

## TRADING UPDATE FOR FIRST QUARTER FY18

**Brisbane, 28 November 2017** –Tatts Group Limited (**Tatts**) provides this trading update in relation to its trading performance for the first quarter of the 2018 financial year. This information is provided for the information of shareholders in the context of the proposed combination with Tabcorp Holdings Limited.

### Operating performance Group overview

On announcing its full year results in August 2017, Tatts reported a 25% increase in continuing operations net profit after tax for the month of July 2017 compared to the prior corresponding period (**pcp**). Pleasingly that strong start to the year continued through to 30 September 2017, with Tatts' first quarter producing a 14.8% increase (vs pcp) in continuing operations NPAT.

Group revenues for the first quarter were up 6.8% to \$743.1 million, benefiting primarily from strong lotteries jackpot performance, whilst expenses (before merger costs) were well controlled. These factors in combination saw Tatts deliver an impressive 9.6% lift in EBITDA to \$128.2 million, and a 14.8% increase in continuing operations NPAT to \$67.2 million. Of particular note was the Group's continuing success with its digital initiatives, delivering significant growth in digital sales across both lotteries and wagering.

### **Lotteries – The Lott**

Lotteries revenue was up 8.8% in the quarter vs pcp – with all three of Tatts' major draw games (Saturday Lotto, Powerball and Oz Lotto) showing strong revenue growth. Tatts achieved strong digital lotteries sales growth, up 29.6%, with digital sales now representing 16.4% of total lotteries sales<sup>1</sup>.

This strong performance was underwritten by eight jackpots in the quarter at or above the influential \$15 million mark. Whilst this was the same number achieved in the first quarter last year, Tatts' average first division jackpot pool value was \$32.5 million, significantly outperforming the average a year ago (\$25.0 million) reflecting two jackpots reaching the \$50 million mark (compared to none in the pcp). The lift in Tatts' operating leverage was a feature of the quarterly result and once again highlights Tatts' lotteries operation's relatively fixed cost base in strong jackpot cycles.

### **Wagering – UBET**

Tatts' wagering operation achieved a 1.8% lift in turnover however this was offset by a slightly softer blended win rate at 15.3% (vs 15.6% in the pcp), which in combination generated a stable revenue outcome for the quarter. Performance from Tatts' digital sales channel continued to show strong growth, up 15.8%, with total digital turnover now representing 34.3% of all turnover (pcp: 30.5%).

Fixed price turnover continued to grow strongly, with racing turnover up 10.8% and sports turnover up 10.3% vs pcp. This was offset by the long running migration of win/place betting from the tote, which saw tote turnover decline 6.7% in the quarter vs pcp.

### **Gaming – MAX and MAXtech**

Revenue from MAX, Tatts' gaming services business, was up 4.7% on pcp, benefiting from a monitoring price increase in New South Wales and sales growth in Tatts' value-adding products and services.

MAXtech (the Group's technical support services division), continued to show pleasing growth following its restructure and exiting unprofitable contracts in the prior year with revenues increasing 5.3% on pcp.

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<sup>1</sup> Consistent with prior years this excludes South Australia.

**Media enquiries please contact:**

**Carolyn Prendergast**

Head of Corporate Communications

**Ph: (07) 3435 4543**

**Mob: 0409 910 561**

**E: [Carolyn.Prendergast@tattsgroup.com](mailto:Carolyn.Prendergast@tattsgroup.com)**

**Analysts and institutions please contact:**

**Giovanni Rizzo**

Head of Investor Relations

**Ph: (07) 3877 1002**

**Mob: 0409 578 247**

**E: [Giovanni.Rizzo@tattsgroup.com](mailto:Giovanni.Rizzo@tattsgroup.com)**