

ASX ANNOUNCEMENT

Tabcorp

22 February 2024

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

Tabcorp Results – Half Year Ended 31 December 2023

Tabcorp Holdings Limited (**Tabcorp** or the **Company**) (ASX: TAH) today announced its half year results for the 6-month period ended 31 December 2023 (**1H24**). The Company reported 1H24 Group Statutory Net Loss after tax of \$636.8m, including a non-cash impairment charge of \$731.9m after tax and other significant items benefit totalling \$77.5m after tax¹.

Overview

- **Continued progress executing** our TAB25 strategy including **improving market share trend**.
- **Group Revenue of \$1,210m**, down 5% on 1H23, primarily reflecting current trading conditions.
- **Increased Variable Contribution (VC) margin** of 40.1%, up from 39.2% in 1H23, driven by the benefits of a level playing field in Queensland.
- **Group EBITDA of \$170m** and **Group EBIT of \$50m**, down 14% and 32%, respectively, on 1H23².
- **Non-cash impairment charge** of \$731.9m after tax to the Wagering and Media business.
- **Strong financial position**, with gearing 0.9 times as at 31 December 2023³.
- **1H24 interim dividend of 1.0 cps**, fully franked, representing a payout ratio of 111%⁴, reflecting confidence in the business and a strong financial position.
- **Awarded new exclusive Victorian Wagering and Betting Licence**.

¹ Significant items (after tax) of \$654.4m comprise impairment of \$731.9m, and ATO dispute settlement benefit (\$47.9m), other tax matters benefit (\$59m), transformation costs (\$9.4m), MPS divestment (\$6.2m), VIC licence costs (\$6m) and Demerger costs (\$7.8m). Refer to Appendix in the Investor Presentation.

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

³ Gearing is net debt (including lease liabilities but excluding restricted cash) / EBITDA over the last 12 months, and is non-IFRS financial information and unaudited.

⁴ Calculated using NPAT before significant items and equity accounted loss.

Managing Director and CEO Adam Rytenskild said:

“Tabcorp’s transformation is on track.

“TAB’s improving market share trend highlights this, and the broader operational result demonstrates the substantial progress we have made as a company.

“We continue to focus on the three pillars of our strategy. Invest in customer and competitiveness to Win back the Australian market, Level the Playing Field for fees, taxes and regulation and reshape our cost base for efficiency and growth.

“Total market share and digital market share grew compared to the prior half. This is another positive step having stopped the decline. We are seeing positive signs from targeted investment in product, brand, data, technology and retail as we start to leverage the strength of an extensive integrated wagering and media network throughout the country.

“We have become a more digital business, underpinned by recent investments in AI, data and new technology platforms. Combined with our TAB brand embedded in over 4,000 venues, we see a significant omni-channel opportunity that we are yet to capitalise on.

“The new Victorian Licence is a game changer for TAB and will generate an immediate step-change in earnings in Victoria from August. Had the licence been in place during FY23 EBITDA would have been \$140m higher on a pro forma basis.

“We are continuing to become a more efficient and effective business through our Genesis program. An example of this is the recent outsourcing partnership with Accenture for IT and Business Processes.

“These levers have us well placed to create growth and we are confident the market will continue to grow long term.

“Customer care remains central to our business and our partnership with Mindway AI assists us identify and help customers at risk of gambling harm faster. We await the outcome of the Federal Government’s Online Gambling Enquiry and anticipate a reduction of gambling advertising when families and children watch television. We support this.

“Integrity Services is a terrific business and its growth demonstrates its high quality and stable earnings.

“Today’s results are solid given market conditions, but more importantly demonstrate that the Company is on track to significantly improve performance over time. The Australian wagering market is healthy, we’re confident it will return to growth and Tabcorp’s position in it will be much stronger when it does.”

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Financial Discipline and Strong Balance Sheet

The Genesis program is delivering a more efficient and effective organisation, despite an environment of high cost inflation. 1H24 group opex of \$316m was up 4% on 1H23⁵, or 1% after adjusting for a one-off insurance benefit in the prior year⁶.

At the same time, we continued to invest in our TAB25 transformation strategy in 1H24, including the repositioning of the TAB brand and ongoing investment in technology and data capability. These investments are delivering improved competitiveness in marketing and in promotional efficiency.

1H24 capex was \$76m (1H23: \$70m)⁷, with over 70% attributable to growth and Transformation initiatives. FY24 capex guidance of up to \$150m remains unchanged. FY24 depreciation and amortisation guidance of \$220-\$230m includes the impact of impairment charges.

The Company's balance sheet places us in a strong position to complete our TAB25 strategy. As at 31 December 2023 net debt was \$193m and gearing was 0.9x⁸.

The initial \$600m payment for the new Victorian Wagering and Betting Licence, due at the end of June 2024, is expected to be fully funded from our existing debt capacity. The Company had undrawn debt facilities of \$950m at 31 December 2023.

Wagering & Media Impairment

Following a review of the carrying value of its assets, the Company has recognised a non-cash impairment charge of \$731.9m after tax in its 1H24 financial result.

The non-cash impairment charge relates to certain assets in the New South Wales (**NSW**) and South Australian (**SA**) Wagering businesses, and goodwill relating to the Wagering and Media Segment. The impairment reflects an assessment based on underlying assumptions which take into account, among other matters:

- softness in the Australian wagering market observed through the six months to 31 December 2023 driven by higher inflation and interest rates which has impacted consumer spending on wagering activity;
- the impact of higher interest rates on discount rates; and
- higher taxes in NSW following the end of transitional payments to Tabcorp which had been in place following the previously announced increase in the NSW Point of Consumption Tax (POCT) rate in June 2022. The EBITDA impact of the higher NSW taxes is estimated to be approximately \$10m in FY24 and an additional \$6m in FY25⁹.

⁵ Broadcast Rights fees were previously classified across both variable costs (VC) and operating expenses. To better reflect their nature all Broadcast Rights fees are now classified as variable costs. This has the effect of reallocating \$21.9m from opex to VC in 1H24 (1H23: \$20.1m).

⁶ Insurance proceeds benefit of \$11m in 1H23.

⁷ Excludes Demerger Capex (\$5m).

⁸ Gearing is net debt (including lease liabilities but excluding restricted cash) / EBITDA over the last 12 months and is non-IFRS financial information and unaudited.

⁹ Actual financial impact subject to many variables, including but not limited to market conditions, the POCT rate and overall revenue performance.

The impairment charges do not reflect potential for upside from licence reform in NSW and South Australia if it were to occur as sought under the TAB25 strategy, which have successfully been delivered in Queensland and Victoria (post August 2025).

1H24 Divisional Result: Wagering and Media

Wagering and Media revenue for 1H24 declined 4% to \$1,117m, reflecting a decline in the overall wagering market, and EBITDA down 13% to \$134m compared to 1H23.

TAB's digital competitiveness continued to improve. Digital turnover market share increased to 21.2%, up from 20.1% in the preceding June 2023 half, while digital revenue market share increased to 24.4%, from 23.9%.

Wagering and Media VC margins improved 110bps to 35.3%, driven by higher margins in QLD following the implementation of a level playing field in December 2022.

Underlying opex¹⁰ growth was contained to 2% in a high-cost inflation environment and included investment in the TAB rebrand along with other growth initiatives in the half.

1H24 Divisional Result: Gaming Services

Gaming Services revenue for 1H24 was down 14% on 1H23 to \$93m, and EBITDA declined 17%, due to the sale of the MAX Performance Solutions and eBet businesses.

The Gaming Services segment is now underpinned by our high-quality Integrity Services business¹¹ which continues to perform strongly. Integrity Services revenue increased 10% to \$63.9m, and EBITDA increased 8%, driven by the new Tasmanian monitoring licence, higher monitored machines, and contracted CPI-linked price increases in NSW.

The sale of MAX Performance Solutions was completed in October 2023.

Summary and Trading

We are executing our TAB25 strategy. This is transforming our competitiveness, continuing to improve market share trends and creating a more efficient and effective organisation.

Australian wagering is a historically resilient market, growing at 6% CAGR and above GDP growth¹². Recent weakness follows a period of abnormal digital growth through COVID, and we remain confident in the long-term growth outlook for the market, and for TAB to continue to grow market share.

¹⁰ Excluding insurance proceeds benefit of \$11m in 1H23.

¹¹ Comprises MAX Regulatory Services and non-monitoring revenue linked to monitoring contracts.

¹² Based on Company reports and internal estimates.

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January 2024 Trading¹³

- Continuing to compete strongly in the Australian wagering market
- Group revenue -3.9%
- Wagering turnover -5.4%. Improved yields and generosity efficiency benefitted wagering net revenue performance with Wagering & Media revenue -2.3%

Dividend

Tabcorp has announced an interim dividend of 1.0 cents per share (cps) fully franked. The interim dividend is payable on 21 March 2024 to shareholders registered at 28 February 2024. The ex-dividend date is 27 February 2024. The interim dividend represents a payout ratio of 111% of NPAT before significant items and equity accounted loss, reflecting the Company's strong financial position and confidence in the Company's trading outlook. The Company's Dividend Reinvestment Plan will operate in respect of the interim dividend with no discount.

This announcement was authorised for release by the Tabcorp Board.

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¹³ For the period from 1 January to 31 January 2024. Amounts derived from unaudited Company accounts and therefore may be subject to change. Comparisons are to the prior corresponding period (January 2023).

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