



2 May 2019

Q1 2019 Trading Update – Good underlying momentum

Paddy Power Betfair (the “Group”) announces a trading update for the three months ended 31 March 2019.

Unaudited £m~	Q1 2019	Q1 2018	YoY %
Sports revenue	366	319	+15%
Gaming revenue	113	90	+26%
Total revenue	478	408	+17%

- Q1 revenue grew 17% year-on-year, driven by excellent growth in both Australia and the US
- Sports: strong revenue growth in Sportsbet and FanDuel; Online performance affected by unfavourable sports results in UK and Ireland
- Gaming: excellent growth across both European and US online businesses, with growth further supplemented by the acquisition of Adjarabet at the beginning of February
- Outlook: 2019 Group (ex-US) full year profit outlook remains in line with our expectations; continuing to see good returns on US investment

Peter Jackson, Chief Executive, commented:

“Q1 was a good quarter for the Group with revenues up 17%, notwithstanding customer friendly sports results in the UK. Underlying momentum remains good for Paddy Power with 22% growth in average daily actives. For Betfair, we continue to make good progress on the technology development work to enhance our global customer propositions which will enable us to accelerate international growth. Meanwhile, the geographical diversification of our online business has been further enhanced by the addition of Adjarabet in February, with integration progressing well.

In Australia, Sportsbet delivered a very strong quarter with revenues increasing by 20%. As we anticipated, our ongoing investment in customer value and the recent tax increases are strengthening Sportsbet’s competitive positioning.

In the US, FanDuel Group is making huge progress, with our unique proposition of brand, product offering, existing fantasy customer base, US market experience and global sports betting expertise driving a Q1 New Jersey sports betting market share of 50%.

We continue to refine our responsible gambling operating capabilities, with the launch of an enhanced CAAP proprietary model that enables us to identify and interact with at-risk customers. The model now monitors over 115 customer behaviours daily and assigns risk scores to each active customer. Continuing to be proactive both with our own initiatives and through collaboration with our industry peers is imperative as we focus on the long-term sustainability of our operations and our industry.

Trading in April has been in line with our expectations. In the US, FanDuel remains well positioned to generate good returns on ongoing sports betting investment and for rest of the Group we remain on track to meet our full year profit expectations despite the adverse sports results in Q1. We remain excited about the growth opportunities that lie ahead for the Group.”

~ Differences due to rounding

Divisional analysis

<i>Unaudited</i> £m	Online		Australia		US		Retail	
	Q1 2019	YoY %	Q1 2019	A\$ YoY %	Q1 2019	US\$ YoY % Proforma ¹	Q1 2019	YoY %
Sports revenue	152	-6%	96	+20%	69	+43%	50	-5%
Gaming revenue	76	+31%	-	-	9	+83%	27	+2%
Total revenue	228	+4%	96	+20%	78	+47%	77	-2%

Online

Online revenue increased by 4% to £228m with Adjarabet contributing 5 percentage points to growth in the quarter. Excluding Adjarabet (where revenues are circa 90% gaming), online revenue declined 1% with sports growth adversely affected by unfavourable sports results, primarily February racing and March football. Revenues were also adversely affected by the temporary suspension of UK horseracing fixtures in February (due to equine flu) which negated the benefit of soft comparatives from weather-related horseracing cancellations in the prior year.

Sports revenue declined by 6% with 1% growth in Exchange & B2B revenue offset by a 10% decrease in sportsbook revenue. Sportsbook stakes increased by 5% while the net revenue margin at 6.6% was one percentage point lower than the prior year driven by an adverse year-on-year swing in sports results. Normalising for sports results, we estimate that the underlying expected margin for Q1 2019 was 7.4% compared to 7.0% in the prior year, with the increase reflecting positive customer bet mix changes (including Same Game Multi usage and an increased recreational base) as well as our ongoing strategic focus on profitable revenue growth rather than volume growth.

Gaming revenue was up 31%. Revenue, excluding Adjarabet, increased by 14%, driven by ongoing strong growth in Paddy Power. Adjarabet continues to capitalise on its strong brand and good market growth in Georgia and Armenia, with Q1 gaming revenues up 25% on a pro-forma basis.

Consistent with a focus on long-term sustainability we are continuing to grow our recreational customer base and enhancing our anti-money laundering procedures and proactive responsible gambling interventions. This is having some impact on our revenues from higher value customers, particularly for Betfair.

Australia²

Revenue increased 20% to £96m, driven by continued good underlying customer activity with 17% growth in stakes. While adverse racing results meant that the net revenue margin at 9.2% was circa 50 basis points below our expectations for the quarter, the margin was still above the comparable period in 2018 which had experienced even less favourable results (Q1 2018 margin 9.0%).

US²

US revenue increased 47% with good underlying growth in our non-sportsbook businesses (up 12%), supplemented by \$24m of sports betting net revenue. Betfair Casino growth (up 83%) has accelerated due to sportsbook cross-sell and as a result, our New Jersey casino market share increased to 14% in Q1 2019 from a steady 11% over the previous two years.

Total sports betting stakes in Q1 were \$598m on which we generated gross revenue of \$33m, more than double the revenue generated in Q4 2018. Across the first quarter, FanDuel was the number one brand in New Jersey with 50% share of market revenues³. In addition, we launched our retail sportsbook in Pennsylvania in March, with online expected to follow in the coming months. Several other states currently

have draft bills circulating to legalise sports betting (at various stages of the legislative process) with the timing of any potential legalisation, regulation and launch dates uncertain.

Retail

Revenue was down 2% to £77m, with 2% machine gaming growth offset by a 5% decrease in sports revenues. Sports stakes increased by 4% with the decrease in revenues driven by a 110 basis point decline in sportsbook margin to 11.4%. This was predominantly due to adverse racing results in February. Staking growth, while adversely affected by the equine flu this year, did benefit overall from relatively weak comparatives given weather-related racing cancellations and shop closures in our Irish estate last year.

Notes:

¹ 'Proforma' results for the US division, include within the comparative the FanDuel fantasy sports business as if it always had been part of the Group. The FanDuel transaction completed on 10 July 2018 and therefore the reported results for Q1 2018 did not include the FanDuel fantasy sports business

² Growth rates in the narrative for Australia and US are in local currency (with all US growth rates on a 'Proforma' basis)

³ Market share of taxable gross revenue, based on New Jersey DGE published reports

Analyst Call:

The Group will host a conference call for institutional investors and analysts this morning at 8:30am (BST). To dial into the conference call, participants should dial 0800 783 0906 or 01296 480 100 from the UK, (01) 242 1074 from Ireland and +44 1296 480 100 from elsewhere. The passcode is 134 036 46.

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

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About Paddy Power Betfair

Paddy Power Betfair (the "Group") is a global sports betting and gaming operator and is divided into four divisions:

- Online; which runs the Paddy Power, Betfair and Adjarabet online sports betting and gaming brands;
- Australia; which consists of the Sportsbet online sports betting brand, the #1 corporate bookmaker in Australia
- US; which operates as FanDuel Group and runs the FanDuel sportsbook and daily-fantasy-sports brands, the TVG broadcasting and advanced deposit wagering network and the Betfair online casino in New Jersey and;
- Retail; which runs over 620 Paddy Power retail betting shops across the UK and Ireland.

The Group intends to rename as Flutter Entertainment Plc, subject to shareholder approval, at its upcoming Annual General Meeting on 15 May 2019.