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**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

**3 December 2020**

**Flutter Entertainment plc  
("Flutter" or the "Company" or the "Group")**

**Accelerated acquisition of 37.2% of the issued and outstanding units of FanDuel Group Parent LLC ("FanDuel") from Fastball Holdings LLC ("Fastball")**

Flutter, the leading global sports betting and gaming group, today announces that it has entered into a conditional agreement to acquire the entire 37.2% interest in FanDuel which is currently held by Fastball for USD\$4.175bn (GBP£3.131bn<sup>1</sup>) (the "Transaction").

The Transaction is conditional on Flutter shareholder approval. A circular will be posted to shareholders in due course to convene an extraordinary general meeting, which is expected to take place prior to the end of December 2020.

**Key Highlights:**

- Accelerates buy-out of minority investors in US market leader, taking Flutter's stake in FanDuel from 57.8% to 95%
- Materially increases exposure to US market, the most attractive sector opportunity today
- Takes opportunity to secure stake in FanDuel at a discount to the intrinsic fair value, as well as a discount to its closest peer<sup>2</sup>
- Discount to fair market value reflects a number of factors, including Fastball's minority position in FanDuel, the provision of price certainty and liquidity to Fastball as well as allowing it to expedite the payment it receives for its full stake
- Removes considerable uncertainty with respect to buyout obligations of Fastball's stake
- Simplifies stakeholder arrangements, increasing Flutter's flexibility to optimise US structure over time
- Terminates Fastball's economic interest in FOX Bet
- Consideration for the Transaction is expected to be satisfied through a combination of \$2.088bn in cash and the issue of approximately 11.7m new Flutter ordinary shares directly to Fastball. The cash element will be funded through cash on balance sheet and an equity placing to raise approximately £1.1bn. The terms of the Placing were announced separately today
- Following completion of the Transaction, the Group expects financial leverage at the end of 2020 to be less than 3.0x Adjusted EBITDA, with the Group's medium-term leverage target of 1.0x-2.0x retained

**Commenting on the Transaction, Peter Jackson, Flutter Chief Executive, said**

*“Flutter’s initial acquisition of a controlling stake in FanDuel in 2018 has been transformational for the shape of the Group. Our number one position in the crucial US market is built on many of the assets we acquired through that transaction, supported by the broader Group’s capabilities. Our intention has always been to increase our stake in the business and I’m delighted to be able to do so earlier than originally planned and at a discount to its closest peer.”*

*I would like to take this opportunity to thank our partners in Fastball for their tremendous support over the last 2½ years and for their ongoing commitment to Flutter as soon-to-be shareholders in the wider Group. We look forward to continuing to grow our US business, alongside our key media partner FOX, as further states move to regulate sports betting and gaming.”*

**Commenting on the Transaction, Lachlan Murdoch, Executive Chairman and CEO of Fox Corporation said**

*“We are delighted to participate in this capital raising. Maintaining our ownership stake in Flutter signifies our long-term commitment to Flutter, and ongoing confidence in management’s ability to execute against the fast growing US opportunity. FOX’s audiences have proven to be highly engaged with free to play and wagering content, and we are excited to offer them access to products from Flutter’s market leading stable of US brands.”*

**Analyst and Investor Presentations**

The Group will host an analyst and investor conference call this afternoon at 2:00pm (IST/GMT). Participants must register at the link provided below to obtain the relevant dial in details

<https://cossprereg.btc.com/prereg/key.process?key=PBVD9RPGQ>

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

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Moelis & Company LLC acted as exclusive financial advisor to Fastball Holdings LLC.

**Flutter Entertainment plc**  
**(“Flutter” or the “Company” or the “Group”)**

**Accelerated acquisition of 37.2% of the issued and outstanding units of FanDuel Group Parent LLC**  
**(“FanDuel”) from Fastball Holdings LLC (“Fastball”)**

**1. Background**

In May 2018, Flutter (then Paddy Power Betfair plc) announced the acquisition of an initial controlling stake in FanDuel Ltd via a cash investment of \$158m and the transfer of its then existing US assets (principally TVG and its New Jersey online casino) into a newly merged US group. Following a subsequent market access deal with Boyd Interactive Gaming LLC (“Boyd”), Flutter’s stake in FanDuel stood at 57.8%.

A mechanism was put in place to facilitate the sale of Fastball’s remaining 37.2% stake in FanDuel to Flutter in two tranches in July 2021 and July 2023 at prevailing market valuations. This mechanism contained constraints on the amount Flutter could be obliged to pay to acquire the stake, potentially leaving Fastball continuing to hold material levels of an illiquid minority share in the business for an indefinite period. In agreeing the terms of the Transaction we are announcing today, Fastball is able to realise a considerable return on its original investment in FanDuel while trading the discount for price certainty, liquidity and an opportunity to expedite the payment it receives for its full stake. From Flutter’s perspective, today’s announcement accelerates the transfer of the minority stake at what we believe to be a discount to the intrinsic fair value of the business, taking into account the business’s significant growth opportunities, and at a discount to FanDuel’s closest peer.<sup>2</sup>

**2. Strategic rationale for Transaction**

**It increases exposure to the most attractive market opportunity in the sector today**

The ongoing regulation of online sports betting and gaming in multiple states represents the single biggest market opportunity for Flutter today. Since the repeal of the Professional and Amateur Sports Act (“PASPA”) in May 2018, the pace with which states have legislated online sports betting, and in some cases online gaming, has exceeded the Group’s initial expectations.

The potential size of the US total addressable market (“TAM”) for online betting and gaming continues to grow. By the end of 2021, Flutter expects its online sports betting products to be available in US states accounting for approximately one third of the US population. Flutter expects its online gaming products to be available in four states, equating to 11% of the US population. In both cases, the roster of regulated states does not yet include any of the four most populated states, namely California, Texas, Florida or New York.

To put the full scale of the US opportunity into context for Flutter, the states that we expect to be live in by the end of 2021 are expected to be worth c.\$9.1bn in gross gaming revenue terms at maturity.<sup>3</sup> This makes them almost as large as the regulated online markets of the UK, Ireland and Australia combined.<sup>4</sup> Based on the earnings guidance provided in the Group’s Q3 trading statement (11

November 2020), Flutter expects to generate online EBITDA from these three regulated markets of over \$1bn in 2020.

It is unclear at this point how many further states will regulate online sports betting and gaming. Flutter estimates that for each incremental 5% of the US population that is given access to regulated sports-betting and regulated online gaming, the TAM could increase by c.\$850m and c.\$1.3bn respectively.

### **It increases Flutter's share in the US market leader, a business with key competitive advantages**

FanDuel is the market leader in the US online gaming market today. The business enjoys several key advantages over competitors. These are:

#### **(i) The FanDuel player database and brand which provide a structural cost advantage in the acquisition of sportsbook/gaming customers at scale**

FanDuel has over 9.5 million customers nationally, providing the business with an enthusiastic sports betting customer base. Approximately 40% of all sportsbook customers acquired in the first two years have come from the Daily Fantasy Sports ("DFS") database. The ability to convert DFS players to sports betting at relatively low cost means that FanDuel enjoys a structural cost advantage over most competitors when it comes to sportsbook player acquisition at scale.

In addition, the FanDuel brand has been built on the back of cumulative marketing investment to date of over \$0.8bn. Recent investment has included long-term media partnerships with both Turner Sports and Entercom, securing exclusive access to key media assets and integrations at both a local and national level. Such deals help to drive direct customer acquisition while the overall strength of the brand brings two benefits; it means it enjoys relatively high unaided brand awareness while it also makes FanDuel a partner of choice for many market access partners.

#### **(ii) The ability to leverage the wider Flutter Group to develop market leading products that drive retention and improve customer economics**

Product leadership is vital for customer retention, which in turn leads to better customer unit economics. Access to Flutter's global risk and trading expertise (with a combined team of over 650 personnel) has afforded FanDuel product advantages such as the number of in-play markets that it offers on various sports and the roll-out of Flutter's Same Game Parlay™ products in the US. The ability to leverage these products and technology infrastructure has meant that FanDuel's sports betting app has been ranked the best in the market.<sup>5</sup>

The retention benefit this leads to has clearly been evident during 2020, with c.90% of sportsbook customers that were active on the FanDuel platform in March (pre-suspension of major sport) returning to play by October. The launch of the Group's proprietary sports betting platform is now complete in West Virginia with remaining states expected to follow in 2021. This internal open-source platform, which is supported by over 3,600 technologists group-wide, will improve reliability and scalability while giving FanDuel access to Flutter's "feature factory".

#### **(iii) Greater product diversification and scale than competitors which in turn fuels investment**

FanDuel is the only operator to offer all four key product verticals in the US, namely sports betting, DFS, gaming and online horserace wagering. In addition, it has a presence in all 50 US states through its free-to-play products while it takes real-money play in 41 states. This is important because it (i) enables FanDuel to monetise its customer base in a way many competitors cannot in states that are yet to regulate sports betting and gaming, (ii) leads to better customer economics given that the lifetime value of multi-product customers exceeds that of single product customers; and (iii) provides a funding stream for ongoing investment, with the cash flow generated from our more mature US products (TVG and DFS) supporting the growth in sports betting and gaming.

All of the factors above have contributed to FanDuel becoming the online market leader in the US today with unrivalled online scale and market share. Year-to-date FanDuel has acquired more than 800,000 customers<sup>6</sup> across all verticals. As disclosed in our Q3 trading statement on 11 November 2020, we now expect our US business to generate over \$850m in net revenue in 2020. This represents year on year growth of 70%+ and exceeds the revenue guidance of our next nearest online competitor in the US by over 50%. In 2020, Flutter expects contribution from the New Jersey online sportsbook and gaming businesses combined to be more than \$40m. FanDuel's share of the online sport-betting market in Q3 was 43% while its share of the combined sports and gaming market was 24%.<sup>7</sup>

#### **It secures the minority stake at an attractive valuation**

The Transaction price of \$4.175bn implies an enterprise value for FanDuel of \$11.2bn. This represents (i) a potentially valuable opportunity in light of our own estimate of the intrinsic value of the business, taking into account the business's significant growth opportunities, and (ii) a discount to FanDuel's closest peer<sup>2</sup>, despite FanDuel being the market leader in the US market. This discount reflects a number of factors, including Fastball's minority position in FanDuel, the provision of price certainty and liquidity to Fastball as well as allowing it to expedite the payment it receives for its full stake.

#### **It removes considerable uncertainty with respect to the future**

There has been significant volatility in the valuation multiples within the US online gaming sector. The previously agreed mechanism for transfer of the Fastball stake to Flutter would have involved fair market valuations of FanDuel being conducted in 2021 and 2023, with put and call options in place based on those valuations. The Board has concluded that it is in the best interest of Flutter shareholders to avail of the discount factors through this alternative transaction now and thus remove pricing uncertainty in acquiring Fastball's stake in FanDuel.

#### **It simplifies US stakeholder arrangements, providing greater future flexibility**

The Transaction simplifies the Company's stakeholder arrangements in the US by bringing Flutter to 95% ownership of FanDuel, increasing Flutter's control over the direction of our US operations.

The Transaction also simplifies the economic position in relation to the FOX Bet business. As part of the combination between Flutter and TSG, Fastball was granted an economic interest in the FOX Bet business. This would have involved Fastball receiving the equivalent of 11% in the uplift in the valuation of FOX Bet between May 2020 and July 2023 (the "**FOX Bet Value Payment**"). Pursuant to the terms of this Transaction, Fastball's right to receive the FOX Bet Value Payment from Flutter is terminated.

FanDuel's market access partner, Boyd, will continue to hold a 5% stake in FanDuel following completion of the Transaction. Flutter intends to offer to FOX Sports the option to purchase 18.5% of FanDuel at fair market value in July 2021, with substantively the same terms and valuation mechanism that FOX Sports and Flutter previously agreed would have applied to the Fastball put and call options. No assurances can be provided whether and on what terms any such transaction with FOX would take place.

### **3. Overview of the Transaction**

Flutter has entered into an agreement (the "**Purchase Agreement**") to acquire Fastball's entire 37.2% stake in FanDuel. Upon completion, Flutter will own 95% of FanDuel and the balance of 5% will continue to be held by Boyd. Fastball will also waive its right to receive a payment for the increase in FOX Bet's market value.

Under the terms of the Purchase Agreement, Flutter will satisfy the \$4.175bn / £3.131bn consideration by way of \$2.088bn of cash and the issue of approximately 11.7m new Flutter shares directly to Fastball (the "**Consideration Shares**") at a reference price of £133.50 calculated as a VWAP over the period 11 November to 27 November 2020.

The Purchase Agreement imposes certain “lock-up” restrictions on Fastball’s ability to distribute or transfer any Consideration Shares it may receive in connection with the Transaction. From and after 31 March 2021, Fastball would be permitted to distribute or sell up to 20% of any Consideration Shares it may receive; from or after 1 July 2021, Fastball would be permitted to distribute or sell up to 50% of such Consideration Shares (inclusive of any shares distributed or sold prior to 1 July 2021); and from and after 31 December 2021, Fastball would be permitted to distribute or sell up to 100% of such Consideration Shares.

#### **Flutter shareholder approval**

As Fastball owns approximately 37.2% of the units in FanDuel, being a subsidiary of Flutter, Fastball is considered to be a substantial shareholder of Flutter for the purpose of the listing rules of the Financial Conduct Authority (“**Listing Rules**”). The Transaction therefore constitutes a related party transaction for Flutter and requires the approval of Flutter shareholders. In addition, Matthew King is a director of FanDuel and a member of Fastball, and is therefore a related party for the purposes of the Transaction. Further, Ted Oberwager and Michael LaSalle are directors of FanDuel and each own indirect interests in Fastball, and are therefore also considered to be related parties for the purposes of the Transaction.

A circular will be posted to shareholders to convene an extraordinary general meeting which will be held in due course to approve the Transaction. Subject to receipt of shareholder approval and the satisfaction or waiver (as applicable) of other conditions in the Purchase Agreement, the Transaction is expected to be completed prior to the end of December 2020.

#### **4. Financing the Transaction**

Flutter intends to fund the cash element of the purchase price through (i) cash on balance sheet, and (ii) an equity raise of approximately £1.1bn through the placing of new ordinary shares (the “**Placing**”). The remainder of the consideration payable will be satisfied through the issue of the Consideration Shares.

The consideration financing mix takes into account Flutter’s focus on maintaining balance sheet strength and financial flexibility. Assuming completion in 2020, leverage at the financial year end is expected to be less than 3.0x Adjusted EBITDA. The Board is satisfied that this is an appropriate level of additional leverage to apply to Flutter, minimising shareholder dilution while also maintaining balance sheet strength to fund appropriate investment and growth opportunities for the Group. The Board is confident that the highly cash generative nature of the Group will bring it towards its leverage target of 1.0x-2.0x over the medium-term. As previously stated, once leverage has returned to this target range, the Board will re-examine the Group’s dividend policy.

A separate announcement has been issued in relation to the Placing and a presentation containing further information relevant to the Transaction and Placing has been made available on the Company’s website at <https://www.Flutter.com/investors>.

The person responsible for arranging release of this Announcement on behalf of Flutter is Edward Traynor, Company Secretary of Flutter.

#### **Notes**

<sup>(1)</sup> Assumed FX rate £1:\$1.33

<sup>(2)</sup> Transaction price implies a FanDuel enterprise value of \$11.2bn; equates to a discount of over 40% to \$20.3bn enterprise value of DraftKings Inc. (as at 27 Nov 2020)

<sup>(3)</sup> Sources: Based on Eilers and Krejcik and Flutter internal estimates. Assumes FanDuel will be live in 14 states in 2021 for sports betting: Colorado, Illinois, Indiana, Iowa, Louisiana, Maryland, Massachusetts, Michigan, New Jersey, Ohio, Pennsylvania, Tennessee, Virginia and West Virginia. Assumes FanDuel will be live in 4 states in 2021 for gaming: Michigan, New Jersey, Pennsylvania, and West Virginia.

<sup>(4)</sup> The estimated size of the UK, Irish and Australian online markets combined is \$9.5bn. Source: Regulus and Flutter internal estimates of online sportsbook and gaming market size. Combined population 97m.

<sup>(5)</sup> Eilers and Krecjik survey of 16 sports betting apps in NJ, October 2020

<sup>(6)</sup> Pro forma Flutter US division for 9 months ended 30 September 2020

<sup>(7)</sup> Source: Online sportsbook market share is the gross gaming revenue (“GGR”) market share of FanDuel for Q3 2020 in the states in which FanDuel was live in Q3 as per Flutter’s Q3 trading update on 11 November 2020. During Q3 FanDuel was live for sports betting in Colorado, Illinois, Indiana, Iowa, New Jersey, Pennsylvania and West Virginia. Market share calculations do not include Illinois due to unavailability of September data at that time. Online gaming market share reflects the combined NJ and PA market share of the FanDuel and Betfair brands during Q3 2020. Combined online market share is the combination of both sportsbook and gaming as defined above. The gaming market share excludes PokerStars which is part of Flutter but not part of FanDuel. Combined gaming share in the US is 29% when PokerStars is included.

FanDuel offers retail sports betting in selected states, primarily as part of the market access arrangements to facilitate online sports betting. FanDuel has been fully consolidated in Flutter’s financial statements since 2018, incurred an underlying EBITDA loss of £(36.2)m for the financial year ended 31 December 2019 and had gross assets of approximately £1bn as at 30 June 2020. Matthew King is the CEO of Flutter’s US business which comprises FanDuel, TVG, Pokerstars, Betfair and FOX Bet.

## Important Notice

Goldman Sachs International, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for Flutter and no one else in connection with the Transaction and will not be responsible to anyone other than Flutter for providing the protections afforded to clients of Goldman Sachs International or for providing advice in relation to the matters referred to in this announcement.

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Completion of the Transaction is subject to the satisfaction of a number of conditions. Consequently, there can be no certainty that completion of the Transaction will be forthcoming.

Certain figures contained in this announcement, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this announcement may not conform exactly with the total figure given.

This announcement (including information incorporated by reference in this announcement), oral statements made regarding the Transaction, and other information published in connection with the Transaction contain statements which are, or may be deemed to be, “forward-looking statements”. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. The forward-looking statements contained in this document include statements relating to the expected effects of the Transaction on Flutter, the expected timing and scope of the Transaction and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as “plans”, “expects” or “does not expect”, “is expected”, “is subject to”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved.

Although Flutter believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include the satisfaction of the Conditions, as well as factors such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of regulators and other factors such as changes in the political, social and regulatory framework in which Flutter will operate or in economic or technological trends or conditions. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors.

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