

17 February 2021

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

Tabcorp 2020/21 Half Year Results

STRONG RECOVERY IN PROGRESS FOLLOWING COVID-19 CHALLENGES

Group revenue down 1.5% and EBITDA¹ down 6.2% vs pcp, primarily due to COVID-19 impacts

- Lotteries & Keno – strong digital growth and excellent game portfolio performance
- Wagering & Media – solid underlying performance; digital revenue grew 34%; earnings impacted by the COVID-19 restrictions on venue network. Now a better business post integration and transformation
- Gaming Services – heavily impacted by venue restrictions in 1H21
- Dividend resumed at 80% payout ratio or 7.5 cps, fully franked

Emerging from COVID-19 challenges in a stronger financial position

- Gearing within target range
- Optimisation program (3S) delivering efficiencies and EBIT savings of \$8m in 1H21

Cost synergies from integration on track to deliver \$95m of annual EBITDA savings

All businesses well positioned for the second half

1. EBITDA before significant items

Tabcorp Holdings Limited	Level 21, Tower 2 727 Collins Street Melbourne VIC 3008	GPO Box 1943 Melbourne VIC 3001	tabcorp.com.au ABN 66 063 780 709
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GROUP RESULTS FOR THE HALF YEAR ENDING 31 DECEMBER 2020

\$m	1H21	1H20	Change	
			\$	%
Revenues	2,870	2,914	(44)	(1.5%)
Variable contribution	957	1,030	(73)	(7.1%)
Operating expenses	(397)	(433)	36	(8.3%)
EBITDA before significant items	560	597	(37)	(6.2%)
D&A	(188)	(193)	5	(2.6%)
EBIT before significant items	372	404	(32)	(7.9%)
Interest	(82)	(94)	12	(12.8%)
Tax expense	(83)	(96)	13	(13.5%)
NPAT before significant items	207	214	(7)	(3.3%)
Significant items (after tax) ¹	(22)	(15)	(7)	46.7%
Statutory NPAT	185	199	(14)	(7.0%)

1. Significant items (after tax) of \$22m comprise amended tax treatment of MAX CMS Licence \$69m, Racing Queensland arrangements \$11m, Tatts Group combination implementation costs \$8m and restructure costs \$3m, partly offset by the profit on sale of Jumbo \$69m.

BUSINESS RESULTS FOR THE HALF YEAR ENDING 31 DECEMBER 2020¹

\$m	Lotteries & Keno			Wagering & Media			Gaming Services			Group		
	1H21	1H20	Change	1H21	1H20	Change	1H21	1H20	Change	1H21	1H20	Change
Revenues	1,609	1,584	1.6%	1,189	1,180	0.8%	73	149	(51.0%)	2,870	2,914	(1.5%)
Variable contribution	433	413	4.8%	458	473	(3.2%)	66	142	(53.5%)	957	1,030	(7.1%)
Operating expenses	(122)	(118)	3.4%	(231)	(239)	(3.3%)	(44)	(76)	(42.1%)	(397)	(433)	(8.3%)
EBITDA	311	295	5.4%	227	234	(3.0%)	22	66	(66.7%)	560	597	(6.2%)
D&A	(53)	(49)	8.2%	(95)	(95)	0.0%	(40)	(45)	(11.1%)	(188)	(193)	(2.6%)
EBIT	258	246	4.9%	132	139	(5.0%)	(18)	21	(>100.0%)	372	404	(7.9%)

1. All amounts are before significant items. Business results may not aggregate to Group total due to intercompany eliminations and unallocated items. (1H20 unallocated items \$2m EBIT loss)

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MANAGING DIRECTOR & CEO COMMENTARY

Tabcorp Managing Director and CEO David Attenborough said: “We are experiencing a strong recovery following the recent market challenges. The COVID-19 pandemic continued to impact Tabcorp’s group earnings in 1H21, with the retail closures and restrictions, especially in Victoria, having a material impact. However, we are pleased with the way our teams and partners responded to the substantial operational challenges the pandemic presented.

“COVID-19 has clearly demonstrated the importance of serving customers with a seamless, multi-channel experience. Investments made to modernise our digital offering in recent years drove significant benefits.

“Our Lotteries & Keno business delivered strong digital growth and an excellent performance across the whole portfolio, including the refreshed Set For Life and Saturday Lotto games. Over the last three years we have demonstrated a strong track record of refreshing and relaunching lottery games to grow customer engagement and rejuvenate the player experience.

“Our Wagering & Media business also delivered strong digital growth; however its earnings were impacted by the COVID-19-related shutdowns and restrictions, especially in Victoria. These factors also heavily impacted Gaming Services and substantially diminished its ability to generate revenues in the period.

“After taking actions to reduce costs, preserve cash and strengthen the balance sheet over the past 12 months, Tabcorp is emerging from the COVID-19 challenges in a stronger financial position. This has allowed us to resume paying dividends to shareholders. Eligible shareholders will receive an interim dividend of 7.5 cents per share fully franked, in line with the previously announced revised dividend payout policy.”

BUSINESS UNIT COMMENTARY

LOTTERIES & KENO

Lotteries & Keno revenues were \$1,609m, up 1.6% on the pcp, and EBITDA was \$311m, up 5.4% on the pcp. Revenue and earnings growth was achieved despite cycling 23 Powerball and Oz Lotto jackpots of \$15m or more in 1H20, compared to only 15 in 1H21.

On a like-for-like offers basis, each of the games in the Lotteries portfolio delivered turnover growth in excess of 20% (Powerball 28%, Oz Lotto 22%, Saturday Lotto 21%, Mon/Wed Lotto 24%, Set For Life 33%, Instant Scratch-Its 39%).

Digital Lotteries turnover grew 20.9% and continued to lift margins, which also benefited from improved reseller arrangements. Digital accounted for 32.1% of all Lotteries turnover in 1H21 (up from 26.7% in the pcp).

Keno revenues grew 12.8%, supported by a very strong digital performance, while the retail channel rebounded strongly once venue restrictions were eased.

The focus for the Lotteries & Keno business includes continuing to drive upside from increased digital penetration and developing the next game change which is expected to be Oz Lotto.

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WAGERING & MEDIA

Wagering & Media revenues were \$1,189m, up 0.8%, and EBITDA was \$227m, down 3.0%.

Digital turnover grew 43% and digital revenue grew 34% on the pcp. Retail remains a profitable and valuable channel. However, the COVID-19 shutdowns and restrictions (especially in Victoria) contributed to retail turnover declining 28%. Excluding Victoria, retail turnover was down 9%.

The wagering market continued to be highly competitive, with significantly increased customer generosity. Tabcorp enhanced its marketing and generosity program in a more digitally oriented market, delivering growth in customers and engagement, albeit at a lower variable contribution margin.

TAB's digital customer base grew c.17% on the pcp and customers also transacted more frequently during the period.

Tabcorp continues to accelerate investments in enhancing the customer experience with a focus on the digital-in-venue offer, sports and racing media content, and personalised experiences.

GAMING SERVICES

Gaming Services revenues were \$73m, down 51.0% and EBITDA was \$22m, down 66.7%.

The decline is primarily COVID-19 related with licensed venues operating under social distancing restrictions and only opening in November 2020 in Greater Melbourne. Victoria delivers c.30% of the business unit's revenues.

Gaming Services suspended all material fees during the shutdown in support of licensed venue partners. With venues operating again, fees are being scaled up progressively to return to pre-COVID-19 levels.

In parallel, the business is executing against its turnaround plan, addressing its cost base and significantly reducing capital expenditure.

Gaming Services will continue to prioritise lifting profitability and performance, while also supporting licensed venues to emerge strongly from COVID-19.

DIVIDEND AND CAPITAL MANAGEMENT

Tabcorp has announced an interim dividend of 7.5 cents per share fully franked. The interim dividend will be payable on 17 March 2021 to shareholders registered at 23 February 2021. The ex-dividend date is 22 February 2021.

The interim dividend represents a payout ratio of 80% of NPAT before significant items. As previously announced, the Group's revised dividend payout ratio target is 70% to 80% of NPAT before significant items.

Tabcorp has taken action to improve its financial position and has a stronger balance sheet post the September 2020 capital raising. Gearing is within the revised target range of 2.5 to 3.0 times Gross Debt/EBITDA (31 December 2020: 2.8 times).

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INTEGRATION & 3S OPTIMISATION PROGRAM

The final component of the Tabcorp-Tatts integration will be completed in 2H21 with an expected uplift of retail venues in the former UBET states. Cost synergies are on track to deliver \$95 million of annual EBITDA savings.

Tabcorp is making good progress in its three-year enterprise-wide optimisation program, called '3S', to deliver enhanced operational capability and sustainable cost savings. The program delivered \$8m in EBIT savings in 1H21 primarily from the review of key commercial arrangements and programs, operating model changes and efficiency improvements. Tabcorp is targeting \$20-\$25 million of EBIT savings from the 3S program in FY21.

CONCLUSION AND PRIORITIES

"Tabcorp has an improved financial position and outlook as we emerge from the challenges of COVID-19," Mr Attenborough said.

"All three businesses are well positioned for the second half and we will continue to unlock digital growth, drive operational improvements and optimise costs.

"We are committed to working with our industry partners to help them recover from the disruption COVID-19 has had on their operations. We are also committed to helping our industry partners reconnect with their customers and reinvigorate venues and racetracks across Australia."

As announced to the ASX on 2 February 2021, Tabcorp has received a number of unsolicited approaches and proposals in relation to a potential transaction involving the Wagering & Media business.

The details of these approaches and proposals remain confidential and are indicative and non-binding in nature. They are also highly conditional and subject to numerous requirements including due diligence, financing and various regulatory and racing industry approvals.

The Board will take the appropriate time to carefully consider all of the relevant issues and strategic options that arise in respect of these matters.

This announcement was authorised for release by the Tabcorp Board.

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