

18 August 2021

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

Tabcorp 2020/21 Full Year Results

STRONG OPERATIONAL RESULT IN A YEAR HEAVILY IMPACTED BY COVID-19

- **Group revenue up 8.8% and EBITDA¹ up 11.3% vs pcp**
- **Gearing: 2.4x gross debt/EBITDA**
- **FY21 Dividend 14.5 cents per share, up 31.8% on pcp, 80% payout ratio**

OVERVIEW BY BUSINESS UNIT

- **Lotteries & Keno**
 - Record profit result (despite below average jackpots)
 - Digital turnover growth of 30%; resilient performance in retail
- **Wagering & Media**
 - Improved performance and growth across TAB, Media and International
 - Digital wagering turnover growth of 27%²; resilient performance in retail venues when re-opening after lockdowns
- **Gaming Services – heavily impacted by venue restrictions in 1H21**
 - Venue Services continued to be heavily COVID-19 impacted
 - Progressing with implementation of the plan to simplify and streamline the business

1. EBITDA before significant items

2. Digital includes digital and call centre channels in which a customer transacts using their account

Tabcorp Holdings Limited	Level 21, Tower 2 727 Collins Street Melbourne VIC 3008	GPO Box 1943 Melbourne VIC 3001	tabcorp.com.au ABN 66 063 780 709
--------------------------	---	------------------------------------	--------------------------------------

GROUP RESULTS FOR THE FULL YEAR ENDED 30 JUNE 2021

\$M	FY21	FY20	Change	
			\$	%
Revenues	5,686	5,224	462	8.8%
Variable contribution	1,914	1,792	122	6.8%
Operating expenses	(807)	(797)	(10)	1.3%
EBITDA before significant items	1,107	995	112	11.3%
D&A	(383)	(399)	16	(4.0%)
EBIT before significant items	724	596	128	21.5%
Interest	(155)	(193)	38	(19.7%)
Tax expense	(170)	(132)	(38)	28.8%
NPAT before significant items	399	271	128	47.2%
Significant items (after tax) - goodwill impairment ³	(122)	(1,090)	968	NM ⁵
Significant items (after tax) - other ⁴	(8)	(51)	43	NM
Statutory NPAT	269	(870)	1,139	NM

- Non-cash impairment of Gaming Services goodwill reflects reduced expectations for future growth and contract extensions, particularly due to the ongoing COVID-19 impacts.
- Significant items (after tax) - other of \$8m comprise amended tax treatment of MAX CMS Licence \$69m, Tatts Group combination implementation costs \$14m, restructure costs \$12m, Racing Queensland arrangements \$11m, strategic review costs \$4m and property (net) \$2m partly offset by the profit on sale of Jumbo shareholding \$69m and PGI revaluation gain \$35m.
- Percentage change not meaningful.

BUSINESS RESULTS FOR THE FULL YEAR ENDED 30 JUNE 2021⁶

\$M	Lotteries & Keno			Wagering & Media			Gaming Services			Group		
	FY21	FY20	Change	FY21	FY20	Change	FY21	FY20	Change	FY21	FY20	Change
Revenues	3,206	2,917	9.9%	2,298	2,084	10.3%	183	221	(17.2%)	5,686	5,224	8.8%
Variable contribution	858	754	13.8%	884	825	7.2%	172	210	(18.1%)	1,914	1,792	6.8%
Operating expenses	(238)	(212)	12.3%	(470)	(454)	3.5%	(101)	(126)	(19.8%)	(807)	(797)	1.3%
EBITDA	620	542	14.4%	414	371	11.6%	71	84	(15.5%)	1,107	995	11.3%
D&A	(104)	(100)	4.0%	(198)	(196)	1.0%	(81)	(98)	(17.3%)	(383)	(399)	(4.0%)
EBIT	516	442	16.7%	216	175	23.4%	(10)	(14)	NM	724	596	21.5%

- All amounts are before significant items. Business results may not aggregate to Group total due to intercompany eliminations and unallocated items.

MANAGING DIRECTOR & CEO COMMENTARY

Tabcorp Managing Director and CEO David Attenborough said: "In the face of substantial challenges from the COVID-19 pandemic, our businesses delivered a strong operational performance and double-digit earnings growth. Our teams and business partners worked collaboratively to manage the evolving restrictions and our omni-channel business model ensured our customers could continue to enjoy their gambling entertainment experiences.

"The Lotteries & Keno business produced another record profit result driven by strategic game and portfolio development and digital growth. It continued its strong growth trajectory since the Tabcorp and Tatts combination in December 2017.

"Our Wagering & Media business delivered improved underlying performance and growth. Recent investments in digital and personalisation capability mean TAB customers now enjoy a more compelling wagering proposition.

"Our Gaming Services business was most impacted by the trading restrictions on hotels and clubs, particularly in Victoria. The business made good progress in delivering its plan to simplify and streamline its operations during the year and this remains a key focus moving forward.

"The Board is pleased to announce a final dividend of 7.0 cents per share, fully franked, representing a payout ratio of 80% of NPAT before significant items.

"The strong performance of our businesses meant circa \$4.2 billion was returned as taxes or payments to state and federal governments, the Australian racing industry, and hotels, clubs, newsagents and other venue partners.

"As we work towards the proposed demerger of Lotteries & Keno in 2022, this result demonstrates the resilience, quality and potential of our businesses to compete and grow as standalone companies."

BUSINESS UNIT COMMENTARY

LOTTERIES & KENO

Lotteries & Keno revenues were \$3,206m, up 9.9% on the pcp, and EBITDA was \$620m, up 14.4%. The strong growth was driven by game development, and active portfolio and sequence management. Customer-centred improvements continue to deliver better player experiences, increased digital conversion and greater retail integration.

The base lottery games (Saturday Lotto, Monday/Wednesday Lotto, Set For Life and Instant Scratch-Its) all grew turnover by double digits, with Saturday Lotto and Set For Life continuing to benefit from game changes. The jackpot games, Powerball and Oz Lotto, were flat in absolute terms, however on a like-for-like jackpot basis Powerball turnover was up 21% and Oz Lotto was up 17%. The cumulative value of Powerball and Oz Lotto jackpots was \$1,565m in FY21 versus \$1,964m in FY20.

Lotteries digital turnover grew a healthy 27%. Digital accounted for 32.8% of total lotteries turnover in the year. Customers continue to transact predominantly through the retail channel. Investments to uplift lotteries' presence and role in retail illustrates the value Tabcorp places on it as part of an omni-channel model that supports customers to buy when, where and how they wish.

Keno revenues grew 33.5% as retail rebounded from the COVID-19 venue closures in FY20, while Keno digital turnover was up 74%. Keno performance also benefited from enhanced trade and loyalty programs, and alignment of the game in South Australia with draws conducted on the east coast of Australia.

WAGERING & MEDIA

Wagering & Media revenues were \$2,298m, up 10.3%, and EBITDA was \$414m, up 11.6%. Revenue growth was achieved across each of its three businesses of Wagering, Media and International.

Tabcorp Holdings Limited	Level 21, Tower 2 727 Collins Street Melbourne VIC 3008	GPO Box 1943 Melbourne VIC 3001	tabcorp.com.au ABN 66 063 780 709
--------------------------	---	------------------------------------	--------------------------------------

TAB wagering turnover grew 16.8%, however lower fixed odds yields and increased use of customer generousities in a highly competitive market unfavourably impacted revenue conversion.

Digital wagering turnover grew 27% and the retail venues channel was resilient when it re-opened after lockdowns.

A number of customer-driven initiatives strengthened the omni-channel experience, including in the exclusive venue network where customers are most engaged. Venue Mode, which gives customers access to exclusive offers when betting digitally in TAB venues, continued to grow in popularity, supported by enhancements such as differential pricing. More than one in three of TAB's 784,000 active digital customers used Venue Mode in FY21 and turnover through that channel grew 51.4%. The embedding of the Adobe Experience customer management platform enhanced TAB's ability to deliver safe and engaging personalised experiences at scale.

The Sky Media business continued to expand racing and sporting content and its distribution through digital and retail formats. Registered customers of the over-the-top media platform, Sky Racing Active, grew 55.3%.

In International, Tabcorp built on its established and profitable business by acquiring the remaining 50 per cent of the PGI international totalisator betting hub. Tabcorp also recently enabled the co-mingling of its domestic pools with US wagering operators through a totalisator licence acquired in North Dakota.

GAMING SERVICES

Gaming Services revenues were \$183m, down 17.2% and EBITDA was \$71m, down 15.5%.

The business was heavily impacted throughout the year by reduced fees earned during the periods of lockdown and density restrictions, especially in Victoria which has most of the Venue Services gaming machines under contract. MAX Venue Services revenues declined 34.0%. A \$122 million non-cash impairment of Gaming Services goodwill reflects reduced expectations for future growth and contract extensions, particularly due to the ongoing COVID-19 impacts.

Gaming Services' MAX Regulatory Services (gaming machine monitoring) business was more resilient, with revenues up 18.3%.

Gaming Services continued to make good progress in implementing its plan to simplify and streamline the business. A key initiative has been simplifying its operating structure, which helped deliver a significant reduction in operating expenses.

DIVIDEND AND CAPITAL MANAGEMENT

Tabcorp has announced a final dividend of 7.0 cents per share, fully franked. This brings the full year dividend to 14.5 cents per share, up 31.8% on last year, and represents a payout ratio of 80% of NPAT before significant items. The final dividend will be payable on 17 September 2021 to shareholders registered at 26 August 2021. The ex-dividend date is 25 August 2021.

Tabcorp has taken action to improve its financial position, with a stronger balance sheet post the September 2020 capital raising and strong operating cash flow conversion during the period. Gearing is 2.4x gross debt/EBITDA compared to the target range of 2.5x to 3.0x.

3S OPTIMISATION PROGRAM

Tabcorp's enterprise-wide optimisation program, '3S', delivered \$30m in EBIT savings⁷ in FY21 primarily from an improved reseller agreement (Lotteries & Keno), agency rationalisation (Wagering & Media), operating model changes (Wagering & Media and Gaming Services) and process simplification and redesign (Group-wide). Tabcorp is targeting \$20-\$25 million in EBIT savings from 3S in FY22.

7. Amounts before cost to implement (program costs) of \$5m (pre-tax)

Tabcorp Holdings Limited	Level 21, Tower 2 727 Collins Street Melbourne VIC 3008	GPO Box 1943 Melbourne VIC 3001	tabcorp.com.au ABN 66 063 780 709
--------------------------	---	------------------------------------	--------------------------------------

DEMERGER UPDATE

The proposed demerger⁸ of Tabcorp's Lotteries & Keno business is expected to unlock significant value for shareholders and be implemented no later than June 2022. Tabcorp today released an indicative timetable⁹ with the following key events:

- 19 October 2021 – Annual General Meeting
- February 2022 – 1H22 results release
- April 2022 - First court hearing and scheme booklet dispatched
- May 2022 - Demerger scheme meeting and second court hearing
- May/June 2022 – Demerger completion

COVID-19 IMPACT ON JULY 2021 RESULT¹⁰

The COVID-19 lockdowns in July 2021 have had a significant impact on Tabcorp's Wagering & Media, Gaming Services and Keno businesses. Hotels, clubs and TAB agencies were closed for all 31 days of July in the NSW metropolitan region, 7 days in regional NSW, 12 days in Victoria, 8 days in South Australia and 2 days in Queensland.

The resultant adverse revenue impact on Wagering & Media in July 2021 was c.\$30m-\$40m including a partial offset by some transfer to digital wagering. The adverse revenue impact on Gaming Services was c.\$5m-\$10m, with the business continuing to provide fee relief to venues that have been forced to shut down. The revenue impact on Lotteries & Keno was negligible. Tabcorp provided c.\$9 million in fee relief to venue partners impacted by lockdowns in July 2021.

In FY21 fee relief provided to venues impacted by lockdowns was c.\$95 million. The Group was eligible and received \$8 million under the Federal Government's JobKeeper scheme in relation to Gaming Services in FY21.

CONCLUSION AND PRIORITIES

"A strong Lotteries & Keno result and the improved performance of the Wagering & Media business have helped deliver a strong operational result in FY21. Our core businesses are in a strong position to compete on a standalone basis in the future," Mr Attenborough said.

"The businesses will continue to execute their distinct growth strategies in FY22 and beyond. In Lotteries & Keno, growth will be underpinned by a customer-led focus on product innovation, deepened engagement across all channels and digital expansion. Wagering & Media's growth will be underpinned by a unique and improved customer experience, domestic structural reform, and targeted international expansion. Gaming Services' current focus is on executing its plan to simplify and streamline the business, and positioning for future growth with an emphasis on Regulatory Services. In parallel, we will continue to work closely with our teams and business partners to manage the impact of the unfolding COVID-19 restrictions.

"The rationale for the proposed demerger of Lotteries & Keno is compelling and represents the next phase in Tabcorp's journey. We are working to ensure that the two standalone businesses are set up for success into the future."

This announcement was authorised for release by the Tabcorp Board.

For more information:

Media: Nicholas Tzaferis, GM Corporate Communications, +61 3 9868 2529

Investors/Analysts: Chris Richardson, GM Investor Relations & Treasury, +61 3 9868 2800

8. Demerger subject to shareholder, court, regulatory and other approvals.

9. Dates are indicative only and subject to change.

10. This information is for a single month and is provided for information purposes only. Particularly given the extraordinary current situation pertaining to COVID-19, it should not be considered indicative of future performance. For further information on forward looking statements please refer to the disclaimer at the end of Tabcorp's 2020-21 Full Year Results presentation lodged with the ASX.

Tabcorp Holdings Limited	Level 21, Tower 2 727 Collins Street Melbourne VIC 3008	GPO Box 1943 Melbourne VIC 3001	tabcorp.com.au ABN 66 063 780 709
--------------------------	---	------------------------------------	--------------------------------------