

31 August 2021

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Crown Resorts Limited

Consumer Services

HOLD

CWN A\$9.32 **TARGET PRICE A\$8.77**

Crown Resorts Limited (CWN) is an Australian company engaged in gaming and entertainment business. CWN has businesses and investments in the integrated resort and entertainment sectors in Australia and Macau and wholly-owns and operates a high-end casino in the United Kingdom.

Company Data

Number of shares	677.2 M
Market Capitalisation	\$ 6,311.1 M
Free float (%)	51.8
12-month high/low	\$13.15/\$8.25
Average Daily Turnover (\$m)	26.0
% S&P/ASX200	0.30%
DDM Ranking	242
% All Ordinaries	0.26%
GICS Industry Group	Consumer Services

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end June	2021A	2022F	2023F
Revenue (\$M)	1,536.8	2,659.1	3,325.0
EBITDA (\$M)	241.7	536.6	779.2
Reported NPAT (\$M)	-261.6	62.8	302.9
Adjusted NPAT (\$M)	-84.2	113.4	298.4
Reported EPS (c)	-38.6	18.0	46.7
Adjusted EPS (c - FD)	-12.4	32.6	46.0
Adjusted EPS growth (%)	-123.0	-39.8	-15.0
Adjusted P/E (x)	-75.4	28.8	20.4
Dividend (c/sh)	0.0	19.6	51.0
Gross yield (%)	0.0	3.0	7.8
Net yield (%)	0.0	2.1	5.5
ROIC (%)	-2.1	2.7	6.9

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



FY21 Year End Financial Results

On 30th August, Crown Resorts Ltd (CWM) announced their results for the full year ended 30 June 2021 with the following highlights:

Financial Performance

- Statutory revenue of \$1,536.8 million, down 31.3%
- Reported NPAT attributable to the parent a loss of \$261.6 million
- Reported EBITDA of \$114.1 million, down 77.4%
- Theoretical NPAT attributable to the parent before Closure Costs and Significant Items a loss of \$84.2 million, down 152.3%
- Theoretical EBITDA before Closure Costs and Significant Items of \$241.7 million, down 52.0%
- Closure Costs of \$120.6 million (net of tax), which includes costs incurred at Crown Melbourne, Crown Perth and Crown Aspinalls whilst gaming activities were closed
- Net Significant Items expense of \$54.6 million (net of tax) relating to Crown Sydney pre-opening costs, one-off allowance for expected credit losses, restructuring costs, asset impairments, and underpayments of casino tax by Crown Melbourne, offset by profit on disposal of Crown Sydney apartments which settled during the period
- Basic EPS of -38.63 cents per share
- No final dividend declared

CFO Statement

CWN CFO Alan McGregor said, "Crown's full year results reflect the severe impact on operations from the COVID-19 pandemic. Crown Melbourne's gaming operations were closed for a large part of the financial year and, when open, gaming facilities were subject to ongoing operating restrictions."

"Conversely, Crown Perth delivered strong performance during the financial year. Crown Perth re-opened with restrictions towards the end of June 2020 and remained open for the entirety of the first half, trading above expectations."

"Crown Sydney delivered an overall operating loss for the financial year given the impact of COVID-19 related restrictions, border closures and the limited scale of operations."

Guidance

- CWN has not provided earnings guidance as it continues to operate in an uncertain environment driven by the impact on its business from the COVID-19 pandemic.
- Despite this uncertain backdrop, CWN continues to be supported through this period by:
 - o Significant tangible asset backing including land, gaming facilities and hotels;
 - o A low level of gearing, with net debt of \$892.9M at 30 June 2021, and further deleveraging expected from additional Crown Sydney apartment sales.

Earnings changes

For FY21, CWN's earnings are not representative of future periods. Also, CWN declined to provide any guidance. Hence, we do not expect any significant earnings revisions for future periods.

Valuation

We are updating our target price from \$9.89 to \$8.77 and maintaining our HOLD recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

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Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)