



4 November 2016

## Paddy Power Betfair plc - Q3 2016 Trading Update

**EBITDA up 53%; full year profit guidance raised**

Paddy Power Betfair plc (the “Group”) today announces a trading update for the three month period ended 30 September 2016 (“Q3 2016”)<sup>1</sup>.

### Q3 highlights

- Revenue up 25% to £404m (up 15% in constant currency, “cc”<sup>2</sup>)
- Growth driven by sports, including a strong conclusion to the Euro 2016 tournament, with sportsbook stakes up 26% (cc +14%)
- Underlying EBITDA up 53% to £113m and underlying operating profit up 68% to £95m
- Underlying EBITDA margin increased from 23% to 28%

### Outlook

- Q3 trading and accelerated synergy delivery results in higher full year profit guidance: underlying EBITDA now expected to be between £390m and £405m

### Breon Corcoran, Chief Executive, commented:

“This was another good quarter for Paddy Power Betfair. We are continuing to focus on building a stronger combined operation by exploiting the unique assets and capabilities of each legacy business, and on using our scale to better serve our customers.

Work is underway to combine the best of Betfair and Paddy Power’s technology into a multi-brand, multi-channel, multi-jurisdictional platform that will start to unlock the full potential of the Group’s scale and will lead to increased pace of development and faster roll out of new products.”

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<sup>1</sup>All results in this trading update are on a proforma basis, as if Paddy Power and Betfair had always been merged with the comparative period representing the three months ended 30 September 2015 (“Q3 2015”). Reported profitability, including EBITDA and operating profit, is on an underlying basis and excludes exceptional items and amortisation of intangible assets relating to the merger

<sup>2</sup> Constant currency growth throughout this trading update is calculated by retranslating non-sterling denominated component of Q3 2015 at Q3 2016 exchange rates

## Group Summary

<i>Proforma, unaudited</i> £m	Q3 2016	Q3 2015	Change %	Constant Currency Change %
Sportsbook stakes	2,414	1,919	+26%	+14%
<i>Sportsbook net revenue %</i>	<i>9.4%</i>	<i>9.0%</i>	<i>+0.4%</i>	<i>+0.4%</i>
Sports net revenue	316	249	+27%	+15%
Gaming net revenue	88	76	+16%	+14%
<b>Total net revenue</b>	<b>404</b>	<b>324</b>	<b>+25%</b>	<b>+15%</b>
<b>Underlying EBITDA</b>	<b>113</b>	<b>74</b>	<b>+53%</b>	<b>+49%</b>
<i>Underlying EBITDA margin %</i>	<i>28.0%</i>	<i>22.7%</i>	<i>+5.3%</i>	
<b>Underlying operating profit</b>	<b>95</b>	<b>57</b>	<b>+68%</b>	<b>+68%</b>

*Note divisional key performance indicators are included in the Appendix*

## Revenue

Group revenue increased by 25% to £404m. This included a £28m benefit from the translation of non-UK revenues due to the weakness of Sterling. On a constant currency basis revenue was up 15%. The quarter also benefitted from a strong conclusion to Euro 2016, which generated £16m of revenues across the Group in July (bringing the total to £38m for the whole tournament).

Revenue from regulated markets represented 96% of total revenues in the period.

### *Online*

Revenue increased by 20% to £222m (cc +15%), including a 26% (cc +21%) increase in sportsbook revenue and a 15% (cc +9%) increase in exchange revenue. Sportsbook growth was driven by an increase in stakes, which were up 21%. Exchange revenue benefitted from Euro 2016 and favourable sports results that positively affected revenue from high value customers.

### *Australia*

Revenue increased by 21% in local currency, driven by a 17% increase in stakes and more favourable sports results. Stakes growth in the period continued to benefit from the contribution from our 'Bet Live' product with in-play representing 15% of stakes in the quarter versus 6% in the comparative period. Following a request from the relevant regulatory body, the Northern Territory Racing Commission, this product was withdrawn on 4 October.

### *Retail*

Revenue increased by 19% to £76m (cc +11%). Excluding the impact of new shops and currency movements, like-for-like revenue increased by 9%. This like-for-like growth comprised of an 8% increase in sportsbook revenues, driven by favourable sports results, and machine gaming growth of 10%. The Group opened three shops in the UK during the quarter, taking our total estate across the UK and Ireland to 606 shops.

### *US*

Revenue was up 4% in local currency with flat revenues at TVG and growth of 57% in our online casino in New Jersey. The slowdown in TVG's growth compared to prior periods was due to increased competitive intensity in what remains a low growth market as well as the loss of a customer deposit method.

## **Profitability and financial position**

Revenue growth combined with operational leverage led to a 53% increase in underlying EBITDA to £113m (Q3 2015: £74m), representing an EBITDA margin of 28% (Q3 2015: 23%). Underlying operating profit increased by 68% to £95m (Q3 2015: £57m). Underlying EBITDA included a £2m foreign exchange translation benefit.

Operating costs increased by 14% in the period, or by 3% on a constant currency basis. Within this, sales & marketing spend increased by £13m or 25% (cc +14%), and there was a £12m benefit from merger synergies.

At 30 September 2016, the Group had £3m of net debt, excluding customer balances, after payment in the period of £27m of merger related exceptional expenses and £32m of dividends.

## **Outlook**

Since our Interim results trading has been good, with favourable sporting results in the second half of Q3 mitigating poor horseracing margins in July and early August.

Most of the actions required to deliver the £65m of annual synergy savings from the merger have been completed and integration is ahead of plan. We now expect £35m of merger synergy benefits in 2016, £5m more than previously forecast.

As a result of the above, we now expect proforma underlying EBITDA for the full year to be between £390m and £405m, up from our previous guidance of between £365m and £385m.

Our industry remains highly competitive and is exposed to the prevailing economic and regulatory environments which affect both market growth rates and profitability. However, we continue to believe our scale, market positions and capabilities position us well for sustainable, profitable growth.

**Appendix: Q3 2016 Divisional Key Performance Indicators**

*Proforma, unaudited*

£m	Online				Australia				Retail				US				Group			
	Q3 2016	Q3 2015	% Change	CC <sup>1</sup> % Change	Q3 2016	Q3 2015	% Change	A\$ % Change	Q3 2016	Q3 2015	% Change	CC <sup>1</sup> % Change	Q3 2016	Q3 2015	% Change	US\$ % Change	Q3 2016	Q3 2015	% Change	CC <sup>1</sup> % Change
Sportsbook stakes	1,256	1,036	+21%	+16%	732	506	+45%	+17%	426	377	+13%	+2%					2,414	1,919	+26%	+14%
Sportsbook net rev %	7.4%	7.3%	+0.1%	+0.1%	11.2%	10.8%	+0.4%	+0.4%	12.2%	11.3%	+0.9%	+0.9%					9.4%	9.0%	+0.4%	+0.4%
Sports net revenue	162	134	+21%	+16%	82	55	+50%	+21%	52	43	+22%	+10%	21	18	+17%	-1%	316	249	+27%	+15%
Gaming net revenue	60	52	+16%	+13%	-	-	-	-	24	22	+12%	+12%	3	2	+85%	+57%	88	76	+16%	+14%
<b>Total net revenue</b>	<b>222</b>	<b>186</b>	<b>+20%</b>	<b>+15%</b>	<b>82</b>	<b>55</b>	<b>+50%</b>	<b>+21%</b>	<b>76</b>	<b>64</b>	<b>+19%</b>	<b>+11%</b>	<b>24</b>	<b>20</b>	<b>+22%</b>	<b>+4%</b>	<b>404</b>	<b>324</b>	<b>+25%</b>	<b>+15%</b>
Regulated markets	204	170	+20%	+16%	82	55	+50%	+21%	76	64	+19%	+11%	24	20	+22%	+4%	386	309	+25%	+15%
Unregulated markets	18	16	+17%	+2%	-	-	-	-	-	-	-	-	-	-	-	-	18	16	+17%	+2%
<b>Total net revenue</b>	<b>222</b>	<b>186</b>	<b>+20%</b>	<b>+15%</b>	<b>82</b>	<b>55</b>	<b>+50%</b>	<b>+21%</b>	<b>76</b>	<b>64</b>	<b>+19%</b>	<b>+11%</b>	<b>24</b>	<b>20</b>	<b>+22%</b>	<b>+4%</b>	<b>404</b>	<b>324</b>	<b>+25%</b>	<b>+15%</b>
<b>Underlying EBITDA</b>																	<b>113.1</b>	<b>73.7</b>	<b>+53%</b>	<b>+49%</b>
<b>Underlying operating profit</b>																	<b>95.4</b>	<b>56.8</b>	<b>+68%</b>	<b>+68%</b>

<sup>1</sup> Constant currency ('CC'), with non-sterling denominated component in Q3 2015 retranslated at Q3 2016 exchange rates

**Analyst Call:**

The Group will host a conference call for institutional investors and analysts this morning at 8:30am (IST/BST). To dial into the conference call, participants should dial 0844 800 3850 or 0208 996 3900 from the UK, (01) 242 1074 from Ireland and +44 844 800 3850 from elsewhere. The passcode is 643 347 79.

A replay of the call will be available later today on our corporate website:  
<https://www.paddypowerbetfair.com/investor-relations/results-centre/2016>.

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**About Paddy Power Betfair**

*Paddy Power Betfair plc is one of the leading sports betting and gaming groups in the world.*

*The business was formed from the February 2016 merger of Paddy Power plc and Betfair Group plc and has four divisions:*

**Online**, which runs two of Europe's leading online sports betting and gaming brands, Paddy Power and Betfair, as well as a telephone based sportsbook and a number of B2B partnerships

**Australia**, consisting of Sportsbet, the market leader in the fast-growing Australian online betting market

**US**, which combines TVG, America's leading horse-racing TV and betting network, Betfair Casino, an online casino in New Jersey, and the Betfair New Jersey Exchange

**Retail**, which operates over 600 Paddy Power betting shops across the UK and Ireland, employing 5,000 people.

*Following the successful merger, Paddy Power Betfair's strategy is to create and sustain a world class, high performing business by strengthening or developing leading positions in large regulated markets. This will be achieved by generating superior returns through scale, capability and innovation, fuelled by focussed investment in people, technology, product, risk, trading and marketing, primarily in mobile online sports betting.*