

# APPLICATION FOR MINOR VARIATION OF AN AUTHORISATION

To the Australian Competition and Consumer Commission:

This application is made under subsection 91A(1) of the *Competition and Consumer Act 2010* (Cth) for a minor variation of authorisation AA1000515.

## APPLICANT

### 1. Provide details of the applicants for a variation of authorisation, including:

#### 1.1. Name, Address (registered office), Telephone Number and ACN

**Name and ACN:** National Lotteries and Newsagents Association Ltd ACN 639 041 919 (NLNA)

**Registered Office Address:** Suite 4, 202-220 Ferntree Gully Road, Clayton VIC 3168

**Telephone Number:** [REDACTED]

#### 1.2. Contact Name, Position, Telephone Number and Email Address

**Contact Name:** Mr Brendan Tohill

**Position:** Chief Executive Officer

**Telephone Number:** [REDACTED]

**Email Address:** [REDACTED]

#### 1.3. Description of business activities

The NLNA is an Australia-wide industry body representing the newsagency and lottery industry. The NLNA's key role is to represent its members Australia-wide and, where appropriate, to act on behalf of its members on a collective basis. The NLNA was formed to improve income, reduce costs and increase foot traffic for newsagents across Australia. The NLNA's sole shareholder is VANA Limited ACN 004 238 644, trading as The Victorian Association for Newsagents (VANA). VANA 343 members in Victoria, which represents 55% of the newsagents in Victoria. Each member of VANA has automatic membership of the NLNA. The NLNA has 1,261 members nationally. For further information about the NLNA, its executive team, board and members please visit the NLNA's website - <https://www.nlina.com.au/>.

#### 1.4. Email address for service of documents

Kenneth Gitahi, Director, Sierra Legal

**Email:** [REDACTED]

**Phone:** [REDACTED]

## AUTHORISATION TO BE VARIED

### 2. Provide details of the authorisation to be varied including:

#### 2.1. Registration number and date of the authorisation which is to be varied

The NLNA is seeking a minor variation of authorisation AA1000515 granted on 17 September 2020 (Authorisation).

#### 2.2. Other persons and/or classes of persons who are party to the authorisation which is to be varied

<b>Other person's name:</b>	The Lottery Corporation Limited (TLC)
<b>ABN:</b>	21 081 925 706
<b>Address (registered office):</b>	Level 8, 180 Ann Street, Brisbane, Queensland 4000

<b>Contact person</b>	Brian Laws
<b>Email</b>	[REDACTED]
<b>Telephone Number:</b>	M: [REDACTED] T: [REDACTED]
<b>Description of business activities</b>	<p>Australia's leading lottery and Keno operator.</p> <p>TLC holds exclusive and/or long-dated licences and approvals to operate lotteries in all Australian States and Territories (excluding Western Australia). In Australia (excluding Western Australia), TLC is the sole retail distributor of lottery products.</p> <p>TLC is also licensed to provide Keno products to venues across New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory (including digital approvals in the Australian Capital Territory and Victoria). The remaining jurisdictional licences in Tasmania, Western Australia and the Northern Territory are held by other operators, but these other operators have arrangements in place with TLC which allow them to utilise TLC's Keno systems.</p>
<b>Other classes of persons:</b>	Any person who subscribes as a member of the NLNA (which may be any Australian newsagent, lottery retailer/agent, lotto kiosk, and/or any general & gifting stores that sell newspapers or has a licence with TLC (including pharmacies)), collectively, <b>Lottery Retailers</b> .
<b>Description of business activities</b>	Operation of newsagents, lotto kiosks, and general & gifting stores that sell newspapers or have a licence with TLC (including pharmacies).

## PROPOSED VARIATION

### 3. Provide details of the proposed variation, including:

#### 3.1. A description of the proposed variation

The ACCC granted the Authorisation to enable the NLNA to collectively bargain for and on behalf of its current and future members with Tabcorp Holdings Limited ACN 063 780 709 (**Tabcorp**) in those Australian States and Territories in which Tabcorp operates in respect of:

- commissions paid by Tabcorp to Lottery Retailers;
- handling Lottery Retailer application fees;
- service and freight charges;
- point of sale equipment hire costs;
- the ability of Lottery Retailers to participate in online sales undertaken by Tabcorp;
- retail image and subsidies (with respect to Tabcorp imagery in retail stores);
- support service levels and training;
- sales incentive schemes, marketing and promotion;

- product sales restrictions in the area dedicated to the sale of lottery products;
- retail insurances, and
- alterations to retailer procedures manuals,

collectively, the **Authorised Conduct**.

For the reasons set out in section 3.2 below, a minor variation is sought to change those parts of the Authorised Conduct which refer to “Tabcorp”, to instead refer to “The Lottery Corporation Limited”.

### 3.2. The reasons for the proposed variation

In 2022, Tabcorp separated (or demerged) its Lotteries and Keno business, from its Wagering and Media and Gaming Services businesses, to create two separate and independent ASX-listed companies.<sup>1</sup>

The separation or demerger of these businesses was undertaken via a scheme of arrangement that was approved by Tabcorp shareholders at a general meeting and scheme meeting held on 12 May 2022. The Supreme Court of New South Wales subsequently approved the scheme of arrangement on 20 May 2022.<sup>2</sup>

Based on Tabcorp’s ASX announcements in relation to the demerger, the decision to pursue the demerger followed a strategic review that the Tabcorp board conducted from March 2021 to July 2021, which assessed and evaluated all structural and ownership options to maximise the value of Tabcorp’s businesses for the benefit of shareholders.<sup>3</sup>

The effect of the demerger was that TLC took over the operation of Tabcorp’s lotteries and Keno businesses, while Tabcorp operates the Wagering and Media, and Gaming Services businesses.

TLC was admitted to the Official List of ASX on 24 May 2022.<sup>4</sup>

For more information, a briefing presentation on the demerger of TLC that was released to the market via the ASX by Tabcorp on 31 March 2022 is **attached** to this application.

Given that:

- at the time that the Authorisation was granted:
  - Tabcorp was the largest provider of lotteries and Keno products and services in Australia, and it was the official Government licensed operator of lottery products in all States and Territories of Australia, except for Western Australia; and
  - NLNA was therefore authorised to collectively bargain specifically with Tabcorp for and on behalf of its current and future members in relation to the Authorised Conduct; and
- following the demerger:
  - TLC that operates the lotteries and Keno business that Tabcorp previously operated;
  - TLC is the largest provider of lotteries and Keno products and services in Australia, and it is the official Government licensed operator of lottery products in all States and Territories of Australia, except for Western Australia and
  - the appropriate entity that NLNA can therefore collectively bargain with, for and on behalf of its current and future members in relation to the Authorised Conduct, is TLC,

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<sup>1</sup> <https://www.thelotterycorporation.com/investors/demerger>

<sup>2</sup> See Tabcorp’s 20 May 2022 ASX announcement here - [https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02523526-3A593987?access\\_token=83ff96335c2d45a094df02a206a39ff4](https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02523526-3A593987?access_token=83ff96335c2d45a094df02a206a39ff4)

<sup>3</sup> See section 2.1 on page 30 of the Tabcorp Demerger booklet (as registered with ASIC on 31 March 2022) here - <https://announcements.asx.com.au/asxpdf/20220331/pdf/457j62v28qy906.pdf>

<sup>4</sup>See ASX announcement on 24 May 2022 here - [https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02524202-3A594146?access\\_token=83ff96335c2d45a094df02a206a39ff4](https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02524202-3A594146?access_token=83ff96335c2d45a094df02a206a39ff4)

NLNA seeks a minor variation to change those parts of the Authorised Conduct which refer to “Tabcorp”, to instead refer to “The Lottery Corporation Limited”.

### 3.3. Reasons why the proposed variation is minor

Section 87ZP of the *Competition and Consumer Act 2010* (Cth) (**CCA**) defines a minor variation in relation to an authorisation as a single variation that does not involve a material change in the effect of the authorisation.

The NLNA submits that the proposed variation is properly regarded as “minor” because it would only involve changing the reference to the identity of the entity with which the NLNA is authorised to collectively bargain with, for and on behalf of its current and future members, in relation to the Authorised Conduct. This change of entity, and the resulting necessity to seek a minor variation to the Authorisation, have been caused solely by the demerger transaction, and not as a result of any change to the Authorised Conduct or to the relevant market or to the competitors of NLNA in the relevant market.

In particular, the essence of the Authorisation remains unchanged, which is to enable NLNA to collectively bargain (on behalf of its current and future members) with the official Government licensed operator of lottery products in all States and Territories of Australia (except for Western Australia), in relation to the Authorised Conduct.

As a result, the NLNA submits that the proposed minor variation does not change the basis upon which the ACCC originally decided to grant the Authorisation (see section 4 below).

Based on the above, the NLNA submits that the proposed variation would not involve a material (if any) change in the effect of the Authorisation.

## COMPETITION EFFECT OR NET PUBLIC BENEFIT

### 4. The ACCC will assess whether to grant a minor variation to an authorisation depending upon the basis on which the ACCC originally decided to grant the authorisation.

The ACCC originally decided to grant the Authorisation on the basis that:

- public benefits in the form of improved input into contracts and small transaction cost savings were likely to arise;
- the Authorisation would likely to have a very limited impact on competition between lottery retailers because participation in the NLNA’s collective bargaining is voluntary for both Tabcorp and NLNA members and there is a low level of competition between lottery retailers individually negotiating with Tabcorp; and
- the Authorisation was unlikely to have an anti-competitive impact on other bargaining groups.

The ACCC was satisfied, overall, that the Authorisation was likely to result in a public benefit and that this public benefit would outweigh any likely detriment to the public from the Authorisation.

The NLNA submits that, given the nature of the proposed variation (i.e., changing the reference to the identity of the entity with which the NLNA is authorised to collectively bargain with, for and on behalf of its current and future members, in relation to the Authorised Conduct, as a result of the demerger transaction):

- the public benefit/detriment analysis in the Authorisation remains the same; and
- in varying the Authorisation as sought by NLNA, there is accordingly no reduction in the extent to which the benefit to the public of the Authorisation outweighs any detriment to the public caused by the Authorisation.

#### 4.1. Competition in the relevant markets

In the Authorisation, the ACCC considered that the relevant areas of competition are likely to be:

- national representation of lottery retailers;
- supply of lottery products to Australian consumers, and
- provision of lottery distribution services to Tabcorp.

The NLNA submits that, given the nature of the proposed variation (i.e., changing the reference to the identity of the entity with which the NLNA is authorised to collectively bargain with, for and on behalf of its current and future members, in relation to the Authorised Conduct, as a result of the demerger transaction) the proposed

variation should have minimal (if any) impact in the above relevant areas of competition. There is therefore no change to the position regarding competition in the relevant markets from that set out in the Authorisation.

**4.2. The extent to which the benefit to the public outweighs any detriment to the public.**

As noted above, the ACCC in granting the Authorisation, was satisfied that the Authorised Conduct was likely to result in a public benefit and that this public benefit would outweigh any likely detriment to the public from the Authorised Conduct.

The NLNA submits that, given the nature of the proposed variation (i.e., changing the reference to the identity of the entity with which the NLNA is authorised to collectively bargain with, for and on behalf of its current and future members, in relation to the Authorised Conduct, as a result of the demerger transaction), there will be no change to the ACCC’s public benefit/detriment analysis as set out in the Authorisation.

**4.3. Provide information, data, documents or other evidence relevant to the ACCC’s assessment of the competition effects or net public benefit.**

The NLNA refers to the comments made on this topic in the Authorisation, particularly as they relate to:

- improved input into contracts;
- transaction cost savings; and
- improved income for Lottery Retailers and improved customer experience.

**CONTACT DETAILS OF RELEVANT MARKET PARTICIPANTS**

**5. Identify and/or provide names and, where possible, contact details (phone number and email address) for likely interested parties such as actual or potential competitors, customers and suppliers, trade or industry associations and regulators.**

**5.1. Potential competitors or likely interested parties**

- Australian Newsagents’ Federation Limited ABN 14 008 295 038 trading as the Australian Lottery and Newsagents Association.
- The Newsagents Association of NSW and ACT Ltd ABN 13 096 737 352 trading as the National Association of Newsagents Australia.
- Newsxpress Pty Ltd ACN 098 073 833.

**5.2. TLC**

<b>Name</b>	Antony Moore	Stephen Urquhart	Brian Laws
<b>Position</b>	Chief Channel Officer	Head of Retail Operations-Lotteries	General Manager Retail Operations
<b>Contact number</b>	[REDACTED]	[REDACTED] or [REDACTED]	[REDACTED]
<b>Email</b>	[REDACTED]	[REDACTED]	[REDACTED]

**ADDITIONAL INFORMATION**

**6. Provide any other information or documents you consider relevant to the ACCC’s assessment of the application.**

**Conclusion**

The NLNA submits that, given the nature of the proposed variation (i.e., changing the reference to the identity of the entity with which the NLNA is authorised to collectively bargain with, for and on behalf of its current and future

members, in relation to the Authorised Conduct, as a result of the demerger transaction), there will be no change to the ACCC's public benefit/detriment analysis as set out in the Authorisation.

The NLNA requests that the ACCC grant the minor variation of the Authorisation for reasons outlined above in this application.

The NLNA provides the following in support of its application for minor variation:

- **Attachment** – Briefing presentation on the demerger of TLC.

## DECLARATION BY APPLICANT(S)

**Authorised persons of the applicant(s) must complete the following declaration. Where there are multiple applicants, a separate declaration should be completed by each applicant.**

The undersigned declares that, to the best of their knowledge and belief, the information given in response to questions in this form is true, correct and complete, that complete copies of documents required by this form have been supplied, that all estimates are identified as such and are their best estimates of the underlying facts, and that all the opinions expressed are sincere.

The undersigned undertake(s) to advise the ACCC immediately of any material change in circumstances relating to the application.

The undersigned are aware that giving false or misleading information is a serious offence and are aware of the provisions of sections 137.1 and 149.1 of the *Criminal Code* (Cth).



\_\_\_\_\_  
Signature of authorised person

**Chief Executive Officer**

\_\_\_\_\_  
Office held

**Brendan Tohill**

\_\_\_\_\_  
Name of authorised person (print)

## ATTACHMENT

31 March 2022

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

## Demerger of The Lottery Corporation – Briefing Presentation

Attached is a presentation regarding Tabcorp Holdings Limited's (**Tabcorp**) proposed demerger of The Lottery Corporation.

This presentation will be webcast on Tabcorp's website at [www.tabcorp.com.au](http://www.tabcorp.com.au) from 10am (Sydney time) today.

The information contained in this presentation should be read subject to Tabcorp's Demerger Booklet dated 30 March 2022 lodged with the ASX today, and other periodic and continuous disclosure announcements lodged by Tabcorp with the ASX.

This announcement was authorised for release by the Tabcorp Board.

For more information:

Media: Nicholas Tzaferis, GM Corporate Communications, [REDACTED]  
Investors/Analysts: Chris Richardson, GM Investor Relations & Treasury, [REDACTED]

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# DEMERGER OF THE LOTTERY CORPORATION

BRIEFING PRESENTATION  
31 MARCH 2022

ABN 66 063 780 709

# DISCLAIMER

This Presentation contains summary information only about the current activities of Tabcorp Holdings Limited (Tabcorp) and its subsidiaries (Tabcorp Group) as at 31 March 2022. If you are a Tabcorp shareholder, you should read Tabcorp's demerger booklet dated 30 March 2022 (Demerger Booklet) in full before making any decision to vote on the Demerger. This Presentation is not in any way a substitute for the Demerger Booklet and should not be relied upon as such. This Presentation should also be read in conjunction with the Tabcorp Group's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), which are available at [www.asx.com.au](http://www.asx.com.au).

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**Tabcorp**



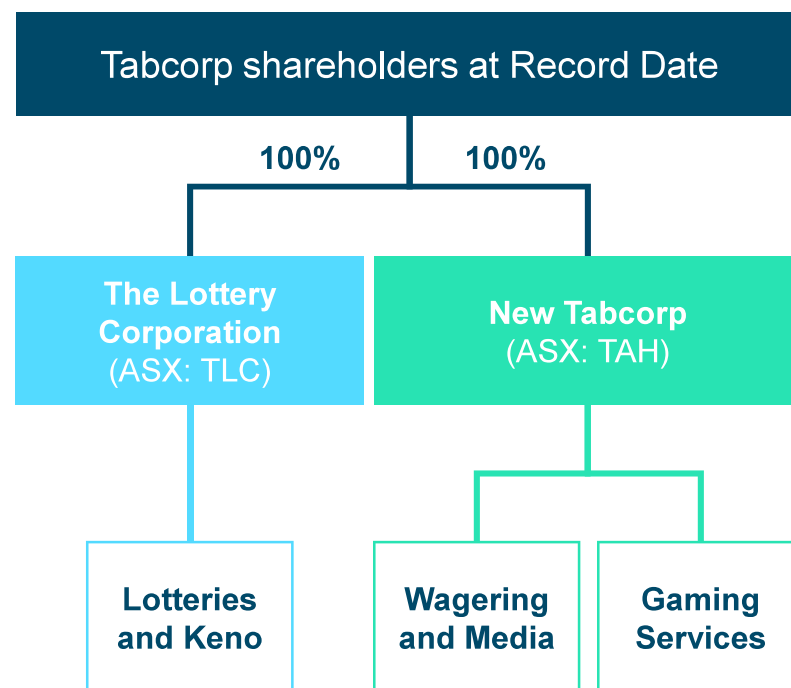
# OVERVIEW OF THE DEMERGER

The Demerger is anticipated to create two significant, standalone ASX listed companies

## OVERVIEW

- Tabcorp's Lotteries and Keno business ("The Lottery Corporation" or "TLC") to be demerged into a separate ASX-listed company
- Eligible shareholders (who have not elected to become a selling shareholder) will retain their current existing shares in Tabcorp and receive one TLC share for each Tabcorp share held at the record date on 25 May 2022
- Tabcorp has received a draft class ruling for demerger tax relief. Consistent with standard ATO practice, the final class ruling will only be received after the Demerger Implementation Date
- Shareholders will have the opportunity to vote on the Demerger at the shareholder meetings on 12 May 2022
  - The Tabcorp Directors unanimously recommend that you vote in favour of the resolutions to approve the Demerger
  - The Independent Expert has also concluded that the Demerger is in the best interests of Tabcorp shareholders
- Subject to receipt of the necessary regulatory, shareholder and Court approvals, The Lottery Corporation will commence trading on the ASX on 24 May 2022 on a deferred settlement basis with trading on a normal settlement basis expected to occur on 2 June 2022
- Comprehensive information on the Demerger (including the associated disadvantages and risks related to the Demerger and ongoing business operations – refer page 6 for a summary) is set out in the Demerger Booklet ([www.tabcorp.com.au/investors/demerger](http://www.tabcorp.com.au/investors/demerger)), which should be read by Tabcorp shareholders in full before making any voting decision

## POST DEMERGER STRUCTURE



# RATIONALE FOR THE DEMERGER

The Tabcorp Board has determined that the Demerger is the most certain and timely path, with lower regulatory impediments, to maximise value for shareholders

- ✓ Creates two significant businesses with focused Executive Leadership Teams
- ✓ Allows each business to adopt a more focused operating profile and capital structure more aligned to its core operations
- ✓ Preserves shareholders' ability to benefit from participating in any future M&A activity
- ✓ Allows shareholders to retain full upside potential from various growth opportunities which may arise for both The Lottery Corporation and New Tabcorp
- ✓ Creates access to new and different investor categories with different investment preferences and ESG criteria
- ✓ Allows shareholders to value each business on a standalone basis with potential for market re-rating

# POTENTIAL DISADVANTAGES AND RISKS OF THE DEMERGER

## Potential disadvantages

- Transaction, implementation, and ongoing incremental corporate and operating costs of the Demerger
- Reduction in size and diversification of existing Tabcorp with implications to index inclusion
- The Lottery Corporation and New Tabcorp will not have the same credit profile as Tabcorp prior to the Demerger
- Some Shareholders will not be eligible to receive The Lottery Corporation Shares and may not be able to retain The Lottery Corporation or New Tabcorp Shares post Demerger

## Potential risks

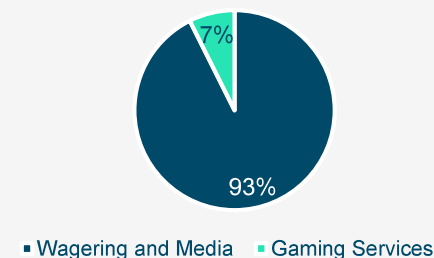
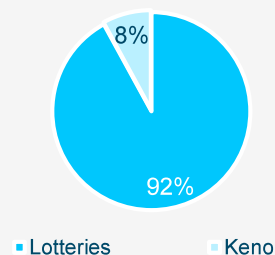
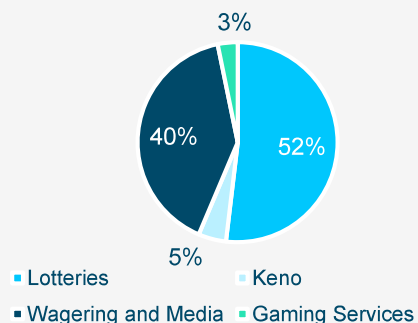
- Uncertainty about the combined market value of New Tabcorp Shares and The Lottery Corporation Shares relative to Tabcorp Shares prior to the Demerger
- Potential delays, unexpected costs or other issues in establishing The Lottery Corporation as a standalone entity
- Regulatory approvals may not be received or be received subject to conditions that are unacceptable to Tabcorp
- Failure to receive Court approval and delay of the Scheme

**The Lottery Corporation and New Tabcorp will be subject to a number of specific business risks which are set out in detail in the Demerger Booklet, in particular section 3.14 in relation to The Lottery Corporation and section 4.12 in relation to New Tabcorp**

# IMPACT OF THE DEMERGER

	Tabcorp (actual)	The Lottery Corporation <sup>1</sup>	New Tabcorp <sup>1</sup>
FY21 Revenue (\$m)	5,686	3,206	2,493
FY21 EBITDA (\$m)	1,107	611	464
FY21 transactions		~600M tickets sold <sup>2</sup>	~1bn wagering bets taken
FY21 digital share of turnover		32.8% for Lotteries; 15.5% for Keno	57.7% for Wagering
Number of customers		~8.3M lotteries customers <sup>3</sup>	~1.9M wagering customers
Number of distribution points <sup>4</sup>		3,863 lottery outlets; 3,409 Keno outlets	4,257 wagering venues
Number of employees <sup>5</sup>		742	3,357

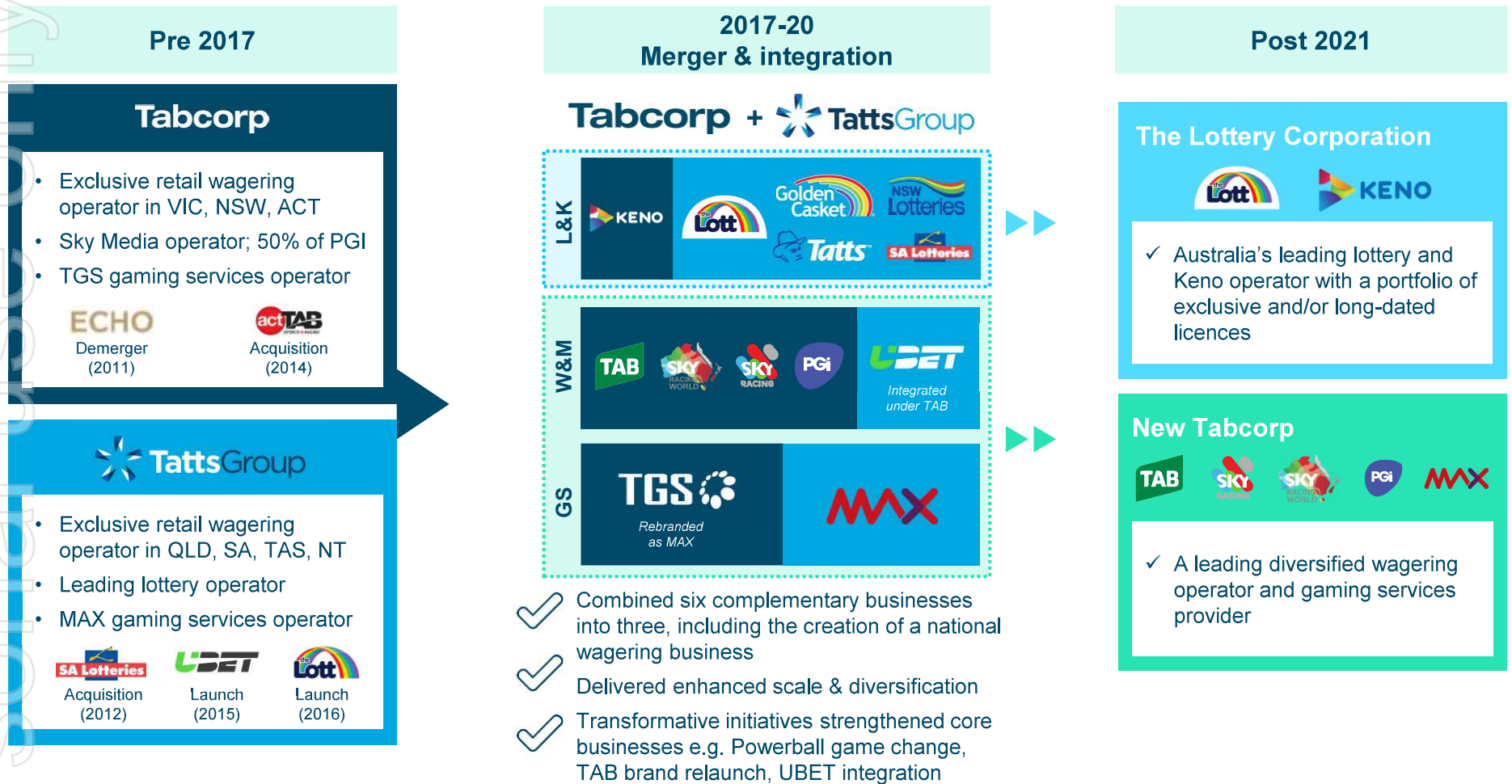
FY21 revenue by segment (excluding other revenue)



Note:  
 1 Includes adjustments for incremental ongoing standalone costs (\$9m for The Lottery Corporation and \$23m for New Tabcorp) and other income/cost items  
 2 Lotteries and Keno tickets  
 3 Source: Roy Morgan Gambling Monitor, October 2020–September 2021. Based on percentage of respondents who had purchased a lottery product over the last 12 months in The Lottery Corporation's jurisdictions of operations, and Australian adult population as at September 2021, based on Australian Bureau of Statistics monthly estimates  
 4 As at 31 December 2021  
 5 Expected employees as at 14 February 2022. Based on Demerger day-1 requirements

# THE DEMERGER REPRESENTS THE NEXT PHASE IN THE TABCORP JOURNEY

The Lottery Corporation and New Tabcorp are well positioned to deliver further growth





# KEY DATES

Subject to receipt of the necessary shareholder and Court approvals, The Lottery Corporation will commence trading on the ASX as a separately listed entity on 24 May 2022 on a deferred settlement basis

Event	Indicative date (Sydney time)
Demerger Booklet registered with ASIC and released to ASX	Wednesday, 30 March 2022
Last time and date by which the General Meeting and Scheme Meeting Proxy Forms can be lodged Time and date for determining eligibility to vote at the General Meeting and Scheme Meeting	7:00pm Tuesday, 10 May 2022
Demerger General Meeting and Scheme Meeting	10:00am (General Meeting) 10:30am <sup>1</sup> (Scheme Meeting) Thursday, 12 May 2022
Second Court Hearing	9:15am Friday, 20 May 2022
Last time and date by which the Sale Facility Form must be received by Tabcorp Share Registry	5:00pm Monday, 23 May 2022
Effective Date (last day of trading in Tabcorp shares cum-Demerger Entitlement)	Monday, 23 May 2022
ASX listing of TLC (TLC shares commence trading on a deferred settlement basis)	Tuesday, 24 May 2022
Demerger Record Date	7:00pm Wednesday, 25 May 2022
Demerger Implementation Date	Wednesday, 1 June 2022
TLC shares commence trading on a normal settlement basis on ASX	Thursday, 2 June 2022

This timetable is indicative only and, amongst other things, is subject to the time at which the conditions precedent to the Scheme are satisfied or (if applicable) waived, and to all necessary Court and regulatory approvals. A more detailed indicative timetable for the Demerger is included in the Demerger Booklet

Note:

<sup>1</sup> Or as soon after that time as the General Meeting has concluded or been adjourned



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# The Lottery Corporation Board and ELT

## Non-executive Board



**Steven Gregg**  
Independent Chairman



**Harry Boon**  
Independent Non-Executive Director



**Anne Brennan**  
Independent Non-Executive Director



**Doug McTaggart<sup>1</sup>**  
Independent Non-Executive Director



**John O'Sullivan<sup>1</sup>**  
Independent Non-Executive Director

## Executive Leadership Team (ELT)



**Sue van der Merwe**  
Managing Director and Chief Executive Officer



**Adam Newman**  
Chief Financial Officer



**Patrick McGlinchey**  
Chief Legal & Risk Officer and Co-Company Secretary



**Antony Moore**  
Chief Channel Officer



**Callum Mulvihill**  
Chief Commercial Operations Officer




**Andrew Shepherd**  
Chief Customer & Marketing Officer



**Michelle Williams**  
Chief People Officer



**Loren Fisher**  
Chief Information Officer

 **New to The Lottery Corporation**

Note:

<sup>1</sup> To be appointed following the Demerger, subject to the receipt of necessary regulatory and ministerial consents, and intended to be observers to the Board until such consents are received



# The Lottery Corporation Overview

The Lottery Corporation is expected to be an omni-channel business with a portfolio of high profile, recognised brands and games, strong digital growth and a retail footprint across c.7,000 retail outlets / venues (one of the largest in the country)

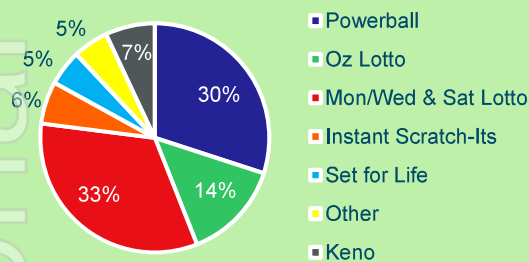
## Lotteries Overview

- Australia's leading lottery operator with exclusive and/or long dated licences and approvals to operate nationally (except WA)
- One of the highest performing lotteries businesses globally<sup>1</sup>
- Portfolio of 10 games that covers a range of player motivations, and participation from 46% of the adult population<sup>2</sup>
- Strong omni-channel offering with a retail distribution footprint of 3,863 outlets, digital platform

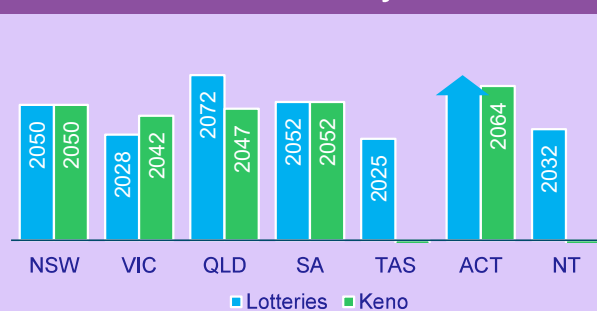
## Keno Overview

- Licenced to provide Keno products to venues across NSW, VIC, QLD, SA and the ACT (including digital approvals in VIC and ACT)
- Recently awarded one of two 20-year VIC Keno licences to 2042
- Strong omni-channel offering with Keno distributed in 3,409 venues and digitally, with strong growth in digital uptake experienced in FY20-22, catalysed by retail outlet closure during COVID-19 related lockdowns

### FY21 Revenue by Product (%)

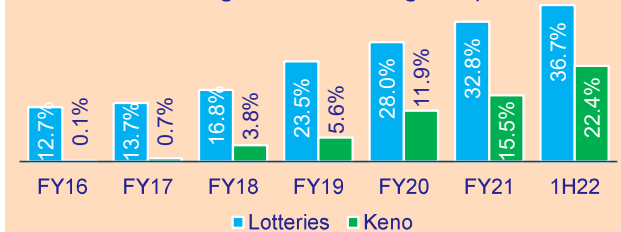


### Licences Maturity<sup>3,4,5</sup>



### Digital Share of Turnover (%)

Opportunity for further penetration is supportive of additional growth and margin expansion



Note:

- 1 The Lottery Corporation has the third-highest draw lottery game sales per capita worldwide. Source: La Fleur's almanac 2021 (Lotto and spiel)
- 2 Source: Roy Morgan Gambling Monitor, October 2020–September 2021. Based on percentage of respondents who had purchased a lottery product over the last 12 months in The Lottery Corporation's jurisdictions of operations
- 3 The ACT Lotteries approval is indefinite unless revoked
- 4 The Tasmanian lotteries operates under renewable five-year permits linked to Victorian and Queensland licences
- 5 The NSW Keno licence is operated with ClubKeno Holdings (CKH) as co-licensee



# Investment Highlights

The Lottery Corporation is Australia's leading lottery and Keno operator offering infrastructure-like asset qualities, with low capital intensity and upside potential from digital growth

1

The leader in the Australian lotteries and Keno market and one of the highest performing lottery operators globally, underpinned by exclusive and/or long-dated lottery licences and approvals<sup>1</sup>

2

High profile of recognised brands with significant retail distribution and growing online platform

3

Strong cash flow generation with infrastructure-like characteristics

4

Strong strategy to drive earnings growth and maximise shareholder returns

5

Experienced Board and Executive Leadership Team



# Growth Strategy

The Lottery Corporation management and Board are continuing to develop The Lottery Corporation growth strategy. The strategy includes a customer-led focus on product innovation, deepened engagement across all channels and digital expansion

## Innovate Game Portfolio



- Continue to optimise and refresh the game portfolio to align with changing player motivations
- Innovation pipeline to be informed by deep in-house expertise along with international partnerships

## Enhance Customer Experience



- Further innovate tailored customer experiences to drive engagement across all channels
- Complement this with data driven personalised marketing

## Increase Digital Penetration as part of Omni-channel Strategy



- Continue to increase digital penetration through customer-led initiatives, increased digital conversion and greater integration with retail

## Evolve Retail Footprint



- Further diversify retail channel mix through targeted growth in selected channels to meet changing customer purchasing behaviours

## Pursue New Licence and Acquisition Opportunities



- Explore opportunities for enhancements to existing licences
- Evaluate potential future new licence opportunities (domestically and internationally)

STRONG INDUSTRY AND REGULATORY ENGAGEMENT AS WELL AS COMMUNITY CONTRIBUTION

# Innovate Game Portfolio: Oz Lotto

New Oz Lotto game change set to launch in May 2022<sup>1</sup> has been carefully assessed based on player input and in the context of the wider game portfolio

## Overview of Oz Lotto Game Portfolio Change Process and Considerations

1

### Portfolio considerations

- Balance portfolio with strong brand positions
- Opportunity to strengthen Oz Lotto brand offer and position

2

### Research

- Extensive qualitative and quantitative research completed with sophisticated game modelling
- Key stakeholder management with regulators and retailers
- Game is designed to deliver bigger divisional prizes, large jackpots more frequently with better chances to win a prize

3

### Game change

- Matrix change from 7/45 to 7/47; third supplementary number
- 8.3% price increase (from \$1.20 to \$1.30 per game)
- Special prize boost feature increasing divisional prizes up to 30% in selected draws

4

### Marketing

- The game changes will launch with a dedicated marketing campaign that leverages the “Big. Aussie. Fun” platform
- Advertising messages will focus on the key customer benefits, including “bigger prizes, more winners, and more reasons to play every week!”



**OZ LOTTO**  
BIG. AUSSIE. FUN.

**One of Australia's favourite lottery games is getting an upgrade.**

We're bringing you **BIGGER PRIZES, MORE WINNERS** and more reasons to play every week!

*\*Oz Lotto game changes are subject to regulatory approval.*

the Lott Official Home of Australia's Lotteries

by Tatts NSW Lotteries Golden Casket SA Lotteries

Icons for TV, PC, and Mobile.

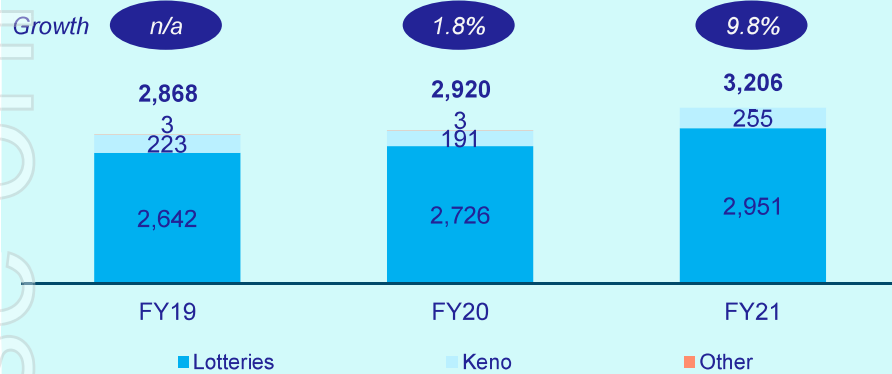


Note:  
<sup>1</sup> Subject to the receipt of all necessary regulatory approvals

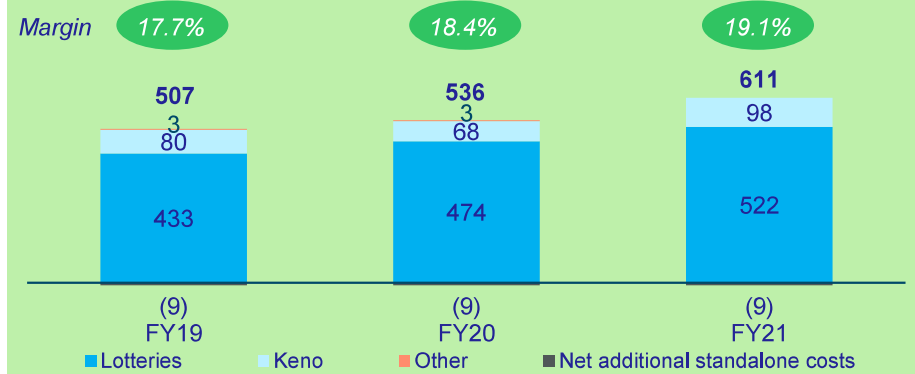
# Historical Financials Overview

The Lottery Corporation has performed strongly over the past 3 years and was resilient through COVID-19

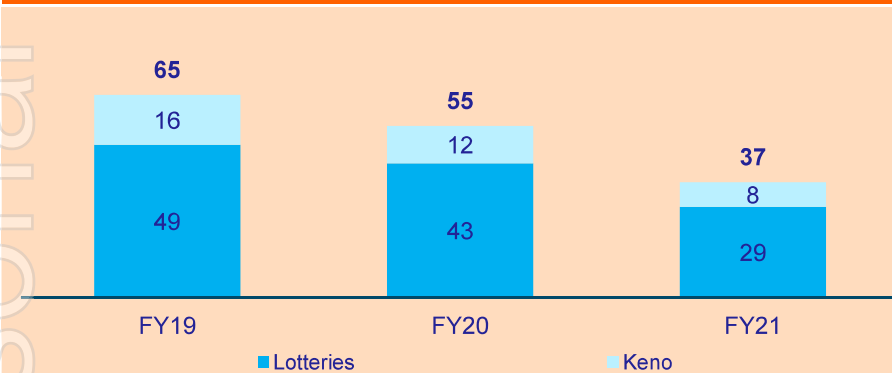
## Pro Forma Historical Revenue (A\$M)<sup>1</sup>



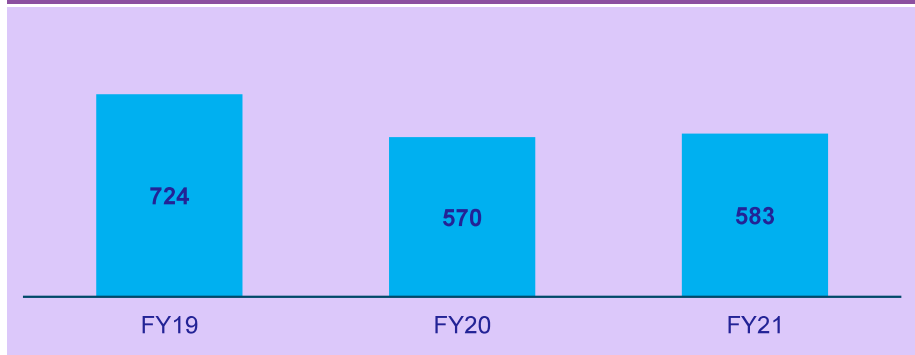
## Pro Forma Historical EBITDA Ex Significant Items (A\$M)<sup>1</sup>



## Pro Forma Historical Capital Expenditure (A\$M)



## Pro Forma Historical Operating Cash Flows, Before Financing Costs and Tax, Ex Significant Items (A\$M)



Note:  
1 Other relates to amounts not allocated to a segment in Tabcorp's consolidated financial statements, allocated to The Lottery Corporation based on the underlying nature of the item



# Capital Structure Overview

The proposed capital structure of The Lottery Corporation has been developed having regard to its business requirements, earnings and cash flow generation. It is anticipated that The Lottery Corporation's first dividend will be the 1H23 interim dividend, with reference to 7 months of earnings post Demerger<sup>1</sup>

TARGET NET DEBT  
TO EBITDA<sup>2</sup>

**3.5-4.0x**

EX SIGNIFICANTLY RESTRICTED  
CASH AND USPP FAIR VALUE  
ACCOUNTING IMPACT

TARGET DIVIDEND  
PAYOUT RATIO

**70-90%**

OF NPAT EXCLUDING  
SIGNIFICANT ITEMS

EXPECTED OPENING  
NET DEBT<sup>3</sup>

**\$2.1-2.3B**

EXCLUDING LEASE  
LIABILITIES

TARGET CREDIT  
RATING

**Strong  
BBB**

INVESTMENT GRADE

## Committed Debt Facilities

Debt facilities	Capacity/Principal
3-yr revolving loan facility	A\$400m
5-yr revolving loan facility	A\$550m
US\$ denominated USPP notes <sup>4</sup> (maturing in 2026, 2028, 2030, 2033)	US\$1,250m
A\$ denominated USPP notes (maturing in 2035, 2036)	A\$195m

Note:

- 1 See page 27 in relation to the current anticipated arrangements in relation to the Tabcorp Group FY22 final dividend
- 2 Net Debt including lease liabilities, excluding significantly restricted cash and excluding fair value accounting impacts on USPP notes
- 3 Net Debt excluding lease liabilities, excluding significantly restricted cash (A\$223m as at 31 December 2021) and excluding fair value accounting impacts on USPP notes. Excludes estimated remaining one-off demerger costs of approximately \$149m to be paid by The Lottery Corporation
- 4 Excludes Tabcorp USPP notes maturing in April 2022 of US\$133m, assumed to be closed out by additional drawdown by Tabcorp



Tabcorp



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# New Tabcorp Board and ELT

## Non-executive Board



**Bruce Akhurst**  
Independent Chairman



**David Gallop**  
Independent Non-Executive Director



**Janette Kendall**  
Independent Non-Executive Director



**Justin Milne**  
Independent Non-Executive Director



**Brett Chenoweth<sup>1</sup>**  
Independent Non-Executive Director



**Raelene Murphy<sup>1</sup>**  
Independent Non-Executive Director



**Karen Stocks<sup>1</sup>**  
Independent Non-Executive Director

## Executive Leadership Team (ELT)



**Adam Rytenskild**  
Managing Director and Chief Executive Officer



**Dan Renshaw**  
Chief Financial Officer



**John Fitzgerald**  
Chief Legal & Risk Officer



**Tom Callachor**  
Chief Industry & Corporate Affairs Officer



**Rebecca Riant**  
Chief Operating Officer (Wagering and Media)



**Paul Carew**  
Chief Operating Officer (Gaming Services)



**Sharon Broadley**  
Chief People Officer



**Alan Sharvin**  
Chief Information Officer



**Jenni Barnett**  
Chief Customer Officer



**Angus Tiet**  
Chief Strategy & Ventures Officer

 **New to Tabcorp**

<sup>1</sup> Note: To be appointed following the Demerger, subject to the receipt of necessary regulatory and ministerial consents, and intended to be observers to the Board until such consents are received

# New Tabcorp Overview

New Tabcorp is a leader in omni-channel wagering, racing and sports broadcasting, and gaming services solutions. The business is well positioned for organic growth and potential upside from possible change in the wagering and gaming industry

## Wagering overview

- TAB is a leading omni-channel wagering operator, that provides a differentiated proposition to consumers, focused on customer experience, brand, personalisation and digital-in-venue capabilities

## Media overview

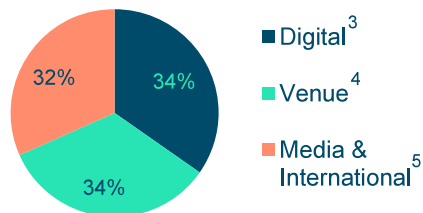
- Sky is a B2B leader in aggregated racing and sports broadcasting, distributing daily to millions of viewers and to 4,790 venues domestically
- Sky Racing World distributes racing content in the Americas, Sky exports Racing to 65 other countries and Premier Gateway International is one of the largest global tote hubs

## Gaming Services overview

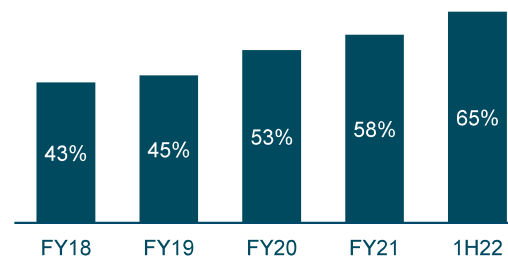
- B2B provider of monitoring systems for regulatory purposes, EGM financing and maintenance, value-added technology and advisory solutions
- Strong partner with venues, providing services to 3,955 venues and 84% of EGMs nationally<sup>1</sup>
- Has 100% market share in NSW and NT and 73% market share in QLD for EGM monitoring services<sup>2</sup>
- Holds the exclusive monitoring licence in NSW to 2032. QLD and NT have indefinite rolling renewal capability

### FY21 Variable contribution (Wagering & Media)

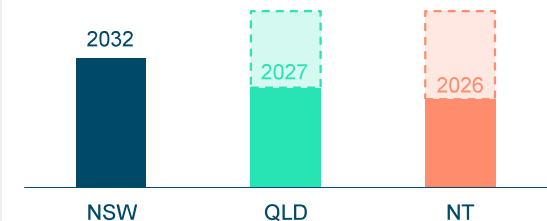
#### Diversified income streams



### Digital proportion of Tabcorp wagering turnover<sup>3,6</sup>



### Gaming licences maturity (year)



Notes:

- As at 31 December 2021. Based on total number of electronic gaming machines (EGMs) that MAX provides at least one product or service to
- As at 31 December 2021
- Digital includes digital and call centre channels in which a customer transacts using their account
- Venue includes retail and on course channels in which a customer transacts using cash

- Media & International includes PGI, export, Sky Racing World and domestic Media business
- FY18 shown on a pro forma basis and includes Luxbet (100% digital).

# Investment Highlights

New Tabcorp has scale, diversification, a unique omni-channel offering and growth potential from possible change in the wagering and gaming industry

1

A leading omni-channel diversified wagering operator in Australia and one of the most recognised wagering brands nationally<sup>1</sup>

2

A B2B leader in racing and sports media broadcasting with key contracted rights to distribute vision

3

Well established and growing international business with New Tabcorp owning 100% of Sky Racing World and Premier Gateway International

4

National reach as a B2B provider in the gaming market, with services to 84% of all EGMs in Australia<sup>2</sup> as well as longstanding licensed venue relationships

5

Strong strategy to drive earnings growth and maximise shareholder returns

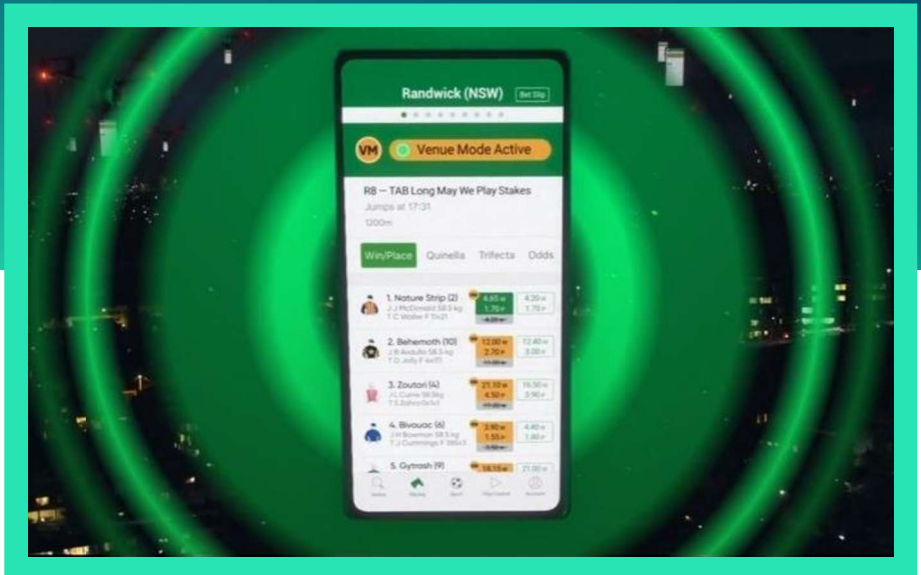
6

Experienced Board and Executive Leadership Team

Note:

1 Source: Nature Wagering Brand Health Monitor (national excluding Western Australia) as at January 2022

2 As at 31 December 2021. Based on total number of electronic gaming machines that MAX provides at least one product or service to



# Scale & Diversity

New Tabcorp has a unique combination of scale and diversity



## Wagering

- One of the most recognised wagering brands in Australia<sup>1</sup>
- 58% digital and an extensive venue network (+4,000 venues)<sup>2</sup>



## Media

- Retail and digital distribution
- 4,790 venues nationally
- Sky Racing Active - over-the-top service
- Breadth of rights underpins 24/7 aggregated vision across ~140k live races annually



## International

- SRW – exposure to the US wagering market underpinned by a portfolio of content rights.
- Import/export of vision across 65 countries
- PGI – scale, global tote hub providing pool access for premium international customers



## Gaming Services

- Significant reach across 84% of national EGMs<sup>3</sup>
- Monitoring capability with 100% coverage of NSW and NT market, and 73% QLD

Note:

1 Source: Nature Wagering Brand Health Monitor (national excluding Western Australia) as at January 2022

2 Digital proportion of wagering turnover in FY21

3 As at 31 December 2021. Based on total number of electronic gaming machines that MAX provides at least one product or service to

# Impact of COVID-19

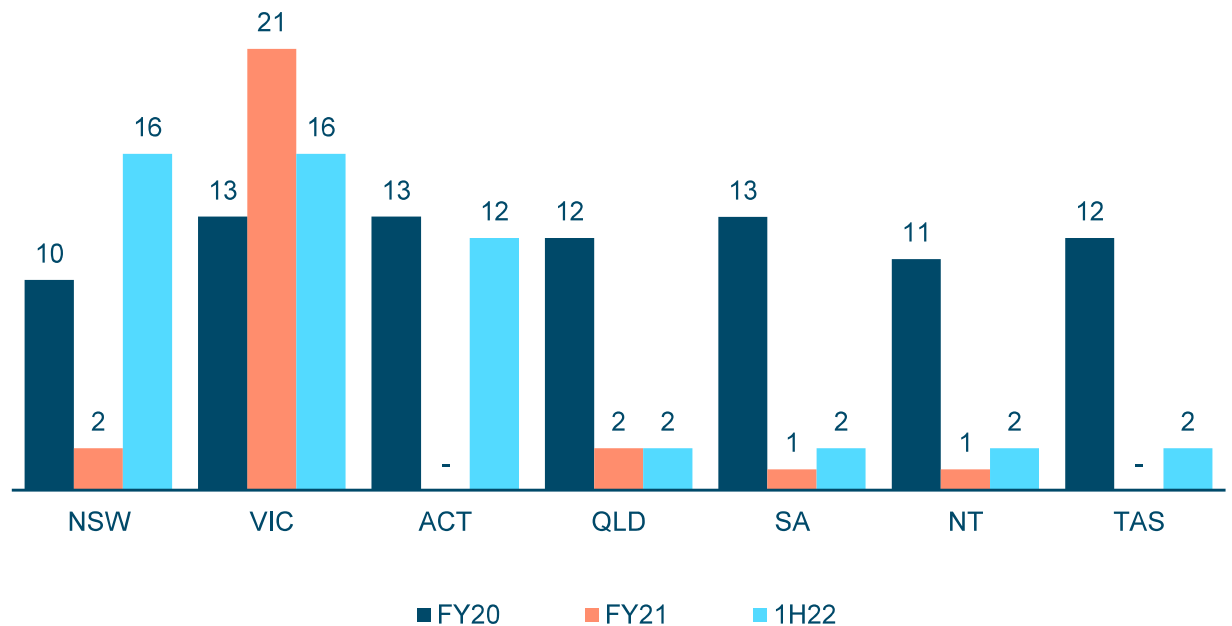
COVID-19 has significantly affected Wagering and Media through retail closures and disruption to the sports and international racing events calendar. Gaming Services has also been significantly affected by retail closures, with Tabcorp providing fee relief to venues through lockdowns

## COVID-19 Initiatives

**Initiatives taken to protect staff and retail partners, maintain continued operations and mitigate the impacts of COVID-19 include:**

- Provision of Sky subscription relief to venues totalling \$20m in FY20, \$13m in FY21 and \$15m in 1H22
- Provision of fee relief to Gaming Services venues totalling \$62m in FY20, \$76m in FY21 and \$42m in 1H22
- Temporary standing down of employees, reducing technology contractors and reducing MD & CEO fixed remuneration and Board fees
- Reducing the working week and annual leave balances
- Significantly reducing discretionary expenditure including capital expenditure

## Weeks Impacted Fully or Partially by Lockdown – Wagering and Media



**Gaming Services was also impacted fully or partially by lockdowns in retail venues for FY20: 14 weeks, FY21: 48 weeks, and 1H22: 22 weeks**

# Transformation and Growth Strategy

The New Tabcorp management and Board are continuing to develop New Tabcorp's transformation & growth strategy

## Executed to date:

- Strong data and personalisation capability, backed by market-leading Adobe technology
- *TAB brand ('long may we play')* re-established to better resonate with customers
- Sky Media business underpinned with key racing rights, digital distribution and created Sky Racing Active
- Digital In-Venue Mode providing exclusive features and offers to TAB app customers in venues
- International business expanded with 100% PGI ownership, Sky Racing World in US and expanded global exports
- Partnerships established with premium US sports

## FRAMEWORK FOR NEW TABCORP STRATEGY

### Delivering Compelling Customer Experiences



- Leverage key assets and modernise technology
- Create compelling customer omni-channel experiences

### Sustainability



- Address and respond to structural changes
- Compete more effectively
- Drive positive industry change with partners and government
- Continued commitment to Customer Care principles

### Innovation & Growth



- Emerging technology
- New products
- New customer experiences
- In-house capabilities
- New markets

### Deliver Efficiencies



- Streamline and strengthen operational systems and processes
- Rigorous cost management

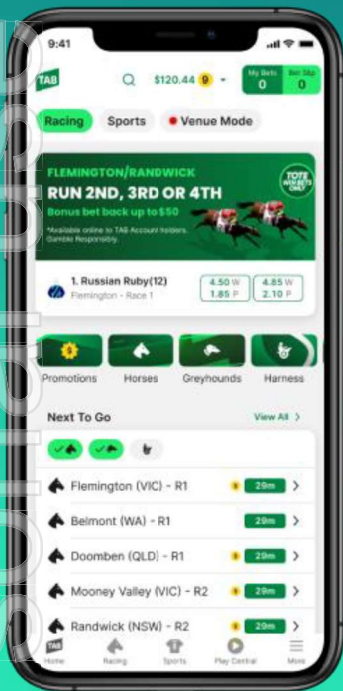


# New Wagering App in Development

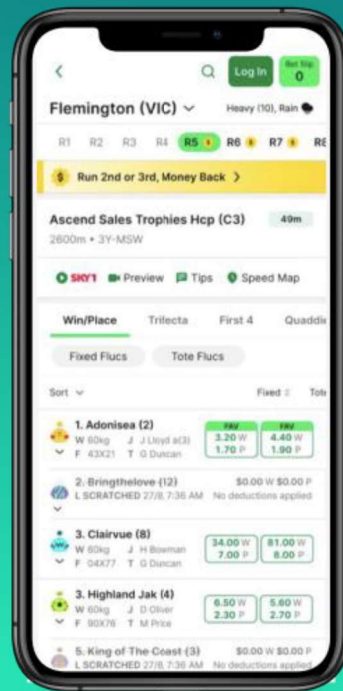
Delivering<sup>1</sup> a new betting experience with a refreshed user interface, faster platform, and removing customer friction points in account admin, post-bet experience, racing information and performance.

Step one in a strategy to improve digital competitiveness, allow for faster innovation, upgraded content and omni channel experiences

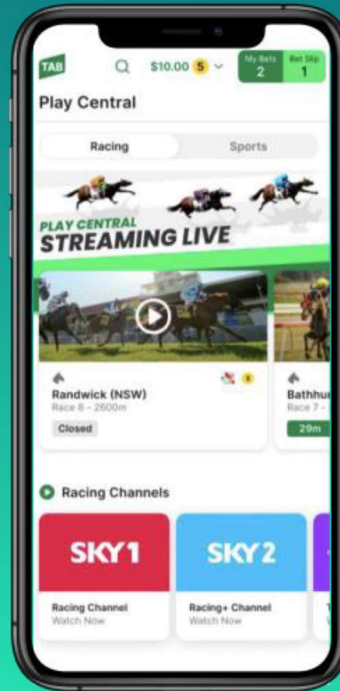
All New Betting Experience



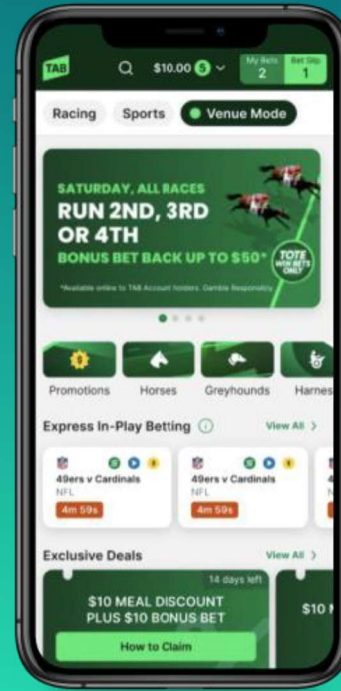
Simpler Bet Placement



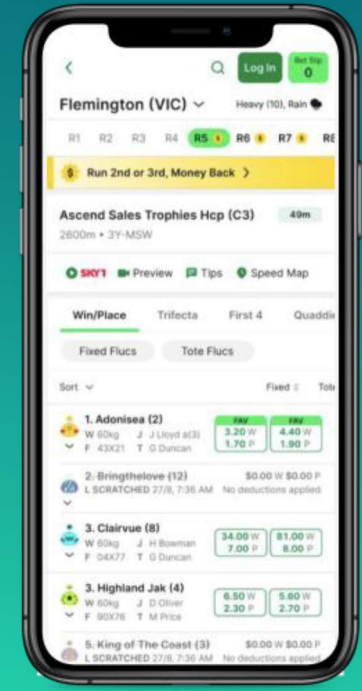
Leading Racing and Sports Content



Integrated Retail Experience



Streamlined New Product Pipeline

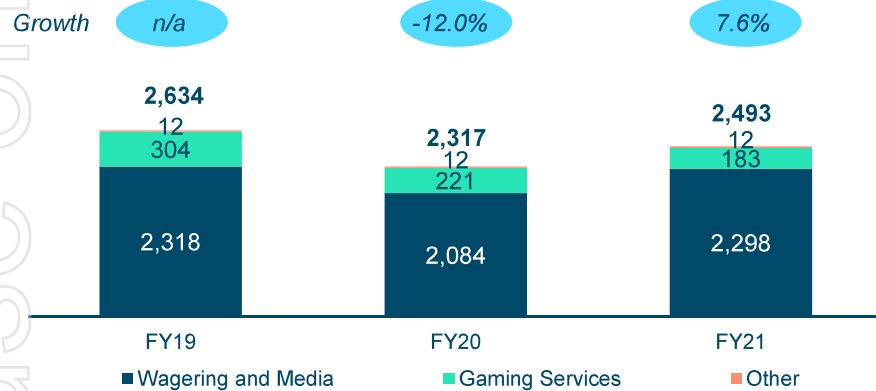


25 Note:  
1 Implementation subject to receipt of relevant regulatory approvals

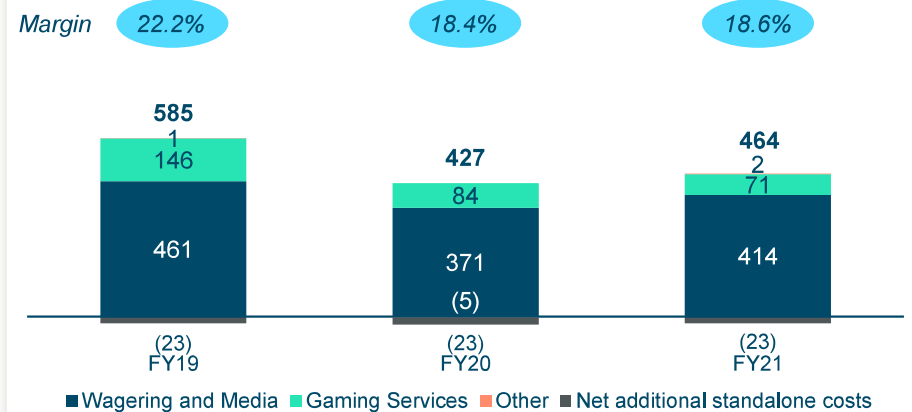
# Historical Financials Overview

New Tabcorp's financial performance has been significantly impacted by COVID-19 over FY20 and FY21

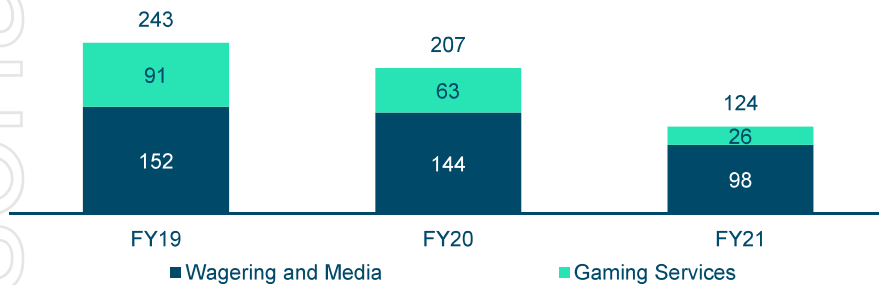
## Pro Forma Historical Revenue (A\$m)<sup>1</sup>



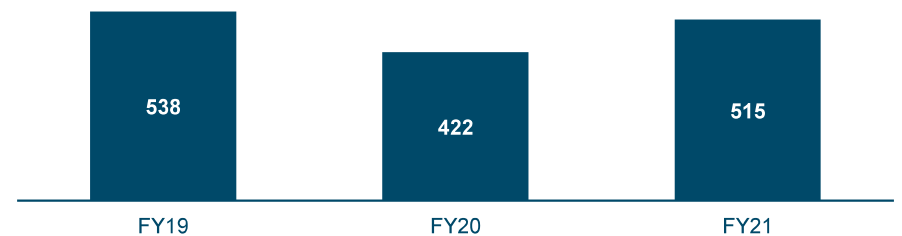
## Pro Forma Historical EBITDA Ex Significant Items (A\$m)<sup>1</sup>



## Pro Forma Historical Capital Expenditure (A\$m)



## Pro Forma Historical Operating Cash Flows, Before Financing Costs And Tax, Ex Significant Items (A\$m)



Note:

1 Other represents revenue on services charged to The Lottery Corporation for servicing the Lotteries and Keno terminals

# Capital Structure Overview

The proposed capital structure of New Tabcorp has been developed having regard to its business requirements, earnings profile and cash flow generation profile

New Tabcorp does not intend to hold a public credit rating at the time of the Demerger

Target Net Debt  
to EBITDA<sup>1</sup>

**1.0-1.5x**

Ex Significantly  
Restricted Cash

Target Dividend  
Payout Ratio

**50-70%**

Of NPAT Excluding  
Significant Items

Expected Opening  
Net Debt<sup>2</sup>

**<\$100M**

Excluding Lease  
Liabilities

Committed Bank  
Facilities Capacity

**\$950M**

\$400m 3-yr, \$550m 5-yr  
Revolving Loan Facilities

## FY22 Final Dividend Arrangements

- To assist in providing a tax efficient distribution, it is anticipated that New Tabcorp will pay a FY22 final dividend with reference to the 5 months of TLC earnings prior to the Demerger in addition to the 2H22 earnings of New Tabcorp
- Any dividend will be determined in accordance to the current target dividend payout ratio (70-80% of NPAT excluding significant items)
- **To receive this dividend, you must be a New Tabcorp shareholder at the dividend record date, anticipated to be in or around Sep 2022**
- The proposed dates of the FY22 final dividend are subject to change, and payment of any dividend is subject to law, business performance and all relevant Board approvals

Note:

1 Net Debt including lease liabilities, excluding significantly restricted cash

2 Net Debt excluding lease liabilities, excluding significantly restricted cash (\$83m as at 31 December 2021) . Excludes estimated remaining one-off demerger costs of approximately \$64m to be paid by New Tabcorp and FY22 final dividend funding requirement

**Tabcorp**

ersonal use only



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# New Tabcorp – Building Capability

New talent appointed to Executive Leadership Team to build strategy execution capabilities

New Chief Information Officer (CIO)

## Alan Sharvin

- Alan is currently the Head of Digital at ASX-listed Reece Group
- Prior to that he was the Senior Technology Manager at Amazon, based in Ireland
- He is a former General Manager of technology for Tabcorp, who also spent 6 years at Sportsbet as General Manager Technology – Portfolio Delivery and Head of Enterprise Technology

New Chief Customer Officer (CCO)

## Jenni Barnett

- Jenni is currently with Telstra as Executive Director Telstra Digital, where she leads the digital customer experience strategy
- Prior to this, Jenni worked at the Commonwealth Bank where she played an integral role in establishing CBA's digital team

Chief Strategy & Ventures Officer (CSVO)

## Angus Tiet

- Angus is currently the Senior VP of Strategy and Business Development at Aristocrat Digital (now Pixel United)
- Prior to this, Angus was the CFO at Aristocrat Digital, and Chief of Staff for the broader Aristocrat group, both based in the USA
- His experience spans strategy, mergers and acquisitions, finance and business operations across the USA, Europe and Asia Pacific

Chief Legal & Risk Officer (CLRO)

## John Fitzgerald

- John is currently with AGL Energy as the General Counsel and Company Secretary where he leads the legal, risk, compliance, and advisory function within a complex regulatory environment
- Prior to this, John worked in both government and private legal practice
- John's expertise includes leading commercial advisory and governance functions, and managing large-scale transactions, projects and litigations

# The Lottery Corporation – Pro Forma Historical Balance Sheet

\$M	Pro-forma historical Dec-21 <sup>1</sup>
Cash and cash equivalents <sup>2</sup>	350
Intangible assets	2,936
Property, plant and equipment	68
Other current and non-current assets	699
<b>Total assets</b>	<b>4,053</b>
Payables	1,099
Interest bearing liabilities	2,581
Lease liabilities	86
Other current and non-current liabilities	231
<b>Total liabilities</b>	<b>3,997</b>
<b>Shareholders' funds</b>	<b>56</b>

## Intangible assets

- Compared to the Tabcorp statutory accounts, there is a derecognition of fair value adjustments (predominantly goodwill and intangible assets of \$4,463m) from the Tatts Group combination in 2017 relating to the Lotteries and Keno businesses. These adjustments cannot be recognised as assets of The Lottery Corporation under Australian Accounting Standards
- Conversely, \$615m is recognised from the transfer of the Keno business to The Lottery Corporation under common control principles; with the final fair value adjustment to be determined depending on circumstances at the time of the Demerger

## Interest bearing liabilities

- Includes \$246m from the estimated fair value uplift of the USPP notes effectively transferred to TLC, as Australian Accounting Standards require the fair value of the debt to be recognised on inception, rather than at the existing value. This fair value uplift will be excluded by the company when measuring net debt in the context of target gearing levels

Note:

1 The Lottery Corporation pro forma historical balance sheet as at 31 December 2021 has been prepared on the basis that the Demerger was effected and completed on 31 December 2021. The Lottery Corporation pro forma historical balance sheet has been prepared for illustrative purposes only, and does not reflect the actual or prospective financial position of The Lottery Corporation at the time of the Demerger. No adjustments have been made to reflect the trading of The Lottery Corporation since 31 December 2021

2 Includes \$223m of significantly restricted cash



Tabcorp

# The Lottery Corporation – Pro Forma Historical Income Statements

\$M	FY19	FY20	FY21	1H21	1H22
Revenue	2,868	2,920	3,206	1,609	1,784
<b>EBITDA, excluding significant items</b>	<b>507</b>	<b>536</b>	<b>611</b>	<b>306</b>	<b>353</b>
Depreciation and amortisation <sup>1</sup>	(70)	(82)	(80)	(42)	(40)
Impairment	2	(1)	-	-	-
<b>EBIT, excluding significant items</b>	<b>439</b>	<b>453</b>	<b>531</b>	<b>264</b>	<b>313</b>
Significant items <sup>2</sup>	(9)	(3)	60	67	-
<b>EBIT</b>	<b>430</b>	<b>450</b>	<b>591</b>	<b>331</b>	<b>313</b>
Net finance costs <sup>3</sup>			(82)		(41)
<b>Profit / (loss) before income tax</b>			<b>509</b>		<b>272</b>
Income tax expense <sup>4</sup>			(137)		(84)
<b>Profit / (loss) after income tax</b>			<b>372</b>		<b>188</b>

Note:

- 1 Impact on amortisation expense as a result of an expected uplift of Keno licence values upon transfer of the Keno business to The Lottery Corporation has not been included as the final fair value adjustment is to be determined depending on circumstances at the time of Demerger
- 2 Significant items mainly represent The Lottery Corporation's portion of the Tatts Group combination implementation costs (FY19: \$9m, FY20: \$3m, FY21: \$5m, 1H21: \$2m). For the FY21, it also includes restructuring costs (\$3m), and strategic review costs (\$1m), offset by profit on sale of Jumbo shares (\$69m), and for 1H21, the balance also includes \$69m profit on sale of Jumbo shares
- 3 Net finance costs include pro forma historical interest on USPP notes effectively transferred to The Lottery Corporation, interest and amortisation of bank fees on external borrowings that will be drawn down upon Demerger, unwinding of interest on the estimated fair value uplift recognised on the USPP notes undertaken; and interest on leases
- 4 Income tax expense is based on the pro forma historical profit before tax adjusted for permanent differences for the relevant periods, and the corporate tax rate of 30%



# The Lottery Corporation – Pro Forma Historical Segment Information

\$M	FY19	FY20	FY21	1H21	1H22
Lotteries	2,642	2,726	2,951	1,477	1,665
Keno	223	191	255	132	119
<b>Segment revenue<sup>1</sup></b>	<b>2,865</b>	<b>2,917</b>	<b>3,206</b>	<b>1,609</b>	<b>1,784</b>
Other income transferred from Tabcorp <sup>2</sup>	3	3	-	-	-
<b>Pro forma historical revenue</b>	<b>2,868</b>	<b>2,920</b>	<b>3,206</b>	<b>1,609</b>	<b>1,784</b>
Lotteries	433	474	522	259	316
Keno	80	68	98	52	42
<b>Segment EBITDA<sup>1</sup></b>	<b>513</b>	<b>542</b>	<b>620</b>	<b>311</b>	<b>358</b>
Other income/costs (net) transferred from Tabcorp <sup>2</sup>	3	3	-	-	-
Net additional standalone operating costs <sup>3</sup>	(9)	(9)	(9)	(5)	(5)
<b>Pro forma historical EBITDA, excluding significant items</b>	<b>507</b>	<b>536</b>	<b>611</b>	<b>306</b>	<b>353</b>
Lotteries	371	400	442	218	275
Keno	55	42	74	40	30
<b>Segment EBIT<sup>1</sup></b>	<b>426</b>	<b>442</b>	<b>516</b>	<b>258</b>	<b>305</b>
Other income/costs (net) transferred from Tabcorp <sup>2</sup>	2	1	-	-	-
Net additional standalone operating costs <sup>3</sup>	(9)	(9)	(9)	(5)	(5)
Derecognised intangibles' amortisation adjustments <sup>4</sup>	20	19	24	11	13
<b>Pro forma historical EBIT, excluding significant items</b>	<b>439</b>	<b>453</b>	<b>531</b>	<b>264</b>	<b>313</b>

- Note:
- 1 Represents the reported historical segment results relating to The Lottery Corporation included in Tabcorp's consolidated financial statements for the respective periods
  - 2 Relates to amounts not allocated to a segment in Tabcorp's consolidated financial statements. These have been allocated to The Lottery Corporation based on the underlying nature of the item
  - 3 Following the Demerger, The Lottery Corporation will be a standalone entity listed on the ASX. As a standalone entity The Lottery Corporation will incur additional operating costs relative to the costs incurred historically. These costs include the corporate functions (i.e. incremental people costs) required to support a standalone listed entity, the cost of maintaining a board of directors, company secretariat costs, ASX listing fees, share registry costs, insurance and statutory financial and tax compliance fees. In addition, The Lottery Corporation will incur costs associated with certain services and internal management systems that have previously been provided by or in conjunction with Tabcorp such as information technology, corporate and public company costs. These additional costs are partly offset by previously allocated shared technology, corporate and public company costs that will be incurred by New Tabcorp. It is anticipated that there will also be ongoing incremental technology costs for The Lottery Corporation and New Tabcorp following the expiry of the TSA
  - 4 Intangible assets that arose upon the acquisition of the Tatts Group by Tabcorp in 2017, recognised in the consolidated financial statements of Tabcorp, will be derecognised upon the Demerger as these amounts cannot be recognised as assets by The Lottery Corporation under Australian Accounting Standards. Accordingly, amortisation of these amounts will not form part of the pro forma historical EBIT of The Lottery Corporation. This does not include any additional amortisation that may result when the purchase price allocation on the Keno business valuation is finalised as this is dependent on circumstances at the time of the Demerger and thus has not been recognised



Tabcorp



# The Lottery Corporation – Pro Forma Historical Cash Flows

\$M	FY19	FY20	FY21	1H21	1H22
<b>Pro forma historical EBIT, excluding significant items</b>	<b>439</b>	<b>453</b>	<b>531</b>	<b>264</b>	<b>313</b>
Depreciation, amortisation and impairment	68	83	80	42	40
<b>Pro forma historical EBITDA, excluding significant items</b>	<b>507</b>	<b>536</b>	<b>611</b>	<b>306</b>	<b>353</b>
Other non-cash items	(2)	(1)	2	-	2
Change in working capital <sup>1</sup>	219	35	(30)	212	161
<b>Pro forma historical operating cash flows, before financing costs and tax, excluding significant items</b>	<b>724</b>	<b>570</b>	<b>583</b>	<b>518</b>	<b>516</b>
Payment for property, plant and equipment and intangibles	(53)	(65)	(37)	(14)	(19)
Proceeds from sale of property, plant and equipment and intangibles	-	1	20	2	-
Proceeds from sale of shares in an associate	12	-	-	-	-
Payment for exercise of call option	(8)	-	-	-	-
Payment for other financial assets	(93)	(15)	(73)	(51)	(18)
<b>Pro forma historical operating and investing cash flows, before financing costs and tax, excluding significant items</b>	<b>582</b>	<b>491</b>	<b>493</b>	<b>455</b>	<b>479</b>
Proceeds from sale of shares in an associate, significant item <sup>2</sup>	-	-	98	98	-
Significant items <sup>3</sup>	(9)	(3)	(9)	(2)	-
<b>Pro forma historical operating and investing cash flows, before financing costs and tax</b>	<b>573</b>	<b>488</b>	<b>582</b>	<b>551</b>	<b>479</b>
Financing costs			(109)		(54)
Income tax paid			(137)		(84)
<b>Pro forma historical operating and investing cash flows, after financing costs and tax</b>			<b>336</b>		<b>341</b>

Note

- 1 Working capital movements are impacted by the timing of prize draws and settlements. The FY19 increase was largely driven by an increase in prize liabilities following the Lucky Lotteries Mega Jackpot and large jackpot activity in Oz Lotto at the preceding year end. FY20 and 1H21 include increases in payables of \$95m and \$120m respectively due to the deferral of Lottery taxes as a result of government initiated COVID-19 support, leading to a decrease in working capital in FY21 when these were paid in 2H21. The increase in 1H22 was largely driven by increased sale activity
- 2 This balance relates to gross proceeds generated from the sale of Jumbo shares (a profit before tax impact of \$69m)
- 3 Significant items excluding the sale of Jumbo shares

# New Tabcorp – Pro Forma Historical Balance Sheet

\$M	Pro-forma historical Dec-21 <sup>1</sup>
Cash and cash equivalents <sup>2</sup>	171
Licences	721
Other intangible assets	2,528
Property, plant and equipment	271
Other current and non-current assets	399
<b>Total assets</b>	<b>4,090</b>
Payables	578
Interest bearing liabilities	140
Lease liabilities	200
Other current and non-current liabilities	284
<b>Total liabilities</b>	<b>1,202</b>
<b>Shareholders' funds</b>	<b>2,888</b>

No noteworthy accounting treatments unique to New Tabcorp upon demerger in determining the pro-forma balance sheet

Note:

1 For the purposes of presenting the New Tabcorp pro forma historical balance sheet, it has been assumed that the Demerger was effective and completed on 31 December 2021. The New Tabcorp pro forma historical balance sheet has been prepared for illustrative purposes only and does not reflect the actual or prospective financial position of New Tabcorp at the time of the Demerger. No adjustments have been made to reflect the trading of Tabcorp since 31 December 2021

2 Includes \$83m of significantly restricted cash

# New Tabcorp – Pro Forma Historical Income Statements

\$M	FY19	FY20	FY21	1H21	1H22
Revenue	2,634	2,317	2,493	1,268	1,156
<b>EBITDA, excluding significant items</b>	<b>585</b>	<b>427</b>	<b>464</b>	<b>238</b>	<b>160</b>
Depreciation and amortisation	(262)	(277)	(276)	(135)	(143)
Impairment	2	(20)	(3)	-	-
<b>EBIT, excluding significant items</b>	<b>325</b>	<b>130</b>	<b>185</b>	<b>103</b>	<b>17</b>
Significant items <sup>1</sup>	(27)	(1,167)	(133)	(29)	(17)
<b>EBIT</b>	<b>298</b>	<b>(1,037)</b>	<b>52</b>	<b>74</b>	<b>-</b>
Net finance costs <sup>2</sup>			(20)		(10)
<b>Profit / (loss) before income tax</b>			<b>32</b>		<b>(10)</b>
Income tax (expense) / benefit <sup>3</sup>			(39)		3
<b>Profit / (loss) after income tax</b>			<b>(7)</b>		<b>(7)</b>

Note:

- Significant items include in FY19, implementation costs relating to the combination with Tatts Group and Racing Queensland arrangements, offset by ACT POCT compensation; in FY20, implementation costs relating to combination with Tatts Group, Racing Queensland arrangements, goodwill impairment, impairment – other and onerous contracts; in FY21, implementation costs relating to combination with Tatts Group, Racing Queensland arrangements, restructuring costs, goodwill impairment, net property costs and strategic review costs, offset by profit on sale of Jumbo shares and gain on revaluation of previously held equity interest; in 1H22, profit on the sale of Jumbo shares, offset by implementation costs relating to combination with Tatts Group, Racing Queensland arrangements and restructuring costs; in 1H22, costs related to the proposed Demerger
- Net finance costs reflect the pro forma historical interest on estimated drawdown of external borrowings for New Tabcorp based on an allocation of the existing Tabcorp debt as at 31 December 2021 after allowing for an additional drawdown by Tabcorp to close out the Tabcorp USPP notes maturing in April 2022 and interest on leases
- Income tax (expense) / benefit is based on the pro forma historical profit before tax adjusted for permanent differences for the relevant periods, and the corporate tax rate of 30%

# New Tabcorp – Pro Forma Historical Segment Information

\$M	FY19	FY20	FY21	1H21	1H22
Wagering and Media	2,318	2,084	2,298	1,189	1,073
Gaming Services	304	221	183	73	78
Other <sup>1</sup>	12	12	12	6	5
<b>Pro forma historical revenue</b>	<b>2,634</b>	<b>2,317</b>	<b>2,493</b>	<b>1,268</b>	<b>1,156</b>
Wagering and Media	461	371	414	227	148
Gaming Services	146	84	71	22	21
Other <sup>2</sup>	1	(5)	2	-	2
Net additional standalone operating costs <sup>3</sup>	(23)	(23)	(23)	(11)	(11)
<b>Pro forma historical EBITDA, excluding significant items</b>	<b>585</b>	<b>427</b>	<b>464</b>	<b>238</b>	<b>160</b>
Wagering and Media	281	175	216	132	43
Gaming Services	67	(14)	(10)	(18)	(17)
Other <sup>2</sup>	-	(8)	2	-	2
Net additional standalone operating costs <sup>3</sup>	(23)	(23)	(23)	(11)	(11)
<b>Pro forma historical EBIT, excluding significant items</b>	<b>325</b>	<b>130</b>	<b>185</b>	<b>103</b>	<b>17</b>

Note:

- 1 Represents revenue on services charged to The Lottery Corporation for servicing the Lotteries and Keno terminals
- 2 Relates to amounts not allocated to a segment in Tabcorp's consolidated financial statements for the respective periods. These have been allocated to New Tabcorp based on the underlying nature of the item
- 3 Following the Demerger, New Tabcorp will incur additional standalone operating costs relative to the costs incurred historically. These include the full costs (given these costs have historically been shared with The Lottery Corporation and will be partially reallocated to New Tabcorp) of maintaining corporate functions (i.e. incremental people costs) required to support a standalone listed entity, a board of directors, company secretariat costs, ASX listing fees, share registry costs, insurance and statutory financial and tax compliance fees. In addition, New Tabcorp will incur additional costs associated with certain services and internal management systems that have previously been partially allocated to The Lottery Corporation such as information technology, corporate and public company costs. It is anticipated that there will also be ongoing incremental technology costs for The Lottery Corporation and New Tabcorp following the expiry of the TSA

# New Tabcorp – Pro Forma Historical Cash Flows

\$M	FY19	FY20	FY21	1H21	1H22
<b>Pro forma historical EBIT, excluding significant items</b>	<b>325</b>	<b>130</b>	<b>185</b>	<b>103</b>	<b>17</b>
Depreciation, amortisation and impairment	260	297	279	135	143
<b>Pro forma historical EBITDA, excluding significant items</b>	<b>585</b>	<b>427</b>	<b>464</b>	<b>238</b>	<b>160</b>
Other non-cash items	9	8	16	4	5
Change in working capital <sup>1</sup>	(56)	(13)	35	66	(84)
<b>Pro forma historical operating cash flows, before financing costs and tax, excluding significant items</b>	<b>538</b>	<b>422</b>	<b>515</b>	<b>308</b>	<b>81</b>
Payment for property, plant and equipment and intangibles	(225)	(225)	(146)	(87)	(67)
Proceeds from sale of property, plant and equipment and intangibles	2	11	48	3	5
Proceeds from sale of other non current assets	-	-	-	-	2
Cash acquired net of payment for business acquisition	-	-	52	-	-
Loan repayment received from customers	2	1	-	-	-
<b>Pro forma historical operating and investing cash flows, before financing costs and tax, excluding significant items</b>	<b>317</b>	<b>209</b>	<b>469</b>	<b>224</b>	<b>21</b>
Significant items <sup>2</sup>	(27)	(55)	(44)	(29)	(17)
<b>Pro forma historical operating and investing cash flows, before financing costs and tax</b>	<b>290</b>	<b>154</b>	<b>425</b>	<b>195</b>	<b>4</b>
Net financing costs			(20)		(10)
Income tax (paid) / received			(39)		3
<b>Pro forma historical operating and investing cash flows, after financing costs and tax</b>			<b>366</b>		<b>(3)</b>

Note:

1 The reduction in working capital in FY19 is mainly due to a decrease in provision and payables balances due to the timing of payment. The decrease in working capital in FY20 follows a lower level of payables and provisions to mitigate the impacts of COVID-19. The FY21 and 1H21 increase in working capital was largely driven by an increase in customer account balances and payables from increased trading activity post a COVID-19 impacted June 2020. The 1H22 decrease in working capital is driven by an increase in receivables, predominantly due to the resumption of trading activity in this period compared to the COVID-19 impacted June 2021 and an increase in prepayments mainly due to timing

2 Excludes non-cash significant items

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