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AUSTRALIAN COMPETITION TRIBUNAL AUTHORISES PROPOSED COMBINATION OF TABCORP AND TATTS

TABCORP PROVIDES UPDATES ON TRANSACTION AND TRADING PERFORMANCE

Australian Competition Tribunal authorises proposed combination of Tabcorp and Tatts

The Australian Competition Tribunal (**Tribunal**) has granted authorisation for the proposed combination (**Transaction**) of Tabcorp Holdings Limited (**Tabcorp**) and Tatts Group Limited (**Tatts**).

The Tribunal expects to publish the reasons for its determination on Thursday 22 June 2017.

As part of the Tribunal authorisation process, Tabcorp engaged with an extensive range of industry participants and experts, including Australian racing codes, the business community and government bodies.

Tabcorp's Chairman, Paula Dwyer, said:

"Tabcorp welcomes today's decision by the Tribunal. It represents an important step towards creating a world-class, diversified gambling entertainment group that is expected to deliver significant value for both sets of shareholders and material benefits to other key stakeholders including Australian racing industries, business partners, employees, customers and governments.

"The combination will bring together two great Australian businesses, well positioned to invest, innovate and compete in a global gambling entertainment marketplace.

"Tabcorp acknowledges the support received from many stakeholders, including the racing industry, our business partners and shareholders. Their backing is an endorsement of the extensive benefits that the Transaction offers to our stakeholders.

"We look forward to continuing to work with Tatts to successfully complete the Transaction and are working towards implementation in August 2017."

In granting its authorisation, the Tribunal stated it is satisfied that the Transaction is likely to result in substantial public benefits and that the public detriments identified by the ACCC and the interveners are unlikely to either arise or are not of significance.

The Tribunal's authorisation is conditional on Tabcorp divesting Odyssey Gaming Services (**Odyssey**). As announced on 18 April 2017, Tabcorp has agreed to sell Odyssey to Australian National Hotels Pty Limited, a subsidiary of Federal Group (subject to the Transaction becoming effective). Tabcorp has given to the ACCC an undertaking to divest Odyssey which the ACCC has said is acceptable to it. The ACCC has also approved the proposed purchaser.

Transaction update

Following today's announcement by the Tribunal, Tabcorp is pleased to provide an update on the Transaction.

Synergies and business improvements

Tabcorp continues to expect the Transaction to deliver at least \$130m p.a. of EBITDA from synergies and business improvements. These earnings are expected to be realised in the first full year following completion of the integration of the businesses.

Approvals and indicative implementation timetable

Tabcorp is well advanced in securing the regulatory, industry and government approvals necessary for the implementation of the Scheme.

Tabcorp expects the Tatts Scheme First Court Hearing to be scheduled for mid-July 2017, with the Scheme Booklet to be dispatched by Tatts shortly thereafter. A report to Tatts shareholders by an independent expert will accompany the Scheme Booklet.

It is expected that a meeting for Tatts shareholders to consider the Scheme will be held in August 2017. Implementation is expected to occur thereafter, subject to the receipt of the necessary approvals.

FY17 trading update

Based on trading performance for the 11 months to 31 May 2017 and forecast results for June 2017, Tabcorp currently expects to report FY17 group:

- revenue in the range of approximately \$2,220m to \$2,240m;
- EBITDA before significant items in the range of approximately \$500m to \$510m;
- EBIT before significant items in the range of approximately \$320m to \$330m; and
- NPAT before significant items in the range of approximately \$173m to \$180m.

Total group revenue growth is expected to be in the range of 1.4% to 2.3%.

Wagering performance includes the impact of Luxbet (which is forecast to record an EBITDA loss of \$8m and an EBIT loss of \$13m in FY17), a decline in Trackside and new arrangements with venues, including the introduction of digital commissions. Tabcorp intends to undertake a strategic review of the Luxbet business during FY18.

The core TAB business has continued to perform well against its key performance metrics in the 11 months to May 2017, notwithstanding prolonged periods of wet weather across the eastern seaboard, including:

- total TAB turnover growth of approximately 1.6%, with digital turnover growth of 14.2%;
- Wagering and Media revenue growth of approximately 0.2% across all businesses, with growth of 1.4% excluding Luxbet and Trackside;
- total racing revenue growth of 0.9% with fixed odds racing growth of 21.3% continuing to offset the decline in totalisator revenue;
- total fixed odds revenue growth of 15.9%; and
- fixed odds yields for racing and sports have been in line with the prior corresponding period.

Keno is forecast to report continued growth in FY17, having achieved turnover growth of 3.5% and revenue growth of 1.6% on the pcg in the 11 months to 31 May 2017. This reflects continuing growth in NSW, Victoria and ACT; partially offset by continued challenges in Queensland. A range of new customer initiatives have recently been introduced, including the expansion of jackpot pooling, enhanced Keno digital from ACT, in-venue digital play in NSW and Keno Mega Millions in NSW and ACT.

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Tabcorp

Gaming Services is forecast to record strong growth in FY17, enhanced by Tabcorp's acquisition of Intecq, having achieved revenue growth of 31.5% (and 7.8% excluding Intecq) on the pcg in the 11 months to 31 May 2017. Growth has been driven by the commencement of a number of new venues in NSW, including Panthers Group from February 2017. The integration of Intecq is on track, including the realisation of expected synergies.

Tabcorp's operating expenses for FY17 have increased, and are forecast to remain at approximately 23% of revenue. This reflects a significant investment in resources particularly across regulatory and risk, strategy, digital, technology and HR functions in anticipation of implementing the combination with Tatts. This investment is expected to reduce the risk associated with the integration, which will include a thorough review of the cost bases of both companies.

The UK start-up business Sun Bets is forecast to report a 2H17 EBITDA loss of \$24m. Tabcorp is currently implementing a range of initiatives which are expected to significantly improve the performance of the business in FY18.

Tabcorp's FY17 full year result is expected to be impacted by a number of significant items associated with AUSTRAC / AFP of approximately \$65m post tax, the proposed combination with Tatts of approximately \$34m post tax (excluding the impact of the Tatts cash settled equity swap), the Intecq acquisition of approximately \$6m post tax, Sun Bets of approximately \$46m post tax, Melbourne premises relocation of approximately \$10m post tax and any impairments that may be recognised in relation to Luxbet or Sun Bets.

The Tabcorp Board expects to declare a fully franked final dividend of 12.5 cents per share, taking the full year FY17 dividend to 25 cents per share.

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