

21 February 2023

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

Results for announcement to the market for the half year ended 31 December 2022

In accordance with the ASX Listing Rule 4.2A, the following information in respect of Tabcorp Holdings Limited's (**Tabcorp's**) results for the half year ended 31 December 2022 is transmitted for lodgment:

1. Appendix 4D; and
2. Interim Financial Report.

The information contained in this announcement should be read in conjunction with Tabcorp's most recent Annual Report.

This announcement was authorised for release by the Tabcorp Board.

For more information:

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Results for announcement to the market

Half year report for the 6 months ended 31 December 2022
Tabcorp Holdings Limited (ABN 66 063 780 709)

Results	\$m	% change increase/ (decrease)
Revenue from continuing operations	1,274.5	11%
Profit after tax from continuing operations	51.7	NM ⁽ⁱ⁾
Profit from ordinary activities after tax attributable to members	51.7	(70%)
Net profit for the period attributable to members	51.7	(70%)

(i) Percentage change is not meaningful.

Dividend	Record date	Payment date	Amount per share	Franked amount per share
Final dividend	1 September 2022	23 September 2022	6.5 ¢	6.5 ¢
Interim dividend	27 February 2023	21 March 2023	1.3 ¢	1.3 ¢

No foreign conduit income is attributable to the interim dividend.

Dividend reinvestment plan

Tabcorp's Dividend Reinvestment Plan (DRP) will operate in respect of the interim dividend, with the last date for receipt of election notices being 28 February 2023. No discount is applicable to shares allocated to participants and no brokerage, commission or other transaction costs will be payable by participants on shares acquired under the DRP. Shares will be allocated on 21 March 2023 and will rank equally in all respects with existing shares. The price at which shares are allocated is the daily volume weighted average market price of Tabcorp shares sold in the ordinary course of trading on the Australian Securities Exchange over a period of 10 business days beginning on the second business day after the dividend record date.

Net tangible asset backing ⁽ⁱⁱ⁾	December 2022 \$	December 2021 \$
Net tangible asset backing per ordinary share	(0.22)	(1.47)
Net tangible asset backing per ordinary share including licences	0.07	(0.57)

(ii) Net tangible assets includes liabilities in relation to leasing and the corresponding right-of-use assets.

Controlled entities

The following controlled entities were incorporated during the half year ended 31 December 2022:

Company Name	Date incorporated
Maxgaming TAS Pty Ltd	17 August 2022
Tabcorp Ventures Australia 1 Pty Ltd	7 September 2022

Supplementary information

The previous corresponding period is the half year ended 31 December 2021.

For additional Appendix 4D disclosures, refer to the accompanying Interim Financial Report (which includes the Directors' Report) for the half year ended 31 December 2022 and ASX Media Release.

This Appendix 4D should be read in conjunction with Tabcorp Holdings Limited's Annual Report 2022.

Tabcorp

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED
31 DECEMBER 2022



WE'RE RAISING THE GAME

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DIRECTORS' REPORT

The Directors of Tabcorp Holdings Limited (ABN 66 063 780 709) (**Tabcorp** or **the Company**) present their report for the consolidated entity comprising the Company and its subsidiaries (**the Group**) and the Group's interests in joint arrangements and associates in respect of the half year ended 31 December 2022 (**1H23**).

PRINCIPAL ACTIVITIES

The principal activities of the Group during 1H23 comprised the provision of gambling, entertainment and integrity services.

The demerger of Tabcorp's Lotteries and Keno business was implemented on 1 June 2022 and resulted in Tabcorp retaining its Wagering and Media business and Gaming Services business, while the demerged The Lottery Corporation Limited now holds the former Lotteries and Keno business (**Demerger**).

Other than in respect of the Demerger, the Group's principal activities during 1H23 remained unchanged from the previous financial year.

REVIEW OF OPERATIONS

The 1H23 results of the Group comprise the operations from the following two businesses:

- Wagering and Media; and
- Gaming Services.

The comparison to the prior half year period relates to the results for the continuing businesses in respect of the six-month period to 31 December 2021 (**1H22** or **pcp**).

1H23 GROUP RESULTS

	1H23 \$m	1H22 \$m	Change %
Revenues	1,274.5	1,150.3	10.8%
EBITDA ^{1 2}	201.6	170.5	18.2%
EBIT ¹	78.2	27.8	181.3%
NPAT	51.7	(24.2)	NM ³

Earnings/(loss) per share (EPS) – cents per share	2.3	(1.1)	NM
Dividends per share – cents per share fully franked	1.3	6.5	(80.0%)

The Group reported a net profit after tax (**NPAT**) of \$51.7m, compared to a net loss after tax of \$24.2m in the pcp.

Revenues were \$1,274.5m, up 10.8% on the pcp. Earnings before interest, tax, depreciation, amortisation, and impairment¹ (**EBITDA**) was \$201.6m, up 18.2% on the pcp. Earnings before interest and tax¹ (**EBIT**) was \$78.2m, up 181.3% on the pcp.

Basic EPS for the period was 2.3 cents per share, compared to a loss of 1.1 cents per share in the pcp.

The Group's Wagering and Media and Gaming Services businesses rebounded strongly from a COVID-19 impacted pcp, with 10.8% and 18.2% growth recorded in both Group revenue and EBITDA, respectively. While the COVID-19 lockdowns presented an opportunity for digital only operators, the Group's retail customers have quickly returned and the Group's digital transformation is amplifying that opportunity.

¹ Excluding equity accounted investment.

² EBITDA is non-IFRS financial information.

³ Percentage change is not meaningful.

Cost discipline and commercial rigour continues to be a key priority for the Group, with good progress made on the Genesis transformation program to improve organisational efficiency and support cost management. In 1H23, operating expenses grew 4.1%⁴, to \$323.2m.

The Group's balance sheet remains in a strong position, with \$382m in net debt⁵ and gearing⁶ of 1.4x as at 31 December 2022. During the period the Group increased and diversified its sources of available funding and lengthened its debt maturity profile with a new A\$425.0m equivalent US Private Placement note issuance which is currently undrawn and expected to be issued in 2H23.

1H23 BUSINESS RESULTS

Wagering and Media

	1H23 \$m	1H22 \$m	Change %
Revenues	1,165.7	1,073.4	8.6%
EBITDA ⁷	154.4	148.4	4.0%
EBIT	57.9	43.2	34.0%

Business overview	<p>Wagering and Media operates a diverse and complementary portfolio of operations.</p> <p>TAB is a leading omni-channel provider of wagering experiences in Australia, offering totalisator (or pari-mutuel) and fixed odds betting on racing, sport, and other events through digital and retail channels.</p> <p>Sky Media is a leader in multi-venue, multi-channel racing and sports broadcasting in Australia and internationally.</p> <p>Premier Gateway International (PGI) operates a global tote pooling hub based in Isle of Man and Sky Racing World, based in the US, distributes international racing content and facilitates associated tote pools.</p>
1H23 results	Wagering and Media revenues were \$1,165.7m, up 8.6%, and EBIT was \$57.9m up 34.0%, respectively on the pcp.
Review of performance	<p>Wagering and Media revenue and EBIT for 1H23 rebounded strongly from a heavily COVID-19 impacted pcp.</p> <p>Retail cash wagering turnover grew 65.0% and revenue grew 58.1% on the pcp, with customers returning to retail venues post COVID-19 lockdowns and retail closures.</p> <p>Digital wagering turnover was down 6.4% and revenue was down 15.0% on the pcp, due to the wagering market in the pcp being predominantly digital amid COVID-19 lockdowns and retail closures.</p> <p>During 1H23, the new TAB App was successfully launched and new products released.</p> <p>TAB digital revenue market share was 25.1%⁸, in line with the pcp, while total</p>

⁴ On a pro-forma basis as if net additional stand-alone costs following the Demerger had been incurred for the pcp.

⁵ Excludes lease liabilities and restricted cash.

⁶ Gearing is net debt (including lease liabilities but excluding restricted cash) / EBITDA on a pro-forma basis over the last 12 months, and is non-IFRS financial information.

⁷ EBITDA is non-IFRS financial information.

⁸ Digital includes digital and call centre channels in which a customer transacts using their account. Based on data supplied by industry partners which accounts for approximately one-third of the wagering market. All data is before generosities.

	<p>wagering market share was 34.8%⁹, up from 31.2% for the pcp. This is the first time TAB has held digital revenue market share since 2019, highlighting improvements made in TAB's digital offerings and the fact that TAB's omni-channel wagering offering performs best when all channels are fully operational.</p> <p>There were approximately 797,000 active digital TAB customers on a rolling 12-month basis to 31 December 2022, up from approximately 780,000 in the pcp.</p> <p>Reforms were implemented in Queensland on 1 December 2022 resulting in Tabcorp paying the same wagering taxes and fees as online wagering operators in that state. Since then, TAB has experienced higher revenue growth in Queensland. Following the implementation of a level playing field in Queensland, Tasmania and the ACT, Tabcorp is seeking a level playing field in every state and territory. This will allow TAB to invest more in customers and products and provide greater investment in the racing industry and its participants.</p> <p>Revenue from the Group's Media and International businesses grew 8.5% on the pcp.</p> <p>Operating expenses grew 2.7% on the pcp¹⁰, to \$264.0m, due to cost inflation and higher advertising and promotion spend, partly offset by insurance proceeds.</p>
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Gaming Services

	1H23 \$m	1H22 \$m	Change %
Revenues	108.8	77.6	40.2%
EBITDA ^{11 12}	42.9	20.5	109.3%
EBIT ¹¹	16.0	(16.9)	NM

Business overview	<p>Gaming Services operates the MAX business, the largest gaming services provider in Australia.</p> <p>MAX Regulatory Services provides electronic gaming machine monitoring and related integrity services across NSW, Queensland, Northern Territory and, from 1 July 2023, Tasmania.</p> <p>MAX Venue Services comprises MAX Performance Solutions, MAX Integrated Systems and MAX Technical Services, and provides a mix of products, technology, financing, support, maintenance and other gaming services to venues nationwide.</p>
1H23 results	<p>Revenues for the Gaming Services business were \$108.8m, up 40.2% on the pcp, and the business reported EBIT of \$16.0m compared to a net loss before interest and tax of \$16.9m in the pcp.</p>
Review of performance	<p>Gaming Services revenue and EBIT for 1H23 rebounded strongly as the business cycled COVID-19 related venue closures in the pcp, partly offset by negative impacts of electronic gaming machine (EGM) contract non-renewals from mid-August 2022.</p>

⁹ Total market includes digital and cash wagering revenue. Based on data supplied by industry partners which accounts for approximately one-third of the wagering market. All data is before generosities.

¹⁰ On a pro-forma basis, as if net additional stand-alone costs following the Demerger had been incurred from the commencement of the pcp.

¹¹ Results before significant items.

¹² EBITDA is non-IFRS financial information.

	Operating expenses were \$58.5m, up 6.4% on the pcp ¹³ , driven by COVID-19 related cost savings in the pcp and cost inflation.
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	During the period the Gaming Services business made good progress as it transitions to an integrity services model, with the sale of the eBet business announced in September 2022 (completed 1 February 2023), and the awarding to Max Regulatory Services of a new 20-year exclusive Tasmanian Monitoring Operator Licence to monitor all EGMs in hotels and licensed venues in Tasmania, commencing 1 July 2023.
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DIVIDEND

A final dividend of 6.5 cents per share fully franked in respect of the year ended 30 June 2022 (**FY22**) was announced on 24 August 2022 and paid to shareholders on 23 September 2022. The final dividend reflected five months of earnings from the former Lotteries and Keno business prior to the Demerger and six months of earnings from Tabcorp's continuing Wagering and Media, and Gaming Services businesses.

An interim dividend of 1.3 cents per share fully franked in respect of the 1H23 period has been announced. The interim dividend will be payable on 21 March 2023 to shareholders registered as at 27 February 2023. The ex-dividend date is 24 February 2023.

This interim dividend represents a payout ratio of 61% of NPAT before significant items and equity accounted loss¹⁴, in line with the Group's previously announced target dividend payout ratio of 50% to 70% of NPAT before significant items.

The Company's Dividend Reinvestment Plan will operate in respect of this interim dividend, with no discount or underwriting applicable.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no other significant changes in the state of affairs of the Group that occurred during the half year under review not otherwise disclosed in this report.

OTHER MATTERS

Dabble Investment

In October 2022, the Group acquired a 20% equity interest in socialised digital wagering platform Dabble Sports Pty Ltd (**Dabble**).

USPP Note Placement

In December 2022, the Group announced it had successfully priced US\$289.0m in long-term debt to investors in the US Private Placement market (**Notes**). The Notes will total A\$425.0m after swapping into Australian Dollars and are scheduled to settle in March 2023, subject to customary conditions. Proceeds from the Notes are to be used for general corporate purposes, the repayment of existing indebtedness and to fund growth options consistent with the Group's strategy since Demerger.

Settlement of Racing Queensland Litigation

In December 2022, Tabcorp and Racing Queensland settled legal proceedings bought by Racing Queensland against Tabcorp in relation to disputes concerning the calculation of fees payable by Tabcorp following the introduction of point of consumption tax in Queensland in 2018. The settlement became effective upon the passing of legislation in Queensland implementing reforms to the wagering taxation and racing industry funding model in Queensland. As part of the settlement, Tabcorp paid \$100m (plus GST) to Racing Queensland and \$50m (no GST) to the Queensland Government.

¹³ On a pro-forma basis, as if net additional stand-alone costs following the Demerger had been incurred from the commencement of the pcp.

¹⁴ NPAT before significant items and equity accounted loss is non-IFRS financial information.

SIGNIFICANT EVENTS AFTER THE END OF THE HALF YEAR PERIOD

On 1 February 2023, the Group completed the sale of the eBet business to Venue Digital Technology Pty Ltd for gross proceeds of \$62.0m (subject to working capital and other minor adjustments).

There have been no other matters or circumstances that have arisen since the end of the half year that have significantly affected or may significantly affect the Group's operations which are not otherwise disclosed in the Directors' Report or the Financial Report.

ROUNDING OF AMOUNTS

Dollar amounts in the Financial Report and the Directors' Report have been rounded to the nearest hundred thousand unless specifically stated to be otherwise, in accordance with the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8. The auditor's independence declaration forms part of the Directors' Report.

DIRECTORS

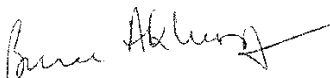
The Directors of the Company in office during the half year and up to the date of this report (unless otherwise stated) are as follows:

NAME	TITLE
Bruce Akhurst	Chairman and Non-Executive Director
Adam Rytenskild	Managing Director and Chief Executive Officer
Brett Chenoweth	Non-Executive Director (from 4 August 2022)*
David Gallop AM	Non-Executive Director
Janette Kendall	Non-Executive Director
Justin Milne	Non-Executive Director
Raelene Murphy	Non-Executive Director (from 4 August 2022)*

* Served as a Board Observer prior to commencement as a Non-Executive Director.

The Company has announced that Karen Stocks will be appointed as a Non-Executive Director, subject to the receipt of regulatory and ministerial approvals. She has been a Board Observer since 1 June 2022.

This report has been signed in accordance with a resolution of Directors.



Bruce Akhurst
Chairman

21 February 2023
Melbourne



**Building a better
working world**

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Auditor's independence declaration to the Directors of Tabcorp Holdings Limited

As lead auditor for the review of the half-year financial report of Tabcorp Holdings Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect Tabcorp Holdings Limited and the entities it controlled during the financial period.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that appears to read 'Michael Collins' in a cursive style.

Michael Collins
Partner
21 February 2023

INCOME STATEMENT

for the half year ended 31 December 2022

		December 2022	December 2021
	Note	\$m	\$m
Continuing operations			
Revenue		1,274.5	1,150.3
Other income	A3	40.2	4.9
Commissions and fees		(576.1)	(525.7)
Government taxes and levies		(172.7)	(154.5)
Employment costs		(161.2)	(139.1)
Communication and technology costs		(61.8)	(49.2)
Advertising and promotions		(65.4)	(56.6)
Other expenses		(75.9)	(59.6)
Depreciation and amortisation		(123.4)	(142.7)
Profit before income tax, net finance costs and investment		78.2	27.8
Loss from equity accounted investment	C1	(1.2)	-
Finance income		1.7	0.2
Finance costs	A3	(14.6)	(69.7)
Profit/(loss) from continuing operations before income tax		64.1	(41.7)
Income tax (expense)/benefit	A4	(12.4)	17.5
Profit/(loss) from continuing operations after income tax		51.7	(24.2)
Discontinued operations			
Profit from discontinued operations after tax	C4	-	198.7
Net profit after tax		51.7	174.5
Other comprehensive income			
Items that may be reclassified to profit or loss			
Change in fair value of cash flow hedges taken to equity		(0.2)	63.1
Exchange differences on translation of foreign operations		1.6	(0.8)
Income tax relating to these items		0.1	(18.7)
Other comprehensive income for the period, net of income tax		1.5	43.6
Total comprehensive income for the period		53.2	218.1
Earnings/(loss) per share:			
From continuing operations			
Basic earnings/(loss) per share		2.3	(1.1)
Diluted earnings/(loss) per share		2.3	(1.1)
Total attributable to shareholders of Tabcorp			
Basic earnings per share		2.3	7.9
Diluted earnings per share		2.3	7.8
Dividends per share:			
Declared and paid during the period	A2	6.5	7.0
Determined in respect of the period	A2	1.3	6.5

The income statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

As at 31 December 2022

	Note	December 2022 \$m	June 2022 \$m
Current assets			
Cash and cash equivalents		256.4	199.4
Receivables		233.5	129.9
Prepayments		50.3	52.4
Current tax assets		31.7	-
Derivative financial instruments	B2	0.6	0.4
Assets held for sale	C2	28.2	34.2
Other		10.6	15.1
Total current assets		611.3	431.4
Non current assets			
Receivables		11.3	10.8
Licences		665.8	693.4
Other intangible assets		2,500.9	2,515.0
Property, plant and equipment		215.2	222.9
Right-of-use assets		107.2	126.5
Investment in an associate	C1	31.6	-
Prepayments		38.9	31.2
Derivative financial instruments	B2	1.4	1.8
Other		18.5	15.7
Total non current assets		3,590.8	3,617.3
TOTAL ASSETS		4,202.1	4,048.7
Current liabilities			
Payables		560.9	598.5
Lease liabilities		33.9	42.6
Current tax liabilities		-	8.5
Provisions		45.7	200.0
Derivative financial instruments	B2	8.6	12.5
Liabilities directly associated with assets held for sale	C2	4.4	-
Other		1.4	2.2
Total current liabilities		654.9	864.3
Non current liabilities			
Payables		-	1.3
Interest bearing liabilities	B1	550.8	135.3
Lease liabilities		124.9	139.1
Deferred tax liabilities		184.9	179.5
Provisions		17.1	18.1
Total non current liabilities		877.7	473.3
TOTAL LIABILITIES		1,532.6	1,337.6
NET ASSETS		2,669.5	2,711.1
Equity			
Issued capital		1,684.3	1,635.9
Retained earnings		981.2	1,074.2
Reserves		4.0	1.0
TOTAL EQUITY		2,669.5	2,711.1

The balance sheet should be read in conjunction with the accompanying notes.
The Lottery Corporation was demerged in June 2022.

CASH FLOW STATEMENT

for the half year ended 31 December 2022

	December 2022 \$m	December 2021 \$m
Cash flows from operating activities		
Net cash receipts in the course of operations	1,254.8	3,005.5
Payments to suppliers, service providers and employees	(1,178.5)	(1,362.0)
Payment of government levies, betting taxes and GST	(144.6)	(1,049.2)
Finance income received	1.7	0.2
Finance costs paid	(14.6)	(68.5)
Income tax paid	(43.8)	(92.4)
Net cash flows from operating activities	(125.0)	433.6
Cash flows from investing activities		
Payment for property, plant and equipment and intangibles	(117.0)	(85.8)
Proceeds from sale of property, plant and equipment and intangibles	37.6	4.5
Proceeds from sale of other non current assets	-	2.2
Payment for acquisition of shares in an associate	(32.8)	-
Payment for other financial assets	-	(18.3)
Net cash flows used in investing activities	(112.2)	(97.4)
Cash flows from financing activities		
Net cash flows from revolving bank facilities	415.0	(21.0)
Payment of lease liabilities	(23.1)	(25.1)
Dividends paid	(95.4)	(135.1)
Payment for on-market share purchase	(2.3)	(19.8)
Net cash flows used in financing activities	294.2	(201.0)
Net increase in cash held	57.0	135.2
Cash at beginning of period	199.4	424.4
Cash at end of period	256.4	559.6

The Group operates under various licences which have regulatory requirements in place that restrict the Group's use of certain cash balances. The carrying amount of these cash balances included within the consolidated financial statement is \$87.5m (2021: \$306.5m). The cash flow statement for the period ended 31 December 2021 includes the cash flows of The Lottery Corporation. Refer to note C4.

The cash flow statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 December 2022

	Number of ordinary shares m	Issued capital		Retained earnings/ (accumulated losses) \$m	Reserves			Total equity \$m
		Ordinary shares \$m	Treasury shares \$m		Hedging \$m	Demerger \$m	Other \$m	
2022								
Balance at 1 July 2022	2,225.7	1,636.5	(0.6)	1,074.2	1.6	-	(0.6)	2,711.1
Profit for the period	-	-	-	51.7	-	-	-	51.7
Other comprehensive income	-	-	-	-	(0.1)	-	1.6	1.5
Total comprehensive income	-	-	-	51.7	(0.1)	-	1.6	53.2
Dividends paid	-	-	-	(144.7)	-	-	-	(144.7)
Dividend reinvestment plan	53.7	49.3	-	-	-	-	-	49.3
Share based payments expense	-	-	1.4	-	-	-	1.5	2.9
Net outlay to purchase shares	-	-	(2.3)	-	-	-	-	(2.3)
Balance at 31 December 2022	2,279.4	1,685.8	(1.5)	981.2	1.5	-	2.5	2,669.5
		Total issued capital	\$1,684.3m		Total reserves	\$4.0m		
2021								
Balance at 1 July 2021	2,221.6	9,230.6	(0.6)	(1,863.5)	(10.0)	(669.9)	9.5	6,696.1
Profit for the period	-	-	-	174.5	-	-	-	174.5
Other comprehensive income	-	-	-	-	44.4	-	(0.8)	43.6
Total comprehensive income	-	-	-	174.5	44.4	-	(0.8)	218.1
Dividends paid	-	-	-	(155.5)	-	-	-	(155.5)
Dividend reinvestment plan	4.1	20.4	-	-	-	-	-	20.4
Transfers	-	3.5	-	-	-	-	(3.5)	-
Share based payments expense	-	-	4.9	-	-	-	2.6	7.5
Net outlay to purchase shares	-	(3.0)	(16.8)	-	-	-	-	(19.8)
Balance at 31 December 2021	2,225.7	9,251.5	(12.5)	(1,844.5)	34.4	(669.9)	7.8	6,766.8
		Total issued capital	\$9,239.0m		Total reserves	(\$627.7m)		

The statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2022

ABOUT THIS REPORT

Tabcorp Holdings Limited (the Company) is a company domiciled in Australia. The general purpose condensed consolidated half year financial report of the Company for the six months ended 31 December 2022 (half year financial report) comprises the Company and its subsidiaries (the Group) and the Group's interest in joint arrangements and associates.

The half year financial report was authorised for issue by the Board of Directors on 21 February 2023 and has been prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001 (Cth), and with IAS 34 'Interim Financial Reporting'.

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 (Cth).

On 1 June 2022, Tabcorp completed the demerger of its Lotteries and Keno business resulting in The Lottery Corporation as a separate ASX listed company. The Lotteries and Keno business is presented as a discontinued operation. The Group has re-presented in the half year financial report the prior period income statement amounts for the effects of applying AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Refer to note C4 for further information.

On 20 September 2022, Tabcorp announced a new exclusive Tasmanian Monitoring Operator Licence awarded to Max Regulatory Services (MRS) to monitor all electronic gaming machines in hotels and licensed clubs in Tasmania. The licence is for a 20-year period commencing 1 July 2023, with the upfront Licence Fee of \$2.0m payable to the Tasmanian Government along with an additional \$1.0m grant over the term of the licence to be paid into the Community Support Fund.

The Group's balance sheet reflects a net current asset deficiency. This largely arises due to customer account balances being classified as current liabilities under Australian Accounting Standards as the Group does not have an unconditional right to defer payment beyond 12 months, notwithstanding these are not expected to be fully settled within the next 12 months. The Group maintains sufficient undrawn facilities to meet working capital requirements, including settlement of customer account balances as required. In order to minimise finance costs, excess cash is used to reduce non current interest bearing liabilities until the current liabilities become due.

The accounting policies used are consistent with those applied in the 30 June 2022 financial report.

Note disclosures in this half year financial report have been grouped into the following three sections:

A Group performance

- A1 Segment information
- A2 Dividends
- A3 Revenue and expenses
- A4 Income tax
- A5 Subsequent events

B Capital and risk management

- B1 Interest bearing liabilities
- B2 Derivative financial instruments
- B3 Fair value measurement

C Other disclosures

- C1 Investment in an associate
- C2 Assets held for sale
- C3 Impairment testing
- C4 Discontinued operations
- C5 Contingent assets and liabilities

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2022

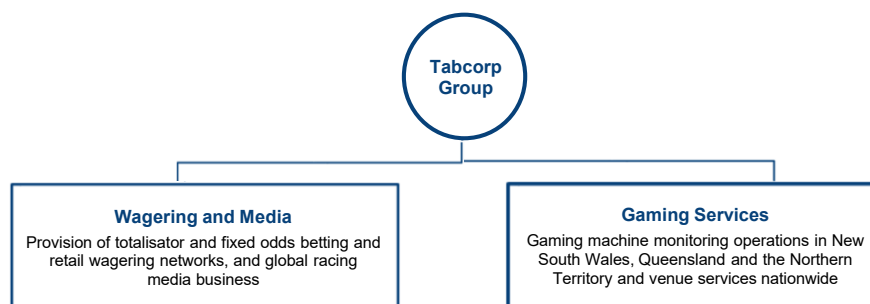
SECTION A - GROUP PERFORMANCE

A1 Segment information

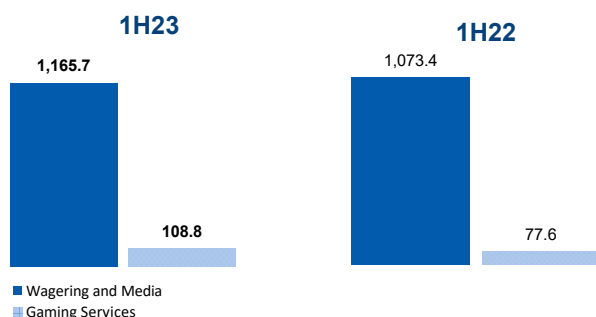
Operating segments reflect the business level at which financial information is provided to the Managing Director and Chief Executive Officer (Chief Operating Decision Maker), for decision making regarding resource allocation and performance assessment. The measure of segment profit used excludes significant items not considered integral to the ongoing performance of the segment. Inter-segment pricing is determined on commercial terms and conditions.

The 31 December 2021 half year financial report included the Lotteries and Keno segment. This segment was demerged from the Group effective 1 June 2022. Consequently, the segment is no longer presented in the segment disclosures from continuing operations for the prior period. Information about discontinued operations is provided in the annual report for the year ended 30 June 2022 and in Note C4.

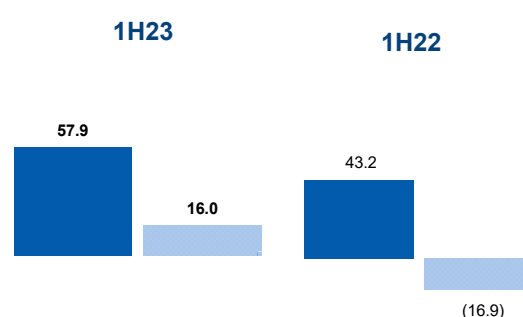
The Group has two operating segments from continuing operations at period end.



Segment revenue \$m



Segment profit/(loss) before interest and tax \$m



NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2022

SECTION A - GROUP PERFORMANCE (CONTINUED)

A1 Segment information (continued)

	Wagering and Media \$m	Gaming Services \$m	Total \$m
December 2022			
Revenue - external	1,165.7	108.8	1,274.5
Revenue - intersegment	-	-	-
Segment revenue	<u>1,165.7</u>	<u>108.8</u>	<u>1,274.5</u>
Segment profit before interest and tax	<u>57.9</u>	<u>16.0</u>	<u>73.9</u>
December 2021			
Revenue - external	1,072.7	77.6	1,150.3
Revenue - intersegment	0.7	-	0.7
Segment revenue	<u>1,073.4</u>	<u>77.6</u>	<u>1,151.0</u>
Segment profit/(loss) before interest and tax	<u>43.2</u>	<u>(16.9)</u>	<u>26.3</u>

A reconciliation of segment result to the Group's income statement is as follows:

	Revenue		Profit/(loss) from continuing operations before income tax	
	December 2022 \$m	December 2021 \$m	December 2022 \$m	December 2021 \$m
Segment total (per above)	1,274.5	1,151.0	73.9	26.3
Intersegment revenue elimination	-	(0.7)	-	-
Unallocated items:				
- significant items:				
- Net gain on disposal of assets ⁽ⁱ⁾	-	-	6.5	-
- demerger costs	-	-	(1.5)	-
	-	-	5.0	-
- finance income	-	-	1.7	0.2
- finance costs	-	-	(14.6)	(69.7)
- other	-	-	(1.9)	1.5
Total per income statement	<u>1,274.5</u>	<u>1,150.3</u>	<u>64.1</u>	<u>(41.7)</u>

(i) Current year comprise net gain on disposal of electronic gaming machines.

A2 Dividends

Fully franked dividends declared and paid during the period:

	December 2022 Cents per share	December 2021 Cents per share	December 2022 \$m	December 2021 \$m
Prior year final dividend	6.5	7.0	144.7	155.5

Fully franked dividends determined in respect of the period (declared and recognised after balance date):

Interim dividend	1.3	6.5	29.6	144.7
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NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2022

SECTION A - GROUP PERFORMANCE (CONTINUED)

A3 Revenue and expenses

(a) Disaggregated revenue information:

Set out below is the disaggregation of the Group's revenue from contract with customers:

	Wagering \$m	Media \$m	Gaming Services \$m	Total \$m
December 2022				
Revenue from contracts with customers	488.7	114.5	108.8	712.0
Other revenue ⁽ⁱ⁾	562.5	-	-	562.5
	1,051.2	114.5	108.8	1,274.5
December 2021				
Revenue from contracts with customers	507.3	105.4	77.6	690.3
Other revenue ⁽ⁱ⁾	460.0	-	-	460.0
	967.3	105.4	77.6	1,150.3
		December 2022 \$m	December 2021 \$m	
Timing of revenue recognition				
Goods and services transferred at a point in time		1,201.3	1,078.7	
Goods and services transferred over time		73.2	71.6	
		1,274.5	1,150.3	
(b) Other income				
Net gain on disposal of assets ⁽ⁱⁱ⁾		8.7	3.0	
Transitional Services Agreement (TSA) income ⁽ⁱⁱⁱ⁾		15.7	-	
Other ^(iv)		15.8	1.9	
		40.2	4.9	
(c) Finance costs				
Interest costs on interest bearing liabilities		7.4	59.9	
Interest costs on lease liabilities		2.8	4.5	
Other		4.4	5.3	
		14.6	69.7	

(i) Includes fixed odds betting revenue.

(ii) Current year includes net gain on disposal of electronic gaming machines of \$6.5m

(iii) TSA income relates to the provision of services to The Lottery Corporation in the transition period following its demerger and is accounted for on gross basis. The technology separation costs in relation to the demerger are accounted at the net basis.

(iv) Includes insurance recoveries of \$11.0m.

A4 Income tax

The major components of income tax (expense)/benefit from continuing operations are:

Current tax (expense)/benefit	(17.3)	3.8
Adjustments in respect of current income tax of previous years	7.3	4.9
Deferred tax	(2.4)	8.8
	(12.4)	17.5

At 31 December the Group has a current tax receivable of \$31.0m comprising the 2022 income tax refund and 2023 income tax payments in excess of current tax expense for the period.

A5 Subsequent events

On 31 January 2023 the sale of eBet business to Venue Digital Technology Pty Ltd for \$62.0 million in cash was completed with the effective date of 1 February 2023. All necessary probity approvals were obtained. The transaction continues to be subject to the usual working capital and other minor adjustments.

Other than the events disclosed elsewhere in this report, no other matters or circumstances have arisen since the end of the half year, that may significantly affect the Group's operations, the results of those operations or the state of affairs of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2022

SECTION B - CAPITAL AND RISK MANAGEMENT

B1 Interest bearing liabilities

The Group borrows money from financial institutions and debt investors in the form of bank loans and foreign currency denominated notes. The following table details the debt position of the Group at 31 December 2022 and 30 June 2022:

Facility	Details	Facility limit \$m	Maturity	December	June
				2022 \$m	2022 \$m
Bank loans - unsecured	Floating interest rate revolving facility. Subject to financial undertakings as to gearing and interest cover beginning on 30 June 2023.	400.0	Jul-25	353.8	135.3
		550.0	Jul-27	197.0	-
				550.8	135.3
Current				-	-
Non current				550.8	135.3
				550.8	135.3

On 2 December 2022, Tabcorp announced the successful pricing of a new US dollar \$289.0m (AUD \$425.0m) issue of long-term debt to investors in the US private placement market (USPP notes). The USPP notes comprise of two US dollar denominated tranches with a maturity of 7 and 10 years and have a weighted average coupon of 7.75%. Cross currency swaps will be in place for all US dollar debt. The USPP notes are scheduled to settle in March 2023, subject to customary conditions.

B2 Derivative financial instruments

The Group holds the following derivative financial instruments, all within level 2 in fair value hierarchy, other than fixed odds open betting positions which is within level 3 in fair value hierarchy (refer to note B3):

	December 2022 \$m	June 2022 \$m
Current assets		
Foreign exchange forward contracts	0.6	0.4
Non current assets		
Foreign exchange forward contracts	1.4	1.8
	2.0	2.2
Current liabilities		
Fixed odds open betting positions	8.6	12.5
	8.6	12.5

B3 Fair value measurement

The fair value of financial assets and financial liabilities is estimated for recognition, measurement and disclosure purposes at each balance date. Various methods are available to estimate the fair value of a financial instrument, and comprise:

- Level 1 - calculated using quoted prices in active markets.
- Level 2 - estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 - estimated using inputs for the asset or liability that are not based on observable market data.

The carrying amount of financial assets or liabilities recognised in the financial statements is deemed to be the fair value. The fair value of the Group's financial instruments is estimated as follows:

Foreign exchange forward contracts

Fair value is calculated using present value techniques, where forward exchange rates are based on market data at balance date (level 2 in fair value hierarchy).

Fixed odds open betting positions

Fair value is calculated based upon the latest open market prices on the relevant underlying sporting or other events available at the close of business at the valuation date (level 3 in fair value hierarchy).

There have been no significant transfers between the fair value levels during the half year ended 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2022

SECTION C - OTHER DISCLOSURES

C1 Investment in an associate

	December 2022 \$m	June 2022 \$m
Investment in Dabble Sports Pty Ltd (Dabble)	<u>31.6</u>	<u>-</u>

In October 2022, the Group acquired 4,106,756 shares in Dabble Sports Pty Ltd (Dabble) for a 20% interest for \$32.8m consideration. Dabble is a popular online racing and sports bookmaker in Australia that holds a betting licence in the Northern Territory.

The associate is a private entity that is not listed on any public exchange and was incorporated in Australia. The Group has representation on the Board of Directors and participates in the significant financial and operating decisions. The Group has therefore determined that it has a significant influence over this entity.

The equity accounted loss recognised during the period was \$1.2m. There were no dividends received from Dabble during the period.

An associate is an entity over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating decisions of the investee. Investments in associates are accounted for using the equity method.

C2 Assets held for sale

(a) Assets held for sale

	December 2022 \$m	June 2022 \$m
Property, plant and equipment	-	26.0
Software	-	8.2
	<u>-</u>	<u>34.2</u>

During the prior year, the Group entered into sale agreements in relation to electronic gaming machines. As the sale was highly probable, the related assets were classified as held for sale at 30 June 2022. The sale was completed in August 2022.

(b) Disposal group held for sale

On 20 September 2022, Tabcorp announced the sale of eBet business to Venue Digital Technology Pty Ltd for \$62.0 million in cash, subject to the usual working capital and other minor adjustments, as part of the Group's pivot toward integrity services. eBet is a supplier of loyalty and tracking systems to gaming venues in Victoria and NSW, and is part of the Group's Gaming Services operating segment. The sale is targeted for completion by the end of the financial year ending 30 June 2023 subject to necessary probity approvals being obtained and no material adverse change occurring.

	December 2022 \$m
Assets	
Receivables	4.4
Other intangible assets	18.5
Other	5.3
Assets held for sale	<u>28.2</u>
Liabilities	
Payables	1.7
Provisions	0.9
Deferred tax liabilities	1.7
Other	0.1
Liabilities directly associated with assets held for sale	<u>4.4</u>
Net assets directly associated with disposal group	<u>23.8</u>

Assets classified as held for sale (and all assets and liabilities in a disposal group) are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the income statement. The same applies to gains and losses on subsequent re-measurement. No depreciation or amortisation is charged on these assets while they are classified as held for sale.

C3 Impairment testing

In accordance with the Group's accounting policies, the Group has assessed each cash generating unit (CGU) at period end to determine whether there were any indications of impairment. After consideration of the potential indicators of impairment which could impact the valuations of the CGUs, the Group concluded that there were potential indicators of impairment for the Wagering and Media segment. An updated recoverable amount test was performed to assess the impact of the potential indicators. It was concluded that there is no impairment charge for the period.

Key assumptions on which management has based its recoverable amount estimates:

- › Unless otherwise disclosed, the Group's exclusive retail wagering licences held are assumed to be retained. The wagering business competes with bookmakers and other interstate and international wagering operators who accept bets over the phone and the internet. There is a possibility that competition from interstate and international operators may extend further to the Group's retail wagering network in the future.
- › The Group's existing exclusive Wagering Licence in Victoria will expire in 2024. In relation to the ongoing wagering operations in Victoria, probability-weighted scenarios were modelled, including the expected conditions and probability of various exclusive, non-exclusive wagering licence or no licence scenario outcomes.
- › State tax regimes and the regulatory environment in which the Group currently operates remain largely unchanged, other than those publicly announced.
- › Race fields arrangements implemented in each State and Territory of Australia remain largely unchanged.
- › Growth rates used to extrapolate cash flows are either in line with or do not exceed the long-term average growth rate for the industry in which the CGU operates.
- › Discount rates applied are based on the post-tax weighted average cost of capital applicable to the relevant CGU.
- › Terminal growth rates used are either in line with or do not exceed the forecast long term underlying growth rate in the Consumer Price Index.

The key estimates and assumptions used to determine the fair value less costs of disposal of a CGU are based on management's current expectations after considering past experience and external information, and are considered to be achievable.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2022

SECTION C - OTHER DISCLOSURES (CONTINUED)

C3 Impairment testing (continued)

The recoverable amount of each CGU is determined based on fair value less costs of disposal, calculated using discounted cash flows. The cash flow forecasts are principally based upon a four year period and extrapolated using long term growth rates ranging from 0% to 2.5% (2022: 0% to 2.5%). These cash flows are then discounted using a relevant long term post tax discount rate 9.0% (2022: 8.8%). The assumptions used in the impairment assessment for the period are consistent with those outlined in note C3 of the Group's 30 June 2022 annual report.

Sensitivities

- › Probability-weighted scenarios were developed for a number of possible exclusive, non-exclusive Victorian retail wagering licence or no licence outcomes. Under the probability-weighted scenario and each of the individual scenarios, the estimates of recoverable amount exceed the carrying amount.
- › An increase in the long term, post tax discount rate of 1.5% would result in the estimated recoverable amount being equal to carrying amounts.
- › A decrease in the cashflows of the business of 11.5% would result in the estimated recoverable value of the segments to equal to the carrying amount.

As outlined in the Group's 30 June 2022 annual report, typically, changes in any one of the assumptions used in the annual impairment test (including operating performance) would be accompanied by a change in another assumption which may have an offsetting impact. Action is usually taken to respond to adverse changes in assumptions to mitigate the impact of any such change. However, adverse movements in key assumptions may lead to impairment.

C4 Discontinued operations

Demerger of The Lottery Corporation Limited

The Lottery Corporation was demerged on 1 June 2022 and is reported as a discontinued operation. The Lottery Corporation operates Lotteries and Keno pursuant to licences and approvals in certain Australian states and territories. The results of the discontinued operations for the prior period are presented below:

	December 2021 \$m
(a) Financial performance of discontinued operations	
Revenue	1,783.6
Expenses	(1,479.8)
Profit before income tax	303.8
Demerger costs	(17.1)
Income tax expense	(88.0)
Profit from discontinued operations after tax	198.7
(b) Cash flows from discontinued operations (contained in the Group cash flow statement)	
Net cash inflow from operating activities	403.8
Net cash outflow from investing activities	(36.2)
Net cash outflow from financing activities	(241.8)
Net cash inflow	125.8
(c) Earnings per share from discontinued operations	
Basic earnings per share (cents)	8.9
Diluted earnings per share (cents)	8.9

Further information on the demerger of The Lottery Corporation is available in the annual report for the year ended 30 June 2022.

C5 Contingent assets and liabilities

Contingent assets

Australian Taxation Office Audit

During the prior year the Australian Taxation Office (ATO) issued Tatts Group Limited (Tatts) (a wholly owned subsidiary of Tabcorp) with an amended assessment for the tax year ended 30 June 2016. The amended assessment relates to the deductibility of the licence fee incurred by Tatts in relation to monitoring gaming machines in New South Wales. The primary amount in dispute of \$62.0 million and interest charges of \$8.8 million were paid in December 2020. An objection was lodged with the ATO in January 2021 in relation to the amended assessment and a Notice of Decision was issued in June 2021 disallowing the objection. Tatts has appealed this decision in the Federal Court of Australia. If Tatts is ultimately successful in its claim, the Company expects that the amended assessment amounts will be refunded.

Contingent liabilities

Charge

A controlled entity, Tabcorp Wagering Participant (Vic) Pty Ltd, which is a participant in the joint venture, has entered into a deed of cross charge with its joint venture partner to cover the non payment of a called sum in the event of the joint venture incurring a loss. The charge is over undistributed and future earnings of the joint venture to the level of the unpaid call.

Legal challenges

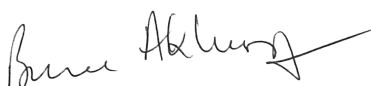
There are outstanding regulatory matters and legal actions on foot and other potential legal exposures between controlled entities and third parties at 31 December 2022. It is expected that any liabilities arising from such regulatory matters and legal action or other potential exposures would not have a material adverse effect on the Group's financial position.

DIRECTORS' DECLARATION

In the opinion of the Directors of Tabcorp Holdings Limited:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001 (Cth), including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001 (Cth); and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.



Bruce Akhurst
Chairman



Adam Rytenskild
Managing Director and Chief Executive Officer

Melbourne

21 February 2023



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Independent auditor's review report to the members of Tabcorp Holdings Limited

Conclusion

We have reviewed the accompanying half-year financial report of Tabcorp Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the Balance Sheet as at 31 December 2022, the Income Statement, Cash Flow Statement and Statement of Changes in Equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity (ASRE 2410). Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying



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analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that appears to read 'Michael Collins' in a cursive style.

Michael Collins
Partner
Melbourne
21 February 2023