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

Tabcorp Results – Full Year Ended 30 June 2022

Tabcorp Holdings Limited (**Tabcorp** or the **Company**) (ASX: TAH) today announced its full year results for the 12-month period ended 30 June 2022 (FY22). The Company reported FY22 Group Statutory Net Profit after Tax (NPAT) of \$6,776m (FY21: \$269m) including a gain on demerger of \$6,514m. Tabcorp announced a fully franked final dividend of 6.5 cents per share (cps) payable on 23 September 2022 to shareholders registered as at 1 September 2022.

Highlights

- **Group revenue** of \$2,373m down 4.3% in FY22, **Group EBITDA** from continuing operations¹ \$382m, **pro forma EBITDA** \$361m². Results reflective of external impacts including COVID-19, delivered under pre-demerger operating structure.
- **Final Dividend 6.5 cps fully franked.** Total FY22 Dividend 13.0 cps, 80% payout ratio³ of NPAT before significant items.
- **Solid financial position. Net Debt**⁴ \$20m, Gearing: 0.5x net debt⁵/EBITDA.

Managing Director and CEO Commentary

Tabcorp Managing Director and CEO Adam Rytenskild said: “We’ve made an urgent start to transform Tabcorp into a competitive and growing business. We have a clear strategy and a focused ambition to grow our customer base. The hero metric for everyone in the Company is digital revenue market share, without exception. I’m determined for us to be different and to be totally obsessed with creating products and experiences that Australia loves.

1. EBITDA from continuing operations is a non-IFRS measure and excludes significant items.
2. Pro forma EBITDA is a non-IFRS measure and is unaudited. Pro forma EBITDA includes net additional stand-alone costs following demerger as if they had been incurred for the full year ended 30 June 2022, totalling \$21m (FY21: \$23m).
3. Payout ratio calculated on NPAT (before significant items) from continuing and discontinued operations.
4. Excluding lease liabilities and significantly restricted cash.
5. Including lease liabilities but excluding significantly restricted cash.

“FY22 results reflect a disrupted period – it’s a line in the sand and the end of old Tabcorp. We’re resetting our business and culture to focus only on customers and growth. I can’t wait to roll-out our new TAB App. We’re gearing up for an exciting spring and to follow that with a terrific customer experience for the FIFA World Cup. We’ll also release two new TAB digital products before Christmas – that includes a social betting feature and a same race multi product.

“Our transformation has started. In the near term, we have a clear plan with specific actionable priorities for FY23 including the launch of our new TAB App which is faster, simpler and different. We are improving our customer experience and will better leverage our venue and media assets for customers. Structural reforms to level the playing field with offshore bookmakers will further improve our competitiveness and our opportunity to grow.

“While we are implementing an urgent transformation, caring for our customers will remain an absolute priority. TAB is Australia’s most trusted wagering brand and it’s a role we take very seriously.

“In Gaming Services, the pivot toward our unique integrity services capability has begun. We are working with the Star Entertainment Group to transition their Sydney Casino onto our NSW monitoring platform. We have made a decision to sell our non-core eBet business and are in discussions with a preferred bidder.

“FY22 was a disrupted year with first half COVID lockdowns in our two largest markets, a record number of race meetings washed out and the priority challenges of a company pre-demerger. We are seeing stabilisation in our digital market share, and our total focus is now on executing our strategy to transform and pursue growth. We feel the next results, reflecting this half, will be a good test for the improvements we are making.

“None of this is possible without our people, and we are working quickly to change our culture and the way we work to be innovative, bold and unified to win”.

Financial Discipline and Strong Balance Sheet

In FY22 Tabcorp successfully completed its 3S cost efficiencies program, delivering a further \$23m in EBIT savings from continuing operations. The current Tabcorp businesses contributed more than 75% of the savings generated over the life of this program.

Cost discipline and commercial rigor continues to be a key priority for the Company with the new Genesis program well advanced in the development of short and medium term initiatives. It is anticipated that these initiatives will start to deliver savings in FY23 (skewed toward 2H23) enabling Tabcorp to target cost growth at 3-4% on FY22 pro forma Opex despite the prevailing high inflationary environment.

The Company’s balance sheet is strong with net debt of \$20m excluding lease liabilities and significantly restricted cash. Undrawn facilities of \$810m providing flexibility and optionality to invest in growth initiatives.

Gearing is 0.5x net debt/EBITDA however we note several upcoming payments (such as the final dividend, remaining demerger costs, Queensland litigation settlement and final licence instalment payments) will impact the drawn debt level.

FY22 Divisional Result: Wagering and Media

Wagering and Media revenue for the year was down 5.1% on FY21 at \$2,182m, EBITDA was down 26% both driven by the significant impact of COVID related retail closures in 1H22 in the Company's largest markets (NSW and Victoria), and wet weather in 2H22 which resulted in a record number of abandonments.

Market conditions remained competitive throughout the period, in particular during 1H22 when the wagering market was predominantly digital. This resulted in increased customer generosity in FY22. In 2H22 the Company maintained its investment in generosity at a higher rate than 2H21, however lower than 1H22 levels.

The re-opening of venues from 2Q22 resulted in promising signs of recovery in 2H22, reinforcing the fact that Tabcorp's omni-channel wagering offering performs best when all channels are fully operational.

FY22 Divisional Result: Gaming Services

Gaming Services revenue for the year was up 5.3% at \$193m and was comprised of:

- revenue from MAX Venue Services of \$119.3m (up 20.0% on FY21) reflecting fewer trading days lost in Victoria (the Company's largest market); and
- revenue from MAX Regulatory Services of \$73.6m down 12.2% on FY21 reflecting COVID closures in NSW where 75% of its business is located.

Gaming Services EBITDA for the year was \$75.2m, up 6.4% on FY21 reflecting stronger revenue as a result of full-billing recommencing on 1 December 2021 following significant COVID related customer fee relief throughout the first five months of 1H22.

Dividend

Tabcorp has announced a final dividend of 6.5 cents per share (cps) fully franked. The final dividend reflects five months of earnings from the demerged Lotteries and Keno business, and a full six months of earnings from Tabcorp's continuing businesses. The final dividend is payable on 23 September 2022 to shareholders registered as at 1 September 2022. Coupled with the FY22 interim dividend of 6.5 cps, the total FY22 dividend equates to 13.0 cps and represents a payout ratio of 80% of NPAT before significant items. The Company's Dividend Reinvestment Plan will operate in respect of the final dividend, with a 2.5% discount applicable.

FY23 Outlook:

We continue to implement the key elements of our strategy presented at the investor briefing in June:

- Digital revenue market share in July of 25%^{6,7} **July Group revenue up 14.6%, Wagering and Media revenue +11.2%**, versus the prior corresponding period (noting the pcg had some COVID-19 impacts).⁸
- The new TAB App has been trialled by some customers and will be launched in September – well ahead of the major spring carnival races. The overwhelming feedback from customers has been positive.⁹
- We are building two new products, a social betting feature and same race multi product, to be released before Christmas.
- Our marketing has been modernised with our Spring Carnival marketing spend now 73% in digital compared to 59% last year. This will allow us to better target new customers.¹⁰
- Queensland structural reform to an operator agnostic, sustainable funding structure, remains on track. That means Tabcorp will pay the same wagering taxes and fees as Northern Territory licenced operators.
- Following a strategic review of Gaming Services, a decision has been made to sell eBet¹¹. We are currently negotiating with a preferred bidder.
- Our cost and efficiency program Genesis has commenced aimed at restructuring our cost base. In FY23 we are targeting 3-4% cost growth on FY22 pro forma, with benefits skewed to 2H23.
- Forecast FY23 capital expenditure up to \$150m, and FY23 Depreciation and Amortisation of \$250-260m.

This announcement was authorised for release by the Tabcorp Board.

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6. Digital includes digital and call centre channels in which a customer transacts using their account.
7. Based on data supplied by industry partners which account for approximately one-third of the wagering market. All data is before generosities.
8. Based on unaudited financial results.
9. Source: Initial sentiment survey of 721 beta trial customers.
10. Planned marketing spend for the Spring 22 marketing campaign for the period 1 August to 30 November 2022.
11. eBet includes Astute and Club Line businesses.