



VILLAGE ROADSHOW

17 November 2016

VILLAGE ROADSHOW LIMITED CHAIRMAN'S ADDRESS TO 2016 AGM

Before moving to the formal business of today's meeting, I would like to comment on the Company's performance over the 2016 financial year and provide an update on our business.

The Group delivered an increase in trading results, with earnings before interest, tax, depreciation and amortisation excluding material items and discontinued operations, or "EBITDA", of \$168.8 million for the year ended 30 June 2016. Attributable net profit for the year was \$15.7 million, or \$50.9 million before material items.

The 2016 financial year saw the Cinema Exhibition division deliver a fifth consecutive record result. This reflects the popularity of the exceptional **Gold Class**, **max** and **premium** concepts and the high quality offering across our sites.

We continue to enhance and grow our Cinema circuit, delivering the ultimate "going out" experience. In the 2017 financial year, we have opened two exciting new bar concepts in Victoria, with Roc's at the Jam Factory and nineteenforty on the Rivoli Rooftop. We are also thrilled to be introducing **junior** this December, a children and family cinema experience never seen before in Australia. This concept incorporates play and interactive equipment, specialised seating, programming and food and beverage options.

iPic Theaters, our US based premium dining and cinema concept is tracking well, especially our two new sites in New York.

The Cinema Exhibition division has had a strong start to the new financial year with *Finding Dory* carrying over from the previous financial year, followed by the impressive performance of *Suicide Squad* and *Secret Life of Pets*. There is a strong product line-up for the balance of the year including *Rogue One: A Star Wars Story*, *Fantastic Beasts & Where to Find Them* and *The Lego Batman Movie*. We expect the Cinema Exhibition division to deliver a strong 2017 result, however the blend between first and second half results may differ to the 2016 financial year.

Our Gold Coast Theme Parks had a solid 2016 financial year, with the launch of a monthly membership program which has proved extremely popular with the all important local market. The special events program of *Fright Nights*, *White Christmas* and *Carnivale* continue to delight guests at Warner Bros. Movie World. Sea World Resort maintained its position as the highest occupancy premium hotel on the Gold Coast and the new Conference Centre adjacent to the resort has exceeded our expectations. Southeast Queensland is becoming increasingly popular, especially for Chinese tourists, and with flights being continually added to the region, we expect this to be the start of a substantial tourism growth curve.

This year we have already opened a number of popular attractions and upgrades including the DC Comics *Super Villains Unleashed* area, the thrilling *Doomsday Destroyer* ride and a groundbreaking Australian first virtual reality option on the *Arkham Asylum* rollercoaster, all at Warner Bros. Movie World. Paradise Country has been repositioned as a family day on the farm. This includes the recently introduced and well received “eco tents” which have enabled us to convert the family day out into an unforgettable overnight experience, driving additional revenue. We also recently re-opened the Plaza area at Sea World which includes refurbished food and retail offerings. A shade pavilion over the precinct provides protection from both the sun and inclement weather conditions.

We had a strong start to season pass sales at Wet'n'Wild Sydney in the 2016 financial year and then the weather deteriorated at the beginning of the September school holidays, impacting ticket sales relative to the prior year. Contingency measures were implemented to help stabilise the business prior to the summer season.

For the 2017 financial year, a new exhibition and a number of guest service initiatives have been introduced at Wet'n'Wild Sydney. This includes the *Dinosaur Lagoon*, featuring a number of life-like animatronic dinosaurs, a premium lounge with panoramic views of the park, an enhanced food menu, a summer concert series, Halloween and Christmas special events, additional shade and an improved queuing system. These initiatives are expected to improve the guest experience and drive attendance at our Sydney water park.

Overall, the Theme Parks division had a reasonable start to the 2017 financial year. We have seen inconsistent trading following the tragic incident at Dreamworld in October. However, we are hesitant to extrapolate any trends from trading to date, given limited information at this time. We do believe it will take time for the community and the marketplace to fully recover from the tragedy. We expect to have a better understanding of the impact by the half year results announcement and will provide more information at that time.

The safety and wellbeing of guests is our top priority. VRL has always invested in its safety and maintenance processes. Our rides undergo rigorous daily, weekly, monthly and annual inspections. In addition, we have third party safety auditing on our rides on an annual basis.

The Film Distribution division continued to be challenged during the 2016 financial year. There were standout titles such as *Mad Max: Fury Road* on DVD and Blu Ray, but overall a disappointing year. The division is being impacted by the slowdown in DVD sales, with the industry down 4.3% over the 2016 financial year. However there is a fast uptake on digital online sales which are low cost and high margin and the sector has real future growth potential.

The year to date has seen some strong product with *Suicide Squad*, *Sully* and *Bad Moms*. The balance of the year will continue to have a strong product line-up, including *Fantastic Beasts and Where to Find Them*, released today, *Red Dog: True Blue*, *Passengers*, *Arrival* and *Wonder Woman*.

Roadshow has a stable base of product through our output agreements such as those held with Warner Bros. Village Roadshow Pictures, BBC and ABC, which provides consistent earnings. Roadshow also buys the rights to distribute many independent titles in film markets; they can generate stand out returns such as *The Hunger Games* films. In the first half however, the underperformance of a couple of such independent titles adversely

impacted earnings. We expect a decline in the first half relative to the prior corresponding period.

The Marketing Solutions division was newly formed in the 2016 financial year following the combination of Edge Loyalty and Opia, a UK-based sales promotion consultancy of which we acquired 80% during the year. The acquisition positions the division as a truly global player in the sales promotion and loyalty market, further diversifying VRL's business and providing opportunity for growth. The division's 2016 financial year results reflected the inclusion of six months of Opia's trading.

The 2017 financial year will see Marketing Solutions expanding both its markets and its products. The UK division has been impacted by a softening of market sentiment following Brexit and the recording of their results in Australian dollars has been impacted by the devaluation of the pound. It is still "early days". We have excellent people in Edge Loyalty and Opia and we are deeply excited by this division's future.

Within the Film Production division, Village Roadshow Pictures released five films during the 2016 financial year, bringing the total number of films released in our valuable library to 90 as at 30 June 2016. During the year, Village Roadshow Pictures also completed a renewal of its film financing facilities for USD775 million until 2021. Village Roadshow Pictures Asia received industry recognition in the 2016 financial year for its co-produced titles *Go Away Mr Tumor* and *Mountain Cry*, whilst *Cold War 2* broke two Chinese box office records.

The new financial year has started well, with *Sully*, directed by Clint Eastwood, starring Tom Hanks and Laura Linney impressing audiences. Other upcoming titles include *King Arthur: Legend of the Sword*, directed by Guy Ritchie and *Passengers*, starring Jennifer Lawrence and Chris Pratt.

Village Roadshow continued to work in 2016 to put in place the foundation building blocks for long term growth, with a program in place in each of its businesses that is real and happening. However, everything takes time and often more time than planned. We are often frustrated as are our shareholders in realising this growth.

We are convinced these growth initiatives will drive our businesses to far greater future success. Let me very briefly describe these growth initiatives in each division.

In our Theme Parks division we are bringing Topgolf, the highly successful American golfing entertainment concept to Australia. The first site will utilise available land at Movie World on the Gold Coast, leveraging off the extraordinary freeway traffic and exposure, plus the millions of visitors a year to our Oxenford site. Topgolf is expected to open in late calendar 2017.

We are continuing our work in the international theme parks space. In Asia we have consulting and management agreements in place for projects opening in 2017 and 2018. We maintain our cautious approach to investment in China, however we are working productively with local partners and government on some significant projects.

We are expanding and developing our joint Australian cinema circuit with new complexes planned in key population growth corridors and target upgrades which will include **max** and **Gold Class** auditoria. The Singapore Circuit and iPic Theaters both continue to expand.

The Film Distribution division has strong relationships with both Stan and Netflix, providing exposure to the subscription video on demand market which is continuing to gain popularity. Additionally the division is focussed on content ownership as a key growth strategy. FilmNation, being 31% owned by Village Roadshow, has two upcoming releases, *The Founder* and *Arrival*, which we look forward to. More recently, formed in conjunction with John and Dan Edwards, Roadshow Rough Diamond will create original television content for domestic and international audiences. With a long history of investment in the Australian film industry, Roadshow is also developing a number of exciting Australian feature films which will be announced in due course.

The Marketing Solutions division's global expansion is now underway, driven by the Opia platform. Importantly, Marketing Solutions will continue to play a key role here in Australia in driving market adoption of digital promotions.

VREG has been shifting its emphasis to global brands and franchises. Amongst VREG's upcoming releases, a number have significant franchise and sequel potential including *King Arthur: Legend of the Sword*, *Oceans Eight* and *Ready Player One*. VREG is also engaged in discussions with studio partners to co-produce and co-finance TV series with global appeal and believe this initiative will be of strategic value, accretive to the business and will enable further growth of VREG's Hollywood content business.

As I have just detailed, VRL has these significant opportunities for future earnings growth. The additional investment in these growth opportunities will result in an increase in VRL's leverage, until earnings from developments are of course realised.

I must recognise the efforts of our dedicated, loyal and passionate staff and management, whose tireless commitment to the business make these initiatives a reality, and continue to drive us into the future. And of course I also thank our customers and shareholders for their ongoing support as we strive to build our business.

I would like to take this opportunity to express the profound gratitude of Village Roadshow to our long-standing Independent Non-Executive Directors, Dr. Peter Jonson, and Mr. Peter Harvie who both retired during the 2016 financial year. I would also like to thank Ms. Jennifer Fox Gambrell who joined the Board as an Independent Director of the Company at last year's AGM. Jennifer, you have already proven to be a valuable addition to our Board and we look forward to continuing to work with you.

Thank you. Now to the business of the meeting.