

ASX ANNOUNCEMENT

Tabcorp

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ASX Market Announcements
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Settlement of Racing Queensland Litigation and Proposed Queensland Wagering Industry Reform

Tabcorp Holdings Limited (**Tabcorp**) announces the conditional settlement of litigation with Racing Queensland and the impact of proposed reforms to the Queensland wagering industry announced by the Queensland Government today (refer to attached media release). These legislative reforms, when implemented, will level the playing field by ensuring Tabcorp's wagering tax and racing product fee obligations in Queensland are the same as Northern Territory licensed online wagering operators.

Settlement of Racing Queensland Litigation

In 2019, Racing Queensland commenced legal proceedings against Tabcorp in relation to disputes concerning the calculation of fees payable by Tabcorp following the introduction of point of consumption tax (**POCT**) in Queensland in 2018.

Tabcorp and Racing Queensland have entered into an agreement to settle the legal proceedings. Tabcorp will pay Racing Queensland and the Queensland Government a combined total amount of \$150m (ex GST). Note that the Company has disclosed a contingent liability (as at 31 December 2021) of \$75m post tax (\$108m pre-tax), in connection with this litigation. The settlement is conditional upon the commencement of legislation that will implement the proposed reforms announced by the Queensland Government today by 31 March 2023.

Impact of proposed Queensland wagering industry reforms

The Queensland Government has announced proposed reforms to the wagering taxation and racing industry funding model, including an increase to the POCT rate to 20%, payable by wagering operators. Upon these reforms taking effect, key industry agreements with Racing Queensland will terminate, resulting in a level playing field and Tabcorp paying wagering taxes and racing product fees on the same basis as other wagering operators.

Tabcorp Managing Director and CEO Adam Rytenskild said: "Online betting has changed the market substantially since TAB's licences were issued. On a relative basis, TAB currently pays double the fees to the local racing industries compared to other wagering operators. Going forward we will all pay the same in Queensland. I commend the Queensland Government for delivering fair and much needed reforms that bring the wagering market into line with the modern economy."

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These reforms address the underlying structural changes in the operating environment created by the increased proliferation of online wagering from Northern Territory licensed bookmakers and will deliver increased funding for the Queensland racing industry (which has previously relied on Tabcorp for over half its wagering income). Indicatively, in calendar year 2021 Tabcorp paid fees and taxes to Queensland Racing and the Queensland Government of approximately 44.5% on Queensland revenue of \$315m. Had the proposed reforms applied during that period, Tabcorp would have paid these fees and taxes at 35% of revenue¹.

Additionally, Tabcorp's on-course advertising exclusivity in Queensland and its obligation to spend a required amount on racing sponsorships each year will end once these reforms take effect. Tabcorp will instead be able to negotiate directly with clubs for any oncourse advertising arrangements.

This announcement was authorised for release by the Tabcorp Board.

For more information:

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¹ This is not a forecast as to future financial impacts, which will depend upon many things, including but not limited to market conditions, race fields fees, POCT rates and overall QLD TAB revenue performance.



Media release

JOINT STATEMENT

Treasurer and Minister for Trade and Investment

The Honourable Cameron Dick

Minister for Education, Minister for Industrial Relations and Minister for Racing

The Honourable Grace Grace

Greater certainty for Queensland country racing

The Palaszczuk Government is delivering a boost to Queensland's racing industry, especially country racing, through a new sustainable funding model.

Treasurer and Minister for Trade and Investment Cameron Dick said the changes recognise significant changes that have occurred in the racing industry and the important role country clubs play in regional communities.

"There are 125 racing clubs across Queensland," the Treasurer said.

"For 85 of those clubs, a race meeting is the biggest or second biggest event in their community each year.

"For many of those clubs, a race meeting is a once-a-year event that is an unparalleled opportunity for people to get together.

"Our government recognises how important those gatherings are to the social fabric of Queensland, and today's announcement will help them thrive into the future."

Racing Minister Grace Grace said greater certainty for clubs, participants and race attendees is vital.

"Over 43,000 Queenslanders participate in the racing industry, and that's before we count the 675,000 who attend race meetings," Ms Grace said.

"These changes offer the industry, and the 6500 jobs it directly employs, greater certainty.

"Providing longer term funding certainty means opportunities for increased prize money, enhanced infrastructure, and better training facilities – and the more the industry grows, the more revenue it will receive."

The changes include:

- a new 5 per cent racing levy added to the betting tax (also known as the Point of Consumption tax)
- broadening the betting tax to include free and bonus bets
- increasing the proportion of betting tax revenue that goes directly to the racing industry from 35 per cent 80 per cent.

The Treasurer said the change from the current 35% share of the betting tax going back into the industry increasing to 80% also creates a single funding stream.

"At present, a lot of the funding that goes to the racing industry is in the form of short-term government funding programs," he said.

"Now, the industry will have the certainty of knowing they will get 80 per cent of the betting tax, and if the size of the pie grows, so too will their share."

"The significant growth in online betting over the last few years has led to a very different wagering market in Queensland and we need to adapt."

"The Palaszczuk Government is levelling the playing field for all wagering operators and ensuring that organisations profiting from Queensland's thriving racing industry are investing into its future too."

Since 2014, Racing Queensland funding has been reliant on an agreement with Tabcorp that will now be unwound as part of the new funding model.

Minister Grace said the changes would offer more sponsorship opportunities for racing clubs across Queensland.

"While Tabcorp will still offer oncourse betting services and retain retail exclusivity, its on-course 'sponsorship and advertising' exclusivity will end once these changes take effect," she said.

"This means race clubs across Queensland will have opportunities to enter into new sponsorship agreements with other wagering service providers."

"Other benefits of the agreement include a further injection of \$50 million from Tabcorp to cater for future racing infrastructure needs, and a one-off payment of \$100 million to Racing Queensland."

Racing Queensland Chairman Steve Wilson AM said the State's racing industry does an incredible job connecting communities right across the state.

"The introduction of the racing levy by the Palaszczuk Government will ensure investments in jobs, events and communities will continue to grow."

He said that over the past five years the industry has grown to generate total economic contribution to the Queensland economy of \$1.9 billion in 2020-21, supporting thousands of jobs across the state, with a significant number of these jobs in regional areas.

"On an annual basis, 85 communities host a race meeting which is either the biggest or second largest event for the year."

Tabcorp Managing Director and Chief Executive Officer Adam Rytenskild commended the Queensland Government for levelling the playing field which would ensure profits made by foreign online bookmakers make a greater contribution to the Queensland industry.

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“The Queensland Government and Racing Queensland have backed Australian-made and implemented fair reforms that put Australia and Queensland first,” Mr Rytenskild said.

“This is a big shot in the arm for the Queensland racing industry – it is also great for TABs in pubs and clubs, and great for punters right across Queensland.

“The Queensland racing industry will finally receive a fair share of funding from foreign-owned betting companies – who have grown rapidly, taking the TABs market share and therefore undercutting racing industry funding.”

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