



5 June 2006

## **THE UNITAB DIRECTORS MAINTAIN THEIR TATTERSALL'S/UNITAB MERGER RECOMMENDATION**

The UNiTAB Limited Board does not consider that it is in a position to endorse the Tabcorp Holdings Limited (**Tabcorp**) proposal which was announced to the ASX on 1 June, 2006. UNiTAB Limited (**UNiTAB**) considers that the offer made by Tabcorp to acquire UNiTAB is inadequate for a takeover.

UNiTAB advises shareholders to note that the Tabcorp offer:

1. fails to adequately recognise the strategic benefits that Tabcorp would get from securing control of its only credible competitor in totalisator wagering services in Australia;
2. is highly conditional and lacks certainty; and
3. is unlikely to secure shareholder acceptance in circumstances where the current share price is well in advance of the offer price.

### **Inadequacy**

The concept of a nil-premium takeover has no appeal to UNiTAB in circumstances where Tabcorp would gain control of a potential competitor for its wagering businesses in Victoria, and be able to extract significant synergies from forming a national wagering pool. In any assessment of adequacy, we find that the offer price of \$14.25 falls short. Some simple examples illustrate the inadequacy of the offer:

#### UNiTAB Share Price

1. Independent Expert Valuation	\$12.95 <sup>1</sup>
2. Volume Weighted Average (VWAP)	\$14.78 <sup>2</sup>
3. Current Price	\$14.90 <sup>3</sup>

Using the lowest of these prices we get a premium of just 10%. The offer of \$14.25 is below both the three month VWAP and the current price.

### **Uncertainty and Execution Risk**

The uncertainty and highly conditional nature of the Tabcorp offer arises from the requirement to gain a raft of ACCC, government, and racing approvals. We cannot be certain that these approvals will be granted; or adequately assess how much value will be lost in an effort to accommodate the demands of these stakeholders. Additionally, Tabcorp will need to address some significant concerns from the trade unions representing UNiTAB staff.

Footnotes:

- 1 midpoint of the Deloitte valuation of UTB on a standalone trading basis
- 2 three month VWAP at 1/6/06
- 3 closing price at 2/6/06



UNITAB's longstanding investors will recognise that UNITAB has established the cleanest and least complicated wagering business model in Australia. This model underpins its efficiency and performance. The contamination of this model with the convoluted and trouble-prone management, pooling and operational requirements of the Tabcorp, TabNSW and SuperTAB systems raises serious questions about Tabcorp's capacity to deliver the outcomes it promises, either immediately or within a reasonably short timeframe. History tells us this much.

### **The UNiTAB/Tattersall's Merger**

Any comparison between the Tabcorp offer and the proposed nil premium merger of equals with Tattersall's Limited (**Tattersall's**) needs to recognise the fundamental difference between the nature of the two proposals. In particular we need to have regard for the benefits available from:

1. shared control, wherein the Chairman and half the merged entity's Board will come from UNiTAB;
2. the protection of the UNiTAB business model which will follow the decision to keep it under the control of current UNiTAB executives;
3. sharing the benefits available from the merger, to the extent that UNiTAB contributes approximately 41% of the operating profit but its shareholders will own up to 45% of the merged entity;
4. the opportunity to extend its wagering operations into Victoria and gain the benefits from participating in Tattersall's lotteries, gaming and overseas businesses;
5. the trouble free, unconditional and certain progress toward the realisation of the merger; and
6. a higher post-merger value.<sup>4</sup>

### **Further Commentary**

UNiTAB will not be making any further comments on the merger of takeover activity before the end of this week. Meanwhile, The UNiTAB Board recommends that shareholders take no action in relation to the Tattersall's offer.

Footnote:

<sup>4</sup> mid-point of the Deloitte valuation on a post-merger basis is \$14.51

### **Further information**

Dick McIlwain

+61 7 3637 1404

Barrie Fletton

+61 7 3637 1370