

5 September 2024

ASX Listings Compliance

By email: [ListingsComplianceMelbourne@asx.com.au](mailto:ListingsComplianceMelbourne@asx.com.au)

**RE: TABCORP HOLDINGS LIMITED RESPONSE TO ASX AWARE LETTER**

Dear Sir / Madam,

We refer to your letter dated 2 September 2024 (**ASX Aware Letter**) and set out Tabcorp Holdings Limited's (**TAH**) response to the requests for information raised therein, using the same numbering (noting the numbering commences at number 2). Unless otherwise indicated, capitalised terms in this letter have the same meaning as given in the ASX Aware Letter.

**2. Does TAH consider that any measure of its statutory or underlying earnings for Financial Year 2024 as disclosed in the Results Announcement ('Earnings Information') differed materially from the market's expectations, having regard to the following three base indicators (in decreasing order of relevance and reliability):**

**2.1 If TAH had published earnings guidance, the guidance.**

TAH did not publish earnings guidance for Financial Year 2024 (**FY24**).

**2.2 If TAH is covered by sell-side analysts, the earnings forecasts of those analysts.**

EBITDA and EBIT<sup>1</sup> are the key metrics of focus for market participants in assessing TAH's (and other industry players') earnings performance, and the key metrics tracked by TAH's Board and management in understanding market expectations, as they best reflect the underlying performance of TAH's business. Of these, EBITDA is the preferred metric used by sell-side analysts and investors because it is a closer proxy for operating cash flow given TAH has a number of state-based wagering and gaming licences that recognise (non-cash) amortisation each year.

Having regard to the earnings forecasts of sell-side analysts and the commentary at paragraphs 4(a) and (b) of ASX Guidance Note 8, TAH does not consider that the Earnings Information in relation to FY24 revenue, EBITDA or EBIT differed materially from the market's expectations.

<sup>1</sup> All references to EBITDA and EBIT in this letter are before significant items.

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TAH's Earnings Information also includes both statutory and underlying net profit after tax (**NPAT**), as is required for compliance with ASX Listing Rules and accounting standards. TAH's statutory NPAT differed significantly from the estimates of analysts prior to the release of TAH's FY24 results. In particular, TAH's statutory NPAT incorporated non-cash impairment charges of \$1,376.4m (after tax) recognised during finalisation of TAH's FY24 results, which reflected an increase of \$644.5m (after tax) to the non-cash impairment charges totalling \$731.9m (after tax) recognised at the half year ended 31 December 2023 (**1H24**). The FY24 statutory result included other significant items (excluding impairment charges) totalling -\$11.3m (after tax), comprising transformation costs (-\$45.6m), Victorian Wagering and Betting Licence costs (-\$53.8m), demerger costs (-\$12.6m), MPS divestment (-\$6.2m), tax dispute settlement benefit (+\$47.9m) and other tax matters benefit (+\$59.0m). This compared to other significant items totalling +\$77.5m (after tax) recognised at 1H24. In aggregate, the impairment and other significant items resulted in a large divergence between TAH's reported statutory NPAT for FY24 and the estimates of analysts. See paragraph 3.2.3 below for further details.

Notwithstanding the size of the difference in TAH's reported statutory NPAT compared to analyst estimates, TAH does not consider this to be market sensitive given:

- revenue, EBITDA and EBIT are the more relevant earnings metrics for analysts and investors in assessing TAH's performance, and these were tracking broadly in line with consensus;
- investors are aware that over the last two financial years the Company has been undertaking a transformation program and a number of one-off items, which have been classified as significant items, have impacted reported statutory NPAT; and
- the impairment recognised at the finalisation of the full year result was non-cash in nature and the vast majority related to goodwill.

TAH's engagement with market participants since the Results Announcement supports the view that the FY24 reported earnings did not constitute a 'market sensitive earnings surprise'.

**2.3 If paragraph 2.1 and 2.2 are not applicable, TAH's earnings for the prior corresponding period, being the 2023 Financial Year.**

Not applicable.

**3. Please explain the basis for the view provided in response to question 2. In doing so, please specify how TAH determined market expectations in relation to each relevant measure of its earnings, including:**

**3.1 If TAH had published earnings guidance, details of:**

**3.1.1 that guidance and when it was released to the market**

**3.1.2 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, that guidance.**

As noted above, TAH did not publish earnings guidance.

**3.2 If TAH used sell-side analyst forecasts to estimate the market's expectations of its earnings, details of:**

**3.2.1 the method that TAH used to translate sell-side analyst forecasts into its estimate of market expectations for each measure of earnings referred to in the Earnings Information and, in particular, whether or not TAH used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach of determining this estimate;**

TAH is covered by 13 sell-side analysts whose forecasts TAH tracks as an indicator of the market's earnings expectations.

TAH adopts a consensus estimate methodology to translate sell-side analyst forecasts into its estimate of market expectations, with the consensus estimate being the average forecast for each measure derived from those sell-side analysts (subject to any stale estimates or clear outliers that TAH identifies). In relation to FY24, TAH excluded one sell-side analyst in preparing all consensus estimates, due to stale numbers, and excluded two additional sell-side analysts in preparing the consensus estimate for statutory NPAT, as they had not reflected significant items from 1H24 in their statutory NPAT estimates and as such these were considered material outliers.

TAH's view of consensus is also informed by feedback from advisors and external platforms such as VisibleAlpha. This is used as a cross-check to our primary consensus methodology.

TAH updates its analysis of consensus estimates whenever an analyst report is published.

**3.2.2 the entity's expectations of market expectations using that method;**

TAH's consensus estimate, based on data compiled on 19 August 2024, of each of the measures of earnings for the relevant reporting period were as follows:

Measure	Consensus (\$m)
Revenue	2,307
EBITDA	328
EBIT	102
NPAT before significant items	38.5
Statutory NPAT	(653.2)

**3.2.3 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant period would vary from, or be in line with, its estimate of these expectations.**

TAH held the view in the weeks prior to the Results Announcement that its expected earnings in respect of revenue, EBITDA and EBIT for FY24 were tracking materially in line with market expectations. Based on the data in paragraph 3.2.2 above, the variance between consensus estimates and TAH's reported numbers for FY24 was 1.4% in respect of revenue, -3.1% in respect of EBITDA and -4.5% in respect of EBIT.

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As noted above, there was a more significant variance between reported statutory NPAT (with the consensus statutory loss being approximately 50% of the reported loss). This was primarily due to non-cash impairment charges totalling \$1,376.4m (after tax) recognised in FY24, of which \$644.5m (after tax) was recognised during the finalisation of TAH's FY24 results.

TAH became aware with a reasonable degree of certainty that its statutory NPAT would vary significantly from the consensus estimate upon completion of the impairment testing process that was undertaken in parallel with (and as part of) its full-year results finalisation.

- 4. Does TAH consider that, at any point prior to the release of the Results Announcement, there was a variance between its expected earnings and its estimate of market expectations for the relevant period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of TAH's securities?**

For the reasons set out in paragraph 2.2 above, TAH does not consider that, at any point prior to the release of the Results Announcement, there was a variance between its expected earnings and its estimate of market expectations for the relevant reporting period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of TAH's securities.

- 5. If the answer to question 4 is "no", please provide the basis for that view.**

As noted in paragraph 2.2, TAH's EBITDA and EBIT results are the key metrics of focus for investors in respect of TAH's earnings and the primary drivers of TAH's valuation. Having regard to ASX's guidance on materiality in ASX Guidance Note 8, TAH's EBITA and EBIT results for FY24 were not materially different to the consensus estimates and were well under a 15% variance.

TAH considers that there was a reasonable basis to believe that the reported results for EBITDA and EBIT were within market expectations.

While the variance between TAH's reported statutory NPAT and the consensus estimate for that metric was more substantial, TAH does not consider this to be materially price sensitive for the reasons set out in paragraph 2.2 above.

- 6. If the entity first became aware of the variance before the release of the Results Announcement, did TAH make any announcement prior to the release of the Results Announcement which disclosed the relevant variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe TAH was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps TAH took to ensure that the information was released promptly and without delay.**

Not applicable.

**7. Please provide details or any other explanation TAH may have for the trading in its securities following the release of the Results Announcement.**

Since the release of the Results Announcement, representatives of TAH have been actively engaging with market participants. Feedback from those discussions indicates that the decline in TAH's share price following the release of TAH's Results Announcement on 28 August 2024 was most likely driven by forward looking statements in TAH's Results Announcement in relation to the outlook for the 2025 Financial Year in the context of a softer than expected wagering market and an increase in TAH's operating cost profile.

These outlook statements include:

- 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;
- pro-forma EBITDA uplift from the new Victorian Wagering and Betting Licence to be \$115m based on the FY24 operating environment, versus the prior pro forma of \$140m based on FY23 operating conditions; and
- in relation to operating expenditure, the impact of the costs previously allocated to the Victorian Racing Industry Joint Venture, inflationary pressures impacting salaries and wages, higher regulatory costs, dissynergies associated with the demerger of the lotteries and keno business, and a changing mix of technology costs from capex into opex.

**8. Please confirm that TAH is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.**

Confirmed.

**9. Please confirm TAH's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of TAH with delegated authority from the board to respond to ASX on disclosure matters.**

Confirmed.

Yours sincerely,



Chris Murphy  
 Company Secretary  
[chris.murphy@tabcorp.com.au](mailto:chris.murphy@tabcorp.com.au)

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2 September 2024

Reference: ODIN99198

Mr Michael Scott  
General Manager Secretariat  
Tabcorp Holdings Limited  
Level 19, Tower 2, 727 Collins Street  
Melbourne VIC 3008 Australia

By email: scottm@tabcorp.com.au

Dear Mr Scott

**Tabcorp Holdings Limited ('TAH'): ASX Aware Letter**

ASX refers to the following:

- A. TAH's announcements released on the ASX Market Announcements Platform ('MAP') on 28 August 2024 in connection with its full year results ('Results Announcements'), being:
- 1.1 "Appendix 4E and Annual Report", released on MAP at 8:07am;
  - 1.2 "Full Year Results – ASX Release", released on MAP at 8:10am; and
  - 1.3 "Full Year Results – Investor Presentation", released on MAP at 8:11am.
- B. The change in the price of TAH's securities from \$0.56 at the close of trading on the day prior to the release of the Results Announcements to \$0.48 at the close of trading on 28 August 2024, being a 14.2% decline over the course of that day's trading.
- C. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- D. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."*
- E. Section 4.4 in *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B* titled "When does an entity become aware of information?"
- F. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure as follows.
- 3.1A** *Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1** *One or more of the following 5 situations applies:*
- *It would be a breach of a law to disclose the information;*
  - *The information concerns an incomplete proposal or negotiation;*
  - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*

- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed."*

- G. ASX's policy position on "market sensitive earnings surprises", which is detailed in section 7.3 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular:

*"...If an entity becomes aware that its earnings for the current reporting period will differ materially (downwards or upwards) from market expectations, it needs to consider carefully whether it has a legal obligation to notify the market of that fact."...*

*"...An earnings surprise will need to be disclosed to the market under Listing Rule 3.1 if it is market sensitive – that is, it is of such a magnitude that a reasonable person would expect information about the earnings surprise to have a material effect on the price or value of the entity's securities."...*

#### **Request for information**

Having regard to the above, ASX asks TAH to respond separately to each of the following questions and requests for information:

2. Does TAH consider that any measure of its statutory or underlying earnings for Financial Year 2024 as disclosed in the Results Announcements ('Earnings Information') differed materially from the market's expectations, having regard to the following three base indicators (in decreasing order of relevance and reliability):
  - 2.1 If TAH had published earnings guidance, that guidance.
  - 2.2 If TAH is covered by sell-side analysts, the earnings forecasts of those analysts.
  - 2.3 If paragraph 2.1 and 2.2 are not applicable, TAH's earnings for the prior corresponding period, being the 2023 Financial Year.

Please answer separately for each measure of earnings referred to in the Earnings Information. In your response, please have regard to ASX's commentary in paragraphs 4(a) and 4(b) of section 7.3 of Guidance Note 8 about when a variation from market expectations may be material.

3. Please explain the basis for the view provided in response to question 1. In doing so, please specify how TAH determined market expectations in relation to each relevant measure of its earnings, including:
  - 3.1 If TAH had published earnings guidance, details of:
    - 3.1.1 that guidance and when it was released to the market; and
    - 3.1.2 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, that guidance.
  - 3.2 If TAH used sell-side analyst forecasts to estimate the market's expectations of its earnings, details of:
    - 3.2.1 the method that TAH used to translate sell-side analyst forecasts into its estimate of market expectations for each measure of earnings referred to in the Earnings Information and, in particular, whether or not TAH used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach for determining this estimate;



- 3.2.2 the entity's estimate of market expectations using that method; and
  - 3.2.3 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, its estimate of these expectations.
4. Does TAH consider that, at any point prior to the release of the Results Announcements, there was a variance between its expected earnings and its estimate of market expectations for the relevant reporting period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of TAH's securities?
- Please answer separately for each measure of earnings referred to in the Earnings Information.
5. If the answer to question 4 is "no", please provide the basis for that view.
6. If the entity first became aware of the variance before the release of Results Announcements, did TAH make any announcement prior to the release of the Results Announcements which disclosed the relevant variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe TAH was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps TAH took to ensure that the information was released promptly and without delay.
7. Please provide details of any other explanation TAH may have for the trading in its securities following the release of the Results Announcements.
8. Please confirm that TAH is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
9. Please confirm that TAH's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of TAH with delegated authority from the board to respond to ASX on disclosure matters.

#### **When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4:00 PM AEST Thursday, 5 September 2024**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, TAH's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out above and may require TAH to request a trading halt immediately if trading in TAH's securities is not already halted or suspended.

Your response should be sent by e-mail to [ListingsComplianceMelbourne@asx.com.au](mailto:ListingsComplianceMelbourne@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow us to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

#### **Suspension**

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in TAH's securities under Listing Rule 17.3.

#### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to TAH's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that TAH's obligation



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to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

**Release of correspondence between ASX and entity**

We reserve the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A. The usual course is for the correspondence to be released to the market.

Yours sincerely

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