

Pacific Consortium revised indicative proposal to acquire Tatts

Brisbane, 19 April 2017 – Tatts Group Limited (**Tatts**) has received a revised, non-binding, indicative and conditional proposal from the Pacific Consortium¹ to acquire 100% of Tatts for \$4.21 cash per Tatts share (**Revised Indicative Proposal**). The Revised Indicative Proposal values Tatts at approximately \$7.2 billion on an enterprise value basis.

Key terms of the Revised Indicative Proposal and its underlying financial assumptions and conditions are outlined in the attached Appendix.

Tatts, with its advisers, is assessing how the Revised Indicative Proposal compares to the merger proposal with Tabcorp Holdings Limited announced on 19 October 2016 (**Proposed Tabcorp Merger**), and is undertaking a full analysis of its key terms, underlying financial assumptions and conditions. Once this review is complete, an update will be provided to the market.

In the meantime, Tatts' Directors continue to believe the Proposed Tabcorp Merger is in the best interests of Tatts shareholders and unanimously recommend the Proposed Tabcorp Merger, in the absence of a superior proposal and subject to an independent expert concluding the Proposed Tabcorp Merger is in the best interests of Tatts shareholders.

At this time shareholders do not need to take any action in response to the Revised Indicative Proposal and should not assume that the Revised Indicative Proposal will result in an offer or transaction.

In the event of any material developments in relation to either the Revised Indicative Proposal or the Proposed Tabcorp Merger, Tatts will make a further announcement.

The Tatts Board remains fully committed to acting in the best interests of, and maximising value for, Tatts shareholders.

¹ The Pacific Consortium comprises First State Superannuation Scheme, Morgan Stanley Infrastructure Inc., as adviser to and manager of North Haven Infrastructure Partners II LP, one or more affiliates of Kohlberg Kravis Roberts & Co. L.P., and Macquarie Corporate Holdings Pty Limited.

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APPENDIX:

**REVISED INDICATIVE PROPOSAL KEY TERMS,
UNDERLYING FINANCIAL ASSUMPTIONS AND CONDITIONS**

KEY TERMS

- Proposed transaction to be executed via Tatts scheme of arrangement
- Tatts shareholders to receive 100% cash consideration of \$4.21 per Tatts share
 - The cash consideration may include a fully franked special dividend of up to \$0.25 per Tatts share to be paid immediately prior to implementation of the proposed transaction, which would reduce the cash consideration
- Proposed transaction to be financed through a combination of equity and debt
 - The Pacific Consortium has indicative equity commitments of \$4.6 billion (subject to the conditions outlined below) and has provided indicative and conditional debt financing support letters from NAB, CBA, ANZ and Westpac for the remainder of the funding required

UNDERLYING KEY FINANCIAL ASSUMPTIONS

- 1,468,519,481 fully paid ordinary shares, no options over unissued shares, and deferred share rights over 467,866 unissued shares which will vest on a change of control
- No material negative change in Tatts capital structure
- Current level of net debt no greater than disclosed net debt at 31 December 2016 of \$1.01 billion
- With the exception of any special dividend, no further dividends or capital returns will be paid by Tatts prior to completion
- The Victorian licence renewal being awarded on materially the same terms as the existing licence and on the assumption that a licence payment will be payable to the Victorian Government in FY18 and is funded by the Pacific Consortium
- No material off-balance sheet liabilities, underestimated liabilities, undisclosed material contingencies or liabilities, or pending and/or outstanding litigation processes, or other liabilities due to non-compliance with applicable law
- Tatts not being in breach of financing arrangements or material contracts
- Tatts publicly available information being accurate and complete

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KEY CONDITIONS

- Completion of due diligence including access to an online data room, access to key members of Tatts management team, and confirmatory due diligence information on accounting and tax, commercial, legal and regulatory matters
- Receipt of relevant FIRB approvals in relation to the investments by Morgan Stanley Infrastructure Inc. and Kohlberg Kravis Roberts & Co. L.P., which the Pacific Consortium intends to lodge as soon as practical
- Unanimous recommendation from Tatts Board to enter into the proposed scheme of arrangement
- Final internal approvals being obtained by each Pacific Consortium member
- Agreeing a scheme implementation agreement on customary terms, substantially similar to those agreed under the Proposed Tabcorp Merger
- Any legally binding obligations would be subject to receipt of all necessary regulatory approvals. Tatts expects approvals will be required from various industry bodies, State and Territory Governments and wagering, monitoring and lotteries regulators
- The Pacific Consortium has said they are working on the basis that any scheme implementation agreement will not include conditions relating to: (i) financing; (ii) FIRB; (iii) due diligence; or (iv) competition regulatory approvals

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