

# ASX Announcement

12 December 2017



## **Tatts Group Limited – Scheme Meeting Chairman’s Address**

Attached are copies of the Chairman’s address to be presented at Tatts Group Limited’s Scheme Meeting, commencing at 3.00pm (Brisbane time), Tuesday 12 December 2017.

A copy of the presentation which accompanies this address will follow.

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**TATTS GROUP LIMITED**  
**ABN 19 108 686 040**  
**SCHEME OF ARRANGEMENT MEETING**  
**12 DECEMBER 2017**

**CHAIRMAN'S SPEECH**

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Good afternoon ladies and gentlemen. My name is Harry Boon, Chairman of Tatts Group Limited, and I will act as Chairman of this Scheme Meeting. As it is now past 3.00pm Brisbane time, this is a properly constituted meeting and a quorum is present, so we can proceed. I officially declare our Scheme Meeting open.

Welcome again to shareholders who were present at our AGM which just concluded, and welcome to any new shareholders joining us in person. This meeting is also being video webcast live, so a warm welcome to everyone watching online for this historic scheme meeting of Tatts Group Limited.

Before we proceed, I ask that you please turn off or silence your mobile phones and also remind you that the use of recording equipment is prohibited at this Scheme Meeting. Thank you.

We have only one agenda item today and that is to consider the proposed acquisition of all of the shares in Tatts Group Limited by Tabcorp Holdings Limited.

This Scheme Meeting has been convened by Order of the Supreme Court of Victoria. The notice of today's Scheme Meeting was included as Attachment E of the Scheme Booklet dated 8 September 2017. Shareholders were notified by the Supplementary Scheme Booklet dated 28 November 2017 and by various Australian Securities Exchange releases and newspaper advertisements that the Scheme Meeting had been postponed until today.

I will take the notice of meeting as being read. Before we conduct the formal vote, I will outline:

- the purpose of this Scheme Meeting;
- the proposed Scheme and its implications for Tatts shareholders;
- your directors' recommendation to vote in favour of the proposed Scheme;
- the current status of conditions precedent to the Scheme; and lastly
- the voting process and proxy votes received.

You will have an opportunity to ask questions prior to voting on the proposed resolution to approve the Scheme.

**Purpose of this Scheme Meeting and overview of the proposed Scheme**

Almost 14 months ago, on 19 October 2016, Tatts and Tabcorp announced they had reached an agreement to combine the two companies. The purpose of today's Scheme Meeting is for Tatts Group shareholders to consider and formally vote on the proposed acquisition of all of the shares in Tatts Group by Tabcorp Holdings by way of a Scheme of Arrangement.

If the Scheme is approved by the required majorities of shareholders today and then by the Supreme Court of Victoria, a copy of the Court Orders approving the Scheme will be lodged

with the Australian Securities & Investments Commission and the Scheme will become effective. Tatts expects this to occur tomorrow.

If the Scheme becomes effective tomorrow, then Tatts shareholders on the register at 6.00pm (Brisbane time) on Tuesday 19 December will be entitled to receive 0.8 Tabcorp shares for every Tatts share held, and a cash payment of 42.5 cents per Tatts share. On the current timetable:

- the Tatts Board intends to declare and pay prior to implementation of the Scheme a fully franked special dividend of 16 cents per Tatts share for each Tatts share held on the register at 6.00pm (Brisbane time) on Friday 15 December 2017, to be paid on Tuesday, 19 December 2017;
- the remaining scheme consideration of 26.5 cents cash and 0.8 Tabcorp shares for each Tatts share held on the register at 6.00pm (Brisbane time) on Tuesday, 19 December 2017 will be paid and issued on Friday, 22 December 2017.

Full details of the proposed transaction are set out in the Scheme Booklet which was dispatched to Tatts shareholders on 8 September 2017 and the Supplementary Scheme Booklet which was dispatched to Tatts shareholders on 28 November 2017. The proposed Scheme is set out in Annexure C of the Scheme Booklet.

If the Scheme is approved by shareholders and by the Court tomorrow, Tatts shares are expected to cease trading on ASX from the close of trading tomorrow. As noted in the Scheme Booklet and last Tuesday's ASX announcement, Tatts Bonds will remain quoted on the ASX following implementation of the Scheme, subject to ASX approval. This will require a small amendment to paragraph 6(b) of the Scheme to delete the requirement for Tatts to apply for removal from the ASX official list. If the Scheme is approved by shareholders today, Tatts will ask the Court to approve the Scheme with this modification tomorrow.

### **Overview of the proposed Scheme and potential benefits available to Tatts shareholders**

As set out in the Scheme Booklet, if approved, the transaction is expected to bring together two highly complementary businesses and create a leading, diversified portfolio of gambling entertainment businesses. The Combined Group will be better placed to innovate, invest and compete in a rapidly evolving marketplace and to pursue growth opportunities globally. It will hold an unmatched portfolio of long-term wagering, lotteries, Keno and gaming monitoring licences.

The transaction is also expected to assist in maintaining the viability of the Australian racing industry. A healthy racing industry supporting a large number of race meetings with good prize money and strong and deep field sizes is essential to the Combined Group's ability to offer attractive Australian wagering products.

Upon implementation of the Scheme, existing Tatts Shareholders will own approximately 58% of the Combined Group which is expected to have pro-forma annual revenue of approximately \$5 billion and EBITDA (before significant items and synergies) over \$915 million per annum. The transaction is also expected to deliver increased earnings of at least \$130 million per annum of EBITDA from synergies and business improvements in the first full year following completion of integration of the businesses. The integration is expected to take approximately two years, subject to the receipt of all necessary regulatory approvals and we anticipate that there will be net one-off integration costs and capital

expenditure of approximately \$141 million before tax required to achieve these synergies and improvements.

Since we are dealing with future predicted events, there are also a number of risks associated with achieving these projected benefits, and they may only be realised in part or may not be realised at all. These risks are described in further detail in the Scheme Booklet and the Supplementary Scheme Booklet.

As described in the Scheme Booklet, if the Scheme is implemented, the current Tabcorp Directors will remain as Directors of the Combined Group and it is intended that I, as current Tatts Chairman, will be invited to join the board of the Combined Group as a non-executive Director. The current Tabcorp Chairman, Ms Paula Dwyer, CEO, Mr David Attenborough, and CFO, Mr Damien Johnston, will be the Chairman, CEO and CFO of the Combined Group respectively.

### **Directors' recommendation of the proposed Scheme and the reasons to vote in favour of the proposed Scheme**

The announcement of the transaction followed a thorough and detailed review undertaken by the Tatts Board together with the Tatts management team and our advisers, of opportunities available to Tatts to deliver more value to Tatts shareholders, including demerging one or more of Tatts' business units, selling certain assets and maintaining the status quo. The Tatts Board also assessed the attractiveness of the Pacific Consortium proposals in December 2016 and again in April 2017, and on each of these occasions determined that they could not reasonably be expected to result in a superior proposal to the proposed Scheme. Subsequently, on 28 April 2017 the Pacific Consortium announced that it did not intend to undertake further work on its proposal, and nothing has since been received.

Having considered these alternative opportunities, the Tatts Board believes that the consideration which Tatts shareholders will receive under the Scheme and the relative proportion of synergies from which Tatts shareholders will effectively benefit as 58% shareholders of the Combined Group fairly reflects the strategic value of Tatts' businesses. The scrip consideration allows Tatts shareholders the opportunity to participate as shareholders in the Combined Group, with ongoing exposure to a larger wagering business which is well placed to compete in the rapidly evolving wagering market, while also retaining exposure to Tatts' unique lotteries business.

A recognised independent expert, Grant Samuel, was appointed by the Tatts Board to prepare an independent expert's report in relation to the Scheme. The independent expert has concluded that the Scheme is in the best interests of Tatts shareholders, in the absence of a superior proposal. The Independent Expert's Report was attached as Annexure A to the Scheme Booklet. In the Supplementary Scheme Booklet dated 28 November 2017, Grant Samuel also confirmed that it remains of the view that the Scheme is in the best interests of Tatts Shareholders, in the absence of a superior proposal.

Furthermore, the Tatts Board, having considered the advantages and disadvantages of the Scheme, has unanimously determined to recommend that, given the absence of a superior proposal, Tatts shareholders should vote in favour of the proposed Scheme. Each Tatts Director intends to vote in favour of the Scheme in relation to the Tatts shares held or controlled by them.

Of course, there are some reasons why Tatts shareholders might consider voting against the Scheme. For example, you may disagree with the directors' unanimous recommendation or

the independent expert's conclusion or you may consider the risks associated with the integration of Tatts and Tabcorp exceed the benefits of the Scheme. However, the Tatts Board unanimously considers that the Scheme's potential benefits and advantages outweigh its potential risks and disadvantages.

### **The current status of conditions precedent to the Scheme becoming effective and the Scheme timetable**

As explained in Tatts' letter to shareholders of 1 December 2017, Tatts and Tabcorp have waived the competition approval condition precedent following the Australian Competition Tribunal's (**Tribunal**) authorisation of Tabcorp's acquisition of Tatts and confirmation by the Australian Competition and Consumer Commission (**ACCC**) that it will not apply for judicial review of that authorisation.

That letter to shareholders of 1 December 2017 also enclosed a copy of Tabcorp's announcement on 30 November 2017 that it had entered into various agreements with CrownBet Pty Limited (**CrownBet**) in relation to the supply of digital racing vision to CrownBet's customers which included CrownBet withdrawing its opposition to the proposed combination of Tatts and Tabcorp.

The period for any other party to seek judicial review of the Tribunal decision expires on 20 December 2017. Tatts has not been advised that any other party intends to seek judicial review of the Tribunal's decision, but there is still a risk that this might occur. This risk and the potential consequences for the Combined Group are set out in Section 10 of the Supplementary Scheme Booklet. Tatts remains of the view that the risks of any materially adverse consequence for the Combined Group are low.

All conditions of the Merger Implementation Deed signed between Tatts and Tabcorp, other than Tatts shareholder and Court approval, have now either been satisfied or waived.

### **Overview of the voting process and proxy votes received**

The Scheme resolution, as set out in the notice of meeting, reads as follows:

*"That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the members approve the arrangement proposed between Tatts Group Limited and the holders of its fully paid ordinary shares, designated the "Scheme", as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting (with or without any modifications or conditions approved by the Court to which Tatts Group Limited agrees) and, subject to approval of the Scheme by the Court, the Tatts Group Limited Board is authorised to implement the Scheme with any such modifications or conditions."*

In accordance with the Corporations Act, for the Scheme resolution to be passed, it must be approved by:

- at least 75% of the votes cast on the Scheme resolution; and
- a majority in number of the Tatts shareholders present and voting at this Scheme Meeting (either in person, by proxy or attorney or in the case of a corporate holder, by duly appointed corporate representative).

In closing, on this historic day for Tatts, on behalf of all my fellow directors, I would like to recognise the tremendous efforts of the entire Tatts leadership team who have been instrumental in ensuring that this merger could be presented to shareholders for approval

today. I especially wish to single out for appreciation Robbie Cooke, your Managing Director and Chief Executive, Neale O'Connell, your Chief Financial Officer and Anne Tucker, your General Counsel and Company Secretary. To each and every one of you, I offer my thanks.

Finally, I would like to thank my fellow directors for all their dedication and commitment, and you our shareholders for all of your support. It has been a privilege for me to serve as your Chairman.

As there are no other matters to be transacted at this meeting, I thank you for your attendance and patience today, and invite you to join us for some light refreshments after the meeting.

I declare this Scheme Meeting of Tatts Group closed.

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This address will be webcast live on Tatts Group Limited's website at [www.tattsgroup.com](http://www.tattsgroup.com) from 15:00 (Brisbane time) and will be archived on the website for viewing later today.