

19 August 2020

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

## TABCORP FULL YEAR RESULTS PRESENTATION

Attached is the presentation regarding Tabcorp Holdings Limited's (Tabcorp's) results for the financial year ended 30 June 2020 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 announcements of Tabcorp's results for the financial year ended 30 June 2020.

This announcement was authorised for release by the Tabcorp Board.

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EXCITEMENT

INTEGRITY

# TABCORP HOLDINGS LIMITED

2019-20

Full year results presentation  
for the year ended 30 June 2020

19 AUGUST 2020

ABN 66 063 780 709

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## TABLE OF CONTENTS

03 ▶ 08 Group Overview

---

10 ▶ 18 Business Results

---

20 Capital

---

22 ▶ 23 Conclusion

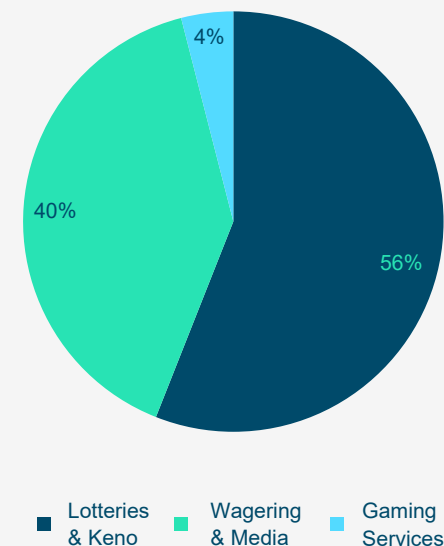
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25 ▶ 35 Appendices

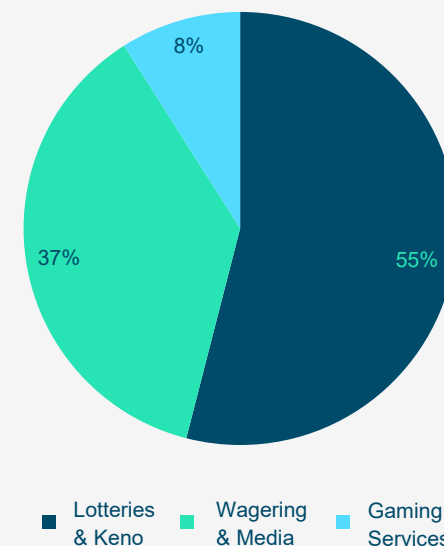
## DIVERSIFIED PORTFOLIO HELPING TO MANAGE CURRENT MARKET CHALLENGES

- Group revenue down 4.8% and EBITDA<sup>1</sup> down 11.5% vs pcp primarily due to COVID-19:
  - Strong Lotteries performance – like-for-like sales up c.15-30% during COVID-19 restrictions
  - Wagering & Media, Keno and Gaming Services heavily impacted by retail closures in 2H20
  - Competitive intensity and structural change impacted Wagering & Media
- Statutory net loss after tax of \$870m includes a non-cash goodwill impairment charge of \$1,090m relating to the Wagering & Media and Gaming Services businesses
- No final dividend for FY20 as previously announced; interim dividend was 11.0 cps, fully franked
- Tabcorp is proactively responding to the COVID-19 pandemic with a set of actions to:
  - Prioritise the safety & wellbeing of our people and partners
  - Maintain continuity of operations
  - Control costs, preserve cash and maximise financial flexibility, including an equity raising to strengthen the balance sheet in uncertain times
- Tabcorp/Tatts integration substantially complete:
  - Migration of UBET account customers to TAB digital platform now complete
  - Cost synergies on track (FY20: \$86m in EBITDA benefits)
  - Revenue synergies measurement not meaningful due to the effects of COVID-19
  - One-off costs incurred to 30 June 2020: \$103m pre tax

### REVENUE CONTRIBUTION<sup>2</sup>



### EBITDA CONTRIBUTION<sup>2</sup>



Notes:

1. EBITDA from continuing operations before significant items
2. Based on FY20. Contribution excludes Other division

# FY20 GROUP RESULTS (1 OF 2)

FULL YEAR RESULTS HEAVILY IMPACTED BY COVID-19 AND NON-CASH GOODWILL IMPAIRMENT CHARGE

		FY20 VS PCP	1H20 VS PCP	2H20 VS PCP
REVENUE	\$5,224M	▼ DOWN 4.8%	▲ UP 4.4%	▼ DOWN 14.4%
EBITDA (BEFORE SIGNIFICANT ITEMS <sup>1</sup> )	\$995M	▼ DOWN 11.5%	▲ UP 2.2%	▼ DOWN 26.3%
NPAT (BEFORE SIGNIFICANT ITEMS <sup>1</sup> )	\$271M	▼ DOWN 31.6%	▲ UP 3.4%	▼ DOWN 69.8%
NPAT (STATUTORY)	(\$870M)	NM	▲ UP 11.2%	NM
EPS (BEFORE SIGNIFICANT ITEMS <sup>1</sup> )	13.4 CPS	▼ DOWN 31.6%	▲ UP 2.9%	▼ DOWN 70.2%
EPS (STATUTORY)	(42.9) CPS	NM	▲ UP 10.1%	NM
DPS (FULLY FRANKED)	11.0 CPS	▼ DOWN 50.0%	IN LINE	NM

Notes:

1. Results for 1H19 and FY19 are from continuing operations and before significant items

Tabcorp



# FY20 GROUP RESULTS (2 OF 2)

\$m	FY20	FY19	Change
<b>Revenues</b>	<b>5,224</b>	<b>5,488</b>	<b>(4.8%)</b>
Variable contribution	1,799	1,986	(9.4%)
Operating expenses	(804)	(862)	(6.7%)
<b>EBITDA before significant items</b>	<b>995</b>	<b>1,124</b>	<b>(11.5%)</b>
D&A	(399)	(348)	14.7%
<b>EBIT before significant items</b>	<b>596</b>	<b>776</b>	<b>(23.2%)</b>
Interest	(193)	(208)	(7.2%)
Tax expense	(132)	(172)	(23.3%)
<b>NPAT before significant items</b>	<b>271</b>	<b>396</b>	<b>(31.6%)</b>
Significant items (after tax) <sup>1</sup> – goodwill impairment	(1,090)	-	NM
Significant items (after tax) <sup>1</sup> – other	(51)	(25)	>100.0%
NPAT from discontinued operations	-	(10)	(100.0%)
<b>Statutory NPAT</b>	<b>(870)</b>	<b>361</b>	<b>NM</b>

Goodwill <sup>2</sup> (\$m)	FY20	FY19	Change
Lotteries & Keno	5,304	5,304	-
Wagering & Media	1,734	2,639	(905)
Gaming Services	122	307	(185)
<b>Total</b>	<b>7,160</b>	<b>8,250</b>	<b>(1,090)</b>

- Goodwill impairment is non-cash
  - No impact on financial covenants with lenders or credit rating agency metrics
- Assumptions take into account:
  - The direct impact of the Government and other measures to address COVID-19
  - The possible acceleration of retail contraction and uncertainty regarding any indirect longer term impacts of COVID-19
  - The level of competitive intensity and structural change in the Wagering & Media business particularly in a digital centric market
  - The potential decline in consumer confidence and increased economic uncertainty

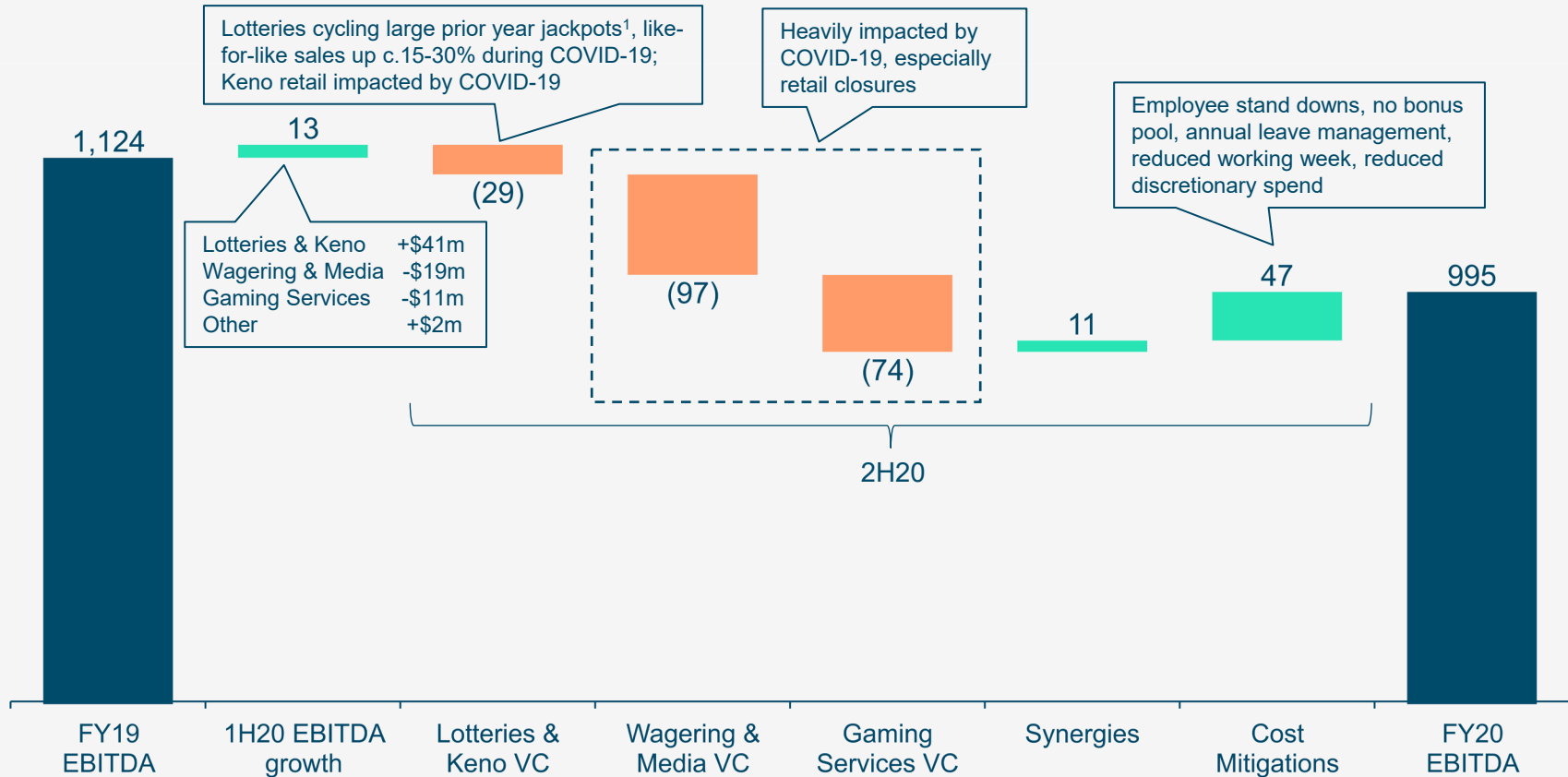
Notes:

1. Significant items (after tax) of \$1,141m comprise impairments of goodwill to Wagering & Media \$905m and Gaming Services \$185m, and asset impairments and onerous contract \$19m, Tatts Group combination implementation costs \$18m and Racing Queensland arrangements \$19m, partly offset by the benefit from ACTTAB POCT compensation tax refund \$5m. Refer Appendix 1
2. Refer Notes C2 and C3 in the Financial Statements for the year ended 30 June 2020

# COVID-19: IMPACTS ON FY20 EBITDA

IMPACT OF COVID-19 RESTRICTIONS PARTLY MITIGATED BY COST CONTROL INITIATIVES

FY20 EBITDA (\$M)



Notes:

1. Cumulative value of all division one offers for Powerball and Oz Lotto draws down 41% in 2H20 vs pcp

# COVID-19: IMPACTS AND RESPONSE

BROAD RANGE OF ACTIONS TAKEN TO SUPPORT OUR PEOPLE AND PARTNERS, AND TO MITIGATE THE IMPACT OF COVID-19 ON EARNINGS AND THE BALANCE SHEET



## VENUES /EVENTS IMPACTED

- Lotteries retail network largely remained open
- Licenced venues (hotels & clubs), TAB agencies and on-course outlets – closure or social distancing measures
- Cancellation/postponement of
  - Sports
  - International horse racing
- Domestic racing continued



## REVENUE IMPACT & RESPONSE

- Like-for-like lottery sales up; digital mix increased
- Loss of retail Wagering and Keno revenue
- Full fee relief for closed Gaming Services venues
- Sky subscription relief to venues partly offset by increased export content
- Decrease in revenue on sport and international racing



## COST RESPONSE

- Temporary standing down of over 1,600 employees
- Reduced working week
- Significant reduction in annual leave balances
- Reduction in technology contractors
- Reduction in MD & CEO fixed remuneration and Board fees
- Significant reduction in discretionary expenditure



## CAPITAL MANAGEMENT

- Additional debt facilities to provide liquidity
- Deferred payment of some state taxes
- Significant reduction in capex vs prior plans
- Debt covenant relief for the 30 June 2020 and 31 December 2020 tests
- No final dividend for FY20
- Entitlement offer undertaken to strengthen balance sheet



# FROM INTEGRATION TO OPTIMISATION

**Tabcorp-Tatts Merger**  
December 2017

**Integration**  
January 2018 to FY21

**Optimisation**  
FY21 to FY23

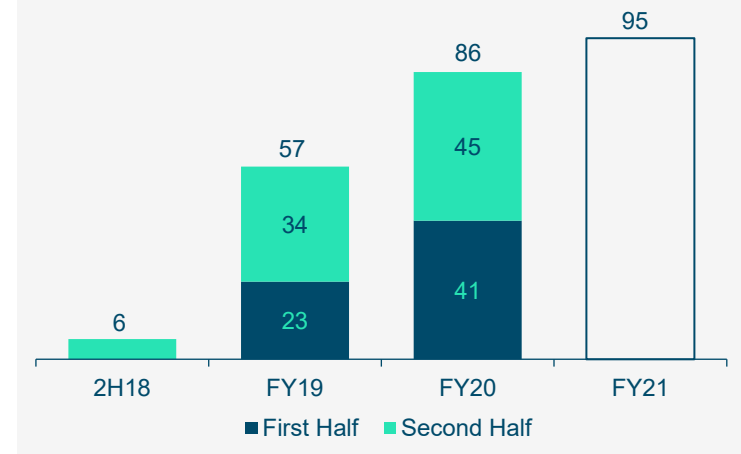
## INTEGRATION

- Significant milestone achieved with account customer migration of UBET systems to TAB platform now complete
  - Digital expanded to full TAB product suite
  - Legacy systems and infrastructure to be decommissioned
  - Retail uplift (including Trackside) planned to complete in FY21
- Cost synergies on track to deliver at least \$95m of annual savings
- Revenue synergies
  - Business improvement initiatives remain a priority
  - Measure not meaningful due to COVID-19 impacts
- One-off costs incurred to 30 June 2020: \$103m pre tax (guidance of \$135m maintained)

## OPTIMISATION

- Embarking upon a three-year enterprise-wide optimisation program to deliver significant cost savings and enhanced operational capability
- Key focus areas include:
  - Operating model changes
  - Process simplification and re-design
  - Data and digitisation improvements
  - Maximising value from our vendor spend and property footprint

## EBITDA – COST SYNERGIES (\$M)



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## TABLE OF CONTENTS

03 ▶ 08 Group Overview

---

10 ▶ 18 Business Results

---

20 Capital

---

22 ▶ 23 Conclusion

---

25 ▶ 35 Appendices

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

	Lotteries & Keno		Wagering & Media		Gaming Services		Group	
	\$m	Change	\$m	Change	\$m	Change	\$m	Change
<b>Revenues</b>	<b>2,917</b>	<b>1.8%</b>	<b>2,084</b>	<b>(10.1%)</b>	<b>221</b>	<b>(27.3%)</b>	<b>5,224</b>	<b>(4.8%)</b>
Variable contribution	761	2.6%	825	(13.2%)	210	(27.6%)	1,799	(9.4%)
Operating expenses	(219)	(4.4%)	(454)	(7.3%)	(126)	(12.5%)	(804)	(6.7%)
<b>EBITDA</b>	<b>542</b>	<b>5.7%</b>	<b>371</b>	<b>(19.5%)</b>	<b>84</b>	<b>(42.5%)</b>	<b>995</b>	<b>(11.5%)</b>
D&A	(100)	14.9%	(196)	8.9%	(98)	24.1%	(399)	14.7%
<b>EBIT</b>	<b>442</b>	<b>3.8%</b>	<b>175</b>	<b>(37.7%)</b>	<b>(14)</b>	<b>(&gt;100.0%)</b>	<b>596</b>	<b>(23.2%)</b>
VC / Revenue %	26.1%	0.2%	39.6%	(1.4%)	95.0%	(0.4%)	34.4%	(1.8%)
Opex / Revenue %	7.5%	(0.5%)	21.8%	0.7%	57.0%	9.6%	15.4%	(0.3%)
EBITDA / Revenue %	18.6%	0.7%	17.8%	(2.1%)	38.0%	(10.0%)	19.0%	(1.5%)
EBIT / Revenue %	15.2%	0.3%	8.4%	(3.7%)	(6.3%)	(28.3%)	11.4%	(2.7%)
<b>Capex</b>	<b>55</b>	<b>(15.4%)</b>	<b>144</b>	<b>(5.3%)</b>	<b>63</b>	<b>(30.8%)</b>	<b>262</b>	<b>(14.9%)</b>

Notes:

- All amounts are before significant items. Business results do not aggregate to Group total due to intercompany eliminations and unallocated items. FY20 unallocated items \$7m EBIT loss includes Jumbo Interactive income (\$3m) and deposit proceeds from the sale of a corporate property (\$1m), offset by property impairments on assets acquired as part of the combination with Tatts Group (\$5m), Gaming Services review costs (\$2m), bushfire donation (\$2m) and expenses incurred in relation to the disposal of a former Tatts UK business, Talarius, in 2016 (\$2m). (FY19 unallocated items \$2m EBIT)
- Change reflects movement vs pcp

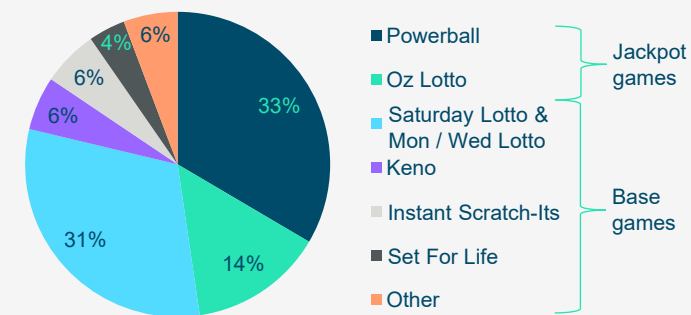
# LOTTERIES & KENO

## RESULT DEMONSTRATES STRENGTH OF GAME PORTFOLIO AND SHIFT TO DIGITAL

- Strong underlying revenue growth notwithstanding:
  - Cycling particularly favourable jackpots in FY19 (Oz Lotto and Lucky Lotteries)
  - Impact on Keno of government mandated venue closures between March and June 2020
- Continuing benefits from game development and active portfolio management:
  - Game development (Powerball continued to deliver; new Set for Life live in March)
  - Active jackpot and offer management drove performance throughout the year
- Customer led improvements delivering better customer experiences, greater digital conversion and further deepening alignment with retail partners
  - Strong digital growth (+22.0%)
  - Omni-channel program launched in August 2019 delivering higher retail commissions and improved customer experiences
  - PayPal launched with further payment improvements to come
- Jumbo reseller arrangements extended<sup>1</sup> on better and more sustainable commercial terms

\$m	FY20	FY19	Change
<b>Revenues</b>	<b>2,917</b>	<b>2,865</b>	<b>1.8%</b>
Variable contribution	761	742	2.6%
Operating expenses	(219)	(229)	(4.4%)
<b>EBITDA</b>	<b>542</b>	<b>513</b>	<b>5.7%</b>
D&A	(100)	(87)	14.9%
<b>EBIT</b>	<b>442</b>	<b>426</b>	<b>3.8%</b>
VC / Revenue %	26.1%	25.9%	0.2%
Opex / Revenue %	7.5%	8.0%	(0.5%)
EBITDA / Revenue %	18.6%	17.9%	0.7%
EBIT / Revenue %	15.2%	14.9%	0.3%

### FY20 REVENUE BY PRODUCT<sup>2</sup> (%)



Notes:

1. Subject to execution of long-form agreements and satisfaction of conditions precedent
2. Gross subscriptions (including commissions and master agent fees) less prizes payable

# LOTTERIES & KENO KPIs

**STRONG GROWTH IN ACTIVE REGISTERED CUSTOMERS;  
RESILIENT PERFORMANCE DURING COVID-19**

## LOTTERIES

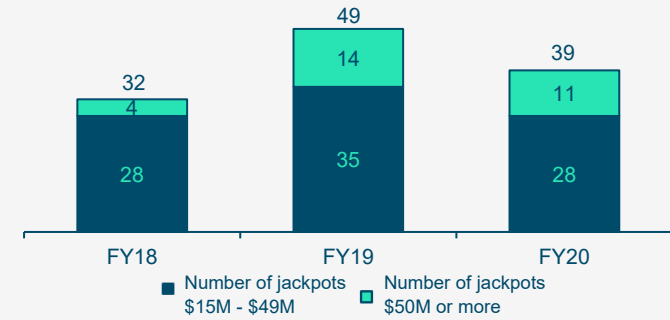
- All games delivered growth in FY20, except for Oz Lotto and Lucky Lotteries which cycled particularly favourable jackpots in FY19
  - Powerball (+16%) – two new Division 1 records in 1H20
  - Set for Life (+21%) – game enhancements deployed in March well received
- 3.7m<sup>1</sup> active registered players (+12.1%)
- Retail down 4.0%; retailer commissions up 2.6% reflecting new Omni-channel program
- Digital grew strongly, FY20: 28.0% of Lotteries turnover (FY19: 23.5%)
- Strong performance during COVID-19 across all games with gambling entertainment category shifts evident
  - Digital up (30.9% of turnover in 4Q20)
  - Retail down due to strong jackpots in pcp, but up on like-for-like offers

## KENO

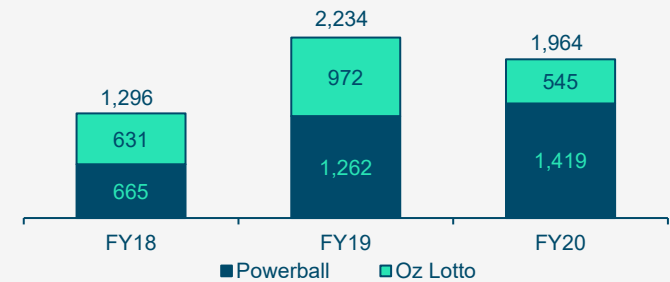
- Prior to COVID-19 impacts, revenue was at record levels
  - Despite strong subsequent digital performance, Keno down 14.3% for the full year due to venue closures
- Growth of 13k<sup>1,2</sup> in active digital account holders (+53.9%) partially offset retail decline

Notes:  
 1. Active registered players measured on a rolling 12 month basis  
 2. ACT Keno only, NSW in-venue mobile now decommissioned  
 3. The cumulative value of all Division 1 offers for Powerball and Oz Lotto draws  
 4. Pre-COVID-19 (1 July 2019 to 23 March 2020); during COVID-19 (24 March 2020 to 30 June 2020)  
 5. Excludes 27% from the estimated impacts of March 2020 game change (i.e. total change is 46%)

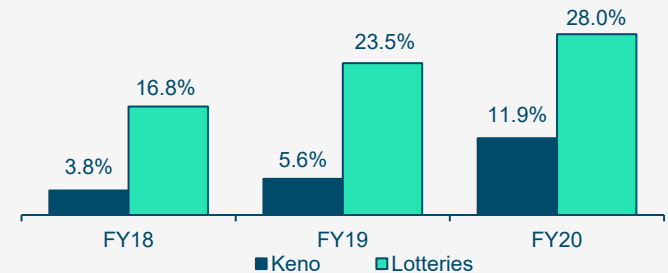
## POWERBALL & OZ LOTTO JACKPOTS



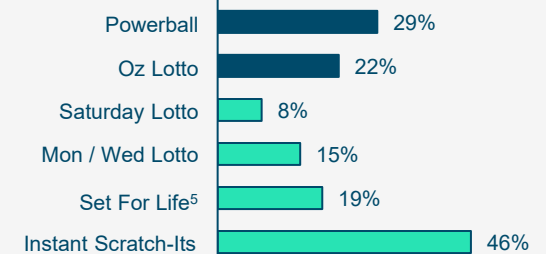
## CUMULATIVE JACKPOT VALUE OFFERED<sup>3</sup> (\$M)



## DIGITAL SHARE OF TURNOVER<sup>2</sup>



## TURNOVER GROWTH ON LIKE-FOR-LIKE OFFERS (DURING VS PRE-COVID-19)<sup>4</sup>



# LOTTERIES & KENO: FY21 KEY FOCUS AREAS

27

## GAME PORTFOLIO

- Saturday Lotto game changes to launch in October: bigger Division 1 prize and more weekly winners supported by entry price increase
- Initiatives across the Instant Scratch-Its category to build on strong FY20 momentum
- Continued strength of jackpot games supportive of accelerated jackpot offers



## CUSTOMER EXPERIENCE

- Enhance personalisation and continue investment in registered player infrastructure and marketing technology to better service players
- Continue the retail roll out of the Lott brand refresh



## DISTRIBUTION

- Continued focus to drive Omni-channel program performance in concert with retail stakeholder groups (including planned extension to SA)
- Continued improvement in payment options for players
- Ongoing support of retail partners through the challenge of COVID-19 and maintaining COVID-safe operations



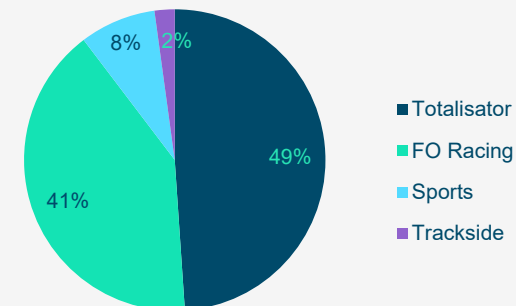
# WAGERING & MEDIA

## CHALLENGING YEAR WITH DIGITAL GROWTH PARTIALLY OFFSETTING RETAIL DECLINE

- Significant channel shifts, accelerated by COVID-19
  - Decline in retail and media revenue as a result of venue closures
  - Increased digital competition
- Significant product shifts during COVID-19
  - Decline in sports revenue as a result of suspensions/cancellations
  - Substantial migration to racing product
- Marketing and generosity program enhanced to ensure digital competitiveness
  - VC margin also impacted by reduced revenue from higher margin products
- Continued to lift the competitiveness and differentiation of the TAB customer experience
  - TAB brand modernised (Long May We Play)
  - Data investment creating increased personalisation for customers
  - Integrated media offer, including US sports and digital distribution
  - Digital integrated to retail venue experience with Venue Mode
  - UBET account system migration completed post year end (28 July 2020)
- BetEasy vision agreement amended and extended with Sportsbet post year end

\$m	FY20	FY19	Change
<b>Revenues</b>	<b>2,084</b>	<b>2,318</b>	<b>(10.1%)</b>
Variable contribution	825	951	(13.2%)
Operating expenses	(454)	(490)	(7.3%)
<b>EBITDA</b>	<b>371</b>	<b>461</b>	<b>(19.5%)</b>
D&A	(196)	(180)	8.9%
<b>EBIT</b>	<b>175</b>	<b>281</b>	<b>(37.7%)</b>
VC / Revenue %	39.6%	41.0%	(1.4%)
Opex / Revenue %	21.8%	21.1%	0.7%
EBITDA / Revenue %	17.8%	19.9%	(2.1%)
EBIT / Revenue %	8.4%	12.1%	(3.7%)

## FY20 WAGERING REVENUE BY PRODUCT



# WAGERING & MEDIA KPIs<sup>1</sup>

**ACCOUNT TURNOVER SIGNIFICANTLY UP DURING COVID-19;  
YIELD DRIVEN REDUCTION IN REVENUE SHARE**

### MARKET SHARE

- Significant uplift in account turnover in 4Q20 (with some increase in share) following major market shift to digital post retail venue closures
- Account revenue share decline primarily reflects product mix in a period of rising yields, which was further accentuated during 2H20
  - Tote – no yield uplift
  - Fixed Odds – market leading yield means proportionately lower increase vs peers

### YIELDS

- Record gross yields – highly favourable racing results; reduced contribution from lower-yielding sports during COVID-19; increased over-rounds
- Net yields up; generosities also up reflecting strategic reinvestment in a high yielding and very competitive environment

### CUSTOMERS

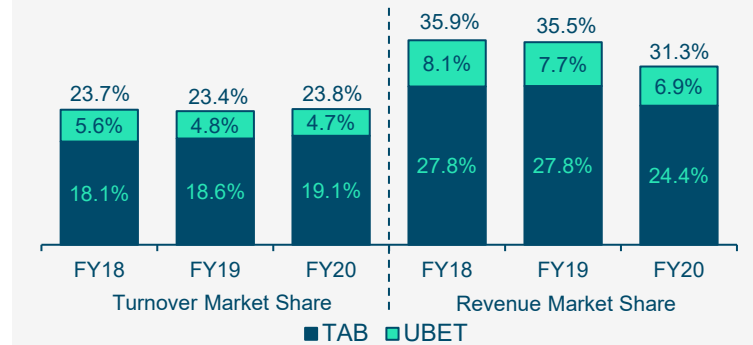
- TAB account customer base grew – users up 6% in 3Q20 and 12% in 4Q20
- 4Q20 outcome reflects increased digital account acquisition following retail venue closures and more frequent engagement during the period
- For period from 28 July 2020 to 15 August 2020, ex-UBET users +25% vs pcp

Notes:  
 1. Refer to Appendix 7 for additional KPI disclosures  
 2. Excludes Other (On-course, Premium Customers and PGI)  
 3. Comprises digital and call centre, being channels in which a customer transacts using their account. Based on data supplied by industry partners which account for approximately one-third of the wagering market  
 4. Number of users active within the relevant quarter

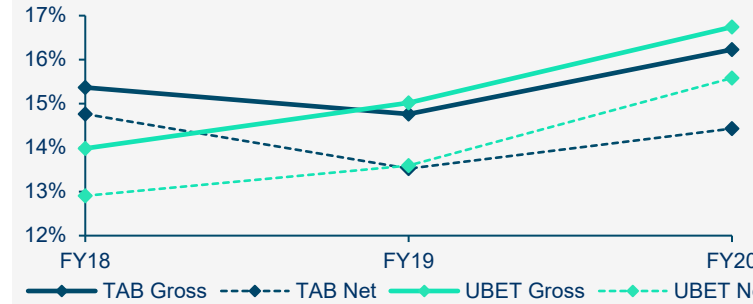
## PRE VS DURING COVID-19 PERFORMANCE<sup>2</sup>

Change on pcp %	Turnover		Revenue	
	Account	Retail	Account	Retail
1Q20 – 3Q20	(6%)	(11%)	(1%)	(8%)
4Q20	33%	(84%)	44%	(82%)
Total	3%	(28%)	10%	(25%)

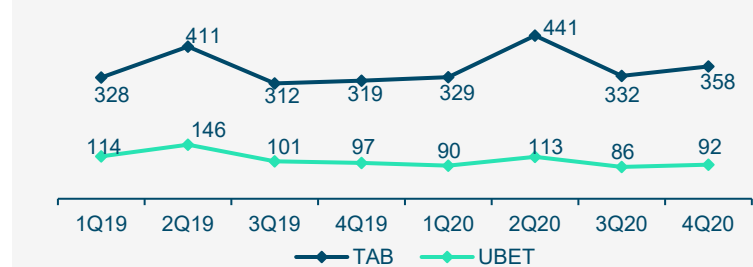
## ACCOUNT MARKET SHARE<sup>3</sup>



## FIXED ODDS YIELDS



## QUARTERLY ACTIVE USERS<sup>4</sup> ('000)



# WAGERING & MEDIA: FY21 KEY FOCUS AREAS



## INTEGRATION

Complete retail integration and drive performance improvement with unified TAB offer across a single improved platform



## OPTIMISATION

Focus on driving the business with digitally integrated distribution and a leaner cost base



## SPORTS & MEDIA

Appeal to a younger and broader customer base by integrating sports content, and enhancing racing content digitally and in-venue with a reinvigorated brand



## OMNI-CHANNEL

Further enhance digital in-venue offering and expand digital distribution



## DATA/PERSONALISATION

Complete the data and personalisation build and combine with unique offering



## TOTE

Continued focus to structurally stabilise pari-mutuel, including pooling, product and brand

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# GAMING SERVICES

## BUSINESS SEVERELY IMPACTED DUE TO COVID-19 WITH THE MANDATORY CLOSURE OF HOTELS AND CLUBS

- Revenue decline predominantly COVID-19 related
  - Temporary closure of hotels and clubs from 23 March 2020
  - Re-opened nationally in June under social distancing measures (except for Victoria)
  - Suspended all fees during shutdown as part of supporting venues
- Non-renewal of Telstra Payphones service contract and expiry of NSW Statewide Linked Jackpots licence during the year impacted results (including additional D&A)
- D&A increase also includes impairment of operating assets
- 50% of Victorian EGM contracts extended beyond 2022 (FY19: 40%) at lower margins
- Opex and capex reductions in response to venue closures
  - Savings from majority of workforce being stood down
  - Reduction in employee related provisions
  - Program of projects significantly curtailed to focus on core business priorities

\$m	FY20	FY19	Change
MAX Venue Services	150	209	(28.2%)
MAX Regulatory Services	71	95	(25.3%)
<b>Revenues</b>	<b>221</b>	<b>304</b>	<b>(27.3%)</b>
Variable contribution	210	290	(27.6%)
Operating expenses	(126)	(144)	(12.5%)
<b>EBITDA</b>	<b>84</b>	<b>146</b>	<b>(42.5%)</b>
D&A	(98)	(79)	24.1%
<b>EBIT</b>	<b>(14)</b>	<b>67</b>	<b>(&gt;100.0%)</b>
VC / Revenue %	95.0%	95.4%	(0.4%)
Opex / Revenue %	57.0%	47.4%	9.6%
EBITDA / Revenue %	38.0%	48.0%	(10.0%)
EBIT / Revenue %	(6.3%)	22.0%	(28.3%)
<b>Contracted EGMs</b>	<b>Jun 20</b>	<b>Jun 19</b>	<b>Change</b>
Victoria	8,230	8,240	(10)
NSW	1,930	1,850	80
<b>Total</b>	<b>10,160</b>	<b>10,090</b>	<b>70</b>

# GAMING SERVICES: OPERATIONAL AND STRATEGIC REVIEW UPDATE

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## OPERATIONAL REVIEW

Implementation of operational review now underway

- Leaner management and simplified operating structure
- Develop and implement new products for core MAX Venue Services offer, targeting capex reductions
- Review and modify operating structure of field services activities
- Streamline the product portfolio of the systems business
- Focus on core monitoring activity within MAX Regulatory Services



## STRATEGIC REVIEW

Strategic review has been paused due to COVID-19



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## TABLE OF CONTENTS

03 ▶ 08 Group Overview

---

10 ▶ 18 Business Results

---

20 Capital

---

22 ▶ 23 Conclusion

---

25 ▶ 35 Appendices



# CAPITAL MANAGEMENT

## EQUITY RAISING TO STRENGTHEN THE BALANCE SHEET IN UNCERTAIN TIMES

	GEARING <sup>1</sup>	DEBT PROFILE <sup>3</sup>	CREDIT RATING
TARGET	Was 3.0x – 3.5x Now 2.5x – 3.0x	Minimise cost of borrowing	Maintain investment grade
METRIC	FY20 Actual: 3.8x impacted by COVID-19 FY20 Pro-forma <sup>2</sup> : 3.2x	Average maturity: 5.8 years Average interest rate: 4.4%	S&P rating BBB-/negative outlook
	CAPITAL EXPENDITURE <sup>3</sup>	ROIC <sup>4</sup>	DIVIDENDS
TARGET	BAU range \$200m – \$240m	Increase returns to cost of capital levels over time	Future <sup>5</sup> : 70% – 80% of NPAT (before significant items)
METRIC	FY20 BAU capex: \$213m FY20 non-BAU capex: \$49m FY21 D&A: \$390m – \$400m	FY20 ROIC: 6.3%	1H20 interim dividend 11 cps fully franked No final dividend for FY20

- Revised gearing target: 2.5x – 3.0x
- Undrawn bank facilities: \$910m at 30 June 2020
- Covenant waivers and adjusted limits in place for 30 June 2020 and 31 December 2020 test periods
- EBITDA to operating cash flow conversion<sup>6</sup> of 102%
  - Impacted by jackpot sequencing in FY19 and deferral of Lotteries taxes in 4Q20

\$600m underwritten pro-rata accelerated renounceable entitlement offer of 1:11 @ \$3.25 per share

### Notes:

- (1) Refer Appendix 2 for further detail
- (2) Adjusted to reflect the expected net proceeds of \$586m from 1:11 entitlement offer
- (3) Refer Appendix 3 for further detail
- (4) ROIC is an absolute measure, defined as earnings before interest, tax and significant items (EBIT before significant items), divided by the average invested capital base (being shareholders' equity plus net economic debt). Average invested capital is calculated as an average of opening and closing balances. The FY19 invested capital base has been pro-forma adjusted to reflect the impairment charge recognised against goodwill in FY20
- (5) On the resumption of dividends
- (6) EBITDA / operating cash flow conversion excludes the impact of significant items

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## TABLE OF CONTENTS

03 ▶ 08 Group Overview

---

10 ▶ 18 Business Results

---

20 Capital

---

22 ▶ 23 Conclusion

---

25 ▶ 35 Appendices

# REVENUE: JULY 2020<sup>1</sup>

GROUP REVENUE UP 2.8% IN THE MONTH

## LOTTERIES & KENO

Revenue  
up 4.7%

- Lotteries sales up despite strong jackpot sequences in pcp
- Keno up driven by ACT digital growth

## WAGERING & MEDIA

Revenue  
up 6.8%

- Significant increase in digital
- Retail down due to Victorian closures
- Surge in available content with many major sports having resumed

## GAMING SERVICES

Revenue  
down 52.2%

- Venue closures, particularly in Victoria, continue to impact revenues
- Still providing fee relief to closed venues

The above information is for a single month and is provided for information purposes only. Particularly given the extraordinary current situation pertaining to COVID-19 and the resultant uncertainty, it should not be extrapolated beyond the month or considered indicative of future performance.

For further information on forward looking statements please see the disclaimer at the end of this presentation

Notes:

(1) Unless otherwise indicated movement is vs pcp (July 2019). Amounts derived from unaudited monthly management accounts

# CONCLUSION: THE TRUSTED GAMBLING ENTERTAINMENT COMPANY

## FOCUS ON NAVIGATING COVID-19 WHILE EXECUTING STRATEGIES TO CREATE VALUE FOR SHAREHOLDERS

- Continued significant uncertainty regarding the severity and duration of COVID-19 impact
- FY20 group performance impacted by COVID-19 and non-cash goodwill impairment charge, but partially mitigated by Lotteries result and other initiatives
- Equity raising to strengthen the balance sheet in uncertain times
- Continuing to support our people and partners through COVID-19 remains our top priority
- Clear focus on executing strategies that are expected to create value for shareholders:
  - Digital opportunity across Lotteries & Keno and Wagering & Media
  - Post integration improvement in customer offer in former UBET states
  - Implementation of operational review of Gaming Services
  - Enterprise-wide optimisation program designed to deliver significant cost savings and enhanced operational capability

### LOTTERIES & KENO



### WAGERING & MEDIA



### GAMING SERVICES





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## TABLE OF CONTENTS

03 ▶ 08 Group Overview

---

10 ▶ 18 Business Results

---

20 Capital

---

22 ▶ 23 Conclusion

---

25 ▶ 35 Appendices

# 1. SIGNIFICANT ITEMS (AFTER TAX)

\$m	FY20	FY19
Goodwill impairment	1,090	-
Other impairments / onerous contract	19	-
Tatts Group combination implementation costs	18	24
Racing Queensland arrangements	19	12
ACTTAB POCT compensation	(5)	(11)
<b>Total</b>	<b>1,141</b>	<b>25</b>

## GOODWILL IMPAIRMENT<sup>1</sup>

- Non-cash goodwill impairment charge relating to the Wagering & Media (\$905m) and Gaming Services (\$185m) businesses.

## OTHER IMPAIRMENTS / ONEROUS CONTRACT

- Impairment and onerous contract provision relating to Wagering software assets (\$14m); impairment of Gaming inventory management system (\$5m).

## TATTS GROUP COMBINATION IMPLEMENTATION COSTS

- Implementation costs are non-recurring costs and comprise restructure charges, integration management office and dedicated merger implementation resources. Implementation costs incurred to 30 June 2020 were \$103m pre tax (or \$72m after tax). Total implementation costs are expected to remain within previous guidance of \$135m pre tax (or \$95m after tax).

## RACING QUEENSLAND ARRANGEMENTS<sup>2</sup>

- Tabcorp guaranteed minimum fees that RQ will receive under the deed of understanding with UBET Queensland in each calendar year from 2018 to 2020 inclusive. A significant item expense of \$19m (after tax) has been recorded in respect of FY20, being the top up payment required to meet the minimum fee obligation. While necessarily uncertain, Tabcorp currently expects that it will be required to make further payments related to the 6 months ending 31 December 2020 after which time such obligations will cease.

## ACTTAB POCT COMPENSATION

- A one-off compensation amount was received by Tabcorp ACT (ACTTAB) during FY19 following commencement of the ACT Betting Operations Tax. A tax refund was recognised following finalisation of the tax return. This matter is now finalised.

### Notes:

1. Refer Notes C2 and C3 in the Financial Statements for the year ended 30 June 2020
2. In the event Tabcorp is ultimately unsuccessful in the current dispute with Racing Queensland, further payments may need to be made by the Group. Refer to ASX Announcements dated 28 June 2019 and 24 July 2019 and Note E4 in the Financial Statements for the full year ended 30 June 2020



## 2. CASH FLOW AND BALANCE SHEET

### CASH FLOW

\$m	FY20	FY19	Change
Net operating cash flows <sup>1</sup>	966	1,258	(23.2%)
Net interest paid	(195)	(213)	(8.5%)
Income tax paid	(100)	(183)	(45.4%)
Payments for PP&E and intangibles	(290)	(278)	4.3%
<b>Sub-total</b>	<b>381</b>	<b>584</b>	<b>(34.8%)</b>
Sun Bets operations and closure costs	-	(92)	100.0%
Ordinary dividends paid	(392)	(393)	(0.3%)
Proceeds from sale of PP&E and intangibles	12	2	>100.0%
Proceeds from sale of shares in an associate	-	12	100.0%
Payment for on-market share purchase	(3)	(1)	(>100.0%)
Payment for exercise of call option	-	(8)	100.0%
Payment for other financial assets	(15)	(93)	(83.9%)
Other	1	2	(50.0%)
<b>Net cash flow</b>	<b>(16)</b>	<b>13</b>	<b>(&gt;100.0%)</b>
<b>Net debt at beginning of period</b>	<b>3,665</b>	<b>3,562</b>	<b>2.9%</b>
Non cash movements	43	116	(62.9%)
<b>Net debt at end of period</b>	<b>3,724</b>	<b>3,665</b>	<b>1.6%</b>

### BALANCE SHEET

\$m	Jun-20	Jun-19	Change
Total current assets	727	766	(5.1%)
Licences	2,148	2,254	(4.7%)
Other intangible assets	8,134	9,184	(11.4%)
Property, plant and equipment	456	555	(17.8%)
Other non current assets	951	864	10.1%
<b>Total assets</b>	<b>12,416</b>	<b>13,623</b>	<b>(8.9%)</b>
Total liabilities	6,386	6,440	(0.8%)
<b>Shareholders' funds</b>	<b>6,030</b>	<b>7,183</b>	<b>(16.1%)</b>
Net debt (reported) <sup>1</sup>	3,724	3,665	1.6%
Net debt (economic) <sup>2</sup>	3,399	3,388	0.3%
Shares on issue (m)	2,032	2,019	0.6%
<b>Ratios</b>			
Gross debt <sup>3</sup> / EBITDA (x)	3.8	3.4	
EBIT <sup>4</sup> / Net interest (x)	3.3	3.9	

#### Notes:

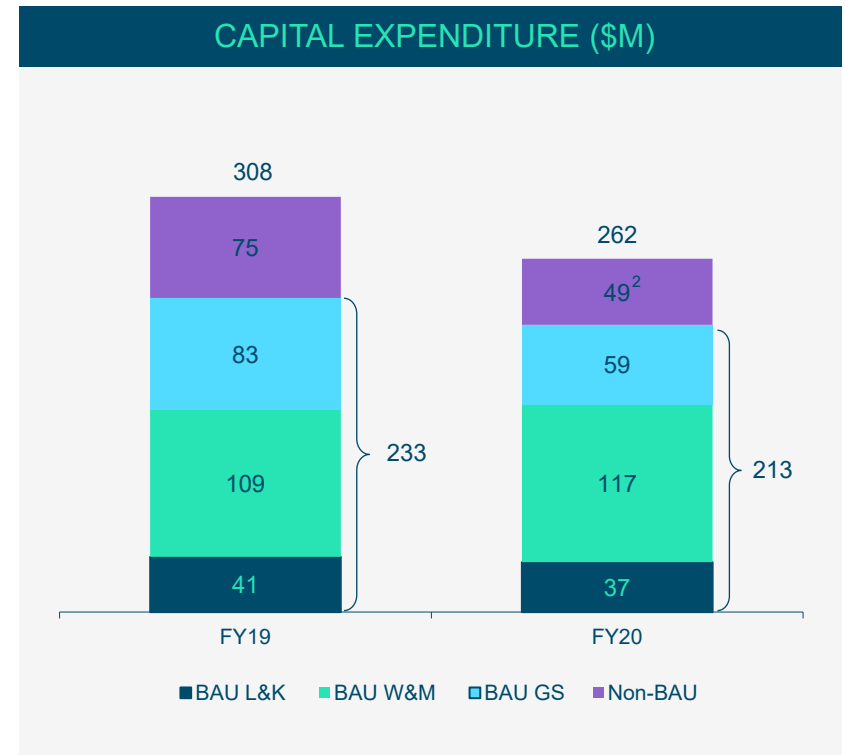
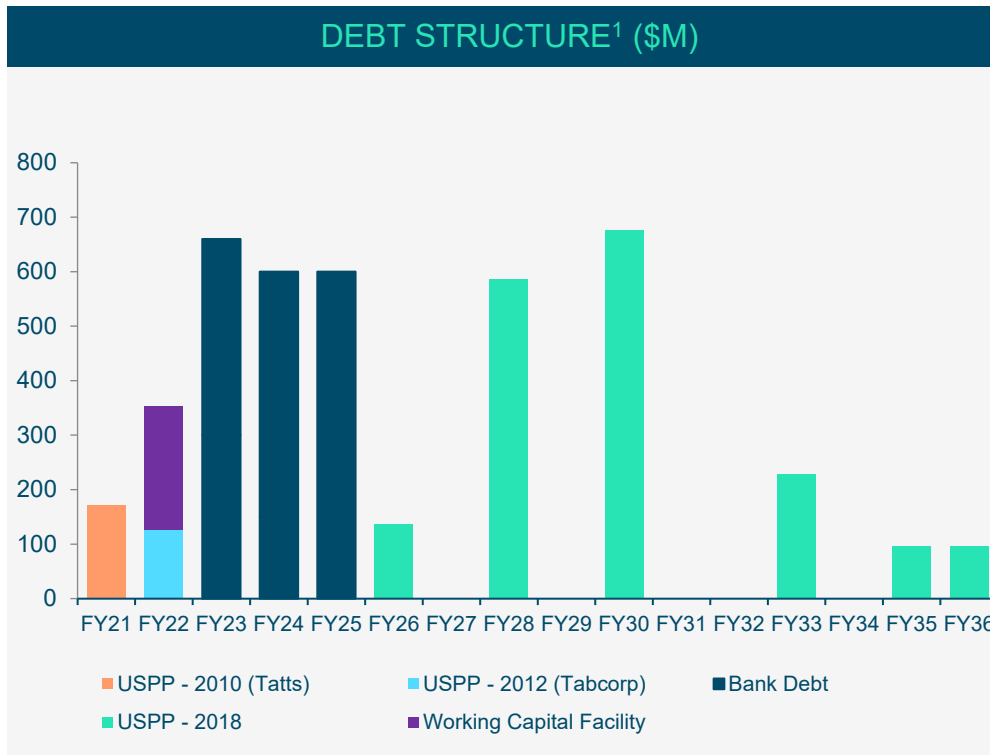
- Net debt (reported) includes lease liability of \$353m (FY19: \$409m)
- Net debt (economic) includes USPP debt at the A\$ principal repayment under cross currency swaps. FY19 has been restated by \$265m, which previously had excluded restricted cash balances
- Gross debt includes USPP debt at the A\$ principal repayment under cross currency swaps
- EBIT excludes amortisation of the Victorian wagering and betting licence

#### Notes:

- FY20 net operating cash flows include cash outflows of \$46m relating to significant items

### 3. DEBT STRUCTURE AND CAPITAL EXPENDITURE

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Notes:

1. Excludes \$100m overdraft facility maturing in February 2021
2. Non-BAU capex: integration, data centre consolidation, new Brisbane office

## 4A. GROUP RESULTS

\$m	1H20	1H19	Change	2H20	2H19	Change	FY20	FY19	Change
<b>Revenues</b>	<b>2,914</b>	<b>2,790</b>	<b>4.4%</b>	<b>2,310</b>	<b>2,698</b>	<b>(14.4%)</b>	<b>5,224</b>	<b>5,488</b>	<b>(4.8%)</b>
Variable contribution	1,030	1,017	1.3%	769	969	(20.6%)	1,799	1,986	(9.4%)
Operating expenses	(433)	(433)	-	(371)	(429)	(13.5%)	(804)	(862)	(6.7%)
<b>EBITDA before significant items</b>	<b>597</b>	<b>584</b>	<b>2.2%</b>	<b>398</b>	<b>540</b>	<b>(26.3%)</b>	<b>995</b>	<b>1,124</b>	<b>(11.5%)</b>
D&A	(193)	(175)	10.3%	(206)	(173)	19.1%	(399)	(348)	14.7%
<b>EBIT before significant items</b>	<b>404</b>	<b>409</b>	<b>(1.2%)</b>	<b>192</b>	<b>367</b>	<b>(47.7%)</b>	<b>596</b>	<b>776</b>	<b>(23.2%)</b>
Interest	(94)	(105)	(10.5%)	(99)	(103)	(3.9%)	(193)	(208)	(7.2%)
Tax expense	(96)	(97)	(1.0%)	(36)	(75)	(52.0%)	(132)	(172)	(23.3%)
<b>NPAT before significant items</b>	<b>214</b>	<b>207</b>	<b>3.4%</b>	<b>57</b>	<b>189</b>	<b>(69.8%)</b>	<b>271</b>	<b>396</b>	<b>(31.6%)</b>
Significant items (after tax) – goodwill impairment	-	-	-	(1,090)	-	NM	(1,090)	-	NM
Significant items (after tax) – other	(15)	(18)	(16.7%)	(36)	(7)	>100.0%	(51)	(25)	>100.0%
NPAT from discontinued operations	-	(10)	(100.0%)	-	-	-	-	(10)	(100.0%)
<b>Statutory NPAT</b>	<b>199</b>	<b>179</b>	<b>11.2%</b>	<b>(1,069)</b>	<b>182</b>	<b>NM</b>	<b>(870)</b>	<b>361</b>	<b>NM</b>
VC / Revenue %	35.3%	36.5%	(1.2%)	33.3%	35.9%	(2.6%)	34.4%	36.2%	(1.8%)
Opex / Revenue %	14.9%	15.5%	(0.6%)	16.1%	15.9%	0.2%	15.4%	15.7%	(0.3%)
EBITDA / Revenue %	20.5%	20.9%	(0.4%)	17.2%	20.0%	(2.8%)	19.0%	20.5%	(1.5%)
EBIT / Revenue %	13.9%	14.7%	(0.8%)	8.3%	13.6%	(5.3%)	11.4%	14.1%	(2.7%)

## 4B. LOTTERIES & KENO RESULTS

\$m	1H20	1H19	Change	2H20	2H19	Change	FY20	FY19	Change
Lotteries Revenues	1,467	1,293	13.5%	1,259	1,349	(6.7%)	2,726	2,642	3.2%
Keno Revenues	117	116	0.9%	74	107	(30.8%)	191	223	(14.3%)
<b>Revenues</b>	<b>1,584</b>	<b>1,409</b>	<b>12.4%</b>	<b>1,333</b>	<b>1,456</b>	<b>(8.4%)</b>	<b>2,917</b>	<b>2,865</b>	<b>1.8%</b>
Lotteries Variable contribution	347	300	15.7%	307	317	(3.2%)	654	617	6.0%
Keno Variable contribution	66	65	1.5%	41	60	(31.7%)	107	125	(14.4%)
<b>Variable contribution</b>	<b>413</b>	<b>365</b>	<b>13.2%</b>	<b>348</b>	<b>377</b>	<b>(7.7%)</b>	<b>761</b>	<b>742</b>	<b>2.6%</b>
Operating expenses	(118)	(111)	6.3%	(101)	(118)	(14.4%)	(219)	(229)	(4.4%)
<b>EBITDA</b>	<b>295</b>	<b>254</b>	<b>16.1%</b>	<b>247</b>	<b>259</b>	<b>(4.6%)</b>	<b>542</b>	<b>513</b>	<b>5.7%</b>
D&A	(49)	(44)	11.4%	(51)	(43)	18.6%	(100)	(87)	14.9%
<b>EBIT</b>	<b>246</b>	<b>210</b>	<b>17.1%</b>	<b>196</b>	<b>216</b>	<b>(9.3%)</b>	<b>442</b>	<b>426</b>	<b>3.8%</b>
Lotteries VC / Revenue %	23.7%	23.2%	0.5%	24.4%	23.5%	0.9%	24.0%	23.4%	0.6%
Keno VC / Revenue %	56.4%	56.0%	0.4%	55.4%	56.1%	(0.7%)	56.0%	56.1%	(0.1%)
VC / Revenue %	26.1%	25.9%	0.2%	26.1%	25.9%	0.2%	26.1%	25.9%	0.2%
Opex / Revenue %	7.4%	7.9%	(0.5%)	7.6%	8.1%	(0.5%)	7.5%	8.0%	(0.5%)
EBITDA / Revenue %	18.6%	18.0%	0.6%	18.5%	17.8%	0.7%	18.6%	17.9%	0.7%
EBIT / Revenue %	15.5%	14.9%	0.6%	14.7%	14.8%	(0.1%)	15.2%	14.9%	0.3%

## 4C. WAGERING & MEDIA RESULTS

\$m	1H20	1H19	Change	2H20	2H19	Change	FY20	FY19	Change
<b>Revenues</b>	<b>1,179</b>	<b>1,225</b>	<b>(3.8%)</b>	<b>905</b>	<b>1,093</b>	<b>(17.2%)</b>	<b>2,084</b>	<b>2,318</b>	<b>(10.1%)</b>
Variable contribution	473	502	(5.8%)	352	449	(21.6%)	825	951	(13.2%)
Operating expenses	(239)	(249)	(4.0%)	(215)	(241)	(10.8%)	(454)	(490)	(7.3%)
<b>EBITDA</b>	<b>234</b>	<b>253</b>	<b>(7.5%)</b>	<b>137</b>	<b>208</b>	<b>(34.1%)</b>	<b>371</b>	<b>461</b>	<b>(19.5%)</b>
D&A	(95)	(89)	6.7%	(101)	(91)	11.0%	(196)	(180)	8.9%
<b>EBIT</b>	<b>139</b>	<b>164</b>	<b>(15.2%)</b>	<b>36</b>	<b>117</b>	<b>(69.2%)</b>	<b>175</b>	<b>281</b>	<b>(37.7%)</b>
VC / Revenue %	40.1%	41.0%	(0.9%)	38.9%	41.1%	(2.2%)	39.6%	41.0%	(1.4%)
Opex / Revenue %	20.3%	20.3%	-	23.8%	22.0%	1.8%	21.8%	21.1%	0.7%
EBITDA / Revenue %	19.8%	20.7%	(0.9%)	15.1%	19.0%	(3.9%)	17.8%	19.9%	(2.1%)
EBIT / Revenue %	11.8%	13.4%	(1.6%)	4.0%	10.7%	(6.7%)	8.4%	12.1%	(3.7%)

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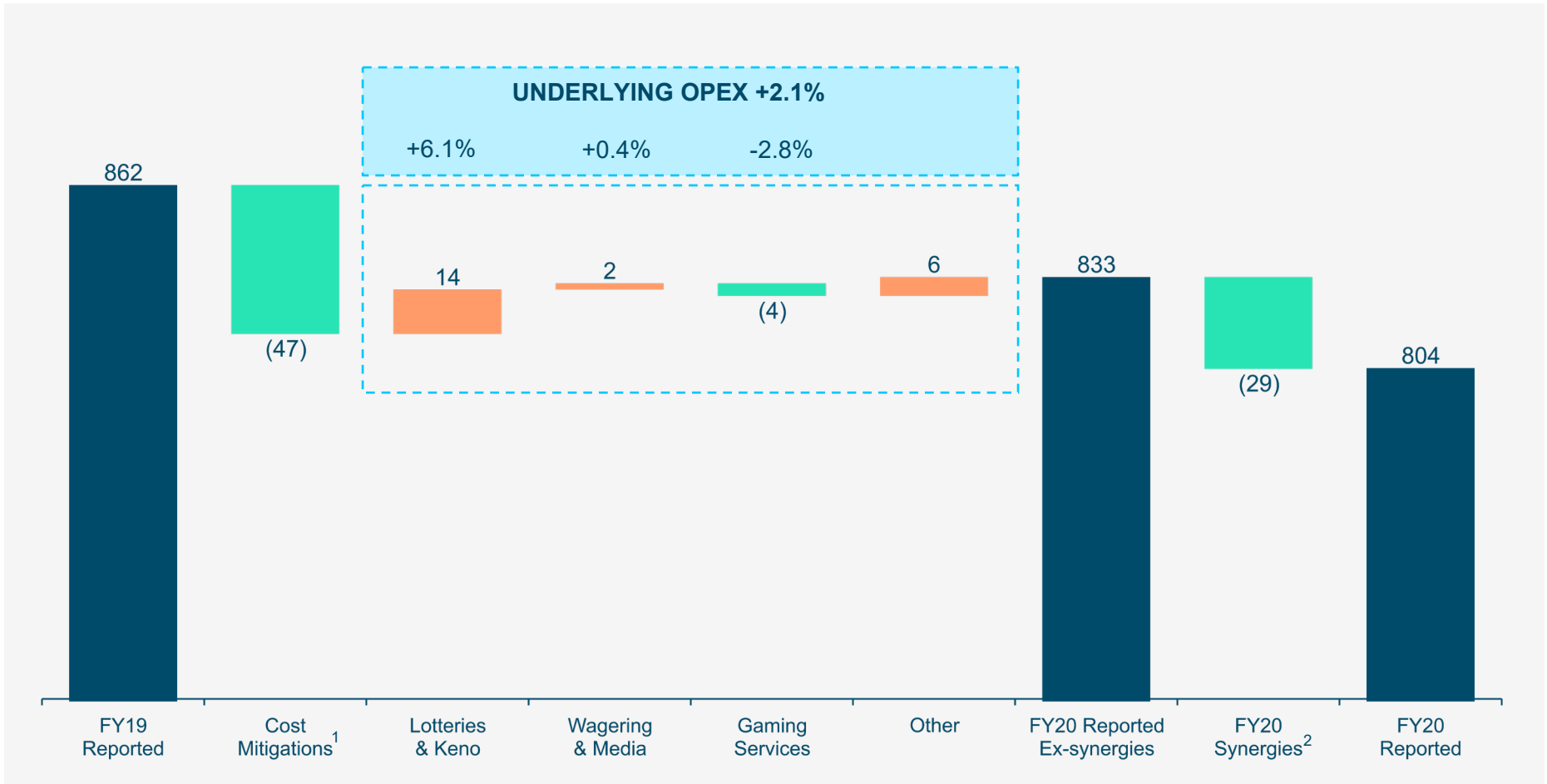
## 4D. GAMING SERVICES RESULTS

\$m	1H20	1H19	Change	2H20	2H19	Change	FY20	FY19	Change
MAX Venue Services	102	107	(4.7%)	48	102	(52.9%)	150	209	(28.2%)
MAX Regulatory Services	47	49	(4.1%)	24	46	(47.8%)	71	95	(25.3%)
<b>Revenues</b>	<b>149</b>	<b>156</b>	<b>(4.5%)</b>	<b>72</b>	<b>148</b>	<b>(51.4%)</b>	<b>221</b>	<b>304</b>	<b>(27.3%)</b>
Variable contribution	142	148	(4.1%)	68	142	(52.1%)	210	290	(27.6%)
Operating expenses	(76)	(71)	7.0%	(50)	(73)	(31.5%)	(126)	(144)	(12.5%)
<b>EBITDA</b>	<b>66</b>	<b>77</b>	<b>(14.3%)</b>	<b>18</b>	<b>69</b>	<b>(73.9%)</b>	<b>84</b>	<b>146</b>	<b>(42.5%)</b>
D&A	(45)	(39)	15.4%	(53)	(40)	32.5%	(98)	(79)	24.1%
<b>EBIT</b>	<b>21</b>	<b>38</b>	<b>(44.7%)</b>	<b>(35)</b>	<b>29</b>	<b>(&gt;100.0%)</b>	<b>(14)</b>	<b>67</b>	<b>(&gt;100.0%)</b>
VC / Revenue %	95.3%	94.9%	0.4%	94.4%	95.9%	(1.5%)	95.0%	95.4%	(0.4%)
Opex / Revenue %	51.0%	45.5%	5.5%	69.4%	49.3%	20.1%	57.0%	47.4%	9.6%
EBITDA / Revenue %	44.3%	49.4%	(5.1%)	25.0%	46.6%	(21.6%)	38.0%	48.0%	(10.0%)
EBIT / Revenue %	14.1%	24.4%	(10.3%)	(48.6%)	19.6%	(68.2%)	(6.3%)	22.0%	(28.3%)



# 5. GROUP OPERATING EXPENSES (\$M)

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Notes:

1. FY20 cost mitigations of \$47m (Lotteries & Keno \$15m, Wagering & Media \$22m, Gaming Services \$10m)
2. FY20 incremental cost synergies vs pcp of \$29m (Lotteries & Keno \$9m, Wagering & Media \$16m, Gaming Services \$4m)

## 6. IMPACT OF AASB 16 LEASES<sup>1</sup>

- o AASB 16 Leases represents significant changes to how lessees account for operating leases. The adoption of AASB 16 resulted in:
  - Higher assets and liabilities in the balance sheet; and
  - Charges to the income statement are included in depreciation and interest in replacement of rental expense, which was classified as an operating expense

\$m <sup>2</sup>	FY20	FY19
<b>Revenues</b>	<b>6</b>	<b>6</b>
Variable contribution	7	7
Operating expenses	54	53
<b>EBITDA before significant items</b>	<b>61</b>	<b>60</b>
D&A <sup>3</sup>	(50)	(44)
<b>EBIT before significant items</b>	<b>11</b>	<b>16</b>
Interest	(16)	(17)
Tax expense	2	-
<b>NPAT before significant items</b>	<b>(3)</b>	<b>(1)</b>
Significant items	-	-
NPAT from discontinued operations	-	-
<b>Statutory NPAT</b>	<b>(3)</b>	<b>(1)</b>

Notes:

1. Refer Note E8 in the Financial Statements for the year ended 30 June 2020
2. Denotes favourable/(unfavourable) impact
3. FY19 includes reversal of impairment of \$6m upon sub-leasing of Ann St, Brisbane property

## 7. WAGERING & MEDIA KPIs: FY20 COMBINED

	TAB	Change	Ex UBET	Change	Combined	Change
<b>Turnover by distribution (\$m)<sup>1</sup></b>						
Retail	4,070	(28.1%)	1,284	(27.5%)	5,354	(27.9%)
Digital	5,972	5.9%	1,095	(6.4%)	7,067	3.8%
Call Centre	296	(12.4%)	95	(22.8%)	391	(15.2%)
Other <sup>2</sup>	955	(5.7%)	312	(14.3%)	1,267	(8.0%)
<b>Total</b>	<b>11,293</b>	<b>(10.7%)</b>	<b>2,786</b>	<b>(18.7%)</b>	<b>14,079</b>	<b>(12.4%)</b>
<b>Revenue by product (\$m)<sup>1</sup></b>						
Totalisator	810	(11.9%)	216	(18.2%)	1,026	(13.3%)
Fixed Odds	699	1.9%	212	(6.2%)	911	(0.1%)
<b>Total Racing</b>	<b>1,509</b>	<b>(6.0%)</b>	<b>428</b>	<b>(12.7%)</b>	<b>1,937</b>	<b>(7.5%)</b>
Sport	170	(24.4%)	23	(14.8%)	193	(23.4%)
Trackside	55	(23.6%)	-	-	55	(23.6%)
<b>Total</b>	<b>1,734</b>	<b>(8.8%)</b>	<b>451</b>	<b>(12.8%)</b>	<b>2,185</b>	<b>(9.7%)</b>
<b>Fixed Odds Yields</b>						
Gross Yield	16.2%	1.4%	16.7%	1.7%	16.4%	1.6%
Generosities	(1.8%)	(0.5%)	(1.1%)	0.3%	(1.7%)	(0.4%)
<b>Net Yield</b>	<b>14.4%</b>	<b>0.9%</b>	<b>15.6%</b>	<b>2.0%</b>	<b>14.7%</b>	<b>1.2%</b>
Net Racing Yield	15.4%	1.3%	16.6%	2.1%	15.6%	1.4%
Net Sports Yield	11.5%	(0.6%)	10.2%	1.4%	11.4%	(0.2%)
<b>Other KPIs</b>						
Active customers <sup>3</sup>	576,000	7.1%	150,000	(17.6%)	726,000	0.8%
Digital-in-venue turnover (\$m)	320	7.4%	30	(9.1%)	350	5.7%
% Retail turnover from SST	73.3%	+1.9%	16.7%	+3.9%	59.8%	+0.9%
Sky Racing Active customers					111,000	NM
Sky venue subscriptions (#)					4,901	(1.9%)
Sky races broadcast (#)					123,719	(8.0%)

Notes:

1. Combined, TAB turnover and TAB revenue includes Victorian Racing Industry interest
2. Other turnover includes On-course, Premium Customers and PGI
3. Active Customers measured on a rolling 12 month basis

## 8. GLOSSARY

TERM	DEFINITION
<b>1H/2H</b>	Six months ended 31 December/30 June of the relevant financial year
<b>1Q/2Q/3Q/4Q</b>	Three months ended 30 September/31 December/31 March/30 June of the relevant financial year
<b>ACT</b>	Australian Capital Territory
<b>ACTTAB</b>	The Tabcorp business located in the ACT
<b>ASX</b>	Australian Securities Exchange
<b>BAU</b>	Business as Usual
<b>Combination</b>	The Tabcorp-Tatts combination which was implemented in December 2017
<b>D&amp;A</b>	Depreciation, Amortisation and impairment
<b>DPS</b>	Dividends Per Share
<b>EBIT</b>	Earnings Before Interest and Tax
<b>EBITDA</b>	Earnings Before Interest, Tax, Depreciation, Amortisation and impairment
<b>EGM</b>	Electronic Gaming Machine
<b>EPS</b>	Earnings Per Share
<b>Financial year / FY</b>	The Group's financial year is 1 July to 30 June
<b>Gaming Services (GS)</b>	The Group's business that provides services to licensed gaming venues and EGM monitoring services
<b>Group</b>	The Tabcorp group of companies
<b>Keno</b>	A game of chance that is played approximately every three minutes and part of the Group's Lotteries and Keno business
<b>Lotteries and Keno (L&amp;K)</b>	The Group's business that operates lotteries and Keno, which are games of chance

TERM	DEFINITION
<b>MAX</b>	The Group's Gaming Services brand
<b>NM</b>	Not meaningful
<b>NPAT</b>	Net Profit After Tax
<b>Over-round</b>	The combined total of priced probability across all outcomes on a single event. The excess over 100% represents the implied margin
<b>OPEX</b>	Net operating expenses
<b>PCP</b>	Prior Comparison Period
<b>PGI</b>	The Premier Gateway International joint venture operating from the Isle of Man
<b>POCT</b>	Point of Consumption Tax
<b>ROIC</b>	Return on invested capital (refer Slide 20 for definition)
<b>RQ</b>	Racing Queensland
<b>Sky Racing</b>	Part of the Group's Media business, broadcasting racing and sport throughout Australia and internationally
<b>TAB</b>	The Group's wagering brand
<b>UBET</b>	The part of the Group's wagering business acquired as part of the Combination
<b>Tatts or Tatts Group</b>	Tatts Group Limited (ABN 19 108 686 040) which was acquired by Tabcorp Holdings Limited in December 2017
<b>The Lott</b>	Umbrella brand for the entire lotteries business
<b>USPP</b>	US Private Placement
<b>VC</b>	Variable Contribution
<b>Wagering and Media (W&amp;M)</b>	The Group's business that operates fixed odds and pari-mutuel betting products and services on racing, sport and novelty products, and racing and sports broadcasting

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