



23 December 2021

## Flutter Entertainment plc

### Acquisition of Sisal, Italy's leading online gaming operator

Flutter Entertainment plc ("Flutter" or the "Group") is pleased to announce the acquisition of Sisal ("Sisal"), Italy's leading online gaming operator, from CVC Capital Partners Fund VI for a consideration of €1.913bn/£1.62bn. This acquisition fully aligns with the Group's strategy of investing to build leadership positions in regulated markets globally. The transaction is likely to complete during Q2 2022 and is expected to be accretive to adjusted earnings in the first 12 months post-completion.

Sisal is a leading betting, gaming and lottery operator headquartered in Milan. In the 12 months to December 2021<sup>1</sup>, Sisal expects to generate EBITDA of €248m/£211m, with 59% coming from its online offering and the remainder coming from a combination of retail and lottery operations. Approximately 90% of Sisal's 2021 EBITDA is generated in Italy with the balance coming from regulated lottery operations in Turkey and Morocco. The business employs circa 2,500 people today.

The addition of Sisal to Flutter delivers several key strategic outcomes:

- **Secures a gold medal position** in Italy by bringing the leading online brand into the Flutter portfolio. The combination of Sisal with Flutter's existing online Italian presence through PokerStars and Betfair will result in a combined online share of 20%<sup>2</sup>
- **Increases the Group's exposure to an attractive, fast-growing, regulated online market:** Italy is Europe's 2<sup>nd</sup> largest regulated gambling market and one that has seen online penetration grow from 10% in 2019 to approximately 20% today. Sisal's online revenues have grown by a compound annual rate of 34% since 2016
- **Sisal's omni-channel offering will deliver a competitive advantage to Flutter's business,** particularly given Italy's advertising restrictions and the prevalence of cash deposits and withdrawals through retail
- **Increases Flutter's recreational customer base** with the addition of 300,000<sup>3</sup> highly engaged online average monthly players and over 9.5m retail customers
- **Further diversifies Flutter's product and geographical footprint** and increases the proportion of Flutter's revenue from regulated markets which in Q3 2021 was over 91%
- **Bolsters Flutter's existing talent pool by adding a proven management team** that will continue to lead the business and who have sought to take a leadership position in the promotion of safer gambling in Italy

#### Peter Jackson, Flutter Chief Executive, commented:

*"I am delighted to add Sisal, Italy's leading gaming brand, to the Group as we look to attain a gold medal position in the Italian market. For some time we have wanted to pursue this market opportunity via an omni-channel strategy and this acquisition will ideally position us to do so. Sisal has grown its online presence significantly in recent years, aided by its proprietary platform and commitment to innovation. I'm excited to see how Flutter can complement these capabilities through our scale, differentiated products and operational capabilities. We look forward to welcoming Francesco and the rest of the Sisal team to Flutter in 2022."*

#### Francesco Durante, Sisal Chief Executive, commented:

*"Over the last five years, thanks to CVC's support, we have successfully transformed Sisal into a leading digital and international gaming company. Through our commitment to digital innovation, international expansion and safer gambling, we have achieved a leadership position in Italy's online gaming market and developed our global footprint by winning lottery tenders in Morocco and Turkey. We are delighted to join Flutter and are convinced that through its scale and operational capabilities, we will be able to further strengthen our leadership in the markets we operate in. I look forward to working with Peter and the team on the next chapter of Sisal history."*

**Giampiero Mazza, Managing Partner at CVC Italy commented:**

*“We are very proud of the success achieved by Sisal and its transformation since our acquisition in 2016. Through heavy investment in its digital competencies, Sisal has become Italy’s leader in online gaming while also growing its international operations. Furthermore, the Company is leading the Italian industry in ensuring responsible and safe gaming. We want to thank Francesco and the whole management team for their incredible dedication, focus and ambition, and for leading this successful journey in spite of regulatory challenges and the pandemic. Flutter is a fantastic new partner for Sisal and we wish them the very best.”*

## 1. Attractiveness of the Italian market to Flutter

The Italian market offers the following attractive characteristics:

- **Size:** Italy is the second largest regulated gambling market in Europe after the UK, with total estimated gross gaming revenue (GGR) in 2019 of €19bn/£16bn<sup>4</sup>
- **Potential for online growth due to ongoing migration from retail:**
  - Whilst just 10% of total Italian GGR was generated online in 2019, the Covid-19 pandemic has led to a material increase to around 20% over the last two years. We expect that a sizable proportion of migrated customers are likely to remain online as trading conditions normalise
  - Online penetration rates remain well below the UK and Australia where online share of total gambling spend was estimated to be circa 60% and 70% respectively in 2019
  - With good ongoing structural momentum, the Italian online market is projected to be worth £3.6bn by 2024, equating to forecast 5-year compound annual growth of 18%<sup>5</sup>
- **Strategic advantages of retail network access:**
  - Omni-channel operators, such as Sisal, are capable of maximising growth due to their retail presence and ability to engage with customers across both channels
  - Advertising restrictions in particular have emphasised the opportunity for omni-channel operators to acquire online customers, allowing them to leverage their high brand awareness through having a retail presence. Since these restrictions were introduced, large omni-channel operators have gained market share at the expense of online-only operators
  - In addition, a significant proportion of online deposits/withdrawals are done via the retail network, with retail staff acting as brand advocates, providing multi-channel operators with a competitive moat around their businesses
- **Diversified product demand:**
  - In 2022<sup>5</sup> an estimated 95% of online revenue is expected to come from gaming (59%) and sports betting (36%) combined, a mix that overlaps well with Flutter's core areas of expertise
  - The majority of retail revenue is expected to be derived from gaming machines (57%) and lottery (37%), with just 6% coming from sports betting

## 2. Sisal - Italian market leader and key online asset

We believe that Sisal is very well-positioned to benefit from the structural growth drivers highlighted above. Key features of the business include:

- **A leadership position today:** Sisal's online market share is currently 11.9%<sup>2</sup>. Combined with Flutter's existing assets we will reach circa 20% share<sup>2</sup>
- **A market leading brand:** Clear #1 brand for 'top of mind' awareness in the Italian market, aided by a retail footprint of circa 1,700 Sisal outlets and a further 40,000 concession points/points of sale
- **A diverse product offering:** Across gaming, sports and lottery
- **Highly engaged player base:** Over 300,000<sup>3</sup> online average monthly players in Italy and a retail base of 9.5m customers to migrate online
- **Proprietary technology:** The business operates on a fully proprietary technology stack with a strong focus and track record in delivering product innovation, powered by over 1,000 employees dedicated to online product development
- **Experienced management team that will continue to lead the business**
- **Scope to grow in other markets/product verticals:** Lotteries have enabled Sisal to successfully grow outside of Italy. In Turkey, its lottery operation is projected to generate £22m EBITDA in 2021 despite only launching in 2020. This acquisition provides Flutter with lottery capabilities for the first time
- **Focus on sustainability:** Market leading focus on ESG and safer gambling underpinned by AI and the highest standards of industry certification

### 3. Financials and consideration<sup>1</sup>

Sisal expects to report revenue (after deduction of gaming duties) in 2021 of £590m (€694m)<sup>6</sup>. It expects to report consolidated EBITDA<sup>7</sup> of £211m (€248m), 90% of which will come from its Italian operations (online 59%, retail 31%).

We see tangible opportunities to deliver material revenue synergies from the acquisition of Sisal through (i) leveraging Sisal's retail channel to grow online deposits for existing Flutter brands (PokerStars and Betfair), (ii) enhancing Sisal's sports betting offering by utilising Flutter's pricing and risk management capabilities and (iii) enhancing Sisal's casino product by providing it with access to Flutter's in-house gaming content. Cost synergies from the transaction are expected to be circa £10m, principally due to potential procurement savings. We anticipate that revenue synergies will exceed cost synergies over time.

The total consideration for Sisal is €1.913bn/£1.62bn, which is payable in cash and in full on completion of the transaction. This amount includes full repayment of all Sisal's debt upon completion. The transaction will be financed by way of additional Flutter debt facilities, agreed with Barclays Bank PLC. The transaction is conditional on merger control clearance and customary gaming and foreign investment consents. Subject to these approvals, it is expected that the transaction will complete in Q2 2022.

#### Ends.

The person responsible for arranging release of this Announcement on behalf of Flutter is Edward Traynor, Company Secretary of Flutter.

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<sup>1</sup> Financial projections for FY 2021 have been provided by Sisal management and are consistent with 10 months of actual EBITDA performance (£163m) and 2 months of projected performance (£48m). FY 2021 has been used in this release as we believe it is a better reflection of the ongoing earnings power of the business; 2020 performance was materially impacted by Covid-19 related retail restrictions

<sup>2</sup> Online market share of gross gaming revenue in October 2021

<sup>3</sup> Average number of players in the 12 months to 30 June 2021

<sup>4</sup> Source: ADM (Agenzia delle Dogane e dei Monopoli - Italian gaming regulator), MDF Partners. Includes lotteries of £5bn

<sup>5</sup> Source: MDF Partners

<sup>6</sup> We will align Sisal's revenue definition with Flutter's (which is reported before deduction of gaming duties) post completion and report consistent revenue numbers accordingly.

<sup>7</sup> The consolidated EBITDA figure of €248m for 2021 includes €13m accruing to minority shareholders

<sup>8</sup> Gross asset value of Sisal was €1,658m as at 30 September 2021