



NEW ZEALAND THOROUGHBRED RACING

STRATEGIC FUNDING DOCUMENT

New Zealand Thoroughbred Racing Inc

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NEW ZEALAND
THOROUGHBRED **RACING**



PUREI HŌIHO NĀTI O AOTEAROA

NZTR ANNOUNCES \$20.3 MILLION DOLLAR STAKES INCREASE

NZTR has announced its funding for the 2023-24 racing season. The recent approval of the TAB NZ Entain strategic partnership has allowed NZTR to plan with certainty for the next five years and prioritise areas of the business to promote growth. The document that follows outlines in comprehensive detail key areas of funding for the upcoming season.

At the top of this priority list is the enhancement to stakes funding. NZTR is thrilled to announce that stakes funding will increase by \$20.3 million, taking our total stakes funding to \$90.8 million for next season. As you will see from the information published in the document, this is spread across all categories and regions of racing. Further, it includes the introduction of eight new innovation races to the calendar, as well as further funding to the very successful Southern Mile.

While we appreciate that stakes increases are hugely significant to the rejuvenation of this industry, NZTR Board and Management have also outlined key strategic priorities to be addressed over the next 12 to 36 months. These priorities identified by NZTR will continue to relentlessly improve the presentation and preparation of all facets of our industry which is paramount to improving wagering growth and will be maintained in key areas such as:

- Industry training and enhancing the welfare of our people and horses
- Enhancing track/surface performance for better racing outcomes
- Ensuring accountability for performance among clubs
- Achieving sustainable revenue growth
- Enhancing public relations to improve the image and reputation of the industry

Also included is an explanation of the recent TAB NZ Entain strategic partnership and what it means to our industry, as well as answering a number of frequently asked questions surrounding the agreement.

Today is the dawn of a new era for New Zealand's Thoroughbred racing industry. We are committed and resolute to the fact that from this point forward, each and every one of us need to adopt a mentality of improved professionalism and standards across every part of the industry. We will only maximise this once-in-a-generation opportunity if we all understand that the way forward is to work together for the greater good of the industry.

As we move forward, NZTR asks its participants to think of the legacy they want to leave for generations to come. This is our opportunity to lay the platform of improved professionalism and standards across the industry, licence holders, clubs, wagering partners and governance. We are all required to step up and put our best foot forward to regain the pride in this great industry that was held decades before us.



Cameron George
NZTR Chair



Bruce Sharrock
NZTR CEO

KEY STAKES INITIATIVES OVERVIEW



- This is an overview of how NZTR has distributed its stakes funding allocation for the 2023-24 racing season.

Proposed Change	From	To	Details
Group 1s to \$400k	\$300,000	\$400,000	Iconic race & other contributions to be reviewed
Group 2s to \$175k	\$140,000	\$175,000	Iconic and Premiers
Group 2s to \$150k	\$120,000	\$150,000	Feature and Industry
Group 3s to \$120k	\$100,000	\$120,000	Iconic and Premiers
Group 3s to \$100k	\$85,000	\$100,000	Feature and Industry
Listed Races to \$90k	\$80,000	\$90,000	Listed Races at Iconic and Premiers
Listed Races to \$80k	\$65,000	\$80,000	Listed Races at Feature and Industry
Iconic Opens to \$75k	\$70,000	\$75,000	Open races at Iconic meetings
Iconic other races to \$65k	\$60,000	\$65,000	R75 & below races at Iconic meetings (no Maidens)
Premier races to \$65k	\$50,000	\$65,000	All non-G&L, excluding Maidens
Premier Maidens @ \$30k	\$30,000	\$30,000	Premier Maidens
Feature Opens to \$50k	\$40,000	\$50,000	26 Aug to 6 April
Feature other races to \$40k	\$30,000	\$40,000	26 Aug to 6 April R75 to 2&3YO races, excl Maidens
Feature Maidens to \$25k	\$15,000	\$25,000	26 Aug to 6 April
Feature Opens to \$40k	\$35,000	\$40,000	1 to 25 Aug & 7 April to 31 July
Feature other races to \$35k	\$30,000	\$35,000	1 to 25 Aug & 7 April to 31 July
Feature Maidens to \$20k	\$15,000	\$20,000	1 to 25 Aug & 7 April to 31 July
Industry Opens to \$25k	\$15,000	\$25,000	26 Aug to 6 April
Industry other races to \$18.5k	\$14,000	\$18,500	26 Aug to 6 April
Industry Opens to \$22k	\$15,000	\$22,000	1 to 25 Aug & 7 April to 31 July
Industry other races to \$17k	\$14,000	\$17,000	1 to 25 Aug & 7 April to 31 July
Industry Wed twilights \$25k	\$14,000	\$25,000	Nov – Mar (19 meetings) - All races (non G&L)

Innovation Races	
Proposed Race	Stake
\$1m Karaka Million 4YO	\$1,000,000
\$350k South Island race	\$350,000
\$350k Wellington 1W SC race	\$350,000
\$350k Ellerslie not top 10 trainers	\$350,000
\$350k Te Rapa MAAT race	\$350,000
\$200k Southern Mile (increase of +\$100k)	\$200,000
3 X \$100k All-Weather Champs	\$300,000

*Conditions stated further in this document

KEY STAKES INCREASES

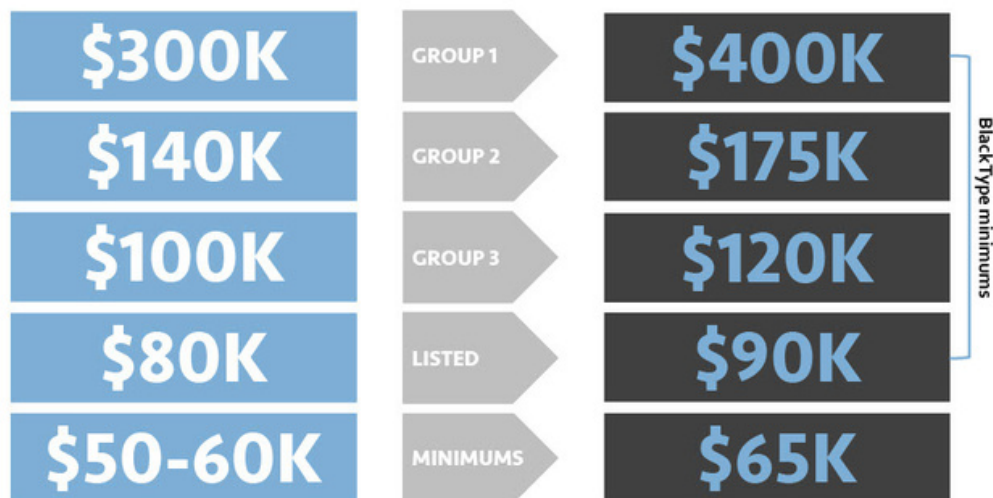


Stakes Increase by \$20.3m or 29%



- Stakes funding is budgeted to increase by \$20.3m in the 2023-2024 racing season

Iconic and Premier Meetings



Category 1: Iconic, Premier and Group and Listed races

- Group 1s increase from \$300k to \$400k (All)
- Group 2s increase from \$140k to \$175k (Iconic and Premiers)
- Group 3s increase from \$100k to \$120k (Iconic and Premiers)
- Listed Races increase from \$80k to \$90k (Iconic and Premiers)
- Iconic Open races increase from \$70k to \$75k
- All other Iconic races increase from \$60k to \$65k
- Premier races (excluding Maidens) increase from \$50k to \$65k

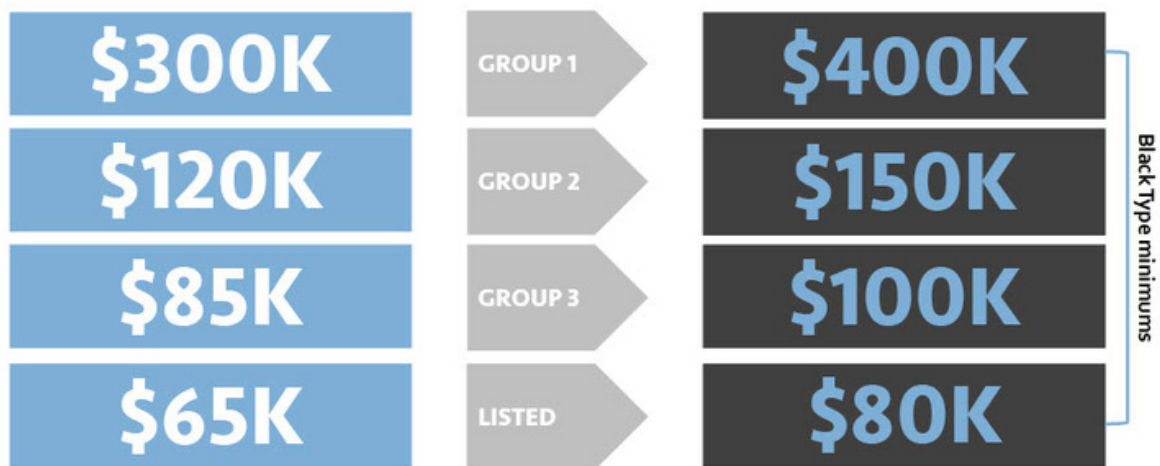
KEY STAKES INCREASES



Contribution to Major Race Funding

- The total stake levels of major Iconic, Heritage and other races with additional stakes funding will be worked through with the relevant Clubs following the announcement of the new minimums above.

Feature Meetings - Black Type Minimums



- Group 1s increase from \$300k to \$400k (All).
- Group 2s increase from \$120k to \$150k (Feature and Industry).
- Group 3s increase from \$85k to \$100k (Feature and Industry).
- Listed Races increase from \$65k to \$80k (Feature and Industry).

KEY STAKES INCREASES



Feature Meetings – Peak Season

Other race minimums: 26 August – 6 April



- Feature Open races increase from \$40k to \$50k
- Other Feature races (excluding Maidens) increase from \$30k to \$40k
- Feature Maidens increase from \$15k to \$25k

Feature Meetings – Off Peak Season

Other race minimums: 1 – 25 August , 7 April – 31 July

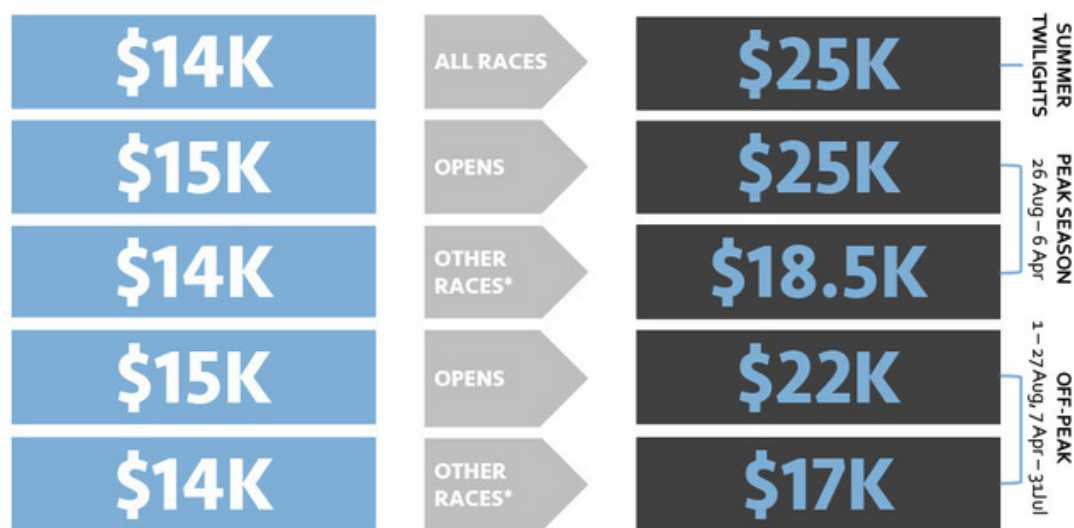


- Feature Open races increase from \$35k to \$40k
- Other Feature races (excluding Maidens) increase from \$30k to \$35k
- Feature Maidens increase from \$15k to \$20k

KEY STAKES INCREASES



Industry Meetings – Other Race Minimums



* Incl. Maidens

- Industry Open races increase from \$15k to \$25k (Peak Season 26 Aug to 6 Apr)
- Other Industry races increase from \$14k to \$18.5k (Peak Season 26 Aug to 6 Apr)
- Industry summer twilight meetings increase from \$14k to \$25k (Peak Season 26 Aug to 6 Apr)
- Industry Open races increase from \$15k to \$22k (Off-Peak Season 1 - 25 Aug, 7 Apr – 31 Jul)
- Other Industry races increase from \$14k to \$17k (Off-Peak Season 1 - 25 Aug, 7 Apr – 31 Jul)

JUMPS RACING

- Jumps race stakes will remain as previously increased until the end of the jumps season in 2023. Any changes to these stakes or other initiatives will be considered as part of a review of jumps racing following the completion of the season.

KEY RACE INNOVATION



Proposed Innovations Races

OPEN 4YO
\$1M
KARAKA MILLION NIGHT

4 X NEW RACES AT RICCARTON,
TRENTHAM, ELLERSLIE,
TE RAPA EACH AT
\$350K

SOUTHERN MILE
\$200K
INCREASE OF +\$100K

3 X ALL-WEATHER RACES
EACH AT
\$100K
SPRINT, MILE, CUP

- A new 4YO 1600m race run at the Karaka Million race meeting in January at Ellerslie, worth \$1m
- A new 1600m race run in April at Riccarton Park for South Island trained horses only, worth \$350k
- A new 1500m race run in March at Ellerslie for trainers outside the Top 10 Prizemoney at 30 November, worth \$350k
- A new 2100m race run in January at Trentham for horses with one win or less as at 31 July, worth \$350k
- A new 1600m race run on Legends Day in February at Te Rapa for horses that were Maidens as at 31 July, worth \$350k
- Three all-weather championship races worth \$100k each, timing, distances and venues to be determined
- \$100k stakes increase to the Southern Mile race, now offering \$200k in prizemoney

CONDITIONS FOR RACE INNOVATION



\$350k South Island Race

When: 13 April 2024 at Riccarton Park
Distance: 1600m
Weights: HCP conditions max weight of 62kg

Conditions:

- 14 Max. Field
- Three “Golden Ticket” events winner exempt from Ballot. First three eligible placegetters in Southern Mile Final exempt from ballot

Eligibility:

- Horses must be located at a South Island training facility from midnight 31 December 2023 and remain in the South Island for the duration.
- Horses must have started in at least two South Island races after 31 December 2023 to be eligible to compete in the final
- Wellington Cup Carnival – Horses can run at the Wellington Cup Carnival but must be stabled in the South Island immediately before and after the carnival
- NZTR will be the sole judge to determine eligibility to compete in the final

Stakes and Fee Structure

Total Stake	\$350,000
1st	\$175,000
2nd	\$59,500
3rd	\$28,000
4th	\$15,750
5th	\$8,750
6-14	\$7,000
Nominations	\$175
Acceptance	\$8,750

CONDITIONS FOR RACE INNOVATION



\$350k Auckland Not Top 10

When: Derby Day or Auckland Cup Day
Distance: 1500m
Weights: HCP conditions max weight of 62kg

Conditions:

- For trainers outside of the Top 10 in prizemoney at midnight 30 November 2023

Eligibility:

- Horse must be in the trainer's stable list at midnight 31 July 2023. Horses may not be transferred from a Top 10 trainers stable to a trainer outside of the Top 10 after midnight 31 October 2023. Any horse transferred after 1 August will be ineligible to run
- Ballot order to be by rating based on eligible entries
- NZTR will be the sole judge to determine eligibility to compete in the final

Stakes and Fee Structure

Total Stake	\$350,000
1st	\$175,000
2nd	\$59,500
3rd	\$28,000
4th	\$15,750
5th	\$8,750
6-14	\$7,000
Nominations	\$175
Acceptance	\$8,750

CONDITIONS FOR RACE INNOVATION



\$350k Wellington 1 Win Race

When: Wellington Cup Carnival
Distance: 2100m
Weights: SWP

Conditions:

- Winners of six selected Golden Ticket Races in lead up exempt from ballot. To be spread over 65/75 and 3YO races

Eligibility:

- Horses that have had one win or less as at midnight 31 July 2023
- NZTR will be the sole judge to determine eligibility to compete in the final

Stakes and Fee Structure

Total Stake	\$350,000
1st	\$175,000
2nd	\$59,500
3rd	\$28,000
4th	\$15,750
5th	\$8,750
6-14	\$7,000
Nominations	\$175
Acceptance	\$8,750

CONDITIONS FOR RACE INNOVATION



\$350k Waikato MAAT

When: 10 February 2024

Distance: 1600m

Weights: MAAT

Conditions: • For Maidens as at Midnight 31 July 2023

Eligibility:

- Winners of six selected Golden Ticket Races in lead up exempt from ballot
- NZTR will be the sole judge to determine eligibility to compete in the final

Stakes and Fee Structure

Total Stake	\$350,000
1st	\$175,000
2nd	\$59,500
3rd	\$28,000
4th	\$15,750
5th	\$8,750
6-14	\$7,000
Nominations	\$175
Acceptance	\$8,750

CONDITIONS FOR RACE INNOVATION



\$1,000,000 Karaka Million 4YO Event

When: Karaka Million Twilight Meeting

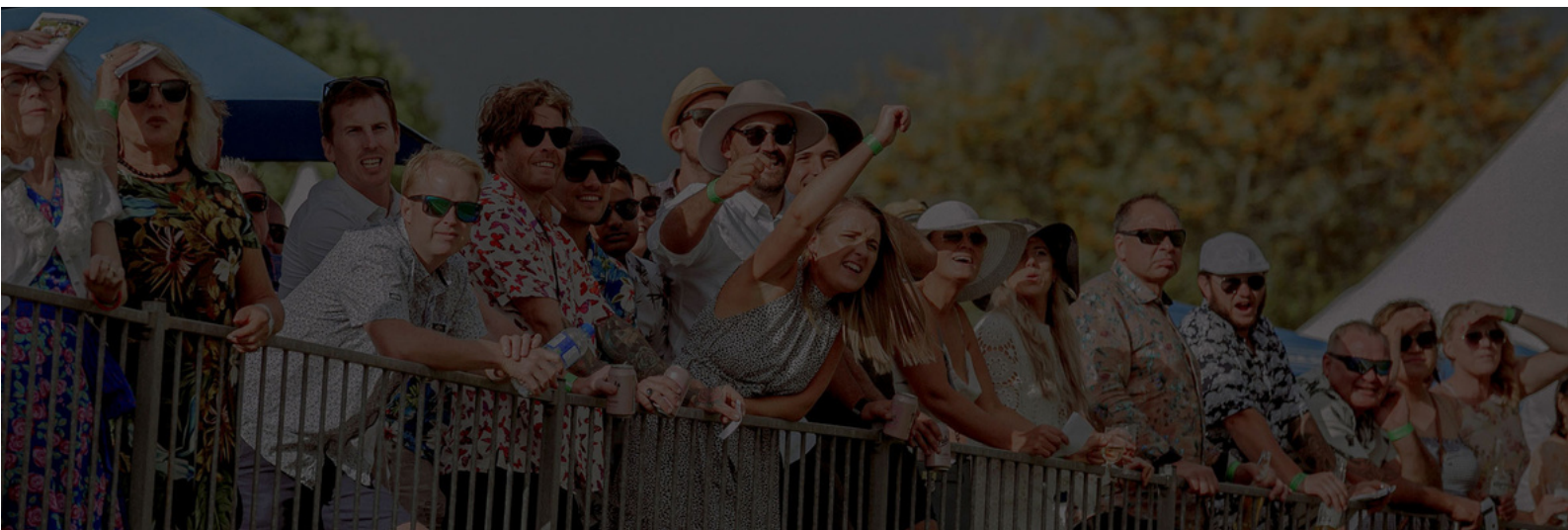
Distance: 1600m

Weights: SW

Eligibility: • 4YO (Not limited to New Zealand Bloodstock Sales Graduates)

Stakes and Fee Structure

Total Stake	\$1,000,000
1st	\$500,000
2nd	\$170,000
3rd	\$80,000
4th	\$45,000
5th	\$25,000
6-14	\$20,000
Nominations	\$500
Acceptance	\$25,000

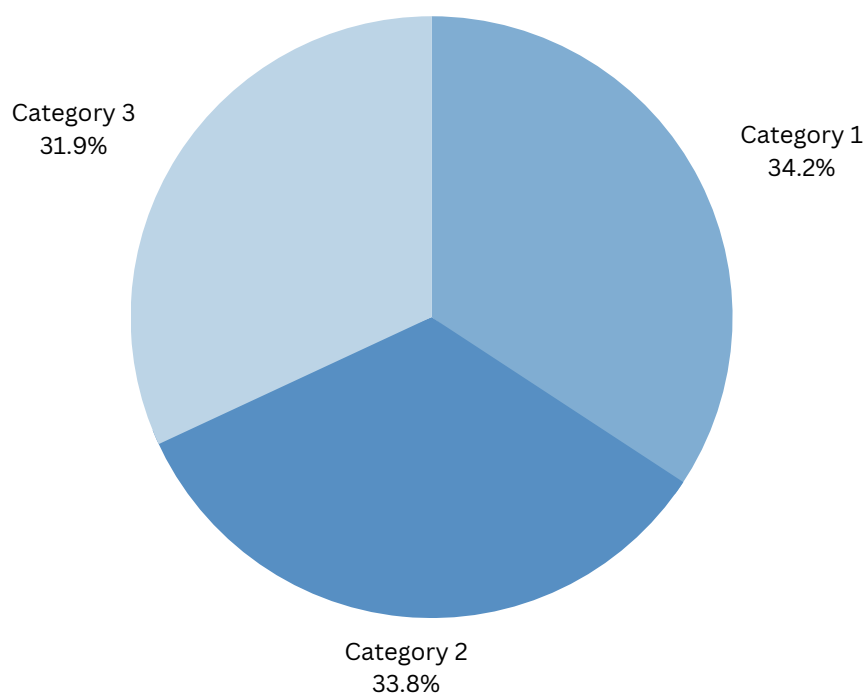


STAKES SPLITS



Even Split of Stakes by Class

**Split of Stakes of +\$20.3m
% of Increase**



This increase will be evenly split across the three categories of races:

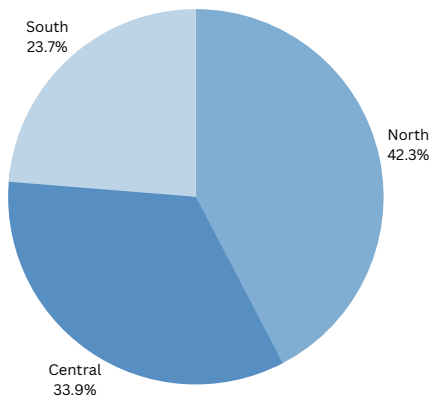
- Category 1 - Iconic, Premier, Group and Listed races (34.2%)
- Category 2 - All other races at Feature meetings (33.8%)
- Category 3 - All other races at Industry meetings (31.9%)

STAKES SPLITS

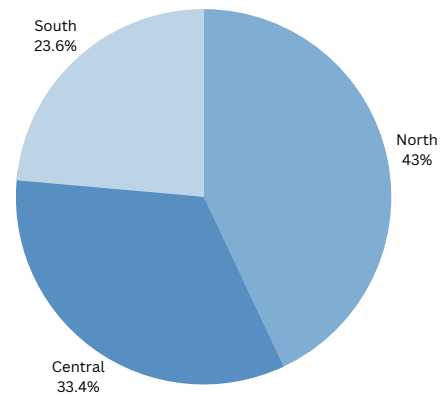


Split of Stakes by Region

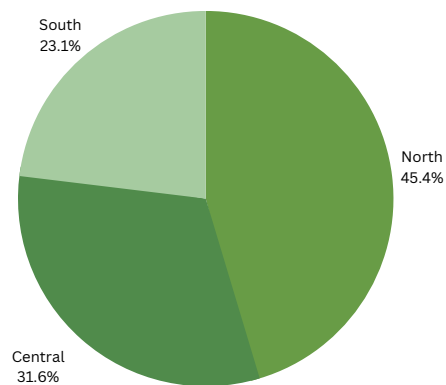
Regional Split of \$70.5m
% of Current Total Stakes Funding



Regional Split of \$90.8m
% of New Total Stakes Funding



Regional Split of +\$20.3m
% of Increase



The stake increases outlined above result in increases that are closely aligned to the current funding distributions across the three regions:

- The Northern Region is budgeted to receive 43.0% of the total stakes funding (up from 42.3%)
- The Central Region is budgeted to receive 33.4% of the total stakes funding (down from 33.9%)
- The South Island is budgeted to receive 23.6% of the total stakes funding (down from 23.7%)

OTHER NZTR PRIORITIES



STRATEGIC AREAS OF ACTION

- The following five strategic areas of action remain a strong focus for NZTR and will be allocated required resources and funding to deliver key initiatives.

**INDUSTRY TRAINING AND ENHANCING
THE WELFARE OF OUR PEOPLE AND
HORSES**

**ENHANCING TRACK/SURFACE
PERFORMANCE FOR BETTER RACING
OUTCOMES**

**ENSURING ACCOUNTABILITY FOR
PERFORMANCE AMONG CLUBS**

**ACHIEVING SUSTAINABLE REVENUE
GROWTH**

**ENHANCING PUBLIC RELATIONS TO
IMPROVE THE IMAGE AND
REPUTATION OF THE INDUSTRY**

OTHER NZTR PRIORITIES



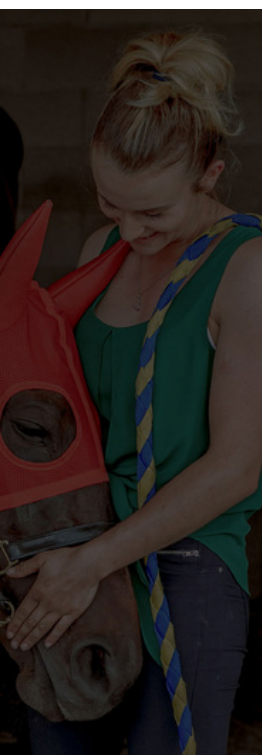
1) INDUSTRY TRAINING AND ENHANCING THE WELFARE OF OUR PEOPLE AND HORSES

Horses

- 1% of all stakes of the \$90.8 million allocated in the 2023-24 racing season will go towards the Thoroughbred Welfare levy
- Develop suitable and effective opportunities to inform and educate racing and breeding participants on the Five Domains model, welfare assessment standards and the concept and critical importance of maintaining social licence
- Vigorously focus on improving our welfare-related data and reporting as a foundation of our stewardship/accountability for Thoroughbred welfare
- With an improved information base, also broadening and better informing our external communications
- To undertake the 2023-24 initiatives outlined in the 2022 Thoroughbred welfare strategy update
- To consider, consult and approve Thoroughbred Welfare Strategy initiatives

People

- Review of the current apprenticeship model by exploring an apprentice Jockey Academy model that fits the current and future needs of the NZ racing industry
- Continue improvements to our current Apprentice training model through partnerships with regional high-performance sporting centres
- Roll out of new Level 4 Assistant Trainer qualification to support intake into the training ranks
- Promotion of industry careers through schools, pony racing circuits and pony clubs to attract participants
- Implementation of the first tranche of CPD for licence holders. CPD will focus on providing our trainers with the tools to attract, train and retain our domestic workforce and riders to continue improving their mental and physical health
- To further increase the awareness of and encourage access to industry well-being education and support
- Implement a comprehensive industry-wide mental health and well-being programme



OTHER NZTR PRIORITIES



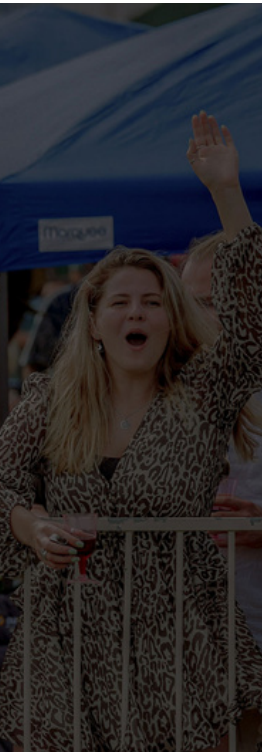
2) ENHANCING TRACK/SURFACE PERFORMANCE FOR BETTER RACING OUTCOMES

- Implementation of plan for annual renovation windows for all tracks and increased funding to support the annual renovations at all venues
- Provide a framework to ensure our Track Managers are adequately resourced in all ways to be retained and developed to create a succession pathway
- Increase usage of the synthetic tracks and non-racing venues for Trials particularly in the Northern/ Central Region during the winter months
- Upgrade irrigation systems around multiple venues
- Complete the Awapuni reconstruction



3) ENSURING ACCOUNTABILITY FOR PERFORMANCE AMONG CLUBS

- Ensure the Club and meeting funding model is structured to ensure funding is targeted to areas that require it, and provides improved outcomes for participants, stakeholders and fans
- Clubs prioritise the preparation of a safe and raceable surface at all times.
- Clubs take ownership of all aspects of the delivery of exceptional raceday events and meeting fan, stakeholder and participant expectations. Note this is a sub-set of funding model review



OTHER NZTR PRIORITIES



4) ACHIEVING SUSTAINABLE REVENUE GROWTH

Venues

- Complete industry venue footprint and determination of surplus venues
- Creation of an “industry fund” to provide a vehicle for surplus venues that will provide funding in perpetuity for the industry
- A dedicated skilled resource appointed to accelerate and conclude venue rationalisation process

Wagering

- Develop a strong partnership with Entain to maximise wagering opportunities and establish a reliable working relationship
- Develop a flexible and responsive strategic planning process to optimise race programming, pattern races and stakes in order to maximise wagering revenue
- Maximise international export opportunities

Innovation

- Be open to investigating innovative revenue-generating concepts to create alternative revenue streams for the industry



OTHER NZTR PRIORITIES



5) ENHANCING PUBLIC RELATIONS TO IMPROVE THE IMAGE AND REPUTATION OF THE INDUSTRY

Early in the 2023-24 racing season, a comprehensive public relations strategy will be developed spanning all four quarters of the season, with a goal of aligning promotional activity to events on our racing calendar. This strategy will broadly cover four areas:

1) Media relations

- Stakeholder relationships: Building stronger relationships and networks with mainstream media to ensure an improved response around crisis management and positive implementation of racing stories
- Crisis management: Enhance the management of reputational damage in the industry during a crisis by adopting a proactive approach to media responses, rather than relying solely on reactive measures

2) Promotion of raceday events

- The Grand Tour Racing Festival: Leverage off New Zealand's Top 20 premier racing events to generate an exceptional racing community experience
Maximising opportunities in season two in relation to headline artists ambassadors and on-course activations to promote wider mainstream interest in raceday events

3) Promotion of ownership

- Horse ownership experience: Effectively communicating the excitement of racing ownership through leveraging influencers, celebrities and shared experiences with an increased social media presence

4) Public Education

- Raising awareness of Thoroughbred welfare through promotion of the love of the horse, life after racing initiatives and education of the breeding sector
- Enhance knowledge around what the racing industry contributes to New Zealand's economy through employment and investment sectors.
- Profiling of industry talent and athletes, both horse and human, with a youth-focused workstream to encourage and improve the perception of and participation in the industry

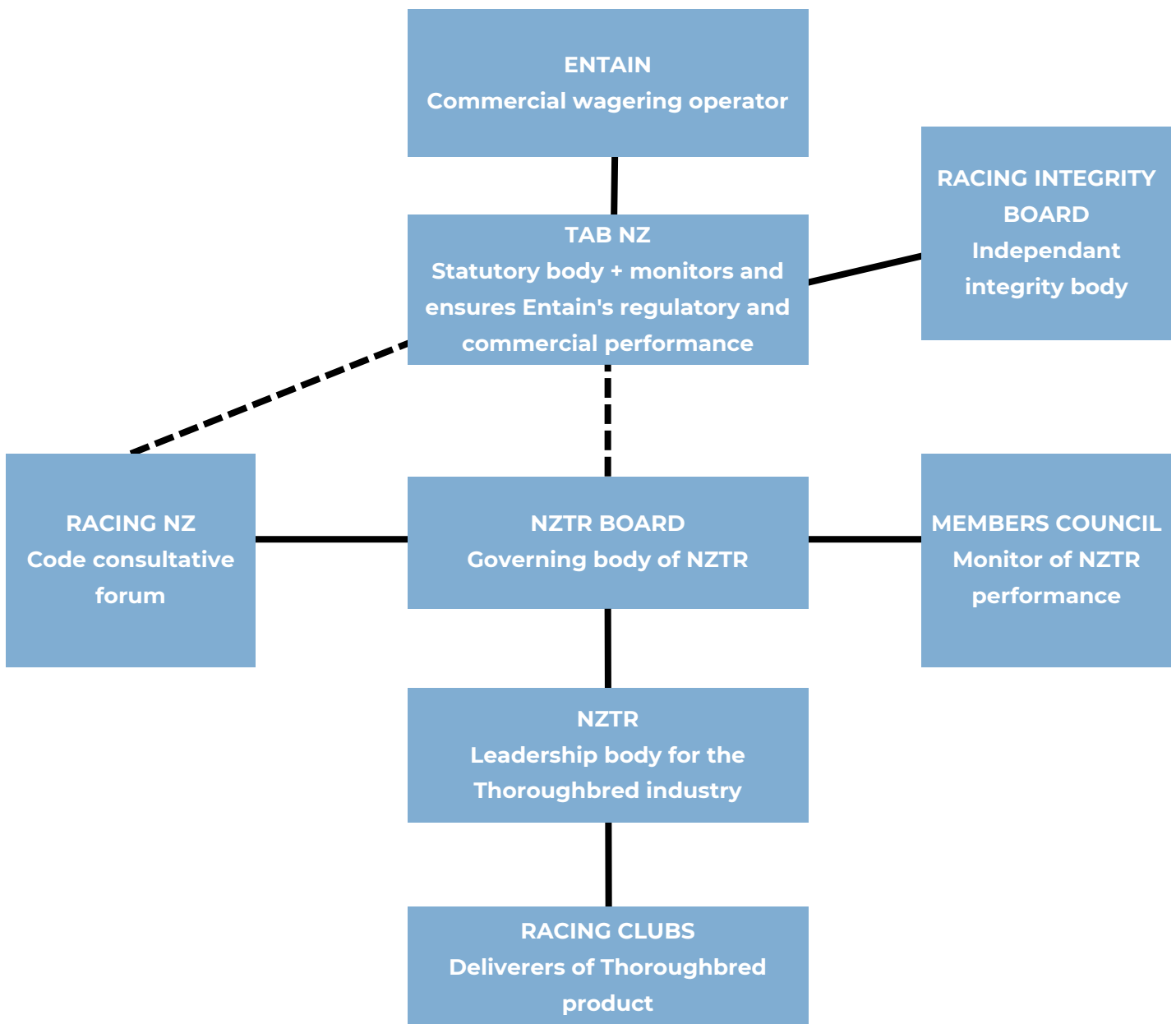


TAB NZ ENTAIN AGREEMENT



TAB NZ Entain Agreement – New Structure

New Zealand Thoroughbred Racing (NZTR) is thrilled that the strategic partnering arrangement between TAB NZ (TAB) and Entain has recently been given the green light by the Minister. NZTR believes this partnership will truly be transformational for the fortunes of the thoroughbred racing industry. The new structure is summarised in the diagram below:



TAB NZ ENTAIN AGREEMENT



A Virtuous Circle of Growth

- Each of these actions will produce a chain of events that will be beneficial to the industry, leading to various desirable outcomes in a repeating pattern



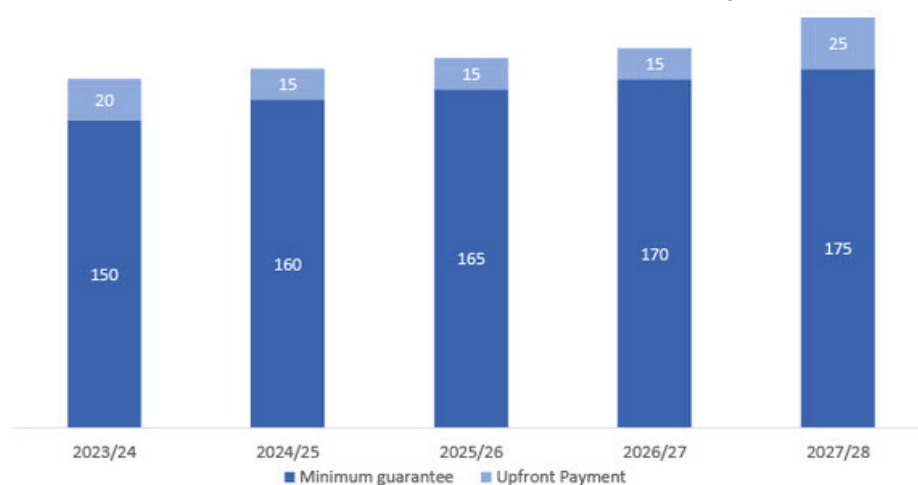
TAB NZ ENTAIN AGREEMENT



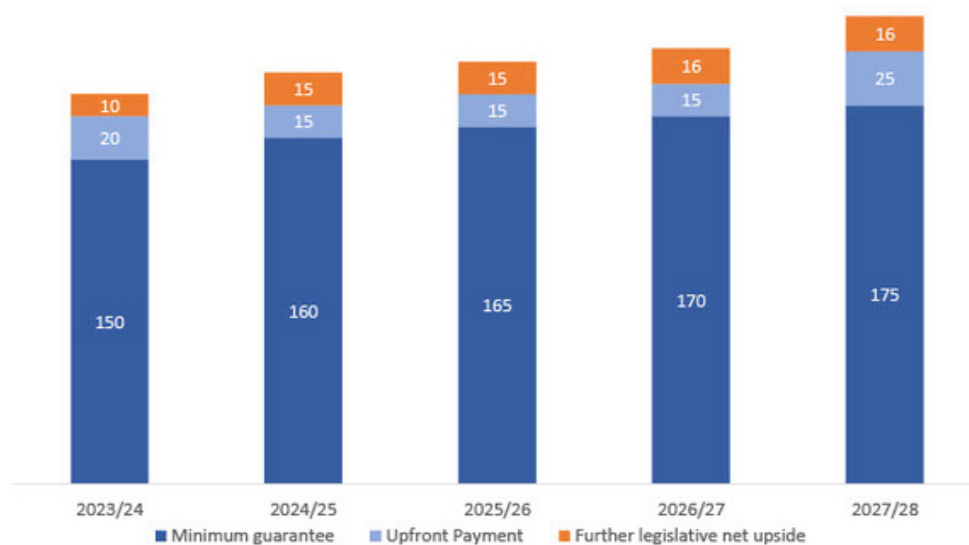
What does it mean?

- The following two graphs summarise the minimum guaranteed funding levels with an immediate and significant uplift in distributions for the New Zealand Racing codes.

1) Committed Minimum Funding to NZ Racing (NZ\$m) – Without Legislative Net *revised distributions for the 2023 season are \$125m



2) Committed Minimum Funding to NZ Racing (NZ\$m) – With Legislative Net *revised distributions for the 2023 season are \$125m



*Legislative Net - This is the proposed legislative change which would see the extension of the TAB's monopoly on racing and sports betting to the online environment. See question 9 of the FAQs below.

TAB NZ ENTAIN AGREEMENT



FAQ's

NZTR recognises that the arrangement has some complexity, and so, outlined below, are some FAQs to help industry participants understand the 'new Entain NZ world'.

1) What is NZTR's share of the Minimum Guarantee (MG) payment from Entain?

Entain's MG commitment applies for the first five years of the agreement and starts at \$150m per annum, rising each year thereafter (NB – if a 'legislative net' is implemented this would see an additional \$15m added to the MG per annum from 2024/25).

NZTR expects to receive approximately 58% of the MG in the 2023/24 season, which is approximately \$87m. NZTR's percentage share is not "fixed" – this is subject to the Code Funding Agreement and is dependent on NZ Thoroughbred racing performance over future seasons.

2) What is NZTR's share of the upfront payment from Entain?

Entain is also making a \$150m upfront payment to TAB NZ (NB - a further \$100m one-off payment will be made to TAB NZ if a legislative net is implemented during the term of the agreement).

Of the \$150m upfront payment, TAB NZ has made an initial commitment of \$90m to the racing Codes. This will be paid across the first five years of the agreement (with \$20m being paid in the 2023/24 season).

NZTR's share of the \$90m is approximately 58%, subject again to the qualifications noted above. This equates to an approximately additional \$52m across the five years, and \$11.6m next season.



TAB NZ ENTAIN AGREEMENT



FAQ's

3) What other commitments have been made from the Entain upfront payment?

Of the \$150m upfront payment, as above, \$90m has been committed to the racing Codes. In addition:

- \$15m has been committed to National Sporting Organisations, to be paid over a three year period;
- \$500k is to be paid to Sport New Zealand, ring fenced for investment in women's sport; and
- \$5m will be invested in harm minimisation (facial recognition technology and a research grant).

This leaves \$39.5m currently with TAB NZ. Under the arrangement with Entain, TAB NZ is required to hold certain levels of funds if certain liability events occur under the contract. These obligations decrease and drop away over time. Thus, it is expected that in due course, this portion of the Entain upfront payment will be available for distribution to the racing Codes as part of the TAB NZ Board's active and ongoing review of Code distributions.



TAB NZ ENTAIN AGREEMENT



FAQ's

4) Part of the Entain arrangement is an upfront payment of \$10 million for carnival funding – what is expected for Thoroughbred racing here?

NZTR is excited to advise that \$6.75m of this payment has been allocated to NZTR for investment in Thoroughbred racing. NZTR and Entain will be meeting in the coming weeks to determine how best to maximise this investment in our industry.

5) What happens after the MG period (i.e., year five)? What does the revenue share look like?

Following the MG period, a 50/50 revenue share model applies. This means that TAB NZ is entitled to 50% of the revenue share (and Entain takes 50% of the revenue share).

Under the revenue share model, all operating expenditure and operating risk is borne by Entain (including technology, staff and marketing expenses). Similarly, all capital expenditure is borne by Entain. As such, there is no direct industry exposure to the costs of running the TAB any longer.

TAB NZ will retain control of other revenue sources in full, including any betting information use charges (that TAB NZ collects on the Codes' behalf), betting levies and gaming revenue. Pleasingly, Entain have a range of plans to assist NZTR maximise its funding from the betting information use charges, as well as international export of NZ thoroughbred racing product.

If the MG is exceeded before the expiry of the MG period (i.e., year five), the revenue share model will apply from that point (meaning TAB NZ, and in turn NZTR and the other Codes will also benefit in any early upside). NZTR notes that Entain is aiming to exceed the MG level from year 3 onwards.



TAB NZ ENTAIN AGREEMENT



FAQ's

6) What happens if Entain increase the opex and capex of the wagering business?

Entain intends to invest in the TAB business to deliver a world class wagering offering to New Zealand customers. You can expect to see the results of this investment across the TAB's operations, including in brand, retail, media and the TAB mobile and desktop application etc. As noted above, all opex and capex investment is at Entain's cost.

Entain ran a series of industry roadshows in the last week of May 2023 and expects to host more, during the 2023/2024 season. If you are interested in understanding more about Entain's plans for New Zealand racing, we suggest you make time to attend a future roadshow.

7) What happens if Entain doesn't perform well from a revenue perspective?

As noted, the first five years of the arrangement provide a period of certainty for the racing industry, in terms of guaranteed minimum funding. During this initial period, TAB NZ will be able to closely track Entain's financial performance (for example, to see what a revenue share arrangement would provide if in place). This will help to form a picture of Entain's likely performance in year six and following.

NZTR is not a party to the contract with Entain. However, we understand there are a number of contractual protections in the event of material non-performance. More importantly though, through the revenue share model, Entain are heavily incentivised to ensure success, particularly given the substantial investment which it is expected to make in the NZ business through the MG period, in particular.



TAB NZ ENTAIN AGREEMENT



FAQ's

8) What happens at the end of 25 years?

The arrangement with Entain has a term of 25 years. At the end of the term, TAB NZ could choose to take back the business, or continue the arrangement with Entain, or enter an arrangement with a new partner.

9) What is the “legislative net” and is it a good thing for NZ racing?

When the Minister of Racing announced his approval of the Entain strategic partnership arrangement, he also advised the Government's in principle commitment to extending the TAB's monopoly on racing and sports betting to the online environment. This is a very positive signal for NZ racing.

TAB NZ was first set up as a monopoly to fund New Zealand racing and, later, sports. This worked well in a physical/non-digital environment, i.e., in retail and on-course. However, the onset of unregulated online gambling has significantly eroded the TAB's monopoly and the racing industry has been losing millions of dollars annually offshore, ever since. That money is ending up with private shareholders, at the expense of New Zealand communities.

Regulating this environment through the introduction of a “legislative net” offers a significant new revenue source for local racing (and sport), while also addressing the inherent and serious risks in unregulated online gambling. Industry participants should not fear this change – the improved product offering and service from Entain, coupled with greater regulation of the online betting environment should result in a fairer deal for kiwi punters.

In terms of timeframe, the legislative net is being worked on by officials with legislation expected later in 2024.



TAB NZ ENTAIN AGREEMENT



FAQ's

10) If a legislative net is introduced, what does this mean for the Entain arrangement?

Entain has committed to making the following further payments should a legislative net be implemented in New Zealand:

- MG amounts will increase by \$15m per annum from 2024/25; and
- A one off \$100m payment will be made to TAB NZ.

In addition, given the significant amount of money being bet offshore (estimated at \$150-200m annually), it is expected that there would be significant increased revenue performance by Entain following the introduction of a legislative net.

11) What is the position with the proposed removal of TAB “pokies”?

TAB NZ currently holds a class 4 gaming licence, allowing it to operate pokie machines in some of its TAB retail sites. Profits from those machines are applied to a few purposes, namely amateur sports body grants and to fund the Racing Integrity Board.

At present, TAB NZ will continue to hold its gaming licence and retain and distribute profits, under the Entain arrangement. However, the Government has announced that, should the legislative net proceed, TAB NZ would need to relinquish its gaming licence. This would see the removal of gaming machines from all TAB sites.

There is much water to go under the bridge regarding this issue and nothing will change at present. Nonetheless, should this eventuate, it is evident that the potential upside from the legislative net would far exceed current gaming machine revenue.



TAB NZ ENTAIN AGREEMENT



FAQ's

12) What is the structure of TAB NZ going to look like going forward, and how much will this cost?

Under the new arrangement, all operational functions of the TAB (wagering, marketing, retail, media etc.) have moved to Entain.

TAB NZ is now a small statutory entity focusing on its remaining functions - delivering on its legislative obligations, monitoring and ensuring the regulatory and commercial performance of Entain, working with the Government on reforms to New Zealand's online gambling laws (such as the legislative net), class 4 gaming responsibilities, and maintaining the Dates Committee.

TAB NZ is currently working on its operational and staffing requirements as it embeds into its new role, but it is clear it will be a small organisation with a modest budget moving forward. The Codes will be consulted on the draft TAB NZ Statement of Intent 2024-26 prior to the start of the 2024 financial year (as is required under the Racing Industry Act 2020 (the Act)).

13) How is the TAB NZ Board going to be structured going forward?

The Act identifies the maximum membership and skills requirements of the TAB NZ Board. It also provides for the Codes to nominate members to the Board, for the Minister's approval. No changes have been made to the Act through this partnership process.

NZTR understands that the composition and membership of the TAB NZ Board is a matter under active consideration by the Minister and the TAB NZ Board Chair, given the reduction in functions of the TAB NZ organisation. NZTR expects that TAB NZ and the Minister will have more to say on this in due course.



TAB NZ ENTAIN AGREEMENT



FAQ's

14) What is the position with TAB NZ reserves?

Under the new arrangement, TAB NZ remains charged under the Act with maximising its profits for the long-term benefit of the racing industry. However, it also must operate in a financially responsible manner, including by making prudent financial decisions and ensuring adequate capital is maintained / reserved to ensure the financial viability of the organisation (particularly beyond the MG period).

TAB NZ is currently in the process of assessing its post transaction ongoing capital and balance sheet position, and future requirements, and expects to be able to discuss those further with the Codes at the start of the new season.

15) Has Racing NZ received any payment for the \$15m that was reduced from distributions by the TAB NZ in December 2022?

In December 2022, TAB NZ advised a \$15m reduction in distributions for the current season, due to its financial under performance through the first half of the year. In response, and to maintain participant and industry confidence, NZTR elected to draw from its own reserves, to ensure that Thoroughbred stakes were not reduced this season.

Given the subsequent advent of the Entain arrangement, and the financial injections that this brings, NZTR has approached TAB NZ to request that it consider making a \$15m payment to address the Racing NZ distribution reduction in the current racing season. NZTR will update the industry of TAB NZ's position, in due course.



TAB NZ ENTAIN AGREEMENT



FAQ's

16) Does NZTR, or the other Codes, have a “commercial agreement” with TAB NZ?

The Act provides for one or more of the Codes, or Racing NZ (who is the collective consultative body comprising all three Codes) to enter into a commercial agreement with TAB NZ for certain matters. This is not mandatory; it is up to the racing Codes and TAB NZ to determine if such an agreement is appropriate/efficient to govern matters between them (and self-evidently any agreement must have the approval of TAB NZ).

Racing NZ has approached TAB NZ to commence discussions on a commercial agreement, however, it is expected that a resulting agreement (if any) will be limited to matters of process/governance only. Currently, no racing Code has entered into a commercial agreement with TAB NZ.

17) What is needed from the industry to make the Entain arrangement a success?

Entain have made a significant commitment to New Zealand racing – the strategic arrangement will give an immediate period of guaranteed and increased funding for the industry. NZTR, and the other Codes, now have five years to ensure that this funding is best spent, and accompanying strategic decisions are made to ensure we are delivering an enhanced and relevant product for Kiwi punters. We need your help with doing this and together we will ensure that our industry can flourish into the future.

Still have questions?

For general enquiries about any content covered in this document, or any further questions, feel free to email nztrcommunications@nztr.co.nz

