s Entertainment to acquire its 85% interest in the management company.



- casino owner-operators in major casino and gaming destinations (“US majors”), which have consistently occurred at 13-14 times historical EBITDAR (adjusted for synergies); and
- casino owner-operators in regional areas (“US regional casinos”), which have generally occurred at a discount to the transactions involving US majors, or between 7 and 8 times historical EBITDAR (adjusted for synergies).

The US majors are generally large scale premium integrated resorts in the Las Vegas Strip that have diversified revenue streams across gaming and non-gaming offerings. Despite the intense level of competition in the Las Vegas Strip market, the US majors have generally transacted at premiums relative to their industry peers, reflecting the:

- strategic importance of the assets and their standing within the global casino industry;
- significant value potential of the land and property;
- size and scale (i.e. generally at an implied value of approximately US\$6 billion);
- diversified gaming and non-gaming operations within the integrated resorts; and
- “freshness” of the offering (e.g. recent refurbishments).

The *Cosmopolitan Las Vegas* transaction occurred at the top end of the range (14 times post-synergy EBITDA). The relatively high multiples reflected its strategic importance to MGM Resorts International (“MGM”) given its central location between the *Bellagio* and *CityCenter* (both of which MGM already owned) and the positive signs of increasing momentum in the recovery of the Las Vegas Strip market in the second half of 2021. The high multiples were further supported by the low near-term capital expenditure requirements for the asset as *Cosmopolitan Las Vegas* is among the newest facilities in the Las Vegas Strip and benefited from an US\$500 million in refurbishments and renovations prior to the transaction.

The implied blended multiples for *The Venetian Resort & Sands Expo Center* and *CityCenter* reflected the strategic importance and high quality of the assets (as well as the improving outlook as both were 2021 transactions):

- Apollo Global Management’s (“Apollo”) acquisition of *The Venetian Resort & Sands Expo Center* was part of the financial sponsor’s global focus to increase its exposure to the gaming industry. In 2021, Apollo announced the acquisition of Great Canadian Gaming Corporation (operator of 25 regional Canadian gaming properties) and also lodged a non-binding indicative offer for Tabcorp’s wagering business; and
- MGM’s acquisition of the 50% interest in *CityCenter* that it did not already own reflected the strategic value and immediate monetisation opportunity for MGM. Consolidating control over this asset enabled MGM to monetise *CityCenter*’s real estate assets and advance its asset-light strategy while enabling it to pursue new growth opportunities. The sale and leaseback of the property assets also offered significant strategic value to Blackstone Real Estate Income Trust, Inc., which already owned the real estate of the adjacent *Bellagio* resort.

While the acquisition of *Circus Circus* occurred at a multiple consistent with other US majors transactions, the implied multiple was impacted by its smaller size (enterprise value of US\$825 million) and the significant development potential of the adjacent surplus land parcel that MGM acquired for US\$575 million in April 2007 (or US\$17 million per acre). Adjusting the sale price for more recent land values of say US\$12 million per acre³⁹ results in an adjusted acquisition multiple of 6.7 times historical EBITDA. This lower adjusted multiple is more in line with US regional casino transactions and is arguably justified due to

³⁹ On 12 October 2021, The Las Vegas Convention and Visitors Authority sold 10 acres of land on the former *Riviera Hotel-Casino* for \$120 million. The land parcel is located adjacent to the current *Circus Circus* resort.



the Circus Circus resort’s location on the northern edge of the strip (nearly five kilometres away from the heart of the Las Vegas Strip) and need for major capital expenditure.

In contrast, the lower implied transaction multiples for US regional casinos reflect the smaller scale of the businesses (less than US\$2 billion enterprise value) despite the geographically diversified regional holdings (portfolios of at least four casinos).

The largest of the transactions involving US regional casinos is Standard General L.P.’s takeover offer for Bally’s Corporation (“Bally’s), which implied an enterprise value of over US\$5.3 billion. Standard General L.P. already owned 21% of Bally’s at the time of the announcement. While this is the most recent reference point for transaction multiples in the casino industry, the company has been highly acquisitive with a series of large scale (e.g. £2 billion acquisition of Gamesys Group) and smaller scale acquisitions across the iGaming segment. The iGaming segment is widely viewed as the growth frontier of the gambling industry and involves a different financial risk-to-reward profile (e.g. early stage, significant development investments, highly scalable) from the traditional brick-and-mortar casino gaming model that most other regional casinos employ. As such, the high implied multiple for Bally’s can be considered an outlier and less relevant when compared to its peers. Further, the takeover has not yet been accepted by Bally’s shareholders.

Transactions involving pure-play casino operating companies (“Casino OpCos”) have occurred at a significant discount to the rest of the peer group at between 6 and 9.5 times historical EBITDA (adjusted for synergies). With the exception of certain outliers, the relatively low implied multiples for Casino OpCos reflect the:

- relinquishment of control. Casino OpCos have limited discretion over the casino resort property (compared to owner-operators). While the underlying lease agreements typically set out a comprehensive regime of protocols (and delegation of rights), investment decisions and major refurbishments (or expansions) become significantly more difficult for Casino OpCos than for owner-operators as these decisions will now also involve a third party with ultimate ownership and control over the assets;
- increased financial leverage. The Casino OpCos typically enter into long term lease agreements that contain fixed but escalating rental payments. These structures may limit the financial flexibility of the Casino OpCos as a significant share of the operating company’s cash flows are devoted to fixed recurring payments; and
- lack of exposure to property value gains over time.

The implied EBITDA multiples for Casino OpCo transactions are consistently low regardless of:

- location. The Casino OpCos for *Cosmopolitan Las Vegas*, *CityCenter* and *The Venetian Resorts* all represented an immediate foothold in the Las Vegas Strip casino market but all traded within a narrow range of between 8 and 9.5 times historical EBITDA; and
- size or diversification. The merger of Eldorado and Caesar’s was one of the largest transactions of all time in the casino industry. Caesar’s is a globally recognised brand and had a portfolio of over 50 casinos across the globe, including in Las Vegas and across regional United States but:
 - prime resorts on the Las Vegas Strip represent a small proportion of earnings; and
 - rent constituted more than 40% of EBITDAR.

The only outlier in this group is the unusually high multiple implied by Hard Rock International’s (“Hard Rock”) acquisition of the operating company for *The Mirage* resort at 16.8 times historical EBITDA. The high multiple reflected the strategic importance and redevelopment potential (across 77 acres of land) to re-establish the *Hard Rock* brand in the heart of the Las Vegas Strip. Accordingly, it is not an appropriate benchmark. Moreover, the favourable commercial terms in its land lease agreement also supported the



higher multiple. The new lease offered Hard Rock a highly competitive EBITDA rent coverage of 2.7 times (most peers were under 2 times) and up to US\$1.5 billion in additional funding support for the redevelopment of *The Mirage*.

Sharemarket Evidence

There are only three casino operators (Crown, Star and SkyCity⁴⁰) listed on the ASX. These entities operate 8 of the 15 casinos in Australia (including the new *Crown Sydney* and *Queen's Wharf* developments) and represent over 90% of gaming tables and 80% of EGMs in casinos across the country. Due to the limited number of listed entities in Australia, Grant Samuel has also considered the trading multiples of:

- casino operators of premium integrated resorts in major international casino precincts such as Las Vegas Strip, Singapore and Macau that have historically relied on inbound international (or for the US-based casinos, interstate) tourism; and
- casino operators across regional United States, that are geographically dispersed across the country and consequently (typically) face lower competitive risk than those in Las Vegas.

While there is a wider group of ASX listed entities that operate in the broader gaming industry in Australia, the underlying business models (and value drivers) of these entities are not comparable to Crown and have been excluded from the analysis. These include lotteries-focused operators (Jumbo Interactive Limited), diversified gambling companies (Tabcorp Holdings Limited), gaming machine producers (Aristocrat) and online corporate bookmakers (PointsBet Holdings Limited).

In considering the sharemarket evidence, it should be noted that:

- the multiples for the listed entities are based on share prices and therefore do not include a premium for control;
- with the exception of Star and SkyCity, each of the comparable trading companies has a 31 December year end. The financial data has not been adjusted to align the year end for each company; and
- Grant Samuel has used the equivalent of FY19 EBITDA multiples as the best proxy for historical earnings. For most listed companies this is the year ended 31 December 2019. This decision reflects the varying impact of the COVID-19 pandemic on earnings in FY20 and FY21. High-end casino operators were severely impacted by the COVID-19 induced international border restrictions, government mandated closures and capacity restrictions (even when operational). In contrast, there was less impact on the United States regional casino market which was more reliant on local patrons.

However, a significant wave of deal activity in the US casino and gaming industry over the past 24 months makes it challenging even to rely on FY19 trading multiples. To the extent public information is available, the EBITDA multiples have been adjusted to include the impact of material acquisitions, mergers and divestments. These adjustments impact the historical trading multiples of:

- Penn, which completed the US\$2 billion acquisition of Score Media & Gaming Inc. ("Score Media") in October 2021;
- Bally's, which completed the £2 billion acquisition of Gamesys Group in October 2021 and a number of smaller land-based casinos as well as other iGaming, sports betting and media companies;
- MGM, which acquired *The Cosmopolitan of Las Vegas* and a 50% interest in *CityCenter* (previously unconsolidated). MGM's sale of its interest in the operating company *The Mirage Hotel & Casino* has not yet completed and consequently has not been adjusted; and

⁴⁰ SkyCity is dual listed on the ASX and on the New Zealand Stock Exchange ("NZSE").

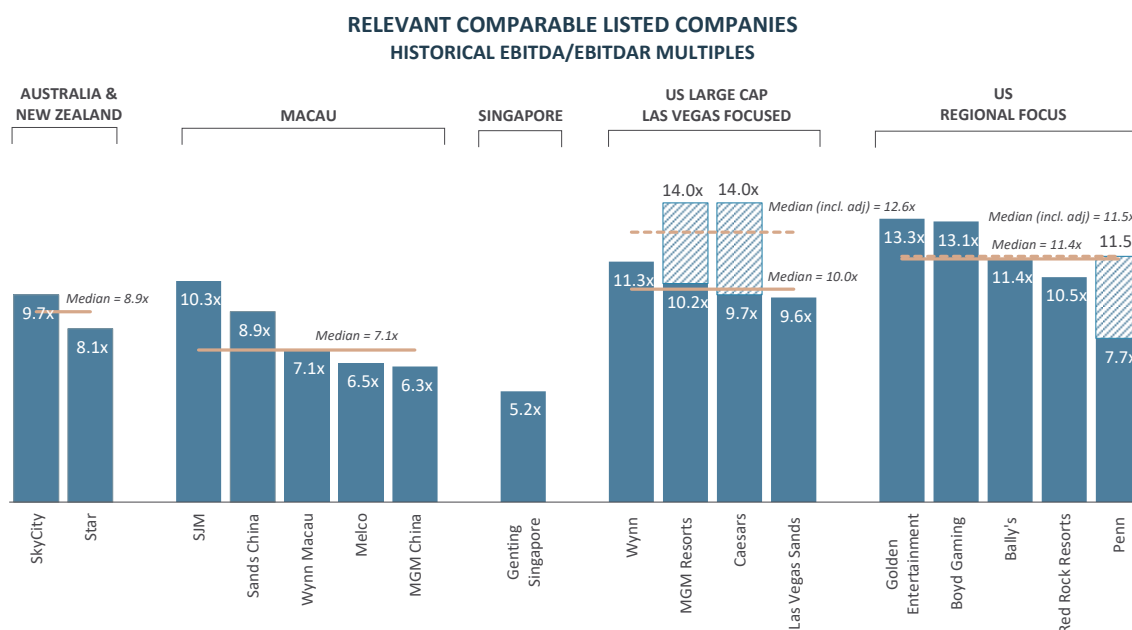
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- Caesar's, which underwent a significant transformation as a result of the merger of Eldorado and Caesar's. Adjustments have also been made to allow for the divestment of a number of regional casinos and the addition of William Hill plc's US business.

The forecast FY24 earnings multiples incorporate the full year effects of these transactions. Moreover, FY24 is expected to be as close as practicable to a "normal" year for most comparable companies. However, projected earnings (especially for financial performance more than two years into the future) is subject to a significant level of estimation risk and must be treated with caution.

The following charts set out the historical and forecast EBITDA multiples for these listed companies based on share prices as at 28 February 2022 (except for Bally's, which is based on its share price as at 21 January 2022, the undisturbed share price prior to the receipt of a takeover offer):



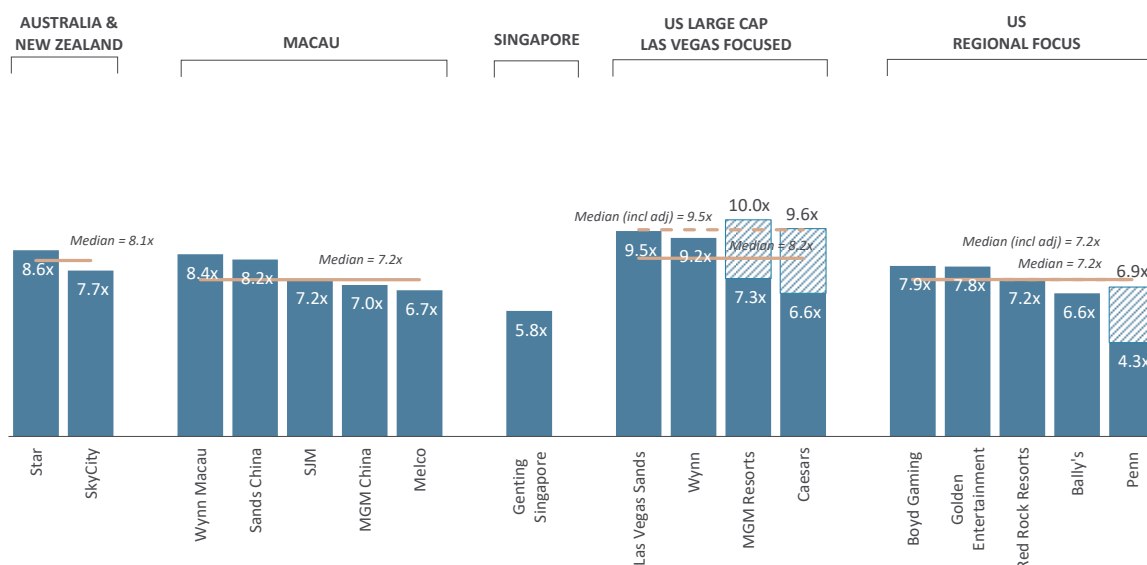
Source: Grant Samuel analysis^{41,42}

⁴¹ Grant Samuel analysis based on data obtained from IRESS, S&P Global Market Intelligence, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

⁴² EBITDAR multiples are presented in hatched columns



RELEVANT COMPARABLE LISTED COMPANIES
FORECAST 2024 EBITDA/EBITDAR MULTIPLES



Source: Grant Samuel analysis^{41,42}

The trading multiples for casino operators fall in a wide range, reflecting the different operating characteristics, competitive risks and regulatory environments for each of the individual businesses. Evaluating the market evidence for historical and forecast trading multiples is further complicated by the vastly different growth trajectories for each region following the COVID-19 pandemic and the different levels of exposure to international travel (and VIP gaming).

However, the trading multiples broadly demonstrate a level of consistency within each region.

The trading multiples for Australian and New Zealand based casino operators are generally between 8 and 10 times EBITDA. While Star and SkyCity have a number of similarities (e.g. geographic exposure, low VIP penetration and access to markets with the highest gambling expenditure per capita), there are a number of differences favouring SkyCity:

- stronger market position. Both *SkyCity Adelaide* and *SkyCity Auckland* have extensive exclusivity periods within their target markets that effectively bar any new entrants from competing against these two casinos during the exclusivity period. In contrast, Star faces substantially higher levels of competition across all of its markets. The exclusivity periods for *Star Gold Coast* and *Treasury Casino Brisbane* have already expired and *Star Sydney* is expected to face increased competition in the table games market once gaming operations commence at *Crown Sydney*; and
- growth potential from recent investments. SkyCity completed a \$330 million expansion of *SkyCity Adelaide* in December 2020 with the goal of transforming the underperforming casino. The expansion included new gaming areas, new boutique all-suite hotel rooms (previously it had no hotel accommodation), new signature restaurants and a car park. The expansion of *SkyCity Adelaide* is expected to be a key driver of earnings growth for the business. While Star's *Queen's Wharf* development is expected to also be a driver of growth in the future, the project still remains under construction with full opening still more than a year away and therefore it only makes a limited contribution to FY24 earnings.

The international casino operators trade in a wide range and are broadly bookended:

- at the bottom end of the range by Macau-based casino operators. The lower trading multiples for the Macau-based casino operators reflects the:

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- highly competitive Macau casino market, where there are over 40 casinos managed by six licenced casino operators. In contrast, most casinos operated by the listed Australian and New Zealand peers are typically the only (or at most one of two) casino operators in their local market;
- high concentration of gaming revenues. With the exception of Sands China Limited (“Sands China”), all operators derived 85-95% of FY19 revenues from gaming activities. In recent years, this concentration risk has been further amplified by their reliance on VIP program activity, which accounted for up to 65% of total gaming revenues and is higher than other international peers (typically less than 30%);
- uncertain impact of new reforms, which may have a material effect on VIP operations. In January 2022, the Macau Government unveiled new legislation outlining new restrictions on junket operations. These included (among other things) new bans prohibiting casinos from entering into revenue sharing arrangements with junket operators and providing dedicated junket rooms. Further, junket operators were banned from extending credit to their customers;
- uncertainty around casino licence renewal, which are due to expire by the end of 2022; and
- low level of free float, particularly for Wynn Macau Limited (“Wynn Macau”), MGM China Holdings Limited (“MGM China”) and Sands China. Approximately 70-80% of total shares outstanding for each of these entities are held by the parent entities (i.e. Wynn, MGM and Las Vegas Sands, respectively).

SJM Holdings Limited (“SJM”) and Sands China have relatively higher historical trading multiples than their other Macau-based peers due to the specific characteristics of each business. For example, the higher historical EBITDA multiple for SJM reflects the expected growth from the opening of the *Grand Lisboa Palace* resort, which is expected to contribute approximately HK\$2.0 billion of EBITDA by 2023 (45% of FY19 EBITDA). The forecast EBITDA multiple is more consistent with its peers; and

- at the top end of the range are the large cap US-based casino operators with established operations on the Las Vegas Strip. The relatively high historical and forecast trading multiples can be attributed to:
 - global scale. All of these companies have large portfolios of premium integrated resorts across Las Vegas and Macau (as well as select locations in Singapore and other international locations). MGM and Caesars also have extensive casino operations across regional United States;
 - the attractive tourist destination. Las Vegas Strip is the largest casino gaming centre in the United States and attracts visitors from across the world; and
 - diversified revenue base. Non-gaming revenues comprise up to 50% of FY19 revenues for these companies (higher than other international peers). These non-gaming revenues help draw increased customer visitations, which in turn can lead to gaming activity and also add to the resilience of the resort’s revenue streams.

However, the trading multiples of this peer group are also heavily influenced by:

- their exposure to growth markets, particularly iGaming (i.e. online casino gaming) and online sports betting. Those with a substantial and growing presence in the high growth online segment are trading at higher multiples. MGM trades at the highest forecast EBITDAR multiple amongst the US majors. In recent years, MGM has focused on monetising its assets to grow the *BetMGM* business operation (which is also the largest operator in the US online gaming market) and to develop its recently awarded integrated resort project in Osaka, Japan;
- their exposure to the Macau market. In recent years, the EBITDA multiples of these companies have been weighed down by the underperformance of their Macau operations (except for Caesars which has no exposure to Macau). Wynn and Las Vegas Sands Corporation (“Las Vegas Sands”) have a high exposure to the Macau market (72% and 70% in Wynn Macau and in Sands China, respectively). In FY19, Macau represented approximately 70% of revenues for both



businesses. In contrast, MGM had a much smaller exposure to the Macau market (MGM holds a 55% interest in MGM China, which represented only 24% of FY19 revenues); and

- their financial structure. MGM and Caesar’s extensively use a sale and leaseback structure (rent is 30-35% of EBITDAR). On an adjusted basis using EBITDAR multiples, their forecast multiples are comparable to Wynn and Las Vegas Sands (all between 9 and 10 times). However, it is clear that the forecast EBITDA multiples for MGM and Caesar’s (6.6 and 7.3 times) are materially lower than the other US majors (9-9.5 times) which do not have any material lease obligations.

The US-based regional casino operators do not trade at substantially lower multiples than other peer groups (except the US majors) despite their significantly smaller scale. This may be due to:

- lower competition. While there are over 350 land-based casinos in the United States, over half are located in Nevada with the remainder scattered across the rest of the country. Tight restrictions ensure that competition from new casino entrants remains low as casino operations are strictly regulated in most states and the total number of casino licences is typically capped;
- diversification. Most operators in this peer group have a portfolio of at least ten casinos that are geographically dispersed across the United States, minimising their reliance on the economic and demographic trends of a single locality;
- resilience through the downturn. While key casino hubs such as the Las Vegas Strip saw revenues decline by nearly 55% between 2019 and 2020, regional casinos reported much smaller declines (less than a 28% decline). Continued patronage from high frequency, local visitors helped ensure that regional casinos were able to maintain a steady flow of operations and deliver strong revenue growth as restrictions eased and domestic activity rebounded; and
- lower asset intensity. Over the last five years, the capital expenditures for regional casino operators averaged 5-7% of revenues whereas the larger peers invested well above 15% of revenues.

At the bottom end of the range of regional casino operators is Penn, whose share price has fallen by more than 30% since October 2021 following announcements of lower than expected earnings and damaging allegations against a senior executive. The fall in the share price was compounded by the unsuccessful bid (through Barstool Sports and Score Media) to secure an online sports betting licence in New York as well as its high fixed rental charge. Penn also makes extensive use of sale and leasebacks, which contributes to its materially lower forecast EBITDA multiple (4.3 times compared to 6.5-8 times for other regional owner-operators)

Finally, the low trading multiple for Genting Singapore Limited (“Genting”) is best regarded as an outlier due to the significant cash drag on its business. Since 2012, Genting has maintained an unusually large cash balance in the hope of securing the bid to build a casino in Yokohama, Japan. However, the City of Yokohama announced in August 2021 that it would withdraw its bid to host a new integrated resort.

6.3.3 Implied Multiples for Crown’s Business Operations

Overall

The EBITDA and EBIT multiples implied by Grant Samuel’s value range of the Crown’s business operations are set out below:



CROWN BUSINESS OPERATIONS – IMPLIED VALUATION PARAMETERS

	VARIABLE (\$ MILLION)	RANGE OF PARAMETERS	
		LOW	HIGH
Value of business operations		9,030	10,040
Multiple of EBITDA (times)			
FY19 (theoretical)	802.1	11.3	12.5
CY19 (theoretical)	762.0	11.9	13.2
FY23 (broker consensus)	686.8	13.1	14.6

These multiples reflect the particular attributes of Crown’s business operations, including factors such as its:

- scale as Australia’s leading gaming and entertainment group with a portfolio of three premium integrated resorts. Prior to FY20, Crown consistently generated over \$3 billion in revenues, nearly 50% more than Star, the next largest Australian casino owner-operator;
- strong competitive position. *Crown Melbourne* and *Crown Perth* are the only casinos in Victoria and Western Australia, respectively. There are significant barriers to entry to developing new casinos of similar scale, including the funding requirements (e.g. *Crown Sydney* and *Queen’s Wharf Brisbane* have a gross cost of \$2.2 billion and \$3.6 billion, respectively) and the regulatory framework that applies to casino ownership in Australia;
- ownership of the Australian Resort properties which are located in prime destinations in Australia. This includes three of Australia’s largest and fastest growing population centres that have also historically attracted inbound international tourism. Collectively, Sydney, Melbourne and Perth account for nearly half of Australia’s population and capture over 65% of inbound international travel into Australia; and
- significant opportunity to establish a foothold in the Sydney gaming market, which has arguably been underpenetrated especially in the premium tables segment. *Crown Sydney* is expected to develop a strong new ultra high end market segment in Australia and facilitate cross promotion across the Crown Australian Resorts portfolio.

In Grant Samuel’s opinion, multiples of around 12 times “normalised” (to the extent that can be determined) EBITDA are reasonable relative to the market evidence. They are lower than the multiples implied by recent transactions for major Las Vegas Strip casinos (approximately 13-14 times) but:

- *Crown Melbourne* and *Crown Perth* are mature businesses. Growth in core gaming operations beyond recovery to normalised levels is likely to be relatively modest. For domestic table games and machines, growth will largely come from population growth and increased expenditure per person (raising prices of games, for example with inflation, is not really practical). The only areas where there are significant growth opportunities are:
 - continued development of the *Crown Sydney* gaming business; and
 - development of the (non-junket) international VIP business;
- Crown faces an unprecedented level of regulatory scrutiny that may have a significant impact on its operations and earnings capacity:
 - the Victorian Royal Commission has released its recommendations, but only nine of the 33 recommendations have been legislated to date. The extent and nature of the restrictions on mandatory carded play, cashless gaming and capped play periods remains uncertain;
 - the Perth Casino Royal Commission has published its recommendations, which covers a broad range of topics including responsible gaming and governance. It is unclear what the legislative

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outcomes will be, but at minimum, Crown is likely to face restrictions on its activities (and will be subject to supervision by an independent monitor); and

- Crown has yet to finalise the terms (if any) that will apply to the commencement of gaming operations at *Crown Sydney*.

More broadly, it is unclear whether the potential regulatory actions will only impact Crown or if broader industry action is undertaken by the regulators. These issues are not reflected in FY19 earnings;

- there are significant uncertainties about the return of the international VIP market. While the Asian VIP segment remains a large and lucrative market, the global crackdown on junket operators is likely to have reduced the size of the market (or at least made it more difficult to reach the target customers). However, these trends have also impacted major VIP gaming markets such as Macau and the Philippines, which has arguably levelled the playing field for casino operators such as Crown; and
- the Las Vegas Strip casinos have certain attractive features that would justify higher multiples than would be appropriate for Crown:
 - the iconic status of these assets (Las Vegas is the world’s premier gambling destination); and
 - the anticipated earnings growth inherent in some of these acquisitions (from 2020 and 2021 levels).

Moreover, transactions involving Australian casinos have generally occurred at a slight discount to the transactions for major Las Vegas Strip casinos. Listed Australian casino operators also trade at multiples below US majors.

Further, the multiples implied by Grant Samuel’s value range are materially above:

- the implied multiples of EBITDAR applying to recent acquisitions of combined property and operators in regional US markets (generally circa 8-9 times);
- forecast EBITDAR multiples for the listed major US casinos (9-10 times); and
- forecast EBITDA multiples for the other listed Australian casino operators (8-9 times).

This premium for Crown is justified considering the multiples of listed peers (which do not reflect any premium for control) as well as the attractive attributes of Crown’s business operations as outlined above.

The higher multiples of FY23 earnings are appropriate as FY23 incorporates only a partial (albeit substantial) recovery (and could be effectively even higher if the broker forecasts do not include all of the potential regulatory impacts).

Australian Resorts

The multiples of FY24 EBITDA (as per the 5-Year Corporate Plan) implied by the individual value ranges for each of the Crown Australian Resorts are set out below:

CROWN – IMPLIED FY24 EBITDA MULTIPLES (BY BUSINESS OPERATION)

	RANGE OF PARAMETERS	
	LOW	HIGH
<i>Crown Melbourne</i>	9.6	10.5
<i>Crown Perth</i>	9.5	10.4
<i>Crown Sydney</i>	13.7	15.7



CROWN MELBOURNE

The EBITDA multiples implied by Grant Samuel’s valuation of *Crown Melbourne* are lower than the blended multiples implied by Grant Samuel’s value range of Crown. This is largely attributable to:

- the maturity of *Crown Melbourne*. With the exception of a potential new hotel tower in the One Queensbridge development site (separately valued as a surplus asset) and periodic refurbishments of the resort facilities, *Crown Melbourne* lacks the major growth catalyst enjoyed by the broader group (which benefits from an uplift due to *Crown Sydney*’s value potential); and
- low revenue growth rates. While *Crown Melbourne* expects to realise above-average (i.e. mid-single digit) growth rates in the first few years of recovery, it is expected to revert to a “normalised” low growth phase of closer to 2-3% per annum in the medium term.

The underlying earnings (i.e. Crown’s 5 Year Corporate Plan) used to calculate *Crown Melbourne*’s implied multiples do not reflect any impact from new regulatory reforms resulting from the Phase 2 legislation of the Victorian Royal Commission recommendations (and potentially the AUSTRAC investigations). Factoring these in would result in lower earnings and higher forecast multiples for *Crown Melbourne*.

CROWN PERTH

The EBITDA multiples implied by Grant Samuel’s valuation of *Crown Perth* are broadly consistent with those for *Crown Melbourne*. *Crown Perth* has some attractive attributes:

- stronger competitive position. *Crown Perth* is the only venue in Western Australia to offer electronic gaming or table games. While *Crown Melbourne* competes with other venues such as hotels and clubs, gaming machines are not permitted in Western Australia’s hotels and clubs;
- higher barriers to entry. *Crown Perth*’s market position is entrenched by legislation which prohibits new casinos from being established within 100 kilometres of *Crown Perth* unless the new casino is of a comparable size and standard;
- earnings resilience through the pandemic. Operating performance was less negatively impacted at *Crown Perth* than at *Crown Melbourne* over the past two years as government mandated closures and operating restrictions were less extensive in Western Australia than they were in Victoria. *Crown Perth*’s resilient earnings were further supported by continued domestic intrastate patronage which was less impacted by international and interstate border restrictions;
- potential margin expansion. Mass market table gaming and EGMs typically generate higher margins than international VIP program play. The complete phasing out of VIP gaming at *Crown Perth* should support improved margins going forward (albeit partly offset by higher costs); and
- freehold land title. All of *Crown Perth*’s operations are located on freehold land. As a result, *Crown Perth* is not subject to the same material step up in rent expenses that *Crown Melbourne* is expected to face (albeit only from 2033 onwards).

On the other hand:

- the findings and recommendations of the Perth Casino Royal Commission will undoubtedly lead to legislative changes. While the details of these changes are unknown at this point in time, it is clear that there will be new restrictions on *Crown Perth*’s operations which are likely to have an adverse impact on revenue and earnings;
- Western Australia has banned all VIP program play gaming at *Crown Perth*. While VIP gaming has historically generated lower profit margins than product offerings, the loss of a non trivial revenue growth driver for *Crown Perth* requires a change in strategy to focus solely on mass market offerings;



- *Crown Perth* is a substantially smaller integrated resort than *Crown Melbourne*, with gaming floor and hotel room capacity approximately 35% and 25% smaller, respectively; and
- current trading in *Crown Perth* remains subdued due to rising COVID-19 case numbers in 2022.

Grant Samuel believes that the multiples for *Crown Perth* represent a fair balancing of these factors.

Similar to *Crown Melbourne*, the underlying earnings used to calculate the implied multiples for *Crown Perth* do not reflect any impact from new legislation following the Perth Casino Royal Commission and any new AUSTRAC requirements and any other regulations that mirror the Phase 2 legislation in Victoria. To the extent any new restrictions impact operations and earnings, the implied forecast multiples for *Crown Perth* would be higher.

CROWN SYDNEY

Crown Sydney is a critical part of Crown's future growth strategy and the EBITDA multiples implied by Grant Samuel's valuation reflect this value potential. The implied forecast FY24 multiples are high relative to Crown's other Australian Resorts. Moreover, they are:

- slightly above the range of market evidence for transactions involving US majors (at 13-14 times EBITDAR); and
- above the implied multiples for newly launched casinos that had clearly defined near-term growth catalysts, including the transactions involving *Star City* (at 12.2 times historical EBITDA).

In Grant Samuel's view, the relatively high implied multiples are justified based on the long-term upside potential of *Crown Sydney*, including:

- by FY24, *Crown Sydney* is still in a relatively early stage of its ramp-up. Earnings are unlikely to reflect its mature earnings capacity. In contrast, earnings growth beyond FY24 at the other Australian Resorts would be more stable (if not minimal);
- the underpenetrated Sydney tables market segment, which has underperformed Melbourne despite Sydney's larger resident population, inbound international visitor market and broadly higher per capita gambling turnover;
- broad scope for growth under the existing casino licence. The gaming facilities have a clear platform to grow further (e.g. conversion of floor space) as the business operation matures. *Crown Sydney* is not subject to a regulated cap on the number of gaming tables it can operate and currently only occupies a fraction of the available floor space; and
- significant economic upside from the move to a premium direct model which should bring higher margins for *Crown Sydney*'s VIP business compared to Crown's traditional model. The tightening of junket regulations in overseas markets such as Macau and the Philippines should enable Crown to compete more effectively for international VIP business. In this regard, *Crown Sydney* has a greater exposure to improvement in the international VIP market relative to the other Crown Australian Resorts.

However, this long term upside potential must be balanced against the relatively higher risks faced by *Crown Sydney* such as:

- significant regulatory risk. Gaming operations are unable to commence until Crown secures a path to suitability to hold the restricted gaming licence that authorises it to operate the *Crown Sydney* gaming facilities. While Crown has made significant progress delivering the Remediation Plan to address the key matters raised in the Bergin Inquiry, it remains unclear when the ILGA will approve a path for Crown; and



- competitive risk (particularly from *Star Sydney*). *Crown Sydney* will need to compete against an established incumbent, albeit one that competes across a wider spectrum of customers (e.g. mass market). In recent years, *Star Sydney* has invested heavily to enhance its platform, including refurbishing its premium gaming rooms, updating its loyalty program and investing in its sales and customer relationship teams. It remains unclear what additional competitive steps Star may take if and/or when *Crown Sydney* is allowed to commence gaming operations.

Taking all of the above factors into account, Grant Samuel believes that the relatively high multiples implied by the valuation of *Crown Sydney* are appropriate.

6.4 Other Business Operations

Grant Samuel has valued Crown’s other business operations (*Crown Aspinalls* and *Crown Digital*) in the range \$240-300 million. The value range reflects:

- for *Crown Aspinalls*:
 - the consideration paid to acquire the *Aspinall’s Club* from the Aspers Group (a 50:50 joint venture between Crown and the Aspinall family) in May 2011 of £38.1 million (\$58.9 million) as well as the \$52.8 million impairment recognised in FY20 (primarily due to the COVID-19 pandemic, see below);
 - the impact of a more restrictive gambling regulatory environment in the United Kingdom and the declining VIP market since 2011. These two factors have had a material adverse impact on *Crown Aspinalls’* revenue and earnings;
 - the more recent impact of the COVID-19 pandemic which has resulted in *Crown Aspinalls* reporting EBITDA losses in FY20, FY21 and 1HY22 and the relatively subdued outlook for the business relative to its pre-COVID-19 performance in the highly competitive London market; and
 - the value inherent in the property (which is part freehold (on a 999 year lease) and part leasehold) and the casino licence.

The EBITDA multiples implied by the value attributed to *Crown Aspinalls* (at approximately 8 times historical EBITDA) are towards the low end or below the range of comparable international casino transaction multiples (i.e. those that operate in competitive markets) but in Grant Samuel’s view this is appropriate given *Crown Aspinalls’* challenging operating conditions, uncertain outlook and very small scale;

- for *Betfair*:
 - the nature of the business which is dependent on technology and a brand owned by Flutter. The licensing arrangements contain change of control provisions that effectively prevent Crown disposing of its interest in Betfair without the consent of Flutter (limiting the potential acquirers of the business);
 - its strong niche position as the only “betting exchange” in a highly competitive market (online wagering in Australia); and
 - the likely success of the recently implemented new strategy for the business (new commission rates, managing costs and investing selectively for growth).

The EBITDA multiples implied by the value attributed to *Betfair* of 7-8 times FY23 EBITDA are lower than the trading multiples of listed comparable wagering and gaming companies of ~10.5-12.5 times year 2 forecast EBITDA (i.e. FY23). While these are trading multiples (and do not include a premium for control), these companies (e.g. Flutter and Entain plc) are substantially larger and more diversified than *Betfair*; and

- for *DGN Games*:



- indicative offers received for the business, which broadly correspond with the current carrying value;
- the declining core business and the dependence on successful development of a new game being launched to underpin growth going forward; and
- potential downside risks that have emerged since 31 December 2021 (e.g. the impact of the Russian military action on its development operations in Ukraine).

The EBITDA multiples implied by the value attributed to *DGN Games* are relatively low compared to the trading multiples of listed wagering and gaming companies but the implied EBITDA multiples are constrained by the very high development expenditure requirements of the business. Historically, this expenditure has generally exceeded EBITDA and this is expected to continue over the FY22 to FY24 period.

6.5 Corporate Overheads

Corporate overhead costs represent costs associated with running Crown's head office and include:

- costs of the Crown senior executives such as the costs associated with the offices of the Group Chief Executive Officer and Chief Financial Officer, company secretarial, corporate affairs, treasury and tax;
- listed company costs such as directors' fees, annual reports and shareholder communications, share registry and listing fees;
- insurance costs, which primarily comprise directors and officers liability insurance;
- third party costs, including legal and advisory costs. These costs have increased by more than \$50 million in FY21 and are expected to remain elevated for the remainder of FY22 as Crown responds to the ongoing regulatory processes;
- contributions to the Crown Resort Foundation (i.e. charitable contributions to support community partnership and indigenous engagement purposes); and
- costs of certain group shared services such as human resources and information technology that are not fully recharged to the business operations during the year.

Crown's unallocated corporate overheads have historically ranged between \$40 million and \$50 million per annum but have more than doubled in the past year due to higher legal and adviser costs as a result of various regulatory processes. Crown expects corporate costs to decline from the current levels but to remain higher than historical levels due to much higher insurance costs.

An acquirer of Crown would be able to save the costs associated with being a publicly listed company (e.g. listing fees, public director costs and D&O liability insurance premiums associated with sharemarket conduct) and non-committed charitable contributions. As a privately held company, Crown will likely still need to have independent directors on its Board, so an acquirer will unlikely be able to eliminate all director costs. The ability to save other corporate overhead costs is less clear given the heightened levels of regulatory compliance costs required to ensure Crown complies with the increased regulatory scrutiny around its operations.

Grant Samuel has estimated total potential cost savings for any acquirer of Crown at circa \$15-16 million per annum and has made allowance for the run-off costs for the D&O liability insurance (which becomes payable in a change of control of Crown). This results in a value of \$710-760 million for unallocated corporate overheads, net of expected savings. The range of negative values attributed to unallocated corporate overheads has been calculated using DCF analysis (at a discount rate of 8.5-9.0%).



6.6 Investments

Grant Samuel has valued Crown's investments (50% interest in *Aspers*, 20% interest in *Nobu* and 50% interest in *Chill Gaming*) in the range \$160-195 million. The value range reflects:

- the expected cash consideration for the sale of the 50% interest in *Aspers*. Crown carried its investment in *Aspers* Casino at \$35.3 million as an asset held for sale in its 31 December 2021 financial position;
- for *Nobu*:
 - Crown's acquisition price for its 20% interest in *Nobu* in October 2015 of US\$100 million (equivalent to ~\$138 million), and taking into account changes to the business since acquisition, as well as the \$21.7 million impairment recognised in FY20;
 - the 31 December 2021 carrying value of \$123.4 million; and
 - the impact of mandated closure orders due to the COVID-19 pandemic on FY20 and FY21 performance.

The value attributed to Crown's 20% interest in *Nobu* implies FY19 price earnings multiples of ~17-20 times and an FY19 dividend yield of 5-6%. In Grant Samuel's view, these implied multiples and dividend yields, while relatively high, are reasonable in the context of other listed hotel and restaurant companies, taking into account *Nobu's* global operations and strong, internationally recognised brand; and

- for *Chill Gaming*:
 - Crown's investment in *Chill Gaming* to date;
 - the current pre-revenue status of the joint venture; and
 - the 31 December carrying value of \$9.9 million.

6.7 Other Assets and Liabilities

Grant Samuel has valued Crown's other assets and liabilities in the range \$247-329 million. Crown's other assets and liabilities include:

- proceeds from the sale of:
 - *Crown Sydney* apartments subsequent to 31 December 2021 (net of costs to complete and selling costs). It has been assumed that no tax is payable on these proceeds as Crown will utilise tax revenue losses (either incurred or expected by 30 June 2022) to offset the tax payable on these proceeds;
 - its remaining VIP jet aircraft. No capital gains tax is assumed to be payable on the proceeds as Crown has capital losses which are available to be used to offset the tax payable on these proceeds; and
 - surplus land (including 1-29 Queens Bridge Street), based on recent independent valuations of the relevant parcels of land. No capital gains tax is assumed to be payable on the proceeds for the same reason as outlined above;
- recovery of the contribution made by Crown to the *Zantran Pty Limited v Crown Resorts Limited* shareholder class action settlement finalised in October 2021 (and scheduled for an approval hearing by the Federal Court on 28 April 2022); and
- the net present value of the *Crown Melbourne* casino licence payment due in 2033 (assumed not to be tax deductible at the low end of the range).



Crown has a number of off-balance sheet items that have not been included in other assets and liabilities for the following reasons:

- uncertain items that cannot be quantified for valuation purposes (see Section 6.1 for detail); and
- certain assets and liabilities that have specifically been included in the cash flow models used for the DCF analysis, including:
 - the costs to complete the *Crown Sydney* development; and
 - estimated tax revenue losses at 31 December 2021 (in excess of those utilised to offset tax payable on the net proceeds from the sale of the remaining *Crown Sydney* apartments).

6.8 Adjusted Net Borrowings

Crown’s adjusted net borrowings for valuation purposes are \$946 million. This amount is based on Crown’s net borrowings as at 31 December 2021.

Adjusted net borrowings:

- has been calculated on a post AASB16 basis (i.e. including lease liabilities), which is consistent with the basis on which Crown’s business operations have been valued (i.e. the operating cash flows exclude lease payments relating to leased assets)
- includes net derivatives at their “marked-to-market” value at 31 December 2021 of \$23 million; and
- adds back capitalised borrowing costs of \$21 million as these are accounting assets (i.e. cash amounts incurred previously but capitalised and amortised over the life of the relevant borrowings).

6.9 Sale and Leaseback Option

6.9.1 Background

A sale and leaseback is a strategy of selling the underlying real estate of casino resorts to a property investor and then leasing back the property to the casino operator has emerged over the last few years, particularly in the United States but also in Australia. A primary rationale of these transactions is to capture value from the perceived arbitrage between the very low yields (and therefore high multiples) that apply to property investment and the lower multiples investors attribute to casino operating earnings. A summary of the main terms of selected completed transactions in these markets since 2016 is set out in Appendix 4.

Blackstone-related property funds have been major acquirers of casino properties in the United States. Since 2019, they have invested over US\$10 billion in Las Vegas casino/hotel properties:

BLACKSTONE – CASINO PROPERTY INVESTMENTS

DATE	PROPERTY	INTEREST	TOTAL PRICE (100%) (US\$ BILLIONS)	YIELD %
2019	<i>Bellagio</i>	95%	4.25	5.8
2020	<i>Mandalay Bay</i>	49.99%	2.1	6.4
	<i>MGM Grand</i>	49.99%	2.5	6.4
2021	<i>Aria/Vdara</i>	100%	3.9	5.5
	<i>Cosmopolitan</i>	na	4.0	5.0

Source: Appendix 4

Crown itself looked at undertaking a sale and leaseback of the majority of its hotel assets in 2016 (with an initial public offering (“IPO”) of the properties). Crown did not complete the transaction because it became unnecessary when it received substantial proceeds from the sale of the Melco joint venture. In 2021, Star sold its *Treasury Brisbane* casino, hotel and car park to Charter Hall and leased back the hotel and carpark



(Star did not enter a long term lease for the casino component as it is opening a new gaming facility at *Queen's Wharf*).

It is therefore reasonable to assume that Blackstone has looked closely at the potential for Crown to execute a similar transaction as part of its investment evaluation.

In valuing Crown, the question therefore arises as to:

- whether, rather than treating the business as an integrated whole, there is a higher value that could be generated by treating it as two separate assets (a property asset and an operating company); and
- the extent to which third parties would be prepared to pay a value that incorporates this upside.

6.9.2 Analysis

It is not possible to undertake a comprehensive financial analysis of the value enhancement of the sale and leaseback potential in part because the “devil is in the detail”. Each individual transaction will have different features that impact on the value proposition, including but not limited to:

- escalation factors. These vary across the precedent transactions and there is a trade off between initial yield and escalation (they are the two components of total return to the property investor);
- market based rent review clauses, if any;
- capital expenditure provisions. The leases are typically “triple net leases” under which the operator will pay all outgoings, insurance, taxes and maintenance (repairs and capital expenditure). There are usually extensive negotiations over minimum and maximum annual capital expenditure (e.g. for periodic refurbishment) required to be spent by the operator; and
- EBITDAR/rental coverage. Two times (or rent = 50% of EBITDAR) appears to be typical in the United States but it is likely to be lower in Australia for a variety of reasons. In particular, it is believed that Australian regulators are likely to be far more cautious than their Las Vegas counterparts where failure of one operator is unlikely to have the far reaching consequences that it might in Australia.

In addition:

- Crown has not undertaken any market testing since 2016 (and *Star's Treasury Brisbane* transaction provides limited guidance); and
- initial rent is usually determined as a proportion of EBITDAR but Crown's EBITDAR is highly uncertain going forward given the dramatic falls over FY20-22 caused by COVID-19 and the potential variability of the recovery trajectory.

Accordingly, only a very high level, illustrative analysis can be undertaken. It is designed only to indicate the broad quantum of value that might be available. The analysis below assumes that:

- all of Crown's properties could be sold at an initial yield of 5%;
- the residual operating business would have a value equal to 10 times EBITDA;
- Crown's FY19 EBITDA of \$802 million is a reasonable proxy for normalised earnings, say from FY24 onwards; and
- rent is initially equal to 35% of EBITDAR.

The analysis is summarised below:

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VALUE IMPLIED BY SCHEME CONSIDERATION

	COMPONENTS
Scheme consideration (\$ per share)	\$13.10
Number of shares on issue (millions)	678.1
Equity value (\$ millions)	\$8,883
Net borrowings (\$ millions)	\$946
Enterprise Value attributed by Scheme Consideration (\$ millions)	\$9,829

POTENTIAL VALUE UPLIFT

	REFERENCES	COMPONENTS
Property rent (35% of \$802 million) (\$ millions)		\$281
Initial yield		5.0%
Property Value (\$ millions)	<i>A</i>	\$5,620
Residual EBITDA (802-281=521) (\$ million)		\$521
Multiple		10x
Residual operating business (\$ millions)	<i>B</i>	\$5,210
Combined Business Operations value (\$ millions)	<i>A + B = C</i>	\$10,830
Investments and Other assets and liabilities (see Section 6.6 and 6.7) (\$ millions)	<i>D</i>	\$407 – \$524
Combined Enterprise Value (\$ millions)	<i>C + D = E</i>	\$11,237 – 11,354
Value uplift before tax leakage costs (relative to Scheme Consideration) (\$ millions)		\$1,408 – \$1,525

6.9.3 Commentary and Issues

The analysis indicates a potential value uplift of circa \$1.5 billion relative to the Scheme Consideration but the reality is that there are numerous hurdles to achieving it and various factors that could constrain it to a material degree.

Some of the issues that need to be considered include the following:

- there are substantive risks in securing regulatory approval for such a transaction.

In the first instance, it seems highly unlikely that the authorities would allow a sale and leaseback within the next two years while Crown is dealing with rectification of its compliance issues and is subject to supervision by independent monitors in Sydney and Melbourne. Crown's suitability to hold its licences will not be settled until 2024. In any event, it is unlikely that property investors would be prepared to acquire the properties until this tenant risk is clarified and it is not expected that Crown's earnings (which are critical to supporting the rental payment) would be back to "normal" until FY24.

Further, the State of Victoria has a charge over all of *Crown Melbourne's* assets. Its attitude to relinquishing that charge is unknown but it is likely to be a matter of some concern.

The overall attitude of regulators to a sale and leaseback is also unknown. Given the issues with Crown's operations that have arisen over the last 2-3 years they are likely to be very cautious. Indeed, it is possible they could prevent it from occurring at all and it is quite likely that there would be a number of restrictive conditions;

- a sale and leaseback has strategic downsides. The operator loses absolute control over the property which may inhibit the flexibility to manage the property in an optimal fashion, particularly over time. Sale and leasebacks may be a "well worn" path (clearly, major US operators are comfortable with it) and some of the issues may only arise decades down the track. Nevertheless, it is likely that there would be considerable complications around major refurbishments, extensions and even replacement



towards the end of a lease. Hotel structures may not be “fit for purpose” in 25 years’ time as customer tastes and requirements change (Las Vegas, for example, has a long history of knockdown and rebuilds). Inaction may affect the performance of the operating business;

- sale and leasebacks have a significant impact on the economics of the operating entity. In particular:
 - it will now have a very substantial and escalating fixed charge (typically equal to between one third and one half of the property’s EBITDAR) meaning that residual earnings are far more volatile than previously. This will inevitably increase the cost of capital. Under AASB16, the lease liabilities (and right of use asset) will be on the operating entity’s balance sheet; and
 - the business loses its exposure to the value upside inherent in ownership of the property;
- it may not be feasible or optimal to sell all of Crown’s property assets. Selling only non-gaming properties (i.e. hotels, car parking and food and beverage outlets) may be easier from a regulatory perspective and may attract a wider range of interested parties because of the much lower environmental, social and governance (“ESG”) risks (compared to those that pertain to the gambling operation). However even then, not all hotels may be able to be sold. In 2016, one of the reasons Crown excluded the *Crown Towers* building in *Crown Melbourne* from its proposed IPO of property interests was because it incorporated gaming floors.

Another option to avoid some of the strategic downsides is to only sell only a 49% interest in the properties (as Crown contemplated in 2016). By retaining 51%, Crown keeps control of the asset and continued exposure (albeit only 51%) to the property value upside.

However, under either form of partial sale the potential value uplift is substantially diminished (by approximately half). If the rental stream is halved (i.e. \$150 million) the potential gain is reduced, as the implied combined value of the business declines to approximately \$9.4 billion (i.e. nil gain). Even under the 51%/49% structure, the retained 51% is unlikely to be fully valued by an acquirer if the 51% is not realisable because it has to be retained permanently for strategic reasons;

- the pricing parameters used in the illustrative analysis are subject to downside risks:
 - while US yields appear to have moved down over time closer to the 5% mark, the recent spike in inflation and return to an upcycle in interest rates would suggest rates above 5% may be more realistic (particularly if gaming property is included); and
 - the multiple for the residual operating business will be impacted by the fixed rental charge and the loss of property value exposure. The market evidence on comparable transactions shows that major US casino operating companies (with leased properties) changed hands at multiples of 8-9.5 times EBITDA (including synergies). The two listed major US operators with significant leases (MGM and Caesar’s) are currently trading at 7 times forecast EBITDA (after rent) (see Section 6.3.2).

If the yield was 5.5% and the EBITDA multiple was 9 times, the potential value upside is only approximately \$380-490 million;

- for Crown, a sale and leaseback will incur significant costs (e.g. tax leakages) that would impact on net proceeds:
 - stamp duty of approximately 5% (or about \$280 million in the illustrative example); and
 - capital gains tax. An acquirer of Crown would be able to allocate its purchase price and therefore “step up” the cost base of the property portfolio. However, there is still likely to be a substantial capital gain.

These costs may be mitigated or even eliminated if only a 49% interest is sold but then the effective gain is much less; and

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- to the extent that Crown's contingent liabilities become real costs incurred (which, for example, in relation to AUSTRAC is highly likely) the value arbitrage diminishes as the implied value of the Scheme Consideration increases on a dollar for dollar basis.

In any event, the potential value increment should be treated with considerable caution as it is based on a perceived market inefficiency. Simply dividing an income stream into a low risk component (rent) and a higher risk component (casino operations) should not, in and of itself, theoretically, add value. The real world is never that simple and arbitrage opportunities do exist in many markets but, at the least, the challenges also need to be acknowledged.

Another way of looking at it is that the triple net lease structure used in most of these arrangements (which results in an almost certain net cash flow stream to the lessor) means that casino sale and leasebacks are really just a very expensive form of secured debt. The effective cost is equal to the yield (at the time of sale) plus growth (i.e. the escalation factor). The precedent transactions would suggest the all in cost is in the order of 7-8% per annum. Gearing up an asset does not make the asset more valuable.

There is no scientific or evidence based approach to estimate the value an acquirer might be prepared to pay. It is essentially a judgement. In Grant Samuel's opinion, the value increment is sufficiently speculative and uncertain that it is inappropriate to attribute any incremental value to it. The argument might be stronger if value reflected EBITDA multiples of less than 10 times (for example from the perspective of a listed company executing a transaction) but at around 12 times the proposition is more marginal.



7 Evaluation of the Scheme

7.1 Summary

Grant Samuel has concluded that the Scheme is fair and reasonable. Accordingly, it is Grant Samuel’s opinion that the Scheme is in the best interests of the non-associated shareholders in the absence of a superior proposal.

7.2 Fairness

Valuation of any business is a forward looking construct and is subject to uncertainty even in the most benign economic circumstances. The emergence and likely aftermath of the COVID-19 pandemic and Crown’s regulatory travails have introduced a level of uncertainty to the valuation of Crown well beyond that for most corporate transactions:

- Crown’s earnings have been decimated by the lockdowns and other restrictions imposed by State and Territory governments in the wake of the COVID-19 crisis. EBITDA fell by 72% between FY19 and FY21 (and further in 1HY22). A broader recovery towards pre COVID-19 levels of activity across the economy is occurring but:

- the pandemic is an unprecedented event; and
- the effect on individual sectors and their recovery is very different. Hospitality and entertainment continue to struggle with multiple issues (including securing sufficient labour).

The path to recovery for Crown is unclear both as to timing and extent:

- can discretionary incomes grow in real terms and over what time frame?
- will the recent inflation spike be sustained and how will interest rates change? If they rise, how will consumers react (to mortgage stress etc)?
- when will inbound travel and tourism return to previous levels? and
- will changes in social habits and travel patterns become permanent?

The range of plausible outcomes is wide and there is a distinct possibility of events (e.g. outbreaks of COVID-19 variants) that could derail progress;

- the future performance of *Crown Sydney*, particularly the gaming operations (assuming they are allowed to open), cannot be reliably predicted given:
 - the absence of any track record;
 - the competitive market into which it will be launched. Star can be expected to vigorously defend its “turf”. The premium gamblers that will be targeted are likely to be amongst Star’s most lucrative customers;
 - while *Crown Sydney* will have considerable novelty appeal, the level of longer term demand for a high-end premium product (e.g. high minimum bets) in Sydney is untested. Crown is effectively seeking to grow the market (as well as take share from Star);
 - the impact of the member-only play together with the comprehensive sign up protocols on attracting patrons is unknown; and
 - other detailed operating rules have not yet been agreed with the ILGA;
- the cumulative effects of the various regulatory inquiries and legislative and other changes will have a financial impact on Crown’s operations but are impossible to assess with any precision or certainty. The known impacts that are incorporated into the Remediation Plan (such as tighter cash control and



increased patron monitoring) will undoubtedly affect both future revenue generation and operating costs.

On top of this:

- the second round of legislative changes in Victoria involve initiatives (carded play, cashless gambling, capped play periods) which would have a material impact on *Crown Melbourne's* performance. However, they are still under consultation and the impact will depend on the extent to which these changes are industry wide (i.e. also apply to pubs and clubs);
- the outcome of AUSTRAC's proceedings are unknown but there is a significant risk of undertakings that impose additional costs or constrain revenues; and
- while the Western Australian Government has broadly accepted the findings of the Perth Casino Royal Commission, it will take some time before the State Government finalises its position on the recommendations and detailed legislative changes are enacted. The focus of the Commission on responsible gaming could result in regulatory changes that would have a material impact;
- Crown is exposed to a number of contingent liabilities including:
 - potential penalties arising from the AUSTRAC proceedings;
 - disputes with relevant authorities in relation to both Commonwealth taxes and State based gaming taxes;
 - the MBL class action. While much of the cost may be covered by insurance, Crown has not reached agreement on indemnities from its insurers; and
 - one-off costs following ongoing regulatory processes.

None of these matters is expected to be finalised for some period of time and the outcomes are unknown. The financial cost to Crown cannot be estimated with any confidence nor is there a meaningful probability distribution. In a worst case, the cost could be very substantial; and

- Crown also faces existential risks in relation to its licences. Crown will need to meet the conditions of the regulator to commence and continue gaming operations at *Crown Sydney*, and over the next two years, Crown will need to demonstrate its suitability to hold a licence or face cancellation of its licence at both *Crown Melbourne* and *Crown Perth*.

Accordingly, it is unrealistic to be precise or definitive about value at the current point in time. Value could fall within a very wide range. It is therefore challenging for shareholders to make an informed decision on the merits of the Scheme. However, that is the reality of the current situation. While it may be preferable to wait for all the uncertainties to be settled, the Scheme has to be voted on imminently.

In these circumstances, Grant Samuel believes that, in forming a view on fairness, it is appropriate to put significant weight on the fact that the Scheme is the result of three years of dealings with various parties that were interested in acquiring control of Crown.

It is true that:

- Blackstone is the only party that has been allowed to undertake due diligence;
- the timing of the Scheme may mean that parties that could have a genuine interest face other issues that prevent them from engaging at this time (e.g. Star is currently facing its own AUSTRAC investigations and regulatory inquiry);
- any bidder for Crown faces significant regulatory hurdles particularly gaining probity clearance from relevant Gaming Regulation Authorities; and
- other bidders may be "scared off" by Crown's substantial but unquantifiable contingent liabilities (see above) but would have more interest once these are settled.



However:

- Crown has effectively been “in play” since 2019. It has been open for any party to put forward a proposal at any time since then;
- Blackstone’s initial proposal was in March 2021 and the revised proposal (that led to the Scheme) was announced on 19 November 2021, approximately four months ago. That is ample time for any counterbidder to develop an alternative proposal; and
- since the Wynn proposal in April 2019, but particularly subsequent to that announcement (but prior to the Scheme) Crown’s advisers engaged (or, in some cases, re-engaged) with a range of potential counterbidders to see if there was any interest. Parties included:
 - those who had previously made a proposal to acquire Crown;
 - other large scale casino operators and investors in casino real estate in the United States and elsewhere; and
 - financial sponsors (private equity).

To date, no party has put forward an alternative proposal. Star management has publicly expressed a view on the Scheme that “*at that price we’re out*”⁴³.

The Scheme Consideration can therefore be reasonably described as the highest price secured in an open, competitive environment (even if not a formal sales process) over an extended period. By definition, it represents full underlying value at the present time. On these grounds alone the Scheme is fair. Indeed, it is arguably a more relevant and robust basis than theoretical assessments of value based on forecasts subject to significant uncertainty.

In any event, the Scheme Consideration of \$13.10 falls within Grant Samuel’s estimate of the full underlying value, including a premium for control. The valuation is set out in Section 6 of this report. On this basis, the Scheme is fair.

The enterprise value of Crown was estimated to be \$9.4-10.6 billion by reference to:

- DCF analysis. The forecast cash flows were based, initially, on Crown’s 5 Year Corporate Plan prepared in February 2022 and endorsed by the Board (the cash flows were extended by Grant Samuel to FY31). The cash flows were discounted to calculate NPVs using a discount rate of 8.5-9.0%.

However, the analysis then considered a number of alternative scenarios, which covered both upside and downside possibilities. In particular, the analysis considered the possible impact of Phase 2 legislation following the Victorian Royal Commission. While the impact of the recommendations is difficult to predict, they will almost certainly be legislated in some form, so the value range selected needs to take these into account; and

- multiples of earnings although determining a reliable measure of normalised earnings is difficult. FY20, FY21 and FY22 are all heavily impacted by COVID-19. FY23 is a “rebuilding” year with only a partial recovery incorporated into forecasts by either Crown or broker analysts. FY24 is expected to be the first full year back at a normalised level. However, broker forecasts for FY24 do not align with Crown’s internal forecasts (possibly because broker forecasts include some of the regulatory impacts). FY19 arguably represents the best proxy of “normal” earnings but there have been significant changes to the business since then (albeit largely offsetting).

The value range for Crown’s operating business represents around 12 times historical EBITDA and 13-14.5 times forecast FY23 EBITDA, which Grant Samuel considered reasonable relative to the market evidence, primarily the recent acquisitions of prime Las Vegas Strip casinos in the United States (13-14

⁴³ *Sydney Morning Herald*, 17 February 2022

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times historical EBITDAR) as well as previous acquisition of Australian casinos and the multiples of listed casinos in the US, Australia and Asia.

It is important for Crown shareholders to understand that the valuation of Crown is premised on underlying assumptions such as:

- no further COVID-19 outbreaks or related lockdowns;
- international borders remaining open;
- *Crown Sydney* being allowed to open in the near future; and
- all casino licences remaining in place.

To the extent these assumptions are not valid, the value of Crown would be lower, which would only serve to reinforce the fairness of the Scheme Consideration.

The equity value of Crown is subject to a much higher level of uncertainty than the value of business operations. Crown is exposed to various contingent liabilities, including:

- AUSTRAC penalties;
- tax disputes with Commonwealth and State authorities;
- the MBL class action; and
- one-off costs following ongoing regulatory processes (e.g. Royal Commission, funding of any monitoring regime and implementation of other recommendations).

Some of these items are both highly likely to arise and are very material in their own right. Crown has stated that it anticipates that the potential AUSTRAC penalties will be significant. However, the amounts that will be required to be paid are so uncertain that they are not capable of reliable quantification. On the other hand, they do need to be taken into account in a value analysis since there are reasonable prospects of them arising.

The equity value per share is summarised below. The following analysis illustrates how the equity value of Crown is impacted if the total liabilities arising from the contingencies are, hypothetically, \$340 million (\$0.50 per share) and \$680 million (\$1.00 per share):

CROWN – EQUITY VALUE PER SHARE

	REPORT SECTION REFERENCE	VALUE RANGE	
		LOW	HIGH
Enterprise value (\$ millions)	6.81	9,437	10,564
Adjusted net borrowings (\$ millions)	6.8	(946)	(946)
Value of equity (\$ millions)		8,491	9,618
Fully diluted shares on issue (millions) ³⁶	4.9.1	678.1	678.1
<i>Value per share (\$)</i>			
<i>No additional liabilities</i>		12.52	14.18
<i>\$340 million in total liabilities (or \$0.50 per share)</i>		12.02	13.68
<i>\$680 million in total liabilities (or \$1.00 per share)</i>		11.52	13.18

The analysis shows that the Scheme Consideration is fair even if none of the contingent liabilities arise. If as little as \$180 million in liabilities arise, the Scheme Consideration would be in the top half of the value range and if contingent liabilities totalled \$680 million, the Scheme Consideration would be demonstrably fair.



7.3 Reasonableness

As the Scheme is fair, it is also reasonable. In any event, there are a number of other factors that support the reasonableness of the Scheme and which non-associated shareholders should consider in determining whether to vote for or against the Scheme. These factors are set out in the following sections.

7.3.1 Premium for Control

It is difficult to accurately measure the premium for control that the Scheme Consideration represents. The following table shows the implied premiums based on prices in the period preceding the announcement of the Blackstone proposal on 19 November 2021:

SCHEME CONSIDERATION – PREMIUM OVER PRE-ANNOUNCEMENT PRICES

PERIOD	CROWN SHARE PRICE/VWAP	PREMIUM
Closing price on 18 November 2021	\$9.90	32.3%
1 week prior to 18 November 2021	\$9.86	32.9%
1 month prior to 18 November 2021	\$10.08	30.0%
3 months prior to 18 November 2021	\$9.64	35.9%
6 months prior to 18 November 2021	\$10.07	30.1%

These premiums are consistent with the level of premiums typically associated with takeovers in Australia (20-35%). However, it is important to recognise that:

- premiums for control:
 - are an outcome not a determinant of value; and
 - vary widely depending on the individual circumstances of the target and other factors (such as the potential for competing offers). The premiums in a substantial proportion of transactions actually fall outside (either above or below) the 20-35% range;
- the prices in these periods (June to November 2021) were not necessarily “undisturbed” as there may well have been some expectation that Blackstone would “come back to the table” with an improved offer (having been rebuffed in May 2021), particularly given its continued 9.99% shareholding in Crown;
- the premium may be overstated to the extent that today’s circumstances are, arguably, considerably more positive than they were during the June-November 2021 period. This period coincided with the end of the public hearings of the Victorian Royal Commission (17 May – 19 July 2021) which aired serious allegations concerning Crown’s activities. The potential loss of the *Crown Melbourne* licence was a distinct possibility and it was not until the report was published on 26 October 2021 that it was clear that Crown had a pathway to retaining the licence.

The June-November 2021 period also coincided with significant outbreaks of the Delta variant and extended lockdowns in Victoria (which only effectively ended on 19 November 2021). While the pandemic was always expected to end at some stage, it could be argued that the “undisturbed” price today would be higher given the more positive circumstances (virtually no restrictions and international borders open to tourism).

On the other hand, there is now greater economic risks from geopolitical events and the business has continued to experience subdued trading conditions; and

- the Scheme provides no premium over the price at which Crown shares traded in 2018 and (briefly) in 2019. However, this trading was at a time when the earnings performance and outlook was much stronger. Crown reported FY18 results that showed a material bounce back in VIP revenues and none of the regulatory issues had arisen.



7.3.2 Share Trading in the Absence of the Scheme

The Scheme enables shareholders to realise their investment in Crown at a cash price that incorporates a premium for control. In the absence of the Scheme or a similar transaction, shareholders could only realise their investment by selling on market at a price which does not include any premium for control and would incur transaction costs (e.g. brokerage).

Crown rejected Blackstone's offer of \$12.35 per share in May 2021. There was no announcement of any kind until the announcement of the \$12.50 proposal on 19 November 2021.

The Crown share price in the intervening period may therefore give some insight into Crown's likely share price today in the absence of an offer for Crown. The VWAP over the three months prior to 19 November was \$9.64 and the closing price on 18 November was \$9.90.

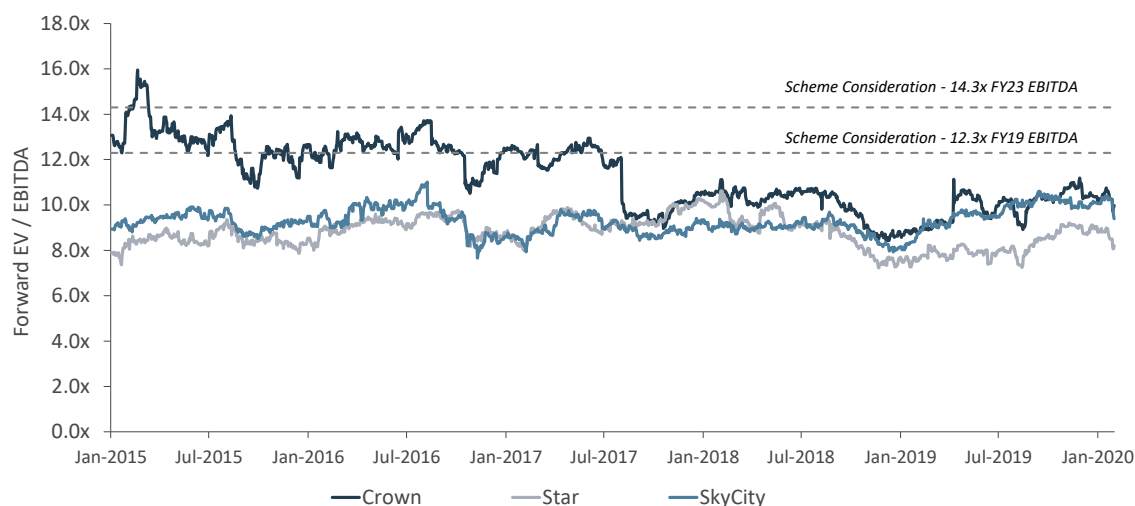
However, it is important to note that:

- the price prior to 19 November 2021 may still have reflected some expectation that Blackstone would return with an improved offer; but on the other hand
- the price reflected circumstances at the time particularly in relation to COVID-19 and Crown's regulatory issues (see Section 7.3.1 above).

A share price of \$13.10 would imply multiples well above the levels at which shares in Crown and its two primary peers in Australia and New Zealand (Star and SkyCity) generally traded in the five years prior to the emergence of the COVID-19 pandemic:

CROWN – FORWARD TRADING EBITDA MULTIPLES

1 JANUARY 2015 TO 31 DECEMBER 2019



Source: S&P Capital IQ, based on broker consensus EBITDA forecast for next 12 months⁴⁴

The analysis needs to be treated with some caution:

- the applicability of historical multiples given the changes in interest rates and the economic environment is open to question;
- there was a clear re-rating of Crown in mid 2017. Multiples prior to that time may reflect the impact of the Melco and other international interests; and

⁴⁴ In order to present the data on a consistent basis with the historical data sourced from S&P Capital IQ, the implied EBITDA multiples for the Scheme Consideration does not include adjustments for surplus assets and liabilities.



- the multiples of both Crown and Star over the last 2-3 years are likely to be inflated to some degree by the very significant capital expenditure program during the period (e.g. *Crown Sydney* and *Queen's Wharf*) respectively which added to debt levels (and therefore Enterprise Value) in advance of EBITDA being generated.

That said:

- Crown's forward EBITDA multiple averaged approximately 10 times across FY17-19; and
- the forward EBITDA multiples of Star and Sky City were mostly in the 8-10 times range from January 2015 to January 2020.

Accordingly, given the pre 19 November 2021 trading price and the multiples that Scheme Consideration represents of:

- 12.3 times FY19 EBITDA (a rough proxy for normalised earnings); and
- 14.3 times FY23 forecast EBITDA,

it is reasonable to conclude that, in the absence of the Scheme or a similar transaction (or expectation of one), it is likely that, under current market conditions, Crown shares would trade at prices well below \$13.10.

7.3.3 Financing Challenges

If the Scheme is not approved, Crown will need to undertake a major refinancing of its debt facilities. A significant proportion of the bank facilities and unsecured facilities (totalling \$1.1 billion, including undrawn facilities) are due and payable in the latter part of 2023. Crown would need to refinance this debt during July-December 2022 to avoid it being recorded as a current liability.

In addition:

- any substantial fine in relation to the AUSTRAC matter (or any of the other regulatory issues or tax disputes) could force Crown to materially run down its liquidity buffer (the cash balance at 31 December 2021 was \$631 million, and undrawn debt facilities were approximately \$400 million) or raise additional debt or both; and
- the Euro MTNs (\$180 million at 31 December 2021) are repayable if the notes are unrated or are rated below investment grade (BBB- or Baa3) by those agencies who rate the notes (currently Fitch and S&P). The notes are currently rated BBB (Moody's rates Crown at Baa3) but there is a significant risk that those and Crown's rating could be downgraded, particularly if the AUSTRAC proceedings result in a large penalty or other regulatory matters are resolved adversely. Further, the Euro MTNs do not include any call option feature, thereby further limiting the flexibility of Crown to pre-emptively refinance the notes. In any event, the Euro MTNs have a number of unattractive features (including cost and lack of flexibility) that mean a refinancing would, in any event, be a sensible action to take.

Refinancing will however be challenging even though Crown has a relatively modest level of gearing:

- while the prospects of a recovery in earnings and cash flows towards pre COVID-19 levels are very strong, the reality is that at the current point in time, earnings and cash flow are little above breakeven. Lenders will be wary of the potential for slippage in the timing of recovery (and the potential of external events such as the Russia/Ukraine situation to damage the global recovery) as well as the prospect of the regulatory restrictions that may arise;
- the potential liabilities relating to the AUSTRAC proceedings and other regulatory issues, as well as tax disputes, will be a substantial hurdle for many lenders. The uncertainty over the ability to retain the licences in Sydney and Melbourne adds a further layer of risk; and



- banks have become increasingly conscious of ESG issues and are reducing or eliminating their exposure to companies that involve ESG risks or concerns. The casino industry raises significant ESG issues and, in Crown’s case, this is exacerbated by its numerous regulatory entanglements and the findings of the various inquiries (including AUSTRAC).

By voting in favour of the Scheme, the non-associated shareholders will no longer be exposed to this set of risks.

7.3.4 Higher Offer from Blackstone

Blackstone has not stated that the Scheme Consideration of \$13.10 is its “best” or “final” offer. It would be open to the non-associated shareholders to vote against the Scheme on the basis that Blackstone’s clear and committed interest in acquiring Crown (including its existing 9.99% shareholding) would mean that it would return with a higher offer. However:

- Blackstone has already increased its offer several times from an initial \$11.85 per share in March 2021, albeit that some of that increase could be justified by the subsequent progress towards a reopening of the economy (including international borders) post the peak of the COVID-19 pandemic and the progress made in resolving some of Crown’s various regulatory issues; and
- the offer of \$13.10 per share is the result of extensive negotiations between Crown and Blackstone over an extended period of time.

While a higher offer is possible, it would be imprudent for non-associated shareholders to vote against the Scheme on the assumption that a higher offer from Blackstone would emerge after the Scheme meeting.

7.3.5 Alternative Offers

In deciding whether to vote in favour of, or against, the Scheme, shareholders need to have regard to the alternatives realistically available to them. It is conceivable that a third party could make a higher offer for Crown:

- Crown is a strategically important and attractive business within the Australian gambling industry, owning casinos in three state capitals (two of which are effectively monopolies). It is the clear market leader in Australia with the most attractive properties. *Crown Melbourne* is the single largest integrated casino resort in Australia generating over \$500 million in EBITDA in FY19 (pre COVID-19).

Crown Perth and *Crown Melbourne* are irreplaceable properties in terms of their size, scope and location while *Crown Sydney* is the highest “quality” facility in Australia and has an enviable location adjacent to the CBD on the edge of Sydney Harbour;
- while there are the usual exclusivity obligations in the Scheme Implementation Deed, there is a fiduciary carve-out and Crown can respond to unsolicited proposals from other parties (subject to a disclosure obligation and matching rights in favour of Blackstone). The break fee is equivalent to only approximately 1% of market capitalisation;
- Blackstone’s 9.99% shareholding in Crown does not represent a material deterrent for alternative offerors. The critical shareholding in determining the success or otherwise of an offer is CPH Group’s 36.8% interest. CPH Group is widely considered a “willing seller” and it has given no indication that it has any material objective other than maximising price. In June 2019, CPH divested nearly 10% of its interest in Crown and, subject to legislation of the Victorian Royal Commission recommendations, may be required to reduce its stake in Crown to 5% by September 2024; and
- since April 2019, Crown has been the subject of approaches by Wynn, Oaktree and Star as well as Blackstone, underlining Crown’s strategic appeal and attractiveness as an investment proposition. There are no impediments to these parties (or any others) re-engaging with Crown.



On the other hand:

- the inherent uncertainties and risks facing the Crown business represent a challenge for any bidder. Apart from the critical issue of the timing and extent of recovery from COVID-19 across gaming, hospitality and accommodation there is:
 - uncertainty as to the future performance of *Crown Sydney* gaming (given the absence of track record);
 - significant regulatory risks including:
 - satisfaction of Special Managers/Independent Monitors requirements;
 - potential fines or other penalties from AUSTRAC as well as other constraints on operations; and
 - legislative changes following the findings and recommendations from the Perth Casino Royal Commission; and
 - various disputes with taxation authorities (both Commonwealth taxes and State gaming taxes).

None of these issues are expected to be fully resolved for at least twelve months;

- Wynn has not publicly shown any interest in Crown since it abruptly terminated its proposal following public disclosure in 2019. Significant changes in board and management at Wynn since then may have resulted in shifting priorities;
- Star has previously indicated that it remains interested in a corporate transaction with Crown but:
 - it now has its own regulatory concerns that may make it challenging to progress an offer; and
 - the relative size of the businesses mean that any offer is likely to involve a significant scrip component albeit that it is the only potential transaction where there would also be substantial synergies available to share with Crown shareholders.

In any event, media reports on 17 February 2022⁴³ quoted the Star CEO as saying that the Blackstone offer was a “very rich price” and “at that price we’re out”; and

- there has been ample time since the Blackstone proposal of \$12.50 was announced on 19 November 2021 for a third party to come forward with a superior proposal. Prior to the Scheme being executed, Crown’s advisers approached a wide range of potential acquirers to see if there was any interest in acquiring Crown. To date, no one has come forward with a proposal.

Similarly, by the time of the Scheme meeting, there will have been approximately 10 weeks since the Scheme Implementation Deed was executed and announced.

Accordingly, if no superior offer has been put forward by the time of the Scheme meeting, it would be imprudent for non-associated shareholders to vote against the Scheme in the hope of a superior offer from another party emerging subsequent to the meeting on 29 April 2022.

7.3.6 Other Matters

Other matters that the non-associated shareholders should take into consideration are:

- if the Scheme is implemented, non-associated shareholders will be treated as having disposed of their Crown shares for tax purposes. A capital gain or loss may arise on disposal depending on the cost base for the Crown shares, the length of time held, whether the shares are held on capital or revenue account and whether the shareholder is an Australian resident for tax purposes. For this purpose, the consideration will be \$13.10 per share. Details of the Australian taxation consequences for non-associated shareholders who are Australian resident individuals and hold their shares on capital



account are set out in Section 8 of the Scheme Booklet. Shareholders should consult their own professional adviser in relation to the taxation consequences; and

- if the Scheme is not approved by non-associated shareholders or otherwise not implemented, it is estimated that Crown will incur costs (including legal and other adviser's fees as well as printing and mailing costs) of approximately \$11 million. Furthermore, in certain circumstances, Crown will be liable to pay Blackstone a \$89 million break fee

7.4 Shareholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the Scheme is in the best interests of shareholders and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to shareholders in relation to the Scheme, the responsibility for which lies with the directors of Crown.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Crown shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Crown in relation to the Scheme.

The decision whether to vote for or against the Scheme is a matter for individual shareholders based on each shareholder's views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Scheme, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Crown. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.



8 Qualifications, Declarations and Consents

8.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 580 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Stephen Wilson MCom (Hons) CA SF Fin and Jaye Gardner BCom LLB (Hons) CA SF Fin GAICD. Each has a significant number of years of experience in relevant corporate advisory matters. Shaun Yu BBA CFA, Mitchell Skene BEng (Hons) B Com and Brendan Major BAdvFin & Econ (Hons) assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

8.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Scheme is in the best interests of Crown shareholders. Grant Samuel expressly disclaims any liability to any Crown shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has had no involvement in the preparation of the Scheme Booklet issued by Crown and has not verified or approved any of the contents of the Scheme Booklet. Grant Samuel does not accept any responsibility for the contents of the Scheme Booklet (except for this report).

8.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Crown or Blackstone or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Scheme.

Grant Samuel had no part in the formulation of the Scheme. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$1.5 million for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Scheme. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

8.4 Declarations

Crown has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving negligence, wilful misconduct, fraud, dishonest or recklessness by Grant Samuel. Crown has also agreed to indemnify Grant Samuel and its employees and officers for time spent and

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reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by Crown are limited to an amount equal to the fees paid to Grant Samuel except to the extent any loss is caused by or contributed by the negligence, wilful misconduct, fraud, dishonest or recklessness of Grant Samuel or its employees.

Advance drafts of this report were provided to Crown and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

8.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Scheme Booklet to be sent to Crown shareholders. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

8.6 Other

The accompanying letter dated 29 March 2022 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED

29 March 2022

Grant Samuel & Associates



APPENDIX 1

VALUATION METHODOLOGIES

1 Overview

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

2 Capitalisation of Earnings or Cash Flows

Capitalisation of earnings or cash flows is the most commonly used method for valuation of industrial businesses. This methodology is most appropriate for industrial businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual capital expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBITA, EBIT or NPAT. These are referred to respectively as EBITDA multiples, EBITA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA, EBITA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer but are also used extensively in sharemarket analysis.

Where an ongoing business with relatively stable and predictable cash flows is being valued, Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point.

Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable to EBITA or EBIT if depreciation or non-cash charges distort earnings or make comparisons between companies difficult. On the other hand, EBIT can better adjust for differences in relative capital expenditure intensity. The impact of AASB16 (capitalisation of leases) on EBITDA, EBITA and EBIT also needs to be taken into account.



Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers it is necessary to infer the appropriate multiple from other evidence.

The usual approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. However, share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations, premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by sharemarket investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it appropriately belongs;
- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
 - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
 - strategic attractions of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
 - the company's own performance and growth trajectory;
 - rationalisation or synergy benefits available to the acquirer;
 - the structural and regulatory framework;
 - investment and sharemarket conditions at the time; and
 - the number of competing buyers for a business;



- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (economic growth, inflation, interest rates) and market structures (competition etc.) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels;
- acquisition multiples are based on the target’s earnings but the price paid normally reflects the fact that there were synergies available to the acquirer (at least if the acquirer is a “trade buyer” with existing businesses in the same or a related industry). If the target’s earnings were adjusted for these synergies, the effective multiple paid by the acquirer would be lower than that calculated on the target’s earnings; and
- while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:
 - EBITA or EBIT multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide (especially in a post AASB16 environment). In addition, there can be differences between companies in the basis of calculation of depreciation; and
 - businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

3 Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, including resources, and for the valuation of start-up projects where earnings during the first few years can be negative but it is also widely used in the valuation of established industrial businesses. DCF valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture depleting resources, development projects and fixed terms contracts (which are typical in the resources sector), the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate which reflects the risk associated with the cash flow stream.

Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgement. In addition, even where cash flow forecasts are available, the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a “de facto” cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often



not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions as to expected future performance need to be made.

4 Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used as a “cross check” of the result determined by a capitalised earnings valuation or by discounting cash flows. While they are only used as a cross check in most cases, industry rules of thumb can be the primary basis on which buyers determine prices in some industries. However, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation. In the casino industry, there are no obvious rules of thumb (e.g. revenue per square metre) that are commonly referenced in other land-based entertainment centres (shopping centres, retail venues) due to the different combination of gaming and non-gaming offerings that individual casinos offer.

5 Net Assets/Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading.



APPENDIX 2

SELECTION OF DISCOUNT RATE

1 Overview

A discount rate in a range around 8.5-9.0% has been selected as appropriate to apply to the forecast nominal ungeared after tax cash flows for Crown's business operations.

Selection of the appropriate discount rate to apply to the forecast cash flows of any business enterprise is fundamentally a matter of judgement. The valuation of an asset or business involves judgements about the discount rates that may be utilised by potential acquirers of that asset. There is a body of theory which can be used to support those judgements. However, a mechanistic application of formulae derived from that theory can obscure the reality that there is no "correct" discount rate. Despite the widespread acceptance and application of various theoretical models, it is Grant Samuel's experience that many companies rely on less sophisticated approaches. Businesses and investors often use relatively arbitrary "hurdle rates" which do not vary significantly from investment to investment or change significantly over time despite movements in interest rates. Valuation is an estimate of what real world buyers and sellers of assets would pay and must therefore reflect parameters that will be applied in practice even if they are not theoretically correct. Grant Samuel considers the rates adopted to be reasonable discount rates that acquirers would use irrespective of the outcome of any particular model.

The discount rate represents an estimate of the weighted average cost of capital ("WACC") appropriate for these business operations. Grant Samuel has calculated a WACC based on a weighted average of the cost of equity and the cost of debt. This is the relevant rate to apply to ungeared cash flows. There are three main elements to the determination of an appropriate WACC:

- cost of equity;
- cost of debt; and
- debt/equity mix.

The cost of equity has initially been derived, in the first instance, from application of the capital asset pricing model ("CAPM") methodology. The CAPM is probably the most widely accepted and used methodology for determining the cost of equity capital. There are more sophisticated multivariate models which utilise additional risk factors but these models have not achieved any significant degree of usage or acceptance in practice. However, the cost of equity is not a precise or provable number nor can it be estimated with any degree of reliability. The cost of equity capital is not directly observable and models such as the CAPM do no more than infer it from other data using one particular theory about the way in which security prices behave. The usefulness of any estimate therefore depends on the efficacy of the theory and the robustness of the data but the available tools such as CAPM involve:

- models that have questionable empirical validity (and competing formulations);
- simplifying assumptions;
- the use of historical data as a proxy for estimates of forward looking parameters;
- data of dubious statistical reliability; and
- unresolved issues (such as the impact of dividend imputation).

It is easy to overengineer the process and to credit the output with a precision that it does not warrant. The reality is that any cost of capital estimate or model output should be treated as a broad guide rather than the absolute truth. The cost of equity capital is fundamentally a matter of judgement, not merely a calculation.



The cost of debt has been determined by reference to the pricing implied by the debt markets in Australia. The cost of debt represents an estimate of the expected future returns required by debt providers. In determining the appropriate cost of debt over the period of the cash flows, regard was had to debt ratings of comparable companies.

Selection of an appropriate debt/equity mix is a matter of judgement. The debt/equity mix represents an appropriate level of gearing, stated in market value terms, for the assets over the forecast period. The relevant proportions of debt and equity have been determined having regard to the financial gearing of comparable companies and the casino industry in general, and judgements as to the appropriate level of gearing considering the nature and quality of the cash flows.

The following sections set out the basis for Grant Samuel's determination of the discount rate for Crown's business operations and the factors that limit the accuracy and reliability of the estimates.

2 Definition and Limitations of the CAPM and WACC

The CAPM provides a theoretical basis for determining a discount rate that reflects the returns required by diversified investors in equities. The rate of return required by equity investors represents the cost of equity of a company and is therefore the relevant measure for estimating a company's WACC. CAPM is based on the assumption that investors require a premium for investing in equities rather than in risk free investments (such as Australian Government Bonds). The premium is commonly known as the market risk premium and notionally represents the premium required to compensate for investment in the equity market in general.

The risks relating to an asset or a business can be divided into specific risks and systematic risks. Specific risks are risks that are specific to a particular asset or business and are unrelated to movements in equity markets generally. While specific risks will result in actual returns varying from expected returns, it is assumed that diversified investors require no additional returns to compensate for specific risk, because the net effect of specific risks across a diversified portfolio will, on average, be zero. Portfolio investors can diversify away all specific risk.

However, investors cannot diversify away the systematic risk of a particular asset or business. Systematic risk is the risk that the return from an asset or business will vary with the market return in general. If the return on an investment was expected to be completely correlated with the return from the market, then the return required on the investment would be equal to the return required from the market (i.e. the risk free rate plus the market risk premium).

Systematic risk is affected by the following factors:

- financial leverage: additional debt will increase the impact of changes in returns on underlying assets and therefore increase systematic risk;
- cyclicity of revenue: projects and companies with cyclical revenues will generally be subject to greater systematic risk than those with non-cyclical revenues; and
- operating leverage: projects and companies with greater proportions of fixed costs in their cost structure will generally be subject to more systematic risk than those with lesser proportions of fixed costs.

CAPM postulates that the return required on an investment or asset can be estimated by applying to the market risk premium a measure of systematic risk described as the beta factor. The beta for an investment reflects the covariance of the return from that investment with the return from the market as a whole. Covariance is a measure of relative volatility and correlation. The beta of an investment represents its systematic risk only. It is not a measure of the total risk of a particular investment. An investment with a beta of more than one is riskier than the market as a whole and an investment with a beta of less than one



is less risky. The discount rate appropriate for an investment which involves zero systematic risk would be equal to the risk free rate.

The formula for deriving the cost of equity using CAPM is as follows:

$$Re = Rf + Beta (Rm - Rf)$$

Where:

- Re = the cost of equity capital;
- Rf = the risk free rate;
- Beta = the beta factor;
- Rm = the expected market return; and
- Rm - Rf = the market risk premium.

The beta for an asset or a business is normally estimated by observing the historical relationship between returns from the investment or comparable companies and returns from the market in general. The market risk premium is estimated by reference to the actual long run premium earned on equity investments by comparison with the return on risk free investments.

The formula conventionally used to calculate a WACC under a “classical tax system”¹ is as follows:

$$WACC = (Re \times E/V) + (Rd \times (1-t) \times D/V)$$

Where:

- E/V = the proportion of equity to total value (where V = D + E);
- D/V = the proportion of debt to total value;
- Re = the cost of equity capital;
- Rd = the cost of debt capital; and
- t = the corporate tax rate

The models, while simple, are based on a sophisticated and rigorous theoretical analysis. Nevertheless, application of the theory is not straightforward and the discount rate calculated should be treated as no more than a general guide. The reliability of any estimate derived from the model is limited. Some of the issues are discussed below.

Overall Validity of the Model

The CAPM has been subject to intense criticism over many years with numerous empirical studies demonstrating that it does not accurately portray movements in individual share prices and has limited explanatory power. There are also competing formulations (such as the Sharpe-Lintner, Black, Brennan-Lally, Officer or Monkhouse models) which can give different results.

In addition:

- the CAPM is a single period model rather than one developed specifically for valuing long term cash flows. It has been adapted to a multi-period model (usually annually) to calculate the value of long term cash flows. Theoretically, the analysis should use a forecast of each of the parameters for each period in question (annual is no more correct than any other period) but, typically, a long term average is assumed for the sake of practicality;
- the CAPM assumes investors are diversified and therefore are not (and should not be) concerned with the specific risk of a particular investment. Behavioural economics suggests while this may be theoretically sensible, it doesn't actually reflect how investors behave or how they price risk; and

¹ A tax system not featuring dividend imputation or other variants such as advance corporation tax (i.e. dividends are paid out of after tax income and are subject to full tax in the hands of investors).



- it ignores all investor taxes, which may or may not have an impact in the real world. Even where models do attempt to reflect taxation effects, adjustments are usually based on assumed averages which may not be accurate or appropriate given the diversity of individual tax positions.

Risk Free Rate

Theoretically, the risk free rate used should be an estimate of the risk free rate in each future period (i.e. the one year spot rate in that year if annual cash flows are used). There is no official “risk free” rate but, in developed economies such as Australia, rates on government securities are typically used as an acceptable substitute. In practice, the long term Australian Commonwealth Government Bond rate is used as the most practical estimate in (even though rates for individual years could be interpolated). However, it should be recognised that the yield to maturity of a long term bond is only an average rate and where the yield curve is strongly positive (i.e. longer term rates are significantly above short term rates) the adoption of a single long term bond rate has the effect of reducing the net present value where the major positive cash flows are in the initial years. The long term bond rate is therefore only an approximation.

The ten year bond rate is a widely used and accepted benchmark for the risk free rate. Where the forecast period exceeds ten years, an issue arises as to the appropriate bond to use. While longer term bond rates are available, the ten year bond market is the deepest long term bond market in Australia and is a widely used and recognised benchmark. There is a limited market for bonds of more than ten years although the Australian government has more recently issued 30 year bonds in volume. The 30 year bond rate would be a better benchmark for longer term cash flows. However, long term rates accentuate the distortions of the yield curve on cash flows in early years. In any event, a single long term bond rate matching the term of the cash flows is no more theoretically correct than using a ten year rate. More importantly, the ten year rate is the standard benchmark used in practice.

Market Risk Premium

The market risk premium ($R_m - R_f$) represents the “extra” return that investors require to invest in equities as a whole over risk free investments. This is an “ex-ante” concept. It is the expected premium and, as such, it is not an observable phenomenon. There is no generally accepted approach to estimating a forward looking market risk premium and therefore the historical premium is used as the best available proxy measure. The premium earned historically by equity investments is usually calculated over a time period of many years, typically at least 30 years. This long time frame is used on the basis that short term rates of return are highly volatile and that a long term average return would be a fair indication of what most rational investors would expect to earn in the future from an investment in equities with a five to ten year time frame.

In the absence of controls over capital flows, differences in taxation and other regulatory and institutional differences, it is reasonable to assume that the market risk premium should be approximately equal across markets which exhibit similar risk characteristics after adjusting for the effects of expected inflation differentials. Accordingly, it is reasonable to assume similar (inflation adjusted) market risk premiums for first world countries enjoying political economic stability, such as Australia, New Zealand, the United States, Japan, the United Kingdom and various western European countries.

In the United States, it is generally believed that the historical premium is in the range 4-6% but there are widely varying assessments (from 3% to 9%). For example, Damodaran’s² latest estimate (5 January 2022) is 4.2%.

Australian studies have been more limited and mainly derive from the Officer Study³ which was based on data for the period 1883 to 1987 (prior to the introduction of dividend imputation in Australia) and indicated that the long run average premium was in the order of 8% using an arithmetic average but

² Online at stern.nyu.edu. Published by Aswath Damodaran, a professor at the Stern School of Business at NYU.

³ R.R. Officer in Ball, R., Brown, P., Finn, F. J. & Officer, R. R., “Share Market and Portfolio Theory: Readings and Australian Evidence” (second edition), University of Queensland Press, 1989 (“Officer Study”).



subject to significant statistical error. More recently, the Officer Study data has been updated to 2017⁴ with the long term average declining to around 6.5%. Due to concerns about the earlier market data, emphasis is now placed on the average risk premium since 1958, which is estimated to be 6.0% ignoring the impact of imputation (where imputation credits are valued at 100% the market risk premium over the same period is 6.9%).

However, even the measurement or use of long term historical returns is subject to considerable debate:

- there are multiple different outcomes for the historical market risk premium depending on time period, basis (over long term bonds or shorter term bills), method (arithmetic or geometric averages) and estimation approach;
- the measures of historical returns typically have extremely high statistical error measures. For a, say, 6% average measured premium the “true” figure will typically lie in a range of 2-10% at a 95% confidence level;
- the methodology is inflexible and tends to fail when market conditions change materially. Market volatility is the reality of financial markets. Clearly, following the outbreak of the COVID-19 pandemic in March 2020, investors’ perceptions of risk and the pricing of that risk rose significantly and rapidly. This can be demonstrated by the observable data from the pricing of lowly rated corporate bonds (which sit on the risk spectrum between risk free assets and equities) over this period. Yields to maturity rose sharply in March 2020 (albeit the increase was short lived as government stimulus and Reserve Bank of Australia support was put in place). However, long term average historical data will not flex to reflect these changes – an average of, say, 50 years of data will not move much even with 2-3 years of “new” data;
- the longer the period of measurement (and therefore the greater the “robustness” of the average) the more likely it is to reflect economic and market circumstances that have little resemblance to the present (is it really likely that investor returns prior to World War II are relevant to the kinds of returns investors expect today?); and
- the historical data also contains a logical contradiction – when the equity return required by investors is lower than the returns implied by market prices, investors respond by bidding the price of equities higher. A rising market translates to a higher measured historical risk premium, contrary to the lower return expectations driving the upwards movement in prices.

Beta Factor

The beta factor is a measure of the expected covariance (i.e. volatility and correlation of returns) between the return on an investment and the return from the market as a whole. The expected beta factor cannot be observed. The conventional practice is to calculate an historical beta from past share price data and use it as a proxy for the future but it must be recognised that:

- the expected beta is not necessarily the same as the historical beta. A company’s relative risk does change over time and measured historical betas can often reflect structural changes in an industry or in the company over the time period rather than its inherent correlation to the market;
- the starting point is normally to measure the historical correlation of a company’s share price against its local market index. However:
 - the composition of indices varies substantially between markets. For example, the Australian index is dominated by banks and resources compared to other markets; and

⁴ S. Bishop, A. Carlton and T. Pan, “Market Risk Premium: Australian Evidence”, Research Paper prepared for the Chartered Accountants Australia and New Zealand Business Valuation Specialists Conference, August 2018, Department of Applied Finance, Macquarie University. This paper is based on earlier work by J.C. Handley in 2012 and T. Brailsford, J.C. Handley and K. Maheswaran in 2008.



- where a company is extensively traded by global investors it can be argued that the regression against an index such as the Morgan Stanley Capital International Developed World Index (“MSCI”), an international equities market index that is widely used as a proxy for the global stockmarket as a whole, is more relevant but it:
 - depends on who the “price setting” investors are;
 - can give materially different results to measures based on the local index; and
 - raises a related issue as to whether a global risk premium is also appropriate and, if so, what that global premium is;
- the appropriate beta is the beta of the company being valued rather than the beta of the acquirer (which may be in a different business with different risks). Betas for the particular subject company may be utilised but these are seldom regarded as reliable enough (and may not be available if the company is not listed). Accordingly, it is common practice to utilise betas for comparable companies and sector averages (particularly as those may be more reliable). However, none of these other companies is likely to be exactly comparable to the subject entity (e.g. it may operate in other jurisdictions with different economic drivers, regulatory regimes and benchmark index composition). In any event, the comparable company data seldom yields a tight and consistent range from which a precise estimate can be derived;
- there are very significant measurement issues with betas which mean that only limited reliance should be placed on such statistics. There is no “correct” beta. For example:
 - over the last four years Crown’s beta as measured by the Securities Industry Research Centre of Asia-Pacific (Rozetta Institute Ltd (“Rozetta”)) has varied between 0.81 and 1.56 and was measured at 1.3 at 30 June 2021 (in all cases, excluding March 2020⁵). The median beta over the four years to 30 September 2021 was 1.29 (excluding March 2020⁵);
 - the standard error of the Rozetta’s estimate of Crown’s beta has generally been in the order of 0.3 meaning that for a beta of, say, 1.3, even at a 68% confidence level, the true beta is somewhere in the range 1.0 to 1.6 (and for 95% confidence is between 0.7 and 1.9);
 - Rozetta’s latest estimate of 1.30 (excluding March 2020⁵) compares to 0.65 measured by MSCI Barra Inc. (“Barra”) and 1.24 measured by Bloomberg; and
 - estimates of “predicted” betas made by providers such as Barra can be significantly different to the historically calculated beta. In the case of Crown, its predicted beta is 1.01 compared to its historical beta (as measured by Barra) of 0.65.

Debt/Equity Mix

The relevant measure of the debt/equity mix is based on market values (not book values). As beta is normally considered in the context of comparable companies as well as the subject company, the debt/equity mix should involve similar analysis. Accordingly, the relevant proportions of debt and equity are usually determined having regard to the financial gearing of the subject company, comparable companies and the industry in general as well as assessments of the appropriate level of gearing taking into account the nature and quality of the cash flow stream. However:

- a simple debt/equity mix is usually used for practicality but it represents a simplification of what are usually much more complex financial structures (e.g. hybrids, convertibles and lease obligations);
- a constant degree of leverage is typically assumed but this is seldom the case in practice;

⁵ Rozetta estimates exclude return observations for the single month of March 2020, which experienced the second largest negative values for the entire market of any month since January 1974 (attributable to the emerging COVID-19 pandemic).



- the debt/equity mix (measured over the same period as the historical beta is measured) can be volatile over time at an individual company level. Averages across time may give a more meaningful guide but in some circumstances this may not be appropriate;
- there is often a wide diversity of debt/equity ratios across companies in an industry. Moreover, there is often inconsistency between gearing ratios and betas (e.g. those with higher gearing may exhibit lower betas than their peers); and
- the measured beta factors for listed companies are “equity” betas and reflect the financial leverage of the individual companies. It is possible to unleverage beta factors to derive asset betas and releverage betas to reflect a more appropriate or comparable financial structure. In Grant Samuel’s view, this technique is subject to considerable estimation error. Deleveraging and releveraging betas exacerbates the estimation errors in the original beta calculation and gives a misleading impression as to the precision of the methodology. Indeed, there are competing deleveraging formulae which give different results. Deleveraging and releveraging is also commonly calculated based on debt levels at a single point in time. This is incorrect as it is leverage over the same period as the beta was measured that is relevant (although this can be difficult to estimate accurately given that data points may be, at best, quarterly). Recent advice to the Australian Energy Regulator (“AER”) stated that leverage adjustments were a “worthless pursuit of spurious precision” and recommended a raw estimate of the industry beta (if gearing is similar)⁶.

Corporate Tax

The WACC calculation generally assumes a constant rate of corporate tax, typically the standard corporate rate. However, the tax position of many corporates, particularly multinationals, is usually much more complex and can change significantly over time. Further, in capital intensive industries the effective rate of cash tax payable can be significantly less because of higher tax depreciation charges (i.e. the tax may not be paid for many years).

Dividend Imputation

The conventional WACC formula set out above was formulated under a “classical” tax system. The CAPM model is constructed to derive returns to investors after corporate taxes but before personal taxes. Under a classical tax system, interest expense is deductible to a company but dividends are not. Investors are also taxed on dividends received.

Under Australia’s dividend imputation system, domestic equity investors receive a taxation credit (franking credit) for any tax paid by a company. The franking credit attaches to any dividends paid out by a company and the franking credit offsets personal tax. To the extent the investor can utilise the franking credit to offset personal tax, then the corporate tax is not a real impost. It is best considered as a withholding tax for personal taxes. It can therefore be argued that the benefit of dividend imputation should be incorporated into any analysis of value.

There is no generally accepted method of allowing for dividend imputation. In fact, there is considerable debate within the academic and financial communities as to the appropriate adjustment or even whether any adjustment is required at all. Some suggest that it is appropriate to discount pre-tax cash flows, with an increase in the discount rate to “gross up” the market risk premium for the benefit of imputation credits that are on average received by shareholders. On this basis, the discount rate might increase by approximately 2% but it would be applied to pre-tax cash flows. However, not all of the necessary conditions for this approach exist in practice:

⁶ G. Partington and S. Satchell, “Issues in releveraging beta and testing for structural breaks”, September 2017.



- not all shareholders can use franking credits. In particular, foreign investors gain no benefit from franking credits (except in relation to withholding taxes in some cases⁷). If foreign investors are the marginal price setters in the Australian market there should be no adjustment for dividend imputation;
- not all franking credits are distributed to shareholders; and
- capital gains tax operates on a different basis to income tax. Investors with high marginal personal tax rates will prefer cash to be retained and returns to be generated by way of a capital gain.

Others have proposed a different approach involving an adjustment to the cost of equity by a factor reflecting the effective use or value of franking credits (i.e. allowing for the proportion of taxed income paid out as dividends and the utilisation by investors). The proponents of this approach have in the past suggested a factor in the range 40-65% as representing the appropriate adjustment (gamma)⁸ although more recent commentary suggests a lower level (~25%). The gamma can be applied to the cost of capital or, alternatively, the tax charge in the forecast cash flows can be decreased to incorporate the expected value of franking credits distributed (the usual approach by regulators).

In Grant Samuel’s opinion, it is not appropriate to allow for dividend imputation for business valuation purposes:

- the underlying concept of gamma is flawed. The gamma is meant to represent some kind of complex market weighted average but the value of franking credits is essentially binary. They have 100% value to some (or many) domestic investors and 0% to foreign investors⁷. There is nobody to whom franking credits have a value equal to, say, 50% of their face value (i.e. there is no spectrum of outcomes to determine a meaningful “weighted average”);
- there is no direct evidence that imputation credits are factored into market prices of listed companies or the prices paid in acquisitions. The primary “proof” appears to be based on dividend drop off studies but these face serious questions as to reliability of data and the interpretation of the outcome never mind that it does not address risk and other issues associated with the ability to use them over the longer term; and
- it is not consistent with what is happening in real world markets. The adoption of a gamma factor (of, say, 0.5) must, by definition, mean that companies in the Australian market are valued such that:
 - domestic investors (who can use 100% of imputation credits) earn a higher return than their cost of capital; and
 - offshore investors earn less than their required return.

As such there should be no offshore investors in Australian (unless they have a lower cost of capital than domestic investors through some other means). It would also suggest that overseas acquirers of businesses in Australia would not be able to compete effectively with local acquirers. Rather, the evidence demonstrates that:

- marginal sharemarket prices are not set using any value for gamma; but that
- domestic investors enjoy a higher after tax return than comparably taxed offshore investors.

In summary, it is clear that dividend imputation affects returns to investors. However, the evidence gathered to date does not demonstrate or prove that franking credits are factored into the market price of

⁷ Withholding tax on unfranked distributions will generally apply to portfolio investors in listed Australian entities but foreign companies (depending on their jurisdiction) are generally not subject to withholding tax on unfranked dividends of wholly owned Australian subsidiaries.

⁸ Under this construct the cost of equity is scaled by gamma (“δ”) (i.e. $Adjusted\ Re = Re \times I-t/(1-t(1-\delta))$). Assuming the standard Australian corporate tax rate of 30% and $\delta = 0.5$, Re is multiplied by 0.82 (i.e. 0.70 divided by 0.85).



listed companies or the prices paid in acquisitions. While acquirers are undoubtedly attracted by franking credits there is no clear evidence that they will actually pay extra for them or build it into values based on long term cash flows.

In any event, with the exception of Star, virtually all of the likely potential acquirers of Crown are foreign (including Blackstone) and will not receive any benefit from imputation (except possibly in relation to withholding taxes).

Specific Risk

The CAPM/WACC discount rate is designed to be applied to “expected cash flows” which are effectively a weighted average of the likely scenarios. The theoretical underpinning of CAPM is that there is no need or requirement to recognise specific (unsystematic) risks. To the extent that a business is perceived as being particularly risky, this specific risk should be dealt with by adjusting the cash flow scenarios. This avoids the need to make arbitrary adjustments to the discount rate which can dramatically affect estimated values, particularly when the cash flows are of extended duration or much of the business value reflects future growth in cash flows. In addition, risk adjusting the cash flows requires a more disciplined analysis of the risks that the valuer is trying to reflect in the valuation.

However, it is nevertheless common in practice to allow for certain classes of specific risk (particularly sovereign and other country specific risks) by adjusting the discount rate although it must be recognised that such adjustments compromise the theoretical integrity of the methodology. Moreover, there is little evidentiary base for measuring determining the size of any adjustments.

3 Calculation of WACC (using current market parameters)

3.1 Cost of Equity Capital

Risk Free Rate

A risk free rate of 2.1% approximates the yield to maturity on 10 year Australian Government bonds at the end of February 2022.

Market Risk Premium

Grant Samuel has consistently adopted a market risk premium of 6% and believes that this continues to be a reasonable estimate. It:

- is not statistically significantly different to the premium suggested by long term historical data;
- is similar to that used by a wide variety of analysts and practitioners as well as regulators (typically in the range 5-7%); and
- makes no explicit allowance for the impact of Australia’s dividend imputation system.

Beta Factor

Grant Samuel has adopted a beta factor in the range 1.1-1.3 for Crown’s business operations.

The historical beta factors for a range of casino operator entities have been considered in determining an appropriate beta. They have been calculated on two bases – relative to each entity’s home exchange index and relative to an international index (the aggregated world market for Barra and the MSCI for Bloomberg). A summary of betas for selected comparable listed entities is set out in the table below:



EQUITY BETA FACTORS FOR SELECTED LISTED CASINO OPERATOR ENTITIES

Company	Market Capitalisation ⁹ (\$ millions)	Barra			Monthly Observations over 4 years			Weekly Observations over 2 years	
		Historical ¹⁰	Predicted ¹¹		Rozetta ¹²	Bloomberg ¹³		Bloomberg	
			Local Beta	Global Beta ¹⁴		Local Index	MSCI ¹⁵	Local Index	MSCI
Crown	8,383.2	0.65	1.01	1.18	1.30	1.11	1.08	1.24	1.14
AUSTRALIA AND NEW ZEALAND									
Star	3,182.2	1.10	1.11	1.36	1.33	1.38	1.20	1.61	1.50
SkyCity	2,087.0	0.49	1.00	0.97	0.64	1.50	1.34	1.46	1.42
MACAU AND OTHER ASIA PACIFIC									
Genting Singapore	9,443.8	0.66	0.99	0.90		1.12	1.13	1.18	1.00
Melco	6,549.2	2.35	1.84	2.05		1.54	1.63	0.99	1.05
MGM China	3,363.2	1.13	1.42	1.34		1.69	1.39	1.11	0.68
Sands China	29,179.5	1.25	1.44	1.28		1.37	1.22	1.26	0.81
SJM Holdings	4,407.3	1.18	1.33	1.24		1.27	1.30	1.12	0.96
Wynn Macau	6,113.0	1.30	1.44	1.37		1.44	1.33	1.26	0.93
US-BASED REGIONALS									
Bally's	2,697.6	1.54	1.56	1.75		1.83	2.15	2.05	2.22
Boyd Gaming	10,979.2	1.38	1.19	1.31		1.72	1.87	1.78	1.96
Golden Entertainment	2,278.8	1.53	1.35	1.48		2.22	2.41	2.41	2.60
Penn	11,746.4	1.90	1.65	1.86		2.05	2.28	2.27	2.51
Red Rock	4,216.7	1.44	1.33	1.46		2.02	2.17	2.03	2.28
US LARGE CAP INTERNATIONAL									
Caesars	24,834.1	1.80	1.51	1.69		2.35	2.84	2.84	3.13
Las Vegas Sands	45,107.5	1.45	1.36	1.51		1.23	1.09	1.09	1.17
MGM Resorts	26,795.6	1.54	1.28	1.41		1.94	1.99	1.99	2.16
Wynn Resorts	13,706.5	1.71	1.46	1.63		1.96	1.76	1.76	1.91
<i>Minimum</i>		<i>0.49</i>	<i>0.99</i>	<i>0.90</i>		<i>1.12</i>	<i>1.13</i>	<i>0.99</i>	<i>0.68</i>
<i>Maximum</i>		<i>2.35</i>	<i>1.84</i>	<i>2.05</i>		<i>2.35</i>	<i>2.66</i>	<i>2.84</i>	<i>3.13</i>
Median		1.41	1.35	1.39		1.71	1.75	1.69	1.70

Source: Rozetta, Barra, Bloomberg

Crown's measured historical beta factors from Rozetta and Bloomberg are mostly between 1.1 and 1.3 but differ materially from the Barra historical beta of 0.65. The prime comparable entities for Crown are Star and SkyCity and their historical betas are similar if not higher (except for Rozetta in the case of SkyCity).

⁹ Based on share prices and foreign exchange rates as at 28 February 2022 (1 AUD = 0.73 USD, 1 AUD = 5.67 HKD, 1 AUD = 1.07 NZD, 1 AUD = 0.98 SGD)

¹⁰ Historical beta factors calculated by Barra as at 29 October 2021 over a period of 60 months using ordinary least squares regression.

¹¹ Barra predicted beta is a "fundamental" beta based on a multi-factor model, which regresses historical company returns against the returns of a market index using company-risk and industry-risk factors, re-estimated on a monthly basis, within the regression equation.

¹² The Australian beta factors calculated by Rozetta as at 30 September 2021 over a period of 48 months using ordinary least squares regression, excluding return observations for the single month of March 2020.

¹³ Bloomberg betas have been calculated up to 24 February 2022. Grant Samuel understands that betas estimated by Bloomberg are not calculated strictly in conformity with accepted theoretical approaches to the estimation of betas (i.e. they are based on regressing total returns rather than the excess return over the risk free rate). However, in Grant Samuel's view the Bloomberg beta estimates can still provide a useful insight into the systematic risks associated with companies and industries. The figures used are the Bloomberg "adjusted" betas.

¹⁴ Global beta is the predicted beta of the asset with respect to the aggregated world market.

¹⁵ MSCI is calculated using local currency so that there is no impact of currency changes in the performance of the index.



The other entities are included for reference. In aggregate, the observed betas across the casino industry show mixed results:

- the betas for Crown vary significantly depending on the measurement source (Rozetta, Barra, Bloomberg etc) and, as discussed above, have varied significantly over time;
- individual company betas (for the same source/period) fall in a very wide range. For example, Bloomberg’s beta estimated based on four-year monthly observations for Caesars ranges from 2.3 up to 2.8;
- some individual company betas vary significantly depending on which market index is utilised (local or international) (e.g. Melco and MGM China vary by up to 0.5);
- the betas vary materially, depending on the data measurement source (Rozetta, Barra or Bloomberg);
- the two year betas are almost all substantially higher than the four year betas. This may reflect relatively higher volatility compared to the market as a whole through the COVID-19 pandemic. The market has risen strongly since 2020 but Asian stocks along with other hospitality industry operators have been hit hard by lockdowns and restrictions. The longer term measures may be more reflective of the true risks of the industry; and
- gearing levels vary significantly but this is not always consistent with beta factors. Crown has slightly lower gearing than its two other peers (Star and SkyCity) which has likely contributed to a lower observed beta for Crown over the periods assessed.

The appropriate beta factor is the expected beta but conventional practice is to use historical beta as a proxy for the future. However, historical beta is not the same as expected beta and relative risk does change over time. Barra does attempt to calculate “fundamental” or predicted betas based on a multi-factor regression model. Overall, Barra’s predicted betas are higher than the historical betas, although this is not always the case. It is arguable that more weight should be placed on these predicted betas.

In summary, the evidence does not provide a clear outcome. However, it does indicate that virtually all entities operating in the casino industry have historical betas well above 1.0 (indicating more risk than the overall market). Intuitively, this makes sense given that activity in the casino industry is purely discretionary and subject to the ebbs and flows of the business cycle (and disposable income).

In addition:

- casino operators, particularly large ones, are prone to regularly undertaking large scale developments of new casinos which carry a higher risk profile;
- the recent trend of selling the underlying real estate is likely to have added to volatility because operators now carry a significant additional fixed cost (rent) representing as much as 50% of EBITDAR; and
- the generally higher betas of offshore casinos may be partly attributable to their generally higher gearing ratios.

On the other hand, it can also be argued that casinos (and gambling more broadly) have a natural hedge during economic downturns as well which caps the volatility in earnings and share prices (and hence demands a lower beta). Certainly, prior to the pandemic, Crown’s earnings from its core Australian casinos demonstrated a very stable level of earnings and may be protected by their exclusive licences in Victoria and Western Australia. Further, the reduction in VIP business going forward will largely eliminate the most significant source of earnings volatility.

Taking all of these factors into account as well as the nature of Crown’s business operations, Grant Samuel believes that a beta in the range 1.1-1.3 is a reasonable estimate of the appropriate beta for Crown’s Australian resorts.



Calculation

Using the assumptions set out above, the cost of equity capital can be calculated as follows:

COST OF EQUITY CAPITAL		
	LOW	HIGH
<i>Formula</i>	<i>Re = Rf + Beta (Rm – Rf)</i>	
Outcome	= 2.1% + (1.1 x 6%) = 8.7%	= 2.1% + (1.3 x 6%) = 9.9%

3.2 Cost of Debt

A cost of debt of 4.6%, which implies a margin of 2.5% over the risk free rate, has been assumed. This margin takes into account:

- Grant Samuel’s understanding of current market margins that Crown is achieving (on average across a range of markets and maturities and taking into account hedging) (i.e. an FY21 cost of funds of 4.5% with an average tenor of approximately 4.5 years¹⁶) and:
 - is broadly consistent with margins achieved by companies of a comparable credit standing to Crown (BBB (S&P), Baa3 (Moody’s), BBB (Fitch));
 - allows for the margin between government bonds (i.e. the risk-free rate) and lending benchmarks (i.e. interbank lending/swap rates); and
 - allows for debt issuance costs and the cost of maintaining a level of cash liquidity.
- current spreads for Australian A and BBB rated bonds over Australian Government bonds of similar tenor as published by the Reserve Bank of Australia (28 February 2022):
 - 149 basis points (A rated) and 217 basis points (BBB rated) for 10 years;
 - 120 basis points (A rated) and 188 basis points (BBB rated) for 7 years; and
 - 105 basis points (A rated) and 158 basis points (BBB rated) for 5 years; and

3.3 Debt/Equity Mix

In determining an appropriate debt/equity mix, regard was had to gearing levels of Crown and the peer group entities used in the beta analysis. Gearing levels (based on market values) for these entities for the past five years are set out below:

GEARING LEVELS FOR SELECTED CASINO OPERATOR ENTITIES

	NET DEBT/(NET DEBT + MARKET CAPITALISATION)								
	FINANCIAL YEAR ENDED					CURRENT ¹⁷	2 YEAR AVERAGE	4 YEAR AVERAGE	5 YEAR AVERAGE
	HISTORICAL 5	HISTORICAL 4	HISTORICAL 3	HISTORICAL 2	HISTORICAL 1				
Crown	0.4%	(3.9%)	(0.5%)	10.7%	8.4%	8.3%	9.6%	3.7%	3.0%
AUSTRALIA AND NEW ZEALAND									
Star	19.1%	13.7%	22.0%	36.8%	25.3%	29.0%	31.0%	24.4%	23.4%
SkyCity	11.6%	14.5%	17.4%	22.5%	14.4%	19.0%	18.4%	17.2%	16.1%
MACAU AND OTHER ASIA PACIFIC									
Genting Singapore	(20.0%)	(37.4%)	(50.1%)	(57.4%)	(49.6%)	(50.1%)	(53.5%)	(48.6%)	(42.9%)
Melco	11.5%	22.4%	21.0%	30.5%	50.3%	50.6%	40.4%	31.1%	27.1%

¹⁶ Excludes subordinated notes.

¹⁷ Current gearing levels are based on the most recent balance sheet information and on share prices as at 28 February 2022.

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	NET DEBT/(NET DEBT + MARKET CAPITALISATION)								
	FINANCIAL YEAR ENDED					CURRENT ¹⁷	2 YEAR AVERAGE	4 YEAR AVERAGE	5 YEAR AVERAGE
	HISTORICAL 5	HISTORICAL 4	HISTORICAL 3	HISTORICAL 2	HISTORICAL 1				
MGM China	12.3%	23.0%	21.6%	26.8%	52.9%	51.4%	39.8%	31.1%	27.3%
Sands China	0.9%	1.0%	0.9%	2.2%	4.6%	4.1%	3.4%	2.2%	1.9%
SJM Holdings	(23.6%)	(7.7%)	1.9%	20.8%	39.7%	44.0%	30.3%	13.7%	6.2%
Wynn Macau	15.1%	20.9%	19.7%	31.0%	49.7%	48.5%	40.3%	30.3%	27.3%
US-BASED REGIONALS									
Bally's	--	--	36.3%	38.8%	61.0%	62.3%	49.9%	45.4%	45.4%
Boyd Gaming	42.1%	61.5%	51.4%	41.4%	26.7%	25.6%	34.0%	45.2%	44.6%
Golden Entertainment	50.4%	65.4%	65.5%	64.7%	35.0%	32.3%	49.8%	57.6%	56.2%
Penn	25.5%	46.5%	39.8%	3.3%	9.1%	9.3%	6.2%	24.7%	24.8%
Red Rock	50.8%	66.0%	63.6%	61.2%	43.4%	45.7%	52.3%	58.5%	57.0%
US LARGE CAP INTERNATIONAL									
Caesars	44.4%	58.6%	33.7%	44.6%	38.9%	41.4%	41.8%	44.0%	44.1%
Las Vegas Sands	11.6%	15.2%	13.5%	20.7%	31.0%	28.3%	25.9%	20.1%	18.4%
MGM Resorts	37.6%	51.5%	34.1%	32.2%	27.8%	29.5%	30.0%	36.4%	36.7%
Wynn Resorts	27.8%	40.1%	35.2%	44.2%	49.1%	48.6%	46.7%	42.2%	39.3%
<i>Minimum</i>	(23.6%)	(37.4%)	(50.1%)	(57.4%)	(49.6%)	(50.1%)	(53.5%)	(48.6%)	(42.9%)
<i>Maximum</i>	50.8%	66.0%	65.5%	64.7%	61.0%	62.3%	52.3%	58.5%	57.0%
<i>Median</i>	17.1%	22.7%	22.0%	31.0%	35.0%	32.3%	34.0%	31.1%	27.3%

Source: IRESS, S&P Global Market Intelligence, Bloomberg, Grant Samuel analysis

Crown's gearing has predominantly ranged between (close to) 0% and 10% over the past five years. This level of gearing:

- reflects specific factors which may distort the ratios including:
 - the impact of the receipt of proceeds from major asset sales (Melco) undertaken in FY16 and FY17; and
 - the development of *Crown Sydney* over 2016-2020;
- is lower than the gearing level for Star Group and SkyCity (~20-30%) although the gearing level for the two peers have been elevated in the past two years reflecting the significant investment plans undertaken (relative to their size). This includes Star's \$3.6 billion *Queen's Wharf* development and SkyCity's *SkyCity Auckland* refurbishment and *SkyCity Adelaide* expansion; and
- is substantially lower than the historical gearing levels of most peers across Macau and the United States. While they vary widely, levels of around 50% are not uncommon (which in turn is reflected in generally higher equity betas).

Crown has publicly stated that it is prioritising financial flexibility and is targeting a low level of gearing. It expects to further deleverage its capital structure by using the proceeds from additional *Crown Sydney* apartment sales to reduce debt.

The selection of an appropriate gearing level is highly judgemental. Having regard to the above, the debt/equity mix has been estimated as 10-20% debt and 80-90% equity. This is regarded as being broadly consistent with a beta factor of 1.1-1.3.

3.4 Calculated WACC

On the basis of the parameters outlined above and assuming a corporate tax rate of 30%, the nominal WACC can be calculated to be in the range 7.6-9.3%:



CALCULATED WACC

	LOW	HIGH
Formula	$= (Re \times E/V) + (Rd \times (1-t) \times D/V)$	
Outcome	$= (8.7\% \times 80\%) + (4.6\% \times 0.7 \times 20\%)$ $= 7.0\% + 0.6\%$ $= \mathbf{7.6\%}$	$= (9.9\% \times 90\%) + (4.6\% \times 0.7 \times 10\%)$ $= 8.9\% + 0.3\%$ $= \mathbf{9.3\%}$

4 Selection of Discount Rates

Grant Samuel considers a discount rate above the calculated WACC of 7.6-9.3% (particularly at the low end) to be a more appropriate measure of the cost of capital for Crown. In addition to the issues with use of CAPM to calculate the cost of equity (see Section 2 for a detailed discussion):

- strict application of the CAPM at the present time (using current parameters) gives results that are arguably unrealistically low and understate the true cost of capital (primarily because of extremely low government bond rates). While the broad expectation is that government bond rates across the globe will remain low for several years as the world economy seeks to recover from the impacts of the COVID-19 pandemic, upward pressures are emerging (e.g. leaps in inflation). The discount rates produced by CAPM do not seem to accord with how investors set their expected returns and are often inconsistent with other measures such as the Gordon Growth Model (which is based on observable dividend yield plus a long term growth rate).

Some academics and valuation practitioners consider it to be inappropriate to add a “normal” market risk premium (e.g. 6%) to a temporarily depressed bond yield and therefore advocate that a “normalised” risk free rate should be used. This practice has become increasingly common among broker analysts with an assumed risk free rate of around 3-4% not uncommon. Assuming a risk free rate of 3.0% would result in a CAPM WACC of 8.5-10.1%. Alternatively, there is some evidence that risk premiums are higher when risk free rates are lower (i.e. implying a more stable overall cost of equity);

- Crown’s long casino licence durations (assuming it satisfied regulators over the next two years as to its suitability). 30 year bonds issued by the Australian Government are trading at yields approximately 0.5% (50 basis points) higher than equivalent ten year bonds; and
- analysis of research reports indicates that brokers (that do publish their estimates) are currently adopting a WACC in a range of 7.1% to 9.5% for Crown, albeit mostly around 9%.

Having regard to these matters, Grant Samuel has adopted a discount rate (WACC) in a range around 8.5-9.0% for Crown’s business operations.



APPENDIX 3

BROKER CONSENSUS FORECASTS

Crown has not publicly released earnings forecasts for FY22 or beyond. However, to provide an indication of the expectation future financial performance of Crown, Grant Samuel has included brokers' forecasts for Crown for FY22 and FY23.

Set out below is a summary of forecasts prepared by brokers that follow Crown in the Australian sharemarket:

CROWN – BROKER FORECASTS (\$ MILLIONS)

BROKER	DATE	REVENUE		EBITDA		EBIT	
		FY22	FY23	FY22	FY23	FY22	FY23
Broker 1	17 Feb 22	1,829.0	2,877.0	202.1	704.8	(109.8)	405.1
Broker 2	17 Feb 22	1,852.0	2,980.0	241.0	748.0	(86.0)	396.0
Broker 3	17 Feb 22	1,697.8	2,966.1	222.2	772.2	(108.3)	434.4
Broker 4	18 Feb 22	1,942.0	3,357.0	103.0	664.0	(209.0)	350.0
Broker 5	23 Feb 22	1,839.8	3,068.5	59.0	692.6	(253.8)	372.0
Broker 6	18 Feb 22	1,990.0	2,927.0	222.0	695.0	(87.0)	386.0
Broker 7	18 Feb 22	1,867.7	2,985.2	144.4	677.5	(169.0)	356.7
Broker 8	18 Feb 22	1,938.0	3,170.0	206.0	681.0	(110.0)	356.0
Broker 9	18 Feb 22	1,829.4	3,081.1	70.3	618.4	(244.6)	292.6
Broker 10	24 Feb 22	1,849.3	2,965.2	184.7	671.3	(129.5)	352.7
<i>Minimum</i>		1,697.8	2,877.0	59.0	618.4	(253.8)	292.6
<i>Maximum</i>		1,990.0	3,357.0	241.0	772.2	(86.0)	434.4
Median		1,850.7	2,982.6	193.4	686.8	(119.8)	364.4

Source: Broker reports, Grant Samuel analysis

When reviewing this data, the following should be noted:

- the forecasts presented above represent the latest available broker forecasts for Crown following the announcement of Crown's 1HY22 results on 17 February 2022;
- as far as Grant Samuel is aware, Crown is currently followed by ten brokers, all of which are presented above. The coverage for one of the brokers is restricted (i.e. unable to provide rating and price targets) but earnings estimates remain available and have been updated following the 1HY22 results. This broker's estimates have been included in the table above; and
- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that the earnings forecasts do not incorporate any one-off adjustments or non-recurring items.

The broker consensus forecasts for FY23 are sufficiently close to Crown's own 5-Year Corporate Plan to be useful for analytical purposes.

Set out below is a summary of forecasts for Crown's business operations prepared by brokers that follow Crown in the Australian sharemarket. When reviewing this data, it should be noted (in addition to the points above):

- not all of the brokers that have published research on Crown since the release of its half year results on 17 February 2022 provided forecasts of revenue and earnings by business divisions. Eight of the ten brokers provided revenue and earnings by business operation; and
- the majority of brokers provided FY22 and FY23 forecasts of EBITDA by business operation (but not EBIT). Grant Samuel has allocated the consolidated depreciation and amortisation forecast by each broker to

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each business operation in the same proportion as depreciation and amortisation has been forecast by Crown. This approach has been used for Brokers 2, 3, 4, 6, 8 and 9.

CROWN MELBOURNE – BROKER FORECASTS (\$ MILLIONS)

BROKER	DATE	REVENUE		EBITDA		EBIT	
		FY22	FY23	FY22	FY23	FY22	FY23
Broker 1	17 Feb 22	897.0	1,576.0	110.0	487.0	(54.0)	329.0
Broker 2	17 Feb 22	834.4	1,610.2	146.9	494.8	(21.3)	315.3
Broker 3	17 Feb 22	659.5	1,645.6	90.3	447.6	(79.7)	275.3
Broker 4	18 Feb 22	904.0	1,859.0	72.0	432.0	(88.5)	271.9
Broker 5	23 Feb 22						
Broker 6	18 Feb 22	914.0	1,626.0	142.0	416.0	(16.9)	258.4
Broker 7	18 Feb 22						
Broker 8	18 Feb 22	955.0	1,785.0	175.0	486.0	12.5	320.3
Broker 9	18 Feb 22	721.8	1,552.3	25.7	398.8	(136.3)	232.7
Broker 10	24 Feb 22	851.1	1,571.5	131.9	429.5	(31.9)	267.4
<i>Minimum</i>		659.5	1,552.3	25.7	398.8	(136.3)	232.7
<i>Maximum</i>		955.0	1,859.0	175.0	494.8	12.5	329.0
Median		874.1	1,618.1	121.0	439.8	(43.0)	273.6

Source: Broker reports, Grant Samuel analysis

The median broker forecasts for *Crown Melbourne* are sufficiently close to Crown's FY23 forecast to be useful for analytical purposes.

CROWN PERTH – BROKER FORECASTS (\$ MILLIONS)

BROKER	DATE	REVENUE		EBITDA		EBIT	
		FY22	FY23	FY22	FY23	FY22	FY23
Broker 1	17 Feb 22	681.0	734.0	193.0	221.0	119.0	149.0
Broker 2	17 Feb 22	766.8	827.1	215.1	263.2	137.8	188.7
Broker 3	17 Feb 22	764.7	789.3	255.3	269.7	177.2	198.2
Broker 4	18 Feb 22	718.0	871.0	138.0	230.0	64.3	163.6
Broker 5	23 Feb 22						
Broker 6	18 Feb 22	753.0	790.0	205.0	245.0	132.0	179.6
Broker 7	18 Feb 22						
Broker 8	18 Feb 22	696.0	801.0	178.0	216.0	103.3	147.2
Broker 9	18 Feb 22	704.9	818.9	180.2	217.4	105.8	148.5
Broker 10	24 Feb 22	730.6	796.3	184.1	225.8	110.0	151.7
<i>Minimum</i>		681.0	734.0	138.0	216.0	64.3	147.2
<i>Maximum</i>		766.8	871.0	255.3	269.7	177.2	198.2
Median		724.3	798.7	188.6	227.9	114.5	157.6

Source: Broker reports, Grant Samuel analysis

The median broker forecasts for *Crown Perth* are sufficiently close to Crown's FY22 and FY23 forecast to be useful for analytical purposes.

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CROWN SYDNEY – BROKER FORECASTS (\$ MILLIONS)

BROKER	DATE	REVENUE		EBITDA		EBIT	
		FY22	FY23	FY22	FY23	FY22	FY23
Broker 1	17 Feb 22	104.0	389.0	(27.0)	80.0	(82.0)	27.0
Broker 2	17 Feb 22	90.4	361.5	10.6	65.8	(48.2)	(0.7)
Broker 3	17 Feb 22	146.4	416.6	6.6	124.2	(52.8)	60.4
Broker 4	18 Feb 22	160.0	470.0	17.7	75.4	(38.4)	16.1
Broker 5	23 Feb 22						
Broker 6	18 Feb 22	168.0	344.0	(2.0)	90.0	(57.6)	31.6
Broker 7	18 Feb 22						
Broker 8	18 Feb 22	146.0	411.0	(17.0)	55.0	(73.8)	(6.4)
Broker 9	18 Feb 22	248.0	527.9	(7.6)	97.8	(64.2)	36.3
Broker 10	24 Feb 22	117.8	412.8	(0.9)	87.9	(55.1)	29.6
<i>Minimum</i>		<i>90.4</i>	<i>344.0</i>	<i>(27.0)</i>	<i>55.0</i>	<i>(82.0)</i>	<i>(6.4)</i>
<i>Maximum</i>		<i>248.0</i>	<i>527.9</i>	<i>17.7</i>	<i>124.2</i>	<i>(38.4)</i>	<i>60.4</i>
Median		146.2	411.9	(1.5)	84.0	(56.3)	28.3

Source: Broker reports, Grant Samuel analysis

Broker forecasts expect *Crown Sydney* to launch gaming operations in early 2022 and progressively ramp up operations over the next 3-4 years. However, the broker consensus forecasts differ materially from Crown's 5-Year Corporate Plan for *Crown Sydney* and have therefore not been relied upon in Grant Samuel's analysis.



APPENDIX 4

SUMMARY OF SALE AND LEASEBACK TRANSACTIONS

Set out below is a summary of transactions involving sale and leaseback transactions in the casino industry across Australia and the United States over the last five years for which there is sufficient information to calculate meaningful valuation parameters:

PRECEDENT CASINO SALE AND LEASEBACK TRANSACTIONS

UNDERLYING ASSET	OPERATOR	ACQUIRER	DATE	TRANSACTION VALUE	INITIAL RENT	LEASE TERM	CAP RATE	ESCALATION
DOMESTIC CASINOS (A\$M)								
<i>Treasury Brisbane</i> ¹	Star	Charter Hall Group	27 Oct 21	248	--	30 years + 2x15 year options	4.7%	Undisclosed (Fixed annual rent increases)
<i>The Star Sydney</i> ²	Star	TBC (49%)	19 Aug 21	~2,300	~120-130	25-30 years + options to extend	~5%	Undisclosed
US MAJOR CASINOS (US\$M)								
<i>The Cosmopolitan of Las Vegas</i>	MGM	BREIT, Stonepeak & Cherng Family ³	27 Sep 21	4,025	200	30 years + three 10-year options	5.0%	2% for first 15 years, greater of 2% of CPI thereafter (3% cap)
<i>CityCenter</i>	MGM	Blackstone	1 Jul 21	3,890	215	Long term (undisclosed)	5.5%	Undisclosed
<i>The Venetian Resort and Sands Expo and Convention Center</i>	Apollo	VICI ⁴	3 Mar 21	4,000	250	30 years + two 10-year options	6.3%	Greater of 2% or CPI (3% cap)
<i>MGM Grand and Mandalay Bay</i>	MGM	MGP ⁵ (50.1%), BREIT (49.9%)	14 Jan 20	4,600	292	30 years + two 10-year options	6.3%	2% for first 15 years, greater of 2% and CPI thereafter (3% cap)
<i>Bellagio</i>	MGM	BREIT (95%), MGM (5%)	15 Oct 19	4,250	245	30 years + two 10-year options	5.8%	2% for first 10 years, the greater of 2% and CPI thereafter (capped at 3% during years 11-20, and 4% thereafter)
<i>Park MGM and NoMad Las Vegas</i>	MGM	MGP	20 Dec 18	638	50	10 years + four 5-year options	7.8%	90% of initial year of rent at 2%
<i>Harrah's Las Vegas</i>	Caesar's	VICI	29 Nov 17	1,136	87.4	15 years + four 5-year options	7.7%	Undisclosed

¹ This transaction has not reached financial close and will only be completion upon the opening of *Queen's Wharf Brisbane*. The sale and leaseback transaction involving the *Treasury Brisbane* hotel building and carpark will settle prior to that. The timing of the transaction closure ensures that Star retains ownership of real estate assets where gaming is facilitated, as gaming operations will cease at *Treasury Brisbane* upon the opening of *Queen's Wharf Brisbane*.

² This transaction has not reached financial close. Star has announced their intention to undergo a sale and lease back transaction for a minority interest in *The Star Sydney*, however, has not commenced negotiations on a proposal.

³ The ownership split amongst the consortium which included Blackstone Real Estate Income Trust, Inc. ("BREIT"), Stonepeak Partners ("Stonepeak") and Cherng Family Trust ("Cherng Family") was not publicly disclosed.

⁴ VICI Properties Inc. ("VICI")

⁵ VICI has announced that they have entered into a definitive agreement to acquire MGM Growth Properties LLC ("MGP") with the transaction expected to close in the first half of 2022.

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UNDERLYING ASSET	OPERATOR	ACQUIRER	DATE	TRANSACTION VALUE	INITIAL RENT	LEASE TERM	CAP RATE	ESCALATION
US REGIONAL CASINOS (US\$M)								
<i>Encore Boston</i> ⁶	Wynn	Realty Income ⁷	15 Feb 22	1,700	100	30 years + one 30-year option	5.9%	1.75% for first 10 years and the greater of 1.75% or CPI thereafter (capped at 2.5%)
<i>MGM Springfield</i>	MGM	MGP	11 May 21	400	30	10 years + four 5-year options	7.5%	2% for first 10 years, greater of 2% and CPI thereafter (3% cap)
<i>Tropicana Evansville</i>	Twin River (Bally's)	GLPI ⁸	27 Oct 20	340	28	15 years + four 5-year options	8.2%	Undisclosed
<i>Dover Downs</i>	Twin River (Bally's)	GLPI	27 Oct 20	144	12	15 years + four 5-year options	8.3%	Undisclosed
<i>JACK Cleveland Casino and JACK Thistledown Racino</i>	JACK ⁹	VICI	28 Oct 19	843	65.9	15 years + four 5-year options	7.8%	Undisclosed
<i>Harrah's Atlantic City, Laughlin, New Orleans</i>	Caesar's	VICI	14 Nov 18	1,800	154	15 years + four 5-year options	8.6%	1.5% until Nov 2023, greater of 2% and CPI thereafter
<i>Greentown Casino-Hotel</i>	Penn	VICI	14 Nov 18	700	55.6	15 years + four 5-year options	7.9%	Up to 2% (based on minimum rent coverage of 1.85x)
<i>MGM Northfield Park</i>	MGM	MGP	19 Sep 18	785	60	15 years + four 5-year options	7.6%	90% of initial year of rent at 2%
<i>Empire City</i>	MGM	MGP	29 May 18	625	50	10 years + four 5-year options	8.0%	90% of initial year of rent at 2%
<i>Margaritaville Hotel Casino</i>	Penn	VICI	19 Jun 18	261	23.2	15 years + four 5-year options	8.9%	2% for building base rent
<i>MGM National Harbour</i>	MGM	MGP	5 Sep 17	1,188	95	15 years + four 5-year options	8.0%	90% of initial year of rent at 2%
<i>Borgata</i>	MGM	MGP	31 May 16	1,175	100	15 years + four 5-year options	8.5%	90% of initial year of rent at 2%

Source: Grant Samuel research; Company filings

When reviewing this data, the following should be noted:

- there is limited precedent for sale and leaseback transactions in Australia. The two identified transactions involving *Treasury Brisbane* and *Star Sydney* have yet to be completed. Most transactions of this nature occurred in the United States;
- the implied capitalisation rate ("cap rate") has declined in recent years. While they averaged close to 7-9% prior to 2019, this has declined to circa 5% in 2021. Transactions involving Australian casino resorts were generally expected to be in line with larger US Major Casinos. In this regard, transactions involving US Major Casinos:

⁶ Expected to close in the fourth quarter of 2022.

⁷ Realty Income Corporation ("Realty Income")

⁸ Gaming and Leisure Properties, Inc. ("GLPI")

⁹ JACK Entertainment LLC ("JACK")

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- were larger scale (enterprise value in excess of US\$1 billion);
- attracted lower cap rates than US Regional Casinos; and
- established lease terms with longer tenors (up to 30 years) and longer extension periods.

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Annexure 2

Scheme of arrangement





HERBERT
SMITH
FREEHILLS

Scheme of arrangement

Crown Resorts Limited

Scheme Shareholders

Scheme of arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

Crown Resorts Limited (**Crown**)
ABN 39 125 709 953 of Level 3, 8 Whiteman Street, Southbank VIC
3006

The Scheme Shareholders

1 Definitions, interpretation and scheme components

1.1 Definitions

The meanings of the terms used in this Scheme are set out below.

Term	Meaning
ADI	authorised deposit-taking institution (as defined in the <i>Banking Act 1959</i> (Cth)).
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
Blackstone	SS Silver II Pty Ltd ACN 644 174 890.
Business Day	a day that is not a Saturday, Sunday or public holiday or bank holiday in Melbourne, Sydney, London and Singapore.
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.



Term	Meaning
CHES Holding	has the meaning given in the Settlement Rules.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Court	the Federal Court of Australia, Victoria Registry, or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Blackstone and Crown.
Crown	Crown Resorts Limited ABN 39 125 709 953.
Crown Equity Incentive	has the meaning given in the Implementation Deed.
Crown Registry	Computershare Investor Services Pty Limited.
Crown Share	a fully paid ordinary share in the capital of Crown.
Crown Shareholder	each person who is registered as the holder of a Crown Share in the Share Register, excluding Midnight Acacia Holdings Pte Limited (and any other Related Body Corporate of Blackstone).
Deed Poll	the deed poll in the form of Attachment 3 to the Implementation Deed under which Blackstone covenants in favour of the Scheme Shareholders to perform the obligations attributed to Blackstone under this Scheme.
Effective	when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the Court order made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme.
Effective Date	the date on which this Scheme becomes Effective.
End Date	has the meaning given in the Implementation Deed.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the



Term	Meaning
	Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian (including ASIC and the Takeovers Panel).
Implementation Date	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as agreed in writing by Crown and Blackstone or is ordered by the Court or required by ASX.
Implementation Deed	the scheme implementation deed dated 14 February 2022 between Crown and Blackstone relating to the implementation of this Scheme.
Issuer Sponsored Holding	has the meaning given in the Settlement Rules.
Listing Rules	the official listing rules of ASX.
Operating Rules	the official operating rules of ASX.
Registered Address	in relation to a Crown Shareholder, the address shown in the Share Register as at the Scheme Record Date.
Related Body Corporate	has the meaning set out in section 50 of the Corporations Act.
Scheme	this scheme of arrangement under Part 5.1 of the Corporations Act between Crown and the Scheme Shareholders subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Crown and Blackstone.
Scheme Consideration	the consideration to be provided by Blackstone to each Scheme Shareholder for the transfer to Blackstone of each Crown Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of \$13.10 cash for each Crown Share held by a Scheme Shareholder as at the Scheme Record Date, subject to the terms of this Scheme.
Scheme Meeting	the meeting of the Crown Shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.



Term	Meaning
Scheme Record Date	7.00pm on the second Business Day after the Effective Date or such other time and date as agreed in writing by Crown and Blackstone.
Scheme Shareholder	a Crown Shareholder as at the Scheme Record Date.
Scheme Shares	all Crown Shares held by the Scheme Shareholders as at the Scheme Record Date.
Scheme Transfer	a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Blackstone as transferee, which may be a master transfer of all or part of the Scheme Shares.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.
Settlement Rules	the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.
Share Register	the register of members of Crown maintained by the Crown Registry in accordance with the Corporations Act.
Subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
Trust Account	has the meaning given in clause 5.1(a).

1.2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;



- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them (whether passed by the same or another Government Agency with legal power to do so);
- (h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Melbourne, Victoria;
- (k) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1.1, has the same meaning when used in this Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (n) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (o) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (p) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (q) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (r) if an act prescribed under this Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day; and
- (s) a reference to the Listing Rules and the Operating Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

1.3 Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

2 Preliminary matters

- (a) Crown is a public company limited by shares, registered in Victoria and has been admitted to the official list of the ASX. Crown shares are quoted for trading on the ASX.
- (b) As at the date of the Implementation Deed, there were on issue:
 - (1) 677,158,271 Crown Shares, which are quoted for trading on the ASX;
 - (2) 970,247 performance rights issued by Crown, which are not quoted for trading on any stock exchange; and
 - (3) 2,730,000 options to subscribe for Crown Shares, which are not quoted for trading on any stock exchange.
- (c) Blackstone is an unlisted company limited by shares registered in New South Wales.
- (d) If this Scheme becomes Effective:
 - (1) Blackstone must provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and
 - (2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to Blackstone and Crown will enter the name of Blackstone in the Share Register in respect of the Scheme Shares.
- (e) Crown and Blackstone have agreed, by executing the Implementation Deed, to implement this Scheme.
- (f) This Scheme attributes actions to Blackstone but does not itself impose an obligation on it to perform those actions. Blackstone has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will have no force or effect and for completeness, there is no agreement to acquire the Scheme Shares (and will not become Effective) until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in clause 3.1(h) of the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived;



- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms;
- (c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Blackstone and Crown;
- (d) subject to clause 8.1, such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by Blackstone and Crown having been satisfied or waived; and
- (e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date Crown and Blackstone agree in writing).

3.2 Certificate

- (a) Crown and Blackstone will provide to the Court on the Second Court Date a certificate (signed for and on behalf of Crown and Blackstone respectively), or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.
- (b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

3.3 Termination

Without limiting any rights under the Implementation Deed, if the Implementation Deed is terminated in accordance with its terms, Blackstone and Crown are released from:

- (a) any further obligation to take steps to implement this Scheme; and
- (b) any liability with respect to this Scheme.

3.4 End Date

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless Crown and Blackstone otherwise agree in writing.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

Crown must lodge with ASIC an office copy of the Court order in accordance with subsection 411(10) of the Corporations Act approving this Scheme as soon as possible after the Court approves the Scheme and in any event by no later than the Business Day after the day on which the Court order was made (or such later date as agreed in writing by Blackstone).



4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clauses 5.1(b) and 5.1(c), the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Blackstone, without the need for any further act by any Scheme Shareholder (other than acts performed by Crown as attorney and agent for Scheme Shareholders under clause 8.5), by:
 - (1) Crown delivering to Blackstone a duly completed Scheme Transfer to transfer all of the Scheme Shares to Blackstone, executed on behalf of the Scheme Shareholders by Crown as attorney and agent, for registration; and
 - (2) Blackstone duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to Crown for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), but subject to the stamping of the Scheme Transfer (if required), Crown must enter, or procure the entry of, the name of Blackstone in the Share Register as the registered holder of all the Scheme Shares transferred to Blackstone in accordance with this Scheme.

5 Scheme Consideration

5.1 Provision of Scheme Consideration

- (a) Blackstone must, and Crown must use its best endeavours to procure that Blackstone does, by no later than the Business Day before the Implementation Date, deposit, or procure the deposit, in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders (less any amount that Blackstone is required to pay to the Australian Taxation Office (**ATO**) pursuant to clause 5.1(d)), into an Australian dollar denominated trust account with an ADI operated by Crown (or by the Crown Registry on behalf of Crown) as trustee for the Scheme Shareholders (**Trust Account**), (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Blackstone's account).
- (b) On the Implementation Date, subject to funds having been deposited in accordance with clause 5.1(a) and subject to clause 5.1(f), Crown must pay or procure the payment of the Scheme Consideration to each Scheme Shareholder from the Trust Account referred to in clause 5.1(a).
- (c) The obligations of Crown under clause 5.1(b) will be satisfied by Crown (in its absolute discretion, and despite any election referred to in clause 5.1(c)(1) or authority referred to in clause 5.1(c)(2) made or given by the Scheme Shareholder):
 - (1) if a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Crown Registry to receive payments from Crown by electronic funds transfer to an Australian dollar denominated bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount by electronic means in accordance with that election;



- (2) paying, or procuring the payment of, the relevant amount by electronic means to an Australian dollar denominated bank account nominated by the Scheme Shareholder by an appropriate authority from the Scheme Shareholder to Crown; or
 - (3) dispatching, or procuring the dispatch of, a cheque for the relevant amount to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).
- (d) If Blackstone is required by Subdivision 14-D of Schedule 1 to the Taxation Administration Act 1953 (Cth) to pay amounts to the ATO in respect of the acquisition of Crown Shares from certain Scheme Shareholders, Blackstone is entitled to deduct the relevant amounts from the payment of the Scheme Consideration to those Scheme Shareholders and remit those amounts to the ATO. Blackstone will not be obliged to increase the aggregate sum paid to Scheme Shareholders by the amount of the deduction and the net aggregate sum payable to those Scheme Shareholders should be taken to be in full and final satisfaction of amounts owing to those Scheme Shareholders. Blackstone must pay any amount to the ATO in the time permitted by law and, if requested in writing by the relevant Scheme Shareholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Scheme Shareholder.
- (e) Blackstone and Crown will use all reasonable endeavours to obtain clearance from the ATO (**Withholding Clearance**) such that withholding is not required under Subdivision 14-D of Schedule 1 to the Taxation Administration Act 1953 (Cth). To the extent permitted by law, Crown will provide all reasonably requested information in connection with the Withholding Clearance within a reasonable timeframe, having regard to the nature of the request.
- (f) If a Scheme Shareholder has not nominated a bank account which satisfies clause 5.1(c)(1) or 5.1(c)(2) and either has a Registered Address in New Zealand or Crown believes that the Scheme Shareholder is not known at their Registered Address, the relevant amount payable to the Scheme Shareholder will be held in the Trust Account until:
 - (1) the Scheme Shareholder nominates an Australian dollar denominated bank account into which a payment may be made; or
 - (2) the money is dealt with under unclaimed money legislation.
- (g) All amounts payable to a Scheme Shareholder under clause 5.1(c) will be paid in Australian currency.
- (h) To the extent that, following satisfaction of Crown's obligations under clause 5.1(b) and clause 5.1(d), there is a surplus in the Trust Account, that surplus must be paid by Crown to Blackstone.
- (i) If, following satisfaction of Blackstone's obligations under clause 5.1(a) but prior to the occurrence of all of the events described in clause 4.2(a), this Scheme lapses under clause 3.4, Crown must immediately repay (or cause to be repaid) to or at the direction of Blackstone the funds that were deposited in the Trust Account plus any interest on the amounts deposited (less bank fees and other charges).

5.2 Joint holders

In the case of Scheme Shares held in joint names:



- (a) subject to clause 5.1(c), the Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Crown, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders (unless the joint holders have nominated a bank account under clauses 5.1(c)(1) or 5.1(c)(2), in which case the amount must be deposited directly to the nominated bank account of the joint holders); and
- (b) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Crown, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

5.3 Fractional entitlements

Where the calculation of the Scheme Consideration to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

5.4 Unclaimed money

- (a) Crown may cancel a cheque issued under this clause 5 if the cheque:
 - (1) is returned to Crown; or
 - (2) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Crown (or the Crown Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Crown must reissue a cheque that was previously cancelled under this clause 5.4.
- (c) The *Unclaimed Money Act 2008 (Vic)* will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 3 of the *Unclaimed Money Act 2008 (Vic)*).
- (d) Any interest or other benefit accruing from the unclaimed Scheme Consideration will be to the benefit of Blackstone.

5.5 Remaining money (if any) in Trust Account

To the extent that, following satisfaction of Crown's obligations under the other provisions of this clause 5 and provided Blackstone has by that time acquired the Scheme Shares in accordance with this Scheme, there is a surplus in the Trust Account, then subject to compliance with applicable laws, the terms of this Scheme, the Deed Poll and the Implementation Deed, that surplus (less any bank fees and related charges) shall be paid by Crown (or the Crown Registry on Crown's behalf) to Blackstone.

5.6 Orders of a court or Government Agency

If written notice is given to Crown (or the Crown Registry) or Blackstone of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required



to be issued to that Scheme Shareholder by Crown in accordance with this clause 5, then Crown shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or

- (b) prevents Crown from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, Crown shall be entitled to retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration until such time as provision of the Scheme Consideration in accordance with this clause 5 is permitted by that (or another) order or direction or otherwise by law.

6 Dealings in Crown Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Crown Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Crown Shares before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received before the Scheme Record Date at the place where the Share Register is kept,

and Crown must not accept for registration, nor recognise for any purpose (except a transfer to Blackstone pursuant to this Scheme and any subsequent transfer by Blackstone or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6.2 Register

- (a) Crown must register, or cause to be registered, registrable transmission applications or transfers of the Scheme Shares that are received in accordance with clause 6.1(b) before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires Crown to register a transfer that would result in a Crown Shareholder holding a parcel of Crown Shares that is less than a 'marketable parcel' (for the purposes of this clause 6.2(a) 'marketable parcel' has the meaning given in the Operating Rules).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or otherwise deal with, or purport or agree to dispose of or otherwise deal with, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Crown shall be entitled to disregard any such disposal or otherwise deal with.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Crown must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.



- (d) All statements of holding for Crown Shares (other than statements of holding in favour of Blackstone) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of Blackstone) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Crown Shares relating to that entry.
- (e) As soon as possible on or after the Scheme Record Date, and in any event by 5.00pm on the first Business Day after the Scheme Record Date, Crown will ensure that details of the names, Registered Addresses and holdings of Crown Shares for each Scheme Shareholder as shown in the Share Register are available to Blackstone in the form Blackstone reasonably requires.

7 Quotation of Crown Shares

- (a) Crown must apply to ASX to suspend trading on the ASX in Crown Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by Blackstone, Crown must apply:
 - (1) for termination of the official quotation of Crown Shares on the ASX; and
 - (2) to have itself removed from the official list of the ASX.

8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Crown may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Blackstone has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which Crown has consented to in accordance with clause 8.1(a).

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (1) agrees to the transfer of their Crown Shares together with all rights and entitlements attaching to those Crown Shares in accordance with this Scheme;
 - (2) agrees to the variation, cancellation or modification of the rights attached to their Crown Shares constituted by or resulting from this Scheme;
 - (3) agrees to, on the direction of Blackstone, destroy any holding statements or share certificates relating to their Crown Shares;
 - (4) who holds their Crown Shares in a CHESS Holding agrees to the conversion of those Crown Shares to an Issuer Sponsored Holding



and irrevocably authorises Crown to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion; and

- (5) acknowledges and agrees that this Scheme binds Crown and all Scheme Shareholders (including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to Crown and Blackstone on the Implementation Date, and appointed and authorised Crown as its attorney and agent to warrant to Blackstone on the Implementation Date, that:
- (1) all their Crown Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Crown Shares to Blackstone together with any rights and entitlements attaching to those shares;
 - (2) they have full power and capacity to sell and to transfer their Scheme Shares together with all rights and entitlements attaching to those shares to Blackstone under this Scheme; and
 - (3) they have no existing right to be issued any Crown Shares, Crown Equity Incentives convertible into Crown Shares or any other Crown securities.
- (c) Crown undertakes that it will provide such warranty in clause 8.2(b) to Blackstone as agent and attorney of each Scheme Shareholder.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Blackstone will, at the time of transfer of them to Blackstone vest in Blackstone free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.1(b) and 5.1(c), Blackstone will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Crown of Blackstone in the Share Register as the holder of the Scheme Shares.

8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.1(b) and 5.1(c), and until Crown registers Blackstone as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:



- (a) is deemed to have irrevocably appointed Blackstone as attorney and agent (and directed Blackstone in each such capacity) to appoint any director, officer, secretary or agent nominated by Blackstone as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution or document;
- (b) must not, and undertakes to Blackstone not to, attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Blackstone reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), Blackstone and any director, officer, secretary or agent nominated by Blackstone under clause 8.4(a) may act in the best interests of Blackstone as the intended registered holder of the Scheme Shares.

8.5 Authority given to Crown

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints Crown and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Blackstone, and Crown undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Blackstone on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) on the Implementation Date, irrevocably appoints Crown and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing and delivering the Scheme Transfer,

and Crown accepts each such appointment. Crown as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

8.6 Binding effect of Scheme

This Scheme binds Crown and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Crown.

9 General

9.1 Stamp duty

Blackstone will:



- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under or in connection with this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

9.2 Consent

Each of the Scheme Shareholders consents to Crown doing all things necessary or incidental to, or to give effect to, the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Crown or otherwise.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Crown, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Crown's registered office or at the office of the Crown Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Crown Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law

- (a) This Scheme is governed by the laws in force in Victoria.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.5 Further action

Crown must do all things and execute all documents (whether on its own behalf or on behalf of each Scheme Shareholder) required by law or necessary to give full effect to this Scheme and the transactions contemplated by it.

9.6 No liability when acting in good faith

Each Scheme Shareholder agrees that neither Crown or Blackstone, nor any director, officer, secretary or employee of Crown or Blackstone, shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

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Annexure 3
Deed Poll





HERBERT
SMITH
FREEHILLS

Deed

Deed poll

SS Silver II Pty Ltd



Deed poll

Date ▶ 24 / 03 / 2022

This deed poll is made

By **SS Silver II Pty Ltd**
ACN 644 174 890 of C/- Intertrust Australia Pty Ltd, Suite 2, Level 25,
100 Miller Street, North Sydney NSW 2060
(Blackstone)

in favour of each person registered as a holder of fully paid ordinary shares in Crown Resorts Limited ABN 39 125 709 953 in the Share Register as at the Scheme Record Date, excluding Midnight Acacia Holdings Pte Limited (and any other Related Body Corporate of Blackstone).

Recitals

- 1 Crown and Blackstone entered into the Implementation Deed.
- 2 In the Implementation Deed, Blackstone agreed to make this deed poll.
- 3 Blackstone is making this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Implementation Deed and the Scheme.

This deed poll provides as follows:

1 Definitions and interpretation

1.1 Definitions

(a) The meanings of the terms used in this deed poll are set out below.

Term	Meaning
Crown	Crown Resorts Limited ABN 39 125 709 953 of Level 3, 8 Whiteman Street, Southbank VIC 3006.
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or



Term	Meaning
	subject to appeal for any reason, the day on which the adjourned application is heard.
Implementation Deed	the scheme implementation deed entered into between Crown and Blackstone dated 14 February 2022.
Related Body Corporate	has the meaning set out in section 50 of the <i>Corporations Act 2001</i> (Cth).
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between Crown and the Scheme Shareholders, substantially in the form attached as Attachment 2 to the Implementation Deed, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Blackstone and Crown.

(b) Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Sections 1, 2, 3 and 4 of the Scheme apply to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

Blackstone acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Crown and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Blackstone.

2 Conditions to obligations

2.1 Conditions

This deed poll and the obligations of Blackstone under this deed poll are subject to the Scheme becoming Effective.



2.2 Termination

The obligations of Blackstone under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective on or before the End Date,

unless Crown and Blackstone otherwise agree in writing (and, if required, as approved by the Court).

2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Blackstone is released from its obligations under this deed poll except those obligations under clause 7.1; and
- (b) each Scheme Shareholder retains the rights they have against Blackstone in respect of any breach of this deed poll which occurred before it was terminated.

3 Scheme obligations

3.1 Undertaking to pay Scheme Consideration

Subject to clause 2, Blackstone undertakes in favour of each Scheme Shareholder to:

- (a) deposit, or procure the deposit of, in cleared funds, by no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders under the Scheme (less any amount that Blackstone is required to pay to the Australian Tax Office pursuant to clause 5.1(d) of the Scheme) into an Australian dollar denominated trust account operated by Crown (or by the Crown Registry on behalf of Crown) as trustee for the Scheme Shareholders, except that any interest on the amounts deposited (less bank fees and other charges) will be credited to Blackstone's account; and
- (b) undertake all other actions, and give each acknowledgement, representation and warranty (if any), attributed to it under the Scheme,

in each case, subject to and in accordance with the terms of the Scheme.

4 Warranties

Blackstone represents and warrants in favour of each Scheme Shareholder, in respect of itself, that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the



- performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
 - (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Blackstone has fully performed their obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

6 Notices

6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

- (a) in writing and in English and signed by or on behalf of the sending party; and
- (b) addressed to Blackstone in accordance with the details set out below (or any alternative details nominated by Blackstone by Notice).

Attention

Alan Miyasaki

With a copy to: Richard Blair and Chris Tynan

Address

c/- Intertrust Australia Pty Ltd, Suite 2, Level 25, 100
Miller Street, North Sydney NSW 2060

Email address

Miyasaki@blackstone.com
Richard.Blair@Blackstone.com
Chris.Tynan@Blackstone.com

6.2 How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.



Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address
By email to the nominated email address	The first to occur of: <ol style="list-style-type: none"> 1 the sender receiving an automated message confirming delivery; or 2 two hours after the time that the email was sent (as recorded on the device from which the email was sent) provided that the sender does not, within the period, receive an automated message that the email has not been delivered.

6.3 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than email as permitted in clause 6.2).

7 General

7.1 Stamp duty

Blackstone:

- (a) will pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under or in connection with the Scheme and this deed poll; and
- (b) indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in Victoria.
- (b) Blackstone irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. Blackstone and irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.3 Waiver

- (a) Blackstone may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) No Scheme Shareholder may rely on words or conduct of Blackstone as a waiver of any right unless the waiver is in writing and signed by Blackstone.



- (c) The meanings of the terms used in this clause 7.3 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this deed poll and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.4 Variation

A provision of this deed poll may not be varied unless the variation is agreed to by Blackstone and:

- (a) if before the First Court Date, the variation is agreed to by Crown; or
- (b) if on or after the First Court Date, the variation is agreed to by Crown and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Blackstone will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Cumulative rights

The rights, powers and remedies of Blackstone and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.6 Assignment

- (a) The rights created by this deed poll are personal to Blackstone and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Blackstone.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Further action

Blackstone must, at their own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.



Signing page

Executed as a deed poll

Signed sealed and delivered by
SS Silver II Pty Ltd (ACN 644 174 890)
by

sign here ▶



~~Company Secretary/Director~~

print name

Christopher Tynan

sign here ▶



Director

print name

JAMES CARNEGIE

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Annexure 4

Notice of Scheme Meeting



Notice of Scheme Meeting

Crown Resorts Limited ACN 125 709 953

Notice of meeting

Notice is hereby given that, by an order of the Federal Court of Australia pursuant to section 411(1) of the Corporations Act 2001 (Cth), a meeting of shareholders of Crown Resorts Limited (**Crown**) will be held virtually at 10.00am (Melbourne time) on Friday, 29 April 2022 (**Scheme Meeting**).

The Scheme Meeting will be held virtually via Computershare's online platform. Crown Shareholders and their authorised proxies, attorneys and corporate representatives (each a **Participant**) may participate in the Scheme Meeting at <https://meetnow.global/MQFCGRC>. Participants will be able to listen to the Scheme Meeting, cast an online vote, ask questions online and by telephone.

Further information on how to participate in the Scheme Meeting via the online platform and by telephone is set out in the explanatory notes that accompany and form part of this notice and in the Scheme Meeting Online Guide that can be found on Crown's website at www.crownresorts.com.au/investors-and-media/Blackstone-Transaction.

Crown Shareholders who are unable to, or do not wish to, participate in the Scheme Meeting, or will not have access to a device and the internet, are encouraged to submit a directed proxy vote as early as possible and in any event by 10.00am (Melbourne time) on Wednesday, 27 April 2022 by completing and submitting a proxy form in accordance with the instructions on that form.

Business of meeting

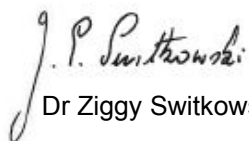
The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a Scheme (with or without modification or conditions) to be made between Crown and Scheme Shareholders.

Resolution

The Scheme Meeting will be asked to consider and, if thought fit, to pass the following resolution (**Scheme Resolution**):

"That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the Scheme (the terms of which are described in the Scheme Booklet of which the notice convening this meeting forms part) is agreed to (with or without modification or conditions as approved by the Federal Court of Australia to which Crown Resorts Limited and SS Silver II Pty Ltd agree)."

By order of the Court and the Board of Crown Resorts Limited.



Dr Ziggy Switkowski AO

Chairman

Crown Resorts Limited

Dated 30 March 2022

Explanatory notes

1. General

This notice of meeting and the Scheme Resolution should be read in conjunction with the scheme booklet of which this notice forms part (**Scheme Booklet**). The Scheme Booklet contains important information to assist you in determining how to vote on the Scheme Resolution.

Unless otherwise defined, terms used in this notice have the same meaning as set out in the Glossary in section 10 of the Scheme Booklet.

2. Chair

The Court has directed that Dr Ziggy Switkowski AO is to act as chair of the Scheme Meeting and that if he is unable or unwilling to act, Jane Halton AO PSM is to act as chair of the Scheme Meeting.

3. Voting

The Crown Board recommends that you vote in favour of the Scheme Resolution. Each Crown Director intends to vote, or cause to be voted, all Crown Shares owned or controlled by him or her in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Crown Shareholders.

4. Quorum

A quorum for a meeting of Crown Shareholders is two or more members present at the meeting and entitled to vote on a resolution at the meeting.

5. Majorities required

In accordance with section 411(4)(a) of the Corporations Act, for the Scheme to be approved by Crown Shareholders, the Scheme Resolution must be passed by:

- unless the Court orders otherwise, a majority in number (more than 50%) of Crown Shareholders present and voting (either in person or by proxy); and
- at least 75% of the votes cast on the Scheme Resolution.

6. Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Scheme must be approved by the order of the Court. If the Scheme Resolution set out in this notice is agreed to by the required majorities set out above and the conditions set out in the Scheme are satisfied or waived (where capable of waiver), Crown will apply to the Court for the necessary orders to give effect to the Scheme.

7. Determination of entitlement to participate and vote

For the purposes of the Scheme Meeting, Crown Shares will be taken to be held by the persons who are registered as a Crown Shareholder at 7.00pm (Melbourne time) on Wednesday, 27 April 2022. Accordingly, registrable transmission applications to transfers registered after this time will be disregarded in determining entitlements to participate in

and vote at the Scheme Meeting either online, by proxy or attorney, or in the case of a corporate Crown Shareholder, by a corporate representative.

8. Participation

Participants will be able to participate in the Scheme Meeting via an online platform at <https://meetnow.global/MQFCGRC>. Participants will need a desktop or mobile / tablet device with internet access to do so.

Participants will be able to listen to the chair of the Scheme Meeting and others, and view presentation slides, live and in real-time. Participants will also have the ability to ask questions via the online platform, to speak and ask questions via telephone, and hear all of the discussions that occur at the Scheme Meeting, subject to the connectivity of their devices. In order to ensure an orderly meeting, the chair will have authority to make rules (including rules regarding the time permitted for each Participant to ask questions). The chair will explain such rules at the commencement of the Scheme Meeting.

Participants seeking to speak or ask questions via telephone should follow the instructions written below the broadcast on the Computershare meeting platform.

To participate and vote using the online platform:

- Crown Shareholders will need their Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) (which is shown on their holding statement or proxy form) and their postcode (or country code if outside Australia) for verification purposes;
- proxyholders will need to contact Computershare Investor Services in the hour before the start of the Scheme Meeting on +61 3 9415 4024 to obtain a unique email invitation link to enter the online platform; and
- attorneys and corporate representatives can log in to the online platform using the SRN/HIN and postcode of the relevant Crown Shareholder.

Further information on how to participate and vote via the online platform, and ask questions during the Scheme Meeting, is set out later in this notice and in the Scheme Meeting Online Guide available at www.crownresorts.com.au/investors-and-media/Blackstone-Transaction.

Registration via the online platform will open one hour prior to the scheduled 10.00am (Melbourne time) start time of the Scheme Meeting. Logging into the online platform at least 15 minutes prior to the start time is recommended. Participants should test the online platform link to see that it works on their device before the Scheme Meeting commences. Further information on device compatibility as well as a step-by-step guide to successfully log in and navigate the online platform is provided in the Scheme Meeting Online Guide.

9. How to vote

Voting at the Scheme Meeting will be conducted by poll.

If you are a Crown Shareholder entitled to vote at the Scheme Meeting, you may vote:

- **online**, by participating and voting via the online platform at <https://meetnow.global/MQFCGRC>;
- **by proxy**, by lodging a proxy form online at www.investorvote.com.au or by completing, signing and lodging a proxy form for the Scheme Meeting in accordance with the instructions set out on the form. To be valid, your proxy form must be received by the Crown Share Registry by 10.00am (Melbourne time) on Wednesday, 27 April 2022;

- **by attorney**, by appointing an attorney to participate in and vote at the Scheme Meeting on your behalf and providing a duly executed power of attorney to the Crown Share Registry by 10.00am (Melbourne time) on Wednesday, 27 April 2022; or
- **by corporate representative**, in the case of a body corporate which is a Crown Shareholder, by appointing a corporate representative to participate in and vote at the Scheme Meeting on behalf of that Crown Shareholder and providing a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to the Scheme Meeting.

10. Jointly held Crown Shares

If the Crown Shares are jointly held, each of the joint shareholders is entitled to vote. However, if more than one shareholder votes in respect of jointly held Crown Shares, only the vote of the shareholder whose name appears first on the Crown Share Register will be counted.

11. How to ask questions

Participants will have a reasonable opportunity to ask questions during the Scheme Meeting by using the online 'Ask a Question' function and by telephone. Further details are set out in the Scheme Meeting Online Guide available at www.crownresorts.com.au/investors-and-media/Blackstone-Transaction.

To speak or ask questions via telephone during the Scheme Meeting, please follow the instructions written below the broadcast on the Computershare Meeting Platform.

Participants can also call the Crown Shareholder Information Line on 1300 659 795 (within Australia) or +61 3 9415 4254 (outside Australia), between 8:30am and 5:30pm (Melbourne time), Monday to Friday.

12. Voting

(a) Voting online

To vote online, you must participate in the Scheme Meeting via the online platform at <https://meetnow.global/MQFCGRC>.

Participants will be able to vote directly at any time between the scheduled start of the Scheme Meeting at 10.00am (Melbourne time) on Friday, 29 April 2022 and the closure of voting as announced by the chair of the Scheme Meeting.

To enter the online platform, Participants will need their SRN/HIN (which is shown on their holding statement or proxy form) and their postcode (or select country code if outside Australia) or, if applicable, the SRN/HIN and postcode of their appointing Crown Shareholder, for verification purposes.

(b) Voting by proxy

A Crown Shareholder entitled to participate in and vote at the Scheme Meeting is also entitled to appoint a proxy to participate and vote on their behalf. To do so, they should either mark the box 'Appoint a Proxy' in step 1 of the paper proxy form to appoint the chair of the Scheme Meeting as their proxy, or insert the name and email address of their alternative proxy in the space provided. Alternatively, a Crown Shareholder may appoint a proxy online at www.investorvote.com.au by following the prompts. Please refer to section 13 below for further details in relation to how to submit a proxy form.

The following applies to proxy appointments:

- You may appoint not more than two proxies to participate in and act for you at the Scheme Meeting. A proxy need not be a Crown Shareholder and may be an individual or a body corporate.
 - If a body corporate is appointed as a proxy, it must ensure that it appoints an individual as its corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the Scheme Meeting.
 - If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half of your votes.
 - If you wish to appoint a second proxy, a second paper proxy form should be used and you should clearly indicate on the second proxy form that it is a second proxy and not a revocation of your first proxy. Please contact the Crown Shareholder Information Line 1300 659 795 (within Australia) or +61 3 9415 4254 (outside Australia), between 8:30am and 5:30pm (Melbourne time), Monday to Friday to obtain an additional proxy form or you may copy the proxy form. You cannot appoint a second proxy using the online platform.
 - If you hold Crown Shares jointly with one or more other persons, in order for a proxy appointment to be valid, either Crown Shareholder may sign the proxy form.
 - A proxy cannot be appointed electronically if they are appointed under a power of attorney or similar authority.
 - If you have appointed a proxy and participate in and vote at the Scheme Meeting, your proxy is not entitled to and must not vote on your behalf. However, if you view the Scheme Meeting via the online platform as a 'visitor', you will not revoke your proxy appointment to participate and vote.
 - A vote given in accordance with the terms of a proxy appointment is valid despite the revocation of that appointment, unless notice in writing of the revocation has been received by the Crown Share Registry before the start of the Scheme Meeting in any of the ways referred to in section 13 below.
 - You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Scheme Resolution, or whether to leave the decision to the proxy.
- If you do not direct your proxy how to vote on the Scheme Resolution, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting, he or she is directed not to vote on your behalf, and the Crown Shares the subject of the proxy appointment will not be counted.
- If you return your proxy form:
 - without identifying a proxy on it, you will be taken to have appointed the chair of the Scheme Meeting as your proxy to vote on your behalf; or
 - with a proxy identified on it but your proxy does not participate in the Scheme Meeting, the chair of the Scheme Meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

To enter the online platform, proxyholders will need to contact Computershare Investor Services, in the hour before the meeting start time on +61 3 9415 4024 to obtain your unique email invitation link.

(c) Voting by attorney

You may appoint not more than two attorneys to participate in and vote at the Scheme Meeting on your behalf. An attorney need not be a Crown Shareholder and will have the right to vote and also to speak at the Scheme Meeting.

A power of attorney appointing an attorney to participate in and vote at the Scheme Meeting must be duly executed by you and specify your name, the company (that is, Crown), and the attorney, and also specify the meeting(s) at which the appointment may be used. The appointment may be a standing one.

If two attorneys are appointed, each attorney may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each attorney may exercise half of your votes.

A power of attorney, or a certified copy of such power of attorney, should be received by the Crown Share Registry before 10.00am (Melbourne time) on Wednesday, 27 April 2022 in any of ways specified for proxy forms in section 13 below, except that a power of attorney or a certified copy of a power of attorney cannot be lodged online or by mobile device.

A single appointed attorney wishing to participate in and vote at the Scheme Meeting via the online platform will require the appointing Crown Shareholder's name and postcode and the SRN/HIN of the shareholding in order to access the online platform.

If two attorneys are appointed, each must contact the Crown Shareholder Information Line 1300 659 795 (within Australia) or +61 3 9415 4254 (outside Australia), between 8:30am and 5:30pm (Melbourne time), Monday to Friday and before 10.00am (Melbourne time) on Wednesday, 27 April 2022 to organise voting and online platform access arrangements.

(d) Voting by corporate representative

A corporation that is a Crown Shareholder, or that has been appointed as a proxy, must appoint an individual to act as its corporate representative at the Scheme Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. A form of certificate may be downloaded via www.investorcentre.com/au and select 'Printable Forms' or obtained from the Crown Shareholder Information Line 1300 659 795 (within Australia) or +61 3 9415 4254 (outside Australia), between 8:30am and 5:30pm (Melbourne time), Monday to Friday. The certificate of appointment may set out restrictions on the corporate representative's powers.

The certificate of appointment of corporate representative must be received by the Crown Share Registry prior to the Scheme Meeting. Crown Shareholders may submit the certificate:

- via email, by sending it to proxies@computershare.com.au; or
- in any of the ways specified for proxy forms in section 13 below, except the certificate cannot be lodged online or by mobile device.

If a certificate is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been received by the Crown Share Registry.

A validly appointed corporate representative wishing to participate in and vote at the Scheme Meeting via the online platform will require the appointing Crown Shareholder's name and postcode and the SRN/HIN of the shareholding in order to access the online platform.

13. How to submit a proxy

To appoint a proxy, you should complete and submit the proxy form in accordance with the instructions on that form.

- **online:** submitting it online at www.investorvote.com.au by following the prompts;
- **by mobile device:** if you have a smart phone or other compatible mobile device, you can lodge your vote via the Crown Share Registry's voting website by scanning the QR code on the front of the proxy form. Log-in using the SRN/HIN and postcode for your shareholding;
- **by post:** posting it to the Crown Share Registry, Computershare Investor Services Pty Limited in the reply paid envelope provided (where applicable) or to the following address:
Crown Resorts Limited
C/- Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia
- **by hand delivery:** depositing it at the Crown Share Registry, Computershare Investor Services Pty Limited, during normal business hours at the following address:
52 Johnston Street Abbotsford VIC 3067; or
- **by fax:** faxing it to the Crown Share Registry on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

14. Proxy voting by the chair of the Scheme Meeting

If the chair of the Scheme Meeting is a proxy, either by appointment or default, and the appointment does not provide any voting directions on the proxy form, by signing and returning the proxy form, the Crown Shareholder will be expressly authorising the chair of the Scheme Meeting to cast their vote on the Scheme Resolution as the chair of the Scheme Meeting sees fit.

The chair of the Scheme Meeting intends to vote undirected proxies in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Crown Shareholders.

Corporate directory

Crown Resorts Limited

Level 3, 8 Whiteman Street
Southbank VIC 3006

Financial advisers

UBS Securities Australia Limited

Level 16, 8 Exhibition Street
Melbourne VIC 3000

Gresham Advisory Partners Limited

Level 17, 167 Macquarie Street
Sydney NSW 2000

Legal adviser

Herbert Smith Freehills

Level 24, 80 Collins Street
Melbourne VIC 3000

Independent Expert

Grant Samuel & Associates Pty Limited

Level 19 Governor Macquarie Tower, 1 Farrer Place
Sydney NSW 2000

Crown Share Registry

Computershare Investor Services Pty Limited

452 Johnston Street
Abbotsford VIC 3067

