

18 December 2023

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

New Exclusive Victorian Wagering and Betting Licence

Tabcorp Holdings Limited (**Tabcorp**) announced today it has been awarded the new Victorian Wagering and Betting Licence (**New Licence**) by the Victorian Government.

Highlights

- **Exclusive New Licence for a period of 20 years** commencing August 2024.
- **Modernised licence terms** creating a level playing field in Victoria for taxes and fees and enhancing Tabcorp's ongoing competitiveness.
- **No racing industry joint venture or obligations** under the New Licence.
- **Victorian Government has committed to ensure exclusivity before and during the term of the New Licence.**
- **Step increase in scale and quality of group earnings:**
 - Had New Licence terms applied for FY23, indicatively Group EBITDA would have been \$140m higher on pro-forma basis
 - Materially EPS accretive
 - Materially ROIC accretive
- **Licence premium payments comprising of upfront payment of \$600m in June 2024 and \$30m p.a. ongoing fixed payments from August 2025-2043.** Indicative licence value of \$864m.¹
- June 2024 upfront payment intended to be fully funded from existing debt facilities.
- **Secures Tabcorp's unique customer experience** across destinations, digital and vision, in an evolving regulatory landscape.

¹ Indicative licence premium value calculated as the sum of the \$600m upfront payment plus the \$264m net present value of the ongoing fixed payments which will be recorded as a non-debt payable on Tabcorp's balance sheet. In line with accounting policy, the net present value is based on a discount rate of 9.25% which reflects an indicative estimated cost of debt for Tabcorp for an equivalent term. This is subject to change when the payable is recorded, based on prevailing market conditions.

New Licence details

Changes under the New Licence include:

- cessation of the current joint venture arrangement with the Victorian Racing Industry (**VRI**); and
- the termination of the current industry funding obligations.

This will result in a level playing field in Victoria, with Tabcorp paying wagering taxes and racing and sports product fees on the same basis as other wagering operators.

The terms of the New Licence result in an expansion of Victorian TAB and Group margins, enhance quality of earnings, and is materially EPS and ROIC accretive for Tabcorp shareholders.

Indicatively, had the proposed terms of the New Licence applied in FY23, Tabcorp estimates that it would have generated Group EBITDA of \$531m and EBIT of \$282m on a pro-forma basis, representing an uplift of \$140m and \$132m, respectively. This indicative uplift includes the benefit from cessation of the VRI JV and a net reduction in fees to the VRI², partly offset by an increase in Point of Consumption Tax³. Indicatively, this would have improved the Victorian Variable Contribution margin in FY23 from 32% to 47% and generated Victorian wagering EBITDA (including contribution from PGI) of \$189m on a pro-forma basis.

Tabcorp will pay a licence fee to the Victorian Government of \$600m on 28 June 2024 and 19 annual payments of \$30m commencing 16 August 2025. Tabcorp intends to fully fund the June 2024 payment from existing debt facilities. Had the New Licence terms and fee payment applied in FY23, Tabcorp estimates EPS post significant items would have been 44% higher and Group ROIC would have improved 300bps from 5.5% to 8.5% on a pro-forma basis⁴.

Tabcorp also notes it expects to agree transition arrangements with the VRI shortly. These arrangements, once finalised, are expected to provide the industry near term funding certainty. This would include Tabcorp paying fixed distributions until the commencement of the New Licence⁵, as well as \$15m of additional funding for each of the first three years of the New Licence⁶. This would provide Tabcorp greater autonomy for the remainder of the current licence, and secure rights in respect to JV assets.

² Includes revenue uplift of \$344m, and \$83m increase in opex that was previously allocated to the VRI JV.

³ Previously announced Point of Consumption Tax rate increase from 10% to 15% from 1 July 2024.

⁴ Pro-forma adjustments include EBIT impact, plus cash interest expense associated with the \$600m upfront licence premium payment assumed to be fully debt funded at an interest rate of 6.5%, plus expected first year interest cost unwind on present value of future licence payments based on a 9.25% discount rate, plus associated tax impact (assuming any licence amortisation and interest cost unwind on the payable is non-deductible). EPS accretion is relative to Tabcorp's FY23A EPS pre significant items.

⁵ Subject to limited adjustments for POCT change, race field fees changes and regulatory events.

⁶ Additional VRI funding payable after the end of FY25, 26 and 27, reduced by any increase to Victorian race field fees.

Managing Director and CEO Commentary

Tabcorp Managing Director & Chief Executive Officer, Adam Rytenskild said:

“Today is momentous in the journey of our company post demerger. This is a positive outcome for our shareholders, the Victorian Government and industry stakeholders. I am particularly pleased with the terms we have secured under this new licence which directly addresses the structural reform required in the modern wagering environment. It’s a licence that will allow us to ignite our total Victorian wagering business.

“This announcement continues the strong momentum of our transformation. We are a faster, simpler and more nimble company. We’re delivering on what we promise and offering our customers a better experience with faster speed to market and an attractive product offer.

“We are pleased to have worked with the Victorian Government on a retail and tote licence that appropriately takes into account the structural changes created by the proliferation of online bookmakers licensed in the Northern Territory. This is a strong licence for the modern era and is the prototype moving forward – it ensures a safe wagering ecosystem for the community and incorporates stronger protections to ensure genuine retail exclusivity.

“Significantly, the terms of this agreement will place Tabcorp on a level playing field with our competitors for the first time in Victoria. The structure of payments represent value for shareholders, and will enable us to invest more in our products, offerings and customer experience.

“As the long-term industry partner, this New Licence ensures TAB remains part of the social fabric of local communities in Victoria.

“We are excited to partner with the Victorian Government over the next two decades under a modern wagering licence to continue to create a safe, enjoyable and innovative entertainment offering and retail wagering ecosystem for Victorians, while ensuring long term sustainability for the state’s racing industry. As a proudly Australian company, we are absolutely committed to continue working closely with the Victorian Government and Regulator to provide a safe experience for customers and continue to evolve our capability to prevent the impact of gambling harm on Victorians.”

This announcement was authorised for release by the Tabcorp Board.

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