

## 17 November 2015 - Paddy Power plc - Interim Management Statement

### Strong top-line momentum continues into the second half, offsetting adverse sports results

Following its Interim Results for the six months to 30 June 2015 announced on 26 August, Paddy Power is today updating the market on trading in the period from 1 July to 15 November 2015 (“the period”). Percentage comparisons are versus the equivalent period last year in constant currency, except where otherwise indicated<sup>1</sup>.

#### Summary

Following on from a very strong first half performance, trading in the period has been in line with our expectations. While sports results in the period were unfavourable across the sector, for Paddy Power this has been offset by strong underlying growth. Accordingly, the Board continues to expect full year 2015 reported operating profit to be a mid to high single digit percentage increase above 2014.

Top-line growth for the Group has been strong notwithstanding the comparative period benefitting from both very favourable sports results and the concluding stages of the football World Cup. In Online, sports betting stakes were up 23% and total net revenue was up 7%. In Retail, sports betting stakes grew by 12% and total net revenue by 7% (or 7% and 1% respectively excluding the impact of new shops).

#### Product & Brand

Differentiated product and distinctive brands and marketing capability, are at the core of our strategy to win.

In *paddypower.com*, earlier this month we released our new native iOS app, which was designed and built in-house, and which delivers significantly improved customer navigation, with faster price updates and bet placement. Android and mobile web app customers will enjoy similar benefits when we launch our new proprietary HTML5 web app next month. Marketing and promotional spend has been re-phased, to coincide with these product launches and showcase the enhanced customer offering. Our new brand campaign ‘*You’re Welcome!*’ is resonating strongly with customers to drive brand awareness, and we continue to acquire strategic marketing assets, securing once again, a leading package with Channel 4 Racing for 2016.

In Australia we launched *Punters Club*, a unique betting club product that is fully integrated into our betting platform, providing a seamless social betting experience for customers, and in turn driving additional sportsbook revenues. In brand, we continue to accelerate marketing investment to further extend our leadership position, including significantly increased promotional activity over the racing Spring Carnival period. We also secured leading free to air TV summer cricket assets and additional soccer media assets.

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<sup>1</sup> Given the material impact on growth trends of the 2014 World Cup within the comparative period, the statement includes references to ‘post-World Cup period’ growth rates. These show percentage comparisons versus last year in constant currency for the period 14 July to 15 November, to exclude the impact of the World Cup.

In Retail, we are now regularly acquiring online customers via self-service sign-up tablets, which have been rolled out to the majority of our UK shops. We expect to complete the rollout to our UK and Irish estates in the coming months.

## **Online**

Our Australian business continues to grow strongly and take market share. Total stakes increased by 43% and net revenue by 33%. Growth continues to be driven by existing customers, and by new customer acquisition which increased 22% in the post-World Cup period. Telephone, which is predominantly a betting-in-running channel, grew stakes by 38%, and we continue to innovate and invest in new telephone betting product.

In our UK and Irish online business, as expected, year on year revenue growth was impacted by the very favourable sports results and the World Cup within the comparative period, and total net revenue decreased by 9%. In the post-World Cup period, new customer acquisition was up 20%, sportsbook stakes increased 11%, and eGaming revenue grew 6% driven by proprietary content. We expect our new app launches to accelerate this growth, underpinned by well-coordinated and targeted promotions. In the first two weeks since releasing the iOS app, stakes are up 25%, an early indicator of how new intuitive product drives improved performance.

In Italy, our strategic plans to position the business for long term growth and profitability remain on-track. Costs continue to be tightly managed as we implement the operational improvements required to ensure sustainable revenue growth. Revenues in the period were impacted by adverse sports results and the absence of the World Cup but still grew by 3%, driven by strong growth in eGaming.

## **Retail**

In UK Retail, our leadership position in SSBTs contributed to the 5% like-for-like growth in sportsbook stakes. Like-for-like sportsbook net revenue decreased by 8% driven by adverse sports results. Machine gaming net revenue grew 6% on a like-for-like basis, benefitting from continued strong execution of carded play, and regular new game releases.

In Irish Retail, like-for-like stakes grew 8% and net revenue by 4%, driven by our market leading customer offering, with the benefit of an improving economy.

We opened 7 shops in the UK and 7 shops in Ireland in the period of which 4 were acquired.

## **Financial Position**

As at 15 November, the Group had net debt of €96m (0.5 times 2014 EBITDA), excluding customer balances.

## Recommended Merger of Paddy Power and Betfair

Relevant filings have been submitted to applicable regulators and we expect to publish shareholder documentation in the coming weeks. Further updates will be announced to the market as they become known.

Detailed financial and operational performance measures are set out below.

	Year on Year Increase / (Decrease)		
	H2 To Date: 1 July to 15 November		Post-World Cup Period: 14 July to 15 November
	Nominal	Constant Currency	Constant Currency
<b>Group</b>			
Sportsbook amounts staked	+21%	+19%	+22%
Sportsbook net revenue	+7%	+5%	+9%
Total net revenue	+9%	+6%	+9%
<b>Online (ex Australia)</b>			
Sportsbook amounts staked	+16%	+8%	+11%
Sportsbook net revenue	(12%)	(17%)	(12%)
Gaming/B2B net revenue	+13%	+6%	+8%
Total net revenue	(3%)	(9%)	(4%)
<b>Australia</b>			
Online amounts staked	+33%	+43%	+45%
Online net revenue	+23%	+32%	+35%
Total net revenue	+24%	+33%	+34%
<b>UK Retail</b>			
Sportsbook amounts staked – like-for-like	+16%	+5%	+7%
Sportsbook net revenue – like-for-like	+1%	(8%)	(8%)
Machine gaming net revenue – like-for-like	+16%	+6%	+7%
Total net revenue – like-for-like	+9%	+0%	+0%
<i>New shops year to date</i>	<i>21, including 2 acquired</i>		
<b>Irish Retail</b>			
Amounts staked – like-for-like	+8%	+8%	+10%
Net revenue – like-for-like	+4%	+4%	+5%
<i>New shops year to date</i>	<i>14, including 10 acquired</i>		

### RESPONSIBILITY STATEMENT

*The directors of Paddy Power accept responsibility for the information contained in this Interim Management Statement relating to Paddy Power, the Paddy Power Group, the directors of Paddy Power and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of the directors of Paddy Power (who have taken all reasonable care to ensure that such is the case) the information*

contained in this Interim Management Statement is in accordance with the facts and does not omit anything likely to affect the import of such information.

### **DEALING DISCLOSURE REQUIREMENTS**

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make a Dealing Disclosure.

### **FORWARD-LOOKING STATEMENTS**

This Interim Management Statement contains statements about Paddy Power that are or may be forward looking statements. All statements other than statements of historical facts included in this Interim Management Statement may be forward looking statements. Without limitation, any statements preceded or followed by or that include the words "targets", "should", "continue", "plans", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "estimates", "projects" or words or terms of similar substance or the negative thereof, are forward looking statements. Such forward looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward looking statements, which speak only as of the date hereof. Paddy Power disclaims any obligation to update any forward looking or other statements contained herein, except as required by applicable law or regulation.

### **PROFIT FORECASTS OR ESTIMATES**

There has been no material change to the information contained in Part A of Appendix V of the Rule 2.7 Announcement dated 8 September 2015 relating to the profit forecast of Paddy Power for calendar year 2015 (the "Profit Forecast").

For the purposes of Rule 28 of the Code, the directors of Paddy Power confirm that the Profit Forecast referred to in this Interim Management Statement remains valid, was properly compiled on the basis of the assumptions on which it was prepared and that the basis of the assumptions which were used were consistent with Paddy Power's accounting policies. Each of KPMG and Morgan Stanley have indicated that they have no objection to their reports dated 8 September 2015 continuing to apply to the Profit Forecast.

Save where expressly provided to the contrary, no statement in this Interim Management Statement is intended as a profit forecast or estimate for any period. No statement in this Interim Management Statement should be interpreted to mean that earnings or earnings per share for Paddy Power for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Paddy Power.

## **OVERSEAS JURISDICTIONS**

*The distribution of this Interim Management Statement in certain jurisdictions may be restricted or affected by the laws of such jurisdictions. Accordingly, copies of this Interim Management Statement are not being, and must not be, mailed or otherwise forwarded, distributed or sent in, into, or from any such jurisdiction. Therefore, persons who receive this Interim Management Statement (including, without limitation, nominees, trustees and custodians) and are subject to the laws of any such jurisdiction will need to inform themselves about, and observe, any applicable restrictions or requirements. Any failure to do so may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, Paddy Power disclaims any responsibility or liability for the violations of any such restrictions by any person.*

## **ROUNDING**

*Certain figures included in this Interim Management Statement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.*

## **IMPORTANT NOTICE**

*Morgan Stanley which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom is acting as financial adviser to Paddy Power and no one else in connection with the Merger. In connection with such matters, Morgan Stanley, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the Merger, the contents of this announcement or any other matter referred to herein.*

### **Analyst Briefing:**

The Company will host a conference call for institutional investors and analysts this morning at 8.30am. To dial into the conference call, participants should dial 01 242 1074 from Ireland, 01296 480 100 or 0800 783 0906 from the UK and +44 1296 480 100 from elsewhere. The passcode is 718 140.

A call replay facility will be available for 21 days. To listen to the replay, callers from the UK should dial 0207 136 9233; all other callers should dial +44 207 136 9233. The passcode is 82379698.

ENDS

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