
Paddy Power Betfair plc

PADDYPOWER

betfair



Combination of US Business
with FanDuel

23 May 2018

Summary

Transaction

- Combination of Paddy Power Betfair's US businesses ("Betfair US") with FanDuel
- Paddy Power Betfair will hold 61% of the combined business and have operational control
- Existing FanDuel investors will hold 39%

Financials

- Paddy Power Betfair cash contribution of \$158m on completion
- The transaction is not expected to have a material impact on the Group's 2018 underlying EBITDA
- The combined business is currently operating at broadly EBITDA breakeven on a proforma basis (post synergies but before investment in sports betting)

FanDuel

- US daily fantasy sports ("DFS") operator with >40% market share
- Leading US sports brand with nationwide presence
- 7m registered customers with 1.3m active in 2017

Strategic rationale

- Opportunity to scale quickly to target prospective US sports betting market
 - Strong brand with large existing customer base
 - DFS customers have high propensity to bet on sports
 - Creates the industry's leading US online business with an extensive national footprint
- Positions us well in discussions with potential market access partners

Transaction details

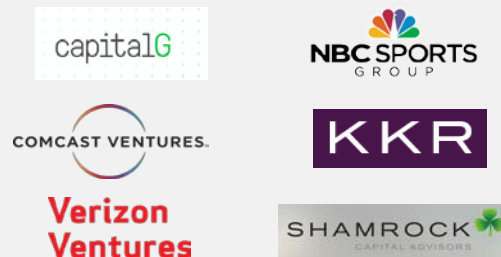
Key terms

- Paddy Power Betfair contributes its existing US assets + \$158m cash
- Cash contribution will pay down existing FanDuel debt (\$76m) and fund working capital
- Call / put option to take Paddy Power Betfair ownership to 80% after 3 years and 100% after 5 years
- Transaction subject to customary approvals; completion expected in Q3 2018

Structure



61%
Operational control



39%
Key investors / partners
retain financial interest &
Board representation

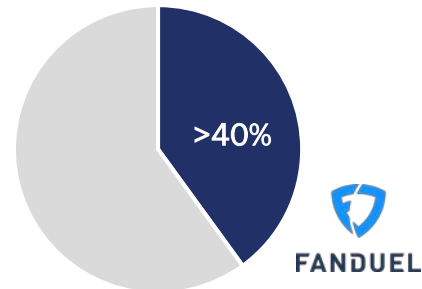
FanDuel: leading DFS brand with substantial customer base

DFS market profile

Market size¹

- >\$3bn entry fees
- >\$300m revenues
- >3m active players (from c.59m season long fantasy active players)

Market share¹



Regulatory profile

- Legal clarity for DFS in 21 states², with further legislative momentum expected in 2018

FanDuel profile

Substantial customer base

- 7m registered users
- 1.3m active in 2017
- Real-money customers in 40 states

Key financials

- c.\$400m cumulative marketing spend to date
- 2017:
 - Entry fees \$1.2bn
 - Revenues \$124m
 - EBITDA losses \$37m

Operations

- HQ: New York City
- Proprietary technology platform & product development (>170 technology professionals)

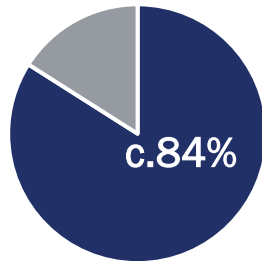
¹ Internal management estimates

² 19 states with enacted laws and two states where Attorney General opinions have clarified legality

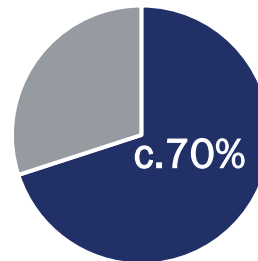
FanDuel: great brand to target US sports betting opportunity

Attractive customer attributes

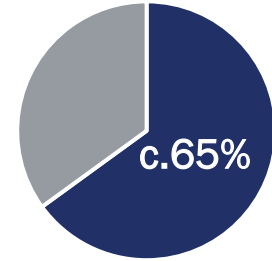
% of FanDuel customers who bet on sports¹



% of FanDuel entries via mobile

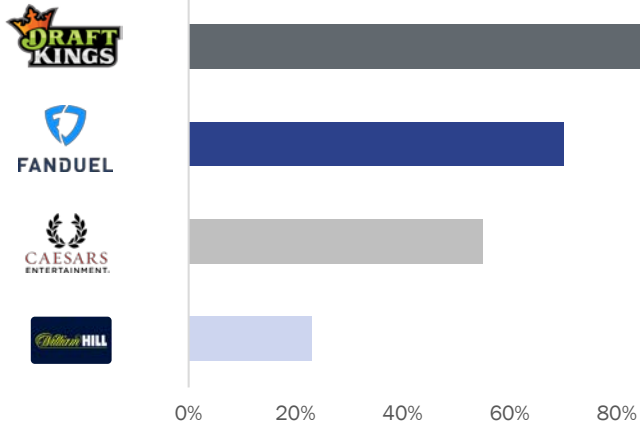


% of FanDuel customers aged 18-39



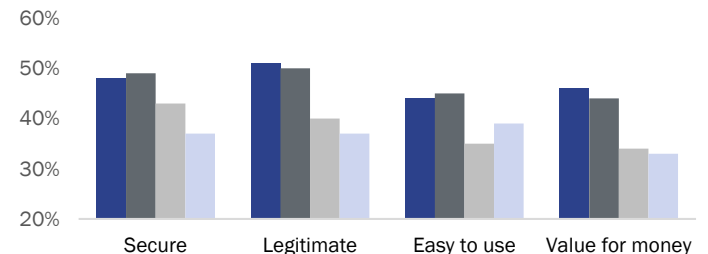
DFS brands ideal route to market

High brand awareness²



With unique advantages

- Ability to attract & acquire customers in states pre-sports betting regulation
- DFS brands over-index in key attributes³:



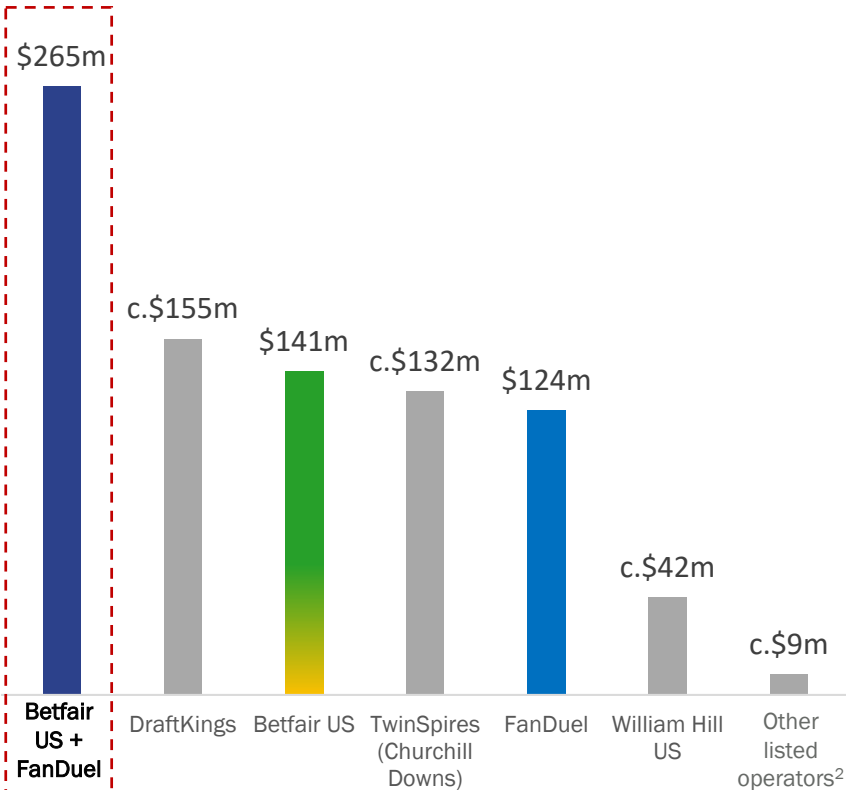
¹ FanDuel internal customer research

² % of surveyed US males aged 18-54 who sports bet online at least every six months, that were aware of the brand. Source: Kelton Global brand research, May 2018

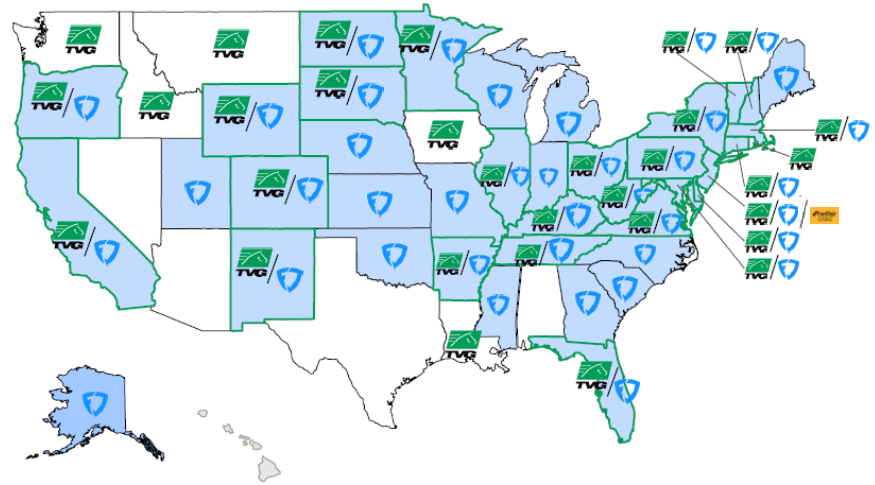
³ % of surveyed US males aged 21-49 who sports bet online at least monthly, that associated the brand with the attribute. Source: Kelton Global brand research, May 2018

Transaction creates the industry's leading US online business

US Online net revenues¹



Extensive nationwide footprint



- c.8m registered customers
- Real-money customers in 45 states

¹ Internal management estimates of 2017 net revenues utilising competitor public filings. DraftKings estimated based on actual FanDuel revenues and market share estimates. TwinSpires is reported 'net revenue' less 'content costs' to make consistent with TVG revenues (commission retained by operator). William Hill US based on their disclosure that mobile generates 58% of wagers within their US division (total revenues \$73m). ² 888, The Stars Group, GVC New Jersey revenues per Eilers & Krejcik Gaming

Strong position to target prospective sports betting opportunity

Market access

- ✓ Strong existing relationships with key stakeholders across the USA
- ✓ Scale makes us an attractive partner

Operational capabilities

- ✓ US digital marketing expertise / partnerships
- ✓ Risk & trading expertise
- ✓ Established US customer operations
- ✓ Expertise in sports product (globally & in US)
- ✓ Online sports betting 'go-live' preparations well advanced

Customers & Brand

- ✓ Large existing sports-focused customer base
- ✓ Strong brand with nationwide footprint
- ✓ Extensive distribution reach via TVG TV channels
- ✓ Strong relationships with media / marketing partners

Financial resources

- ✓ Substantial financial firepower to invest in opportunities