

A large red outline of a five-pointed star.

# THE STARS GROUP

## Second Quarter 2018 Earnings Presentation

August 13, 2018



# CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS



This presentation contains forward-looking statements and information within the meaning of the Private Securities Litigation Reform Act of 1995 and applicable securities laws, including, without limitation, certain financial and operational expectations and projections, such as full year 2018 financial guidance, and certain future operational and growth plans and strategies. Forward-looking statements and information can, but may not always, be identified by the use of words such as “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “would”, “should”, “believe”, “objective”, “ongoing”, “imply”, “assumes”, “goal”, “likely” and similar references to future periods or the negatives of these words and expressions. These statements and information, other than statements of historical fact, are based on management’s current expectations and are subject to a number of risks, uncertainties, and assumptions, including market and economic conditions, business prospects or opportunities, future plans and strategies, projections, technological developments, anticipated events and trends and regulatory changes that affect The Stars Group, its subsidiaries, and its and their customers and industries. Although The Stars Group and management believe the expectations reflected in such forward-looking statements and information are reasonable and are based on reasonable assumptions and estimates as of the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate. Forward-looking statements and information are inherently subject to significant business, regulatory, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such statements. Specific risks and uncertainties include, but are not limited to: the heavily regulated industry in which The Stars Group carries on its business; risks associated with interactive entertainment and online and mobile gaming generally; current and future laws or regulations and new interpretations of existing laws or regulations, or potential prohibitions, with respect to interactive entertainment or online gaming or activities related to or necessary for the operation and offering of online gaming; potential changes to the gaming regulatory framework; legal and regulatory requirements; ability to obtain, maintain and comply with all applicable and required licenses, permits and certifications to offer, operate, and market its product offerings, including difficulties or delays in the same; significant barriers to entry; competition and the competitive environment within addressable markets and industries; impact of inability to complete future or announced acquisitions or to integrate businesses successfully; The Stars Group’s substantial indebtedness requires that it use a significant portion of its cash flow to make debt service payments; The Stars Group’s secured credit facilities contain covenants and other restrictions that may limit The Stars Group’s flexibility in operating its business; risks associated with advancements in technology, including artificial intelligence; ability to develop and enhance existing product offerings and new commercially viable product offerings; ability to mitigate foreign exchange and currency risks; ability to mitigate tax risks and adverse tax consequences, including, without limitation, the imposition of new or additional taxes, such as value-added and point of consumption taxes, and gaming duties; The Stars Group’s exposure to greater than anticipated tax liability; risks of foreign operations generally; protection of proprietary technology and intellectual property rights; ability to recruit and retain management and other qualified personnel, including key technical, sales and marketing personnel; defects in product offerings; losses due to fraudulent activities; management of growth; contract awards; potential financial opportunities in addressable markets and with respect to individual contracts; ability of technology infrastructure to meet applicable demand and reliance on online and mobile telecommunications operators; systems, networks, telecommunications or service disruptions or failures or cyber-attacks and failure to protect customer data, including personal and financial information; regulations and laws that may be adopted with respect to the Internet and electronic commerce or that may otherwise impact The Stars Group in the jurisdictions where it is currently doing business or intends to do business, particularly those related to online gaming or that could impact the ability to provide online product offerings, including, without limitation, as it relates to payment processing; ability to obtain additional financing or to complete any refinancing on reasonable terms or at all; customer and operator preferences and changes in the economy; dependency on customers’ acceptance of its product offerings; consolidation within the gaming industry; litigation costs and outcomes; expansion within existing and into new markets; relationships with vendors and distributors; and natural events; contractual relationships of Sky Betting & Gaming or The Stars Group with Sky plc and/or its subsidiaries; counterparty risks; failure of systems and controls of The Stars Group to restrict access to its products; reliance on scheduling and live broadcasting of major sporting events; macroeconomic conditions and trends in the gaming and betting industry; bookmaking risks; an ability to realize projected financial increases attributable to acquisitions and The Stars Group’s business strategies; and an ability to realize all or any of The Stars Group’s estimated synergies and cost savings in connection with acquisitions. Other applicable risks and uncertainties include, but are not limited to, those identified in The Stars Group’s annual information form for the year ended December 31, 2017, including under the heading “Risk Factors and Uncertainties”, and in The Stars Group’s prospectus supplement dated June 21, 2018 to the short form base shelf prospectus dated January 16, 2018 under the heading “Risk Factors” and in management’s discussion and analysis for the three and six months ended June 30, 2018 (the “2018 Second Quarter MD&A”), including under the headings “Risk Factors and Uncertainties”, “Limitations of Key Metrics, Other Data and Non-IFRS Measures” and “Key Metrics and Non-IFRS Measures”, each available on SEDAR at [www.sedar.com](http://www.sedar.com), EDGAR at [www.sec.gov](http://www.sec.gov) and The Stars Group’s website at [www.starsgroup.com](http://www.starsgroup.com), and in other filings that The Stars Group has made and may make with applicable securities authorities in the future. Investors are cautioned not to put undue reliance on forward-looking statements or information. Any forward-looking statement or information speaks only as of the date hereof, and The Stars Group undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

# SPEAKERS



**Rafi Ashkenazi**  
Chief Executive Officer

**Brian Kyle**  
Chief Financial Officer

**Marlon Goldstein**  
Chief Legal Officer



# MAINTAINING STRONG MOMENTUM



Revenues

**+35%**

**\$412mm**

Adjusted EBITDA<sup>1</sup>

**+15%**

**\$168mm**

Driven by organic growth and Australian contributions

# TRANSFORMATIVE ACQUISITIONS



## CROWNBET

## WILLIAM HILL AUSTRALIA

- CrownBet closed on February 27<sup>1</sup>, William Hill Australia closed on April 24
- Second quarter results reflect CrownBet for full quarter and William Hill Australia from April 24

## SKY BETTING & GAMING

- Closed July 10, integration pending U.K. Competition and Markets Authority (CMA) approval
- Contributions will be included in Q3 results

**Improving revenue potential and risk profile.**

# AN EVOLUTION IN STRUCTURE



## International

- The Stars Group's International existing business
- Global SB&G business (Q3)

## Australia

- CrownBet
- William Hill Australia

## United Kingdom/Ireland (Anticipated Q3)

- SB&G's business in UK/Ireland
- TSG's legacy business in UK/Ireland

## Corporate Cost Centre

- Distinct corporate costs

**A management and reporting structure that meets both our needs and vision.**

# ACQUISITIONS CREATE OPPORTUNITY



- **Global footprint of significant scale:** Leading positions within largest markets
- **Secure revenue base:** ~75% of revenues from locally-taxed or regulated jurisdictions.
- **Diverse revenue base:** Pro forma 2017 revenue mix of 37% poker, 34% sports betting, and 26% casino.
- **Customer acquisition advantage:** Poker and sports betting provide two large, low-cost customer acquisition channels.

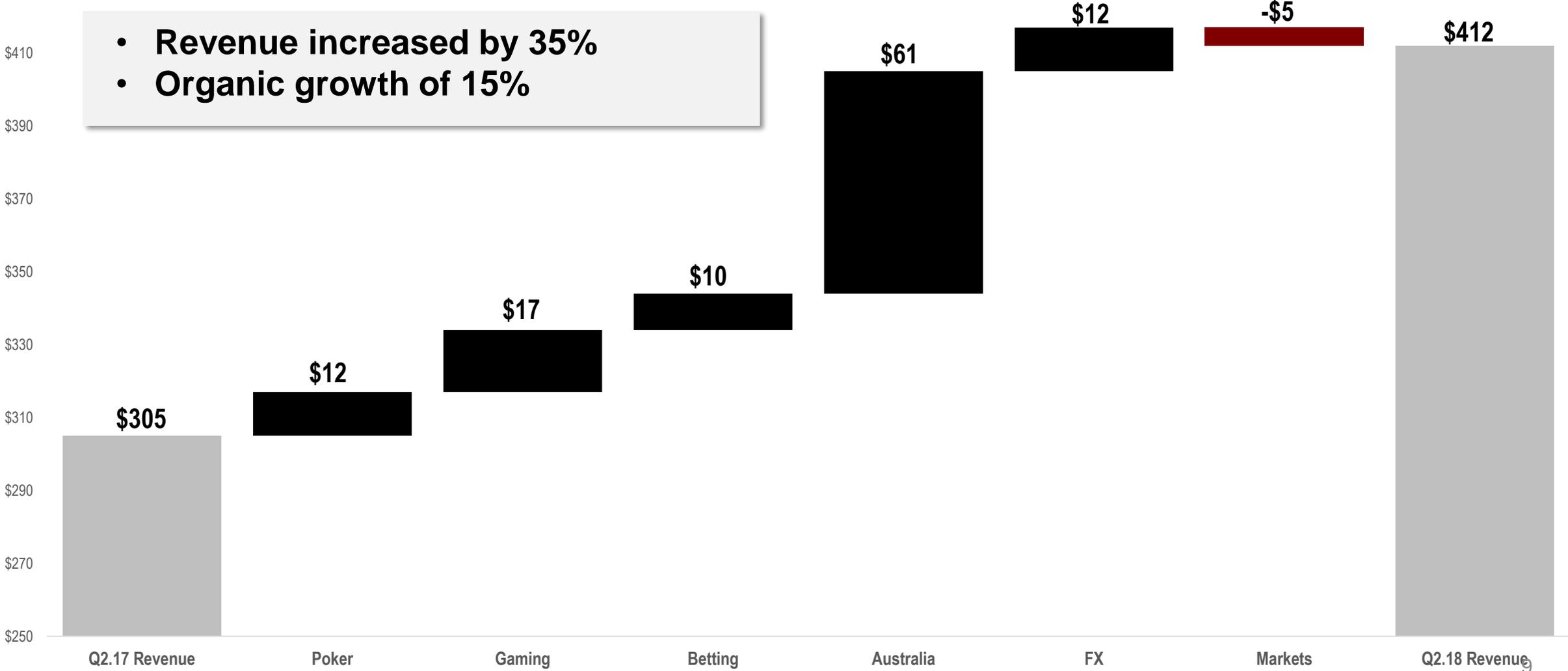
# SPEAKERS



**Brian Kyle**  
Chief Financial Officer



# CONSOLIDATED REVENUE (\$MM)



Notes: Markets indicate impacts of the cessation of operations in Australia in September 2017 and Colombia in July 2017

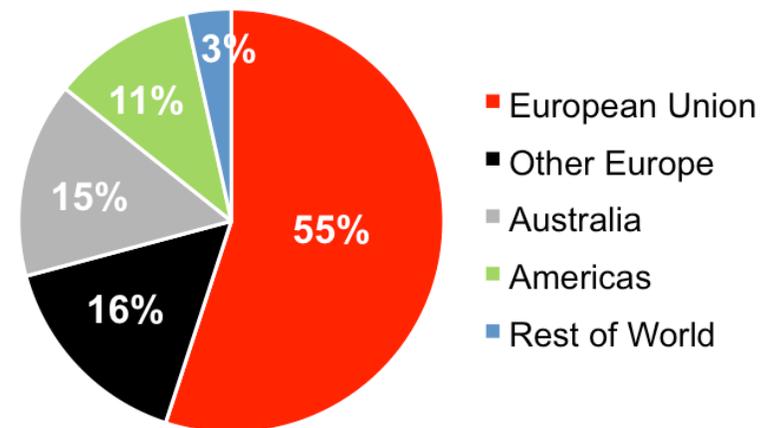
# Q2 2018 REVENUE DIVERSITY



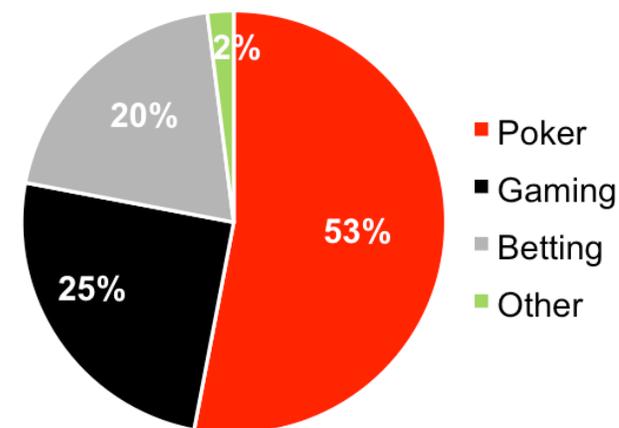
Q2 2018 Revenues by Geography<sup>1</sup>

Country's Revenue as % of Revenue	Number of Countries	Total % of Revenue
10-15%	1	15%
5-10%	4	33%
2-5%	6	22%
1-2%	11	15%
0-1%	100+	14%

Q2 2018 Geographic Revenue Breakdown

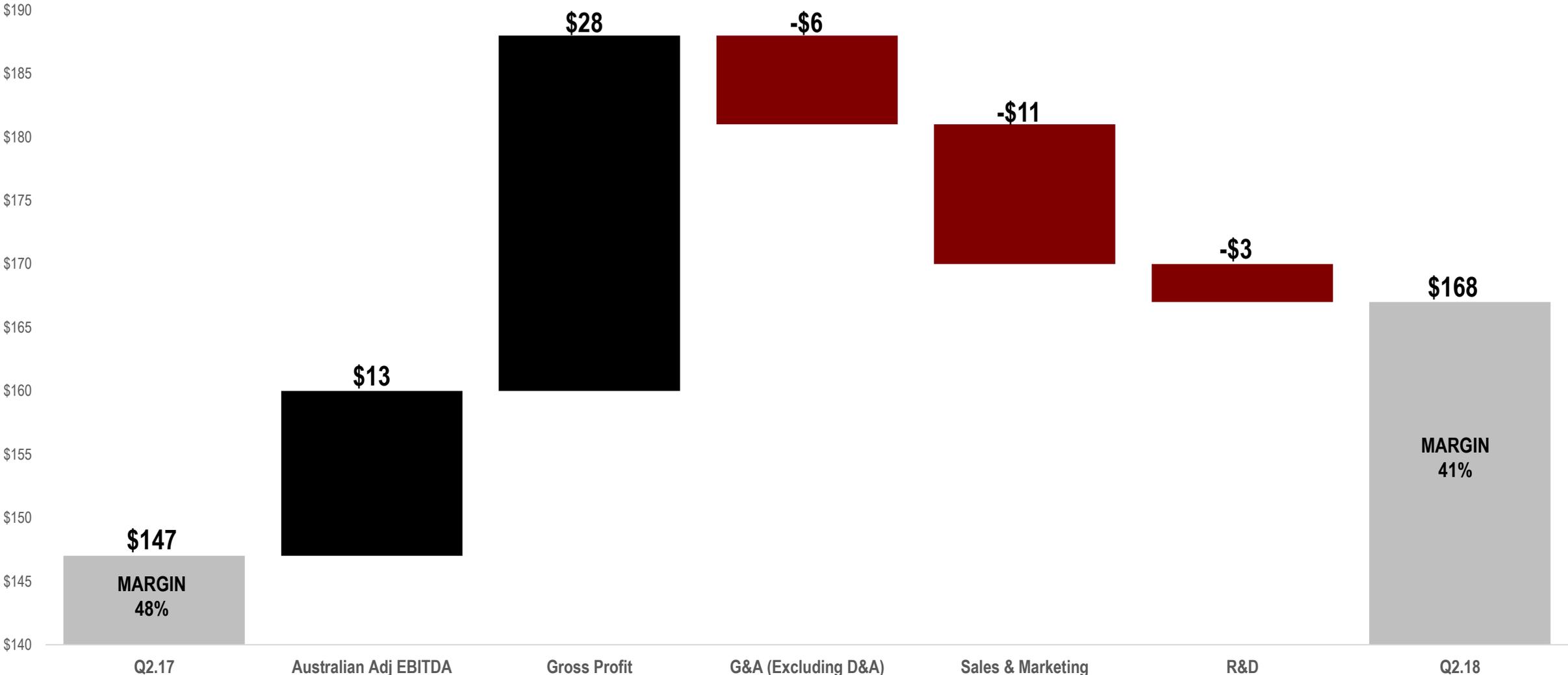


Q2 2018 Product Revenue Breakdown

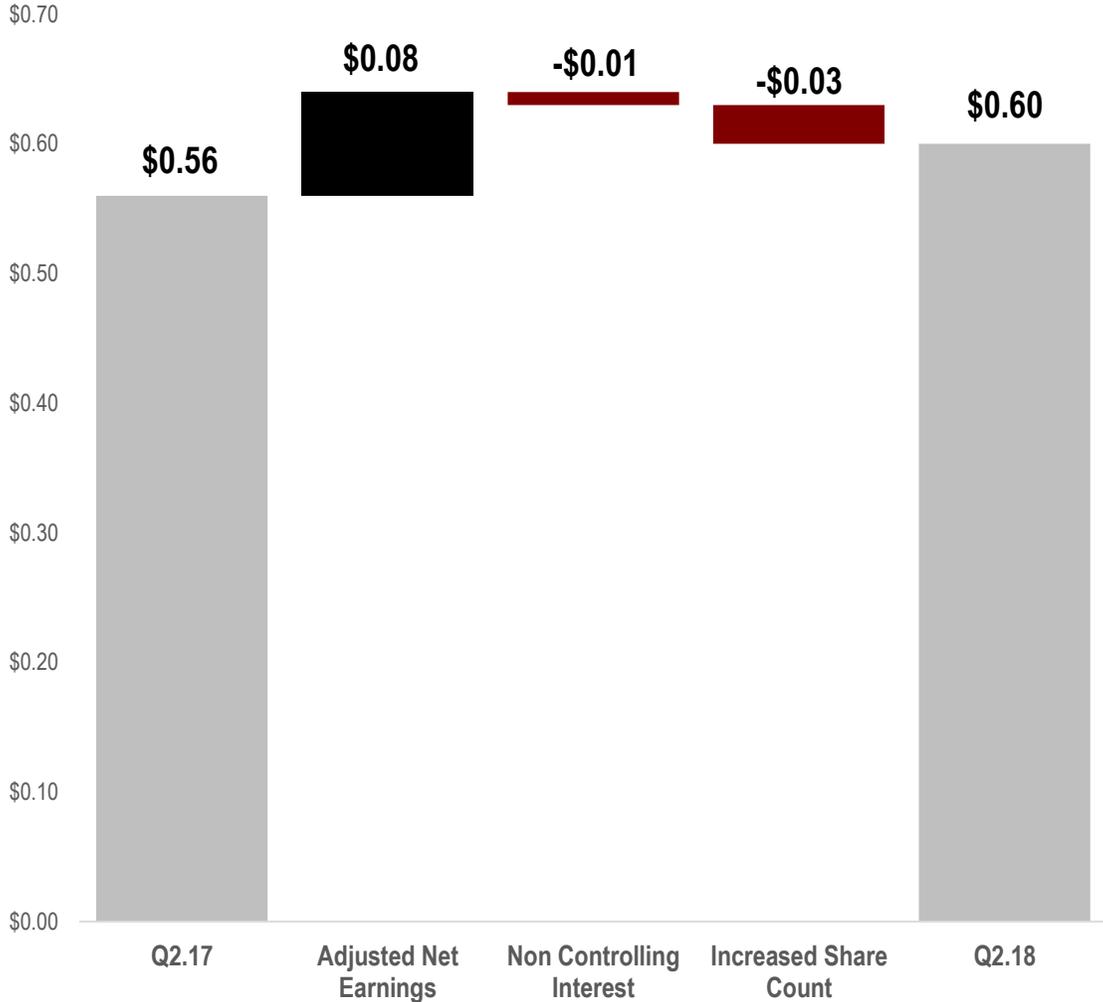
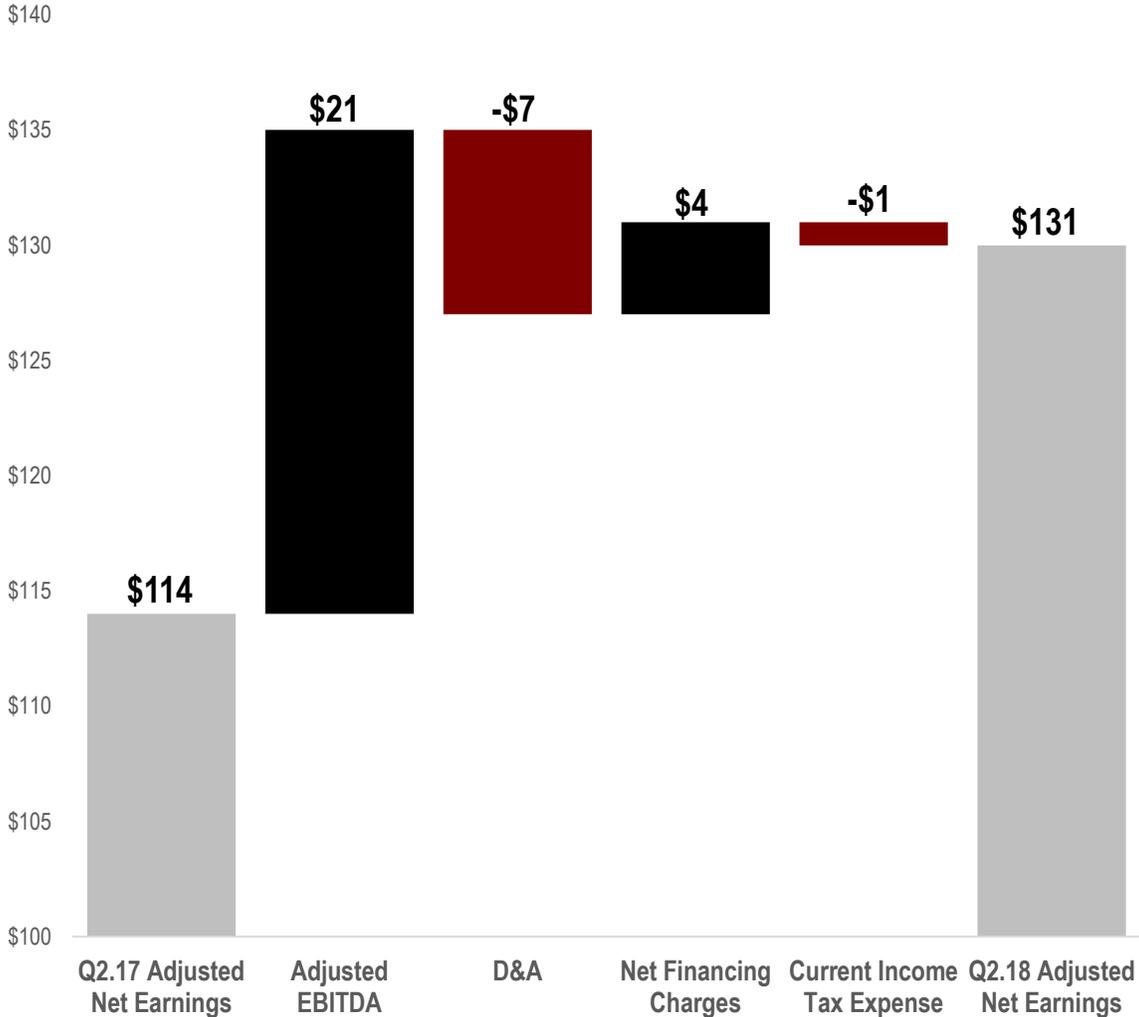


1. Includes only Poker, Betting, and Gaming revenues.

# CONSOLIDATED ADJUSTED EBITDA (\$MM)



# CONSOLIDATED ADJUSTED NET EARNINGS (\$MM) & DILUTED ADJUSTED EPS (\$)



Notes: D&A excludes amortization of purchase price intangibles. Net financing charges excludes interest accretion.

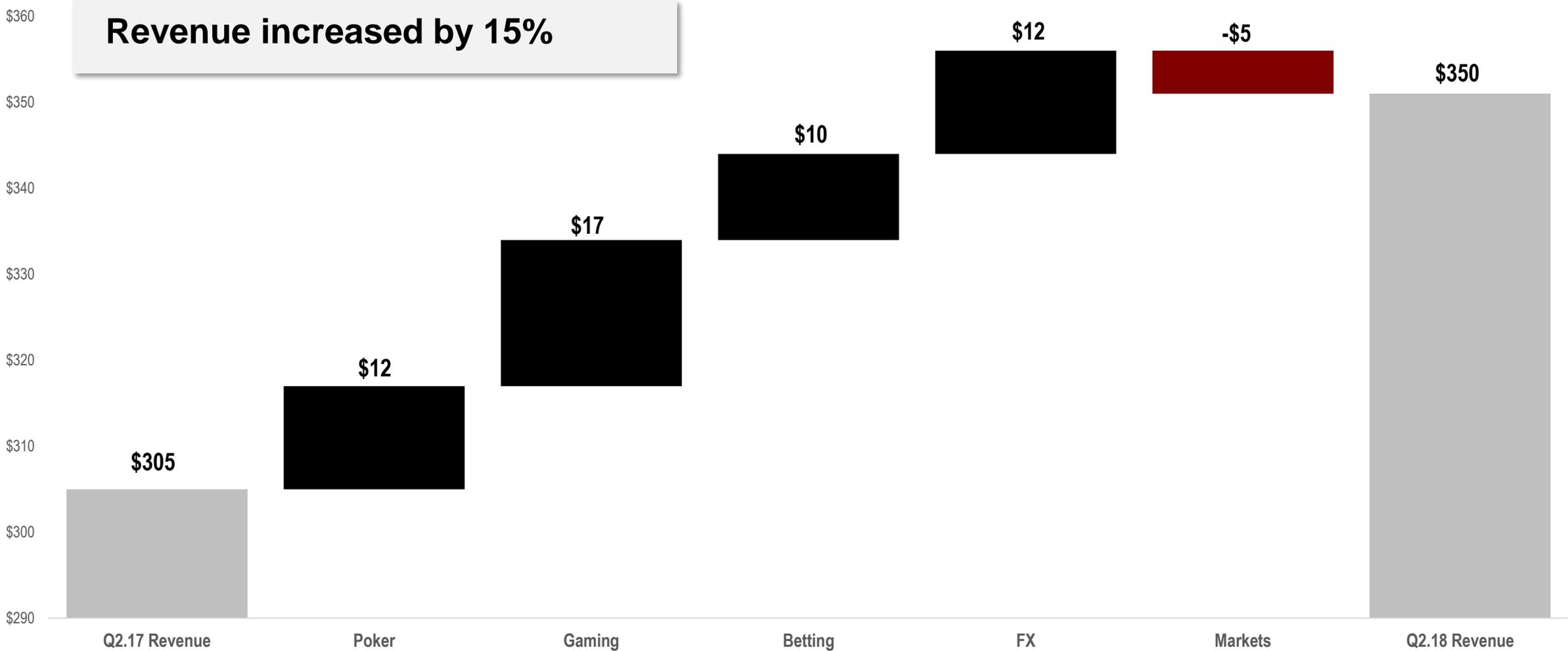
# FREE CASH FLOW



\$000's	Three Months Ended June 30,	
	2018	2017
Net cash flows from operating activities	164,011	130,426
Customer deposit liability movement	(14,090)	9,053
	<hr/>	<hr/>
	149,921	139,479
Capital Expenditure:		
Additions to deferred development costs	(9,759)	(6,013)
Additions to property and equipment	(5,676)	(1,398)
Additions to intangible assets	(9,415)	(212)
Interest paid	(34,790)	(31,017)
Debt principal repayments	(5,425)	(5,982)
	<hr/>	<hr/>
<b>Free Cash Flow</b>	<b>84,856</b>	<b>94,857</b>

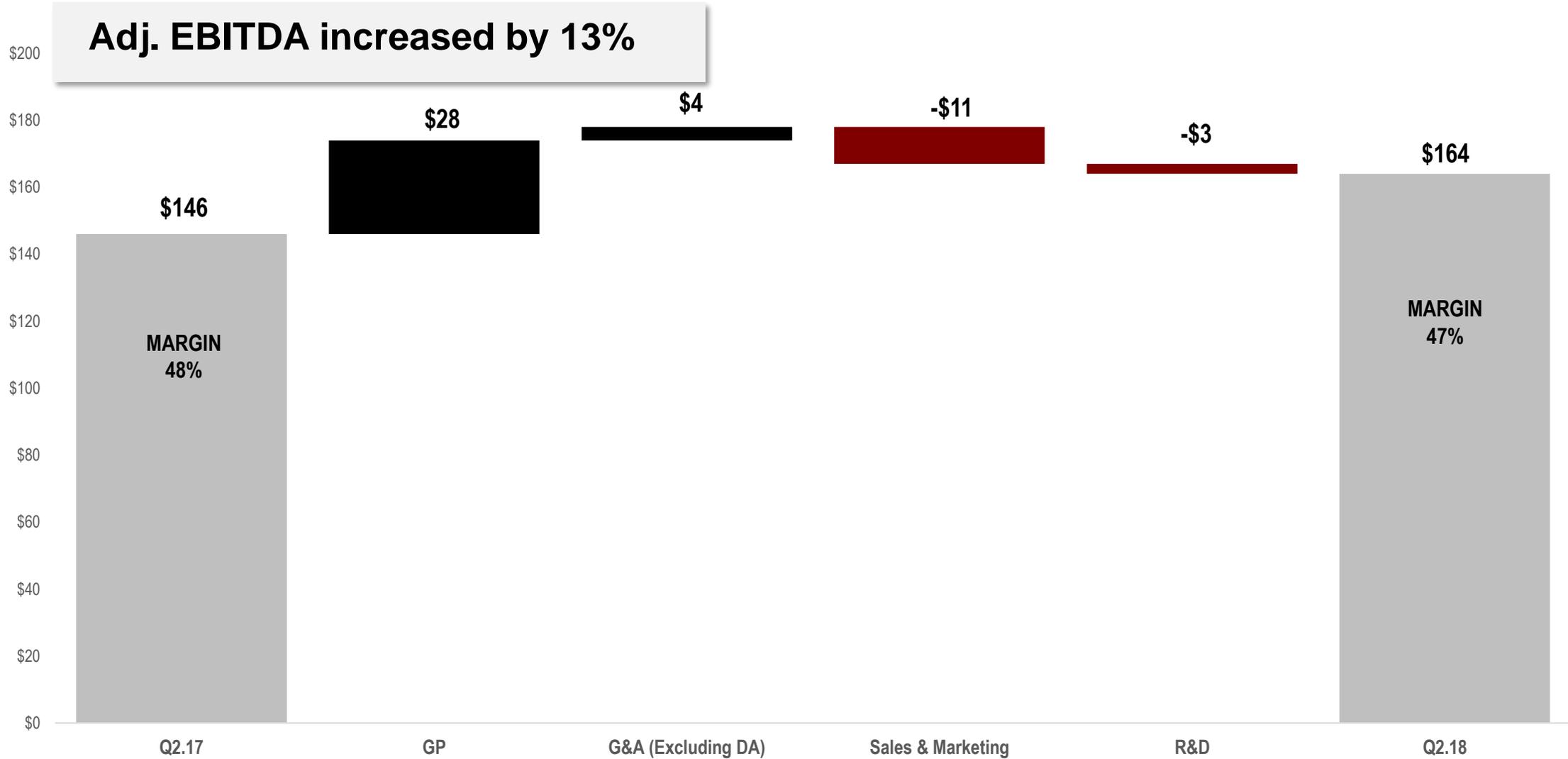
FCF declined 11% primarily due to an increase in cash flow from operating activities being offset by increases in capital expenditures related to our investments in future product improvements

# INTERNATIONAL REVENUES (\$MM)



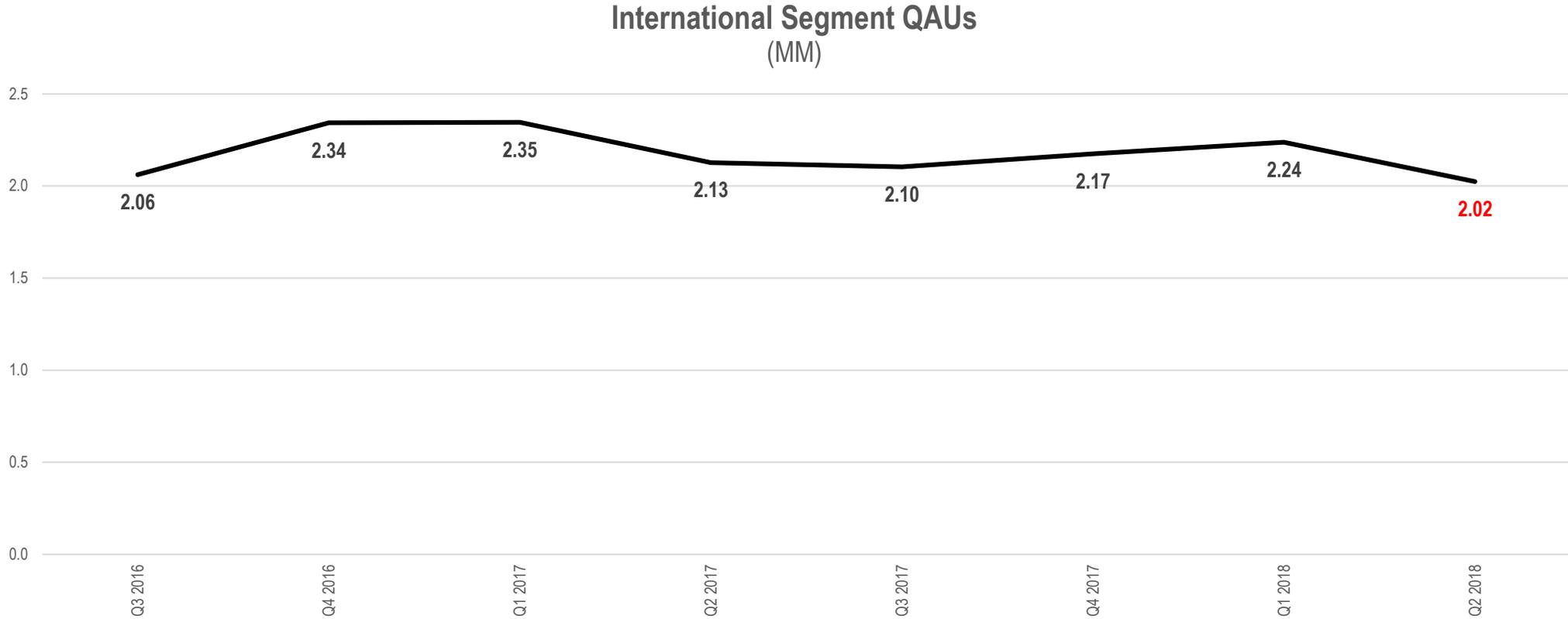
Notes: Markets indicate impacts of the cessation of operations in Australia in September 2017 and Colombia in July 2017

# INTERNATIONAL ADJUSTED EBITDA (\$MM)



Notes: GP indicates Gross Profit

# INTERNATIONAL KEY METRICS - QAUs

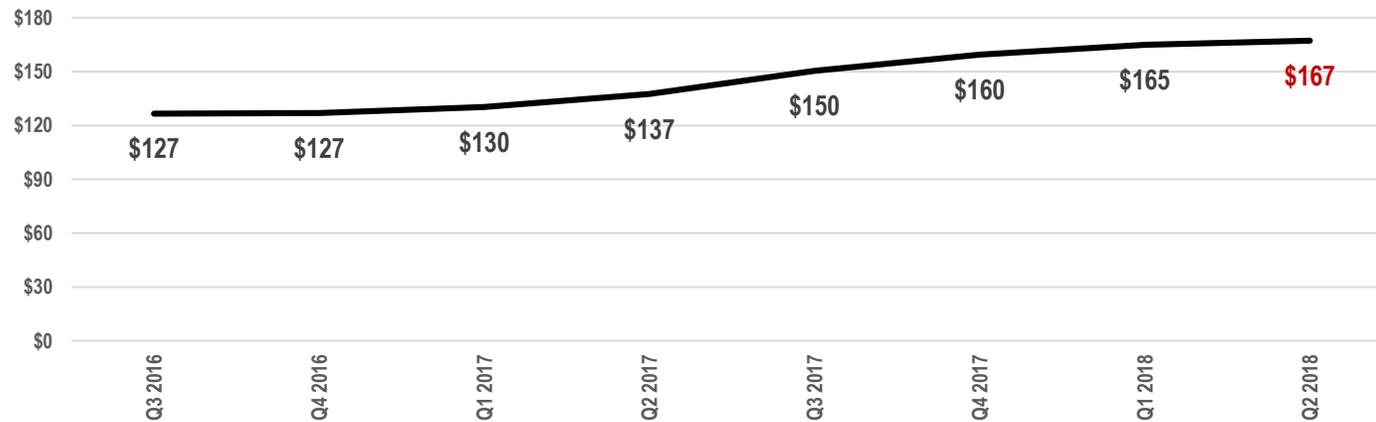


Excluding the impact of market changes, QAUs declined slightly as a result of our **strategic focus on higher-value customers.**

# INTERNATIONAL KEY METRICS - QNY



### International Segment QNY



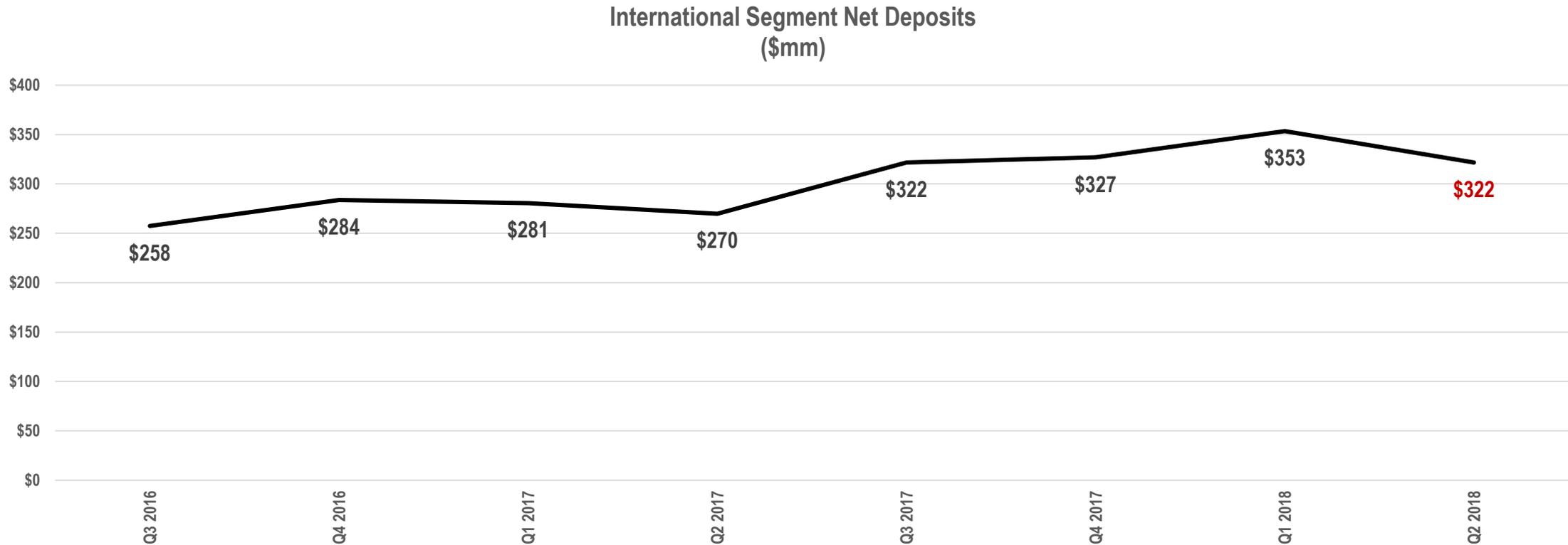
### International Segment Constant Currency QNY



QNY **increased by 22%** due to Stars Rewards, our strategic focus on higher-value customers, the continued improvement of gaming and betting offerings, and betting's increased win margin.

On a constant currency basis, QNY **increased by approximately 18%**.

# INTERNATIONAL KEY METRICS – NET DEPOSITS



Net Deposits **increased by 19%** due to Stars Rewards, our strategic focus on higher-value customers, and the continued improvement of gaming and betting offerings.

## Revenues

**\$61 mm**

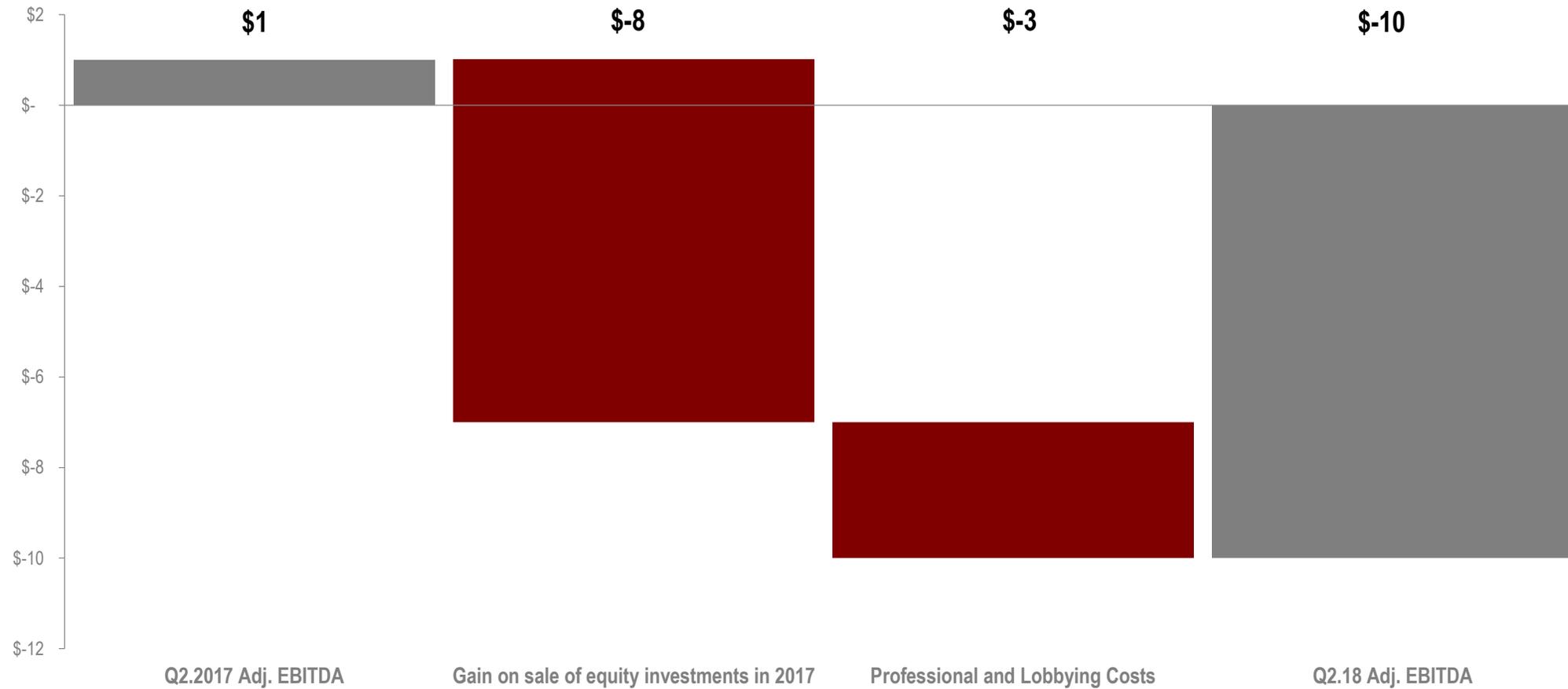
Stakes of \$710 million.  
Betting Net Win Margin of 8.6%.

## Adjusted EBITDA

**\$13 mm**

Adjusted EBITDA  
Margin of 22%.

# CORPORATE COST CENTER (\$MM)



# CURRENT CAPITAL STRUCTURE



<u>Debt Structure Summary</u>	<u>Maturity Date</u>	<u>Outstanding (\$MM)</u>	<u>Interest Rate</u>
Revolving Credit Facility (\$700mm)	Jul-23	\$100	L (0% floor) + 325 bps
USD First Lien Term Loan	Jul-25	\$3,575	L (0% floor) + 350 bps
EUR First Lien Term Loan <sup>1</sup>	Jul-25	\$992 (€850)	E (0% floor)+ 375 bps
<b>Total Secured Debt</b>		<b>\$4,667</b>	
New senior notes	Jul-26	\$1,000	7.00%
<b>Total Debt</b>		<b>\$5,667</b>	
Approximate Cash & Cash Equivalents after acquisition of SBG		~\$375	

<u>Equity Structure Summary</u>	<u>Outstanding (\$MM)<sup>3</sup></u>	<u>Shares if Converted (MM)</u>
Basic Common Shares Outstanding <sup>2</sup>	\$8,676	272.0
Common Shares issuable upon exercise of options <sup>2</sup>	\$158	4.9
Common Shares issuable upon settlement of other equity-based awards <sup>2</sup>	\$31	1.0
<b>Fully Diluted Shares outstanding, (as if converted basis)</b>	<b>\$8,865</b>	<b>277.9</b>

1) USD – EUR conversion rate of 1.167

2) Share counts as of August 10, 2018

3) TSG Share price as of close on August 10, 2018 – \$31.90

4) Source: Bloomberg

## Corporate credit ratings<sup>4</sup>:

- S&P: B+ (stable)
- Fitch: B+ (stable)
- Moody's: B2 (stable)

**Have entered into cross currency interest rate swaps** to fix interest rates and hedge currency risk

**Cost of debt 5.4%; anticipate annualized debt servicing of approximately \$340 million, including required principal payments**

The Stars Group is committed to an **orderly deleveraging** of its balance sheet.

Based upon our **cash flows** and **minimal capital expenditure obligations**, we anticipate that we will be able to pursue this deleveraging while **investing in future growth opportunities** – including those in the United States.

# REGULATORY UPDATES



- ★ **UK:** Gov't. exploring an increase to the gaming duty charged on online poker, casino, and bingo products, excluding betting. Details on the quantum and timing of this possible change are as yet unknown.
- ★ **Australia:** Continued rollout of point of consumption taxes anticipated in late 2018-early 2019; rates and implementation dates generally in line with our expectations.
- ★ **Italy:** Italian government has enacted a law that restricts all gambling advertising and sponsorships, though arrangements currently in place are permitted to continue for a year.
- ★ **Spain:** Government has reduced online gaming duties to 20% from 25% of gross gaming revenues.
- ★ **Portugal:** Joined France and Spain in Southern European shared liquidity player pool; PokerStars first to combine players across the three countries.
- ★ **Russia:** We continue to monitor the development of recent regulations that may restrict the number of Russian payment processors for gaming transactions.
- ★ **U.S.:** In May, the Supreme Court struck down the country's nearly 30-year ban on sports betting. Since that point, multiple states have passed or proposed legislation allowing for sportsbetting.

# OUTLOOK FOR 2018



	Previous 2018 Guidance	Current 2018 Guidance
Revenue (\$ Millions)	\$1,390 - \$1,470	\$1,995 - \$2,145
Adjusted EBITDA (\$ Millions)	\$625 - \$650	\$755 - 810
Adjusted Net Earnings (\$ Millions)	\$487 - \$512	\$485 - 545
Adjusted Diluted Net Earnings per Share	\$2.33 - \$2.47	\$1.99 - \$2.22
Capital Expenditures (\$ Millions)	N/A	\$110 - \$150

Updated guidance reflect contributions from The Stars Group's **three 2018 acquisitions** and changes in capital structure related to acquisition financings.

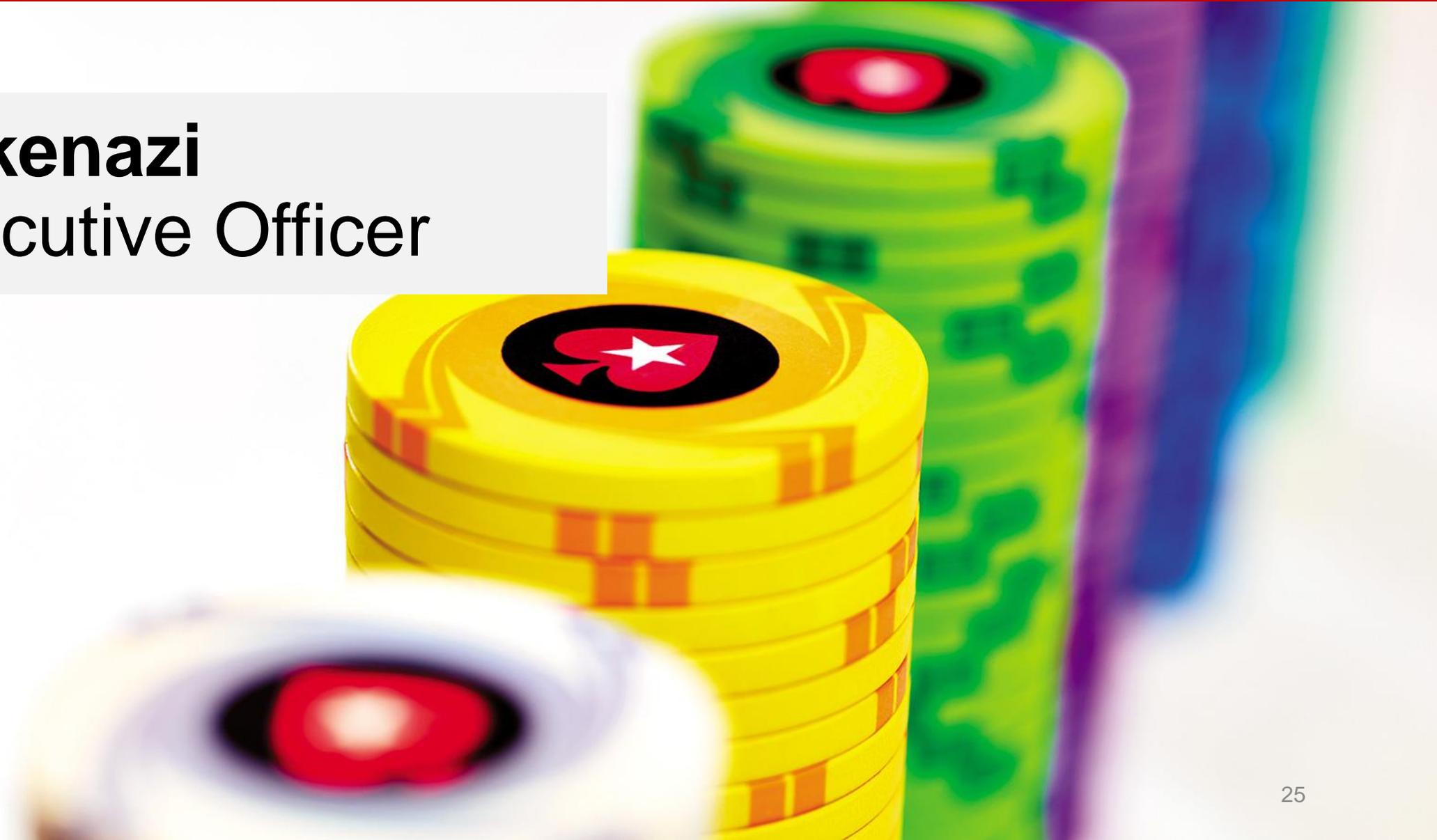
**Strong first half performance** supports expectations for the balance of 2018.

**Complete supporting assumptions** are detailed within the Appendix to this presentation (Slide 43).

# SPEAKERS



**Rafi Ashkenazi**  
Chief Executive Officer



- **Growth** driven by Stars Rewards and shared liquidity in Southern Europe.
- Marketing initiatives building towards **PokerStars Players No-Limit Hold'Em Championship** in January 2019.
- Cross-selling during the World Cup **led players to other channels.**
- **Short term challenges expected** during the balance of 2018 due to World Cup and new competition in Southern Europe. Additionally, strong comparables due to lapping currency tailwinds and introduction of Stars Rewards.
- **Drive future growth** via continued product innovation and promotion, developing enhanced loyalty program, geographic expansion, and promotion of shared liquidity in remaining ringfenced markets.



# IMPROVING GAMING OFFERING



- Continue to **enhance player experience** via both upgraded platforms and improved products.
- Launched **more than 150 new casino games** during the first half of 2018, including first multi-tiered in-house progressive jackpot.
- Focus on **improving product** has established The Stars Group's position as an emerging leader in this vertical.



# A VICTORIOUS WORLD CUP



- **Successfully capitalized** upon The Stars Group's first significant involvement with the World Cup via effective cross-selling from other verticals.
- First week hosting nearly **200,000 unique players at BetStars**, almost doubling the record set during the first quarter – including **70,000 unique players** on the World Cup's opening day.
- **Enhanced user experience** through launch of smoother quick bet experience for poker players, better mobile app performance, and a continued focus on product improvement.

**CrownBet and William Hill Australia to be combined under a single brand BetEasy effective this month.**

- Migrating William Hill Australia's accounts onto the CrownBet platform
- Greater marketing efficiency
- Increased brand awareness
- Pursuing a leadership position with the Australian market



- **Full integration** to commence following CMA approval.
- Focus on **international opportunities** and improvement across all verticals.
- Intend to **minimize disruption** to SBG's strong UK operations.
- Sky Bet was the UK's **most popular bookmaker**<sup>1</sup> during the World Cup.

- **Integration of acquisitions** through a measured approach
- **Expand leading positions** within world's largest markets
- **Establish similar leading positions within emerging markets**, notably the U.S.

# US OPPORTUNITY



- Strategically evaluating opportunities to partner with various gaming operators and media companies
  - **New Jersey: Extended existing poker/casino partnership** with Resorts Casino to launch an online and mobile sportsbook in the near future.
  - **Pennsylvania: Announced partnership** with Mount Airy Casino Resort to offer betting and gaming products subject to regulatory approval.
- Across these and future US markets, will seek to **secure leading market positions** by combining our expertise and brand awareness with strategic focus on:
  1. Selectively partnering with land based gaming operators and/or lotteries in key U.S. States
  2. Providing a multi-vertical offering of poker, casino and betting
  3. Following approval of the CMA, exporting to the U.S. market our deep expertise with respect to the integration of media and sports that was developed through the SBG business

# LOOKING FORWARD



- Global footprint and scale create **significant opportunity**.
- **Leading positions** within leading markets.
- Prepared to expand in **emerging markets** such as the United States
- Driven by the **quality of our people**.

Realizing **our vision** of becoming  
the world's favorite iGaming destination

# APPENDIX



# INCOME STATEMENT



\$000's (except per share amounts)	Three Months Ended June 30,	
	2018	2017
Revenues	411,512	305,305
Cost of revenue	(83,637)	(52,668)
<b>Gross profit</b>	<b>327,875</b>	<b>252,637</b>
General and administrative	(262,786)	(110,395)
Sales and marketing	(54,899)	(31,342)
Research and development	(9,126)	(5,383)
<b>Operating income</b>	<b>1,064</b>	<b>105,517</b>
Net financing charges	(160,360)	(39,052)
Net earnings from associates	1,068	—
<b>(Loss) earnings before income taxes</b>	<b>(158,228)</b>	<b>66,465</b>
Income tax recovery	3,404	4,018
<b>Net (loss) earnings</b>	<b>(154,824)</b>	<b>70,483</b>
<b>Net (loss) earnings attributable to</b>		
Shareholders of The Stars Group Inc.	(153,645)	70,494
Non-controlling interest	(1,179)	(11)
<b>Net (loss) earnings</b>	<b>(154,824)</b>	<b>70,483</b>
<b>(Loss) earnings per Common Share (U.S. dollars)</b>		
Basic	\$ (1.01)	\$ 0.48
Diluted	\$ (1.01)	\$ 0.35
<b>Weighted Average Common Shares Outstanding (thousands)</b>		
Basic	152,788	146,703
Diluted	152,788	203,467

# SEGMENT RESULTS OF OPERATIONS



## INTERNATIONAL

	Three Months Ended June 30,		
	2018	2017	% Change
\$000's except otherwise noted			
Stakes	248,572	144,352	72.2%
Betting Net Win Margin (%)	7.9%	6.1%	29.0%
Revenue			
Poker	216,986	202,897	6.9%
Gaming	101,941	80,726	26.3%
Betting	19,635	8,836	122.2%
Other	11,673	12,846	(9.1%)
<b>Total Revenue</b>	<b>350,235</b>	<b>305,305</b>	<b>14.7%</b>
<b>Gross Profit</b>	<b>281,076</b>	<b>252,637</b>	<b>11.3%</b>
Gross Profit Margin (%)	80.3%	82.7%	(3.0%)
General and administrative	105,257	104,208	1.0%
Sales and marketing	42,255	31,302	35.0%
Research and development	8,358	5,383	55.3%
<b>Operating Income</b>	<b>125,206</b>	<b>111,744</b>	<b>12.0%</b>
<b>Adjusted EBITDA</b>	<b>164,317</b>	<b>145,828</b>	<b>12.7%</b>
Adjusted EBITDA Margin (%)	46.9%	47.8%	(1.8%)

## AUSTRALIA

	Three Months Ended June 30,		
	2018	2017	% Change
\$000's except otherwise noted			
Stakes	710,269	—	100.0%
Betting Net Win Margin (%)	8.6%	—	100.0%
Revenue			
Betting	61,277	—	100.0%
<b>Total Revenue</b>	<b>61,277</b>	<b>—</b>	<b>100.0%</b>
<b>Gross Profit</b>	<b>46,799</b>	<b>—</b>	<b>100.0%</b>
Gross Profit Margin (%)	76.4%	—	100.0%
General and administrative	40,288	—	100.0%
Sales and marketing	12,262	—	100.0%
Research and development	768	—	100.0%
<b>Operating Loss</b>	<b>(6,519)</b>	<b>—</b>	<b>(100.0%)</b>
<b>Adjusted EBITDA</b>	<b>13,471</b>	<b>—</b>	<b>100.0%</b>
Adjusted EBITDA Margin (%)	22.0%	—	100.0%

## CORPORATE COST CENTER

	Three Months Ended June 30,		
	2018	2017	% Change
\$000's except otherwise noted			
Operating expenses	(117,623)	(6,227)	(1788.9%)
<b>Operating loss</b>	<b>(117,623)</b>	<b>(6,227)</b>	<b>(1788.9%)</b>
Net financing charges	(160,360)	(39,052)	(310.6%)
Income tax recovery	3,404	4,018	(15.3%)
<b>Net Loss</b>	<b>(274,579)</b>	<b>(41,261)</b>	<b>(565.5%)</b>
<b>Adjusted EBITDA<sup>1</sup></b>	<b>(9,518)</b>	<b>711</b>	<b>(1438.7%)</b>

# ADJUSTED EBITDA RECONCILIATION



	Three Months Ended June 30, 2018			
\$000's, except per share amounts	International	Australia	Corporate	Consolidated
<b>Net earnings (loss)</b>	126,274	(6,519)	(274,579)	(154,824)
Income tax recovery	—	—	3,404	3,404
Net financing charges	—	—	(160,360)	(160,360)
Net earnings from associates	1,068	—	—	1,068
<b>Operating income (loss)</b>	<u>125,206</u>	<u>(6,519)</u>	<u>(117,623)</u>	<u>1,064</u>
Depreciation and amortization	35,987	8,588	10	44,585
Add (deduct) the impact of the following:				
Acquisition-related costs and deal contingent forwards	—	—	95,627	95,627
Stock based compensation	—	—	3,265	3,265
(Gain) loss from investments and associates	(270)	5	—	(265)
Impairment of intangibles assets and assets held for sale	958	—	—	958
Other costs	2,436	11,397	9,203	23,036
<b>Total adjusting items</b>	<u>3,124</u>	<u>11,402</u>	<u>108,095</u>	<u>122,621</u>
<b>Adjusted EBITDA</b>	<u>164,317</u>	<u>13,471</u>	<u>(9,518)</u>	<u>168,270</u>

	Three Months Ended June 30, 2017			
\$000's, except per share amounts	International	Australia	Corporate	Consolidated
<b>Net earnings (loss)</b>	111,744	—	(41,261)	70,483
Income tax recovery	—	—	4,018	4,018
Net financing charges	—	—	(39,052)	(39,052)
<b>Operating income (loss)</b>	<u>111,744</u>	<u>—</u>	<u>(6,227)</u>	<u>105,517</u>
Depreciation and amortization	36,530	—	70	36,600
Add (deduct) the impact of the following:				
Stock based compensation	—	—	2,452	2,452
(Gain) loss from investments	(8,452)	—	12,944	4,492
Reversal of impairment of intangibles assets and assets held for sale	(629)	—	—	(629)
Other costs (income)	6,635	—	(8,528)	(1,893)
<b>Total adjusting items</b>	<u>(2,446)</u>	<u>—</u>	<u>6,868</u>	<u>4,422</u>
<b>Adjusted EBITDA</b>	<u>145,828</u>	<u>—</u>	<u>711</u>	<u>146,539</u>

# ADJUSTED NET EARNINGS AND ADJUSTED DILUTED NET EARNINGS PER SHARE RECONCILIATION



\$000's, except per share amounts	Three Months Ended June 30,	
	2018	2017
<b>Net (loss) earnings</b>	<b>(154,824)</b>	<b>70,483</b>
Add (deduct) the impact of the following:		
Interest accretion	12,726	12,147
Loss on debt extinguishment	124,976	—
Acquisition-related costs and deal contingent forwards	95,627	—
Amortization of acquisition intangibles	31,482	31,075
Deferred income tax recovery	(4,890)	(4,098)
Stock based compensation	3,265	2,452
(Gain) loss from investments and associates	(1,333)	4,491
Impairment (reversal of impairment) of intangibles assets and assets held for sale	958	(629)
Other costs (income)	23,036	(1,893)
<b>Adjusted net earnings</b>	<b>131,023</b>	<b>114,028</b>
<b>Adjusted net earnings attributable to</b>		
Shareholders of The Stars Group Inc.	129,237	114,028
Non-controlling interest	1,786	—
Weighted average diluted number of shares	215,380,175	203,467,303
<b>Adjusted Diluted Net Earnings per Share attributable to Shareholders of The Stars Group Inc</b>	<b>0.60</b>	<b>0.56</b>

# OTHER COSTS



	Three Months Ended June 30,	
	2018	2017
\$000's	\$000's	\$000's
Integration costs	11,467	—
Financial expenses (income)	4,370	(6,622)
Termination of employment agreements	1,387	682
AMF and other investigation professional fees	2,875	2,764
Lobbying (US and Non-US) and other legal expenses	2,665	4,598
Non-recurring professional fees	102	842
Retention bonuses	117	615
Loss on disposal of assets	41	202
Austria gaming duty	—	(5,000)
Termination of affiliate agreements	—	—
Other	12	26
<b>Other costs</b>	<b>23,036</b>	<b>(1,893)</b>

# FREE CASH FLOW RECONCILIATION



	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
\$000's				
Net cash flows from operating activities	164,011	130,426	296,080	225,973
Customer deposit liability movement	<u>(14,090)</u>	<u>9,053</u>	<u>(13,901)</u>	<u>25,282</u>
	149,921	139,479	282,179	251,255
Capital Expenditure:				
Additions to deferred development costs	(9,759)	(6,013)	(16,190)	(10,426)
Additions to property and equipment	(5,676)	(1,398)	(9,261)	(2,254)
Additions to intangible assets	(9,415)	(212)	(11,842)	(919)
Interest paid	(34,790)	(31,017)	(66,278)	(65,064)
Debt principal repayments	<u>(5,425)</u>	<u>(5,982)</u>	<u>(11,493)</u>	<u>(12,870)</u>
<b>Free Cash Flow</b>	<u><u>84,856</u></u>	<u><u>94,857</u></u>	<u><u>167,115</u></u>	<u><u>159,722</u></u>

# INTERNATIONAL REVENUES – CONSTANT CURRENCY

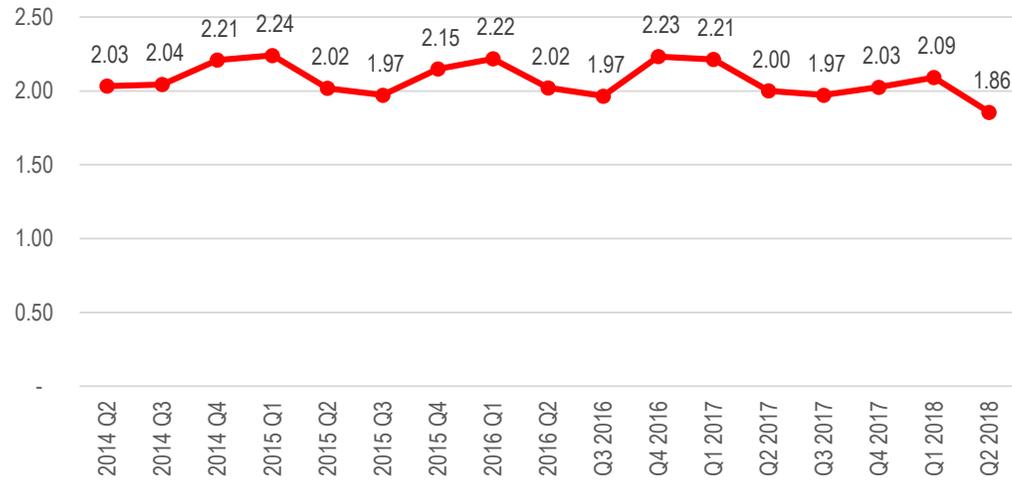


<i>(\$mm)</i>	<u>Q2 2018</u>	<u>Q2 2017</u>	<u>% Change</u>
<b>Revenues</b>	\$ 337.8	\$ 305.3	10.6%
<b>Poker Revenues</b>	\$ 210.5	\$ 202.9	3.7%
<b>Gaming Revenues</b>	\$ 97.6	\$ 80.7	21.0%
<b>Betting Revenues</b>	\$ 18.2	\$ 8.8	106.1%
<b>Other Revenues</b>	\$ 11.5	\$ 12.8	-10.8%

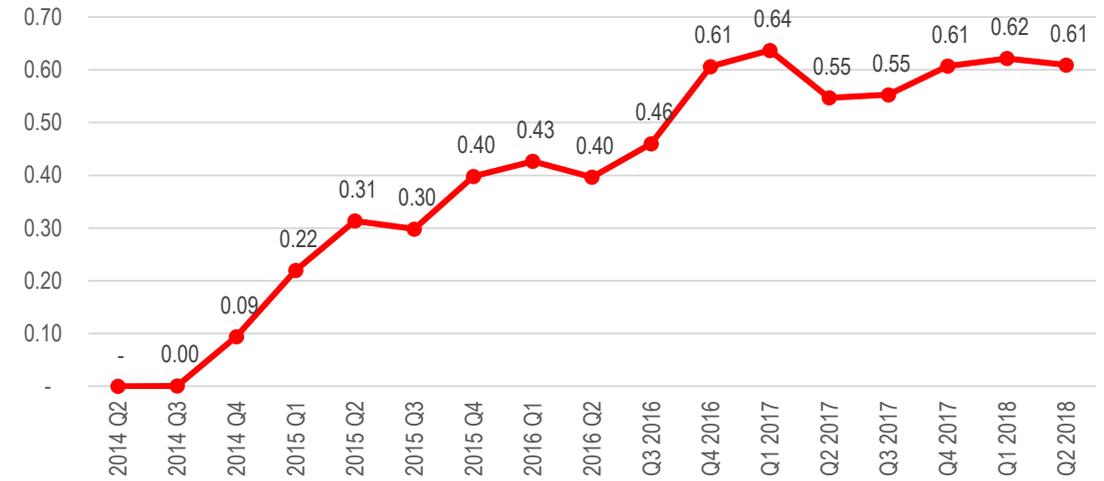
# INTERNATIONAL QAUs BY VERTICAL



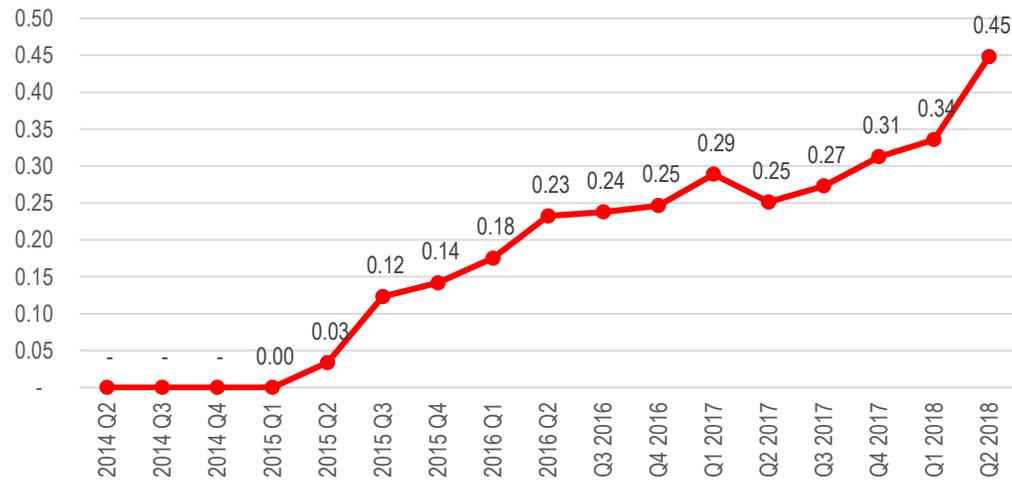
QAUs – Poker (mm)



QAUs – Gaming (mm)



QAUs – Betting (mm)



# GUIDANCE ASSUMPTIONS



These unaudited expected results reflect management's view of current and future market and business conditions, including assumptions of:

- (i) expected Betting Net Win Margin of between 8.0% and 10.5%
- (ii) continued negative operating conditions in Poland and potential negative operating conditions in Russia resulting from prior regulatory changes, including constraints on payment processing
- (iii) no other material regulatory events or investments associated with the entry into new markets
- (iv) no impact from the gaming advertising ban in Italy, and
- (v) no material foreign currency exchange rate fluctuations, particularly against the Euro, Great Britain pound sterling and Australian dollar.

Such guidance is also based on a Euro to U.S. dollar exchange rate of 1.17 to 1.00 as compared to 1.20 to 1.00, a Great Britain pound sterling to U.S. dollar exchange rate of 1.32 to 1.00 and an Australian dollar to U.S. dollar exchange rate of 0.74 to 1.00, Diluted Shares of between 241,000,000 and 243,000,000 for the high and low ends of the Adjusted Diluted Net Earnings per Share range, respectively, as compared to between 207,000,000 and 209,000,000, respectively, and certain accounting assumptions.

Capital Expenditures include estimated spend on intangible assets, property, plant and equipment and certain development costs.

# NON-IFRS MEASURES



This presentation references non-IFRS financial measures, including Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Earnings, Adjusted Diluted Net Earnings per Share, Free Cash Flow, and the numerator of QNY, and the foreign exchange impact on revenues (i.e., constant currency). The Stars Group believes these non-IFRS financial measures will provide investors with useful supplemental information about the financial performance of its business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating its business. Although management believes these financial measures are important in evaluating The Stars Group, they are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with IFRS. They are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. These measures may be different from non-IFRS financial measures used by other companies, limiting its usefulness for comparison purposes. Moreover, presentation of certain of these measures is provided for year-over-year comparison purposes, and investors should be cautioned that the effect of the adjustments thereto provided herein have an actual effect on The Stars Group's operating results. In addition to QNY, which is defined below under "Key Metrics and Other Data", The Stars Group uses the following non-IFRS measures in this presentation:

Adjusted EBITDA means net earnings before financial expenses, income taxes expense (recovery), depreciation and amortization, stock-based compensation, restructuring, net earnings (loss) on associate and certain other items as set out in the preceding reconciliation tables.

Adjusted EBITDA Margin means Adjusted EBITDA as a proportion of total revenue.

Adjusted Net Earnings means net earnings before interest accretion, amortization of intangible assets resulting from purchase price allocations following acquisitions, deferred income taxes, stock-based compensation, restructuring and certain other items as set out in the preceding reconciliation tables.

Adjusted Diluted Net Earnings per Share means Adjusted Net Earnings attributable to the shareholders of The Stars Group Inc. divided by Diluted Shares. Diluted Shares means the weighted average number of Common Shares on a fully diluted basis, including options, other equity-based awards, warrants and the Preferred Shares. The effects of anti-dilutive potential Common Shares are ignored in calculating Diluted Shares. Diluted Shares used in the calculation of diluted EPS (as defined below) may differ from diluted shares used in the calculation of Adjusted Diluted Net Earnings per Share where the dilutive effects of the potential Common Shares differ. See note 7 to The Stars Group's unaudited interim condensed consolidated financial statements and related notes for the three and six months ended June 30, 2018 (the "Second Quarter 2018 Financial Statements"). For the three and six months ended June 30, 2018, Diluted Shares used for the calculation of Adjusted Diluted Net Earnings per Share equaled 215,380,175 and 212,449,078, respectively, compared with 203,467,303 and 201,969,186 for the same periods in 2017, respectively

# NON-IFRS MEASURES (CONT.)



Free Cash Flow means net cash flows from operating activities after adding back customer deposit liability movements, and after capital expenditures and debt servicing cash flows (excluding voluntary prepayments).

Reconciliations of Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Earnings, Adjusted Diluted Net Earnings per Share, to the nearest IFRS measures are provided in this Appendix. The Corporation does not provide a reconciliation for the numerator of QNY as the revenue components thereof (i.e., Poker, Gaming and Betting) and Other revenues are set forth in the Second Quarter 2018 MD&A and the Second Quarter 2018 Financial Statements.

To calculate revenue on a constant currency basis, The Stars Group translated revenue for the current period using the prior year's monthly average exchange rates for its local currencies other than the U.S. dollar, which The Stars Group believes is a useful metric that facilitates comparison to its historical performance, mainly because the U.S. dollar is the primary currency of gameplay on The Stars Group's consolidated product offerings and the majority of The Stars Group's customers are from European Union jurisdictions.

The Stars Group has not provided a reconciliation of the non-IFRS measures to the nearest IFRS measures included in its full year 2018 financial guidance provided in this release, including Adjusted EBITDA, Adjusted Net Earnings and Adjusted Net Earnings per Diluted Share, because certain reconciling items necessary to accurately project such IFRS measures, particularly net earnings (loss), cannot be reasonably projected due to a number of factors, including variability from potential foreign exchange fluctuations impacting financial expenses, and the nature of other non-recurring or one-time costs (which are excluded from non-IFRS measures but included in net earnings (loss)), as well as the typical variability arising from the audit of annual financial statements, including, without limitation, certain income tax provision accounting, and related accounting matters.

For additional information on The Stars Group's non-IFRS measures, see the Second Quarter 2018 MD&A, including under the headings the Corporation's non-IFRS measures and limitations related to the use of such non-IFRS measures, see the information presented under the heading "Management's Discussion and Analysis", "Limitations of Key Metrics, Other Data and Non-IFRS Measures" and "Key Metrics and Non-IFRS Measures" above.

## **Key Metrics and Other Data**

The Stars Group defines QAUs as active unique customers (online, mobile and desktop client) who (i) made a deposit or transferred funds into their real-money account with The Stars Group at any time, and (ii) generated real-money rake or placed a real-money bet or wager on or through one of its real-money online poker, casino or sportsbook offerings during the applicable quarterly period. The Stars Group defines unique as a customer who played at least once on one of its real-money offerings during the period, and excludes duplicate counting, even if that customer is active across multiple verticals (poker, casino and/or sportsbook). The definition of QAUs excludes customer activity from certain low-stakes, non-raked real-money poker games, but includes real-money activity by customers using funds (cash and cash equivalents) deposited by The Stars Group into such customers' previously funded accounts as promotions to increase their lifetime value.

The Stars Group defines QNY as combined real-money online gaming and related revenue (excluding certain other revenues, such as revenues that are included in "other gaming" revenues) for its two business lines (i.e., real-money online poker and real-money online casino and sportsbook) as reported during the applicable quarterly period (or as adjusted to the extent any accounting reallocations are made in later periods) divided by the total QAUs during the same period. The Stars Group provides QNY on a U.S. dollar and constant currency basis. QNY is a non-IFRS measure.

The Stars Group defines Net Deposits as the aggregate of gross deposits or transfer of funds made by customers into their real-money online accounts less withdrawals or transfer of funds by such customers from such accounts, in each case during the applicable quarterly period. Gross deposits exclude (i) any deposits, transfers or other payments made by such customers into The Stars Group's play-money and social gaming offerings, and (ii) any real-money funds (cash and cash equivalents) deposited by The Stars Group into such customers' previously funded accounts as promotions to increase their lifetime value.

For additional information on The Stars Group's key metrics and other data, see the Second Quarter 2018 MD&A, including under the headings "Limitations of Key Metrics and Other Data" and "Key Metrics".

## **Currency**

Unless otherwise noted, all references to "\$", "US\$" and "USD" are to the U.S. dollar, "A\$" are to Australian dollar and "C\$" are to the Canadian dollar.

A large red outline of a five-pointed star.

# THE STARS GROUP

## Second Quarter 2018 Earnings Presentation

August 13, 2018

