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28 August 2024

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

Tabcorp Holdings Limited 2024 Full Year Results Announcement

Attached for release to the market is Tabcorp Holdings Limited's (**Tabcorp** or the **Company**) Full Year Results Announcement for the year ended 30 June 2024.

This announcement was authorised for release by the Tabcorp Board.

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Wagering Competitive in Soft Market

- **Wagering turnover and net revenue performed well relative to major competitors** in a soft market, driven by improved digital competitiveness and our unique omni-channel offer.
- **Digital wagering** revenue down 2.2% in FY24 and flat in 2H24.
- **Cash wagering** revenue up 0.4% in FY24 and up 5.3% in 2H24, **outperforming the digital market**.
- Underlying¹ **Gaming Services** EBITDA +14.3% in FY24.
- **Group Revenue of \$2,338.9m**, down 3.9% on FY23, primarily reflecting current wagering trading conditions. **Group EBITDA² of \$317.7m**, down 18.7% on FY23.
- Statutory Net Loss After Tax of \$1,359.7m, including **non-cash impairment charges** totalling \$1,376.4m (after tax) relating to Wagering assets and other significant items totalling \$11.3m after tax³.
- **Final dividend** of 0.3 cents per share, unfranked.

Key Group Financial Metrics

\$m	FY24	FY23	Change (%)
Group before significant items			
Revenue	2,338.9	2,434.4	(3.9%)
EBITDA	317.7	391.0	(18.7%)
EBIT	97.4	150.5	(35.3%)
NPAT	28.0	84.3	(66.8%)
Group after significant items²			
(NLAT) / NPAT	(1,359.7)	66.5	NM
EPS (cents)	(59.6)	2.9	NM
Dividend per share (cents)	1.3	2.3	(43.5%)

¹ Adjusted for sale of MPS and eBet businesses.

² EBITDA, EBIT and NPAT before significant items, pro-forma and underlying referred to throughout this release are non-IFRS financial information, exclude significant items, and are unaudited.

³ Significant items (after tax) of \$1,387.7m comprises impairment of \$1,376.4m, transformation costs \$45.6m, VIC licence costs \$53.8m, Demerger costs \$12.6m, MPS divestment \$6.2m, ATO dispute settlement benefit (\$47.9m) and other tax matters benefit (\$59.0m).

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FY24 Strategic Achievements

- **Led the market for new product releases** – 20 TAB App releases since launch in September 2022, which has improved Tabcorp’s competitiveness.
- **New 20-year Victorian Wagering and Betting Licence awarded in December 2023** and successfully transitioned to in August 2024. Level playing field now operating in Victoria, Queensland, the ACT and Tasmania. A review of the racing funding model has commenced in NSW.
- **Retail rejuvenation – 31 venues upgraded** across Queensland, Victoria and NSW. Average turnover 19%⁴ above that of non-refurbished venues.
- **Increased player safety capability** with investment in the Customer Safety Team that has led to an increase in customer interventions.
- **Pivot of Gaming Services to high quality Integrity Services business** completed with the sale of MPS.
- **Simpler operating model** and cost benefits from ongoing **Genesis program**.

Group Performance Overview⁵

\$m	FY24	FY23	Change (%)
Wagering and Media	2,162.8	2,230.8	(3.0%)
Gaming Services	176.1	203.6	(13.5%)
Group Revenue	2,338.9	2,434.4	(3.9%)
Wagering and Media	251.2	308.0	(18.4%)
Gaming Services	66.5	83.1	(20.0%)
Group EBITDA	317.7	391.0	(18.7%)
Wagering and Media	70.3	116.2	(39.5%)
Gaming Services	27.1	34.4	(21.2%)
Group EBIT	97.4	150.5	(35.3%)

⁴ Average growth above that of non-refurbished venues from date of refurbishment to 30 June 2024, relative to 13 weeks prior to refurbishment.

⁵ All amounts are before significant items, non-IFRS and unaudited. Business results may not aggregate to Group total due to intercompany eliminations and unallocated items.

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Group revenue was down 3.9% reflecting soft wagering market conditions and the sale of the MPS business. Tabcorp delivered EBITDA of \$317.7m, down 18.7% on FY23.

Group opex increased 6.3% to \$614.0m. Cost growth was driven by persistent inflation across most parts of the business, including regulatory and compliance costs. The Genesis benefits of approximately \$25m largely offset the inflation headwinds across the business. In addition, there was incremental investment across customer facing areas such as brand, data and analytics as well as product.

Strategic Update

Recognising the changes in economic and regulatory conditions and company performance since demerger, the TAB25 targets will not be met.

The Company remains committed to the underlying strategic objectives of increasing market share, levelling the playing field, controlling costs and increasing value for shareholders.

FY24 Divisional Result: Wagering and Media⁶

\$m	FY24	FY23	Change (%)
Wagering and Media revenue	2,162.8	2,230.8	(3.0%)
Wagering and Media VC	758.2	775.0	(2.2%)
Operating expenses	(507.0)	(467.0)	(8.6%)
EBITDA	251.2	308.0	(18.4%)
D&A	(180.9)	(191.8)	5.7%
EBIT	70.3	116.2	(39.5%)

Wagering and Media revenue for FY24 declined 3.0% to \$2,162.8m, reflecting a decline in the overall wagering market.

Digital wagering revenue was down 2.2%, reflecting a decline in turnover partly offset by higher gross yields. Digital revenue showed an improving trend in the second half with digital wagering revenue flat in 2H24 compared to a 1H24 decline of 4.0%. In addition, our retail business performed well with cash wagering revenue up 0.4% in FY24, and up 5.3% in 2H24 (1H24 -3.8%), outperforming the digital market.

⁶ All amounts are before significant items, non-IFRS and unaudited.

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Following a review of disclosures, International Wagering has been included in Wagering (previously grouped with Media) to better reflect the activities of this revenue stream. International wagering revenue declined 14.8% in FY24 due to increased competition in global (ex-Australia) pooling markets.

Media revenue declined 6.2% reflecting the impact of lower wagering market turnover on domestic digital distribution revenues. International media revenue increased from both new content and distribution into new jurisdictions. Gross licenced venue subscriptions were relatively flat on prior year, with an increase in Sky Vision rebates reducing the net contribution from venue subscriptions.

Wagering and Media variable contribution margins improved 40bps to 35.1%, driven by higher margins in Queensland following the implementation of a level playing field in December 2022, partly offset by the impact of higher NSW POCT from December 2023.

Wagering and Media opex growth, excluding the insurance proceeds benefit of \$11m in FY23, was 6.1% reflecting a persistent high-cost inflation environment, regulatory and compliance costs, and reinvestment of Genesis savings into strategic growth initiatives such as the TAB brand refresh, data analytics capability and product development.

Wagering and Media EBITDA of \$251.2m declined by 18.4% when compared to FY23. EBIT of \$70.3m declined by 39.5%, inclusive of a \$26m reduction in depreciation and amortisation primarily as a result of the impairment recognised at 31 December 2023.

Wagering & Media Impairment

Following a review of the carrying value of assets, the Company has recognised non-cash impairment charges totalling \$1,376.4m after tax in FY24 (\$1,531.6m before tax) relating to the Wagering business, and predominantly the NSW and SA assets. This reflects an increase to the impairment charge of \$644.5m after tax, reported at the 1H24 result in February, with \$111.3m attributable to Assets and \$533.2m to Goodwill.

The increase in the impairment at the full year primarily reflects:

- a slower than expected recovery in the Australian wagering market observed in the six months to 30 June 2024, driven by higher inflation and interest rates which has impacted consumer spending on wagering activity, as well as a tightening of the regulatory environment; and
- an increase in opex in FY24 and expectations of persistent cost inflation that has impacted the opex outlook.

The impact of the impairment on D&A in FY24 was \$26m and is expected to be \$65m in FY25 in total from both the half and full year impairments.

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FY24 Divisional Result: Gaming Services⁷

\$m	FY24	FY23	Change (%)
Gaming Services – Reported			
Revenue	176.1	203.6	(13.5%)
EBITDA	66.5	83.1	(20.0%)
EBIT	27.1	34.4	(21.2%)
Gaming Services – Underlying⁸			
Revenue	163.4	148.4	10.1%
EBITDA	59.0	51.6	14.3%
EBIT	20.0	17.5	14.3%

On an underlying basis, adjusting for the sale of the MPS and eBet businesses, Gaming Services revenue was up 10.1% to \$163.4m. EBITDA was up 14.3% to \$59.0m compared to FY23, with an EBITDA margin of 36.1%.

The Gaming Services segment is now underpinned by our high-quality Integrity Services business⁹ which continues to perform strongly. Integrity Services revenue increased 9.5% to \$129.1m, and EBITDA increased 3.4%, driven by a 3.2% increase in monitored EGMs (including the new Tasmanian monitoring licence), and contracted CPI-linked price increases in NSW.

Balance Sheet

Net debt of \$860m as at 30 June 2024 was \$565m higher than the prior year, driven largely by the \$600m payment on 26 June 2024 for the new Victorian licence. At year end, Tabcorp's average maturity of debt was 4.8 years, with undrawn facilities of \$380m and cash of \$314m (this includes restricted cash).

Tabcorp continues to maintain access to diversified funding sources, with no debt maturities until FY28 following extension of our Tranche A bank facility to 2029. The Company's balance sheet places us in a strong position to continue to pursue growth opportunities. As at 30 June 2024, pro-forma leverage was 2.0x¹⁰.

⁷ All amounts are before significant items, non-IFRS and unaudited.

⁸ Adjusted for sale of MPS and eBet businesses.

⁹ Comprises MAX Regulatory Services and non-monitoring revenue linked to monitoring contracts.

¹⁰ Leverage is net debt / EBITDA on a last 12-month (LTM) basis and is non-IFRS financial information and unaudited. Net debt is gross debt including lease liabilities, bank guarantees and mark to market cross currency interest rate swaps, less cash. An adjustment to EBITDA has been made to include FY24 pro-forma of VIC licence EBITDA of \$115m.

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Following the renewal of the Victorian licence, it was appropriate to review the leverage target range that was set at the time of the demerger. Given the enhanced credit quality of the cash flows following the renewal of the Victorian licence and to provide Tabcorp with the necessary flexibility and capacity to pursue growth opportunities, a revised net debt / EBITDA target of less than 2.5x through the cycle is appropriate and consistent with investment grade credit characteristics. This target metric provides significant headroom to Tabcorp's covenant with bank and USPP lenders and is consistent with its calculation.

Dividend

Tabcorp has announced an FY24 unfranked final dividend of 0.3 cents per share (**cps**). The unfranked nature of the final dividend reflects the material impact on the franking account of \$126.3 million of tax refunds received in FY24. This followed the settlement and finalisation of several tax matters with the ATO. The Company is unlikely to be in a position to frank dividends in the near-term given cash tax is expected to be nil due to carried forward tax losses and R&D tax offsets.

The final dividend is payable on 20 September 2024 to shareholders registered at 3 September 2024. The ex-dividend date is 2 September 2024. Coupled with the 1H24 interim dividend of 1.0 cps, the total FY24 dividends equates to 1.3 cps and represents a payout ratio of 93% 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.

Summary and Outlook

MD & CEO-Elect¹¹ Gillon McLachlan:

"Tabcorp has a unique asset base which can ultimately create a complete sports entertainment experience for our customers and unlock value for shareholders.

"The challenge of connecting those assets to continue executing on the opportunities they present is what I find appealing about the opportunity for the Company going forward.

"The Company has done a good job at building solid foundations since demerger and there is no doubt TAB is competing better in the market. The product is better, speed to market has improved, the retail offering is being revitalised and we're achieving structural reforms that will make the company more competitive.

"The foundations to unlock value have been built.

¹¹ Mr McLachlan's appointment as Managing Director and CEO is subject to regulatory approval. Upon receipt of regulatory approval, Mr McLachlan's appointment will become effective.

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"But the reality is the company is only part way through a turnaround, and we need to continue to enhance execution to create greater value.

"It is clear the business will not meet its TAB25 targets. It is my job to unlock an enhanced cadence with a focus on people and capability. As we evolve, we'll be better placed to continue executing on the growth opportunities.

"Today's results demonstrate a competitive performance in the soft market conditions we face. It shows customers are responding to the improved product offering and there's no doubt the business is more competitive today than it was at demerger, but it's not where it ultimately needs to be. It will require change but the goal remains unchanged.

"The building blocks are there to create the complete sports entertainment business. To achieve this, there will be a new cadence at Tabcorp which will ultimately unlock significant value for shareholders.

"Importantly, I want to stress that customer safety is personally very important to me. The evolution of technology and our processes to identify problem gamblers faster will not be compromised as we unlock additional value within the company."

Tabcorp Outlook

Wagering Market

Looking forward, Tabcorp expects the macro-economic environment for customers to remain challenging given expectations around interest rates remaining elevated and the high inflation levels that persist. In addition, the regulatory environment continues to tighten and impact the wagering market. As a result of these factors, Tabcorp expects the soft wagering market observed in 2H24 to continue in the near-term.

The significant investment the Company has made in the TAB App in recent years and ongoing investment in the retail network is expected to hold us in good stead in FY25.

New Victorian Licence

Tabcorp's new 20-year Victorian Wagering and Betting Licence commenced on 16 August 2024. The new licence creates a level playing field in Victoria for taxes and fees and enhances Tabcorp's ongoing competitiveness. The new licence will ensure retail exclusivity and provide a step change in the scale and quality of Tabcorp's group earnings. Based on the FY24 operating environment Group EBITDA would have been \$115m¹² higher on a full year pro-

¹² This is a pro-forma adjustment to earnings based on the operating environment in FY24 and is not a forecast. Investors should consider turnover conditions and outcomes to form a view of FY25 impact. Includes revenue uplift of \$323m, VC uplift of \$199m and \$84m increase in opex.

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forma basis. The actual FY25 impact of the new Victorian licence will be dependent on turnover and cost outcomes achieved in FY25.

Operating Expenditure

Operating expenditures are expected to be impacted by costs previously allocated to the Victorian Racing Industry Joint Venture¹³ (approximately \$74m in FY25, or \$84m annualised). In addition, consistent with recent experience, Tabcorp is also seeing inflationary pressures impacting our cost base including salaries and wages, as well as higher regulatory costs and a changing mix of technology costs from capex into opex.

Tabcorp also expects to incur approximately \$10m of dis-synergies associated with the completion of the demerger from The Lottery Corporation. These cost increases are expected to be partially offset by Genesis savings of approximately \$20m. The Company will maintain its focus on cost management through the cycle to ensure we are positively leveraged for a return to market growth.

Other Items

Variable contribution in FY25 will be positively impacted by the new Victorian licence as outlined above, partly offset by higher NSW POCT.

Gaming Services EBITDA is expected to be impacted by cycling the loss of earnings from the sale of MPS in FY24.

Tabcorp is working collaboratively with the NSW Government, as part of the review announced in June 2024, to consider reforms to the NSW wagering tax regime, regulation and industry funding to create a sustainable NSW racing industry.

The Australian wagering market is historically resilient and Tabcorp remains confident in its long-term growth prospects. In addition, Tabcorp's strong customer proposition and unique portfolio of assets, including the investments made in our digital capabilities, position the Company well to compete throughout the economic cycle.

¹³ These costs are included in the FY24 pro-forma EBITDA uplift of \$115m.

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Disclaimer

Forward-looking statements

Any forecasts or other forward-looking statements contained in this release are subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Tabcorp, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. Except as required by law or regulation (including the ASX Listing Rules), Tabcorp undertakes no obligation to update these forward-looking statements. Past performance information given in this release is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Non-IFRS financial information

Investors should be aware that certain financial measures included in this release are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC and 'non-GAAP financial measures' within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under AAS and IFRS. Non-IFRS financial information in this release includes EBITDA, EBIT, NPAT before significant items, net debt and pro-forma which have not been subject to audit. Such non-IFRS financial information does not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Although Tabcorp believes these non-IFRS financial measures provide useful information to investors in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-IFRS financial information included in this release.

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Glossary

1H/2H	Six months ended 31 December/30 June of the relevant financial year
AAS	Australian Accounting Standards
ACT	Australian Capital Territory
ASIC	Australian Securities and Investments Commission
ATO	Australian Tax Office
BPS	Basis points
CAPEX	Capital expenditure
CPI	Consumer Price Index
DEMERGER	The Demerger of the Group's former Lotteries and Keno business that is now operated by the ASX listed company The Lottery Corporation Limited (TLC)
D&A	Depreciation, Amortisation and impairment
EBIT	Earnings before interest and tax (before significant items)
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment (before significant items)
EGM	Electronic Gaming Machine
EPS	Earnings Per Share
FINANCIAL YEAR / FY	The Group's financial year is 1 July to 30 June
GAAP	Generally Accepted Accounting Principles
GAMING SERVICES (GS)	The Group's business that provides services to licensed gaming venues and EGM monitoring services
GENESIS	Tabcorp's cost optimisation program
GROUP	The Tabcorp group of companies
INTEGRITY SERVICES	Monitoring EGMs under licence and the provision of other regulated and approved services, which vary by jurisdiction.
IFRS	International Financial Reporting Standards
LTM	Last twelve months
MAX	The Group's Gaming Services brand
MPS	Max Performance Solutions
NM	Not meaningful
NPAT	Net profit after tax
NSW	New South Wales
OPEX	Operating expenses net of other income
PRO-FORMA (PF)	Pro-forma financial information has been derived from Tabcorp financial information and adjusted for additional stand-alone operating costs to reflect the Demerger having effect pro-forma period presented
POCT	Point of Consumption Tax
ROIC	Return on invested capital
SA	South Australia
SKY RACING, SKY1 & SKY2	Part of the Group's Media business, Broadcasting racing and sport throughout Australia and internationally
TAB	The Group's wagering brand
TURNOVER	Turnover is gross amount wagered by customers. It is a non-IFRS measure
USPP	US Private Placement
VC	Variable Contribution
VIC	Victoria
VRI	Victorian Racing Industry
WAGERING AND MEDIA (W&M)	The Group's business that operates fixed odds and pari-mutuel betting products and services on racing, sport and novelty products, and racing and sports broadcasting