



4 May 2016

**Paddy Power Betfair plc**

**Q1 2016 Trading Update**

Paddy Power Betfair plc (the “Group”) today announces a trading update for the three month period ended 31 March 2016 (“Q1 2016”). The merger of Paddy Power plc (“Paddy Power”) and Betfair Group plc (“Betfair”) completed on 2 February 2016 and this trading update is prepared on a “Proforma” basis for the Group as if Paddy Power and Betfair had always been merged. The comparative period is the three months ended 31 March 2015 (“Q1 2015”). All results are on an underlying basis and exclude exceptional items and amortisation of intangible assets relating to the merger.

- Revenue up 16% to £339m, with good performances across all divisions
  - Online revenue up 17% to £195m, with sportsbook stakes up 23%;
  - Australia revenue up 25%<sup>1</sup> to £58m, with sportsbook stakes up 31%<sup>1</sup>;
  - US revenue up 22%<sup>1</sup> to £20m; and
  - Retail revenue up 5% to £67m, with sportsbook stakes up 9%.
- EBITDA up 27% to £59m
- Operating profit up 36% to £43m

**Breon Corcoran, Chief Executive, commented:**

“All four of our brands – Paddy Power, Betfair, Sportsbet and TVG – continue to trade well in a highly competitive environment. This good start to the financial year is a credit to our colleagues, particularly at a time when we are bringing together two businesses. Our marketing, technology and operations performed well throughout the key spring racing period and we are now focused on preparations for Euro 2016.

The post-merger integration is on-track. A strong leadership team is in place and restructuring of the business has commenced. We are working to bring the best of each business to the combined Group and customers are starting to see some early benefits as we roll out product features across the brands.”

---

<sup>1</sup> Growth rates are in local currency

## Group Summary

<i>Proforma underlying, unaudited</i>	Q1 2016	Q1 2015	Change %
Sportsbook stakes	2,289	1,888	+21%
<i>Sportsbook net revenue %</i>	7.5%	7.7%	-0.2%
Sports net revenue	254	219	+16%
Gaming net revenue	85	74	+16%
<b>Total net revenue</b>	<b>339</b>	<b>293</b>	<b>+16%</b>
<b>EBITDA</b>	<b>59.1</b>	<b>46.7</b>	<b>+27%</b>
<b>Operating profit</b>	<b>42.5</b>	<b>31.2</b>	<b>+36%</b>

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

## Revenue

Group revenue increased by 16% to £339m. Sportsbook stakes increased by 21% to £2.3 billion but revenues in both periods were impacted by adverse sports results, most notably this year at the Cheltenham Festival where, across the Group, customers' net winnings totalled over £20m. Revenue from regulated markets represented 95% of total revenues in the period.

### *Online*

Online revenue increased by 17% to £195m. Within this, revenue from regulated markets was up 21% and unregulated revenues fell by 14%, mostly due to the impact of exiting from Portugal in July 2015.

Sports revenue increased by 17% to £135m, driven by a 23% increase in sportsbook stakes and 5% growth in Exchange & B2B revenues. Mobile continues to be the key driver of sportsbook growth and now represents 76% of revenues. Last month we launched an innovative feature, 'Kicker', which suggests an additional bet to football customers on the bet slip, giving them the chance to earn an escalating pay-out based on their backed team's margin of victory.

Gaming revenue was up 17% to £60m driven by increased cross selling from sports and a strong performance in mobile revenues, which grew by 43% to contribute 56% of total gaming revenues.

### *Australia<sup>1</sup>*

Sportsbet continues to grow strongly and take market share. Stakes increased by 31% to £577m, driven by 42% growth in active customers. Revenue, up 25% to £58m, was somewhat impacted by adverse sports results in the period. Telephone staking continues to grow strongly following the release of our 'Bet Live' product in December. During the quarter we launched a new product, 'Multibuilder', which enhances the ease with which customers can place accumulator bets on our apps, leading to customers selecting more legs-per-bet.

### *US<sup>1</sup>*

Betfair US revenue was up 22% to £20m with 19% growth at TVG supplemented by continued growth in the online casino in New Jersey. Betfair US has been awarded a licence to operate an exchange wagering platform for horseracing in New Jersey and will launch the product on 10 May.

---

<sup>1</sup> Growth rates are in local currency

### *Retail*

Revenue increased by 5% to £67m, with 3% sportsbook growth and 8% machine gaming growth. Excluding the impact of new shops and year-on-year currency movements, like-for-like revenue decreased by 1%. This was due to adverse sports results, which offset sportsbook stakes growth of 2% and machine gaming growth of 3%. During the quarter we opened four shops and closed one, taking our total estate to 601 shops.

### **Profitability and financial position**

EBITDA increased by 27% to £59m (Q1 2015: £47m) and operating profit increased by 36% to £43m (Q1 2015: £31m). Within this, sales & marketing spend increased by £13m or 22%, and new taxes and product fees increased costs by £3m, primarily relating to point of consumption tax in Ireland and increased machine gaming duty in the UK.

As at 31 March 2016, the Group had net debt of £54m, excluding customer balances.

### **Integration**

The integration of the two businesses is progressing well and we have started to bring together the best attributes of each business to create a stronger combined operation.

Our leadership team has been appointed and the restructuring of their teams, where required, has commenced. This involves the rationalisation of some duplicated roles and the consolidation of our office locations. We remain confident that our target of delivering synergy cost savings of £50m per annum will be achieved.

Customers are starting to benefit as we share products between our brands. Early examples of this include making a number of proprietary games from the Paddy Power in-house development studio (Cayetano) available on the Betfair website and mobile apps, use of Timeform analysis and data in Paddy Power retail shops, and the introduction of new markets such as minute-by-minute football betting on Paddy Power and Gaelic sports on the Betfair sportsbook. This sharing of products represents an early opportunity to enhance our customer proposition as a result of bringing our two businesses together.

**Appendix: Q1 2016 Divisional Key Performance Indicators**

*Proforma underlying, unaudited*

£m	Online			Australia				US				Retail			Group		
	Q1 2016	Q1 2015	% Change	Q1 2016	Q1 2015	% Change	A\$ % Change	Q1 2016	Q1 2015	Change %	US\$ % Change	Q1 2016	Q1 2015	% Change	Q1 2016	Q1 2015	% Change
Sportsbook stakes	1,305	1,059	+23%	577	454	+27%	+31%					407	375	+9%	2,289	1,888	+21%
Sportsbook net revenue %	5.4%	5.3%	+0.1%	10.0%	10.5%	-0.5%	-0.5%					10.7%	11.3%	-0.6%	7.5%	7.7%	-0.2%
Sports net revenue	135	116	+17%	58	47	+22%	+25%	17	14	+26%	+19%	44	42	+3%	254	219	+16%
Gaming net revenue	60	51	+17%	-	-	-	-	2	1	+62%	+53%	23	21	+8%	85	74	+16%
<b>Total net revenue</b>	<b>195</b>	<b>167</b>	<b>+17%</b>	<b>58</b>	<b>47</b>	<b>+22%</b>	<b>+25%</b>	<b>20</b>	<b>15</b>	<b>+29%</b>	<b>+22%</b>	<b>67</b>	<b>64</b>	<b>+5%</b>	<b>339</b>	<b>293</b>	<b>+16%</b>
Regulated markets revenue	177	146	+21%	58	47	+22%	+25%	20	15	+29%	+22%	67	64	+5%	321	273	+18%
Unregulated markets revenue	17	20	-14%	-	-	-	-	-	-	-	-	-	-	-	17	20	-14%
<b>Total net revenue</b>	<b>195</b>	<b>167</b>	<b>+17%</b>	<b>58</b>	<b>47</b>	<b>+22%</b>	<b>+25%</b>	<b>20</b>	<b>15</b>	<b>+29%</b>	<b>+22%</b>	<b>67</b>	<b>64</b>	<b>+5%</b>	<b>339</b>	<b>293</b>	<b>+16%</b>
<b>EBITDA</b>															<b>59.1</b>	<b>46.7</b>	<b>+27%</b>
<b>Operating profit</b>															<b>42.5</b>	<b>31.2</b>	<b>+36%</b>

**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 01296 480 100 from the UK, (01) 242 1074 from Ireland and +44 1296 480 100 from elsewhere. The passcode is 442 892 76.

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

ENDS

Contact:

Paul Rushton, Investor Relations

+ 44 20 8834 6139 / + 353 1 903 9105

James Midmer, Corporate Communications

+ 44 20 8834 6843 / + 353 1 903 9106

Billy Murphy, Drury / Porter Novelli

+ 353 1 260 5000

Rob Greening, Powerscourt

+ 44 20 7549 0748