

RACING INDUSTRY TRANSITION AGENCY

Good afternoon,

It's been a very busy time for the industry since my last update, with a successful Spring Carnival and Cup and Show week. During the period the Board has met twice and I thought it would be timely to provide you with some information on the performance of the TAB over the first quarter and an update on the progress of the racing reform programme.

Performance

You will know from my last update that the Board signed off RITA's budget for this year which is geared around profitability this season lifting to \$165.8 million. Further information on the budget and our priorities is contained in the RITA Statement of Intent which was released last week and can be found [here](#).

We have already seen a positive start to the year with turnover, gross betting margin and customers numbers ahead of budget. We're not getting ahead of ourselves but the YTD profit being \$2.9 million ahead of budget provides some cautious optimism to the Board that we are tracking in the right direction.

From a wagering perspective, a key focus in the quarter was the Rugby World Cup. Encouraging results were achieved with the tournament now the TAB's most successful sporting event of all time with total revenue at \$7.5 million. \$32.9 million was staked on the tournament from over 1,000,000 bets from around 90,000 customers.

The Melbourne Cup and the NZ Cup and Show week also delivered strong returns for the TAB as well as presenting some excellent racing. Turnover for all three Codes last week was ahead of forecast with the total GBR on NZ racing +15 percent driven by demand/turnover up 17 percent.

Pleasingly, the performance and stability of the new TAB betting platform was also good with no technical disruptions despite 40,000 concurrent users at the peak of the Melbourne Cup. As of today, we have 148,000 active customers based on the past 28 days which is

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ahead of the same period last year, albeit that recognises the typical spike we see from the Melbourne Cup.

Reform Update

We provided an update on racing reform at the RITA Annual General Meeting last week and I also spoke at NZTR's AGM this week and covered some of the key elements and our understanding of the timeline.

Good progress continues to be made against all of the Messara recommendations and in some cases they have been delivered.

In terms of legislation, it's the Minister's expectation the second Racing Bill will be introduced next month, with a standard Select Committee process of about four months that the industry will be able to submit through. All going well, the Bill is scheduled to be passed into legislation before the end of June (as it needs to be enacted from 1 July). Among other things, the new Bill will put the new structures and responsibilities of the TAB (wagering, gaming and broadcasting) and the Codes (racing administration) in place.

In terms of regulation, the first and most important is the regulations which allow us to charge offshore bookmakers for their use of New Zealand racing and sport product, and for taking bets from New Zealanders. We have two focuses for these charges: the first is doing whatever we can to support the Department of Internal Affairs (DIA) and Parliamentary Council Office (PCO) to draft and implement them as soon as possible; the second is signing up as many offshore bookmakers to voluntary agreements in the meantime. We have already secured voluntary agreements with Tabcorp, Betfair, Sportsbet and Ladbrokes - with negotiations underway with others. This means we have about 80 percent of the Australian online bookmaker market now contributing back to the industry (for Betting Information Use Charge).

There are a few other regulations around payment of the betting duty savings (which are

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being held separately by RITA), the formula for payments to the Codes (Section 16), and the formula for minimum payments to National Sport Organisations. We expect these to be progressed next year but we have started a conversation with the Codes around Section 16. There will be other regulations that flow out of the second Bill that will need to be considered too.

We expect the Racing Minister will outline Cabinet's decisions on the content of Bill 2 in due course and that will provide further context to the proposed legislative changes ahead. We will update the industry when we can confirm what is in the Bill.

New racing publication

Finally, I wanted to let you know that yesterday we announced that RACEFORM, a new publication incorporating TAB's Best Bets and featuring racing news and informed industry views would be launched next month.

The arrangement entails RITA licensing Best Bets for inclusion in the new racing publication and follows several months of work with the publishers to support the development of a new, independent racing publication.

Incorporating Best Bets in RACEFORM aligns with RITA's focus on driving revenue for racing and provides an opportunity to improve customer service by supplying more information for punters and ultimately delivering on our objective to promote racing.

Next steps

The Board will meet again early next month and I'll provide a further update to you on our priorities and, all going well, the content of the new Bill before Christmas.

Sincerely

Dean McKenzie

Chair