


TAB NZ FIVE YEAR PLAN

2021-2026



TAB



This Five Year Plan has been prepared in accordance with the Letter of Expectations delivered to TAB New Zealand in August 2020 (available on [TABNZ.org](https://www.tabnz.org)). This document is intended to be read in conjunction with the FY2022-2024 TAB NZ Statement of Intent.

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This Five Year Plan provides a foundational document to support TAB NZ in navigating complex decisions and competing tensions as it moves towards its 75th year. While the underlying financial platform of the organisation is now strong, the journey ahead will require a relentless commercial focus on improving our customers' experience, and a commitment to take our many and varied stakeholders with us.

Chair's Foreword

With the recent racing reforms now largely complete from a legislative perspective, this document will help support the new Board of TAB NZ to finalise the operational transition of the organisation and put it on a pathway to even greater success.

The TAB is more than just a betting business; there are many New Zealand organisations who are dependent on the revenue we generate.

As an independent statutory body, we also sit at a unique crossroad between Government and the competitive commercial realities of global wagering.

We face into strong competitive headwinds and the often competing tensions of our many and varied stakeholders.

The completion of the legislative reforms gives TAB NZ a generational opportunity to reset its approach to its core business.

This Five Year Plan is critical to ensure we not only build on the momentum of that reform programme, but also capitalise on the strong recent financial performance of the organisation in the last 12 months.

As an Interim Board, we've set out to create the best possible foundation for the incoming Board to ensure the organisation is well-placed to tackle the challenges ahead. The purpose of this Plan is not to bind them to any particular course of action, but rather to support them to make these decisions themselves, and with the best possible information available.

The nearly three years serving the organisation and our stakeholders has been an immense privilege. I'd like to pay special thanks to our current Racing Minister, Hon Grant Robertson and previous Minister, Rt Hon Winston Peters.

Between them, these Ministers have helped the organisation navigate turbulent times and created an enduring framework which will support TAB NZ (and all our stakeholders who depend on us) to thrive.

While there will be difficult challenges and decisions ahead, ultimately I believe the next five years will present considerable upside and excitement for this business and for all those who benefit from it.

Sincerely



A handwritten signature in blue ink, appearing to read 'Liz Dawson', with a long, sweeping horizontal line extending to the right.

Liz Dawson MNZM
Chair

Chief Transition Officer's Foreword

While the recent legislative reforms left TAB NZ with clear legislative objectives, it was necessary to build further on this and provide an overview of our focus and expected activity over the next five years.

The business is nearing the end of its transitional stage where we are focused on consolidating our financial position from the impacts of the last year, and building a stable platform which supports the business to expand in the years ahead.

The nature of our interim Board dictates this Plan will not provide a definitive nor exhaustive list of initiatives or investments over the next five years, nor does it provide a reflection of expected cost and revenue for any of the initiatives outlined.

It does, however, provide a clear outline of TAB NZ's operating environment, our key risks and opportunities, and a plan to address outstanding questions and areas of investigation for the incoming Board.

TAB NZ exists plainly and simply for the betterment of racing and sport. We aim to increase our customers' enjoyment of racing and sport through the products we provide, and with a strong commercial focus, the money we make goes back to help our racing and sporting communities thrive.

We set out to improve our performance through three key pillars of focus: **Our Operating Model; Our Integrity; and Our Partnerships.**

Our Operating Model lifts the hood on our core business – what are we doing now that we could be doing better, and what are things we aren't doing that we should be.

Our Integrity is about developing a systemic culture of integrity within the organisation – understanding how our customers are interacting with us, and how we uphold our sense of social responsibility to the community in which we operate.

Our Partnerships reflects one of our core intrinsic purposes: our drive to increase profits back to racing and returns back to sporting communities, whilst minimising any potential harm from our products.

All of this sits behind the overall theme we have developed for this Plan: **Live the Experience.** There are two facets to this: the customers' experience of racing and sport; and the customers' experience of our business.

Live the Experience means a focus on helping our customers build closer, more intimate connections to their favourite racing and sporting moments. It also means we have a relentless and fastidious attention to understanding and improving our customers' every interaction with us.

It's been a privilege to be a part of the reform programme and as part of this formative stage of TAB NZ.

Sincerely



A stylized handwritten signature in dark ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Dean McKenzie
Chief Transition Officer

Our Operating Environment

TAB NZ sits at a complex intersection between Government regulation; the needs of our community stakeholders; the maintenance of our social licence to operate; and the ever-evolving needs and interests of our customers.

Each of these factors creates a tension pulling the business into different and competing considerations. In the past, these competing tensions have forced previous iterations of the organisation into making particular decisions. Before considering what the organisation might achieve in the next five years, it is important to first start with a clear understanding of the environment in which we operate.

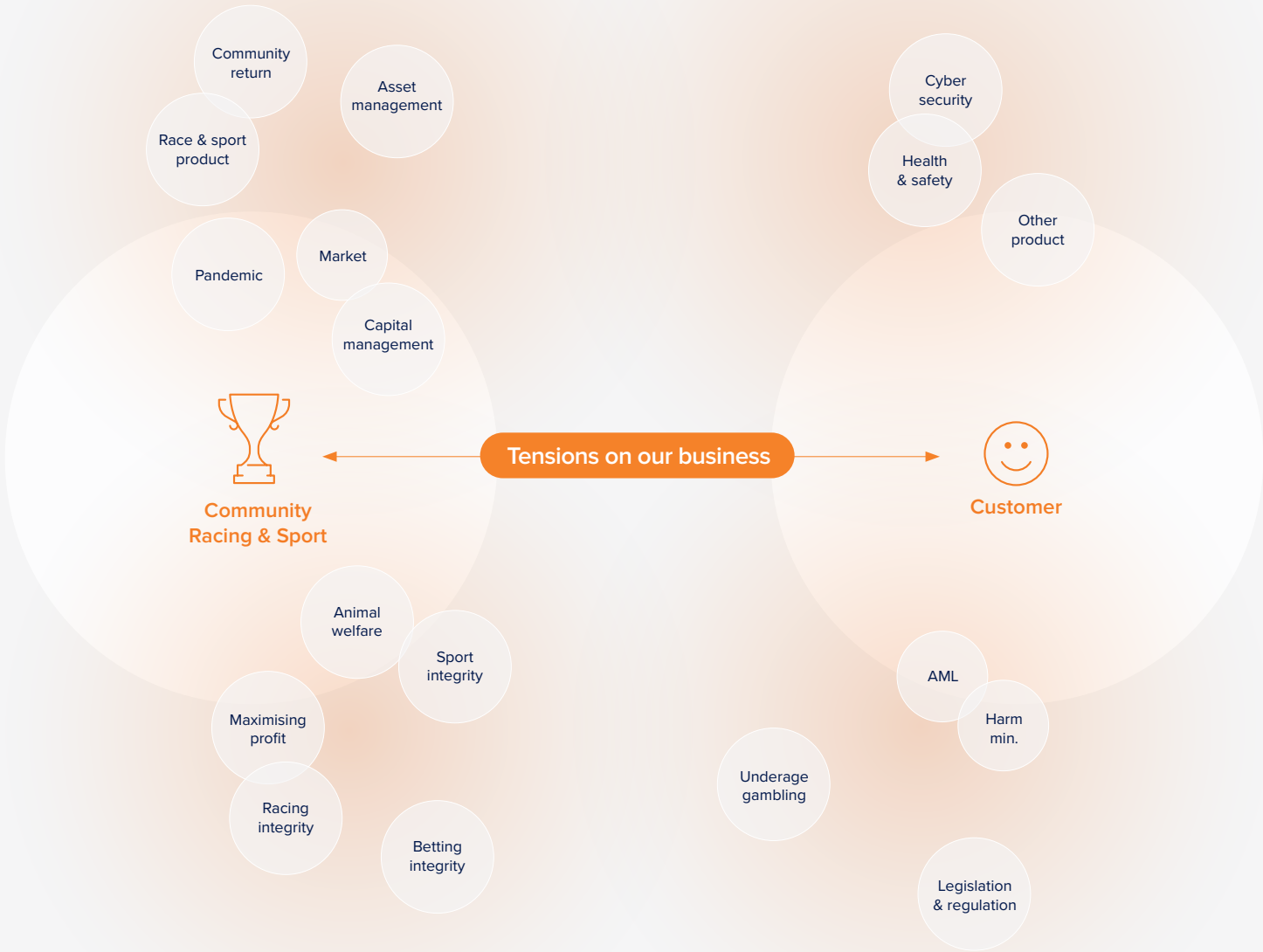
Our Customer – Stakeholder Balancing Act

One of the core (and historic) tensions facing TAB NZ is that between the interests of our **customers** and of our **racing and sporting stakeholders**. Our stakeholders want us to **increase our distributions and returns** to them each and every year. On the other hand, the ever-changing preferences of our customers will require continual and **significant investment** both in the business, and directly back to customers through the **pricing of our products**.

While this tension is similar to that experienced by most businesses, unlike those businesses, our stakeholders are not simply investors, they are the community and we have a legislative objective to **maximise profits and increase returns** for them. Many NSOs are almost entirely dependent on this revenue, and as the Messara Report clearly showed, the racing industry can't afford to go backwards.

Finding the right balance will require diligent focus on **asset and capital management**, and continued cost discipline. We will need to grow the overall amount of revenue available for retention or distribution, but with the least amount of risk. To do so will require innovative thinking, and a clear understanding of what the business is best placed to undertake itself, and what will require external support.

The balancing act between
the customer and our stakeholders



Our Legislative and Regulatory Bounds

While the Racing Industry Act aimed at moving TAB NZ into becoming a more commercially-focused organisation than its predecessors, we are still subject to a significant amount of **legislative and regulatory requirements**. Ensuring the organisation remains compliant will continue to be a critical area of focus.

Our compliance obligations cover many areas of our business, and will continue evolving. Our legislative and regulatory requirements include: conditions and restrictions on **the products we provide** (and the ones we want to); how we protect our customers; **anti-money laundering (AML)**; and even how commercial decisions are made, such as the Dates Calendar; potential partnering arrangements; and our corporate documentation.

Critically, many of our competitors are either not subject to the same requirements or held to lesser standards. Government levers have an important role in restoring some balance to this situation, and ensuring the interests of our stakeholders are protected in the Government's ongoing **Review of Online Gambling** will be pivotal.

Our Social Responsibility to the Community in which we operate

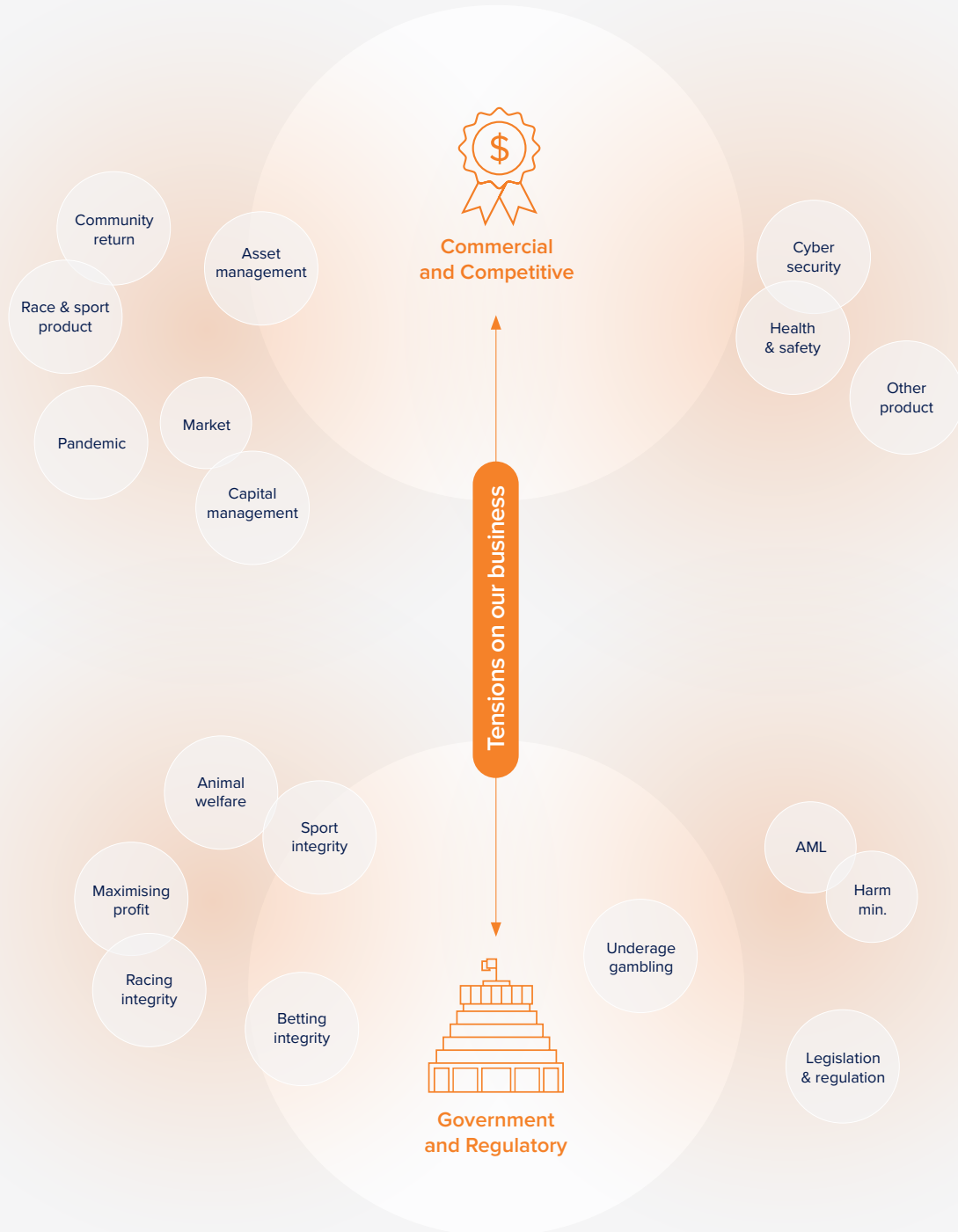
Given the inherent nature of our product offering, at the heart of each decision the business makes must be consideration of **our social responsibility to the community in which we operate**. It's critical that financial performance at the organisation doesn't come at the expense of impacts that don't measure on the organisation's balance sheet but are felt in the community at large.

We need to aspire to more than just meeting the minimum standards for **harm minimisation** and **underage gambling**, we must exceed them and set the industry standard for our approach. Our social licence to operate also hinges on an intrinsic purpose to **maximise what we give back** to the community.

The Known Unknowns

The last 18 months have demonstrated the potential impact of **external events** outside of the organisation's direct control. This includes the ongoing (and uncertain) impacts of the **pandemic**, and continual change and **disruption in the global wagering market**. We will need to continue monitoring these external variables closely, and improving the business' underlying resilience to weather any potential impacts.

The balancing act between our legislative and regulatory bounds



Our Strategic Focus

The following diagram captures the key components of our strategic direction and the initiatives we will look to progress.

TAB

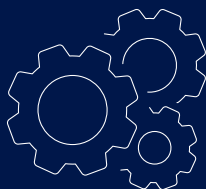
The betterment of racing and sport

Theme

Live the Experience

Strategic pillars

Operating Model



Integrity



Partnerships



Strategic priorities

Existing efficiencies



New opportunities



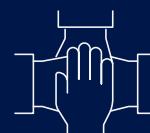
Brand



Customer experience



Community partners



Initiatives

- National Property Review
- Review Key Supplier Relationships
- Develop implementation strategies for Retail
- Review of Oncourse Operations
- Develop implementation strategies for Broadcasting
- Develop strategies for further consideration of strategic commercial partnering
- Future of Cash in the Business

- Engagement with Online Gambling Review
- Review Existing Opportunities in Racing Industry Act 2020
- Exploration of Other Licensing Opportunities
- The Future of Totalisator Betting

- Confirm funding expectations annually with Racing Integrity Board
- Finalise Racing Reform Regulations
- Ongoing Review and Refinement of AML Compliance Regime
- Refresh Responsible Gambling Strategy every 3 years
- Create and implement a TAB NZ People Plan
- Internal Assurance Review
- Launch examination of current brand (including all available options)

- Our Customers – Research Initiative
- Ongoing quarterly update of Product Roadmaps
- Establish Cross Business Customer Experience Team (CBCE)
- Review and Implement Recommendations of CBCE
- Streamlining our customer join journey
- Initiate customer acquisition and retention campaigns

- Develop and update a comprehensive TAB NZ stakeholder engagement plan
- Community Contribution Analysis (Community Give Back) and Communication Plan
- Review of Class 4 Authorised Purpose framework (including ongoing administrative framework)

This section summarises the various Strategic Priorities which helped shape the organisation's consideration of the next five years. These summaries should be read in conjunction with 2022-2025 TAB NZ Statement of Intent which covers each area in more detail, including specific initiatives.

Our Strategic Priorities



1 Existing Efficiencies

We need to continue reviewing our existing operating model to ensure the business is operating as efficiently and effectively as possible and maximising value. This involves considering: what is the TAB doing now that is a commodity product/service that can be outsourced for greater efficiency (or outsourced better), and what is so crucial that we need to run it in-house through a bespoke model?



2 New Opportunities

The TAB's historic approach of only operating a subsection of New Zealand's legalised gambling sector, and marketing it to a geographically capped audience inherently limits revenue potential. If there are opportunities to increase long term profitability by leveraging our existing expertise, capability, customer base, partnerships or assets they need to be explored.



3 Brand

The TAB's integrity underpins our whole existence and purpose – we must embed a culture of integrity across the whole organisation, and continue demonstrating externally the TAB brand as being strong, trustworthy and well-aligned to community values.



4 Customer Experience

The TAB has a specific legislative focus to promote and facilitate betting. However, given the highly competitive digital wagering market and our inherent lack of scale, we will need to make prudent investment decisions to maintain market relevance. This will require a ruthless focus on understanding (and improving) how our core customers interact with us.



5 Community Partners

The TAB has important strategic partnerships across racing, sport, and Government. In order to successfully deliver on its objectives, TAB will need to work closely with each of these stakeholder groups by developing comprehensive communication and engagement plans.

Measuring our performance

	NZRB* Actual 18/19	RITA** Actual 19/20	TAB NZ Forecast 20/21 as at 30 April 21	TAB NZ Budget 21/22	TAB NZ Target 22/23	TAB NZ Target 23/24	TAB NZ Target 24/25	TAB NZ Target 25/26
\$m								
Total Revenue and Other Income	348	369	366	364	371	383	398	415
Total Expenses	211	207	196	201	206	214	222	230
Total Expenses to Revenue (%)	60.6	56.1	53.6	55.2	55.5	55.8	55.8	55.4
Weekly Active Account Customers	63K	58K	67K	70K	74K	76K	78K	80K
Asset Investment	30	10	11	17	17	17	17	17
Borrowings	35	45	25	25	13	8	-	-
Working Capital	(21)	17	39	29	26	23	31	43
Balance Sheet Strength (Net Equity)	25	53	87	88	89	91	94	101
Harm Minimisation	TAB NZ maintains its position of having the lowest new presentations to treatment, year on year, in comparison to NCGM, Casino and NZLC sectors.							
Distributions and other payments to Racing***								
Distributions from Betting Net Profit	152	121	122	140	142	144	150	154
Betting Duty Relief	-	-	7	11	11	12	13	12
Betting Information Use Charge	-	-	18	20	21	21	22	22
Total	152	121	147	171	174	177	185	188
Payments to Sport***								
NSO Commission****	10	13	12	12	13	13	14	16
Betting Duty Relief	-	-	3	4	4	4	4	5
Total	10	13	15	16	17	17	18	21

* NZRB for 11 months, RITA was formed on 1 July 2019

** in this year, Government support was received by RITA and the industry due to the impacts of Covid-19

*** all distributions exclude Class 4 funds

**** subject to the finalisation of the regulations which determine payments to NSOs

Directory

(as at 31 July 2021)

Board members

Liz Dawson MNZM – Chair

Anna Stove

Bill Birnie CNZM

Kristy McDonald ONZM QC

Sir Peter Vela KNZM

Leadership team

Dean McKenzie

Chief Transition Officer

Edward Rennell

General Manager Broadcasting and Operations

Jessica Meech

General Manager Corporate and Governance Services

Sam Moncur

General Manager Finance

Simon Thomas

General Manager Customer and Betting

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