

13 February 2019

Australian Securities Exchange  
Companies Announcements Platform  
20 Bridge Street  
Sydney NSW 2000

## TABCORP HALF YEAR RESULTS PRESENTATION

Attached is the presentation regarding Tabcorp's half year results ended 31 December 2018 to be presented by David Attenborough, Managing Director and Chief Executive Officer.

This presentation will be webcast on Tabcorp's website at [www.tabcorp.com.au](http://www.tabcorp.com.au) from 10.00am (Melbourne time) today.

The information contained in this announcement should be read in conjunction with today's announcement of Tabcorp's half year results and Tabcorp's most recent Annual Report.

Yours faithfully



Chris Murphy  
Company Secretary

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POWERBALL



TABCORP HOLDINGS LIMITED  
2018/19 FIRST HALF RESULTS PRESENTATION

13 FEBRUARY 2019  
ABN 66 063 780 709



EXCITEMENT WITH INTEGRITY

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# GROUP OVERVIEW

Key message	Key points
<p><b>Strong group results</b></p>	<ul style="list-style-type: none"> <li>○ Revenue up 6.1% and EBITDA up 9.0% (vs pro-forma pcp):               <ul style="list-style-type: none"> <li>• Strong Lotteries &amp; Keno performance from game innovation, and digital and retail growth</li> <li>• Wagering results reflect increased investment in customer generosities and UBET underperformance pre transition to full TAB offering</li> <li>• Gaming Services made good progress on contract renewals and new venue sign-ups</li> <li>• Operating expenses reduction driven by synergy benefits</li> </ul> </li> <li>○ Interim dividend 11.0 cents per share, fully franked</li> </ul>
<p><b>Integration targets upgraded</b></p>	<ul style="list-style-type: none"> <li>○ Target now \$130m-145m EBITDA synergies and business improvements in FY21. Cost synergies target upgraded to \$95m (from \$80m)</li> <li>○ Delivered \$24m EBITDA synergies and business improvements in 1H19</li> <li>○ Set to deliver \$55m in FY19 (previously \$50m)</li> </ul>
<p><b>Digitalisation accelerated</b></p>	<ul style="list-style-type: none"> <li>○ Lotteries digital turnover up 63.5% vs pcp, now 21.5% of total turnover</li> <li>○ Wagering digital turnover up 11.6% vs pcp; TAB up 15.3%</li> <li>○ TAB digital commissions model implemented across retail network</li> </ul>
<p><b>Key regulatory changes</b></p>	<ul style="list-style-type: none"> <li>○ Synthetic lottery products prohibited from 9 January 2019</li> <li>○ Wagering point of consumption tax (POCT) commenced 1 October 2018 in Qld and 1 January 2019 in Vic, NSW, WA and ACT. Commenced 1 July 2017 in SA</li> </ul>
<p><b>Building a strong risk-aware and performance culture</b></p>	<ul style="list-style-type: none"> <li>○ Continued investment in highest levels of regulatory compliance and responsible gambling</li> <li>○ Launched new group-wide purpose “Excitement with Integrity”</li> </ul>

# RESULTS OVERVIEW

- Statutory results
  - Revenues \$2,787.4m, up 108.3%
  - NPAT \$182.5m, up from \$24.6m in pcp
  - EPS 9.1 cents per share, up from 2.6 cents per share in pcp
  - Results include significant items expense \$18.3m after tax from Tatts Group combination, comprising implementation costs \$12.3m and Racing Queensland arrangements \$6.0m<sup>1</sup>
- Results from continuing operations before significant items
  - Revenues \$2,787.4m, up 108.3%
  - EBITDA \$554.3m, up 91.1%
  - NPAT \$210.6m, up 105.3%
  - EPS 10.5 cents per share, down from 10.8 cents per share in pcp
- Interim dividend 11.0 cents per share, fully franked (11.0 cents per share in pcp)
- Results from continuing operations before significant items vs pro-forma pcp<sup>2</sup>
  - Revenues \$2,787.4m, up 6.1%
  - EBITDA \$554.3m, up 9.0%
  - EBIT \$404.7m, up 11.3%

Notes:

1. Refer Appendix 1 for details of Significant Items including Racing Queensland arrangements
2. Pro-forma results for 1H18 include adjustments to Tabcorp's reported results to facilitate examination of the financial performance of the combined group as if the Tatts combination had been in place for the full period

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# GROUP RESULTS<sup>1</sup>

\$m	1H19	1H18	Change on pcp
Revenues	2,787.4	1,338.1	>100.0%
Variable contribution	1,013.3	579.6	74.8%
Operating expenses	(459.0)	(289.5)	58.5%
<b>EBITDA from continuing operations before significant items</b>	<b>554.3</b>	<b>290.1</b>	91.1%
D&A	(149.6)	(98.8)	51.4%
<b>EBIT from continuing operations before significant items</b>	<b>404.7</b>	<b>191.3</b>	>100.0%
Interest	(96.3)	(38.7)	>100.0%
Tax expense	(97.8)	(50.0)	95.6%
<b>NPAT from continuing operations before significant items</b>	<b>210.6</b>	<b>102.6</b>	>100.0%
Significant items (after tax) <sup>2</sup>	(18.3)	(5.1)	>100.0%
NPAT from discontinued operations <sup>3</sup>	(9.8)	(72.9)	86.6%
<b>Statutory NPAT</b>	<b>182.5</b>	<b>24.6</b>	>100.0%

Notes:

1. Comparative period results include 18 days contribution from Tatts from 14 December 2017
2. Significant items (after tax) of \$18.3m relates to Tatts Group combination, comprising implementation costs \$12.3m and Racing Queensland arrangements \$6.0m. Refer Appendix 1
3. Sun Bets ceased trading in July 2018

# BUSINESS RESULTS<sup>1,2</sup>

1H19 (\$m)	Lotteries & Keno	Change on pcp	Wagering & Media	Change on pcp	Gaming Services	Change on pcp	Group	Change on pcp
Revenues	1,409.2	>100.0%	1,221.8	22.8%	155.8	69.0%	2,787.4	>100.0%
Variable contribution	365.5	>100.0%	498.4	24.0%	147.9	75.2%	1,013.3	74.8%
Operating expenses	(113.3)	>100.0%	(267.8)	22.2%	(74.1)	>100.0%	(459.0)	58.5%
<b>EBITDA</b>	<b>252.2</b>	>100.0%	<b>230.6</b>	26.1%	<b>73.8</b>	48.2%	<b>554.3</b>	91.1%
D&A	(42.1)	>100.0%	(71.0)	11.5%	(36.4)	72.7%	(149.6)	51.4%
<b>EBIT</b>	<b>210.1</b>	>100.0%	<b>159.6</b>	33.8%	<b>37.4</b>	30.8%	<b>404.7</b>	>100.0%
Opex / Revenue (%)	8.0%	(5.2%)	21.9%	(0.1%)	47.6%	10.0%	16.5%	(5.2%)
EBIT / Revenue (%)	14.9%	(3.5%)	13.1%	1.1%	24.0%	(7.0%)	14.5%	0.2%
Capex	12.4	>100.0%	50.5	49.0%	46.1	36.4%	109.0	50.1%

Notes:

1. The Group's comparative period operating segments include the Tatts Group from 14 December 2017:
  - a. Wagering & Media includes the Tatts UBET Wagering business
  - b. Lotteries & Keno includes the Tatts Lotteries business
  - c. Gaming Services includes the Tatts Max and MAXtech businesses
2. Business results do not aggregate to Group total due to intercompany eliminations and unallocated items



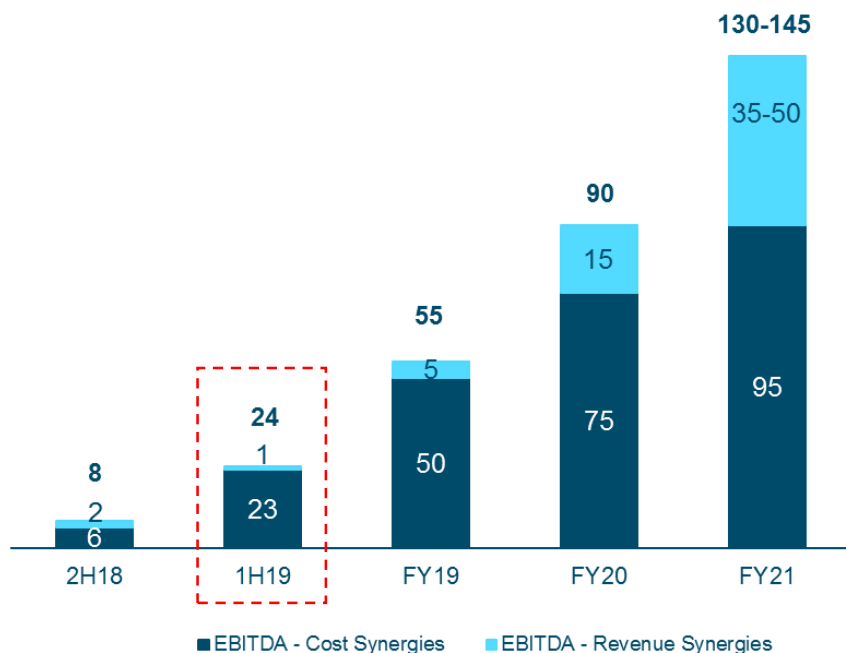
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# INTEGRATION: SYNERGIES & BUSINESS IMPROVEMENTS

FY21 target now \$130m-145m EBITDA with cost synergies upgraded to \$95m; FY19 upgraded to \$55m

## EBITDA \$m



### 1H19

- Delivered \$24m EBITDA synergies and business improvements
- Cost synergies of \$23m underpinned by organisational restructure, including corporate (almost complete), IT and fixed odds bookmaker consolidation
- Revenue benefits to UBET from early fixed odds yield improvement initiatives were largely offset by the roll-out of new venue arrangements, including digital commissions
- FY19 EBITDA synergies and business improvements upgraded to \$55m (was \$50m)

### FY21

- Target now \$130m-145m EBITDA synergies and business improvements in FY21. Cost synergies target upgraded to \$95m (from \$80m)
- Revenue benefits from yield alignment, market expansion, Trackside roll-out, Keno initiatives
- Cost synergies from technology integration, and operational and property rationalisation

### Integration costs and capex

- Total implementation costs are expected to be \$66m (after tax). The preliminary estimate provided in the Scheme Booklet dated September 2017 was \$49m (after tax). Refer Appendix 1
- Integration capital expenditure expected to be \$70m (no change)

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## GROUP RESULTS (VS PRO-FORMA PCP)

\$m	1H19	1H18	Change on pcg
Revenues	2,787.4	2,626.2	6.1%
Variable contribution	1,013.3	982.7	3.1%
Operating expenses	(459.0)	(474.0)	(3.2%)
<b>EBITDA from continuing operations before significant items</b>	<b>554.3</b>	<b>508.7</b>	9.0%
D&A	(149.6)	(145.1)	3.1%
<b>EBIT from continuing operations before significant items</b>	<b>404.7</b>	<b>363.6</b>	11.3%

- Pro-forma results for 1H18 include adjustments to Tabcorp's reported results to facilitate examination of the financial performance of the combined group as if the Tatts combination had been in place for the full period
  - Tatts earnings included from 1 July 2017 to 13 December 2017 (pre-merger period) with eliminations recognised
  - Odyssey earnings excluded given divestment as part of the merger process
  - Impact of purchase price allocation (PPA)<sup>1</sup>

Notes:

1. Purchase price allocation (PPA) refers to the impact of acquisition accounting completed in 2H18, and the resulting additional D&A for the group from the net uplift of assets. The pro-forma results for 1H18 were adjusted to include a full period of PPA D&A (\$11.6m)

## BUSINESS RESULTS (VS PRO-FORMA PCP)<sup>1</sup>

1H19 (\$m)	Lotteries & Keno	Change on pcp	Wagering & Media	Change on pcp	Gaming Services	Change on pcp	Group <sup>2</sup>	Change on pcp
Revenues	1,409.2	18.1%	1,221.8	(3.8%)	155.8	(4.0%)	2,787.4	6.1%
Variable contribution	365.5	18.4%	498.4	(3.8%)	147.9	(4.5%)	1,013.3	3.1%
Operating expenses	(113.3)	3.9%	(267.8)	(4.0%)	(74.1)	(0.8%)	(459.0)	(3.2%)
<b>EBITDA</b>	<b>252.2</b>	26.3%	<b>230.6</b>	(3.7%)	<b>73.8</b>	(8.0%)	<b>554.3</b>	9.0%
D&A	(42.1)	(0.2%)	(71.0)	(2.9%)	(36.4)	21.3%	(149.6)	3.1%
<b>EBIT</b>	<b>210.1</b>	33.4%	<b>159.6</b>	(4.1%)	<b>37.4</b>	(25.4%)	<b>404.7</b>	11.3%
VC / Revenue (%)	25.9%	0.0%	40.8%	0.0%	94.9%	(0.5%)	36.4%	(1.1%)
Opex / Revenue (%)	8.0%	(1.1%)	21.9%	0.0%	47.6%	1.6%	16.5%	(1.5%)
EBITDA / Revenue (%)	17.9%	1.3%	18.9%	0.1%	47.4%	(2.1%)	19.9%	0.5%
EBIT / Revenue (%)	14.9%	1.7%	13.1%	(0.1%)	24.0%	(6.9%)	14.5%	0.6%

- No material movement in individual segment VC margins, with reduction in Group VC margin due to mix effects

### Notes:

1. Pro-forma results for 1H18 include adjustments to Tabcorp's reported results to facilitate examination of the financial performance of the combined group as if the Tatts combination had been in place for the full period
2. Business results do not aggregate to Group total due to intercompany eliminations and unallocated items. 1H19 unallocated items \$2.4m expense: new Brisbane office lease costs \$2.8m, other expenses \$2.0m, Jumbo Interactive income \$2.4m (1H18 unallocated items \$10.4m expense)

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# LOTTERIES & KENO (VS PRO-FORMA PCP)<sup>1</sup>

Strong performance driven by game innovation, investment in digital and favourable jackpots

\$m	1H19	1H18	Change on pcp
Lotteries	1,292.8	1,080.9	19.6%
Keno	116.4	112.2	3.7%
<b>Revenues</b>	<b>1,409.2</b>	<b>1,193.1</b>	<b>18.1%</b>
Variable contribution	365.5	308.7	18.4%
Operating expenses	(113.3)	(109.0)	3.9%
<b>EBITDA</b>	<b>252.2</b>	<b>199.7</b>	<b>26.3%</b>
<b>EBIT</b>	<b>210.1</b>	<b>157.5</b>	<b>33.4%</b>

- Powerball game changes delivering as planned
  - Bigger and more frequent jackpots
  - Good sales momentum at all jackpot levels
- Favourable jackpots added c.\$45m to revenue
  - Lucky Lotteries – one in ten year jackpot run
  - Oz Lotto – one in four year \$70m jackpot
- Large jackpots and targeted marketing campaigns had a positive impact on other games and drove customer acquisition
- Keno Mega Millions launched in Vic in Sep 2018, pooling with NSW, Qld and ACT
- Operating expense growth reflects investment to support digital growth and enhanced customer outcomes



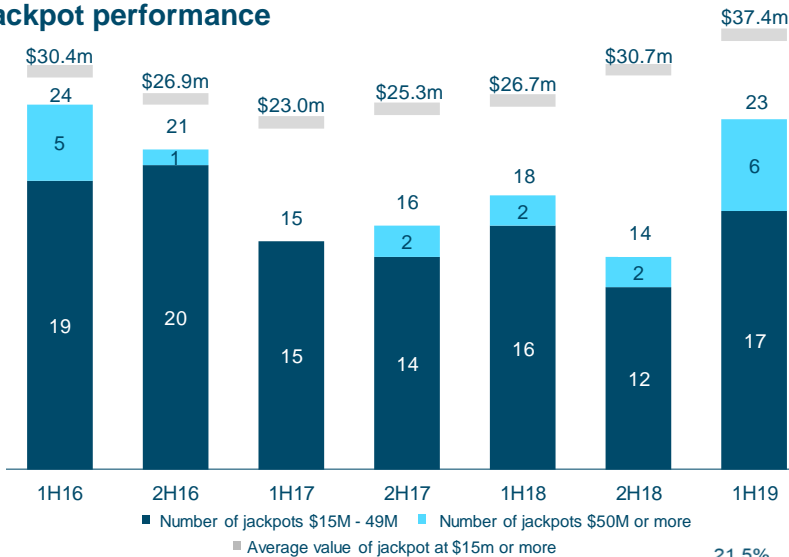
Notes:

1. Pro-forma results for 1H18 include adjustments to Tabcorp's reported results to facilitate examination of the financial performance of the combined group as if the Tatts combination had been in place for the full period

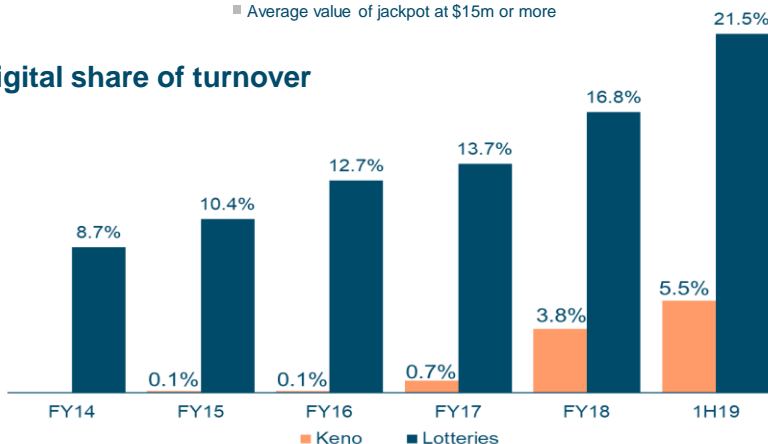
# LOTTERIES & KENO KPIs (VS PRO-FORMA PCP)<sup>1</sup>

Record Powerball jackpot sequence and increased investment accelerated digital growth and customer acquisition

## Jackpot performance



## Digital share of turnover



Notes:

1. Pro-forma results for 1H18 include adjustments to Tabcorp's reported results to facilitate examination of the financial performance of the combined group as if the Tatts combination had been in place for the full period
2. Active Customers are measured on a rolling 12 month basis

## Lotteries

- Recent Powerball game changes delivering bigger, more frequent jackpots and more prizes as planned
- Digital up 63.5% on pcp, and now represents 21.5% of turnover (1H18: 15.6%)
- Strong growth in active registered players
  - 2.98m active registered players (up 350k or 13.3% on pcp)<sup>2</sup>
  - 177k new players in the three weeks of large jackpots in August alone, with nearly 50% purchasing more than just one game over the following three months
- Retail growth of 11.0% provided significant additional retail commissions to c.3,800 small business retailers

## Keno

- Digital up 91.6% on pcp, and now represents 5.5% of turnover (1H18: 2.9%)
- 38k active digital account holders (up 125% on pcp)



# WAGERING & MEDIA (VS PRO-FORMA PCP)<sup>1</sup>

Results reflect increased investment in customer generosities and UBET pre transition

\$m	1H19	1H18	Change on pcp
Revenues	1,221.8	1,270.4	(3.8%)
Variable contribution	498.4	518.3	(3.8%)
Operating expenses	(267.8)	(278.9)	(4.0%)
<b>EBITDA</b>	<b>230.6</b>	<b>239.4</b>	(3.7%)
<b>EBIT</b>	<b>159.6</b>	<b>166.4</b>	(4.1%)

- TAB
  - Turnover up driven by strong digital growth
  - Revenue down as a result of lower yields, partly from significant investment in generosities
- UBET
  - Turnover and revenue down as a result of legacy offering
  - Business pre transition to full TAB offering
- Revenue benefited from broader commercialisation of digital vision
- Variable contribution margin steady with benefits of digital and product mix offset by industry fee increases
- Operating expense decrease reflects synergy benefits, Luxbet closure<sup>2</sup> and disciplined expense management
- Continued focus to differentiate TAB
  - Introduction of The Edge analytics
  - Unique retail only offers, enabled by geolocation technology
  - New tote products powered by Longitude



Notes:

1. Pro-forma results for 1H18 include adjustments to Tabcorp's reported results to facilitate examination of the financial performance of the combined group as if the Tatts combination had been in place for the full period
2. Luxbet ceased operations in December 2017 (1H18: revenues \$13.0m, EBIT loss: \$7.8m)

# WAGERING & MEDIA KPIs (VS PRO-FORMA PCP)<sup>1</sup>

1H19	Combined	Change on pcp	TAB	Change on pcp	UBET	Change on pcp
<b>Turnover by distribution (\$m)<sup>2</sup></b>						
Retail	3,969.7	(6.7%)	3,014.6	(5.6%)	955.1	(10.0%)
Digital	3,584.1	11.6%	2,944.8	15.3%	639.3	(2.5%)
Call Centre	237.8	(15.3%)	167.7	(13.9%)	70.1	(18.7%)
Other <sup>3</sup>	735.9	(3.7%)	541.4	(3.1%)	194.5	(5.2%)
<b>Total</b>	<b>8,527.5</b>	<b>0.2%</b>	<b>6,668.5</b>	<b>2.6%</b>	<b>1,859.0</b>	<b>(7.4%)</b>
<b>Revenue by product (\$m)<sup>2</sup></b>						
Totalisator	645.4	(5.6%)	499.7	(5.1%)	145.7	(7.5%)
Fixed Odds	464.3	(4.3%)	348.7	(3.6%)	115.6	(6.6%)
<b>Total Racing</b>	<b>1,109.7</b>	<b>(5.1%)</b>	<b>848.4</b>	<b>(4.5%)</b>	<b>261.3</b>	<b>(7.1%)</b>
Sport	135.9	(0.1%)	120.7	1.4%	15.2	(10.6%)
Trackside	39.4	(1.3%)	39.4	(1.3%)	-	-
<b>Total</b>	<b>1,285.0</b>	<b>(4.5%)</b>	<b>1,008.5</b>	<b>(3.7%)</b>	<b>276.5</b>	<b>(7.3%)</b>
<b>Yields</b>						
Fixed Odds Racing	13.6%	(1.2%)	13.5%	(1.8%)	13.8%	0.3%
Fixed Odds Sports	12.9%	(1.3%)	13.5%	(1.6%)	9.4%	(0.7%)
<b>Total Fixed Odds</b>	<b>13.4%</b>	<b>(1.3%)</b>	<b>13.5%</b>	<b>(1.7%)</b>	<b>13.1%</b>	<b>0.1%</b>
Active Customers <sup>4</sup>	723,000	5.2%	533,000	6.7%	190,000	1.3%
% Digital from mobile	70.0%	2.4%	72.4%	1.3%	59.2%	5.3%
% Retail from SST	59.2%	7.2%	70.8%	3.0%	11.7%	8.4%
Sky venue subscriptions (#)	5,038	0.0%				
Sky races broadcast (#)	68,225	8.7%				

- Strong TAB digital turnover growth 15.3%
- TAB fixed odds revenue reflects:
  - Yield pre generosityes 14.7% (1H18: 15.8%)
  - Yield post generosityes 13.5% (1H18: 15.2%)
- TAB active customer growth 6.7% reflective of stronger brand positioning, digital and product offering
- UBET fixed odds revenue reflects:
  - Benefits from consolidation of fixed odds teams and application of TAB risk management tools
  - Yield pre generosityes 14.6% (1H18: 14.1%)
  - Yield post generosityes 13.1% (1H18: 13.0%)

Notes:

1. Pro-forma results for 1H18 include adjustments to Tabcorp's reported results to facilitate examination of the financial performance of the combined group as if the Tatts combination had been in place for the full period
2. Combined and TAB turnover and revenue includes Victorian Racing Industry interest
3. Other turnover includes Oncourse, Premium Customers and PGI
4. Active Customers are measured on a rolling 12 month basis

# UBET TRANSITION TO TAB COMMENCED

**UBET will align with TAB offering in FY21 once all initiatives are implemented**

## **UBET today – initiatives completed**

- Rebrand to TAB commenced in November 2018
  - Digital completed
  - Racetracks 90% complete
  - Retail 33% rebranded, to be completed by April 2019
- Fixed odds operations and risk management systems integrated
- Rolled out full Sky Racing offer in retail and online
- Digital commissions in retail network
- Sophisticated customer segmentation implemented
- Product expansion underway including international racing and sport, and higher yielding multi products

## **UBET FY21 – all initiatives in place and full offering aligned with TAB**

- UBET systems migration to TAB platform in 2H20 facilitating:
  - Trackside
  - Harmonisation of tote products, including flexi betting
  - Tote pool combination, subject to regulatory and industry approvals
  - Expanded sports markets
- Retail enhancements to align with TAB offer
- Further optimisation of operations



# GAMING SERVICES (VS PRO-FORMA PCP)<sup>1,2</sup>

Integration complete; business in transition; result impacted by expiry of some Victorian EGM contracts

\$m	1H19	1H18	Change on pcp
Regulatory Services	48.6	49.2	(1.2%)
Venue Services	107.2	113.1	(5.2%)
<b>Revenues</b>	<b>155.8</b>	<b>162.3</b>	(4.0%)
Variable contribution	147.9	154.9	(4.5%)
Operating expenses	(74.1)	(74.7)	(0.8%)
<b>EBITDA</b>	<b>73.8</b>	<b>80.2</b>	(8.0%)
<b>EBIT</b>	<b>37.4</b>	<b>50.1</b>	(25.4%)

- New structure implemented under the umbrella MAX brand
  - Regulatory Services (monitoring and related services)
  - Venue Services (venue solutions, gaming systems and support services)
- Regulatory Services revenue decline due to lower project work
- Venue Services revenue decline largely due to expiry of some Victorian EGM contracts
  - Vic contracted EGMs 8,350 (1H18: 8,600)
  - NSW contracted EGMs 1,900 (1H18: 1,950)
- Good progress on contract extensions and venue sign-ups
  - 33% of Vic EGMs contracted beyond 2022 (FY18: 11%) with extensions at lower margins from FY20
  - 730 EGMs from new venue sign-ups in Vic and NSW
- Operating expenses includes \$2m benefit from release of excess jackpot provision
- D&A increase reflects amortisation of NSW monitoring licence from December 2017



Notes:

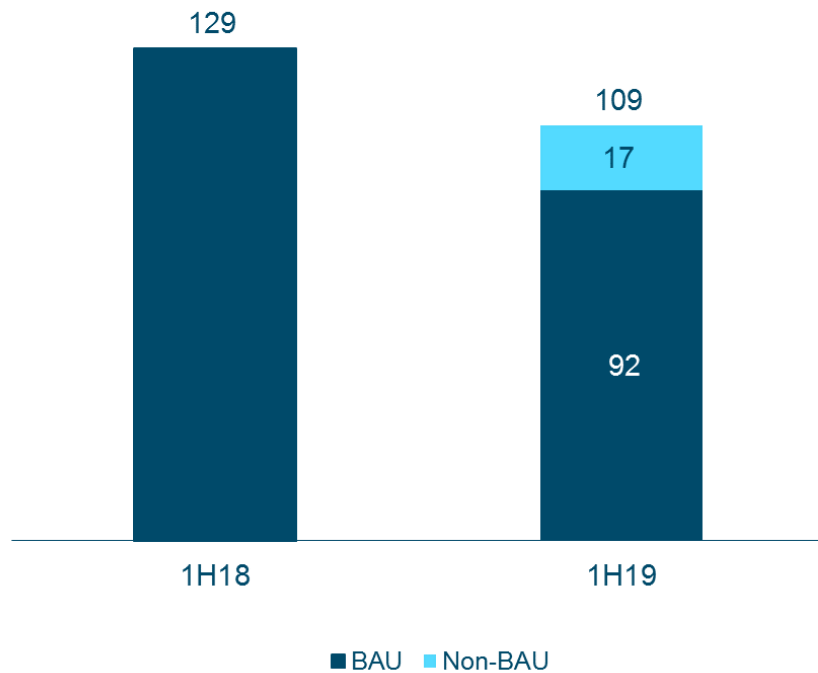
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2. FY18: Regulatory Services \$95.5m, Venue Services \$219.5m

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# CAPITAL EXPENDITURE (VS PRO-FORMA PCP)

\$m

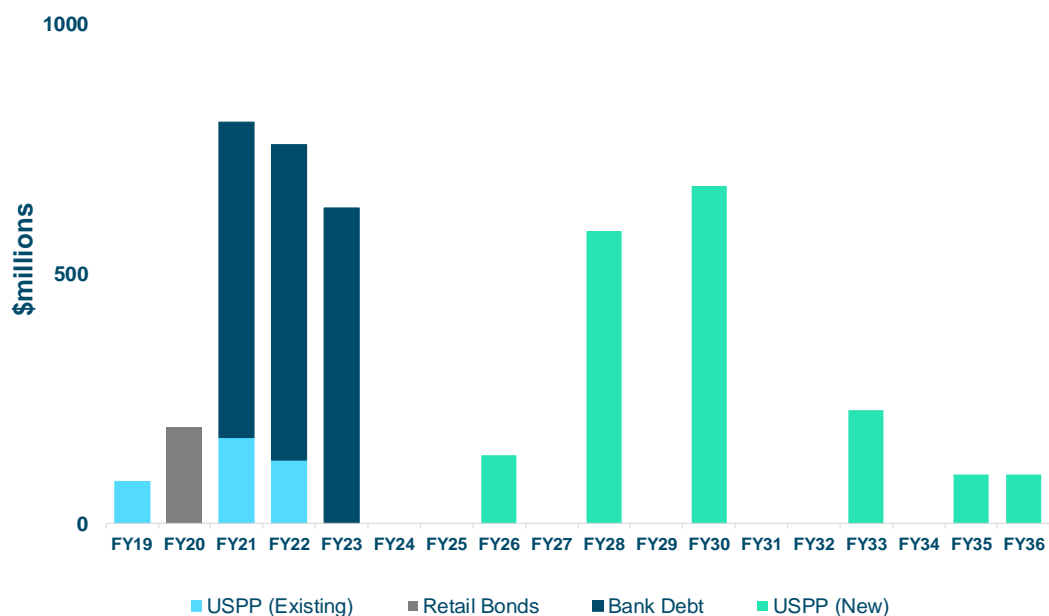


## Non-BAU projects across FY19 and FY20

- Integration capex expected to be \$70m
  - 1H19 spend of \$11m primarily related to Wagering
- Data centre relocation \$38m
  - 1H19 spend of \$6m
- Ann St Brisbane office fit-out \$34m
  - Expected to be completed 1H20
  - Proceeds from planned divestment of Brisbane properties expected to offset the cost of Ann St fit-out

# CAPITAL MANAGEMENT

## DEBT STRUCTURE



- Headroom available under bank facilities of \$0.9bn at 31 December 2018
- Gross Debt<sup>1</sup> / EBITDA ratio of 3.3x at 31 December 2018; target range of 3.0-3.5x
- Committed to maintaining an investment grade credit rating
- Interim dividend of 11.0 cps (1H18: 11.0 cps)
- FY19 dividend payout ratio target is 100% of NPAT before significant items, amortisation of the Victorian wagering and betting licence, and PPA<sup>2</sup>
- The Dividend Reinvestment Plan will operate for the interim dividend, without any discount

Notes:

1. Gross debt includes USPP debt at the A\$ principal repayment under cross currency swaps
2. Amortisation of the Victorian wagering and betting licence \$34.9m; Purchase Price Accounting \$11.6m



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# CONCLUSION: EXCITEMENT WITH INTEGRITY

**Strong group financial results; continued focus on integration and business performance**

## 1H19

- Integration benefits upgraded to \$130m-145m in FY21
- Strong Lotteries & Keno result, underpinned by game innovation, and digital and retail growth
- TAB well positioned and investing to grow market share; UBET transition to TAB commenced
- Gaming Services integration complete; good progress on contract renewals and new venue sign-ups

## Priorities

- Deliver benefits from Tatts integration
- Drive business performance through continued investment in customer experience, product and digital innovation
- Ensure highest levels of integrity and regulatory compliance
- Maintain a strong risk-aware and performance culture
- Disciplined management of operating expenditure, capital investment and balance sheet



LOTTERIES  
& KENO

WAGERING  
& MEDIA

GAMING  
SERVICES

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# APPENDICES

1. Significant Items
2. Balance Sheet
3. Cash Flow
4. AASB15: Comparative Period Restatement

# 1. SIGNIFICANT ITEMS (AFTER TAX)

1H19	\$m
Combination with Tatts Group	
Implementation costs	12.3
Racing Queensland arrangements	6.0
<b>Total</b>	<b>18.3</b>

## Implementation costs

- Implementation costs are non-recurring costs and comprise restructure charges, integration management office and dedicated merger implementation resources. Implementation costs incurred to 31 December 2018 were \$42.3m (after tax). Total implementation costs are expected to be \$66m (after tax). The preliminary estimate provided in the Scheme Booklet dated September 2017 was \$49m (after tax)

## Racing Queensland arrangements

- In 2017, Tabcorp and Racing Queensland Limited (RQL) entered into a commercial arrangement in relation to the combination with the Tatts Group, under which the parties made various commitments, including that RQL consent to the Scheme of Arrangement
- Tabcorp guaranteed minimum fees that RQL will receive under its deed with UBET QLD in each calendar year from 2018 to 2020. A significant item expense of \$8.2m (after tax) has been recorded in respect of calendar 2018, being the top up payment required to meet the minimum fee. The minimum fee increases by \$5.5m (after tax) in calendar 2019 and a further \$5.7m (after tax) in calendar 2020
- Tabcorp currently expects that it will be required to make a payment in relation to the 2019 calendar year which is not material to the Group and, while necessarily uncertain, depending on the performance of the business in the future or the occurrence of unexpected circumstances, further payments may need to be made that may be material

## 2. BALANCE SHEET

\$m	Dec 18	Jun 18	Change
Total current assets	756.5	667.7	13.3%
Licences	2,307.4	2,361.1	(2.3%)
Other intangible assets	9,115.4	9,142.0	(0.3%)
Property, plant and equipment	527.5	488.2	8.0%
Other non current assets	464.0	281.8	64.7%
<b>Total assets</b>	<b>13,170.8</b>	<b>12,940.8</b>	<b>1.8%</b>
Total liabilities	5,916.8	5,702.2	3.8%
<b>Shareholders' funds</b>	<b>7,254.0</b>	<b>7,238.6</b>	<b>0.2%</b>
Net debt (reported)	3,338.7	3,135.8	6.5%
Net debt (economic) <sup>1</sup>	3,317.5	3,161.5	4.9%
Shares on issue (m)	2,015.6	2,012.7	0.1%
<b>Ratios</b>			
Gross debt <sup>2</sup> / EBITDA <sup>3</sup> (x)	3.3	3.4	
EBIT <sup>4</sup> / Net interest (x)	4.1	4.1	

Notes:

1. Net debt (economic) includes USPP debt at the A\$ principal repayment under cross currency swaps, and excludes lotteries prize fund cash of \$304.1m
2. Gross debt includes USPP debt at the A\$ principal repayment under cross currency swaps
3. EBITDA is calculated as the full calendar year ended 31 December 2018
4. EBIT is calculated on a half year reported basis

### 3. CASH FLOW

\$m	1H19	1H18	Change
Net operating cash flows <sup>1</sup>	530.5	337.8	57.0%
Net interest paid	(106.1)	(63.3)	67.6%
Income tax paid	(95.7)	(23.4)	>100%
Payments for PP&E and intangibles	(110.8)	(100.4)	10.4%
<b>Sub-total</b>	<b>217.9</b>	<b>150.7</b>	44.6%
Sun Bets operating cashflows and costs relating to closure <sup>2</sup>	(91.7)	(17.9)	>100%
Ordinary dividends paid	(188.6)	(104.4)	80.7%
Payment for cash-settled equity swap	-	(251.0)	>100%
Payment for business acquisition, including net debt acquired	-	(1,469.1)	>100%
Proceeds from business divestment, net of cash divested	-	13.2	>100%
Settlement of dividends payable by business acquired	-	(235.0)	>100%
Payment for exercise of call option	(8.2)	-	<100%
Proceeds from sale of shares in an associate	12.1	-	<100%
Payment for financial assets	(36.2)	-	<100%
Other	1.8	(2.3)	>100%
<b>Net cash flow</b>	<b>(92.9)</b>	<b>(1,915.8)</b>	(95.2%)
<b>Net debt at beginning of period</b>	<b>3,135.8</b>	<b>1,544.0</b>	>100%
Non cash movements	110.0	(14.8)	>100%
<b>Net debt at end of period</b>	<b>3,338.7</b>	<b>3,445.0</b>	(3.1%)

Notes:

- 1H19 net operating cash flows include cash outflows of \$17.7m relating to significant items (1H18 \$46.8m)
- 1H19 cashflows includes the exit payment relating to the Sun Bets discontinued operation amounting to \$72.0m with additional amounts of \$19.7m relating to trading and other closure costs

## 4. AASB15: COMPARATIVE PERIOD RESTATEMENT

- On application of AASB 15, certain commission arrangements are reclassified from commissions and fees expense to revenue. The reclassification has no impact on profit

### Financial Results (Pro-forma)

\$m	1H18						FY18					
	Wagering & Media			Group			Wagering & Media			Group		
	Reported	AASB 15	Restated	Reported	AASB 15	Restated	Reported	AASB 15	Restated	Reported	AASB 15	Restated
Revenues	1,304.8	(34.4)	1,270.4	2,660.6	(34.4)	2,626.2	2,461.8	(64.0)	2,397.8	5,109.3	(64.0)	5,045.3

### Wagering KPIs

\$m	1H18						FY18					
	Combined		TAB		UBET		Combined		TAB		UBET	
	Reported	Restated	Reported	Restated	Reported	Restated	Reported	Restated	Reported	Restated	Reported	Restated
<b>Revenue by product (\$m)</b>												
Totalisator	704.2	683.9	561.4	526.4	142.8	157.5	1,300.3	1,262.7	1,037.5	972.4	262.8	290.3
Fixed Odds	485.3	485.3	361.6	361.6	123.7	123.7	913.6	913.6	680.3	680.3	233.3	233.3
<b>Total Racing</b>	<b>1,189.5</b>	<b>1,169.2</b>	<b>923.0</b>	<b>888.0</b>	<b>266.5</b>	<b>281.2</b>	<b>2,213.9</b>	<b>2,176.3</b>	<b>1,717.8</b>	<b>1,652.7</b>	<b>496.1</b>	<b>523.6</b>
Sport	135.8	135.8	119.0	119.0	16.8	16.8	277.9	277.9	244.0	244.0	33.9	33.9
Trackside	39.9	39.9	39.9	39.9	-	-	76.6	76.6	76.6	76.6	-	-
<b>Total</b>	<b>1,365.2</b>	<b>1,344.9</b>	<b>1,081.9</b>	<b>1,046.9</b>	<b>283.3</b>	<b>298.0</b>	<b>2,568.4</b>	<b>2,530.8</b>	<b>2,038.4</b>	<b>1,973.3</b>	<b>530.0</b>	<b>557.5</b>

Note: During FY18 UBET Totalisator product revenue was incorrectly stated on the Wagering KPIs slides. The table immediately above correctly restates these revenues. This change has no impact on reported or pro-forma operating revenues or earnings

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EXCITEMENT WITH INTEGRITY

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