

ASX ANNOUNCEMENT

Tabcorp

24 August 2023

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

Tabcorp Results – Full Year Ended 30 June 2023

Tabcorp Holdings Limited (**Tabcorp** or the **Company**) (ASX: TAH) today announced its full year results for the 12-month period ended 30 June 2023 (FY23). The Company reported FY23 Group Statutory Net Profit after Tax (NPAT) of \$67m. Tabcorp announced a fully franked final dividend of 1.0 cents per share (cps) payable on 18 September 2023 to shareholders registered as at 1 September 2023.

Highlights

- **Group Revenue** of \$2,434m – an increase of 2% on FY22 pro forma¹.
- **Group EBITDA**² of \$391m and **Group EBIT** of \$150m – an increase of 8% and 103% respectively, on FY22 pro forma.
- **Group operating expenses (opex)** of \$618m – down 1% on FY22 pro forma and below guidance.
- **Record digital active TAB customers** of 805,000 - an increase of 3%.
- **Total TAB Revenue Market Share of 34.6%** versus 33.6% in the pcg and **Digital Revenue Market Share of 24.5%**³ - versus 24.9% in the pcg.
- **Queensland is the best performing TAB state** after the implementation of a Level Playing Field on 1 December 2022.
- **Sale of MAX Performance Solutions announced**⁴, continuing our pivot to Integrity Services. Integrity Services⁵ FY23 EBITDA of \$55m, an increase of 36% on FY22 pro forma⁶.

¹ Pro forma is a non-IFRS measure and is unaudited. It reflects the impacts of the Demerger as if the transaction has occurred at the commencement of FY22.

² EBITDA and EBIT are non IFRS measures and exclude significant items.

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 generousities.

⁴ Completion targeted for prior to December 2023, subject to purchaser receiving regulatory approvals.

⁵ Comprises MAX Regulatory Services and non-monitoring revenue linked to monitoring contracts.

⁶ Pro forma is a non-IFRS measure and is unaudited. It reflects the impacts of the Demerger as if the transaction has occurred at the commencement of FY22.

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Managing Director and CEO Adam Rytenskild said:

“Today’s earnings and record active customers highlight the successful completion of the foundation year in the TAB25 transformation strategy.

“We’ve built this foundation for growth by creating the right products, policy settings and attracting the people needed to transform our business. Our earnings, revenue and active TAB customers have all increased on last year and these strong metrics lay the platform to achieve our TAB25 ambitions.

“We are the only one of the large wagering operators in the Australian market to increase revenue and EBITDA in FY23.

“Our total revenue market share grew, highlighting the strength of our wagering ecosystem. Despite a distorted market which included the introduction of an aggressive new operator and increased generosity and marketing spend by competitors, our digital revenue share remained relatively stable, highlighting the strength of our new products.

“The outstanding performance in Queensland highlights the confidence we have in our growth plans. Queensland TAB has outperformed the Group TAB results on almost every metric since it commenced competing on a level playing field with our competitors. I’m looking forward to having a level playing field in Victoria next year.

“TAB is a very different business today, compared to a year ago.

“We’re delivering on what we promised. Not only has the new TAB App been launched, we’ve followed up with ten new product launches as we rapidly increase speed to market. Closing the product gap has been critical to the strong increase in active customers and our product team can now pivot from catching up to becoming a market leader for product innovation.

“Our retail upgrades also commenced with innovative retail fit outs underway in our biggest venues to maximise our advantage of having the only completely integrated wagering ecosystem in Australia.

“We will continue to invest for sustainable long term growth including rebranding TAB to a fresher, younger more innovative brand. Our new marketing campaign and branding is now live and will play an important role as we look to grow our customer base in sports betting. While there is an increased focus on sport, TAB remains the long term industry partner of racing and the wagering partner of Australia’s biggest racing events, the TAB Everest and the Melbourne Cup carnival. Racing will remain the bedrock of our Company.

“In FY23 we delivered on disciplined cost management through the Genesis program. Our strong performance on cost has provided us with the flexibility to invest in the business in FY24 whilst maintaining our TAB25 opex targets of \$600m-\$620m in FY25.

“Our Integrity Services business continued to perform strongly in FY23 and remains a high quality and valuable business. The commencement of the new Tasmanian monitoring licence

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from 1 July this year, highlights the increased opportunities for Integrity Services in a more tightly regulated environment.

“Today’s results show we have achieved the FY23 goal of laying the foundations to achieve our TAB25 targets.

“We’ve reshaped the business and delivered structural reforms to bring customers market leading offers, pricing and products that deliver the ultimate customer experience while creating a simpler, more valuable growth business for our shareholders.

Leading Community Debate

Tabcorp has been the industry leader in advocating for advertising reforms in the sector. The Australian community rightly expects more from wagering operators and as the leading Australian operator we have taken active steps to meet that expectation.

We are proudly an Australian company and have strongly advocated for a reduction in wagering advertising in our community. As an Australian company, we know that’s what Australians want and we welcome recommendations by the Federal Parliamentary inquiry into online gambling to phase out free to air television advertising on non-racing programs. We will continue to work with government on implementing restrictions which ensure families are not bombarded with gambling advertising while watching television.

Tabcorp has also advocated for a national regulator and we are pleased the inquiry has recommended a single regulator to ensure all bookmakers are governed by the same standards. This is fair for the industry and a better outcome for the community.

Tighter regulations will change the way the industry operates. At Tabcorp, we embrace this and we are well prepared to operate in a new regulatory environment.

Financial Discipline and Strong Balance Sheet

Our Genesis program is delivering a more efficient organisation. FY23 group opex of \$618m was down 1% on FY22 pro forma⁷ and below prior guidance for 2-3% cost growth on FY22 pro forma. This is an outstanding achievement for the business and highlights our absolute commitment to being a leaner, more agile business.

Our cost performance in FY23 has provided us further capacity to reinvest for growth. In FY24 we expect opex to increase to \$630-\$640m including investment to reposition the TAB brand in 1H24, along with continued investment in data and analytics capability.

While expenditure will increase in FY24, targeted opex of \$600m-\$620m in FY25 remains unchanged⁸.

⁷ Pro forma is a non-IFRS measure and is unaudited. It reflects the impacts of the Demerger as if the transaction has occurred at the commencement of FY22.

⁸ Based on current licence structures and business model.

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 equivalent US Private Placement note issuance.

FY23 Capex of \$155m was broadly in line with our guidance of up to \$150m, and included investment in digital product development and capital spend related to our new Tasmanian monitoring licence. FY23 D&A was \$241m, below the guidance of \$250m-260m, with the variance attributable to the final mix of capital spend between shorter life digital products and longer life technology assets relative to our prior expectations, along with the MPS business being classified as held for sale.

FY23 Divisional Result: Wagering and Media

Wagering and Media revenue for FY23 increased 2% to \$2,231m, and EBITDA increased 7.3% to \$308m compared to FY22 pro forma⁹.

We continue to improve our digital competitiveness. Leading indicators of TAB digital performance are encouraging and give us confidence in the outlook for FY25 and beyond. Active TAB account customers increased 3% to a record 805,000, while active sport customers increased 6%, multis actives increased 14% and multi digital turnover increased 10%, reflecting the launch of new and upgraded products.

After the first year of our three-year transformation, we have increased total revenue market share and seen a stabilisation in our digital market share. We delivered increased digital turnover share and racing revenue market share, while 4Q23 sport yields relative to competitors negatively impacted our sport and total digital revenue market share¹⁰.

This is a pleasing result given the impacts in FY23 from new entrants, highly competitive generosity levels, and smaller scale operators targeting near term profitability.

FY23 Divisional Result: Gaming Services

Gaming Services revenue for FY23 was up 3% on FY22 pro forma¹¹ to \$204m. EBITDA increased 13% to \$83m, reflecting a strong year for the business as it cycled negative COVID impacts in the pcg.

These results are underpinned by our high-quality Integrity Services¹² business which continues to perform strongly with a 36% increase in EBITDA versus the pcg.

⁹ Pro forma is a non-IFRS measure and is unaudited. It reflects the impacts of the Demerger as if the transaction has occurred at the commencement of FY22.

¹⁰ 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.

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¹² Comprises MAX Regulatory Services and non-monitoring revenue linked to monitoring contracts.

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We were awarded a new 20-year licence to monitor Electronic Gaming Machines in Tasmanian pubs and clubs, which was successfully implemented and commenced on 1 July 2023.

The sale of MAX Performance Solutions¹³ announced today further simplifies our Gaming Services business and continues the transition to an Integrity Services business.

Dividend

Tabcorp has announced a final dividend of 1.0 cents per share (cps) fully franked. The final dividend is payable on 18 September 2023 to shareholders registered at 1 September 2023. The ex-dividend date is 31 August 2023. Coupled with the 1H23 interim dividend of 1.3 cps, the total FY23 dividends equates to 2.3 cps and represents a payout ratio of 60% of NPAT before significant items and equity accounted loss. The Company's Dividend Reinvestment Plan will operate in respect of the final dividend with no discount.

This announcement was authorised for release by the Tabcorp Board.

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¹³ Completion targeted for prior to December 2023, subject to purchaser receiving regulatory approvals.