



3 September 2010
MEDIA RELEASE

NZ Racing Board announces turnover and profit growth in 2009/10

The NZ Racing Board announced today its unaudited result for the 09/10 racing season (1 August 2009 to 31 July 2010). Despite the ongoing impact of the recession on household spending, the NZ Racing Board reported turnover and profit growth in the 09/10 year.

Unaudited net profit for 09/10 is \$128.3m before industry expenditure and distributions—7.7% growth from 08/09 (\$9.2m increase) and 49.7% higher than in 05/06 (\$42.6m increase), prior to the recession. Profit exceeded budget in 09/10 by 0.53%.

Turnover in 09/10 was \$1.582b, 4.5% higher than the previous year (\$69m increase) and 15.9% higher than in 05/06 (\$218m increase). Turnover growth has been led by Fixed Odds Betting (FOB) on sports (+40.4% v 08/09, \$56m higher) which offset a decline in Racing Tote turnover (-0.7% v 08/09). Turnover exceeded budget in 09/10 by 2.1%

Real GDP growth for New Zealand over the 12 months to 30 June 2010 was 0.9% (New Zealand Institute for Economic Research data).

“There is no doubt that the recession is still influencing peoples spending decisions. In this environment we are very comfortable with the way we have performed over the last year, and right through the recession,” says NZ Racing Board Chairman Michael Stiasny.

In 09/10, \$120.3m was paid to the racing industry in cash and a further \$4.7m contributed through funding industry initiatives such as integrity services, the Equine ITO, and on-course franchise events. Total funding to the racing industry has grown 42.3% over the past four racing seasons (\$37m increase). Total costs have increased 21.8% over the same period, but only 0.23% in 09/10.

The strong 09/10 performance is a result of NZ Racing Board focusing the TAB business on products and channels that attract a more modern customer group than its traditional base.

Spending on sports wagering has doubled in the past five years, and grew 40% in 09/10. A successful Football World Cup campaign, which saw the TAB open more than 34,000 new accounts and exceed profit targets, was a key driver of the 09/10 result.

The internet has also become a key part of the channel mix for the TAB. Spending through tab.co.nz grew 40% (\$97.3m) in 09/10, and the TAB launched a mobile version of the website for internet capable devices yesterday.

“To be relevant to people in their 20s and 30s we need to give them a TAB experience that fits their lifestyle. They have high expectations for their leisure time and dollar and we have worked hard over the last year to put the customer front and centre”, says Stiasny.

This customer focus has also presented a new set of challenges for the NZ Racing Board. A recent study commissioned from researchers Nielsen found that only 16% of New Zealanders have a positive impression of racing and wagering. Racing ranked the worst of all sports studied (Cricket, Rugby, Rugby League, Soccer and Tennis) on 11 of 13 attributes, including all six related to integrity issues.

“Our next big push is to shift perceptions of racing and wagering in order to grow participation in the sport. If people don’t believe in the integrity of Racing, then they won’t invest their time and money in the sport. Clearly we need to improve integrity to change perceptions and grow participation,” says Stiasny.

The NZ Racing Board announced last week that, from the 11/12 season, Racing Clubs will need to pass a Class IV Gaming Audit in order to receive a betting licence. The NZ Racing Board is also working with the three racing Codes to establish an independent Racing Integrity Unit to police the Rules of Racing. It is expected that the RIU will be fully operational by the end of the 10/11 season.

“We believe that if we can be more customer focused, break down the barriers to participation, and invest for growth, then the TAB can increase its profitability and we can continue to grow returns to the racing industry,” says Stiasny.

The NZ Racing Board will release its Business Plan for 2011-2013 this month which details budgeted turnover and profit growth for the coming three years, and major initiatives that will deliver these projections.

“We have plans to invest heavily in the business in the next five years in order to bring about some fundamental changes in the way we operate,” says Stiasny. “Our bricks and mortar retail network is going to be transformed, we are putting in place a new best-in-class betting engine, and we will deliver more customer-centric marketing initiatives.”

“We can’t grow this business if we don’t start challenging ourselves to do things differently. We are looking for a step change in the way we do business. This is the only way we can deliver sustainable profit growth and increase racing industry funding.”

Full audited results will be available with the NZ Racing Board’s Annual Report in October.

ENDS

For further information please contact: Jessica Venning-Bryan, Head of Communications on 027 294 0736 or by email, jessica.venning-bryan@nzzracingboard.co.nz