

5 December 2018

Good morning,

It's been a busy month or so for the racing industry since my last update to you, with a number of highlights, including Melbourne Cup and Christchurch Cup Week.

TAB turnover for the Melbourne Cup race was in the region \$10.6 million, equal to the record turnover in 2015, with the winner, Cross Counter, delivering the best possible result on the race for the Board. Despite enormous pressure on our systems at times - at our peak 38,000 customers were on the TAB digital channels - our technology held up well, up to the race, albeit with a short period of about half an hour from the race where the app was slow.

And while the results for the TAB during Christchurch Cup and Show were mixed, it was a great week of racing and wonderful to see such strong crowds supporting our three codes.

#### **NZRB Results, AGM and Industry Conversations**

Last month we released our financial results for the 2017/18 year, announcing an operating profit result of \$154.9 million for the year, up \$6.9 million (4.7%) on last year and distributions to the three racing codes from betting reaching a record \$148.2 million, an increase of \$10.6 million on last year.

This Friday we hold our AGM at our offices in Wellington where we will present our full Annual Report for the season. I am pleased the report was tabled by the Minister for Racing yesterday and you can read it at <https://nzracingboard.co.nz/annual--reports> in advance of the AGM. We will officially release the report on Friday after the AGM. You can see a recording of the meeting on Trackside on 10 December.

Next week I will be in Christchurch, Invercargill and Hamilton to meet with our industry to discuss aspects of NZRB's results and how we are tracking this year. I hope as many of you as possible can come along to these sessions. You can register on [www.NZRB.co.nz/news](http://www.NZRB.co.nz/news).

#### **New betting platform**

Our new betting platform is very close to completion. We began updating our customers last week on the change so they are ready on day one. We've demonstrated the new system to a number of customers, members of the Codes and media. Feedback on the features and usability of the new website have been overwhelmingly positive, and a purpose built '[microsite](#)' to support customers is available for you to take a look at [www.uppingyourgame.co.nz](http://www.uppingyourgame.co.nz)

We will continue to add more information, answers to commonly asked questions and 'how to' videos so customers will have all the information they need to use the new website and App.

We are on track to be in a position to have the platform ready for launch this calendar year, albeit this will be beyond our target of this week by a couple of weeks. We'll make a call on the launch

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date very soon. The decision will then be whether to launch this year or after Boxing Day and New Year races in early January.

I have attached a short update which provide more information on the benefits of the new system.

### **Financial Update**

Every month following the NZRB Board meeting we update the Boards of the Codes on NZRB's performance and any key areas of discussion.

The financial report for the first quarter of the year has us somewhat behind our targets for the period. The level of spend by our Elite customers, no progress on Racefields and abandonments are just some the driving factors for the soft period. It is important to remember that volatility in betting performance across a financial year is not unusual for the NZRB.

While net profit is \$0.5m or 1.6% less than what we had budgeted for the period, we are confident of improving our performance over the remainder of the year. Over the coming few months we'll be implementing our new FOB platform, reviewing our sales and marketing activities, actively managing costs and refocus our approach to Elite customers with our new Head of Elite Growth, Matt Fisk, recently joining from Tabcorp where he was Head of Trading and Head of VIP Customers.

### **High definition racing**

We also recently launched the second of four new HD Outside Broadcast (OB) trucks at Awapuni in Palmerston North. All race meetings in this region will be transitioned from the current Standard Definition truck to the new High Definition truck over the next six months.

This has been a critical investment for the industry. With the launch comes a move to HD for racing coverage in the region and feedback from customers so far has been incredibly positive. The picture quality is significantly better, crisp and clear, with much finer detail; even those without HD capability at home or watching online, in store or oncourse will notice a real improvement in the quality.

The new OB will also be available for carnival meetings in the Northern region and is already pencilled in to cover Ellerslie on New Year's Day, the Karaka Million in January and Auckland Cup Week in March.

The third and fourth OBs for the Northern and Southern regions will go live in 2019.

### **Some corrections**

Many of you may have read my letter to the Informant recently correcting some inaccuracies in their reporting. While I don't want to labour the issues, it is important to clarify an inaccurate picture that keeps being raised in relation to NZRB's level of debt.

There have been suggestions that our debt may grow to \$80 million or even \$200 million. This is not correct. Debt at the end of the 2017/18 year was \$10 million. We have borrowed to support the investment in Fixed Odds Betting and our other initiatives. That debt will increase over the course of this financial year to around \$30 million before reducing to around \$20 million by the end of the



year. The debt will be completely repaid out of increased profits in two years. The lift in profits will also enable us to substantially lift distributions to the Codes over this period.

**Contact**

I do encourage you to get in touch if you have any questions about how we are tracking, or alternatively, if you are in Christchurch, Invercargill or Hamilton, please feel free to join us for one of our conversations.

Yours sincerely,

John Allen

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