

PADDYPOWER.

sportsbet  
.com.au

# ANALYST & INVESTOR DAY

24 OCTOBER 2014



SPORTSBET ROOTING FOR THE WALLABIES CAMPAIGN - LIONS TOUR, JUNE 2013

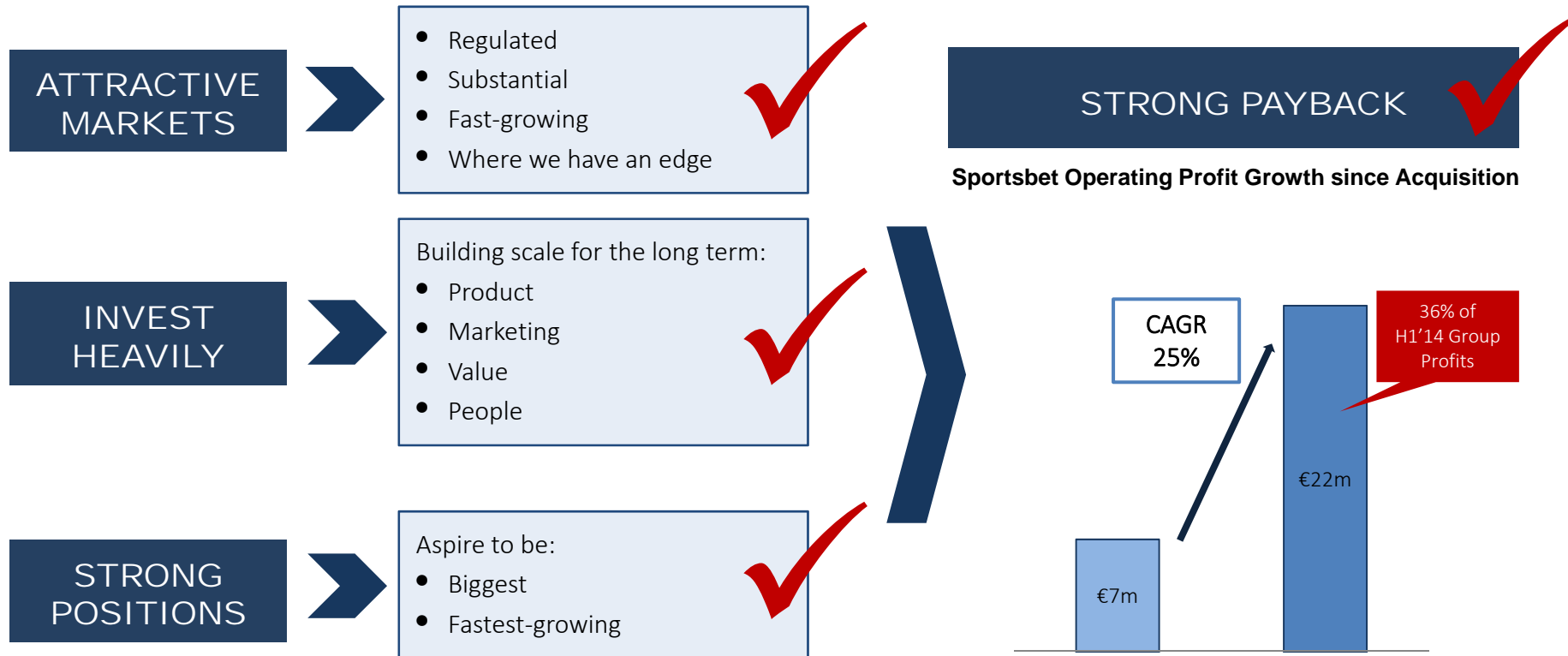


Cormac Barry – CEO

Introduction

24 October 2014

Time	Topic	Presenter
2.00-2.40	Welcome / Office Tour	
2.40-3.00	Introduction	Cormac Barry – CEO
3.00-3.20	Regulatory Environment	Ben Sleep – CFO & Regulatory Affairs Director
3.20-4.00	Risk & Trading, Online & Customer Operations	Luke Rattigan – COO
4.00-4.20	Coffee Break	
4:20-4.40	Technology & Product Delivery	Simon Noonan – CIO
4.40-5.00	Marketing	Barni Evans – Marketing Director
5.00-5.20	Wrap Up & Q&A	Cormac Barry – CEO
5.20-6.30	Canapés	



Proforma financials represent combined pre-acquisition amounts for Sportsbet and IAS; In constant currency at H1'14 rate

# Attractive Market – Key Events



**Event Legend**

*Legal / Regulatory*

*Consolidation*

*New Entrant*

Date	Key Events	Date	Key Events
2008 Mar	Betfair High Court Case	2012 Jul	Product fees move to turnover basis
2009 May	Paddy Power acquires 51% of Sportsbet	2013 Mar	William Hill acquires Sportingbet Australia
2009 Oct	Sportsbet acquires IASBET	2013 May	Federal government restricts advertising
2010 Dec	Paddy Power acquires 100% of Sportsbet	2013 Aug	William Hill acquires Tom Waterhouse
2011 Aug	IGA review recommends legalising BIR and online poker	2013 Sept	Ladbrokes acquires bookmaker.com.au
2011 Sept	Tom Waterhouse investment accelerates	2014 Mar	Matt Tripp acquires Betezy
2011 Oct	Sportingbet acquires Centrebet	2014 Apr	Ladbrokes acquires Betstar
2012 Mar	Sportsbet & Betfair lose product fee high court case	2014 Jul	Product fee increases accelerate
2012 Jun	Bet365 enters the market	2014 Aug	Crown buy 100% of Betfair Aus

# Investment - Sportsbet Acquisition



	Close Date		Purchase	Consideration	EBITDA
51% Tranche	Jul 2009	Sportsbet (incl 20% IAS)		A\$59m	
	Oct 2009	IAS (remaining 80%)		A\$16m	
			51%	A\$75m	A\$23.2m (Y/e 30 Jun 09)

49% Tranche	Feb 2010	Buyout of a minority shareholder	9.8%	A\$15m	
	Mar 2011	Full Ownership	39.2%	A\$133m	
			49%	A\$148m	A\$37.8m (Y/e 31 Dec 10)

EBITDA/  
Consideration  
= 39%

A\$198m\*

€135m\*

At historical FX rates

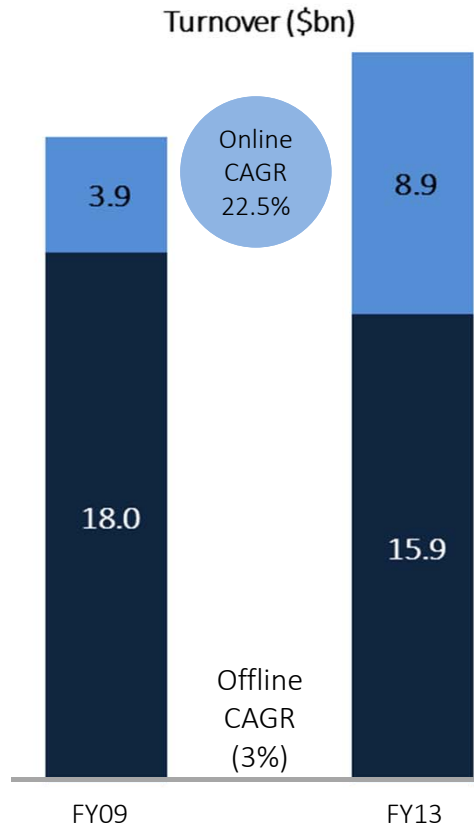
€52m

(Annualised H1'14)

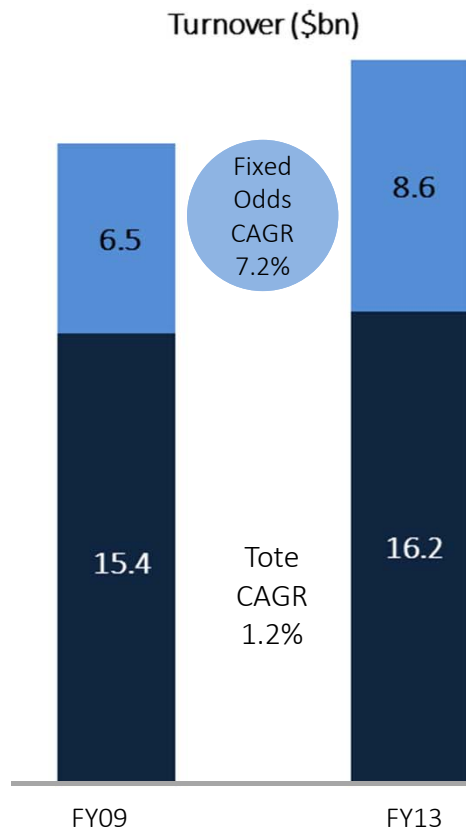
\* Net of A\$25m (€19m) post-tax benefit of GST refund awarded to Sportsbet in Aug 2011 relating to pre-acquisition trading

# Sportsbet Over Indexes in the Market's Growth 'Hot Spots' **sportsbet**.com.au

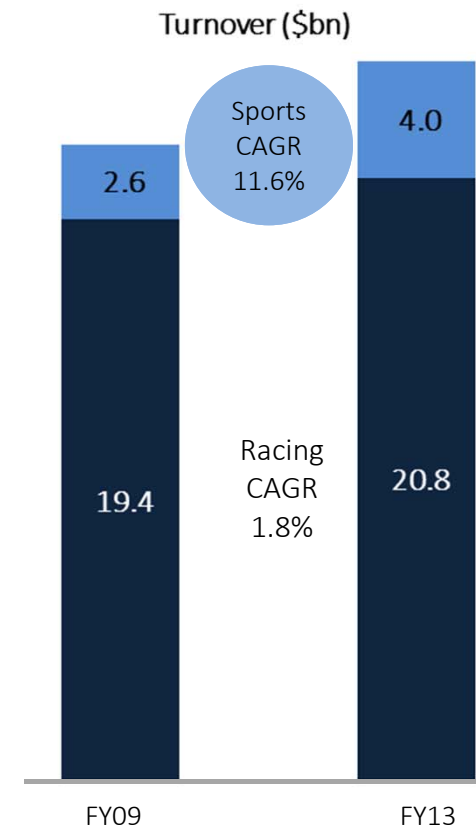
## STRONG ONLINE GROWTH, DRIVEN BY MOBILE



## FIXED ODDS GROWING FASTEST



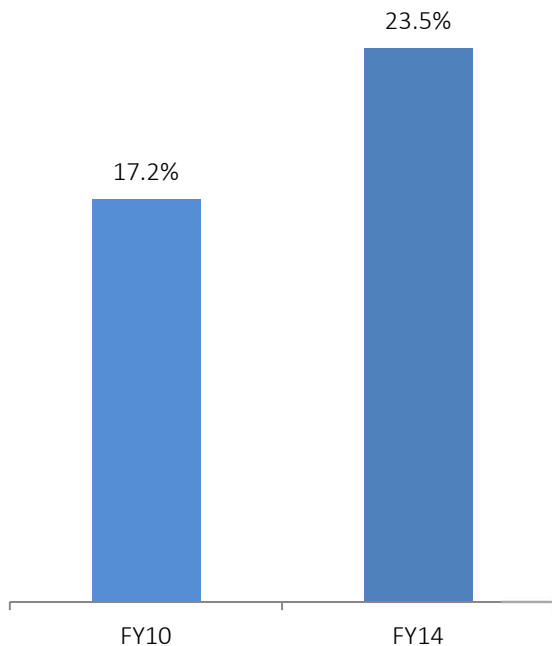
## SPORTS GROWING FASTER THAN RACING



Source : Australian Racing Factbook ; excludes exchange turnover. FY here and throughout presentation refers to years ended 30 June

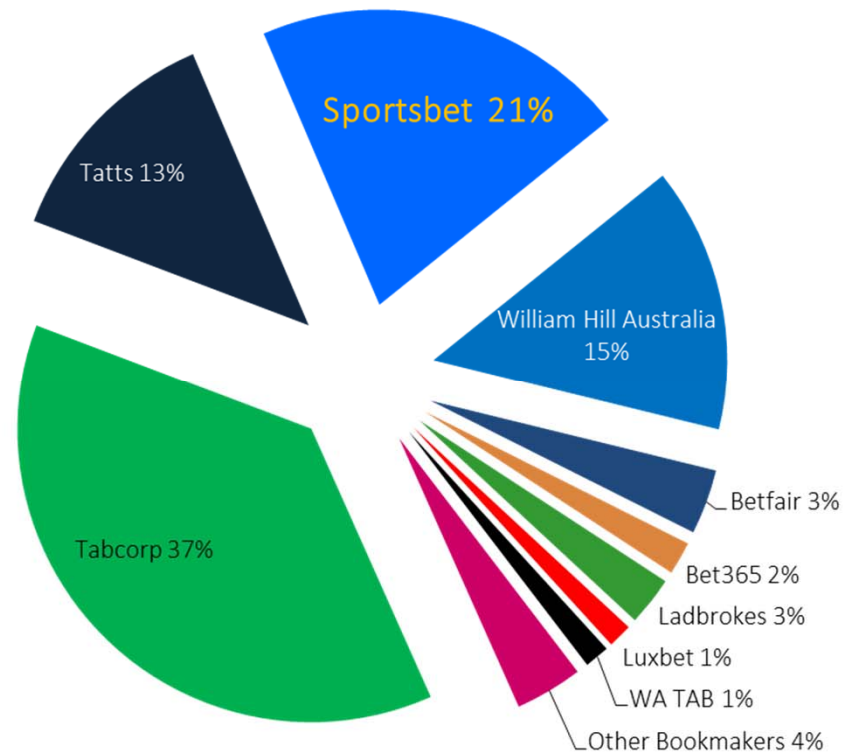
**MARKET SHARE UP 6 PERCENTAGE POINTS IN 4 YEARS**

Sportsbet Online Gross Win Market Share



Source: Australian Racing Factbook + Competitor data sourced from public filings and internal estimates

**MARKET SHARE OF ONLINE + TELEPHONE GROSS WIN**

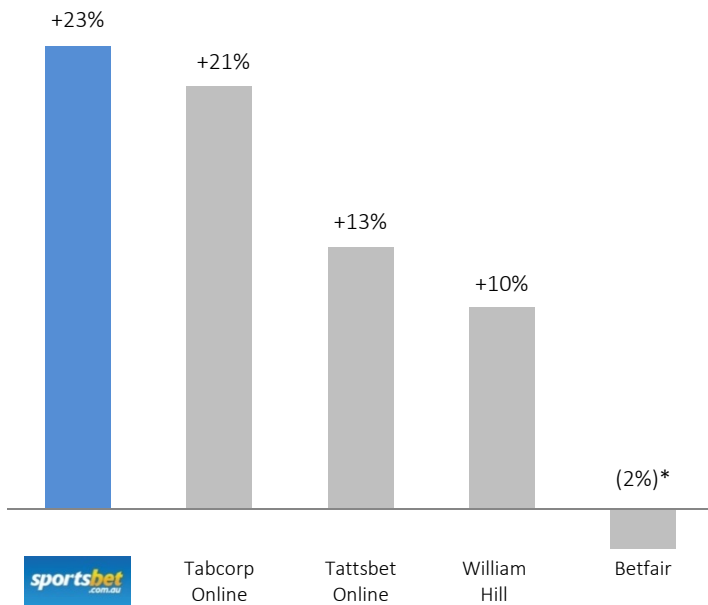


Year ended 30 June 2014  
Source: Competitor public filings and internal estimates



**CONTINUING TO TAKE MARKET SHARE**

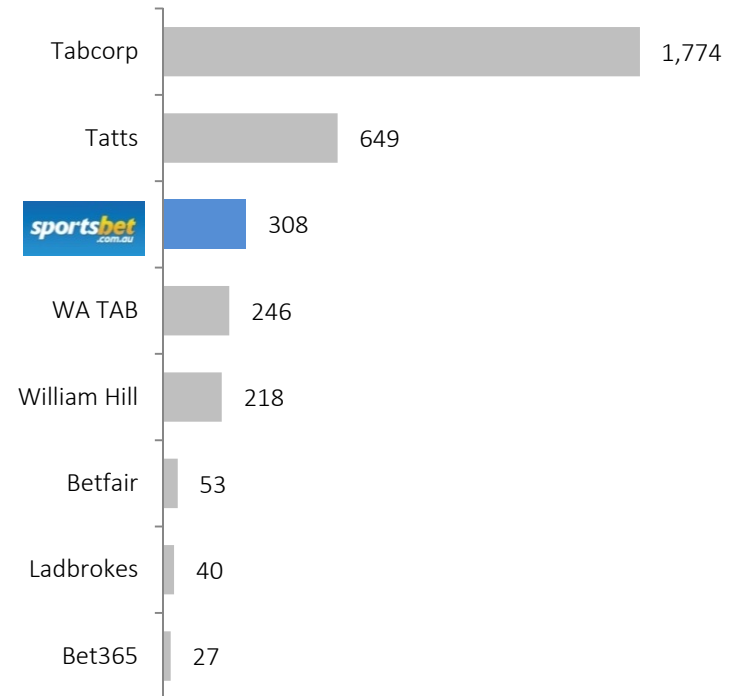
Jan-Jun 2014, Online YoY Turnover Growth



\* Estimated constant currency movement based on Betfair plc's disclosures

**TAB'S STILL 78% OF MARKET INCLUDING RETAIL**

Total FY14 Gross Win from Online, Telephone and Retail (\$m)

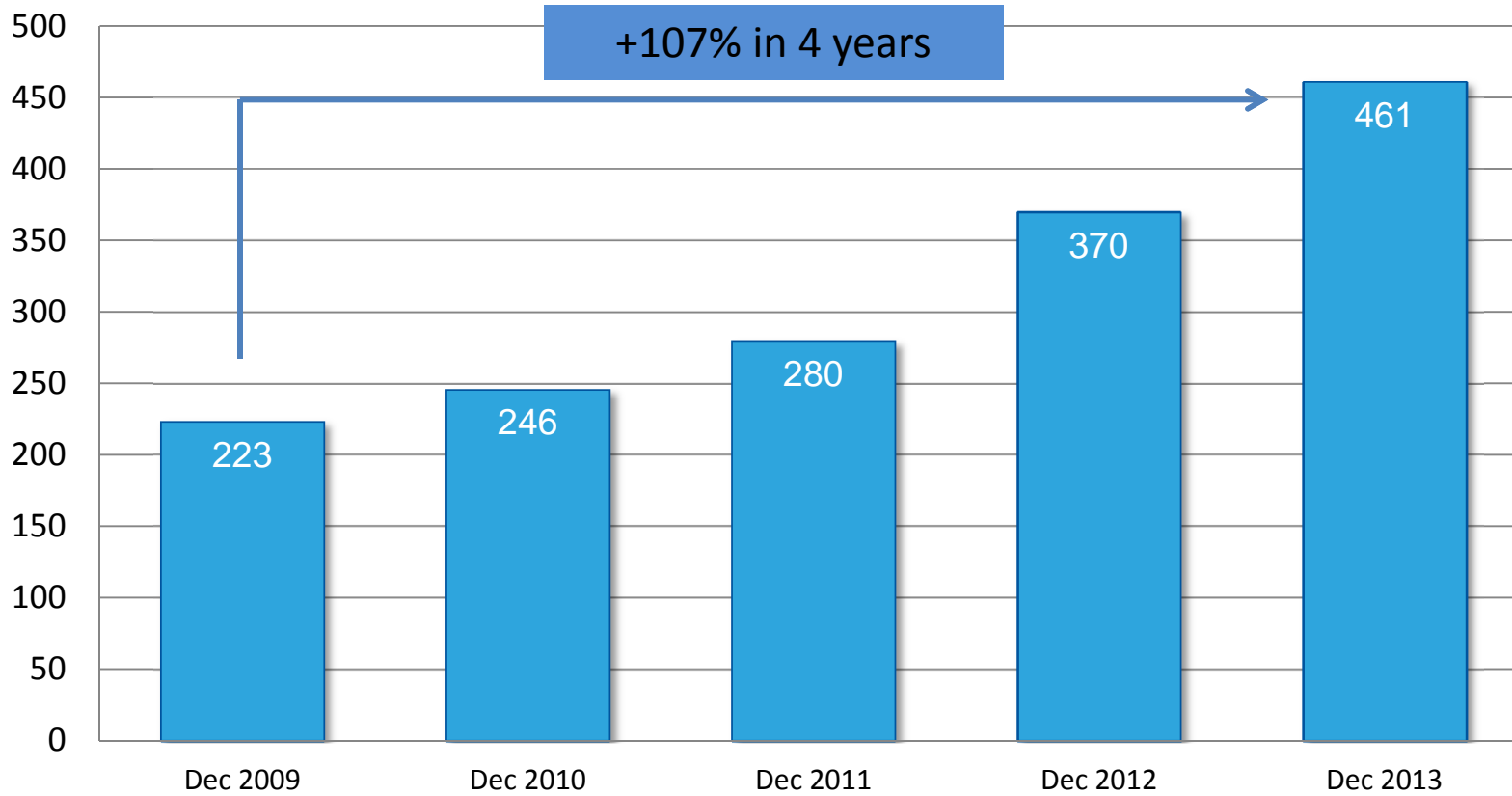


**Investment - People**

# Substantial and Continuous Investment in People



Headcount



Online and Technology Headcount up 157% to over 280 people

# Sportsbet Management Team – Bio's



## Cormac Barry - CEO

- Joined Paddy Power in 2000
- Appointed Sportsbet CEO in March 2011
- Worked in paddypower.com in a variety of roles including Head of Online
- BA Economics and Politics, Trinity College Dublin



## Barni Evans – Marketing Director

- Marketing Director at Paddy Power from 2001
- Moved to Sportsbet in September 2011
- 5 years at News International launching their early digital products
- BSc (Hons) from Kingston University



## Luke Rattigan - COO

- Joined in August 2011
- Responsibility for Online, Risk and Trading, as well as Customer Operations.
- Worked in London, New York, Beijing and Shanghai in strategy and GM roles at Reed Elsevier
- Masters of Economics (Hons) from Melbourne University



## Simon Noonan - CIO

- Joined in October 2013
- Responsible for leveraging technology to enable customer outcomes and delivering our staff facing systems
- Prior to joining Sportsbet spent 8 years with ANZ Bank, held Technology roles in Digital, Retail and Wealth management



## Ben Sleep – CFO & Regulator Affairs Director

- Joined in February 2010
- 5 years at Tabcorp in Corporate Strategy and CFO Star Casino Sydney
- Corporate Finance ABN AMRO
- 3 years in Audit & Corporate Finance at Ernst & Young
- Bachelor of Commerce from Melbourne University and a Member of the Institute of Chartered Accountants in Australia



## Tania Abbotto – HR Director

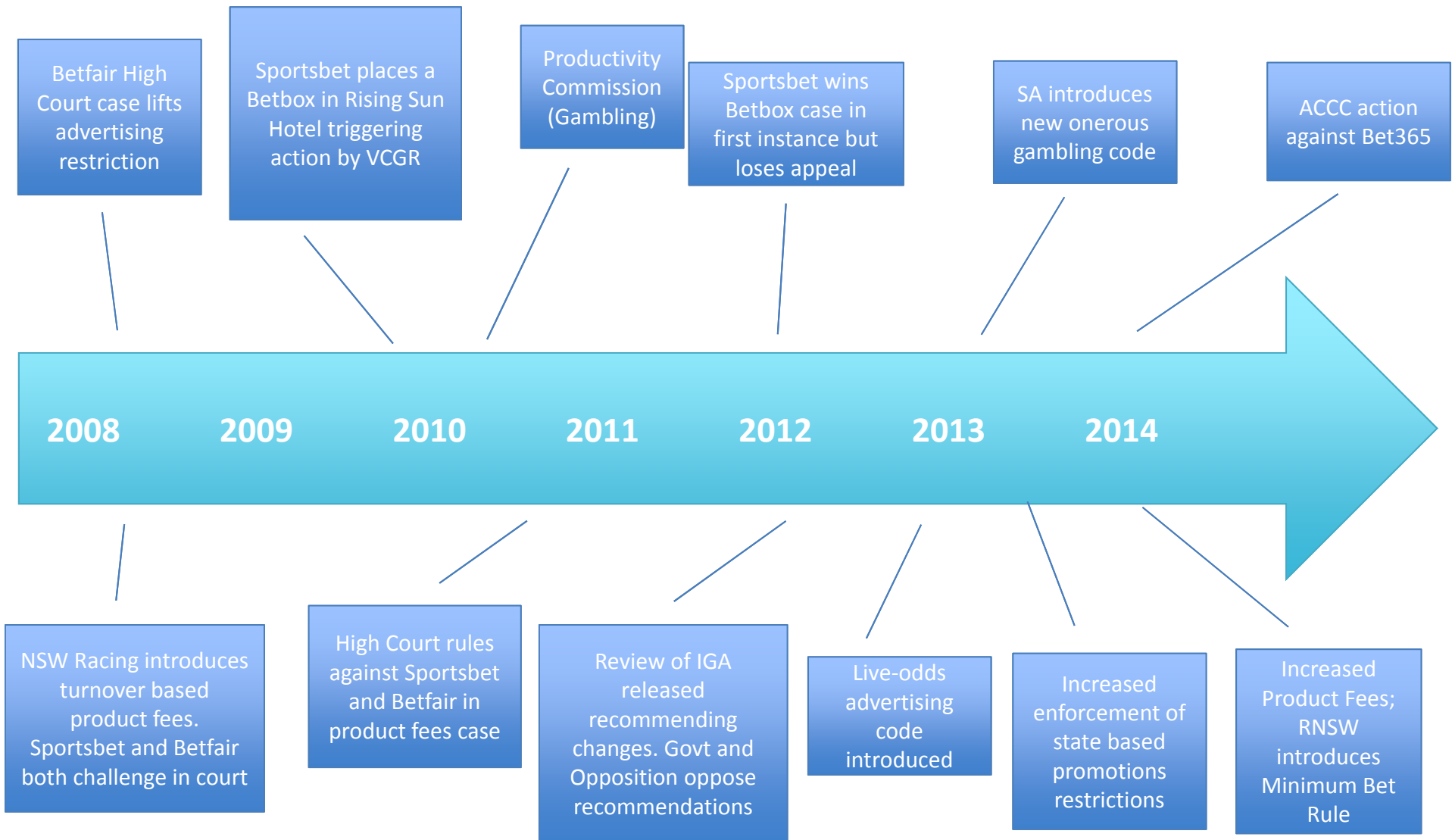
- Joined in 2012
- Over 15 years experience in HR in legal, e-commerce, telecommunication and retail sectors, including the Coles Group
- Specialisation in leading organisational development and transformational change programs
- Bachelor of Behavioural Science (Psychology) from Melbourne University



**Ben Sleep – CFO & Regulator Affairs Director**  
**Regulatory Environment**

24 October 2014

# Significant Legal/Regulatory Milestones



# What Does The Interactive Gambling Act (2001) Prohibit?



## Offshore Illegal

- Online Bingo
- Online Slots
- Online Casino Table Games
- Online Keno



## Offshore Illegal

- Live Online Wagering on Sport
- Online Tournament Poker
- Online Cash Poker

## Enforcement Provisions of IGA

It is an offence...

- to offer or advertise prohibited services...

Penalties...

- \$1.7m per day for corporations

It is not an offence...

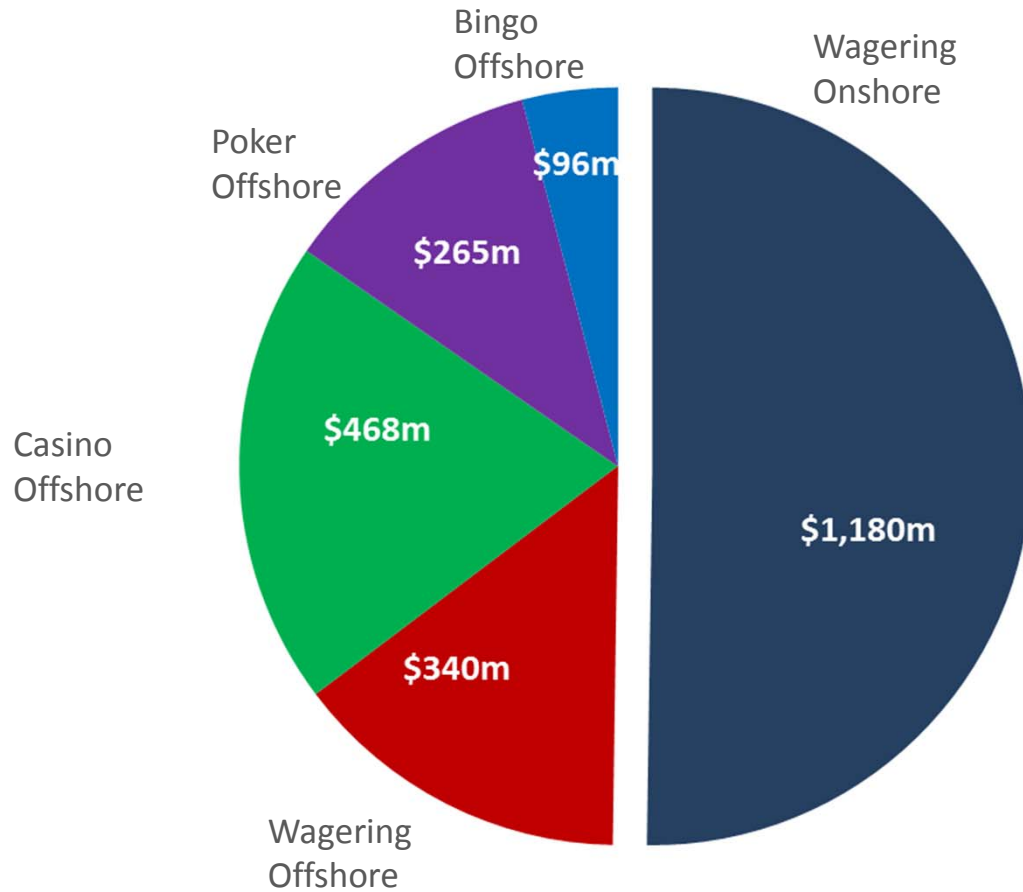
- for customers to use prohibited services...

Enforcement...

- NONE

# Onshore/Offshore Online Gross Win

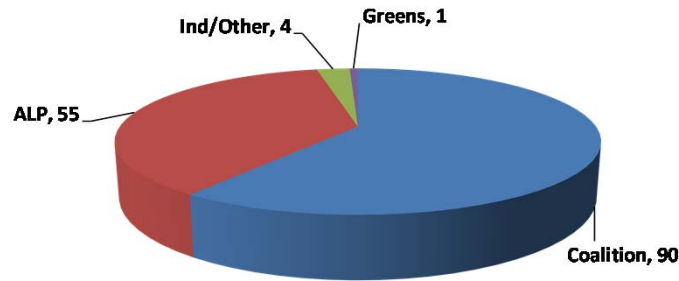
Half the Market (\$1.2b of Gross Win) is Offshore...and Offshore Growing Strongly



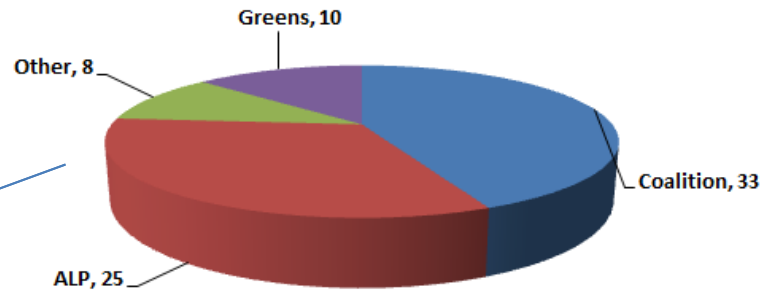
Source: H2 Gambling Capital FY13 Estimate



**House of Representatives (150 seats)** - Prime Minister Tony Abbott's Coalition Government enjoys a healthy majority:



**Senate (76 seats)** – The Government faces challenges in the Senate where it does not have a majority:



The 8 "Others" hold the balance of power:

- Clive Palmer's Palmer United Party controls the votes of 4 of the 8 "Others"
- Includes anti-gambling Senator Nick Xenophon

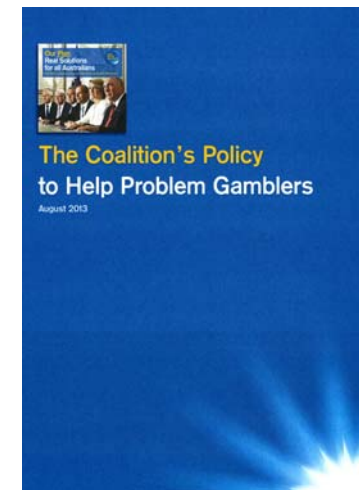


## Federal Coalition's policy paper to "help problem gamblers" (Aug 2013)

The Coalition:

- Does not support proposals to relax online gambling regulations
- Will legislate to control gambling advertising if self-imposed industry regulations prove ineffective
- Will legislate to prohibit credit

Prime Minister Tony Abbott has, publicly and privately, expressed conservative views about gambling on the internet



Each State & Territory has their own laws & regulations covering wagering services, specifically:

- Licensing regime (interstate & intrastate)
- Advertising
- Product fees

## Licensed Totalisator Operators



## Corporate Bookmakers & the betting exchange



Racing Codes receive significantly less financially from Corporate Bookmakers' turnover

	TAB	Sportsbet
Turnover	\$100	\$100
<i>Return to RVL</i>	<i>\$6.00</i>	<i>\$2.92</i>

Illustrative only as TAB agreements with RVL not public

//

*I think that everyone [all racing codes] will move to a turnover model because if they don't, the risk is they will become the target of corporate [bookmaker] advertising and corporate promotion and that's a lower margin business model and that's not in the best interests when you are funded mainly by the tote as all of our racing industries are*

– Racing Victoria (2012)

//

Turnover based product fee models significantly favour the TABs

	TAB	Corporate Bookmaker	Betting Exchange
Turnover	\$100	\$100	\$100
Revenue	\$16	\$8	\$3
Product Fee	\$3	\$3	\$3
<i>Product Fee as % of Revenue</i>	<i>19%</i>	<i>38%</i>	<i>100%</i>

Illustrative only – based on industry average

//

*A fee structure that significantly disadvantages certain types of operators risks eliminating the consumer benefits that arise from a vibrant, competitive wagering market*

**- Productivity Commission Inquiry Report (2010)**

//

Interactive Gambling Act

Unlikely to change in the short term

Product Fees

2014 annualised impact \$10m. Ongoing upward pressure

Advertising

Unlikely further material change in the short term

State Based Restrictions

Risk of further restrictions from States



Luke Rattigan – Chief Operating Officer  
Risk & Trading, Online & Customer Operations

24 October 2014

# Risk & Trading

## Trading

- Specialised Form & Pricing
- Follow the sun trading
- Live trading

## Risk

- Bet Acceptance
- Customer Profiling
- Liability Management

## Trading Solutions

- Analysts
- Pricing Models
- Trading tools

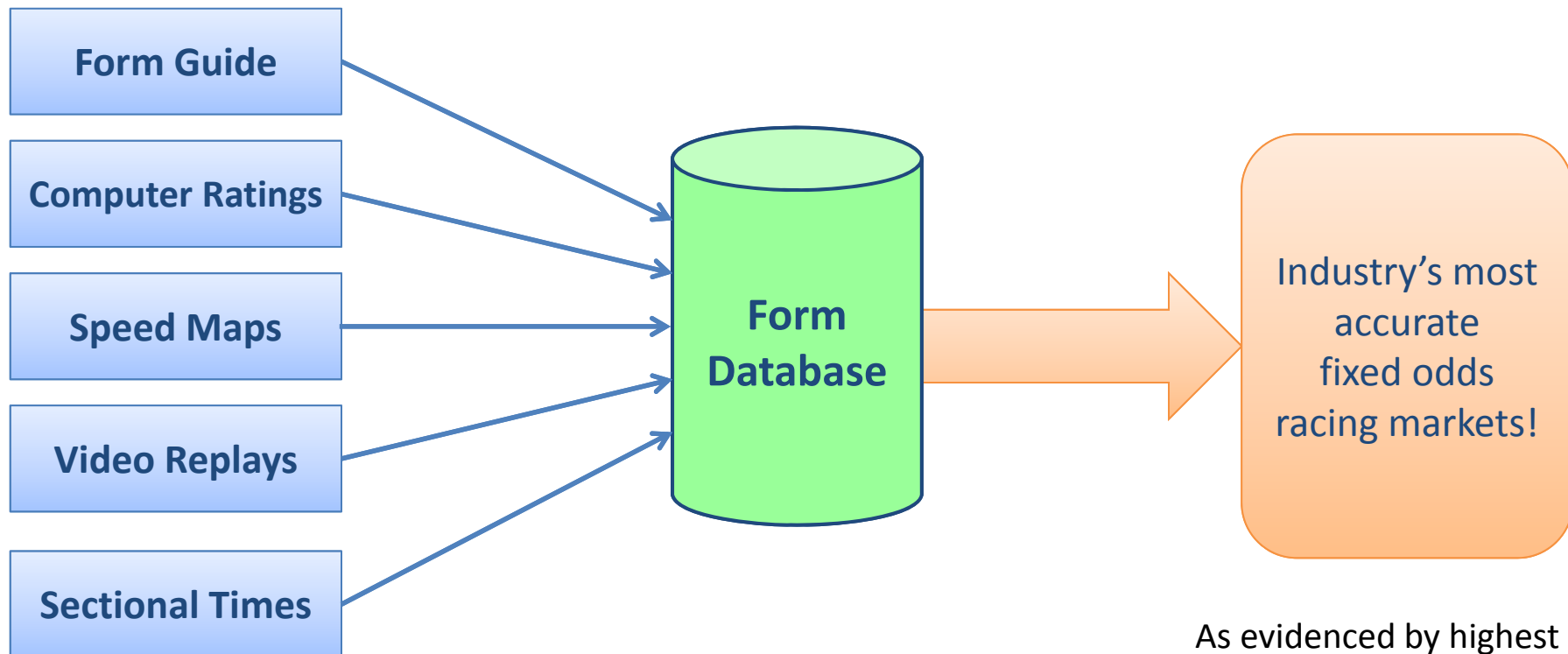
## Events Creation

- Setup
- Settlement
- Optimise display

Deep specialisation

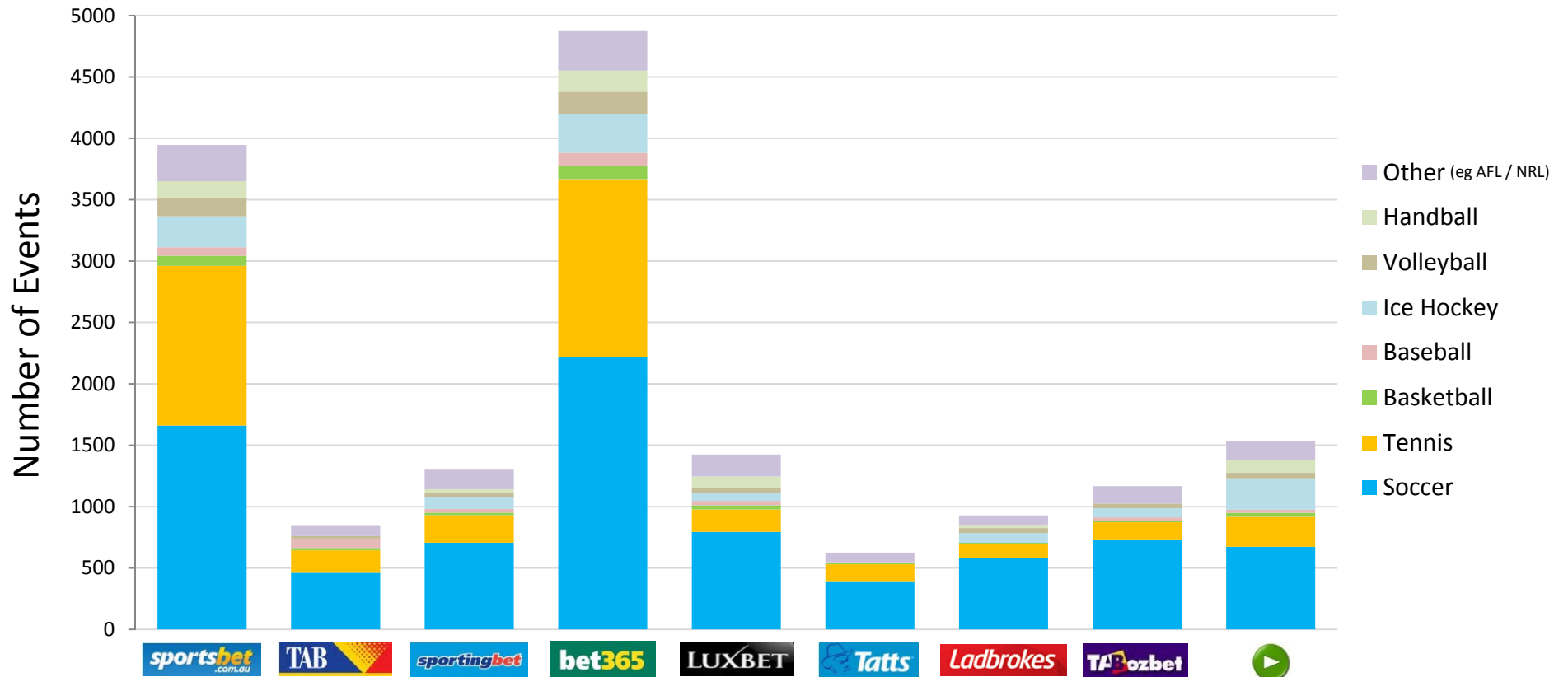


# Sportsbet Form Database



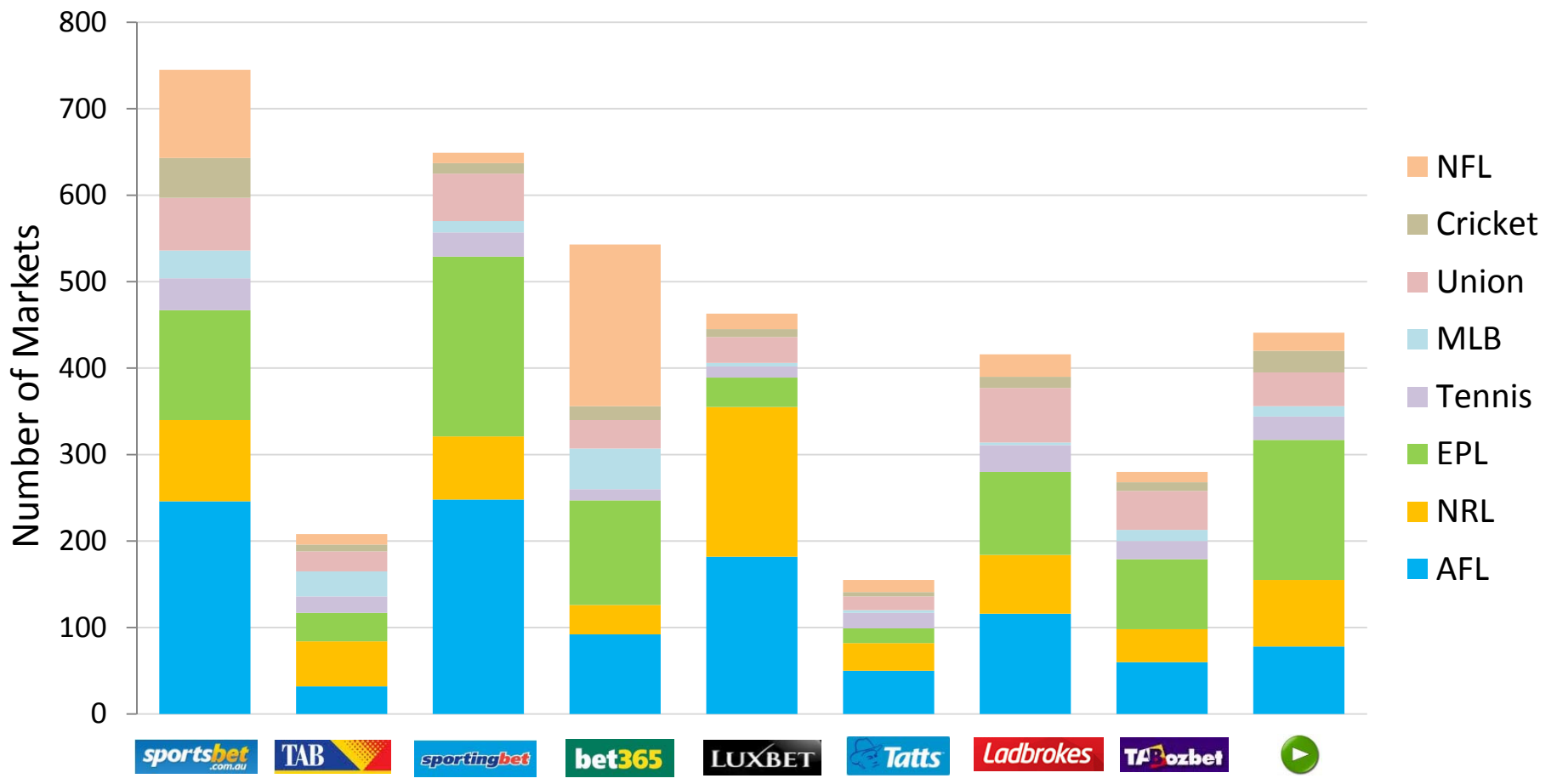
As evidenced by highest gross win % in the corporate market

Sportsbet and Bet365 have a big lead on everyone



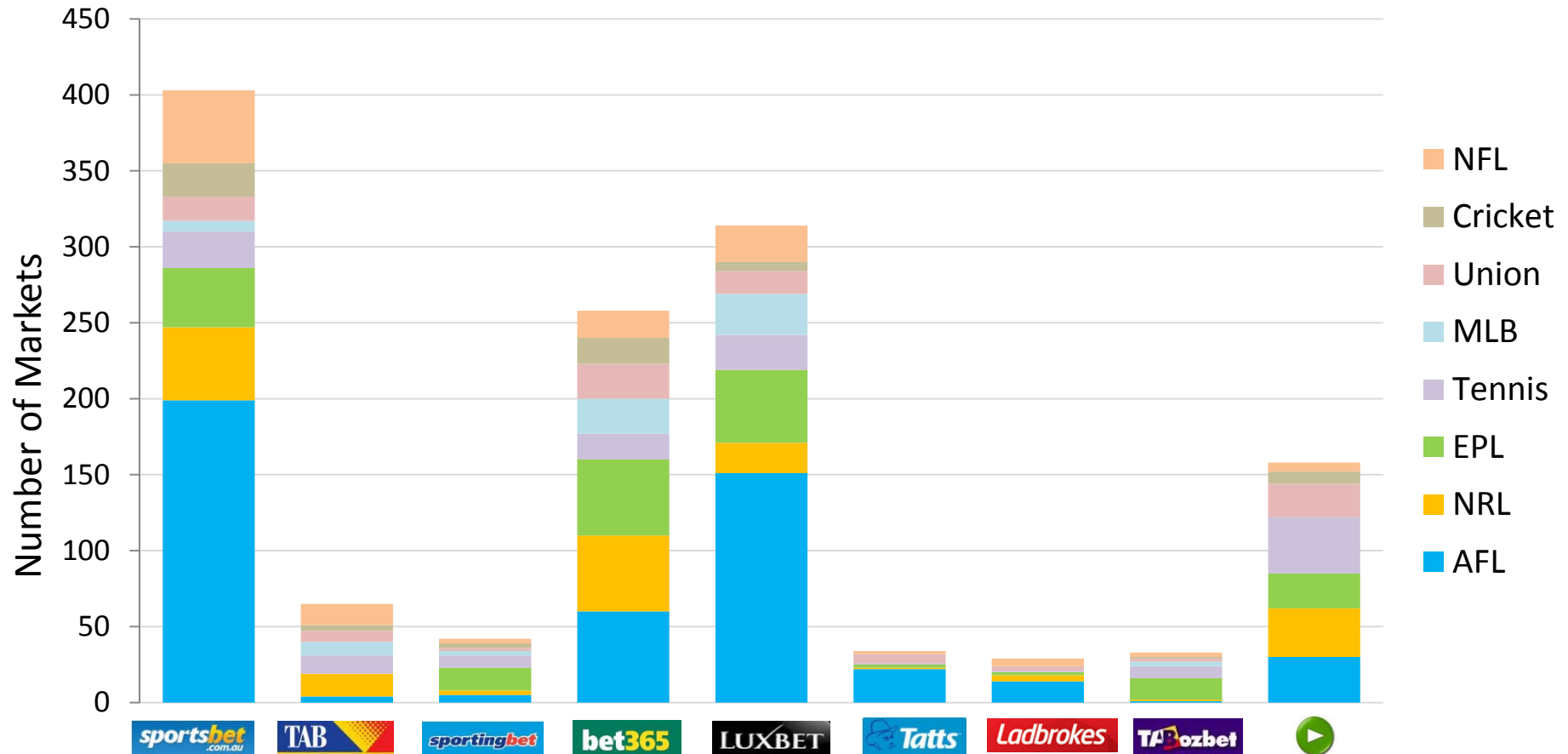
Manual Count. Week ending 14<sup>th</sup> Sept

Sportsbet have a clear lead on TAB and Bet365 on domestic sports



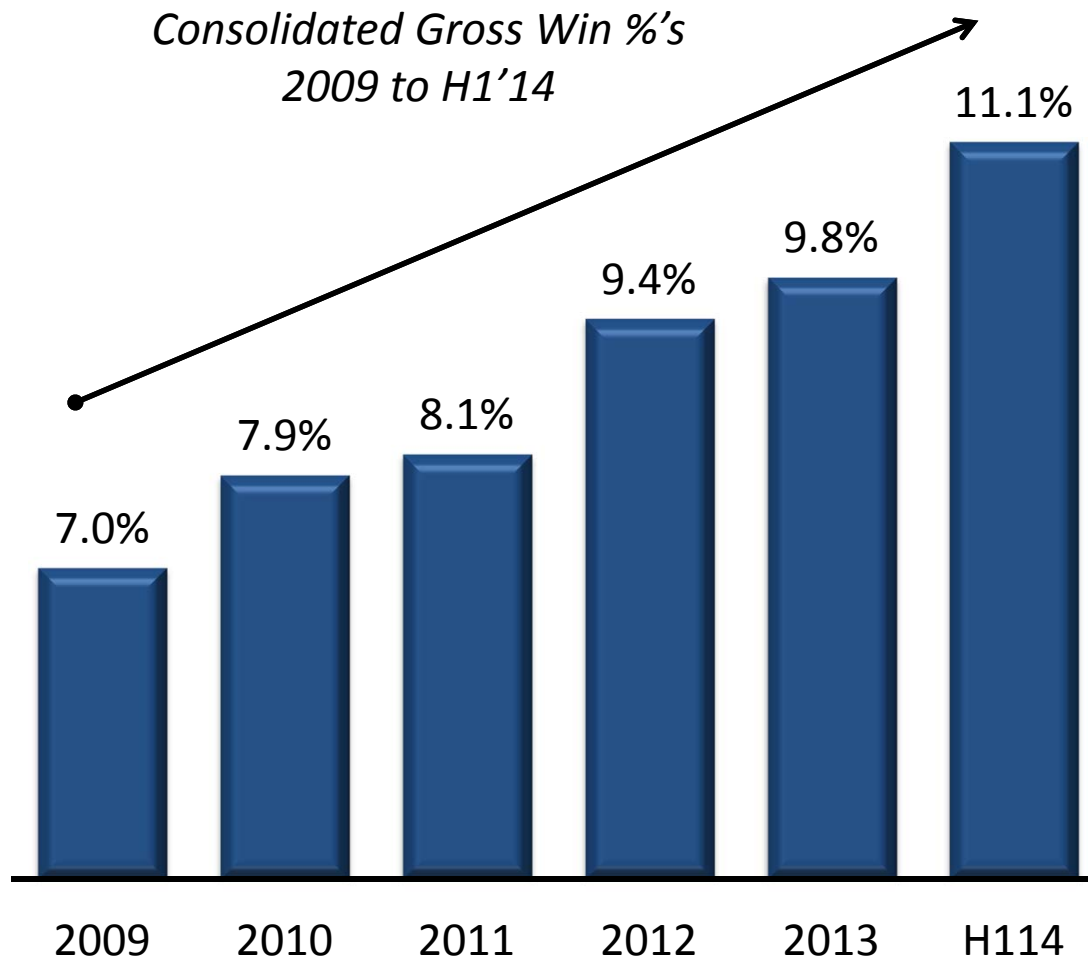
Manual Count. Week ending 14<sup>th</sup> Sept

Sportsbet are clear leader and have a market leading Australian sports offering



Benchmark conducted September 2014

## Continued Gross Margin Expansion



### ***Structural improvement driven by:***

- *impact of mobile*
- *reduced stake sizes*
- *shift to fixed odds*
- *customer mix shift*
- *increased product range,  
more multies*
- *better risk management  
practices & tools*
- *subject matter experts in  
trading (eg AFL / NRL)*

# Online & Customer Operations

## Acquisitions

- SEM
- SEO
- Display
- Social
- Affiliates

## Retention

- Life cycle Management
- Predictive analytics
- Key Accounts

## Customer Operations

- Customer Service
- Payments
- Phone betting

## Product Management

- Mobile / Tablet
- Desktop
- Innovation

Data Analytics  
Specialisation

# Online Acquisition landscape



Google search results for 'sportsbet'. The results list several affiliate links:

- Sportsbet.com.au - Sportsbet® Official Site**: www.sportsbet.com.au/ - 1300 138 878. Weekly Specials on Sports & Racing! Up to \$100 Match Bet Bonus—Join Now. One match multi bets - New mobile app - \$100 refer a friend bonus. Sportsbet.com.au has 476 followers on Google+.
- Today's Racing**: Check the Sportsbet homepage every day for our daily racing special!
- Why Join Sportsbet?**: Justice Payouts & Refunds, Top Tote Plus, Early Payouts & more.
- Bonus Bet up to \$100**: Sign up as a Sportsbet member & we'll match your 1st bet up to \$100.
- Register Now**: Sign up to Sportsbet today. Great Odds, Awesome Value & Fun.
- Online Betting - bet365 - bet365.com.au**: www.bet365.com.au/. The Worlds Favourite Online Sports Betting Company. Sign Up Now. Soccer Bonus Draw Offer - Over 40,000 Live Events - Foolsy Multi Offer. Gamble Responsibly - Register Now.
- Sports Bet - Sportingbet.com.au**: www.sportingbet.com.au/Betting/. Bet with Sportingbet™ & Get Up to \$200 in Free Bet! T&C Apply.

Results from sportsbet.com.au

- Horse Racing**: Bet on the Spring Carnival, including the Melbourne Cup...
- Racing**: Today and tomorrow's Australian and international racing odds.
- Rugby League**: Bet on a range of rugby league competitions, including NRL...
- Million Dollar Tipping**: AFL & NRL Million Dollar Tipping. Play AFL or NRL, or both...
- Sports**: Sports bet on a variety of Australian and international...
- AFL Betting**: View the latest odds and place bets on games in the AFL...



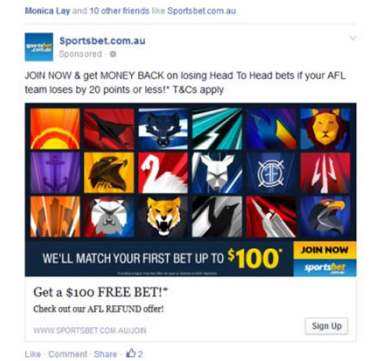
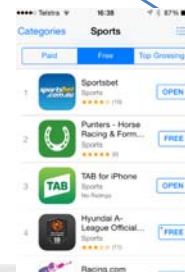
## Affiliates and Display

Search

Social

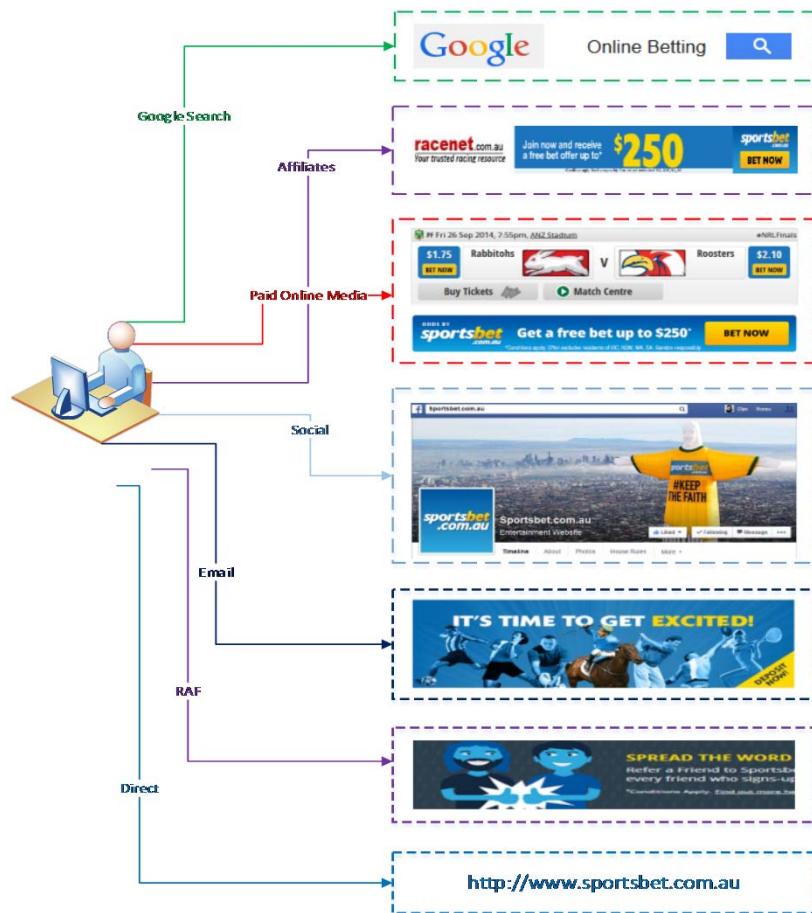


## Organic/Direct

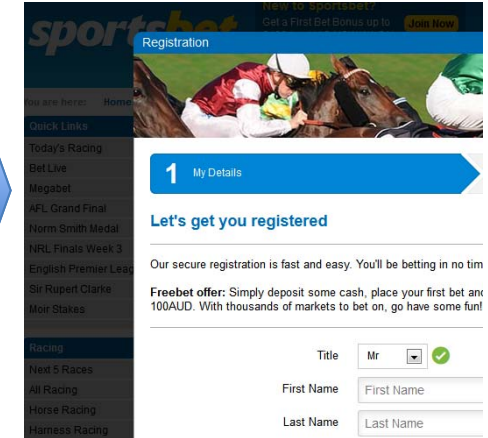




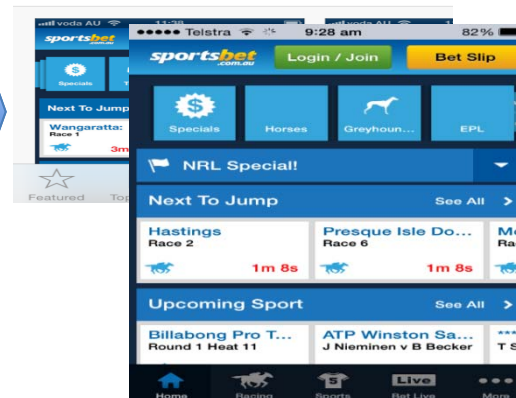
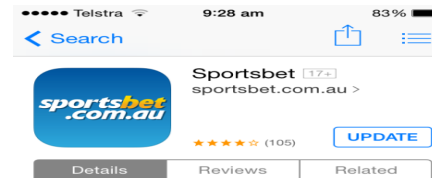
# Customer Journeys



**A: Desktop**



**B: Mobile**

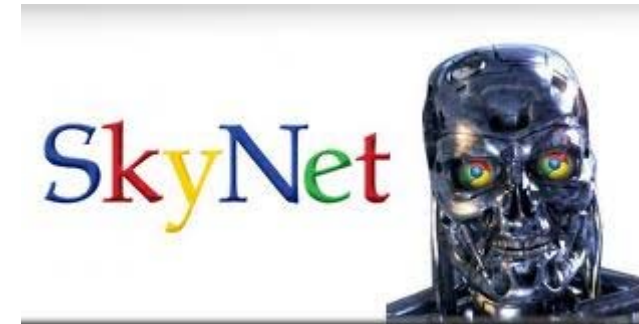
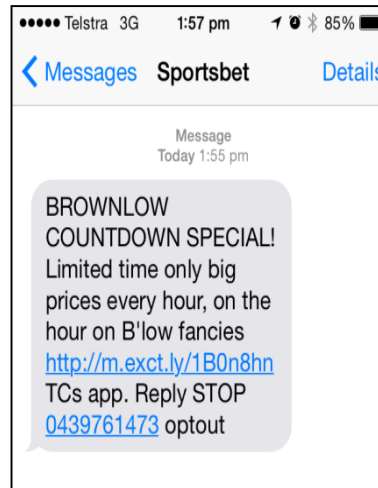


**Join Sportsbet.com.au**

All fields are mandatory

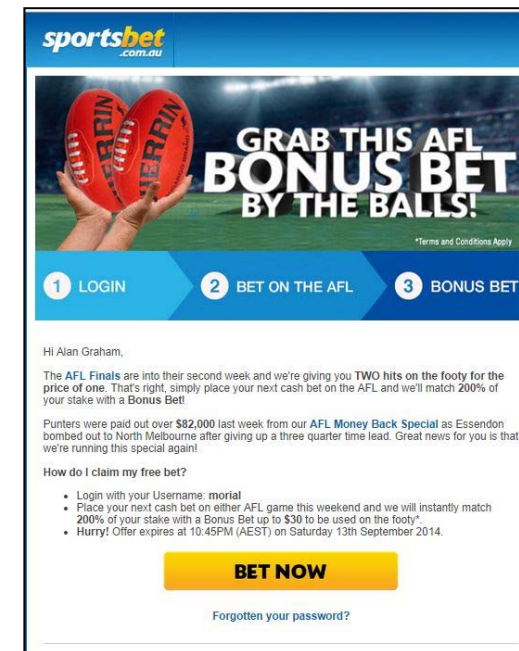
Date Of Birth

- Life cycle customer management
  - Conversion
  - Early life
  - In-Life
  - Churn prediction
  - Reactivation



- Machine learning
- Multiple channels
- Split tests

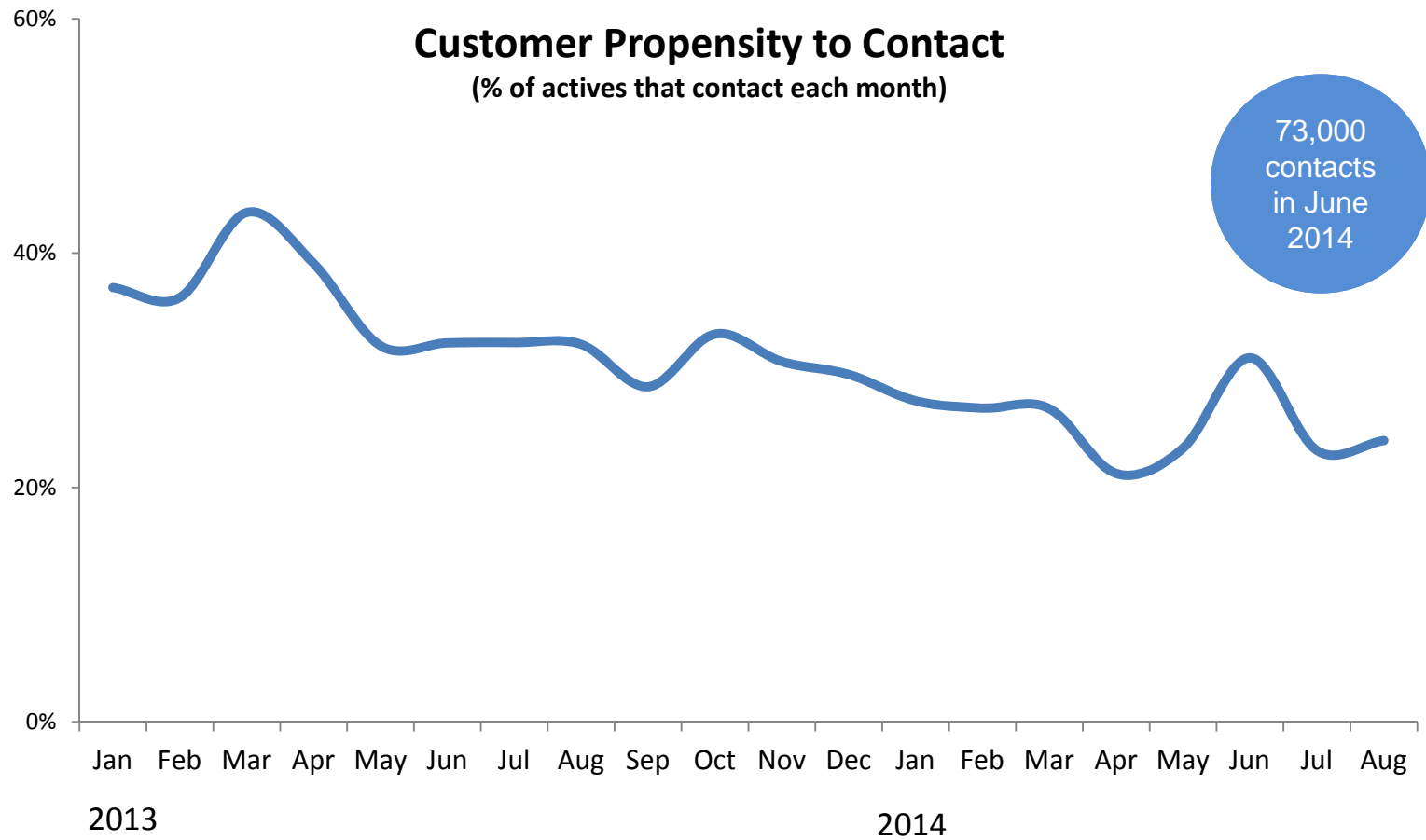
*Improved retention contributed to 44% growth in actives in H1'14*



- Requires total company focus
- Net Promoter Scores
- Focus on key customer journeys e.g. “First Bet Journey”
- Customer service



Investment in enhanced tools & self service knowledge has reduced customer contact demand over last 18 months.



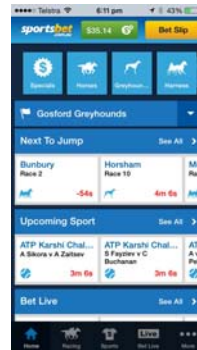
# Product - Mobile as a Disrupter



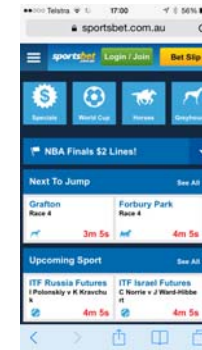
1. Ease of Use
2. Multi-Platform/Speed



Desktop Site



Mobile iOS App



Mobile HTML



Mobile Android App



iPad iOS App



Tablet HTML



Tablet Android App

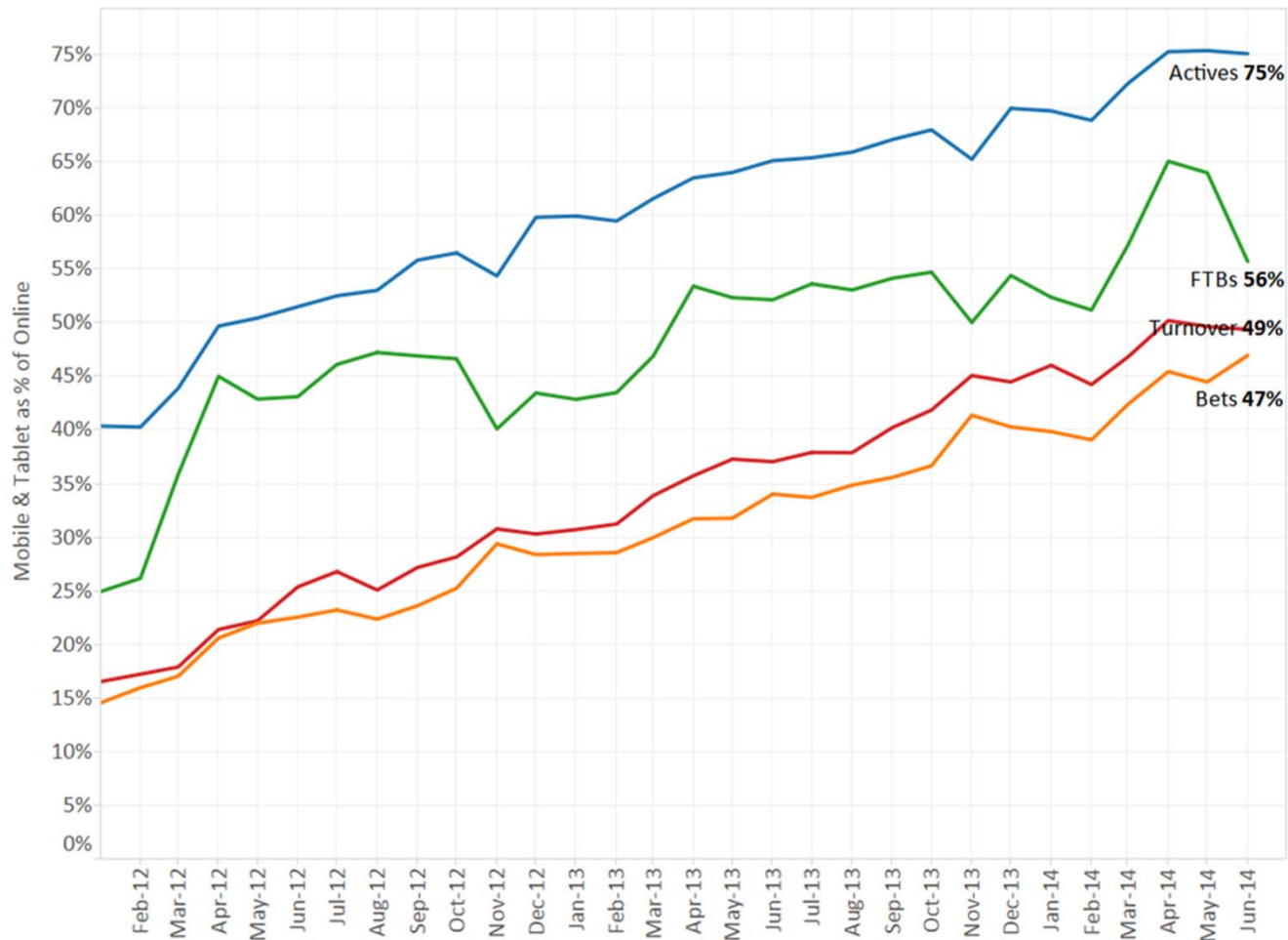
3. Features and functionality
4. Release frequency
5. Mobile marketing

# Mobile – Strong Growth and Leading Position

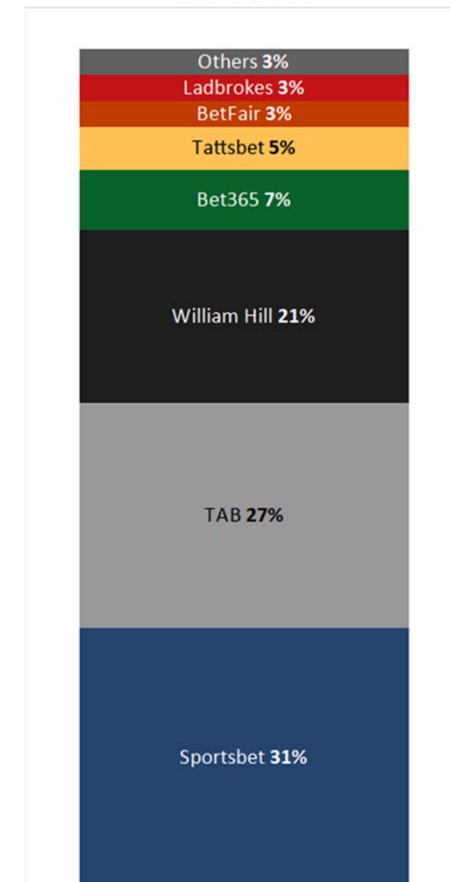


Sportsbet’s mobile performance has gone from strength to strength and we have an industry leading position in mobile.

Mobile & Tablet as % of Online



Mobile Share of Customers  
Aug - Sep 2014



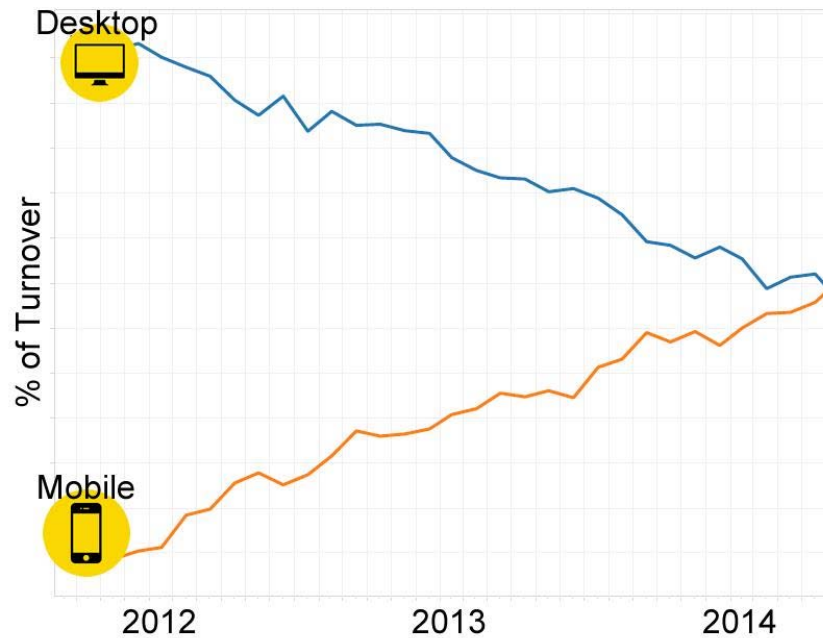
Toluna Market Research, "Most Used Mobile Brand". Sample size c. 700 regular online users



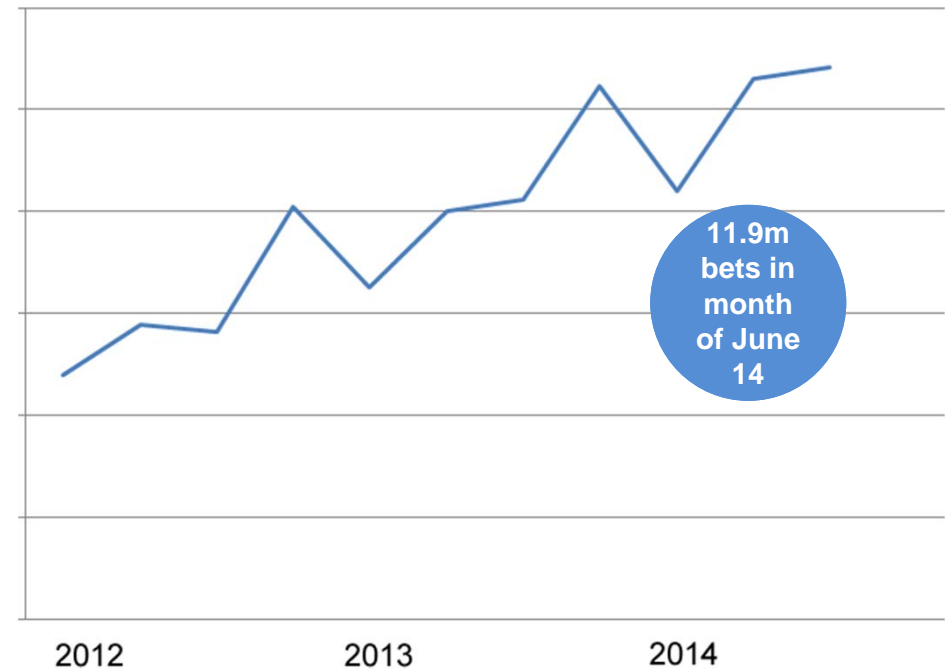
**Simon Noonan – Chief Information Officer**  
**Technology & Product Development**

24 October 2014

## Changing customer behaviours



## Bet Volumes have more than doubled



**We are doubling and mobilising!**



## Today



Scale



People



Own IP



UX



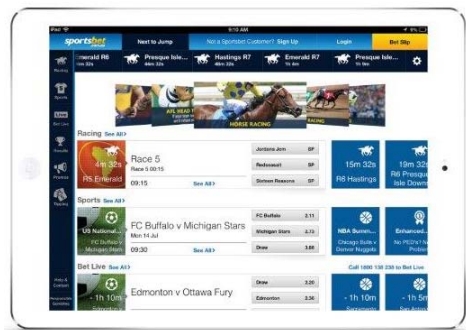
Automation

## Tech Trends



Staying ahead of the pack

# Delivering Customer Outcomes



Tablet App



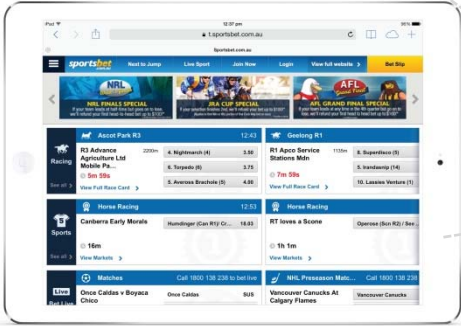
Mobile App



Mobile Web



Desktop Website



Tablet Web



Million Dollar Tipping (Desktop, Mobile, Tablet)

More platforms, more releases, more often

Technology

## TECHNOLOGY GUIDING PRINCIPLES

- We will provide greater delivery certainty to everything we do

*“ we will do what we say ”*
- We will focus on developing our people and our technology capabilities

*“ our people and our solutions are seen as enablers ”*
- We will improve our time to market and create an environment that allows for continuous delivery

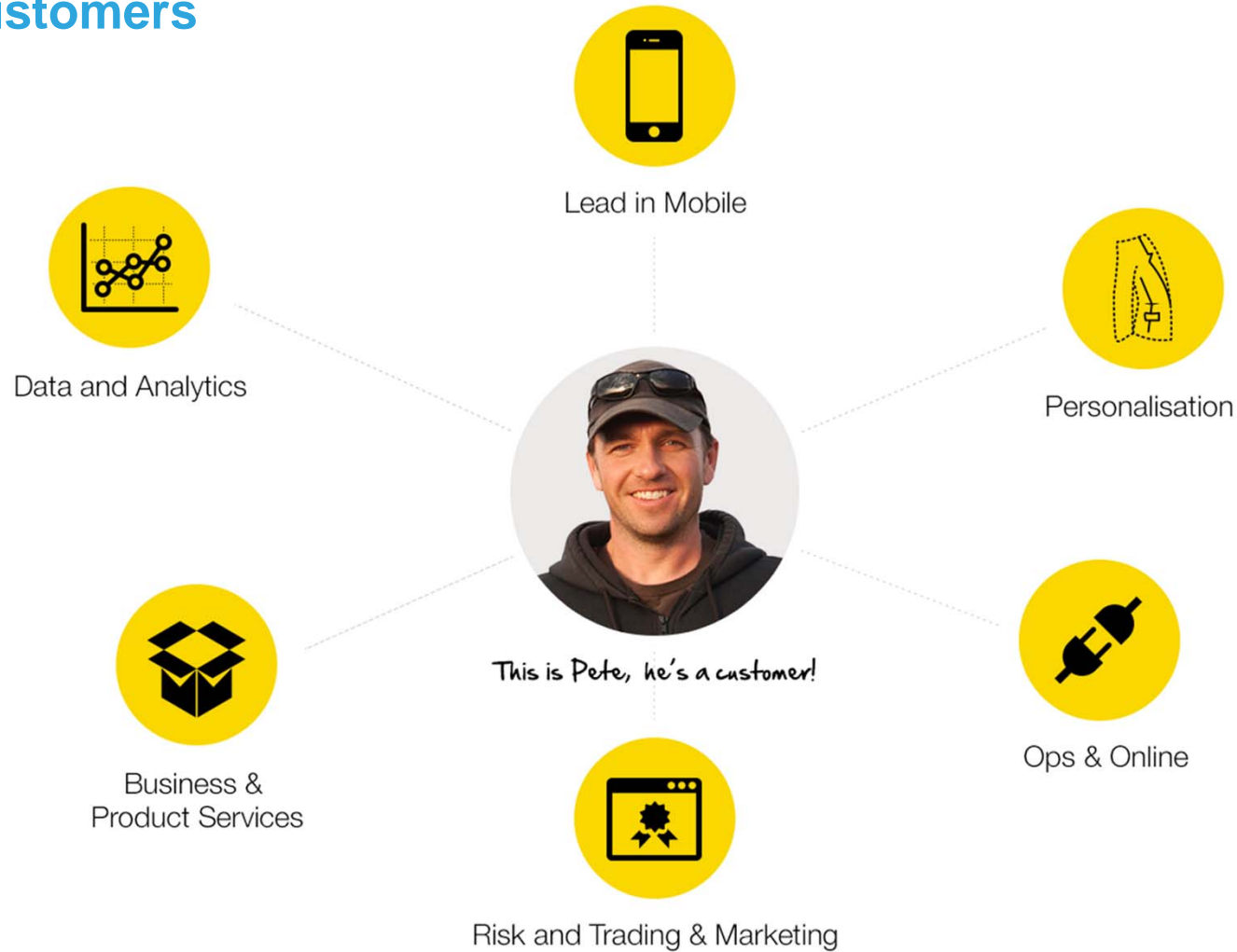
*“ we are recognised for always delivering ”*
- We will remove waste & redundant processes

*“ we work smarter ”*



Shaping our vision for the future

## Our Customers



**Key goal: customer centricity**



**Key goal: collaboration and leveraging scale**

Significant progress over the last year on multiple fronts:



Delivering more products and releases to customers



Servicing increasing levels and transaction volumes



Upgrading underlying platforms



Improving automation and work practices



In housing front-ends



Investing in our people



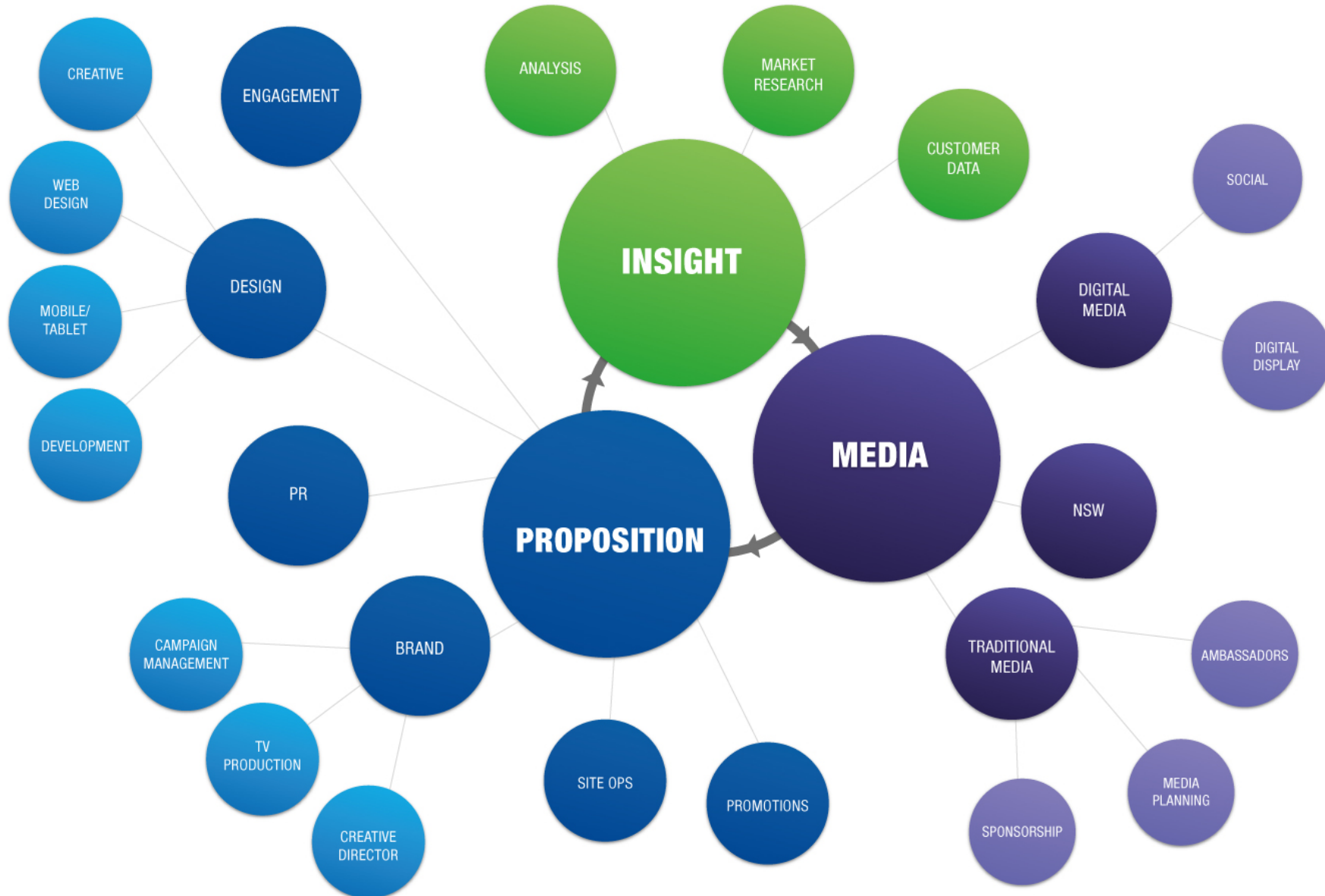
**Barni Evans – Marketing Director**

**Marketing**

24 October 2014

# Sportsbet's Marketing Operating Model

Scale, Innovation, Specialization, Analytical Rigour, Speed





# Mobile

Evolving with consumer needs



## Previous Mobile Campaigns



Launch of Mobile Advertising



Integration of Mobile in all Executions

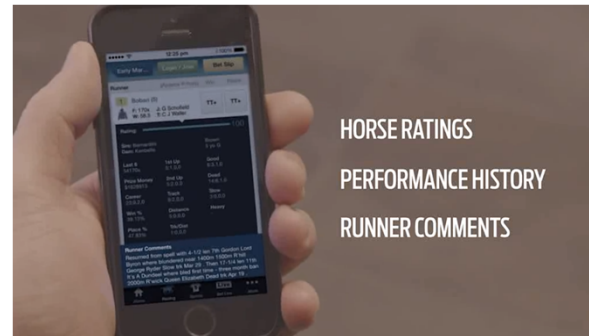


Launch of Tablet Advertising

## Current Mobile Campaigns



Brand



Mobile Racing Form



Retail Call to Action

# Value

Holistic, innovative, differentiated, consumer focused



Top Tote Plus



Money Back Specials

Atlantic Jewel



Justice Payouts



Competitive Pricing

# Fun

Irreverent, personality, affiliative

- Tone of Voice
- PR
- Stunts
- Social



Paddock Stunt



Prince Harry impersonator greeting Kate & Wills on Sydney Harbour



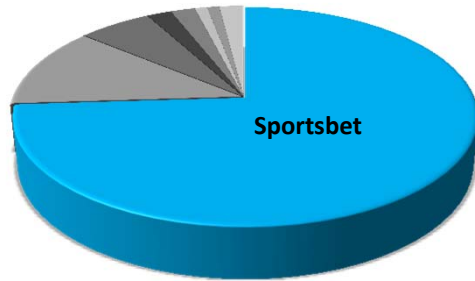
Christ the Redeemer – World Cup

# Social Media

Engaging consumers on their time, in their language



Facebook  
Share of Engagement YTD



Twitter  
Top 5 Australia Brands

	Followers
QANTAS	211k
HALFBRICK	184k
Virgin australia	150k
POPCHERRY	119k
sportsbet.com.au	91k
Collingwood	65k
TAB.COM.AU	25k

Australia's most popular brand tweet!

Sportsbet.com.au @sportsbetcomau

So we finally found a Suarez pic that hasn't been photoshopped... #WorldCup #ITAURU



RETWEETS 4,478 FAVORITES 2,207



# New South Wales / Queensland

Addressing untapped potential in NRL states



- Sydney office
- Dedicated NRL expertise
- 2012: Club sponsorships + innovative radio
- 2013: Magazine programming
- 2014: Live TV coverage



Club Sponsorships



Magazine Programming



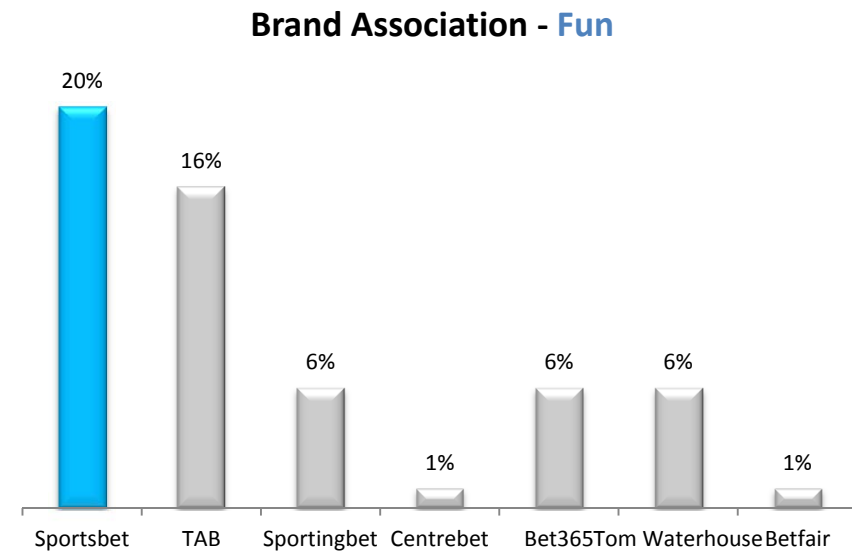
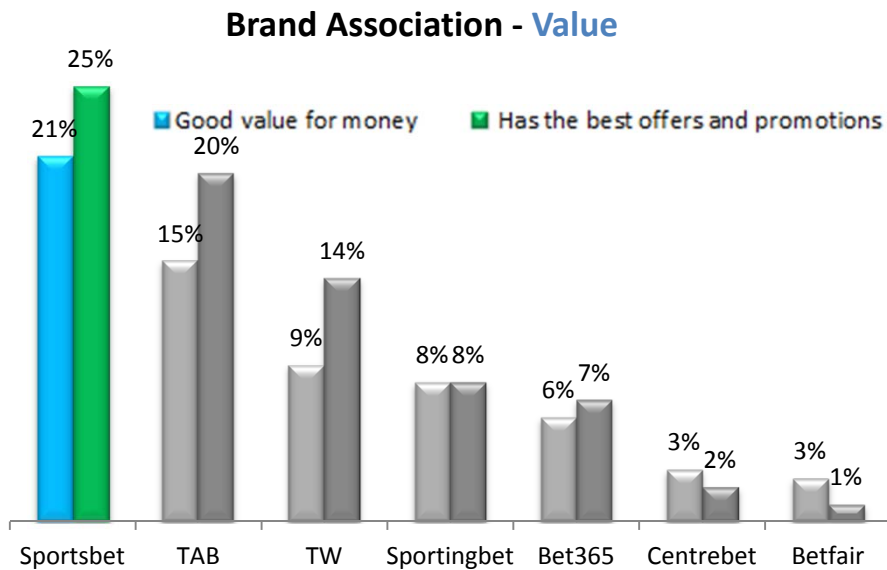
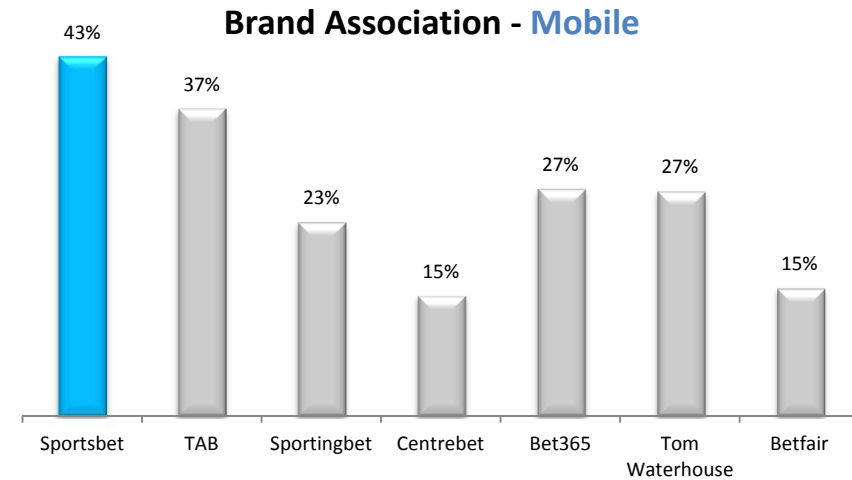
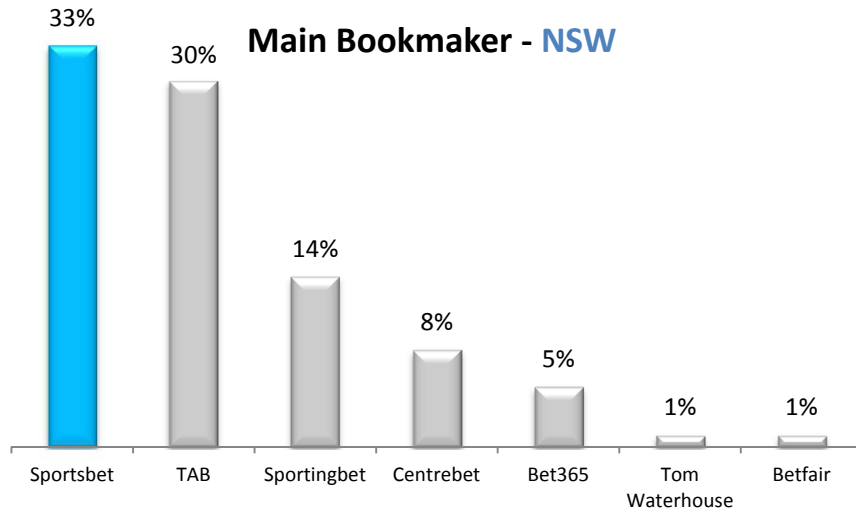
Live TV Coverage



Live TV Coverage - Justice

# Payback

## Marketing impact



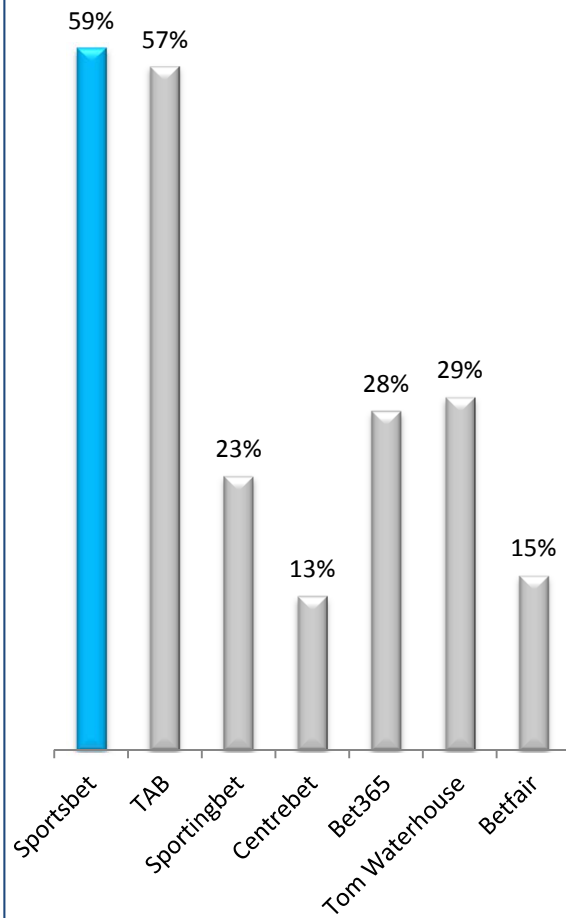
Sources: Toluna – September 2014, TNS – April 2014

# Payback

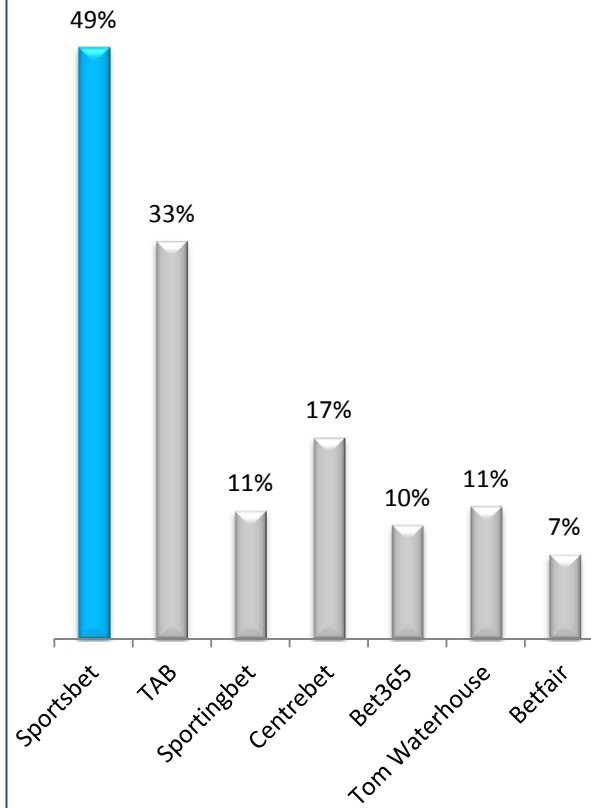
## Consumer Funnel



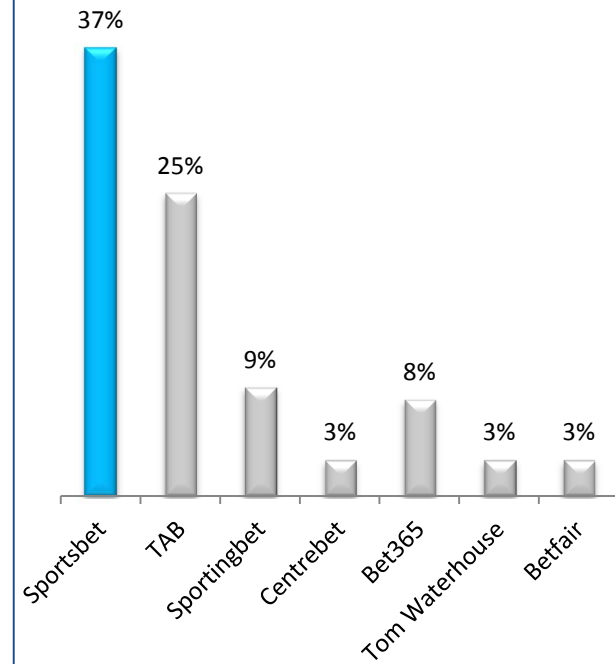
### Spontaneous Awareness



### Active Accounts



### Main Bookmaker



Toluna September 2014

**sportsbet**  
*.com.au* Wrap up



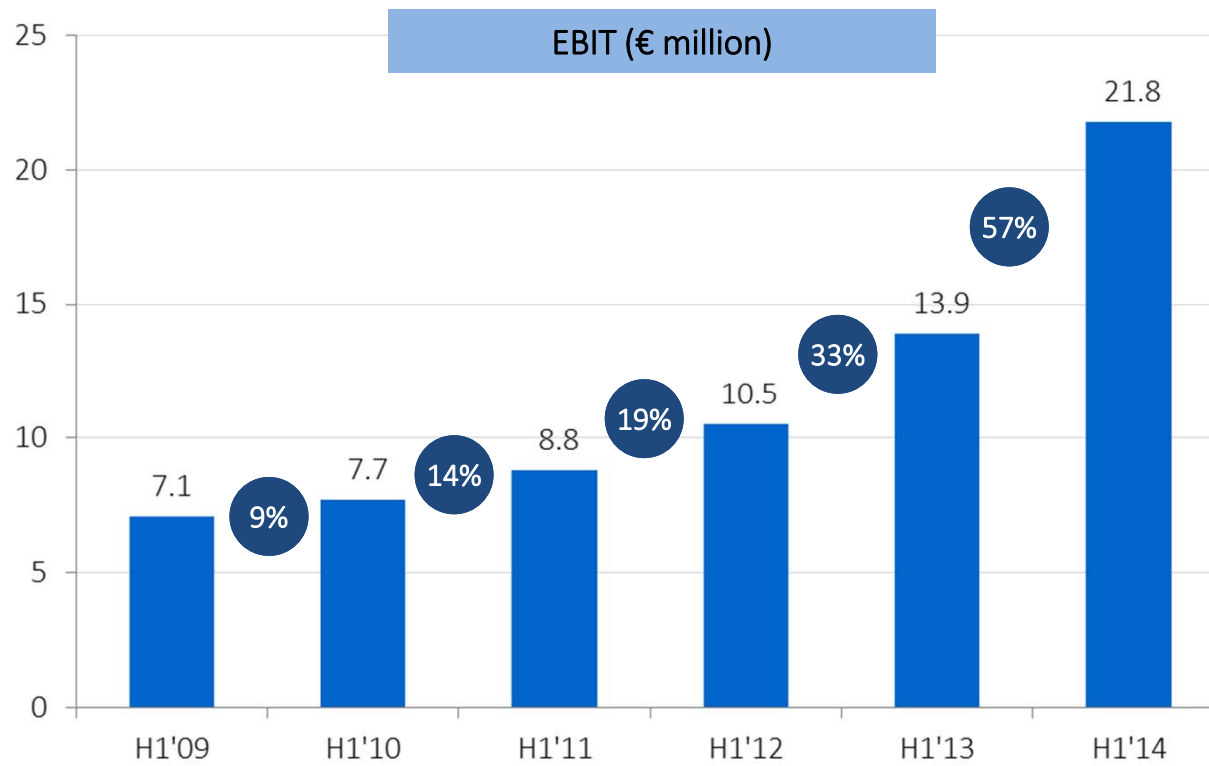
Time	Topic	Presenter
2.00-2.40	Welcome / Office Tour	
2.40-3.00	Introduction	Cormac Barry – CEO
3.00-3.20	Regulatory Environment	Ben Sleep – CFO & Regulatory Affairs Director
3.20-4.00	Risk & Trading, Online & Customer Operations	Luke Rattigan – COO
4.00-4.20	Coffee Break	
4:20-4.40	Technology & Product Delivery	Simon Noonan – CIO
4.40-5.00	Marketing	Barni Evans – Marketing Director
5.00-5.20	Wrap Up & Q&A	Cormac Barry – CEO
5.20-6.30	Canapés	

## Financial Performance – 5 Years Post Acquisition



		H1'09 Proforma	H1'14	5 year CAGR
Significant growth in scale	Online Sportsbook Stakes	A\$0.5bn	A\$1.3bn	<b>+22%</b>
Improved risk management and business mix	Sportsbook Gross Win %	<b>7.0%</b>	<b>11.1%</b>	
Substantial profit growth and operating leverage, despite higher product fees and investment	Cost of Sales % of Stakes	2.0%	2.5%	
	EBIT	A\$10.6m	A\$32.6m	<b>+25%</b>
	EBIT %	<b>20.8%</b>	<b>21.2%</b>	

# Financial Performance – 5 Years Post Acquisition



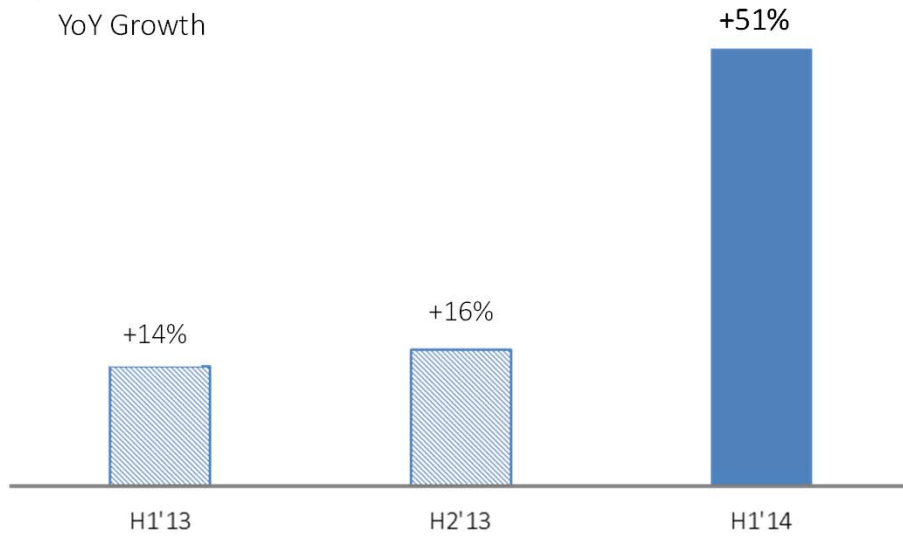
In constant currency at H1'14 rate

# Financial Performance – H1 2014



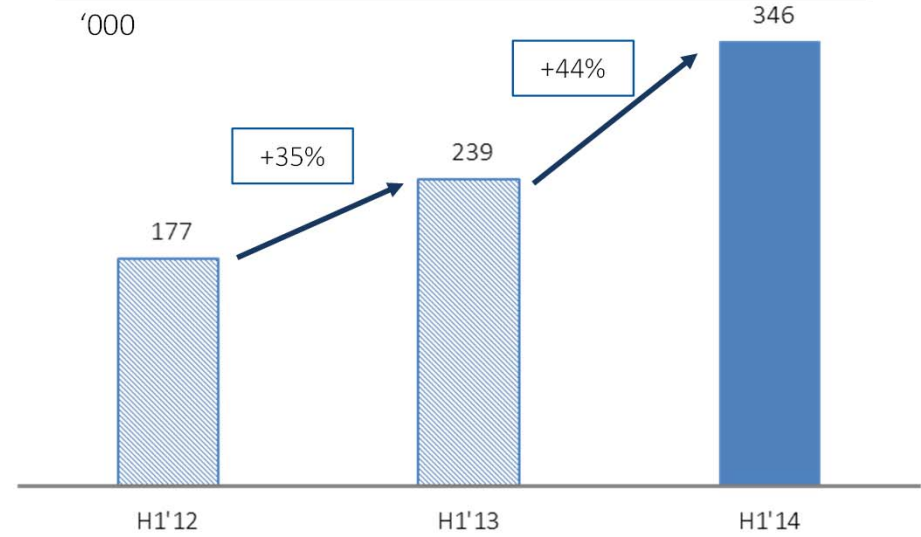
## Customer Acquisition

YoY Growth



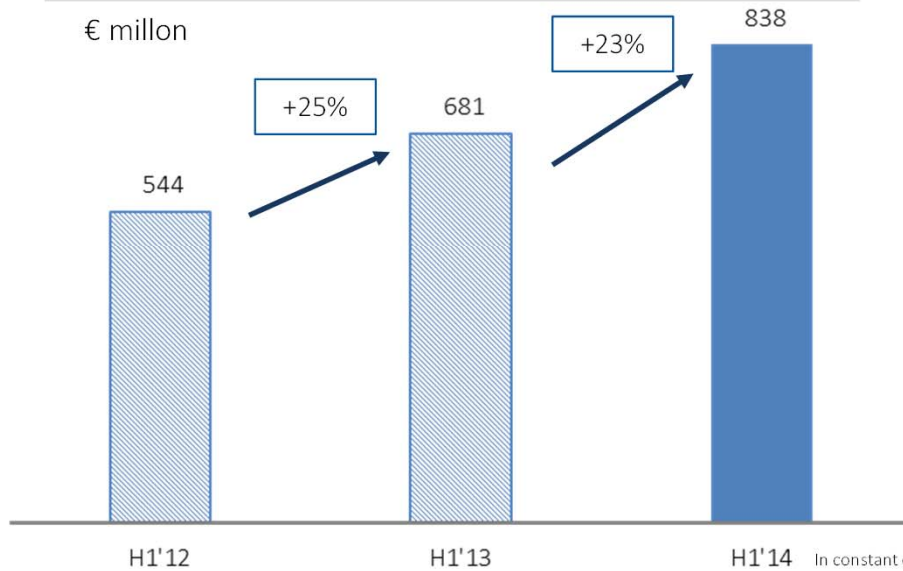
## Online Active Customers

'000



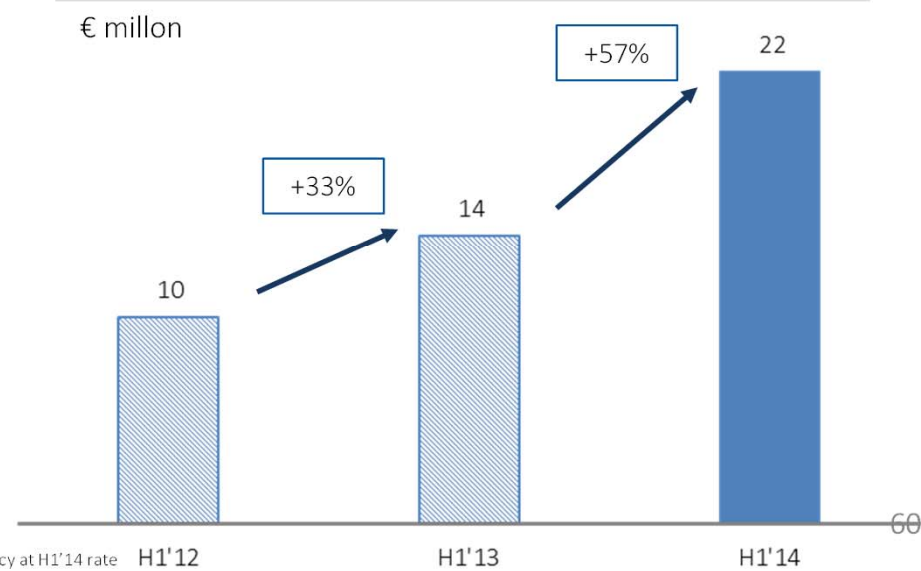
## Online Stakes

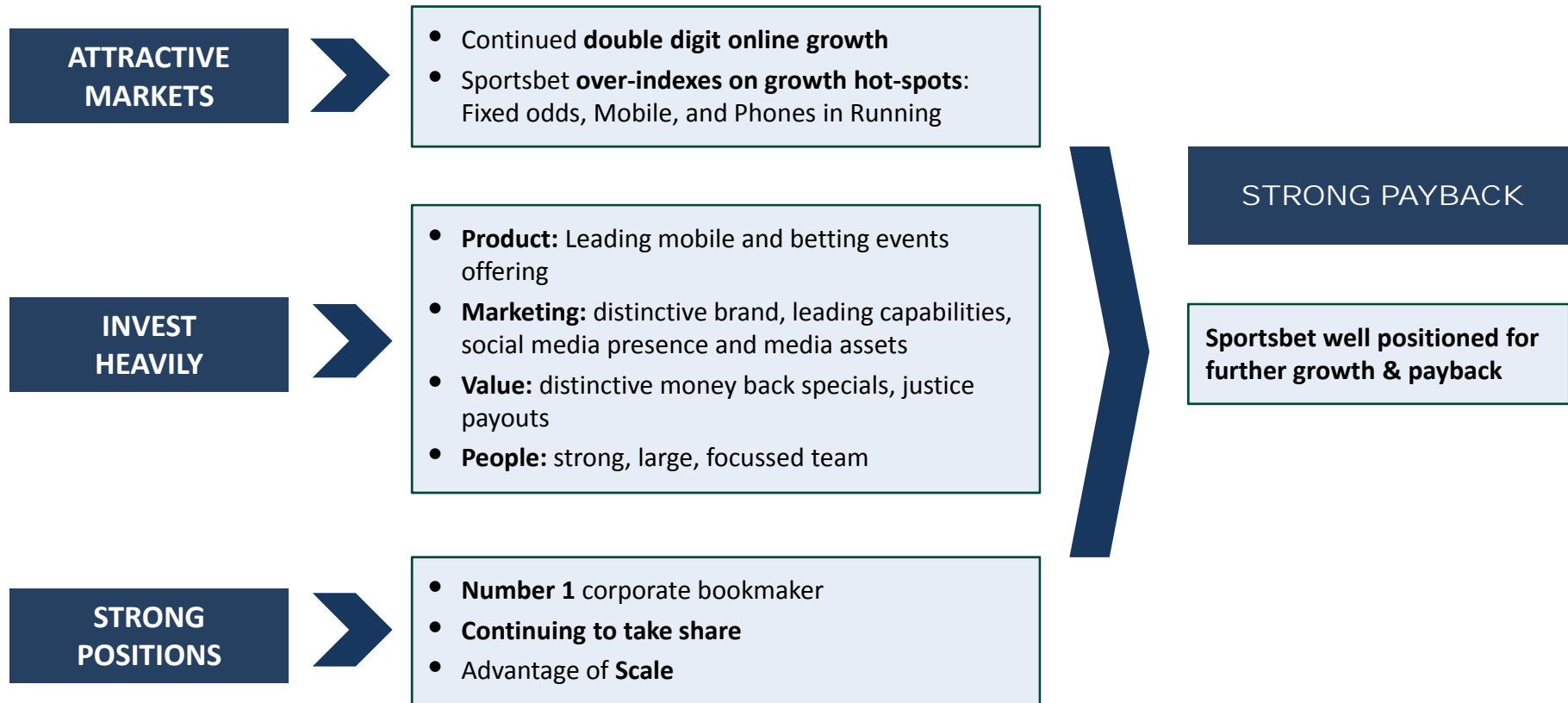
€ million



## Operating Profit

€ million





**sportsbet**  
*.com.au*

Q&A