



INSIDE RUNNING

DECEMBER 2013

MESSAGE FROM CHRIS



Chris Bayliss, Chief Executive

Since starting in my role at the NZ Racing Board in August last year I've been privileged to meet a great number of our industry's owners, punters, trainers, breeders and administrators. What always strikes me is the passion and interest that is embodied in racing's participants.

When meeting our stakeholders I like to understand individual viewpoints. To convey the strategy and objectives that we at the NZ Racing Board aim to deliver on, we try to meet as many people as possible.

We are regularly hosted by Des Coppins on Radio Trackside, and we also present to various industry groups and meetings. However, it is important to reach a wider audience. As a quarterly newsletter, Inside Running aims to go some way towards achieving this.

Given the time of year, I would like to take the opportunity to reflect on 2013. It has been a year of transformation and collaboration that has resulted in some significant successes that we are very proud of, which have enabled us to clarify our direction for the future.

The NZ Racing Board is constantly driven by our core purpose, which includes promoting, enhancing and generating long term profit for the racing industry, so we were delighted to announce a record financial year. This included record turnover of \$1.957 billion, up \$142.8 million (7.9%) on the previous year, and a record total distribution of \$142.0 million to the country's three Racing Codes and industry.

Other major milestones achieved in 2013 included putting a new leadership team in place, increasing capability across the organisation at all levels, establishing clarity of accountability and focus, and finalising a five-year Corporate Strategy.

With our strategy now in place we have a clear plan to take this business forward, clear metrics for measuring our progress and clear goals to enable us to achieve our aspirational vision for the industry.

Our vision is 'To be the best entertainment business for New Zealand', and our strategic goals for the next five years are:

- Generate a surplus of \$160-\$180m
- Grow stakes by 50%
- Grow returns to owners by 50%
- Generate 30% turnover from new markets and products
- Reduce cost-to-income ratio to below 30%

Achieving these goals requires transformation and collaboration, and we're on the right track. Collaboration between the codes is vastly improved over the last year and now that we have our own corporate strategy in place we can focus on developing a strategy for the entire industry that will drive change and sustainable growth.

I'm a big believer in 'being the change you want to see'. I'm confident that our culture, capability and frameworks will make the NZ Racing Board match-fit to deal with the challenges ahead, and I'm fully focused on delivering what we commit to.

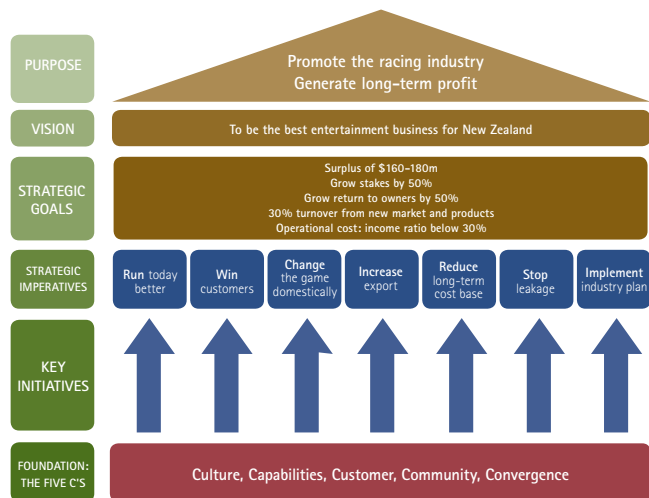
We would love to hear your feedback on Inside Running, so please let us know your thoughts or any questions you would like us to answer in the next newsletter by sending them to insiderunning@nzracingboard.co.nz

I look forward to working with you to make further positive strides, and to continue to transform this industry to realise its full potential.

Season's greetings,

Chris

THE NZ RACING BOARD'S STRATEGY ON A PAGE



2013 NEW ZEALAND RACING WRAP

Firstly, congratulations to all those involved with last season's champion horses and greyhound:

- Ocean Park (Horse of the Year)
- Terror to Love (Harness Horse Of The Year)
- Thrilling Brat (Greyhound of the Year)

A new racing season has now kicked off and momentum has built-up through spring. Congratulations to all successful owners, trainers, jockeys and drivers so far this season. Some memorable moments from this spring season were:

- Rangatira, having lead for almost the whole 6400m, bravely re-gathering for a win by a nose over the hard challenging Kidunot in the Great Northern Steeplechase.
- Ransomed providing maiden Group One wins for trainer Gary Vile and jockey Jonathan Parkes in the Turks Spring Classic.
- Bright Star's 14 consecutive wins.
- It's A Dundee beating Atlantic Jewel in a head-to-head sprint to victory in the Underwood Stakes, breaking Atlantic Jewel's previously undefeated record.
- Terror to Love's unforgettable third consecutive NZ Trotting Cup victory. This win also provided Ricky May a record seven Cup wins, eclipsing Cecil Devine's longstanding record.

We now move on to New Zealand's huge range of summer meetings. To all those involved in racing through the summer months, we wish you every success!

NEW DEVELOPMENTS ON THE HORIZON

In line with the NZ Racing Board's Corporate Strategy and its core purpose, which includes promoting and enhancing the racing industry and generating long term profit for the racing industry, a range of key initiatives are being progressively implemented across the business. New developments toward key initiatives include:

Broadcasting and Digitising the Business

- The NZ Racing Board has commenced a partnership with Prime Television that will deliver increased coverage of premier race meetings on mainstream television. Iconic New Zealand racing events Prime will broadcast include the New Zealand Trotting Cup, New Zealand Cup (gallops), Wellington Cup, Karaka Million, Waikato Sprint, Auckland Cup, Harness Jewels and the Great Northern Steeplechase.
- Streaming of live racing coverage over the internet will launch late December as Watch&Bet Racing. This delivers simulcast Trackside TV to account customer's PCs, iPads and iPhones.

Product Innovation

- TAB plans to launch Triple Trio in January, with a \$1,000,000 minimum jackpot. A winning Triple Trio bet requires selection of the first three placed runners (any order) in three nominated races.
- Sport Multis are being redesigned to be easier for customers. You may have seen the 'Combine the Codes' advertising campaign on major websites such as Stuff.co.nz and NZHerald.co.nz. This format of multi is being developed for continued use.

Strategic Retail Growth:

- The NZ Racing Board currently has a network of 680 retail sites and is implementing an ongoing programme that aims to realign its TAB retail network across the country to ensure that customers receive the best possible service.
- Currently, the NZ Racing Board operates 32 Class 4 venues with 341 machines (less than 2% of New Zealand's non-casino machines). A modest expansion in the number of Class 4 venues is planned, although this is dependent on local body approvals. Around 91 cents of every dollar spent on gaming is returned to the customer. It is worthwhile noting that up to 20% of the net proceeds of NZ Racing Board are available to fund sports authorised purposes. The remainder is applied to racing authorised purposes; currently this principally funds the racing industry's integrity operations.



EVENT MARKETING AND LOGISTICS

NZ Racing Board's team responsible for supporting the planning and delivery of race-day event franchises and other raceday support has been renamed the Events Marketing and Logistics team (EML).

Headed by Janice Hill, the EML team plays a key role in the planning and marketing of racedays including Christmas at the Races and Interislander Summer Festival.

The EML team collaborates closely with Clubs and would like to acknowledge that the ultimate success of racedays is due to the friendly cooperation and enormous efforts of each participating Club.

Since commencing the first of the event initiatives in 2007, the EML team now supports Clubs' marketing and event delivery of:

- 56 Christmas at the Races events
- 40 Interislander Summer Festival events
- 14 Mid-Winter Christmas at the Races events
- Logistics and event support (marquees, big screens, customer research, attendance counting etc.) for many other Cup, Carnival and feature events
- General marketing support and materials for events including advertising design and the theraces.co.nz website which will feature details of almost 300 events this season

The team is into delivery mode at present. Progress reports and advance hospitality sales for this season's Christmas at the Races events are in line to beat previous records. Many

Clubs including Auckland, Hawke's Bay, Wellington, Geraldine and Otago are sold out or have reached a record number of hospitality bookings for the day.

Demand for the NZ Racing Board-owned and managed temporary facilities (including marquees) continues to grow and the team holds bookings from over 130 events this season.

The EML team are willing to help with marketing or event planning that Clubs may be considering. If interested, please make contact with:

- North Island Clubs: Eve Whyte
027 839 6618 or Eve.Whyte@nzzracingboard.co.nz
- South Island Clubs: Tony Russell
027 432 6522 or Tony.Russell@nzzracingboard.co.nz
- National: Janice Hill
027 272 4734 or Janice.Hill@nzzracingboard.co.nz



RACING INTEGRITY OPERATIONS

Occasionally the NZ Racing Board hears from people who question the performance and the cost of operating New Zealand's racing integrity systems. Over the past twelve months the NZ Racing Board, in collaboration with the three racing Codes, has devoted considerable energy towards ensuring that we are collectively satisfied with these systems and structures.

The key undertaking was an independent review of the operations of the Racing Integrity Unit (RIU). The RIU commenced operation in January 2011, so this year was considered an opportune time to ensure that the RIU is fulfilling its objectives and functions.

The independent review of the RIU was broadly complimentary of the unit's past performance, while providing a number of recommendations that together identify a results-focused future path. This includes a greater emphasis on investigative capabilities, and partnerships with racing participants and regulatory and law enforcement agencies.

The Board and management of the RIU have adopted these recommendations into a revised business plan, which has been endorsed by the NZ Racing Board and racing Codes. Together, all organisations are committed to the RIU's provision of integrity services for a further term ending January 2019.

Having been through a formative period, the RIU now has a new impetus and set of objectives which will ensure the future integrity of New Zealand racing.

The costs of funding the RIU, the Judicial Control Authority and laboratory testing of equine and greyhound swabs together comprises a considerable commitment to the future integrity of racing. The NZ Racing Board emphasises that while such expenditure is justified, it is not an indictment on the conduct of New Zealand's racing participants, who are committed to honest racing. It is a necessary safeguard for ensuring the future reputation of New Zealand racing. This reputation must be actively preserved to give current and future bettors and owners the confidence to continue their investment in, and commitment to, racing.

On behalf of industry's stakeholders, the NZ Racing Board and the Codes will remain committed to ensuring the effective and efficient provision of integrity services to support the future reputation of racing.



Q1 PERFORMANCE HIGHLIGHTS

The NZ Racing Board met a challenging profit objective for the first quarter of the current financial year with revenue in line with budget. In addition, compared to the same period last year:

- There are 8% more betting options available to customers.
- Digital (Internet and mobile) share of sales are now 33% (compared with 28% last season).
- The number of unique active accounts is up 6.5%.
- Sports betting profit margins are much stronger than in quarter one last season.

DIARY REMINDERS

Club financial statements and Class 4 Audits and Schedule for the 2012/13 racing season must be delivered to NZ Racing Board by 31 December.

Funding applications to the Minister's Racing Safety Development Fund (2014 season Round 2) open on 1 February 2014 and close on 31 March 2014.

INSIDE RUNNING DISTRIBUTION

- Inside Running is emailed to Codes, Clubs, and other recognised industry bodies, along with other industry partners.
- This may be freely circulated to respective committees, members or other interested persons.
- A copy will also be placed on the NZ Racing Board website (www.nzrb.co.nz).
- If you wish to be added to the initial circulation list, please provide your email address to insiderunning@nzzracingboard.co.nz

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