



TATTS GROUP LIMITED
H1 FY17 INVESTOR PRESENTATION

ABN 19 108 686 040

Results Overview

• CYCLING OVER EXCEPTIONAL JACKPOT RUN

- Statutory NPAT \downarrow 16.5% to \$122.8m - including \$10.4m in merger costs
- Continuing operations NPAT \downarrow 15.2% to \$123.5m (not normalised for merger costs)

• DIVIDEND MAINTAINED

- Benefit of strong operational cashflows supports dividend
- Interim dividend 9.5¢ per share (H1 FY16: 9.5¢)
- 113.6% payout ratio (statutory)

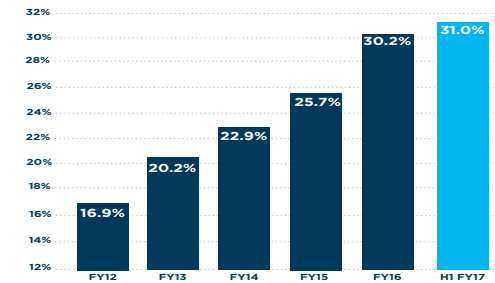
• STRONG DIGITAL SALES

- Wagering: 31.0% of turnover — \uparrow from 28.8% in H1 FY16
- Lotteries: 13.5%¹ of sales — \uparrow from 13.2% in H1 FY16
- Wagering UBET + Lotteries ‘the Lott’ apps on 2m devices (H1 FY16: 1m devices)

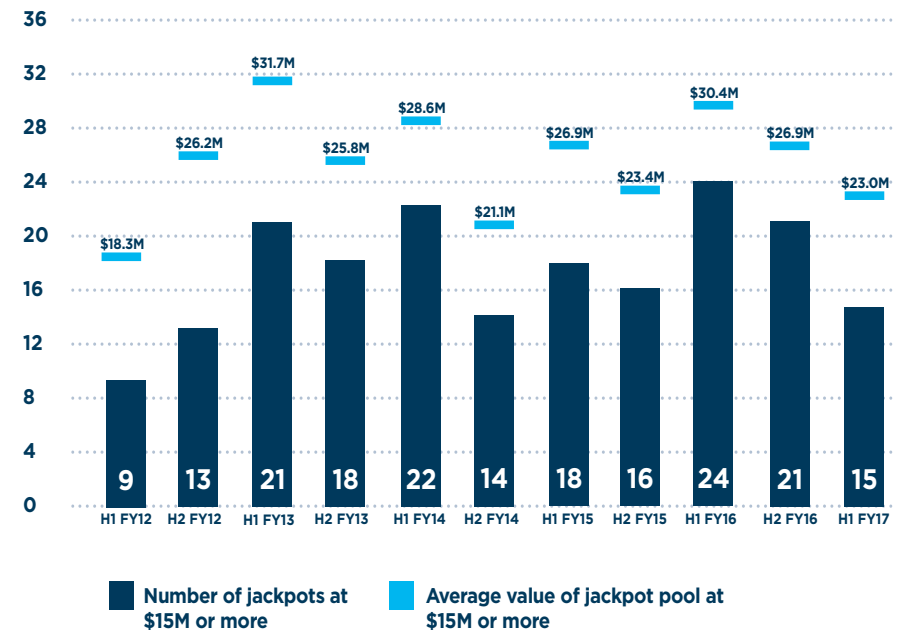
• LOTTERIES PERFORMANCE

- Cycling over all-time record Powerball + Oz Lotto jackpot run
- Revenue \downarrow 8.2%
- Non-jackpot games performed strongly - Revenue \uparrow 6.9%
- Jackpot games challenged by exceptional H1 FY16 performance:
 - fewer jackpots at or above \$15m - 15 vs 24 in H1 FY16
 - 1st division jackpot pool at or above \$15m - \$345m vs \$730m in H1 FY16
 - average value 1st division pools - \$23.0m vs \$30.4m in H1 FY16
 - no jackpots exceeding \$50 million vs 5 in H1 FY16
- EBIT \downarrow 10.7%
- EBIT Margin 14.4% vs 14.9% in H1 FY16

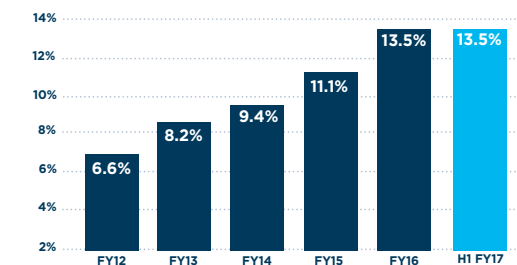
WAGERING DIGITAL SALES



LOTTERIES JACKPOT RUN



LOTTERIES DIGITAL SALES¹



Results Overview (cont.)

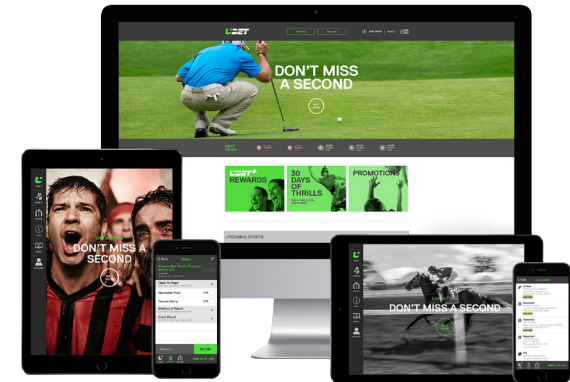
• WAGERING PERFORMANCE

- Revenue ↓ 2.5%
- Focus on win-rate improvement:
 - enhancement to fixed price risk management systems
 - refinement of promotional offers
 - improved blended win-rate - 15.6% vs 15.2% (H1 FY16) vs 14.3% (H2 FY16)
 - impact on wagering turnover ↓ 4.6%
- EBITDA margin at 21.2% vs 23.6% (H1 FY16) vs 19.9% (H2 FY16)
- Next generation UBET retail experience:
 - 280 venues with the new UBET retail experience (54 at H1 FY16)
 - 6.5% out-performance compared to local peer set
 - Cash handling self service terminals successfully trialed

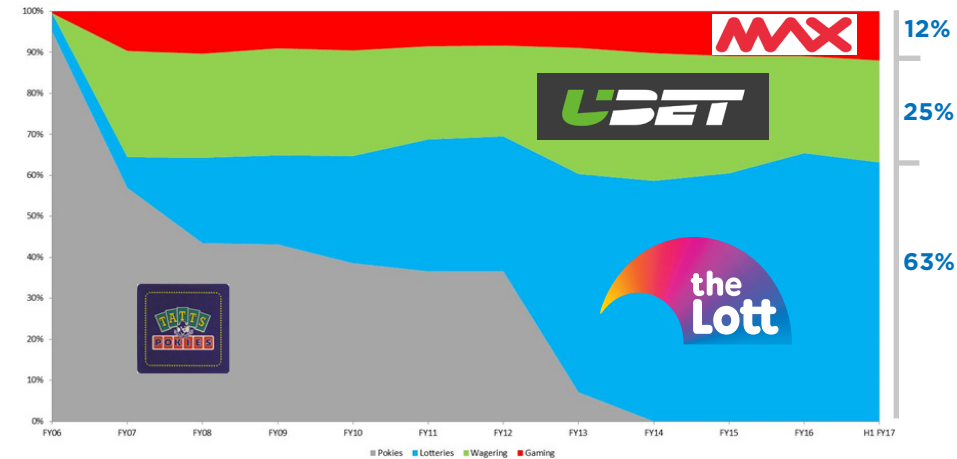
• GAMING PERFORMANCE

- Stable performance
- Continued focus on core operations
- MAX + MAXtech combined EBIT \$27.8m vs \$28.5m (H1 FY16)

WAGERING DIGITAL ASSETS



BUSINESS CONTRIBUTION BY EBIT - SINCE FY06



LOTTERIES DIGITAL ASSETS



Results Overview (cont.)

- Group revenue ⬇️ 6.9%
- Group EBIT ⬇️ 14.5%
- NPAT (Statutory) ⬇️ 16.5%

EBIT



	H1 FY17 (\$M)	H1 FY16 (\$M)	CHANGE (%)
Total revenue and other income	1,425.0	1,530.2	▼ 6.9%
Government share	(655.9)	(709.1)	▼ 7.5%
Venue share/commission	(208.1)	(230.1)	▼ 9.6%
Product and program fees	(107.2)	(107.1)	▲ 0.1%
Merger costs	(10.4)	(2.1)	▲ 387.0%
Other expenses	(208.3)	(216.2)	▼ 3.6%
Total expenses	(1,189.9)	(1,264.6)	▼ 5.9%
EBITDA	235.1	265.6	▼ 11.5%
Depreciation and amortisation	(39.8)	(37.3)	▲ 6.8%
EBIT	195.3	228.3	▼ 14.5%
Net interest	(24.0)	(19.0)	▲ 26.3%
Profit before tax	171.2	209.3	▼ 18.2%
Income tax	(47.7)	(63.7)	▼ 25.1%
Net profit after tax (continuing operations)	123.5	145.5	▼ 15.2%
(Loss)/profit from discontinued operations ¹	(0.7)	1.5	▼ 147.3%
Net profit after tax (statutory)	122.8	147.0	▼ 16.5%

LOTTERIES FINANCIAL PERFORMANCE

LOTTERIES	H1 FY17 (\$M)	H1 FY16 (\$M)	CHANGE (%)
Revenue	1,018.1	1,109.1	▼ 8.2%
EBITDA	159.8	177.6	▼ 10.0%
EBIT	147.1	164.7	▼ 10.7%

WAGERING FINANCIAL PERFORMANCE

WAGERING	H1 FY17 (\$M)	H1 FY16 (\$M)	CHANGE (%)
Turnover	2,040.7	2,139.9	▼ 4.6%
Revenue	317.8	326.0	▼ 2.5%
EBITDA	67.5	76.9	▼ 12.2%
EBIT	57.9	68.3	▼ 15.2%

GAMING FINANCIAL PERFORMANCE

	H1 FY17 (\$M)	H1 FY16 (\$M)	CHANGE (%)
Revenue			
- MAX	60.5	59.6	▲ 1.5%
- MAXtech	39.6	51.8	▼ 23.4%
EBITDA			
- MAX	33.0	32.5	▲ 1.5%
- MAXtech	2.9	3.0	▼ 5.5%
EBIT			
- MAX	26.6	26.5	▲ 0.3%
- MAXtech	1.2	2.0	▼ 40.9%

¹ The loss from discontinued operations in H1 FY17 represents estimated final costs associated with the pokies compensation case. In H1 FY16, the profit represents the net profit from Talarius less the legal costs associated with the pokies compensation case

Dividends

- STRONG SHAREHOLDER RETURN**

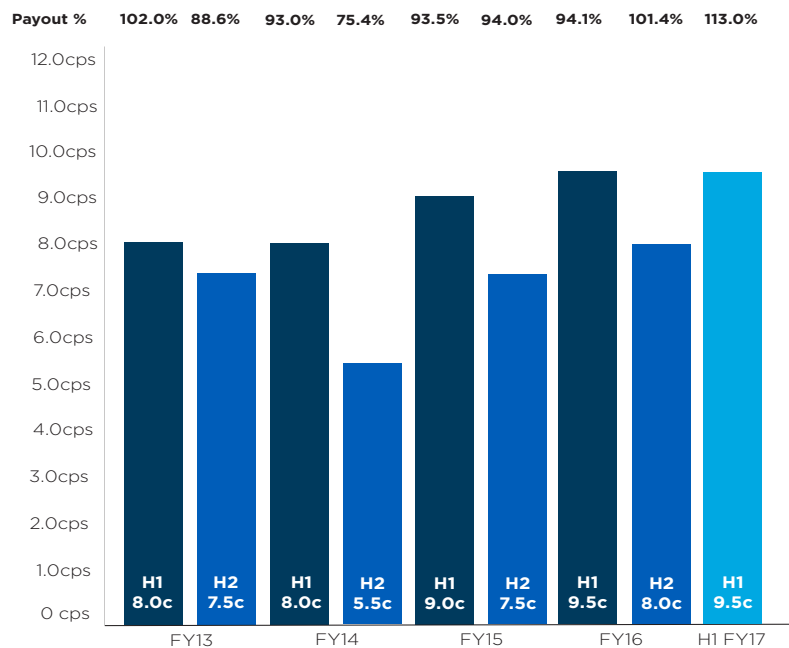
- Strong operational cashflows supports dividend

- Interim fully franked dividend:

- 9.5¢ per share (H1 FY16: 9.5¢)
- Record date 7 March 2017
- Payment date 3 April 2017
- DRP suspended in accordance with merger terms

- 113.6% payout ratio (statutory) / 113.0% on continuing operations basis

DIVIDENDS PER SHARE AND PAYOUT RATIO (CONTINUING OPERATIONS)



INTERIM
DIVIDEND FOR
H1 FY17 - 9.5¢



Lotteries operational highlights

• IMPACT OF CYCLING OVER EXCEPTIONAL JACKPOT RUN

- Revenue ⬇️ 8.2% at \$1.02b (H1 FY16 \$1.11b)
- EBITDA ⬇️ 10.0% at \$159.8m (H1 FY16: \$177.6m)
- EBIT ⬇️ 10.7% at \$147.1m (H1 FY16: \$164.7m)
- EBIT margin at 14.4% (H1 FY16: 14.9%)

• JACKPOT PERFORMANCE

- 15 jackpots at or above \$15m vs 24 in H1 FY16
- 1st division jackpot pool at or above \$15m - \$345m vs \$730m in H1 FY16
- \$23.0m average 1st division jackpot pool vs \$30.4m in H1 FY16
- No jackpots exceeding \$50m vs 5 in H1 FY16
- Revenue from jackpot games ⬇️ 25.9%

• STRENGTH OF PORTFOLIO OF GAMES

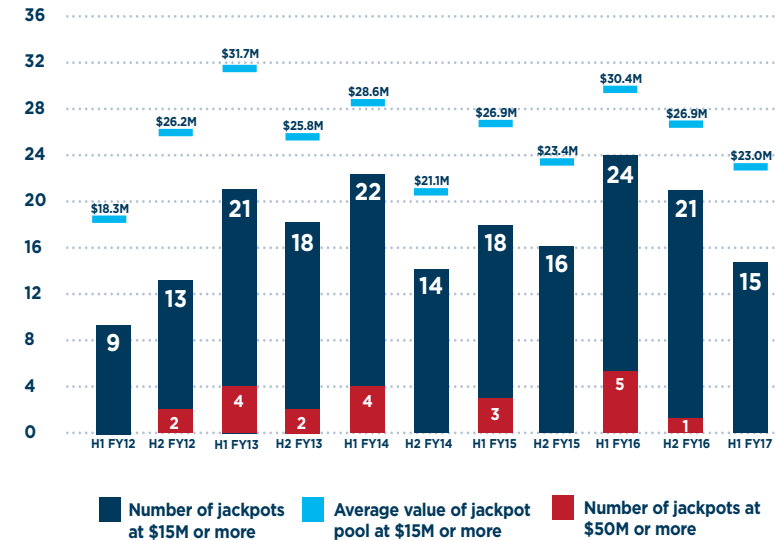
- Excluding the decline in revenue from jackpot games - revenue from balance of portfolio ⬆️ 6.9%
 - Saturday Lotto performed strongly
 - Set for Life performing to plan
 - Instant Scratch-Its growth driven by multi-jurisdictional tickets

• LONG TERM UNDERLYING STRENGTH OF LOTTERIES

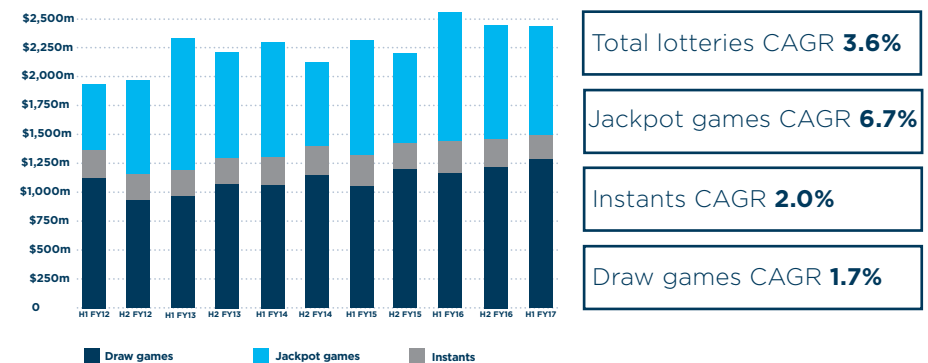
- 5-year CAGR overall sales growth of 3.6%
- 5-year CAGR sales growth for jackpotting games at 6.7%

	H1 FY17 (\$M)	H1 FY16 (\$M)		CHANGE (%)
Revenue	1,018.1	1,109.1	▼	8.2%
EBITDA	159.8	177.6	▼	10.0%
EBIT	147.1	164.7	▼	10.7%

LOTTERIES JACKPOT RUN



LOTTERIES - LONG TERM SALES GROWTH



Lotteries operational highlights (cont.)

• CATEGORY LEADING DIGITAL PERFORMANCE

- 13.5%¹ of all lottery sales through digital channels vs 13.2% in H1 FY16
- Set For Life digital sales 23.1% vs 22.4% in H1 FY16
- Lucky Lotteries digital sales 19.0% vs 17.7% in H1 FY16
- 'the Lott' performing exceptionally well:
 - 1.5m active digital lottery customers
 - 1.6m app downloads
 - #1 lotteries website/app in Australia

• POWERHOUSE - RETAIL NETWORK

- 3,880 outlets
- New digital point of sale display - 428 outlets
- Convenience fuel - 181 outlets now operational

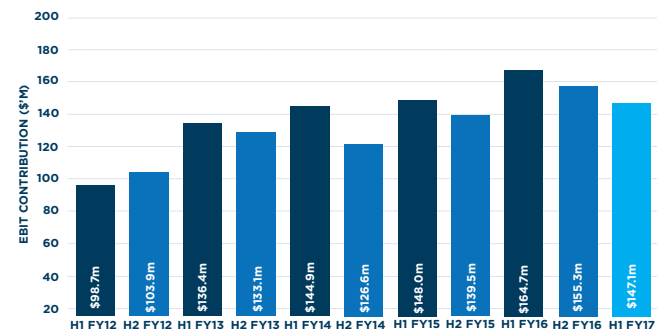
• KEY STATISTICS

- 2.8m visits to lotteries website per month
- 2.3m players registered on thelott.com
- 2.0m registered retail card members
- 118 new millionaires created in the half-year
- 48% of Australian adult population played a lottery game with 'the Lott' in the last 12 months

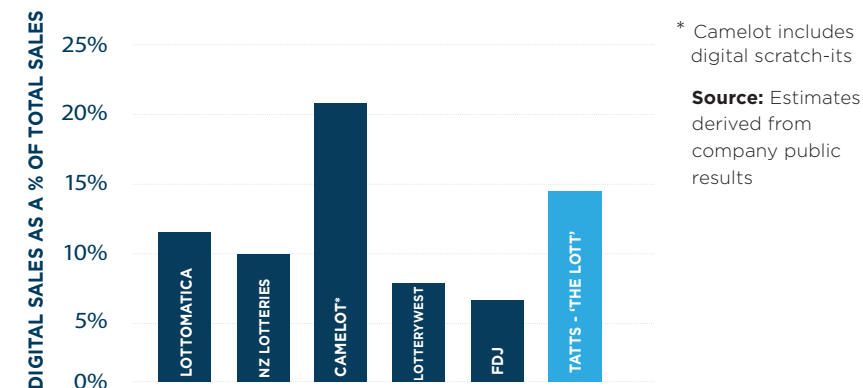


¹ Consistent with prior years this excludes South Australia, if South Australia is included, online sales represented 12.8% vs 12.5% in H1 FY16

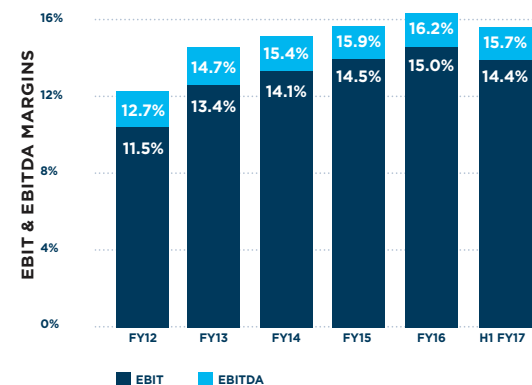
EBIT PERFORMANCE



GLOBAL COMPARISON OF LOTTERIES DIGITAL SALES



EBIT AND EBITDA MARGIN



Wagering operational highlights

• KEY METRICS

- Focus on win-rate improvement:
 - enhancement of fixed price management systems
 - refinement of promotional offers
- Win-rate 15.6% vs 15.2% (H1 FY16) vs 14.3% (H2 FY16)
- Impact on turnover ⬇️ 4.6%
- Revenue ⬇️ 2.5%
- EBITDA ⬇️ 12.2% at \$67.5m
- EBIT ⬇️ 15.2% at \$57.9m

• GENERAL PERFORMANCE

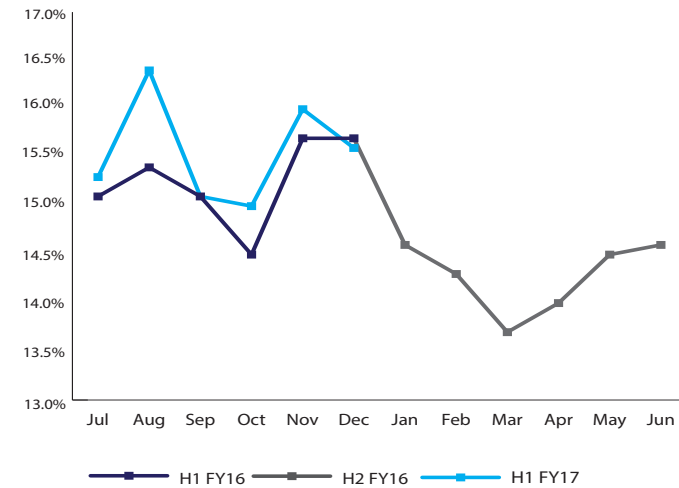
- Adverse weather - 672 races lost (⬆️ 174 races lost from H1 FY16) + field sizes down
- Increased comms cost to support enhanced retail offer
- Improved fixed price risk management systems
- Continued investment in marketing
- Impact from inducement offers - still permitted in Queensland - out-of-step with all major Australian jurisdictions
- UBET brand awareness continues to gain traction

• DIGITAL PERFORMANCE

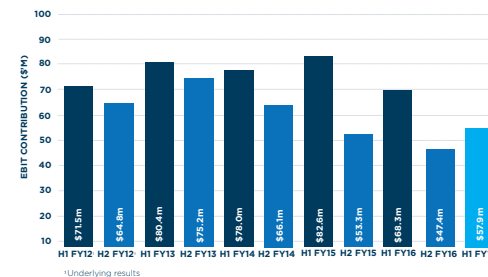
- 31.0% of all wagering turnover through digital channels vs 28.8% (H1 FY16)
- Digital channel has delivered:
 - +391,000 UBET app downloads
 - +64,000 UBET+ loyalty members

WAGERING	H1 FY17 (\$M)	H1 FY16 (\$M)	CHANGE (%)
Turnover	2,040.7	2,139.9	▼ 4.6%
Revenue	317.8	326.0	▼ 2.5%
EBITDA	67.5	76.9	▼ 12.2%
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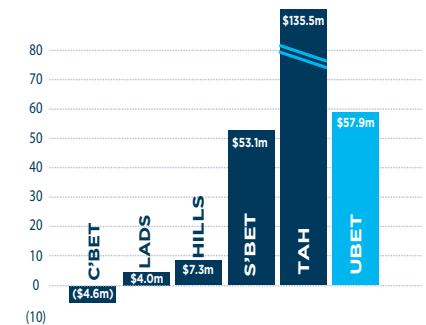
WIN-RATES



EBIT PERFORMANCE



EBIT COMPARISON TO PEERS



Source: Estimates derived from company public results based on their most recent half-year results

Wagering operational highlights (cont.)

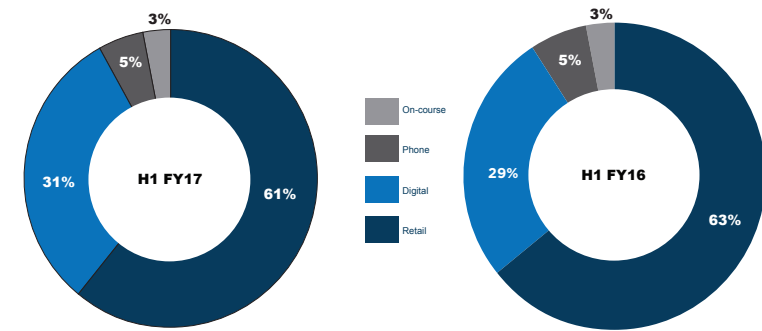
• RETAIL PERFORMANCE

- 280 new UBET format outlets (54 in pcp)
- New outlets driving 6.5% turnover out-performance vs local peer set
- 1,404 TABs, agencies and race clubs (H1 FY16 1,400)

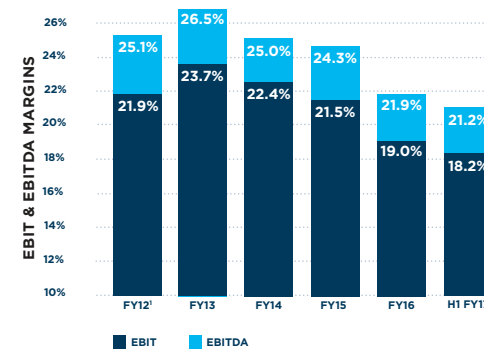
• FIXED PRICE vs TOTE

- Fixed price revenue \uparrow 8.4%
- Parimutuel revenue \downarrow 9.5%
- Fixed price now 50% of total turnover

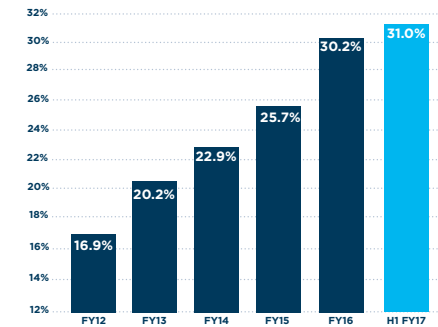
SALES BY CHANNEL



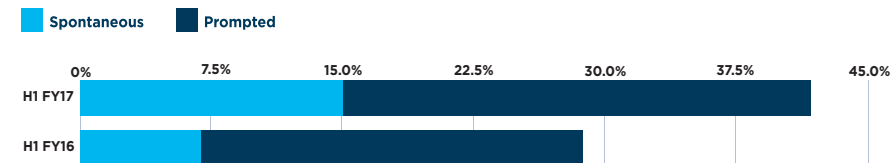
EBIT & EBITDA MARGIN



DIGITAL SALES



BRAND AWARENESS



Gaming operational highlights

• MAX - PARTNER OF CHOICE

- MAX re-branding successfully launched (previously Maxgaming)
- Revenue \uparrow 1.5% reflecting:
 - Growth in monitoring revenue + value-added services
 - Roll-out of player loyalty technology in Victoria
 - Increase in machines linked to state-wide links
 - Increased uptake of MAXconnect and TITO
- Revenue derived:
 - 55% monitoring
 - 23% value-added services
 - 22% EGM maintenance

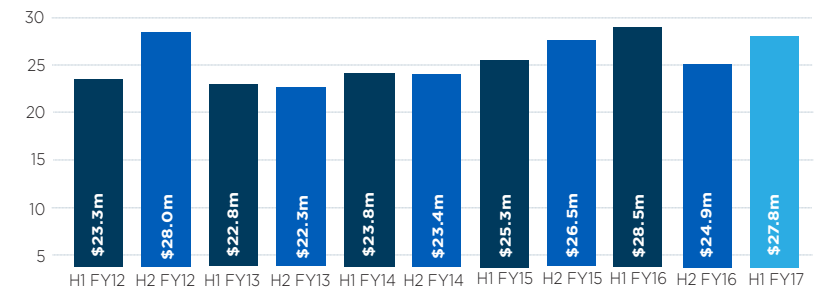
• KEY STATISTICS

- Queensland monitoring segment share - 80%
- 131,155 machines monitored in QLD, NSW and NT (H1 FY16: 130,467)
- 16,385 machines linked to venue or state-wide linked jackpots (H1 FY16: 14,138)
- MAXconnect installed on 15,740 machines (H1 FY16: 14,384)
- TITO installed on 7,427 machines (H1 FY16: 5,625)
- 3,629 gaming venues monitored (H1 FY16: 3,698)

	H1 FY17 (\$M)	H1 FY16 (\$M)		CHANGE (%)
Revenue				
- MAX	60.5	59.6	▲	1.5%
- MAXtech	39.6	51.8	▼	23.4%
EBITDA				
- MAX	33.0	32.5	▲	1.5%
- MAXtech	2.9	3.0	▼	5.5%
EBIT				
- MAX	26.6	26.5	▲	0.3%
- MAXtech	1.2	2.0	▼	40.9%



EBIT CONTRIBUTION (MAX + MAXTECH)



Gaming operational highlights (cont.)

- **MAXTECH - EXPERTS IN TIME CRITICAL TECHNICAL SUPPORT**

- MAXtech re-branding successfully launched (previously Bytecraft)
- Revenue ↓ 23.4% following exit/non-renewal of unprofitable contracts
- EBITDA ↓ 5.5% at \$2.9m vs \$3.0m (H1 FY16)
- EBITDA margin lift to 7.2% (H1 FY16: 5.9%)
- EBIT ↓ 40.9% at \$1.2m vs \$2.0m (H1 FY16) relates to replacement of service support software

- **Key statistics:**

- External customers represent 57.9% of revenue vs 67.7% (H1 FY16)
- Circa 304,000 total call-outs received
- SLA performance on largest contracts continues to meet contractual requirements and tracks above 94%



Financial position

• CASH

- Strong cash position
- Net debt (excluding prize reserves) - \$1.13b (H1 FY16: \$523.7m)
- Increase in net debt relates to:
 - repayment of pokies compensation claim plus interest - \$567.1m
 - payment of two instalments of the NSW monitoring rights of \$136.7m
 - payment of the Queensland wagering licence fee - \$30.0m
- partially offset by Talarius sale \$218m AUD (£111m GBP)
- Receipt of tax refund of \$75m in February 2017 - Net debt is now \$1.01 billion

• CAPITAL

- FY17 capex of \$85m (FY16: \$71.3m)
- \$39.8m total depreciation and amortisation (H1 FY16: \$37.3m)

• INTANGIBLES

- H1 FY17 amortisation of licences and rights to operate of \$12.3m (H1 FY16: \$12.3m)

• CURRENT ASSETS

- Timing of \$31m year-end Saturday megadraw

• CURRENT LIABILITIES

- \$376.3m of domestic and USPP debt due in the next 12 months

BALANCE SHEET

	AT 31 DEC 2016 (\$'M)	AT 30 JUN 2016 (\$'M)
ASSETS		
Current assets	525.9	392.7
Intangible assets	4,459.0	4,461.8
Property, plant & equipment	148.0	156.7
Other non-current assets	265.1	222.1
Total assets	5,398.0	5,233.3
LIABILITIES		
Current liabilities	1,120.1	661.8
Non-current liabilities	1,281.5	1,598.8
Total liabilities	2,401.6	2,260.6
Total equity	2,996.4	2,972.7

Cash flow

• KEY ITEMS

- Strong operating cash flow
- Payments for intangibles include Racing Queensland licence instalment of \$30m
- Payment of \$68.3m for NSW Monitoring rights

CASH FLOW STATEMENT

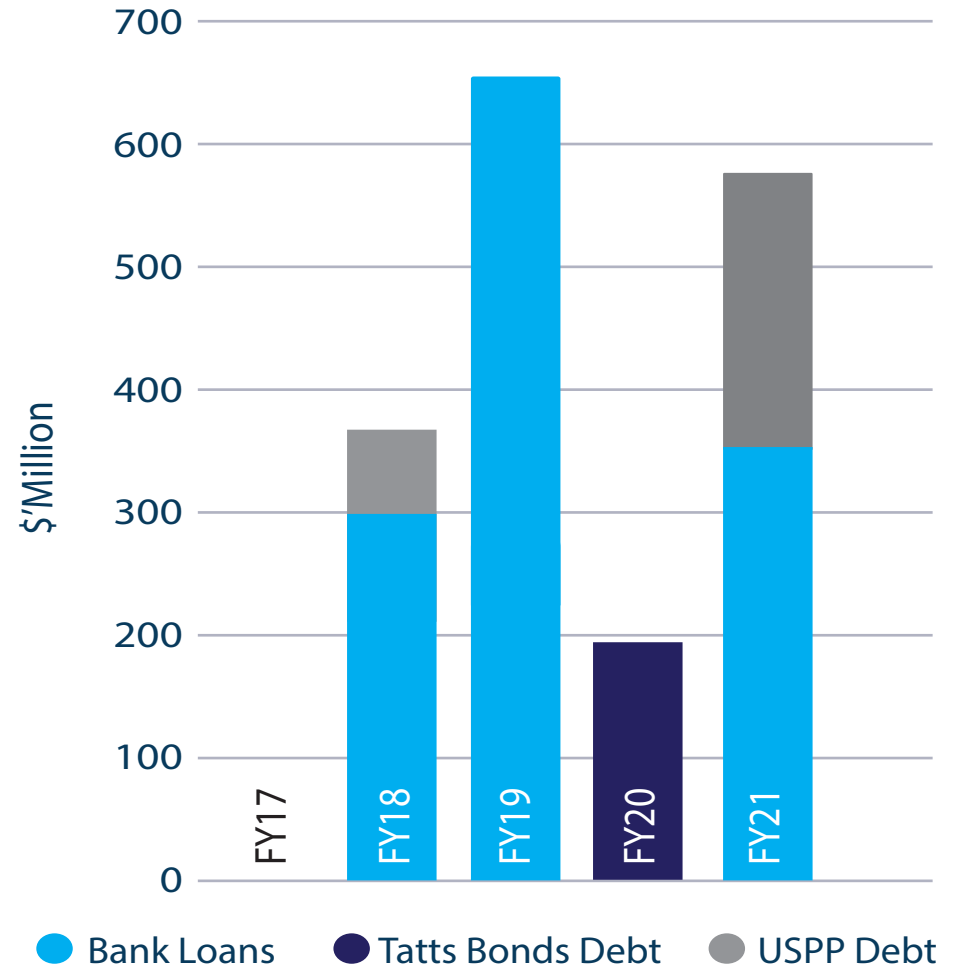
	AT 31 DEC 2016 (\$'M)	AT 31 DEC 2015 (\$'M)
Cash flow from operating activities	276.2	288.8
Net interest paid	(21.4)	(19.8)
Income taxes paid	(54.6)	(64.6)
Net cash inflow from operating activities	200.2	204.4
Cash flows from investing activities		
Payments for intangibles including software development	(48.8)	(15.6)
Payments to Government for future monitoring rights	(68.3)	-
Capital expenditure	(9.6)	(16.4)
Proceeds from sale of assets held for sale	1.3	-
Sale of available-for-sale financial assets	(0.4)	(0.4)
Net cash outflow from investing activities	(125.8)	(32.4)
Cash flows from financing activities		
Dividends paid net of DRP	(104.0)	(98.3)
Proceeds from borrowings	50.0	-
Net cash outflow from financing activities	(54.0)	(98.3)
Net increase in cash and cash equivalents	20.4	73.7
Cash and cash equivalents - beginning of period	194.1	421.6
Effects of exchange rate changes	(0.0)	(0.3)
Cash and cash equivalents - end of period	214.5	495.0

Debt Maturity

• KEY FEATURES

- Syndicated debt facility of \$300.0m due in September 2017
- USPP 7-year debt due in December 2017 - \$55m USD
- Finance costs - \$24.0m (H1 FY16: \$19.0m)
- Benefit of:
 - favourable loan book repricing
 - positive outcomes on our interest rate management
 - continued strong cash generation from operations
- Debt/EBITDA - 2.5 (H1 FY16: 2.1 excluding compensation monies held)
 - Impact of compensation monies paid

DEBT MATURITY PROFILE



Trading initiatives coming

• UBET

- Launch of Bet Interceptor technology - to enhance + automate yield management
- Increased focus on Tote exotic products
- Marketing of the recently launched cash-out
- Launch of BOD ('Bring your Own Device') for retail sales
- Return of live digital racing vision
- 160 UBET format stores rolled-out in the next 6 months + move to single branded estate by 30 June 2017
- Cash handling self service terminals to be rolled-out
- New wagering product
- Focus on racing and sports partnerships:
 - Stradbroke Handicap now named UBET Stradbroke
 - SA thoroughbred partnership
 - Magic Millions
 - Significant sports partnerships to be announced
- Application lodged for on-course entertainment precincts in Queensland:
 - regulatory submission lodged
 - to be undertaken in joint venture with Racing Queensland

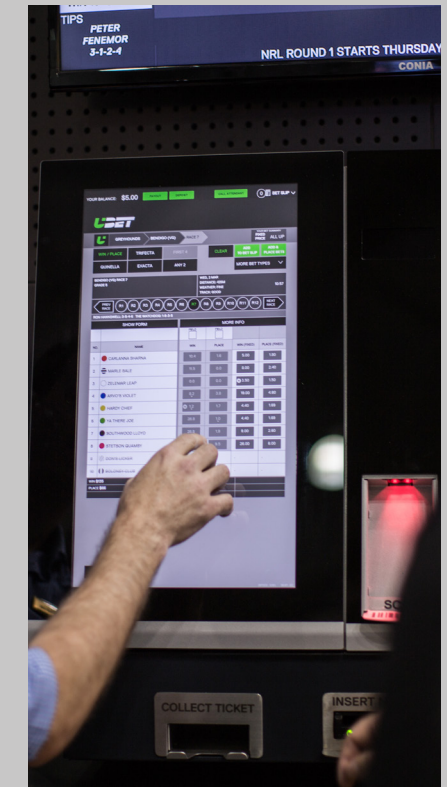
• The LOTT

- Gift card program:
 - to be sold through more than 5,000 new outlets
 - redeemable only in existing agencies or online
 - significant lift in retail presence benefiting existing retail partners
 - new revenue opportunity
 - lift in brand presence
- Instant Scratch-Its new merchandising display
- Iterative roll-out of next generation 'the Lott' website
- Trial of "click and collect" terminals
- Gamification of lottery entries
- Lucky lotteries to launch in South Australia
- Extension of surprise games across all channels

"CLICK & COLLECT" TERMINAL



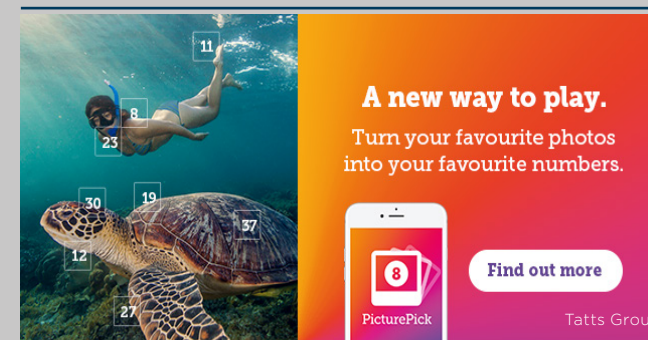
UBET SELF-SERVICE TERMINAL



GIFT CARD PROGRAM



GAMIFICATION OF LOTTERY ENTRIES



Trading initiatives coming

- **MAX**
 - Final stages of acquisition of Intralot's Victorian and New Zealand monitoring operations
 - Delivering new monitoring system for New South Wales
- **CHARITABLE GAMES - GEORGE2**
 - "Business to Charities" games solutions
 - 50-50 Charity Raffle operational + expanding
 - New initiatives to come

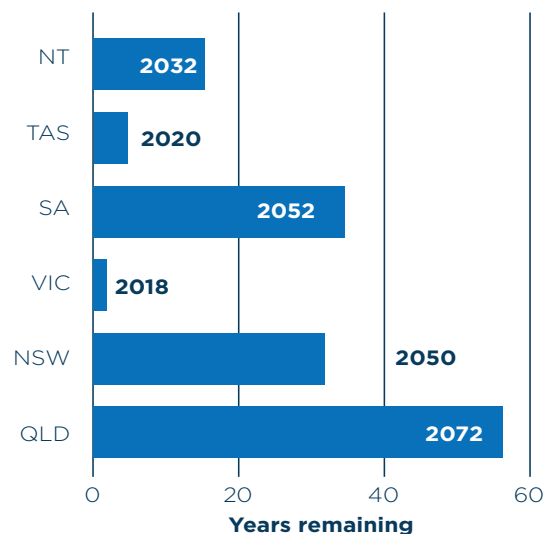
George²

Tatts Group Charitable Games



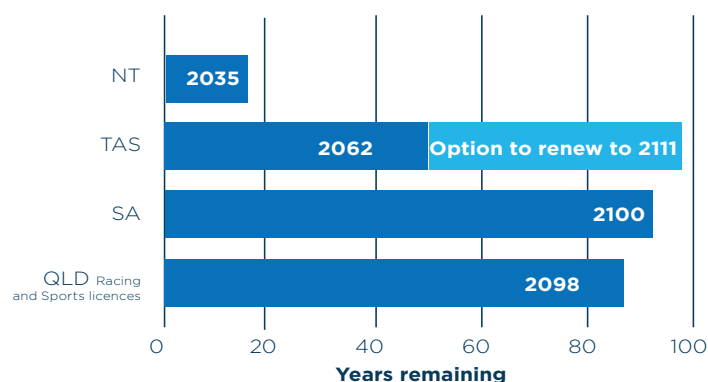
Annexure - Licences

LOTTERIES LICENCES/AUTHORISATIONS



- Sole lottery operator in NT, TAS, SA, VIC, NSW and QLD

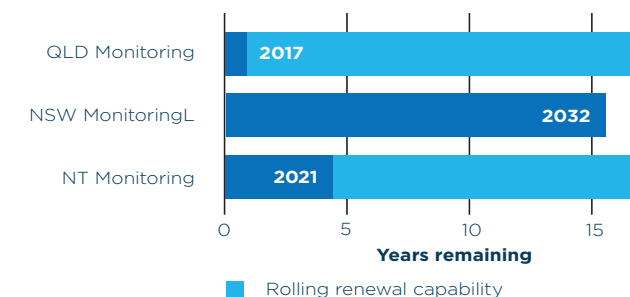
WAGERING LICENCES/AUTHORISATIONS



- Sole race and sports wagering licences in SA, TAS and QLD*
- New exclusive 20-year NT totalisator and fixed-price retail licences

* QLD licence exclusivity runs to Jun 2044, SA exclusivity to be extended to 30 June 2017 and TAS exclusivity runs to Mar 2027

GAMING LICENCES/AUTHORISATIONS



- Exclusive monitoring operator in NSW and sole operator in NT
- 15 year contract to monitor all gaming machines in NSW

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