

**Tabcorp Holdings Limited
ABN 66 063 780 709
Annual General Meeting
24 October 2019**

**CHAIRMAN'S ADDRESS AND
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S ADDRESS**

CHAIRMAN'S ADDRESS

Introduction

The 2019 financial year was notable in that it was the first full year that Tabcorp and Tatts operated as a combined business.

Our vision is to be the *Trusted Gambling Entertainment Company* and we are united behind our purpose of delivering *Excitement with Integrity*.

Our portfolio of high-quality assets is diversified across three business units: Lotteries & Keno, Wagering & Media and Gaming Services.

We operate some of Australia's most well-known and trusted consumer and business-to-business brands including The Lott, NSW Lotteries, Golden Casket, Tatts, TAB, Sky Racing, Keno and MAX.

Our market insights inform us that half of all adult Australians purchased a ticket in last month's \$150 million Powerball draw. We estimate more than three million Australians will place a bet with TAB on the Melbourne Cup next month. Such is Tabcorp's reach.

Our powerful brands, robust balance sheet and strong and resilient earnings and cash flows position us well to compete and to grow.

Group results

The FY19 financial results demonstrate the benefits of Tabcorp's enhanced scale and business diversification following the combination with Tatts in FY18.

Strong revenue growth, supported by the excellent progress in delivering the integration synergies, resulted in a profit after significant items of \$362 million. Our digital transformation program continues at pace, with the 73% digital growth in Lotteries a highlight of the year.

Shareholders received an FY19 full year dividend of 22 cents per share fully franked, including a final dividend of 11 cents per share.

We know our shareholders value franked dividends. As a result of the reliable free cash flows generated by the Group, Tabcorp has consistently adopted a policy of paying attractive dividends and returning franking credits to shareholders.

Integration

The integration program we set out in December 2017 is on track, and due to be completed by FY21, as planned. At this time shareholders will experience the full benefits of the combination.

One of management's first actions following the combination was to reset the Lotteries & Keno strategy. Initiatives undertaken this year, including changes to our flagship Powerball game, have reinvigorated the lotteries market and attracted a new generation of players. This business has benefited from a paradigm shift in the level of digital and marketing investment that powered a record result in FY19. We have prioritised deeper alignment with our venue partners and benefited from a strengthened regulatory environment. The Lotteries integration is now complete, and the business is well positioned for continued growth.

Our Wagering & Media business is midway through a three-year transformation to create a compelling and fully aligned TAB customer offer across all of Australia, except Western Australia. WA is the only remaining state to have a publicly-owned TAB. The State Government last month commenced a competitive process to sell the WA TAB and I can confirm today that we will be lodging an Expression of Interest.

While the market for wagering remains highly competitive, we have not lost sight of the opportunity to create a wagering business better able to innovate, compete and grow.

By FY21, a TAB customer will enjoy access to more and better products and a consistent experience in whichever state or territory they're in - on one app and one website, and integrated with retail betting in a way that is ahead of what is being delivered around the world.

To date, the overall integration program has delivered significant cost savings, ahead of plan. In FY19, integration delivered \$64 million in earnings from cost synergies and business improvements, exceeding our already upgraded target of \$55 million for the year.

The integration program is a complex one, involving around 100 discrete projects, over and above what we would describe as business as usual activity. As well as the substantial technology, process and people requirements, these projects are subject to regulatory and other approvals in each relevant state or territory. Significant work remains underway to ensure the program completes in the second half of this financial year.

The initiatives required to deliver our FY20 target of \$90 million in earnings from cost synergies and business improvements are already in place. We are on track to deliver the upgraded total earnings target of between \$130 million and \$145 million in FY21.

The Board maintains a rigorous approach to the governance and oversight of synergies, including independent validation by Ernst & Young, and at the same time, we continue to hold management accountable for maintaining cost discipline in our core businesses.

Partnerships, customer care and our role in the community

I'd now like to cover our partnerships, customer care and our role in the community. Tabcorp's operations are founded on government-issued licences and authorisations. We operate 22 licences across wagering, lotteries, Keno and gaming. Operating with integrity is fundamental to our business, as is safeguarding the trust placed in us by our three million-plus registered customers, governments, and our racing industry and venue partners.

Tabcorp is a big business. We take 1.1 billion wagering bets and sell 600 million lottery and Keno tickets each year. Our MAX business monitors gaming machines in NSW and Queensland, that generate more than \$2 billion in state gaming taxes each year. These are responsibilities we do not take lightly.

Nearly 70% of Tabcorp's revenues are returned to governments, the racing industry and our retail partners. In FY19 this exceeded \$4 billion. This demonstrates the extent to which our partners and governments benefit from the successful and responsible operation of our licences.

Consistent with our vision, the Board is focused on ensuring Tabcorp maintains a strong risk-aware culture centred around doing the right thing and underpinned by our commitments to the highest standards of corporate behaviour, risk management and regulatory compliance.

We recognise that significant investments in risk and compliance come at a cost for shareholders. However, leadership in this area underpins our ability to continue to deliver strong and sustainable returns to shareholders over the long term.

Recent attention has intensified on the role of business in society and the extent of social value created by corporations.

Tabcorp is acutely aware of the role we play as a leading participant in the gambling entertainment industry, as well as the risks associated with our industry.

We deliver moments of entertainment for millions of Australians who choose our products, and we do so according to high standards and rigorous safeguards in customer care, risk management and compliance. This is an area in which we are continuously striving to improve to meet and exceed the evolving expectations of governments, our customers and the community at large.

This brings me to the issue of animal welfare as highlighted on the ABC last week.

Although Australian racing bodies have made progress in prioritising animal welfare, the vision of horses being mistreated at a Queensland abattoir was shocking and unacceptable to us.

In response, we have resolved to use our industry leadership position and our voice to play a more meaningful role with our racing industry partners to ensure animal welfare is immediately prioritised and protection mechanisms strengthened and enforced.

As a participant in the industry, we require a zero tolerance approach to animal cruelty.

Remuneration

At last year's AGM, Tabcorp recorded a 'first strike' against the Remuneration Report. The Board has listened carefully to the messages in this. Taking into account both shareholder feedback and contemporary public expectations, we have made a number of important changes in FY19.

The remuneration benchmark peer group has been reset from the ASX50 to the ASX 25-75, based on Tabcorp's current market capitalisation.

Board Chairman and Non-Executive Director fees were reset against this new peer group, resulting in a reduction of approximately 10% in fees. Further, annual fee adjustments for Directors have been frozen until FY21, until the integration is complete and synergies substantially delivered.

The Managing Director and CEO's maximum short-term incentive opportunity was reduced by a quarter to 150% of his target opportunity. His potential total maximum compensation was reduced accordingly by 9.4%.

And the remuneration for other key executives was frozen for FY19 having last been adjusted in December 2017.

We also flagged a number of other remuneration changes at last year's AGM that have now been implemented.

A second LTI measure was included in the 2018 LTI grant. This measure is a Combination Synergy measure, founded on the achievement of planned synergies and business benefits in FY21. It aligns long-term reward with the successful integration of Tabcorp and Tatts and the generation of synergies that will benefit shareholders.

The structure of the short-term incentive plan was amended to introduce weightings. 60% of STI awards are now subject to Group performance and 40% to individual business unit performance. Our intention here is to foster greater alignment and collaboration among the executive leadership team towards common goals such as the integration, while retaining a strong focus on divisional management.

And the restriction period for shares issued under the Merger Completion Award was extended from two years to three-and-a-half years and made subject to the achievement of Combination Synergy targets in FY21.

We will continue to ensure our remuneration framework is fair, fit for purpose and aligned with the delivery of sustainable value for shareholders.

Board and management changes in FY19

I would now like to discuss changes to the Tabcorp Board and the Executive Leadership Team.

In accordance with market practice, during the year Tabcorp undertook an external-led review of the Board's performance and effectiveness, including a review of competencies and capabilities. As the Board plans for renewal and succession, we seek to maintain an appropriate mix of skills, and a balance of experience with fresh perspectives.

I am standing for re-election as a Director of Tabcorp at this meeting and, if re-elected, it is my intention to step down as Chairman and retire from the Board by no later than the 2021 Annual General Meeting. In doing so, I am honouring the commitment made at the time the combination was announced that this team would see through the integration of Tabcorp and Tatts and the realisation of its associated benefits. I feel an accountability to shareholders to deliver continuity of leadership throughout this period and I remain energised by the opportunity to complete the transaction.

Justin Milne is also standing for re-election as a Director of Tabcorp today.

Ziggy Switkowski has expressed his intention to retire from the Board by no later than the 2020 Annual General Meeting. He has been a fantastic contributor to the Tabcorp Board and while we will miss his participation, we congratulate him on his upcoming retirement. As part of this transition, Steven Gregg became Chairman of the People and Remuneration Committee from 1 July 2019.

We also recently announced the appointment of David Gallop as a Non-Executive Director of Tabcorp, subject to the necessary approvals.

The precise timing of the Board transitions is being managed having regard to the progress of our major integration agenda and the extensive approvals process for appointing new Directors to Tabcorp.

Turning to the Executive Leadership Team. During the past 12 months we have welcomed a new Group General Counsel, Patrick McGlinchey, and a new Chief Financial Officer, Adam Newman, who joined us earlier this month. Damien Johnston, our former CFO, is leaving us. He has been with Tabcorp since 2005 and we thank him for his leadership of our Finance function and wish him well for the future.

Conclusion

In conclusion, I want to take this opportunity to thank the many Australians who continue to support our business and enjoy our products.

I would also like to thank our employees for their efforts during a year of significant activity and transformation.

Tabcorp's financial performance during FY19 has demonstrated the compelling strategic logic of the combination with Tatts, with benefits already being realised. Our strength now lies in our diversified portfolio of gambling entertainment businesses.

We have entered FY20 with momentum. I am confident we are putting our efforts and your capital into the right things to deliver sustained value and improved returns for our shareholders, industry partners and employees well into the future.

I would like to introduce our Managing Director and CEO, David Attenborough, for his account of FY19.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S ADDRESS

Thank you, Chairman.

FY19 was the first full financial year of the combined Tabcorp and Tatts business. It was a year of heavy lifting to bring these businesses together through an enterprise-wide integration and transformation program.

I am incredibly proud to lead Tabcorp and our team of 5000 people. I've spent most of my working life in this industry and I feel both energised and privileged to lead one of the world's leading gambling entertainment companies.

I'm also very pleased with the work the team are doing on the integration program, which is delivering for our shareholders and business partners.

We've successfully executed some of the bigger integration initiatives and we're confident in achieving our FY21 synergy and business improvement targets.

Tabcorp's investment fundamentals are compelling. We have a unique and powerful portfolio of businesses which underpins an attractive dividend. We deliver unique products and customer experiences and we are well placed to continue benefitting from the ongoing shift to digital. We have strong and sustainable foundations, founded on long-dated licences, trusted partnerships and iconic brands.

Group financial performance

As the Chairman outlined, the Group reported profit of \$362 million in FY19. Group revenues were \$5.48 billion, up 8.7% on the pro-forma pcp, and earnings were \$1.06 billion, up 7.6% on the pro-forma pcp.

Businesses in review – Lotteries & Keno

I would now like to review the performance of our three business units in more detail beginning with Lotteries & Keno.

We operate lotteries across Australia - except Western Australia - with reach into half the adult Australian population. Our games – the likes of Powerball, OzLotto and Instant Scratch Its – are household names across the country.

The Lotteries & Keno performance in FY19 was the highlight across the Group, with a strong digital performance contributing to a record result overall. Digital, now integrated with retail, is a significant opportunity for this business and Tabcorp's capabilities and investment strategies are being brought to bear to take full advantage of it.

Revenues were \$2.86 billion, and EBITDA was \$509 million. In fact, lotteries revenues grew more in FY19 than they did in the previous seven years combined. Resetting the strategy for this business, in the way the Chairman outlined earlier, is paying off.

And it wasn't just a winning year for Tabcorp. We changed the lives of 223 Australians who became millionaires through our lottery and Keno games.

The successful Powerball change, which has created bigger jackpots and more winners, more often, has reinvigorated Australia's lottery market. It's changed the game in attracting new players to the category. The Lott has 3.3 million registered customers - 600,000 more than last year.

Powerball had a halo impact on our other games and that's important because we think of our product set as a portfolio. Revenues were also supported by particularly favourable jackpot runs for Lucky Lotteries and Oz Lotto.

Collaborative partnerships are core to Tabcorp. One of our priorities has been finding a way to align our digital growth agenda with our venue partners in the traditional lottery network. To this end, we recently reset the commission structure for our venue partners, who are largely family-

owned newsagencies. This means they now have upside from growing digital sales and performance-based benefits. It's a model which better aligns our venue partners with how today's consumer wants to transact – where, when and how suits them best.

During the year we also continued to further the case for enhanced regulation of the Australian lotteries market. We continue to support further reforms to the Interactive Gambling Act and the strengthening of enforcement.

We have just hosted the Asia Pacific Lottery Association conference in Brisbane and welcomed many lottery operators and suppliers from across the world. The conference theme was 'Customer Experience: Unlock the Exceptional' and there was particular interest on how we have accelerated the digital and retail transformation of our Lotteries & Keno business.

Lotteries & Keno had a fabulous year and our plans for this business are set to unlock even more potential.

Wagering & Media

On to Wagering & Media now, where FY19 revenues were \$2.31 billion and EBITDA was \$416 million.

The focus in FY19 was not only the integration of TAB and Tatts' former wagering business, UBET, but on truly transforming the combined TAB business.

We have done a lot of work evaluating what we want this business to look like in the future in terms of customer experience, our brand, our products and channels. Our goal is sustained, profitable market leadership. The combined business will be better positioned in FY21 to challenge its competitors by delivering exceptional customer experiences.

As well as managing significant change as a result of the integration and transformation program, this business has been managing intense competition.

During this critical integration period, our focus has been on maintaining active customer numbers and building our value perception. Our internal monthly brand tracking research tells us punters' perceptions of TAB offering great odds improved significantly in the last few months of FY19 when compared to our competitors.

At the same time as actively competing in market, the team executed well on the consolidation of bookmaking teams, call centres and race day control.

The UBET business needed to be modernised and this is where a lot of the integration effort has been directed to date. While we made progress towards closing the gap in UBET's performance relative to market, its performance has been unsatisfactory. However, as the Chairman noted, our focus is on realising the potential of this business once it has been fully integrated with TAB.

Our media business, Sky Racing, is one of the world's leading broadcasters of racing, taking Australian racing into the homes of millions of Australians, on digital devices and into commercial venues across Australia.

We have been thinking differently about how Sky can better support our retail partners, as well as give viewers a superior experience. This culminated in the recent launch of two initiatives.

Firstly, the Sky Racing Active platform. This is a tailored and on-demand digital service which we believe is a game changer for racing vision.

And, secondly, the launch of NFL and NBA vision in retail venues. This gives pubs and clubs more value for their subscription and customers another reason to connect with TAB and Sky. We recognise we have an opportunity to increase our share of sports betting, driven by our media content.

The team has recently refreshed TAB's brand identity with a campaign that straddled the AFL and NRL finals. It's also been prominent throughout spring racing, including the TAB Everest on Saturday and will run right through the Melbourne Cup Carnival.

The 'Long May We Play' campaign celebrates the role that racing and sports have always played in Australian life. TAB's been at the heart of it since 1961. This campaign helps people to make this connection. The campaign also connects us to the people who work behind the scenes to make racing happen, as well as our racing industry partners. We want racing and sport to grow, because if they're successful then so are we and that's good for shareholders.

Gaming Services

Turning to our third business, Gaming Services, which has undergone its own rebranding to MAX and now has a stronger, more sustainable platform.

Gaming Services revenues in FY19 were \$304 million, and EBITDA was \$140 million.

MAX is a market leader in gaming services, with a strong monitoring business and relationships with around 3,500 venues nationally.

FY19 centred around creating a sustainable base for future earnings.

We implemented a new structure, under a consolidated MAX brand, bringing together Venue Services and Regulatory Services.

A priority was extending the contracts of existing Venue Services customers. Good progress was made with 40% of our Victorian network now contracted beyond 2022.

While these extensions have come at reduced margins, they support Gaming Services' long-term sustainability and provide a strong platform from which to grow.

Our people and culture

During FY19 we continued to work towards building a strong, integrated team across the Group. We have prioritised the creation of a high-performing organisation, with a focus on an aligned culture, and lifting the organisation's overall capability.

We want Tabcorp to be the best place to work and to provide our employees with a rewarding and safe working environment. It's about attracting and retaining the best in what is a competitive market for talent. We want our people to deliver the best possible outcome for themselves, their teams, our customers and, ultimately, you, our shareholders.

FY20 priorities

Looking at our FY20 priorities, Tabcorp's diversified portfolio has been delivering in a period of change and we entered FY20 with momentum.

The team is focused on completing the integration program which is on track to deliver on the synergy and business improvement targets.

Lotteries & Keno is well positioned to grow its share of the gambling entertainment market through continued game innovation and delivering a compelling customer experience across the retail and digital channels.

In Wagering & Media it's about lifting its performance and transforming the TAB business to fully realise its market leadership potential.

The Gaming Services team is focused on extending contracts, winning more venue customers and expanding its offer across the eastern seaboard.

In generating consistent and attractive returns for shareholders, we are conscious of the need to do so sustainably and with regard to community expectations. This means balancing our investments across risk management and compliance, customer care and our people. It also

means using our industry leadership position to actively work with our racing industry partners to require that animal welfare is prioritised and regulations are strengthened and enforced.

Conclusion

In closing, I would like to thank our team members for their significant efforts in FY19. In particular, I'd like to thank our former CFO Damien Johnston for his friendship and his strong contribution to Tabcorp over many years.

I would also like to thank our customers for embracing our products and our partners for their ongoing support.

This is a great business. I am confident that we are well positioned, with the right strategies, to complete the integration and to continue to deliver improved and sustainable returns.

I will now hand you back to the Chairman.

These addresses will be webcast live on Tabcorp's website at www.tabcorp.com.au from 10.00am (Sydney time) and will be archived on the website for viewing later today.