

# CHAIRMAN'S MESSAGE



**Paula Dwyer**

Chairman

Tabcorp is an integrated Australian gambling entertainment company, with a rich racing heritage defined by strong partnerships and a commitment to integrity.

We recognise the important role that we play in the industry, and the responsibilities we have to our customers, employees, business partners, shareholders, and the broader community.

Our three businesses – Wagering and Media, Gaming Services and Keno – operate iconic Australian brands and hold long-dated licences in attractive markets.

Tabcorp's aim is to create experiences that encourage people to meet, connect and enjoy shared gambling entertainment. Our success is underpinned by our commitment to the integrity, quality and sociability of gambling, including the promotion of responsible gambling and providing the highest levels of customer care.

## INVESTING IN FUTURE GROWTH

FY17 was a strategically important year for Tabcorp. Going into FY18 Tabcorp is better positioned to deliver long-term value for our shareholders and business partners.

In October 2016, we reached agreement with Tatts Group to combine our two businesses to create a world-class diversified gambling entertainment business. The Boards of both companies expect the combination to deliver material benefits, not only for Tabcorp and Tatts shareholders, but for our stakeholders including the racing industry, business partners, employees, customers and governments. We are continuing to make good progress on the relevant regulatory and industry approvals and are aiming to complete the transaction by the end of 2017.

We have continued to accelerate the digital transformation of all our businesses. Our long-term strategy of investing in digital capability to complement our retail footprint and drive growth has allowed us to remain relevant and competitive in the dynamic wagering category. During the year we also introduced a new digital presence for Keno to keep it fresh and relevant to today's consumers.

In August 2016, we launched our UK start-up business, Sun Bets in partnership with News UK. The strategic intent of Sun Bets is to gain a position in the attractive UK online wagering and gaming market, using the powerful News "Sun" brand, while developing and building a wagering and gaming platform that Tabcorp can replicate in new growth markets in the future. The initial performance of Sun Bets has reminded us of the challenges of start-ups. As a consequence we have reviewed its operating model, capability and financial plans and have undertaken a range of initiatives to maximise the prospects of success in FY18 and beyond.

In December 2016, Tabcorp completed the acquisition of Intecq. Intecq is a strategic addition to our Gaming Services business and delivers increased scale, capability and diversification of earnings. The integration of Intecq is progressing well, including the realisation of expected synergies.

We have made a significant investment in enhancing our risk management and compliance capability over the last three years. Tabcorp remains focused on being the industry leader in regulatory compliance across all of our operations.

The investments that we have made during the year ensure that Tabcorp is well positioned for future growth. However, they have also resulted in significant costs which have adversely impacted Tabcorp's FY17 results. These included costs associated with our proposed combination with Tatts Group, and a larger than expected operating loss and related impairment for our UK start-up business, Sun Bets.

In addition, Tabcorp's results reflect costs associated with the resolution of the AUSTAC civil proceedings and enhancement of our risk management and regulatory compliance capabilities. This was an important milestone for Tabcorp and brings this matter to a close.

## WAGERING REGULATION

Tabcorp continues to closely monitor regulatory developments in the gambling market. We are attuned to community attitudes towards the volume of betting advertising and the conduct of gambling companies. It is critical that governments ensure the proceeds of gambling are shared with the community through appropriate levels of taxation, contemporary regulation and enforcement.

During the year the Federal Government introduced a Bill to amend the *Interactive Gambling Act 2001*, which remains before the Senate. Among other things, the Bill will make it clear that online betting on live sport is illegal in Australia.

On 1 July 2017, the South Australian Government introduced a Point of Consumption Tax on online wagering. The Victorian and NSW Governments are also evaluating the implementation of a similar tax. This has the potential to enhance the sustainability of the racing industry, as well as capture additional revenue for government to channel back into racing, responsible gambling initiatives, and integrity. Clearly, it will be important to ensure that there is no double taxation for those operators already paying a full share of wagering tax.

## GOVERNANCE

In July 2017, Bruce Akhurst and Vickki McFadden formally commenced as Non Executive Directors, following the receipt of all necessary ministerial and regulatory approvals. Bruce and Vickki bring diverse skills and deep commercial and Board experience to Tabcorp, drawing from areas such as investment banking, law and digital media.

At the Annual General Meeting on 27 October 2017 Jane Hemstritch will retire from the Board of Tabcorp after serving as a Non Executive Director since 2008 and as Chairman of the Board Audit, Risk and Compliance Committee since 2011. Jane has made a valuable contribution to the Company and I extend our appreciation for her service and good wishes for her retirement.

## DIVIDEND

Tabcorp announced a full year ordinary dividend of 25 cents per share fully franked for FY17, up from 24 cents in FY16. This represents the maximum payable under the Merger Implementation Deed with Tatts.

## CONCLUSION

FY17 has been a busy year for Tabcorp. We have substantially progressed our long-term strategic agenda while focusing on driving the performance of our core Wagering and Media, Gaming Services and Keno businesses,

and investing in capability across the Group. Our results reflect investments made during the year to better position Tabcorp to deliver sustainable long-term value for all stakeholders.

I would like to acknowledge and thank our Directors, management team and employees for their significant additional efforts during the year.

Our priorities for FY18 are to work with Tatts to successfully complete the combination and drive improved performance across our businesses. I am confident that going into FY18, Tabcorp is better positioned to deliver long-term value for our shareholders and business partners.

Thank you for your continued support of Tabcorp.



**Paula J Dwyer**  
Chairman