

19 November 2013 - Paddy Power plc - Interim Management Statement

Good underlying performance; unfavourable sports results

Following its Interim Results for the six months to 30 June 2013 announced on 28 August, Paddy Power is today updating the market on trading in the period from 1 July to 17 November 2013 (“the period”). All percentage comparisons are with the equivalent period last year on a consistent basis.¹

Summary

The Group’s overall underlying performance has been good in the period; however sports results have been unfavourable.

Online (ex Australia) sports turnover is up 15% and eGaming/B2B net revenue has grown 17%, notwithstanding an increasingly competitive UK online market. In Australia, our online turnover growth has accelerated to 26%. Within Retail, sports betting turnover is up 5% on a like-for-like basis, machine net revenue has returned to year on year growth and we expect to open a record 65 shops this year.

Sports results have remained poor. The Group experienced particularly unfavourable results in July, as disclosed at the announcement of our Interim Results. Since then, adverse sports results have further reduced gross win versus our normal expectations by some €10m, with notably poor results at the recent Australian Spring Racing Carnival and on Champions League football.

We now expect to achieve low to mid single digit percentage operating profit growth in 2013 in constant currency, before currency translation headwinds of 3%. This is approximately €11m lower than the mid-point of our guidance at the time of our Interim Results.

Online

paddypower.com

Competition in the UK online market has continued to strengthen in advance of the new ‘point of consumption’ tax regime expected from December 2014. As a leading scale player, our *paddypower.com* business has performed well in this tougher environment achieving double digit growth in both sports turnover and eGaming net revenue, without increased marketing spend as a percentage of net revenue. During this period of industry change, competition is intensifying and we will continue to invest efficiently to maintain and enhance our competitive position for the long term.

Australia

Our Australian business continues to go from strength to strength, growing its online turnover by 26% and online net revenue by 30%. We are increasing our investment in people, marketing assets and product and expect to continue to take market share and grow our profits strongly in Australia over the coming 12 months.

paddypower.it

In Italy, we were the first operator to offer new betting product under the Palinsesto Supplementare when the regulator began gradually approving additional events and markets from 16 October. Our average monthly sportsbook stakes increased by 84% in September to October versus the quieter June to August period, holding our estimated share of the Italian online sports betting market at 8% to 9%.

Mobile & Brand

Mobile remains at the core of our growth strategy in all our online markets, and we continue to lead the industry with 47% of total online revenue coming from mobile channels, and 63% of our active customers transacting with us via mobile in October. Over the coming months, we will launch a series of in-house developed, mobile device optimised products, with the first new product, a Games tablet app, launched last month.

Our differentiated brand position is a fundamental asset. For example, our distinctive Rainbow Laces and Basketball Diplomacy initiatives in the period contributed to a further increase in our leadership in social media with a 10% increase in our combined Facebook Fans and Twitter Followers over the last two months to 1.9 million, more than double the level of our nearest competitor. Marketing costs as a percentage of online net revenue remained at some 20% in the period, consistent with our long term industry leading marketing efficiency.

Retail

Within retail, sportsbook stakes increased by 13% and total net revenue by 6%. We have opened 46 shops year to date, 37 in the UK and nine in Ireland.

Irish retail stakes maintained their positive trend from the first half of the year. Like-for-like growth of 5% in the period exceeded that achieved in any six month period since 2007.

On a like-for-like basis, UK retail sportsbook stakes grew 5%, while machine gaming net revenue was down 1%, driven by a weak July. Excluding July, machine gaming net revenue grew 3% as we benefitted from being the first operator to start rolling out the new 'Eclipse' cabinets, and from the maturing of our loyalty programme.

Financial Position

The Group retains significant financial flexibility to take advantage of potential opportunities, with no debt and net cash at 17 November of €235 million, or €171 million excluding customer balances.

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

	Increase / (Decrease)
Group	
Sportsbook amounts staked	+14%
Total net revenue	+7%
Online (ex Australia)	
Sportsbook amounts staked	+15%
Sportsbook net revenue	(11%)
Gaming/B2B net revenue	+17%
Total net revenue	+0%
Australia	
Online amounts staked	+26%
Online net revenue	+30%
Total net revenue	+23%

	Increase / (Decrease)
UK Retail	
Sportsbook amounts staked – like-for-like	+5%
Sportsbook net revenue – like-for-like	(3%)
Machine gaming net revenue – like-for-like	(1%)
Total net revenue – like-for-like	(2%)
<i>New shops year to date</i>	<i>37, including 2 acquired</i>
Irish Retail	
Amounts staked – like-for-like	+5%
Net revenue – like-for-like	(4%)
<i>New shops year to date</i>	<i>9, including 7 acquired</i>
Telephone (ex Australia)	
Net Revenue	(18%)

¹ Comparisons with the equivalent period last year are in constant currency and with UK Retail machine net revenue on a consistent basis of taxation.

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 from the UK and +44 1296 480 100 from elsewhere. The passcode is 157 462.

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 17888026.

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