

ASX ANNOUNCEMENT

Tabcorp

21 February 2023

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

Tabcorp Results – Half Year Ended 31 December 2022

Tabcorp Holdings Limited (**Tabcorp** or the **Company**) (ASX: TAH) today announced its half year results for the 6-month period ended 31 December 2022 (1H23). The Company reported 1H23 Group Statutory Net Profit after Tax (NPAT) of \$52m. Tabcorp announced a fully franked interim dividend of 1.3 cents per share (cps) payable on 21 March 2023 to shareholders registered as at 27 February 2023.

Highlights

- **Group revenue** of \$1,275m up 11%, **Group EBITDA** \$197m up 24%¹, versus 1H22 pro forma², reflecting 58% growth in cash wagering revenue following a strong rebound from the COVID impacted 1H22.
- **Digital Revenue Market Share** of 25.1%³ - TAB held digital share for the first time since 2019.
- **Total Wagering Revenue Market Share** of 34.8%⁴ - up from 31.2% in the pcp.
- **Operating cost (opex) guidance upgraded** to +2-3% growth in FY23 versus FY22 pro forma (previously +3-4%).
- **TAB25 released**⁵– targeting 30% digital revenue market share, \$600-620m opex⁶ and doubling Return on Invested Capital (ROIC) in FY25⁷.
- **1H23 Dividend** of 1.3 cps fully franked. 61% payout ratio of NPAT before significant items and equity accounted loss.

¹ EBITDA is a non-IFRS measure and excludes significant items.

² Pro forma (PF) EBITDA is a non-IFRS measure and has not been subject to audit or review. Pro forma EBITDA reflects impacts of the Demerger as if the transaction had occurred at the commencement of the pcp.

³ 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 generosity.

⁴ 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 generosity.

⁵ These forward-looking statements are not guarantees of future performance and actual results may differ.

⁶ Based on current licence structures and business model.

⁷ 1H23 ROIC 4.7% calculated using pro forma last 12 months (LTM) EBIT divided by average invested capital. At 1H23 for the purpose of calculating invested capital, balance sheets from 1 July and 31 December 2022 have been used.

ASX ANNOUNCEMENT

Tabcorp

Managing Director and CEO Adam Rytenskild said:

“Today’s results highlight that our transformation strategy, which commenced on 1 June 2022, is working. Our business has rebounded strongly from a COVID impacted first half last year to experience strong growth in Group revenue and EBITDA. The COVID lockdowns presented an opportunity for digital only operators, but our retail customers have quickly returned and our digital transformation is amplifying that opportunity.

“I’m particularly pleased that, with new entrants entering the market and retail venues reopening, TAB held digital revenue market share for the first time since 2019. To retain our market share, while a new entrant took share from competitors and retail reopened, highlights that customers are loving the new TAB App.

“The demerger has been seamless and the separation from The Lottery Corporation remains on track.

“Tabcorp is doing what we say we will do – we have unshackled ourselves post the demerger with a new energy, capability and offers for our customers. We will continue to build on that.

“In 1H23 we successfully launched our new TAB App, released new products and purchased a 20% stake in Dabble. We showed capital discipline in the WA TAB sale process and strengthened our funding position, raising A\$425m equivalent in debt from the US Private Placement market.

“We are now paying the same wagering fees and taxes as our competitors in Queensland, with a level playing field implemented on 1 December 2022 and have experienced higher revenue growth in Queensland since then.

“Our Gaming Services business continues to pivot to an integrity services model and that was highlighted with the sale of eBet, securing the exclusive licence to monitor all electronic gaming machines (EGMs) in Tasmanian pubs and clubs, and an agreement with The Star Entertainment Group to enhance our technology and enable central monitoring of the EGMs at their Sydney casino. Increased scrutiny on the operations of electronic gaming machines is likely to present opportunities for this part of the business in the remainder of FY23.

“Today we release TAB25 – our target for Tabcorp by FY25.

“I’m excited to announce that we are targeting 30% digital revenue market share by FY25. We’ll do this with a transformation of our entire wagering ecosystem, including new products for punters, a reinvigoration of Sky Racing that will include a greater integration with TAB and the implementation of our new marketing strategy. The successful launch of the new TAB App, which helped us retain digital market share despite the introduction of a new competitor, has provided a strong launch pad to reach our 30% target.

ASX ANNOUNCEMENT

Tabcorp

“We’re also targeting a reduction in our operating costs to \$600m-\$620m in FY25 as we fast track our Genesis transformation program. Now that our demerger has been successfully implemented we are in a position to create a new operating model that is simpler, more agile and delivers faster for customers. The cost discipline will also deliver stronger results for shareholders.

“With the successful implementation of a level playing field in Queensland, Tasmania and the ACT we now seek to have a level playing field in every state and territory. This will ensure greater investment in the racing industry and its participants. It will also allow TAB to invest more in our customers and products.

“I said in our FY22 results that we had drawn a line in the sand and we have. We are delivering on our actionable priorities for FY23. Our revenue and EBITDA has rebounded from the challenges of COVID, our new TAB App is live and the strength of the product ensured we retained digital revenue market share for the first time in four years.

“This rapid transformation shows our strategic direction is the right one.

“Caring for our customers and the community are even more important to us as an organisation as we execute our transformation. We are Australia’s most trusted wagering brand⁸ and enhancing the way we care for our customers is a key part of TAB25. We work in an industry where there are high expectations for compliance and to be responsible. We meet those expectations with transparency and with a genuine aim to do the right thing. We respect the role of our regulators and value their position in our industry, with an aim to work with them to shape a safe gambling environment for everyone who participates in it and is affected by it.”

Financial Discipline and Strong Balance Sheet

Cost discipline and commercial rigour continues to be a key priority and we are accelerating our Genesis transformation program initiatives.

Opex guidance for FY23 is today upgraded to +2-3% growth versus FY22 pro forma, compared with +3-4% growth previously. We are targeting to reduce annual opex to \$600-\$620m by FY25⁹, allowing us to reinvest in growth and deliver improved returns for shareholders.

The Company’s balance sheet places us in a strong position to pursue value-accretive investments and to grow. During the period we increased our sources of available funding and lengthened our debt maturity profile with the successful A\$425m USPP note issuance.

⁸ Based on survey of 2,000 bettors (people who have bet in the last 12 months) across Australia undertaken in April 2022.

⁹ Based on current licence structures and business model.

1H23 Divisional Result: Wagering and Media

Wagering and Media revenue for 1H23 increased 9% on 1H22PF to \$1,166m, and EBITDA increased 12% to \$154m driven by a 58% increase in cash wagering revenue, following the return of customers to retail venues post COVID lockdowns.

Digital revenue market share was 25.1%, in line with 1H22. This marks the first time TAB has held digital revenue market share since 2019 and highlights both the improvement in our digital customer experience as well as the fact that TAB's omni-channel wagering offering performs best when all channels are fully operational.

This is a particularly strong result given the distortion of the market during 1H23 with the launch of Betr who commenced trading with highly distortionary promotional offers.

1H23 Divisional Result: Gaming Services

Gaming Services revenue for 1H23 was up 37% on 1H22PF to \$109m. EBITDA more than doubled to \$43m, including a 78% increase in EBITDA in Integrity Services¹⁰ to \$27m for the half as the business cycled negative COVID impacts in the prior corresponding period.

The Gaming Services business is successfully transitioning to an integrity services model with the sale of eBet for \$62m¹¹, which completed on 1 February 2023. Further, we were awarded a new 20-year exclusive licence to monitor all EGMs in Tasmanian pubs and clubs from July 2023, and subsequent to period end signed an agreement with The Star Entertainment Group to enhance our technology and enable monitoring of the EGMs at their Sydney casino¹². The Integrity Services business has attractive characteristics underpinned by high market share, long-dated licenses and contracted, CPI-linked fixed fee revenues.

Dividend

Tabcorp has announced an interim dividend of 1.3 cents per share (cps) fully franked. The interim dividend is payable on 21 March 2023 to shareholders registered at 27 February 2023. The ex-dividend date is 24 February 2023. The interim dividend represents a payout ratio of 61% of NPAT before significant items and equity accounted loss. The Company's Dividend Reinvestment Plan will operate in respect of the interim dividend with no discount.

¹⁰ Comprises Max Regulatory Services and non-monitoring revenue linked to monitoring contracts.

¹¹ eBet sale transaction subject to working capital and other minor adjustments.

¹² Monitoring of these EGMs will be conducted under a separate venue agreement, which is subject to further agreement between the parties.

ASX ANNOUNCEMENT

Tabcorp

Market observations and outlook

- Historically the wagering market has been resilient during periods of economic uncertainty.
- The wagering market is changing due to increased government and community expectations, higher costs of funding and higher costs to compete.
- Wagering operators increasingly require scale to remain competitive as the focus shifts to profitability, product and customer experience.
- Tabcorp is well positioned. Our scale, omni-channel offering, quality customer base, regulatory capability, and TAB25 transformation deliver us competitive advantage in this new market environment.
- FY23 opex guidance upgraded to +2-3% growth on FY22 pro forma (previously +3-4%) driven by early momentum on our Genesis program. FY23 Capex guidance \$150m and D&A guidance \$250-260m, unchanged.
- Investor Day to be held in late May 2023 further outlining our road to TAB25.

This announcement was authorised for release by the Tabcorp Board.

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