

Q3 2020 Trading Update

Group revenue growth accelerates to 30%; Scale of US business ahead of expectations

Flutter Entertainment plc (the “Group”) announces a trading update for the 3 months ended 30 September 2020.

<i>Unaudited pro forma¹ £m</i>	Q3 2020	Q3 2019	YoY %	YoY % cc²
Sports revenue	798	606	+32%	+33%
Gaming revenue	527	436	+21%	+26%
Total revenue	1,325	1,042	+27%	+30%

All commentary within this trading update refers to pro forma, constant currency² growth rates

- Group online revenue growth of +33% as we focused on return of sports
 - Average daily customers³ grew 41% globally; double digit growth across all key regions
- In the UK & Ireland, Paddy Power and SBG brands took share; revenue growth of +32% and +26% respectively
- Stand-out Australian performance; revenue +76% with BetEasy customer migration successfully completed
- Normalisation of revenue trends at PokerStars; improved clarity on German regulation
- US #1 position maintained; 46% online sportsbook market share and total online share of 29%⁴
 - Better-than-forecast new customer acquisition of over 450,000 with over 1.8m active customers in Q3
 - Significant, multi-year, tier 1 media partnerships signed; continuing to secure long-term access to key assets
 - Total US GGR⁵ now expected to be over \$1.1bn in 2020 with NGR of over \$850m

Outlook:

- **Group ex-US** 2020 EBITDA expected to be **£1,275-1,350m** driven by higher customer volumes across all divisions (previous guidance: £1,175-1,325m)
- In the **US**, increased investment in customer acquisition expected to lead to an EBITDA loss of **£160m-180m** (previous guidance: £140-160m)

Peter Jackson, Chief Executive, commented:

“Flutter’s performance in the third quarter exceeded our expectations in both sports and gaming. Our strong trading continued as we grew market share in key regions while retaining our commitment to safer gambling practices. During the quarter we continued to expand our recreational customer base while bringing our businesses together. This included the successful migration of the BetEasy customer base onto the Sportsbet platform in Australia.

We are very pleased to have retained our position as the number 1 online operator in the US, where FanDuel has made significant progress against each of its key priorities. We have enhanced the customer experience, secured further strategic media partnerships and acquired more new customers than anticipated. We are on track to generate more than \$1.1 billion of GGR in the US this year, which will mark a major ‘first’ for an online operator.

We are now a truly global business with significant scale. As such we are in a unique position to respond to the many opportunities we see across our growing markets. Looking ahead, whilst the outlook with respect to Covid-19 remains uncertain, we are confident that our business is well positioned to capture further growth in a sustainable and responsible way.”

Divisional analysis

<i>Unaudited revenue Pro forma £m</i>		Total	
	Q3 2020	Q3 2019	CC YoY %
PPB	351	322	+10%
- PPB Online	278	247	+14%
- PPB Retail	74	75	-2%
SBG	231	183	+26%
Australia	320	182	+76%
PokerStars	262	263	+5%
US	161	93	+82%
Group	1,325	1,042	+30%

Sports	Gaming
CC YoY%	CC YoY%
+2%	+29%
+5%	+31%
-9%	+22%
+26%	+27%
+76%	-
+3%	+6%
+36%	+299%
+33%	+26%

PPB

PPB Online

PPB Online revenue grew 14% in the quarter with increases of 5% in sports and 31% in gaming.

Within sports, sportsbook revenue grew by 12%, with stakes up 11%, benefitting from strategic investment upon the resumption of sports. Sportsbook net revenue margin was in line with the prior year at 8.2%. Paddy Power performed very well with revenue growth in the quarter of 32%, benefitting from an enhanced customer experience and optimised promotional generosity. At Betfair, Exchange and B2B revenue declined 7% due to previously announced B2B partner switch offs. Excluding these switch-offs, revenue would have increased 2% year-on-year.

Gaming revenue across PPB Online grew 31% driven by a 51% increase in average daily customers. Performance within our more recreational gaming brands (Paddy Power and Adjarabet) has been particularly encouraging. The period also saw the launch of our 'Unified Gaming Experience' which combines all our Casino content into single, easy-to-use customer propositions for both Paddy Power and Betfair customers.

PPB Retail

Following the lifting of Covid-19 related restrictions, we re-opened all of our retail shops in both Ireland (266 units) and the UK (357 units). Due to the imposition of certain localised restrictions, 97% of our estate was open on average during the period. Total revenue declined 2% as Covid-related social distancing measures remained in place. In Irish retail, customers have been slower to adapt to the new trading environment with revenue declining 21% in the quarter. In the UK, we delivered strong gaming growth of 22% year-on-year, resulting in revenue growth of 15% as we continued to benefit from some competitor shop closures/reduced trading hours.

SBG

The excellent momentum across both sports and gaming in SBG continued in the quarter with revenue up 26%.

Sports revenue grew by 26%, aided by an increase in sportsbook net revenue margin of 200 basis points year on year to 11.6%. Bookmaker friendly sports results accounted for 160 basis points of this margin improvement, with the remainder coming from a structural improvement in our expected margin. SBG benefitted more than PPB from favourable results across both football and racing in the quarter. Sportsbook stakes grew 6%, despite the favourable sports results, reflecting good underlying customer activity throughout the quarter.

Sky Vegas continues to be the leading gaming brand in the UK market. Gaming revenue increased 27% in Q3 due to recreational customer growth with average daily customers up 44% year on year. The Sky Vegas gaming platform is now integrated with PokerStars' 'Group Gaming Network' which will increase the speed with which additional gaming content can be provided to customers while expanding our in-house range of games across that platform.

Australia

Sportsbet delivered an excellent performance in Q3 with pro forma revenue growth of 76% thanks to growth in average daily customers of 86%. This revenue growth was despite a 30 basis point reduction in net revenue margin year on year (to 10.7%) as the business faced tougher margin comparatives. The structural shift of customers from retail to online continued as local lockdowns (in Victoria) and general social distancing restrictions remained in place.

This division's standout performance was achieved while migrating BetEasy customers over to the Sportsbet platform in September, ahead of the key Spring Carnival period. To date, customers accounting for over 90% of BetEasy's revenue in the twelve months prior to migration have subsequently engaged with Sportsbet. These customers continue to enjoy key product features such as tokenised generosity and can now also access the expanded product offering of Sportsbet, the "home of the same-game multi".

PokerStars

In PokerStars, Q3 revenue increased by 5%, with gaming growth of 6% and sports up 3%.

Gaming growth reflected some residual benefit from our expanded H1 customer base. Average daily gaming customers increased 23% year-on-year, with just over one third of the customers acquired/reactivated in Q2 continuing to play on the casino and poker platforms.

Poker revenues declined 10%, returning to pre-Covid run-rates. This decline however was more than offset by a stronger performance in casino (+32%). We stepped up our generosity during the period and enhanced CRM initiatives implemented in July helped to deliver this more efficiently, improving the user experience with early signs of a positive response from customers. This marks the beginning of our long-term strategy to invest more in both customer value and product.

US

Our US business continues to go from strength to strength. During the quarter revenue increased by 82% to £161m with over 1.8m real-money active customers engaging across all our US platforms.

Sportsbook stakes grew 155% in Q3 to £1.25bn with stakes in existing states more than doubling. Net revenue margin was 2.1%, a reduction from 5.2% in Q3 2019. The reduction in margin reflected increased investment in customer acquisition on the back of better-than-forecast new player engagement in both existing states and the 3 new states launched ahead of NFL season. In addition, more than half of the margin reduction reflected strategic investment ahead of the return of sports, as we doubled down on popular promotions such as FanDuel's pioneering "Spread the love" campaigns and "Odds Boost" offers. As a result, sportsbook revenue was up 3%.

Gaming revenue increased 299% to £62m reflecting excellent customer engagement. Average daily customers increased more than 5-fold during the quarter with both direct and cross-sell performing well following the return of sports.

TVG, our racing business, continued to enjoy good momentum with average daily customers up 112%. This helped to drive combined 54% revenue growth across our TVG and daily fantasy sports businesses.

In addition to a strong financial performance, we also made good progress across each of our key priorities:

- **Customer acquisition exceeded expectations across all major states:**
 - Acquired over 450,000 new customers with over 1.8m real-money active customers in Q3
 - Continued growth in existing states with doubling of FanDuel active sportsbook customers year on year
 - Fox Super 6 customer base is now approximately 3.1m players with the Super 6 app ranking as the #1 sports app during NFL season start
- **Strategic media/marketing deals signed to secure long-term access to key assets:**
 - A 5½ year partnership deal with Turner Sports which sees FanDuel becoming the exclusive sportsbook integration partner across all of Turner's NBA properties. This deal provides a national integration platform with Turner's flagship sports television network TNT, reaching 90 million of the 130 million households in the

US, complemented by the Bleacher Report, its sports website and app with approximately 5 million daily active users.

- A 6 year deal with Entercom, the leading sports radio group for FanDuel to become its official sportsbook partner with integrations across its national and local radio stations. Entercom owns and operates 39 all-sports stations across the US. Its unparalleled broadcast portfolio reaches nearly 30 million sports fans monthly and boasts the nation’s leading collection of radio stations providing play-by-play coverage. Entercom currently boasts share of over 50% of sports listeners in FanDuel’s online sports betting states.
- **New state launches expanding scale:** FanDuel’s online sportsbook launched in Illinois ahead of the start of NFL season, with new customer mobile registration currently temporarily permitted since August 21st. We also launched in Tennessee at the beginning of November and look forward to adding Michigan and Virginia in the coming months. FanDuel online sportsbook will then be live in 10 states, expanding the addressable market to approximately 24% of the US population. Furthermore we were pleased to see legislative momentum continue with the passage of sports betting referenda in both Louisiana and Maryland on November 3rd.
- **Continued product innovation helping to drive customer acquisition and retention:** FanDuel continues to leverage the global Group’s in-house trading platforms, as well as decades of trading expertise, to offer customers the best sports betting product available in the US:
 - Only operator to offer higher margin Same Game Parlay™ products across NFL, NBA and MLB
 - Greatest variety of betting options: NBA in-play markets over 3x more than competitors, superior MLB player “prop bet” market offering⁶
 - Best “in-play” customer experience with reduced market suspension time during NFL games this season
- **Leadership position retained⁴:** Number 1 online sportsbook and gaming operator with 29% market share in Q3, Sportsbook (46%) and Gaming (22%)

Regulatory update - Germany

Since our interim results, a change in online gaming regulation has come into effect in Germany (effective October 15th). The new regulations have placed restrictions on certain casino games previously offered by the Group (table games), with new rules governing deposit limits also introduced. Further staking limit changes on slot games are expected to take effect from December 15th. Based on our current understanding of how the rules will be applied, we estimate that these changes will reduce contribution by £50m for the Group on an annualised basis.

Outlook and full year guidance

Flutter continues to enjoy strong momentum across the Group. Assuming normalised net revenue margins for the remainder of 2020, with no material disruption to sporting calendars, we now anticipate the following:

- For Group ex US, assuming no further retail closures beyond the respective 6- and 4-week lockdowns currently in place in Ireland and England, we now expect 2020 EBITDA to be in the range of **£1,275-1,350m** (previous guidance: £1,175-1,325m), driven by higher customer volumes across all divisions.
- In the US, we now anticipate that we will generate net revenue of over \$850m (£650m) in 2020 due to better-than-expected new customer volumes. The associated investment means we now expect to incur an EBITDA loss in the US of between **£160-180m** (previous guidance: £140-160m).

Notes:

- 1 *Flutter's combination with TSG completed on May 5 2020. The pro forma numbers presented include TSG for a full 3-month period in 2019.*
- 2 *Constant currency ("cc") growth is calculated by retranslating the non-sterling denominated component of Q3 2019 at Q3 2020 exchange rates. Growth rates in the commentary are in local or constant currency.*
- 3 *Average daily active customers refers to the average number of active customers per day during the period. An active customer is a customer who places a real-money stake or wager during the period.*
- 4 *Online sportsbook market share is the GGR market share of FanDuel and FoxBet for Q3 in the states in which FanDuel was live using published gaming regulator reports in those states. Market share calculations do not include Illinois due to unavailability of September data. During Q3 FanDuel was live in 7 states; Colorado (CO), Indiana (IN), Iowa (IA), Illinois (IL), New Jersey (NJ), Pennsylvania (PA) and West Virginia (WV). During Q3 FoxBet was live in 3 states; Colorado (CO), New Jersey (NJ) and Pennsylvania (PA). Online gaming market share reflects the combined NJ and PA market share of the FanDuel, FoxBet, PokerStars and Betfair brands during Q3. Total online share refers to our share of both sportsbook and gaming markets combined as defined above.*
- 5 *GGR or gross gaming revenue refers to amounts wagered less amounts paid out to customers but before free bets and promotional credits. NGR or net gaming revenue refers to gross gaming revenue after deduction of free bets and promotional credits.*
- 6 *A prop bet is a bet that isn't made on the result of a game, but on an individual player or event in that game.*

Analyst call:

The Group will host a questions and answers call for institutional investors and analysts this morning at 9:00am (IST/BST). Participants must register at the link provided below to obtain the relevant dial in details

<https://cossprereg.btc.com/prereg/key.process?key=PATM6KKQG>

A replay facility will also be available later today on our corporate website: <https://www.Flutter.com/investors>.

Contacts:*Investor Relations:*

David Jennings, Group Director of Investor Relations & FP&A + 353 87 951 3560

Ciara O'Mullane, Investor Relations + 353 87 947 7862

Liam Kealy, Investor Relations + 353 87 665 2014

Press:

Fi Thorne, Corporate Affairs + 44 75 2111 4787

Lindsay Dunford, Corporate Affairs + 44 79 3197 2959

Billy Murphy, Drury / Porter Novelli + 353 1 260 5000

James Murgatroyd, Finsbury + 44 20 7251 3801

About Flutter Entertainment plc:

Flutter Entertainment plc (the "Group") is a global sports-betting and gaming company reporting as five divisions:

- **PPB:** includes Paddy Power, Betfair and Adjarabet brands offering a diverse range of sportsbook, exchange and gaming services across the UK, Ireland and International territories. This division also includes 620+ Paddy Power betting shops in the UK and Ireland.
- **SBG:** refers to the Sky Betting and Gaming business and encompasses both the SkyBet sportsbook and Sky Vegas gaming products offering a leading proposition to a recreationally led customer base.
- **Australia:** the Group operates the Sportsbet brand and is the market leader in online sportsbetting.
- **PokerStars:** operates in multiple jurisdictions around the world and is the world's largest poker site and the home of live and online poker, PokerStars Casino and PokerStars Sports.
- **US:** incorporates FanDuel, Fox Bet, TVG, PokerStars and Betfair brands. The division has a diverse product offering of online and retail sportsbooks, daily fantasy sports, online gaming, poker, advanced deposit wagering on horse racing and TV broadcasting.