

18 December 2023

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

New Victorian Wagering and Betting Licence Presentation

Attached is the presentation regarding Tabcorp Holdings Limited's (**Tabcorp**) new Victorian Wagering and Betting Licence.

This presentation will be delivered today by Tabcorp MD & CEO, Adam Rytenskild, and Interim CFO, Damien Johnston and will be webcast on Tabcorp's website at <https://www.tabcorp.com.au> from 10:30am.

This announcement was authorised for release by the Tabcorp Board.

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NEW EXCLUSIVE
VICTORIAN
WAGERING AND
BETTING LICENCE

18 DECEMBER 2023

ABN 66 063 780 709



TABCORP AWARDED THE NEW EXCLUSIVE VICTORIAN WAGERING AND BETTING LICENCE

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EXCLUSIVE LICENCE PERIOD OF 20 YEARS

NEW MODERNISED LICENCE TERMS

PRO-FORMA FY23 EBITDA UPLIFT OF \$140M¹

GOVERNMENT COMMITMENT TO ENSURE RETAIL EXCLUSIVITY

LEVEL PLAYING FIELD FOR TAXES AND FEES

\$600M UPFRONT LICENCE PREMIUM
payment in June 2024

\$30M ONGOING LICENCE PREMIUM (2025 – 2043)²

INDICATIVE LICENCE PREMIUM VALUE OF \$864M³

MATERIALLY ROIC AND EPS ACCRETIVE

1. Approximate had the licence been awarded for FY23.

2. Total of 19 payments of \$30m p.a. (fixed, non-escalating) over the licence term, commencing on the first anniversary of the new licence start date in August 2024.

3. 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.

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KEY HIGHLIGHTS

1

Enhances Tabcorp's ongoing competitiveness through a transformative 20 year licence which levels the playing field

2

Extends Tabcorp's high quality portfolio of long-term licences

3

Secures Tabcorp's unique customer experience across destinations, digital and vision

4

Step increase in scale and quality of Group earnings, and materially ROIC and EPS accretive

5

Upfront licence premium intended to be fully funded from existing debt facilities

6

Proposed new transition arrangements will offer certainty to Victorian Racing Industry

7

Demonstrates Tabcorp's ongoing commitment to industry stakeholders and harm minimisation

ENHANCES TABCORP'S ONGOING COMEPTITIVENESS THROUGH A TRANSFORMATIVE 20 YEAR LICENCE WHICH LEVELS THE PLAYING FIELD

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KEY LICENCE TERMS

PREVIOUS LICENCE



NEW LICENCE

Victoria Wagering EBITDA
(including contribution from PGI)

\$49m (FY23)

\$189m (FY23 pro-forma)

VIC VC Margin
(including contribution from PGI)

~32% (FY23)

~47% (FY23 pro-forma)

Funding obligations

50/50 VRI joint venture;
additional VRI funding obligations

No VRI joint venture; level playing field
with competitors across taxes and fees

Licence term

12 years

20 years

Commencement date

16 August 2012

16 August 2024

HIGHLIGHT 2

EXTENDS TABCORP'S HIGH QUALITY PORTFOLIO OF LONG-TERM LICENCES

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	LICENCE EXPIRY
NEW SOUTH WALES	2097 (retail exclusivity expiry in 2033)
VICTORIA	2044¹
QUEENSLAND	2098 (retail exclusivity expiry in 2044)
SOUTH AUSTRALIA	2100 (retail exclusivity expiry in 2032)
TASMANIA	2062² (retail exclusivity expiry in 2027)
AUSTRALIAN CAPITAL TERRITORY	2064
NORTHERN TERRITORY	2035

1. Post August 2024. No further licences will be issued for 20 years.
2. Option to renew to 2111.



HIGHLIGHT 3

SECURES TABCORP'S UNIQUE CUSTOMER EXPERIENCE ACROSS DESTINATIONS, DIGITAL AND VISION

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SCALE

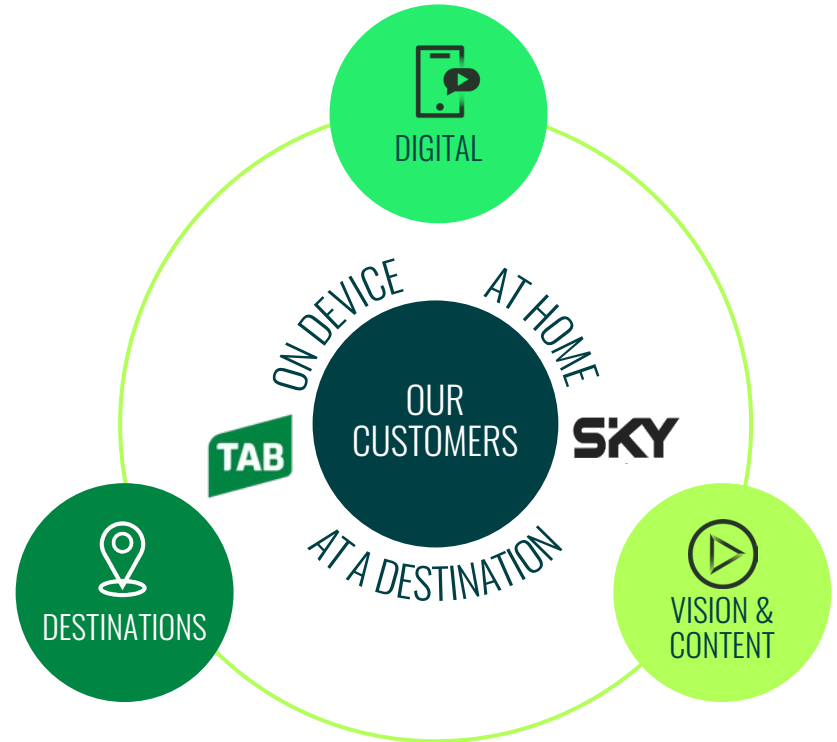
- #1 RETAIL & ONCOURSE (~4,000 VENUES)
- #2 DIGITAL WAGERING
- #1 PARIMUTUEL
- #1 VISION

REACH

MULTIPLE CHANNELS TO ENGAGE WITH CUSTOMERS

DIFFERENTIATED

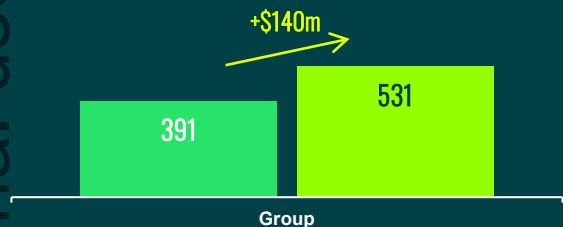
UNIQUE, HARD TO REPLICATE PORTFOLIO OF ASSETS



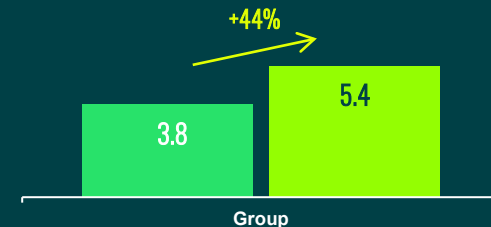
HIGHLIGHT 4

STEP INCREASE IN SCALE AND QUALITY OF GROUP EARNINGS, AND MATERIALLY ROIC AND EPS ACCRETIVE

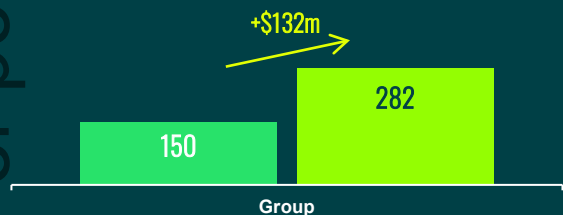
ILLUSTRATIVE FY23PF EBITDA (\$M)¹



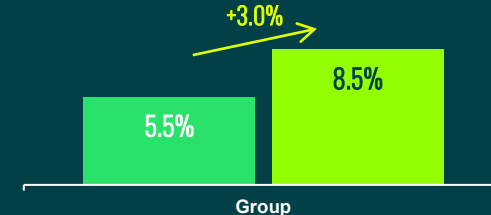
ILLUSTRATIVE FY23PF EPS (CPS)³



ILLUSTRATIVE FY23PF EBIT (\$M)²



ILLUSTRATIVE FY23 PF ROIC (%)⁴



■ FY23A ■ FY23 pro-forma



- FY23PF EBITDA uplift of \$140m from:
 - Net reduction in fees to the VRI (+\$180m)
 - Increase in POCT⁵ (-\$40m)



- FY23PF Victorian Wagering EBITDA (including contribution from PGI) of \$189m



- Materially expands Victorian and Group margins, and enhances quality of earnings without integration risk



- Material ROIC and EPS accretion



- Potential for improved trading performance and growth over time, driven by enhanced licence terms

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

2. Pro-forma adjustments include removal of amortisation from the previous licence of c.\$35m and inclusion of amortisation of the new licence of c.\$43m, based on an indicative licence value of \$864m and on a straight line basis.

3. Pro-forma adjustments include EBIT impact above, plus cash interest expense associated with the \$900m 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.

4. Invested capital for the purposes of ROIC excludes the payable liability of \$264m associated with ongoing premium payments.

5. Point of Consumption Tax represents previously announced rate increase from 10% to 15% from 1 July 2024.

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HIGHLIGHT 5

UPFRONT LICENCE PREMIUM INTENDED TO BE FULLY FUNDED FROM EXISTING DEBT FACILITIES

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20 YEAR

Licence period commencing 16 August 2024

\$600m

Upfront licence premium payment to be made in June 2024

\$30m¹

Payment at each anniversary of the licence date

\$264m²

Estimated pro-forma licence payable associated with ongoing payments

\$945m³

Pro-forma 30 June 2023 net debt

1.8x³

Pro-forma FY23 Gearing

INCREASED SCALE & IMPROVED QUALITY OF EARNINGS ENHANCES TABCORP'S FINANCIAL PROFILE



NEAR TERM LEVERAGE EXPECTED TO REDUCE OVER TIME



NO CHANGE TO TABCORP'S DIVIDEND PAYOUT POLICY



1. Total of 19 payments of \$30m p.a. (fixed, non-escalating) over the licence term, commencing on the first anniversary of the new licence start date in August 2024.
 2. The \$264m net present value of the ongoing fixed payments 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.
 3. Gearing is net debt (including lease liabilities but excluding restricted cash and the payable liability associated with ongoing payments) / EBITDA on a pro-forma basis over the last 12 months.

HIGHLIGHT 6

PROPOSED NEW TRANSITION ARRANGEMENTS WILL OFFER CERTAINTY TO THE VICTORIAN RACING INDUSTRY

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New licence regime

will result in cessation of current VRI JV and existing industry funding agreements

Revised JV arrangements would provide Tabcorp greater autonomy for the remainder of the current licence and secure rights in respect to JV assets

Tabcorp expects to agree transition arrangements with VRI shortly

Proposed funding support to the VRI to include:

- ✓ Tabcorp paying the VRI fixed distributions until the end of the current licence¹
- ✓ Tabcorp paying the VRI \$15m of additional funding for each of the first three years of the new licence²



1. Subject to limited adjustments for POCT change, race field fee changes, and regulatory events.
2. Additional VRI funding payable after the end of FY25, 26 and 27, reduced by any increase to Victorian race field fees.

HIGHLIGHT 7

DEMONSTRATES TABCORP'S ONGOING COMMITMENT TO INDUSTRY STAKEHOLDERS AND HARM MINIMISATION

RESPONSIBLE GAMBLING

\$2.0m¹ direct investment into responsible gambling program in partnership with the Victorian Government to help problem gamblers and gambling harm research

ANIMAL WELFARE

\$2.5m¹ direct investment into existing Racing Industry animal welfare programs

HARM MINIMISATION

Commitment to deliver customer-centric responsible wagering and gaming initiatives, designed to proactively prevent and minimise harm

SUPPORTS VICTORIA AND VICTORIANS

Supports 2,000 direct jobs on Victorian racetracks, in TAB Agencies and in Tabcorp's Melbourne head office

COMMUNITY BENEFITS

Supports over 52,000 jobs in Victorian Pubs and over 20,000 jobs in Victorian Community Clubs via the sale of TAB products

1. Total investment to be paid over term of new licence.

SUMMARY AND CONCLUSION

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The new Victorian Licence is a win for Tabcorp, a win for Victoria and a win for Industry:

- ✔ Enhances Tabcorp's ongoing competitiveness and growth potential
- ✔ Extends Tabcorp's high quality portfolio of licences
- ✔ Secures Tabcorp's unique customer experience
- ✔ Materially increases scale and quality of earnings
- ✔ Intended to be fully funded from existing debt facilities
- ✔ Offers certainty to the VRI
- ✔ Demonstrates Tabcorp's ongoing commitment to stakeholders



TAB

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APPENDIX

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APPENDIX

ILLUSTRATIVE FINANCIAL IMPACT SUMMARY

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\$M	FY23A	Change	FY23 PF
EBITDA	391	A 140	531
D&A (excl. Victorian Licence amortisation)	(206)	–	(206)
Old Victorian licence amortisation	(35)	B 35	–
New Victorian licence amortisation	–	C (43)	(43)
EBIT	150	132	282
Net finance costs	(32)	–	(32)
Pro-forma interest expense	–	(39)	(39)
Interest cost unwind on present value of future licence payments	–	D (24)	(24)
Income tax	(31)	E (30)	(61)
NPAT before significant items	87	F 38	125

- A** Net reduction in fees to the VRI (+\$180m), offset by increase in POCT (-\$40m)
- B** Removal of Victorian licence amortisation for previous licence
- C** Addition of 20 year amortisation based on an indicative licence premium value of \$864m and on a straight line basis¹
- D** Incremental interest expense to fund upfront payment at assumed 6.5% interest rate
- E** Expected first year interest cost unwind on present value of future licence payments¹
- F** Incremental income tax associated with change in earnings, assuming any licence amortisation and interest cost unwind on the payable is non-deductible

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.

APPENDIX

KEY FINANCIAL TERMS OF THE NEW LICENCE

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KEY FINANCIAL TERMS	PREVIOUS LICENCE (AS OF DECEMBER 2023)	NEW LICENCE
Joint venture profit share	50% Tabcorp / 50% VRI	No VRI JV
Victorian tax rates	10% POCT	15% POCT
Program fee	\$72.6m	Nil
Product fees	<ul style="list-style-type: none"> Parimutuel 12.7% Fixed odds 9.6% Trackside 15.9% 	Nil
VRI benefit	11.51% of parimutuel revenue	Nil
Race fields fee	JV will bear race field fees on non-Victorian product	Tabcorp to pay Victorian and interstate race fields fees
Asset charge revenue	Tabcorp's net recovery is 50% of depreciation and financing costs given its 50% interest in the JV	Nil recovery of depreciation and financing costs



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