

8 February 2018

Tabcorp 1H18 Results: Reshaping Tabcorp – a significant first half

- Combination of Tatts Group and Tabcorp completed in December 2017
 - Creates a world-class, diversified gambling entertainment group
 - Large national footprint and a diverse product offering across Wagering, Media, Lotteries, Keno and Gaming Services
 - Combined Executive Leadership Team appointed
 - Integration progressing to plan
 - At least \$130m per annum of EBITDA synergies and business improvement benefits planned to be delivered in the first full year following integration. Integration is planned to take approximately two years
- Strategic investments to enhance competitive position in Australian gambling market
 - New wagering venue partnerships, including digital commissions
 - Improved digital capability and customer experience
 - Strengthened regulatory compliance and risk management capability across all businesses
 - Well placed to compete in evolving regulatory landscape
- Luxbet ceased operations and Odyssey Gaming Services divested
- Sun Bets business remains under review

1H18 Financial overview

- Statutory results¹
 - Revenues \$1,376.2m, up 18.7%
 - NPAT \$24.6m, down 58.2%
 - EPS² 2.6 cents per share, down 63.4%
 - NPAT and EPS adversely impacted by significant items after tax³ of \$57.4m
- Results before significant items⁴
 - Revenues \$1,376.2m, up 18.7%
 - EBITDA \$269.6m, down 0.3%
 - NPAT \$82.0m, down 20.2%
 - EPS 8.6 cents per share, down 30.1%
- Interim dividend 11.0 cents per share, fully franked
- Operational highlights
 - Completion of combination with Tatts
 - TAB business reported 3.1% turnover growth driven by a 16.5% uplift in digital turnover and strong customer acquisition
 - Gaming Services delivered double digit earnings growth, with Intecq now fully integrated
 - Keno turnover growth of 3.5% in 2Q18, with momentum building in digital sales
- Group pro-forma⁵ results before significant items
 - Revenues \$2,666.2m, up 3.1%
 - EBITDA \$485.4m, down 1.2%
 - EBIT \$350.8m, down 3.1%

¹ Tabcorp results include 18 days contribution from Tatts Group from 14 December 2017.

² EPS calculated using weighted average shares for the period.

³ Significant items (after tax) of \$57.4m comprise Tatts Group acquisition related costs \$59.3m, Sun Bets onerous contract provision \$49.0m, Sun Bets impairment \$3.2m, Luxbet closure costs \$12.4m, loss on Odyssey divestment \$6.3m, partly offset by the net gain on the cash-settled equity swap \$72.8m.

⁴ Tabcorp results before significant items include the Sun Bets operating result in 1H18.

⁵ Pro-forma results contain six months of Tabcorp and Tatts results, with adjustments. Refer to slide 22 of 2017/18 Tabcorp Holdings Limited First Half Results Presentation for further details.

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GROUP RESULTS^{1,2}

\$m	1H18	1H17	Change
Revenues	1,376.2	1,159.3	18.7%
Variable contribution	568.7	521.5	9.1%
Operating expenses	(299.1)	(251.1)	19.1%
EBITDA before significant items	269.6	270.4	(0.3%)
D&A	(99.8)	(86.7)	15.1%
EBIT before significant items	169.8	183.7	(7.6%)
Interest	(38.7)	(34.9)	10.9%
Tax expense	(49.1)	(46.1)	6.5%
NPAT before significant items	82.0	102.7	(20.2%)
Significant items (after tax) ³	(57.4)	(43.8)	31.1%
Statutory NPAT	24.6	58.9	(58.2%)

NOTES:

- Results include 18 days contribution from Tatts from 14 December 2017
- Sun Bets was treated as a significant item in 1H17
- Significant items (after tax) of \$57.4m comprise Tatts Group acquisition related costs \$59.3m, Sun Bets onerous contract provision \$49.0m, Sun Bets impairment \$3.2m, Luxbet closure costs \$12.4m, loss on Odyssey divestment \$6.3m, partly offset by the net gain on the Tatts cash-settled equity swap \$72.8m

BUSINESS RESULTS

\$m	Wagering & Media	Change on pcp	Gaming Services	Change on pcp	Keno	Change on pcp	Sun Bets ¹	Change on pcp	Tatts ²	Change on pcp	Group ³	Change on pcp
Revenues	1,000.7	1.4%	83.3	38.4%	112.2	0.1%	3.7	n/a	176.3	n/a	1,376.2	18.7%
Variable contribution	391.6	(1.5%)	75.6	28.8%	63.1	(3.1%)	(10.9)	n/a	49.3	n/a	568.7	9.1%
Operating expenses	(209.8)	4.1%	(29.3)	29.1%	(23.9)	(4.0%)	(11.6)	n/a	(22.0)	n/a	(299.1)	19.1%
EBITDA	181.8	(7.3%)	46.3	28.6%	39.2	(2.5%)	(22.5)	n/a	27.3	n/a	269.6	(0.3%)
D&A	(62.0)	2.3%	(20.0)	30.7%	(12.2)	13.0%	(1.0)	n/a	(4.6)	n/a	(99.8)	15.1%
EBIT	119.8	(11.6%)	26.3	27.1%	27.0	(8.2%)	(23.5)	n/a	22.7	n/a	169.8	(7.6%)

NOTES:

- Sun Bets was treated as a significant item in 1H17
- Results include 18 days contribution from Tatts from 14 December 2017. Tatts Group has been identified as a single segment due to the proximity of the acquisition to the period end. Tabcorp's operating segments will be reassessed prior to 30 June 2018
- Business results do not aggregate to Group total due to unallocated expenses and intercompany eliminations

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MANAGING DIRECTOR AND CEO COMMENTARY

"1H18 was an important half for Tabcorp as we completed the combination with Tatts Group, bringing together two highly complementary businesses. The combination positions us well to invest, innovate and compete in a rapidly evolving environment," Tabcorp's Managing Director and CEO, David Attenborough, said.

"The 1H18 financial result reflects a period of reshaping the Tabcorp business for sustainable growth. This includes implementing the combination with Tatts, exiting Luxbet and Odyssey Gaming Services, and our ongoing investments in areas such as our digital capability, customer acquisition and the risk management and compliance framework.

"The fundamentals in Tabcorp's Wagering business remained strong in the first half, with good turnover growth and a strong uplift in digital turnover and customer acquisition. This was pleasing in a highly competitive wagering market in which competitors aggressively pursued customer acquisition ahead of regulatory change. The Wagering business has made strategic investments in digital commissions and venue partnerships. While these investments impact variable contribution, they have strengthened our venue partnerships and the sustainability of our Wagering business.

"Tabcorp's Gaming Services business continued to grow, while Keno had an improved second quarter and is building momentum in digital sales.

"The diversification benefits that the Tabcorp-Tatts combination brings were highlighted by the six-month financial results of the Tatts Group businesses. Tatts' Lotteries and Gaming businesses delivered strong earnings growth, while the Wagering performance reinforces the opportunity we have in successfully integrating our two Wagering businesses.

"Tabcorp is well placed to compete in the evolving regulatory landscape. This includes the introduction of point of consumption taxes, and restrictions on credit betting, advertising, inducements and live betting."

WAGERING & MEDIA

Tabcorp's Wagering & Media revenues were \$1,000.7m, up 1.4%. EBITDA was \$181.8m, down 7.3%. Wagering revenue growth, ex-Luxbet, was up 2.6%. Revenue growth in the second quarter declined relative to the first quarter. Media revenues were \$89.2m, in line with the pcp.

The KPIs for the core TAB business remained strong, with digital turnover growth of 16.5% and total TAB fixed odds revenue growth of 14.4%, including 16.1% growth in racing. Active TAB account customers were up 7.2% in the half, driven by 17.1% growth in new customer acquisition and good retention rates.

The costs of strategic venue partnerships and the rollout of a digital commissions model were reflected in the lower variable contribution. Operating expense growth of 4.1% was driven by increased customer acquisition activity and legal costs, which included the defence of CrownBet's retail challenge in NSW.

Luxbet recorded an EBIT loss of \$7.8m. A strategic review of Luxbet was completed in the half, which resulted in the business ceasing operations in December.

GAMING SERVICES

Tabcorp's Gaming Services revenues, which include a full six months of Intecq trading compared to one month in the pcp, were \$83.3m, up 38.4%. EBITDA was \$46.3m, up 28.6%.

The integration of Intecq has completed, with the business now covering approximately 57,600 gaming machines across loyalty and value-added systems in Victoria, NSW, Queensland and Tasmania.

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KENO

Revenues in Tabcorp's Keno business were \$112.2m, in line with the pcp. EBITDA was \$39.2m, down 2.5%. The second quarter turnover performance was stronger relative to the first quarter with turnover growth of 3.5%. The first half performance was impacted by an unfavourable jackpot sequence.

SUN BETS

The UK start-up Sun Bets recorded an EBITDA loss of \$22.5m in 1H18. Sun Bets' performance remained unsatisfactory in 1H18, despite a better trading performance in 2Q18. Significant items have been raised in respect of a Sun Bets onerous contract provision of \$49.0m and impairment of business assets of \$4.3m (\$3.2m after tax). The Sun Bets business remains under review.

TATTS GROUP

Revenues from the businesses formerly run by Tatts Group for the 18 days from 14 December (effective merger date) to 31 December 2017 were \$176.3m. EBITDA was \$27.3m.

Across the six months to 31 December 2017, Tatts' Lotteries business recorded revenues of \$1,081.2m, up 6.2%, and EBITDA of \$161.1m, up 10.8%. Tatts Wagering business revenues were \$311.1m, down 2.0%, and EBITDA was \$55.9m, down 10.1%. Tatts Gaming revenues were \$91.8m, up 4.8%, and EBITDA was \$35.4m, up 9.5%.⁶

DIVIDEND

Tabcorp has announced a fully franked interim dividend of 11.0 cents per share. The FY18 dividend target is 90% of NPAT before significant items, amortisation of the Victorian Wagering and Betting Licence and Sun Bets. The Dividend Reinvestment Plan will operate for the interim dividend.

INTEGRATION

The combination with Tatts is planned to deliver at least \$130m per annum of EBITDA synergies and business improvement benefits in the first full year after integration. Integration is planned to take approximately two years and is progressing well.

CONCLUSION

Mr Attenborough said: "Now that the combination with Tatts has been completed, we are focused on delivering the significant value and other benefits that will flow to shareholders, customers and our racing and venue partners.

"We have reshaped the business and have created a strong platform for sustainable growth, with a clear set of priorities to drive growth across each of our businesses. Our focus on ensuring the highest levels of regulatory compliance will continue as we deliver on this agenda.

"At the same time, we will remain committed to a disciplined approach to operating expenses and capital investment to deliver sustainable returns to our shareholders."

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⁶ Refer to slide 16 of 2017/18 Tabcorp Holdings Limited First Half Results Presentation for further details on the preparation of the Tatts Group business results. The Tatts Group 1H18 information is subject to review by the Tatts Group external auditors.