

18 November 2014 - Paddy Power plc - Interim Management Statement

Group net revenue up 38%; increased 2014 earnings expectations

Following its Interim Results for the six months to 30 June 2014 announced on 28 August, Paddy Power is today updating the market on trading in the period from 1 July to 16 November 2014 (“the period”). All percentage comparisons are with the equivalent period last year in constant currency.

Summary

In the second half of the year to date, strong revenue growth has continued in all our businesses. We are benefitting from good top-line growth and favourable sports results. Sportsbook stakes were up 18% online and 3% in retail on a like-for-like basis, with total Group net revenue up 38%.

The Board now expects mid to high teens percentage growth in earnings per share for the full year.

Online

Total online net revenue grew by 42%, comprising a 49% increase in sportsbook and 20% growth in eGaming/B2B. Online stakes grew by 18%, 21% in Australia and 16% in Online (ex Australia). We lead the industry on penetration of the key mobile sector, with 58% of our total online revenue from mobile devices in the period.

In Australia our track record of strong momentum and increasing market share continued in the period. Online customer acquisition was up 23%, while active customers increased by 37%, with a strong performance at the recent racing Spring Carnival.

Our UK and Irish online business, *paddypower.com*, grew its sportsbook net revenue by 59%, benefitting from the largest year-on-year gross win percentage rebound amongst our divisions. Notwithstanding this level of increased winnings from customers, sportsbook stakes grew by 14%. A strong performance from our mobile and proprietary product drove eGaming/B2B revenue growth of 19%. Total active customers increased 33% with customer acquisition up 23%, boosted by the World Cup. Our Italian online business, *paddypower.it*, grew its net revenue by 72% in the period.

Retail

Retail net revenue grew by 14% on a like-for-like basis. We have opened 73 shops in the year to date, 53 in the UK and 20 in Ireland, bringing our total estate to 562 units. Including new shops, sportsbook stakes increased by 15% and total net revenue by 31%.

In Irish Retail, the positive like-for-like stake and revenue trends reported since the start of last year continued with stakes up 4% and net revenue up 11% in the period.

In UK Retail, on a like-for-like basis, sportsbook stakes grew by 2%, sportsbook net revenue by 20% and machine gaming revenues were up 12%.

Regulation

In September, Paddy Power, together with other leading betting operators in the UK, formed the Senet Group, a cross industry body to promote responsible gambling standards, headed by an independent standards commissioner. The Senet Group has already taken steps to respond to public concerns on advertising, including restricting sign up offers on pre-watershed sports betting TV advertising, and will launch a major responsible gambling advertising campaign in January.

We await the publication in December of the Responsible Gambling Trust's research into machine gaming in the UK. Since the research was undertaken, a series of measures have already been implemented, with more committed to, by the Government and the industry that significantly enhance player protection.

Financial Position

As at 16 November, the Group had no debt and cash of €279 million, or €206 million excluding customer balances. Since the Group announced the recommencement of its share buyback programme on 28 August, it has purchased 450,000 shares, or 0.9% of issued voting share capital, for €23.3 million.

Detailed financial and operational performance measures for the period are set out below.

	Increase / (Decrease)
Group	
Sportsbook amounts staked	+14%
Sportsbook net revenue	+41%
Total net revenue	+38%
Online (ex Australia)	
Sportsbook amounts staked	+16%
Sportsbook net revenue	+60%
Gaming/B2B net revenue	+20%
Total net revenue	+42%
Australia	
Online amounts staked	+21%
Online net revenue	+41%
Total net revenue	+43%
UK Retail	
Sportsbook amounts staked – like-for-like	+2%
Sportsbook net revenue – like-for-like	+20%
Machine gaming net revenue – like-for-like	+12%
Total net revenue – like-for-like	+16%
<i>New shops year to date</i>	<i>53, including 8 acquired</i>
Irish Retail	
Amounts staked – like-for-like	+4%
Net revenue – like-for-like	+11%
<i>New shops year to date</i>	<i>20, including 17 acquired</i>

Analyst Briefing:

The Company will host a conference call for institutional investors and analysts at **8.30am** this morning. To dial into the conference call, participants should dial 01 242 1075 from Ireland, 01296 480 104 from the UK and +44 1296 480 104 from elsewhere. The passcode is 884 202#.

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 85720747.

ENDS

For reference:

Patrick Kennedy

Chief Executive
Paddy Power plc
Tel: + 353 1 905 1011

Cormac McCarthy

Chief Financial Officer
Paddy Power plc
Tel: + 353 1 905 1013

Jack Massey

Director of Investor Relations & Company Secretary
Paddy Power plc
Tel: + 353 1 905 1013

Billy Murphy / Karen Ferris

Drury / Porter Novelli
Tel: + 353 1 260 5000
Mobile: + 353 87 231 3085

Conor McClafferty

RLM Finsbury
Tel: + 44 20 7251 3801
Mobile: + 44 7951 411 796