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

## Tabcorp 2021/22 Half Year Results

### RECORD LOTTERIES RESULT; SIGNIFICANT COVID-19 IMPACTS ON THE OTHER BUSINESSES

- **Group revenue up 2.2% and EBITDA<sup>1</sup> down 5.5% vs pcp**
- **Gearing: 2.5x gross debt/EBITDA**
- **Interim dividend 6.5 cents per share, down 13.3% on pcp, 77% payout ratio of NPAT before significant items**

### OVERVIEW BY BUSINESS UNIT

- **Lotteries & Keno**
  - Record profit result (despite cycling the strong COVID-19 tailwind from 1H21)
  - Digital turnover growth of 26%<sup>2</sup>; retail performance remained resilient
- **Wagering & Media**
  - Results heavily impacted by COVID-19 related retail closures and increased generosities, advertising and promotions in a largely digital market
  - Improved performance following retail re-openings in 2Q22
- **Gaming Services**
  - Revenue continued to be heavily impacted by significant fee relief to customers
  - Returned to full fee model on 1 December 2021

1. EBITDA before significant items  
2. Lotteries 28%; Keno 6%

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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## 1H22 GROUP RESULTS

\$M	1H22	1H21	Change	
			\$	%
<b>Revenues</b>	<b>2,934</b>	<b>2,870</b>	<b>64</b>	<b>2.2%</b>
Variable contribution	942	951	(9)	(0.9%)
Operating expenses	(413)	(391)	(22)	5.6%
<b>EBITDA before significant items</b>	<b>529</b>	<b>560</b>	<b>(31)</b>	<b>(5.5%)</b>
D&A	(196)	(188)	(8)	4.3%
<b>EBIT before significant items</b>	<b>333</b>	<b>372</b>	<b>(39)</b>	<b>(10.5%)</b>
Interest	(71)	(82)	11	(13.4%)
Tax expense	(75)	(83)	8	(9.6%)
<b>NPAT before significant items</b>	<b>187</b>	<b>207</b>	<b>(20)</b>	<b>(9.7%)</b>
Significant items (after tax) <sup>3</sup>	(12)	(22)	10	(45.5%)
<b>Statutory NPAT</b>	<b>175</b>	<b>185</b>	<b>(10)</b>	<b>(5.4%)</b>

3. 1H22 significant items (after tax) reflects costs related to the proposed demerger as announced on 5 July 2021.

## 1H22 BUSINESS RESULTS <sup>4</sup>

\$M	Lotteries & Keno			Wagering & Media			Gaming Services			Group		
	1H22	1H21	Change	1H22	1H21	Change	1H22	1H21	Change	1H22	1H21	Change
<b>Revenues</b>	<b>1,784</b>	<b>1,609</b>	<b>10.9%</b>	<b>1,073</b>	<b>1,189</b>	<b>(9.8%)</b>	<b>78</b>	<b>73</b>	<b>6.8%</b>	<b>2,934</b>	<b>2,870</b>	<b>2.2%</b>
Variable contribution	475	427	11.2%	394	458	(14.0%)	73	66	10.6%	942	951	(0.9%)
Operating expenses	(117)	(116)	0.9%	(246)	(231)	6.5%	(52)	(44)	18.2%	(413)	(391)	5.6%
<b>EBITDA</b>	<b>358</b>	<b>311</b>	<b>15.1%</b>	<b>148</b>	<b>227</b>	<b>(34.8%)</b>	<b>21</b>	<b>22</b>	<b>(4.5%)</b>	<b>529</b>	<b>560</b>	<b>(5.5%)</b>
D&A	(53)	(53)	-	(105)	(95)	10.5%	(38)	(40)	(5.0%)	(196)	(188)	4.3%
<b>EBIT</b>	<b>305</b>	<b>258</b>	<b>18.2%</b>	<b>43</b>	<b>132</b>	<b>(67.4%)</b>	<b>(17)</b>	<b>(18)</b>	<b>NM</b>	<b>333</b>	<b>372</b>	<b>(10.5%)</b>

4. All amounts are before significant items. Business results may not aggregate to Group total due to intercompany eliminations and unallocated items.

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## MANAGING DIRECTOR & CEO COMMENTARY

Tabcorp Managing Director and CEO David Attenborough said: “The record result from the Lotteries & Keno business again showcased the broad appeal of the business’ much-loved products and brands, and the success of its omni-channel strategy.

“While the Wagering & Media business was significantly impacted by the retail lockdowns imposed in NSW and Victoria, its performance across all channels improved once restrictions were lifted. The Wagering & Media business, and its digital performance, is much stronger when venues are open and customers can participate fully in the omni-channel experience, which is a key strategic point of difference.

“Gaming Services maintained its ethos of supporting its licensed venue partners in challenging times and provided significant fee relief to customers whose trade was impacted by COVID-19 restrictions. The business only resumed its full fee model in December 2021.

“As we have throughout the pandemic, our focus was on managing the operational and financial impacts on our businesses, as well as prioritising our people’s wellbeing and supporting the recovery of our business partners.”

## BUSINESS UNIT COMMENTARY

### LOTTERIES & KENO

Lotteries & Keno revenues were \$1,784m, up 10.9% on the pcp, and EBITDA was \$358m, up 15.1%. The Lotteries retail network was not materially impacted by COVID-19 trading restrictions; however Keno was adversely impacted by venue closures.

The strong overall revenue growth was underpinned by game development, active portfolio and sequence management, and constantly improving player experiences. Active registered customers grew 5% to 3.88m.

Digital share of Lotteries turnover was 36.7% (32.1% in the pcp). Margin growth, supported by the continued customer shift to digital and fixed cost leverage, contributed to EBITDA growth.

Retail turnover remained resilient, up 5%. A highly visible retail network across newsagents, kiosks, convenience fuel and pharmacies is an important element of the Lotteries’ customer proposition, making it easier for customers to buy when, where, and how they wish.

The jackpot games grew strongly (Powerball up 27% and Oz Lotto up 11% respectively), including the benefit of accelerated sequences.

Saturday Lotto turnover was up 16%, benefiting from the full period impact of the game change in October 2020; the timing of the New Year’s Eve Megadraw and more \$10m event draws.

The performance of other base games (Mon/Wed Lotto, Set for Life and Instant Scratch-Its) generally reflected some softening of the COVID-19 tailwind from 1H21, with most games down c.5-10% on the pcp on a comparable basis, following c.20-30% growth in the pcp.

Keno revenues were \$119m, down 9.8%, largely impacted by the shutdown of NSW venues.

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## WAGERING & MEDIA

Wagering & Media revenues were \$1,073m, down 9.8%, and EBITDA was \$148m, down 34.8%. The results were heavily impacted by retail closures in the largest market, NSW, which impacted wagering and media subscription revenues.

There were 102 lost days of trading in venues in metropolitan NSW in 1H22 (vs 13 in the pcg) and 74 lost days in regional NSW (0 in the pcg). Given the substantial number of lost days in 1H21 in Victoria, there was limited overall impact from the 1H22 Victorian closures on period-on-period performance.

Given the challenging market conditions, retail turnover declined 36%. A customer's ability to transact digitally in-venue and to make account deposits are key drivers of digital turnover. Despite neither of these factors being possible for large parts of the period, digital turnover grew 2%, following 43% growth in the pcg.

Pleasingly, there was improved performance and growth following the re-opening of venues in 2Q22.

The heightened competition for customer acquisition in a largely digital market drove increased customer generosity, advertising and promotions, which reduced margins.

There were 641,000 active TAB users in 2Q22, up from 634,000 in the pcg.

## GAMING SERVICES

Gaming Services revenues were \$78m, up 6.8% and EBITDA was \$21m, down 4.5%.

Revenues were up on the pcg due to a reduction in lost days in Victoria compared to the pcg and the relatively small exposure to the NSW venue closures.

Revenues continued to be heavily impacted by COVID-19 given the business continued to provide significant fee relief to impacted customers for most of the period. Gaming Services only returned to its full fee model on 1 December 2021.

Operating expenses grew 18.2% to \$52 million, due to the significant cash preservation and cost reduction opportunities in the pcg.

A key focus for Gaming Services is continuing to simplify its operating and business model, and streamline the operating cost base. This includes rightsizing MAX Venue Services, given the profile of electronic gaming machine (EGM) contracts post-August 2022. Approximately half of EGM contracts have been extended (generally to 2027 to 2030) on a full-service model, while approximately one third of EGMs will not be extended. Discussions are continuing for the balance of EGMs, with a number of venues already committed to an advisory-only model.

## DIVIDEND AND CAPITAL MANAGEMENT

Tabcorp has announced an interim dividend of 6.5 cents per share (7.5 cents per share in the pcg), fully franked and representing a payout ratio of 77% of NPAT before significant items. The interim dividend will be payable on 17 March 2022 to shareholders registered at 23 February 2022. The ex-dividend date is 22 February 2022.

Tabcorp is in a strong and flexible financial position leading into the proposed demerger of the Lotteries & Keno business. Despite COVID-19 impacting earnings, gearing is 2.5x gross debt/EBITDA and at the lower end of the target range of 2.5x to 3.0x.

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## 3S OPTIMISATION PROGRAM

Tabcorp continued to make good progress with its optimisation program '3S' in 1H22 which delivered \$16 million in actual EBIT savings. Tabcorp continues to target \$20-\$25 million in EBIT savings from 3S in FY22.

## DEMERGER UPDATE

The proposed demerger of Tabcorp's Lotteries & Keno business (to be known as The Lottery Corporation) remains on track to be implemented no later than June 2022, subject to the receipt of shareholder, court and other approvals and consents. The proposed demerger is expected to enable two significant businesses to operate independently with focused management and to trade at market values which reflect their individual characteristics.

Planning and execution of the proposed demerger is progressing well. Stakeholder and regulatory engagements continue ahead of securing the necessary approvals, technology and operational separation design is well advanced, and transitional and commercial arrangements are being put in place.

One-off costs associated with the demerger are expected to be up to \$275 million, with ongoing incremental costs, pre-mitigation, of c.\$40m-\$45 million per annum.

Indicative timetable:

- March/April 2022 – First court hearing and scheme booklet dispatched
- May 2022 – Demerger scheme meeting and second court hearing
- June 2022 – Demerger completion

## CONCLUSION AND PRIORITIES

"As well as progressing the demerger of The Lottery Corporation, we are continuing to execute distinct growth initiatives for each of the businesses. These include the launch of a new TAB app in 2022<sup>5</sup>, which aims to position TAB as the first choice for digital wagering play. We will also introduce a change to Oz Lotto that is expected to create larger and more frequent jackpots in line with its promise to deliver 'Big Aussie Fun'," Mr Attenborough said.

"We remain on track to complete the proposed demerger of The Lottery Corporation by no later than June 2022 and look forward to seeking shareholder support as part of the scheme of arrangement process.

"Tabcorp anticipates shareholders will continue to benefit from the increased scale and diversification of each business achieved through the combination with Tatts Group in 2017.

"We are enthusiastic about this opportunity to create two significant, cash generative businesses with exciting futures."

This announcement was authorised for release by the Tabcorp Board.

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5. Subject to regulatory approval in relevant jurisdictions.

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