

TABCORP HOLDINGS (TAH)

8 AUGUST 2018

RESULTS	Full Year 2018	Full Year 2017	CHANGE
Revenue (\$m)	3,828.7	2,229.6	+71.7%
Bloomberg Consensus (\$m)	3,860.0		
NPAT before Significant Items (\$m)	246.2	178.9	+37.6%
Bloomberg Consensus (\$m)	252.3		
Significant Items (\$m)	(217.5)	(199.7)	+8.9%
Net Profit (Loss) after Tax (\$m)	28.7	(20.8)	-
Final Distribution (\$)	0.10	0.125	-20%

Tabcorp (TAH) swings back to profit following merger with Tatts Group

- Gaming group, **Tabcorp (TAH)** has swung back to a \$28.7m profit in a messy result following its recent merger with rival Tatts Group. Earnings were boosted by the inclusion of Tatts' business while costs associated with the tie-up, the sale of its underperforming UK online betting business Sun Bets and the closure of Luxbet in the Northern Territory weighed on the result.
- Its **\$11 billion combination with rival Tatts Group** was completed in December 2017 and while the integration of the two betting companies is an ongoing process, it has already enjoyed \$8m in initial synergies. It expects synergies to hit \$50m in FY19 and at least \$130m in FY21.
- **Wagering & Media unit** remains its biggest earner. The division which now includes the previously Tatts owned UBET posted a 16.7% lift in revenues over the year. While TAB revenue grew by of 2.5%, UBET revenue eased by 0.7%. Online betting continues to grow in popularity, with revenue via its Digital operations lifting by 15.6% and is closing in on Retail TAB stores. The recent Fifa Soccer World Cup helped lift TAB active customers by 10.5% to 525,000.
- **Its Lotteries & Keno business** improved over the year. TAH's merger with Tatts Group has added well-known games like Powerball and Oz Lotto to its business. A lift in the number of jackpots (generally a positive for earnings) helped lift Lotteries Revenue by 4.9% over the year. Keno growth was more modest, with revenue lifting by 3.5% and was skewed to the second half due to fewer jackpots at the start of the year.
- **TAH has exited its loss-making businesses over the year.** Its UK Sun Bets betting experiment has come to an end (announced last month) and cost \$90.5m while the closure of its online betting brand in the NT, Luxbet which it announced in December cost \$12.4m.
- **Looking ahead**, TAH has not provided earnings guidance for the coming year. According to the nine analysts surveyed by Bloomberg however, expectations are for underlying earnings to lift to approximately \$430m.
- Although **TAH shares** are still down by more than 10% since January, they rose strongly following the result. The gambling company's share price more than doubled on the ASX between 2012 and 2017.

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