

Sportsbet Briefing

30 August 2017

PADDYPOWER.

 betfair

sportsbet
.com.au

Market Overview	Cormac Barry – Chief Executive Officer
Regulatory Affairs	Ben Sleep – CFO & Regulatory
Product	Doug Brown – General Manager Product
Marketing and Operations	Barni Evans – Chief Commercial Officer
Q&A	
Drinks	

Cormac Barry - CEO - Overview

About Me

Since
2011



Chief Executive Officer

17 Years
with the
Group

2009



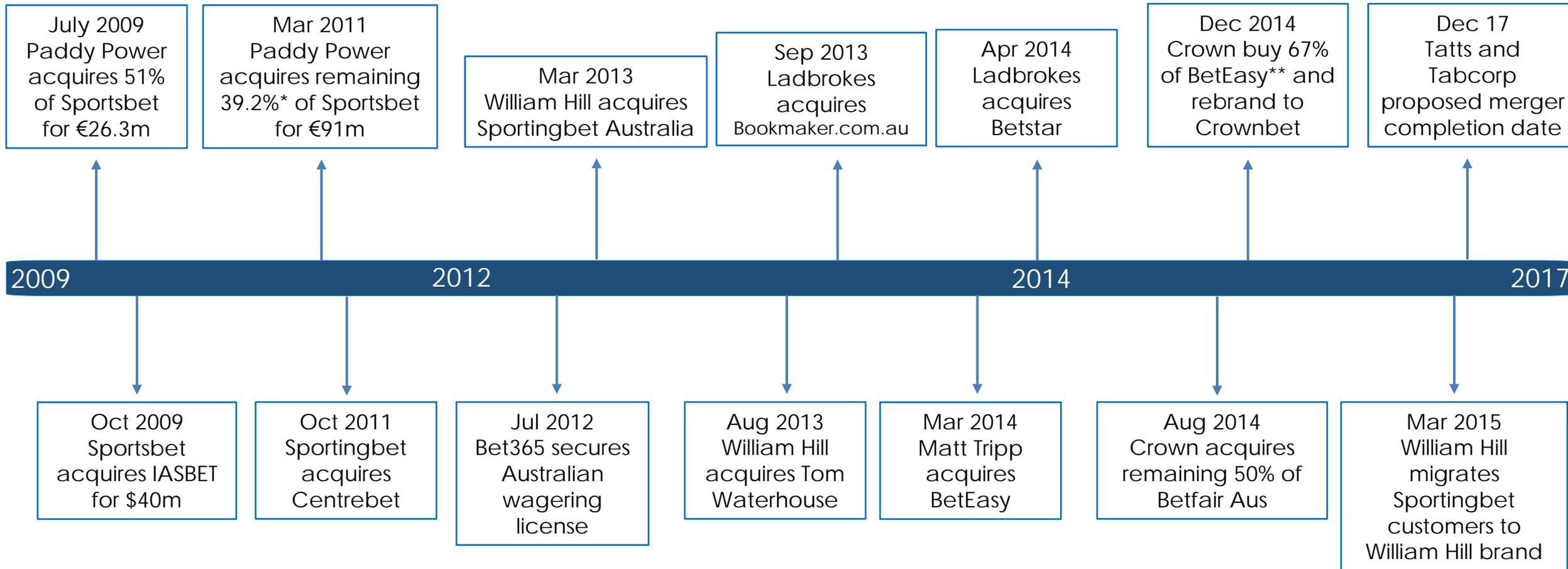
Commercial Director

2000



Head of Online

Acquisition and Consolidation Timeline

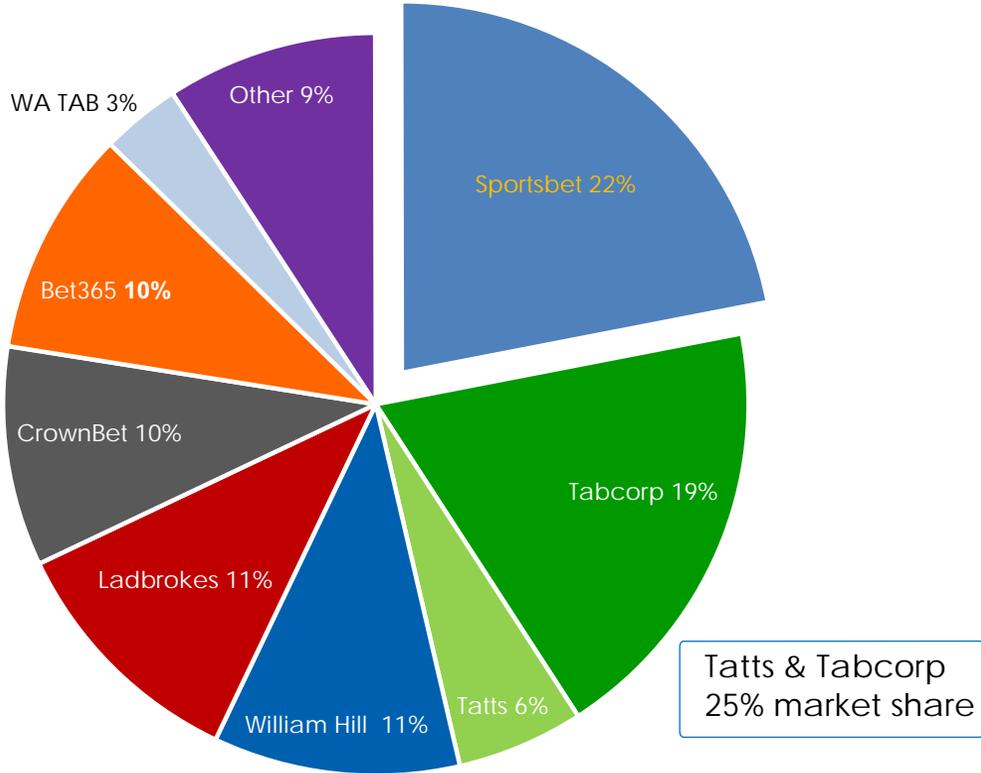


* Sportsbet purchased 9.8% from a minority shareholder in February 2010 for €8.5m

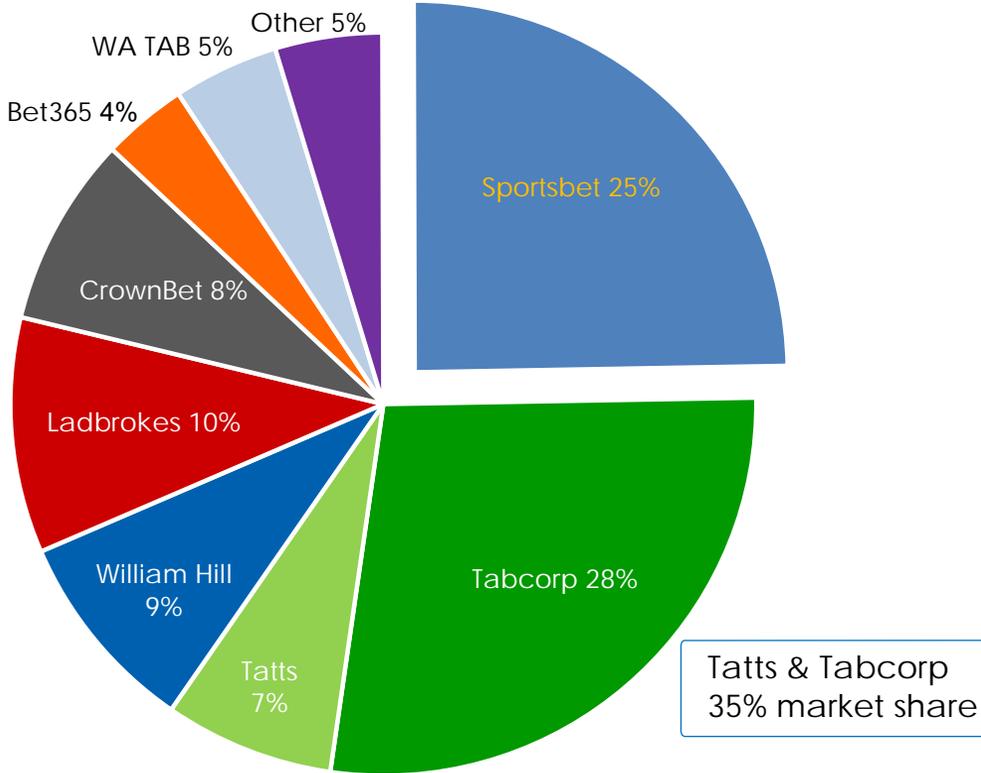
** Crown and BetEasy joint venture (67% owned by Crown)

Market Share

FY17 Market Share of Non-Retail Turnover



FY17 Market Share of Non-Retail Gross Win

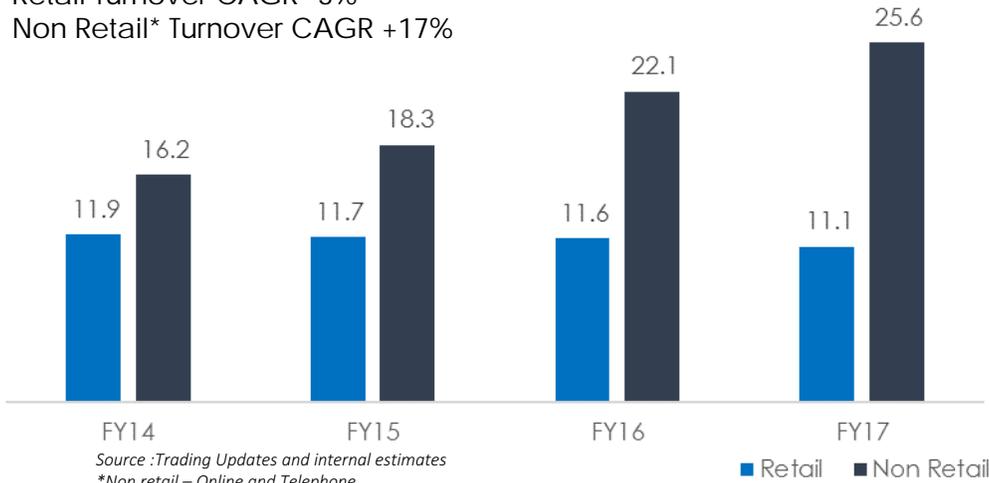


Source: Competitor public filings and internal estimates.
 FY here and throughout presentation refers to years ended 30 June. CY refers to years ended 31 December throughout presentation

Source: Competitor public filings and internal estimates

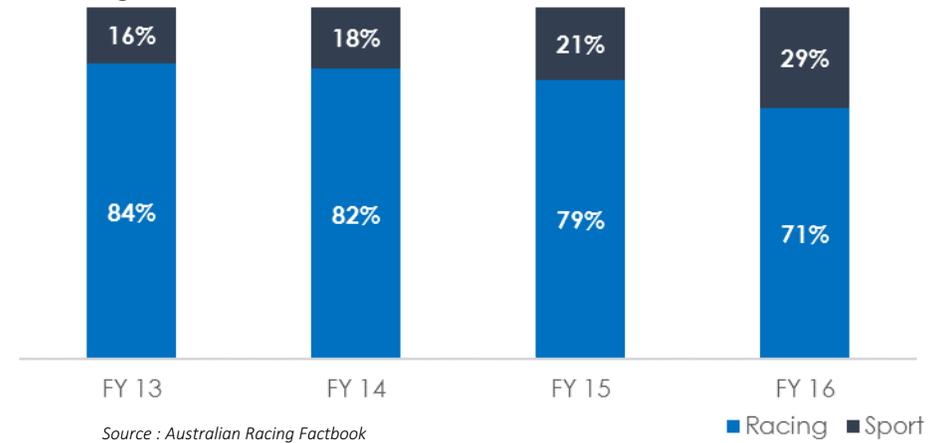
Strong Online Growth (\$'b)

Retail Turnover CAGR -3%
Non Retail* Turnover CAGR +17%



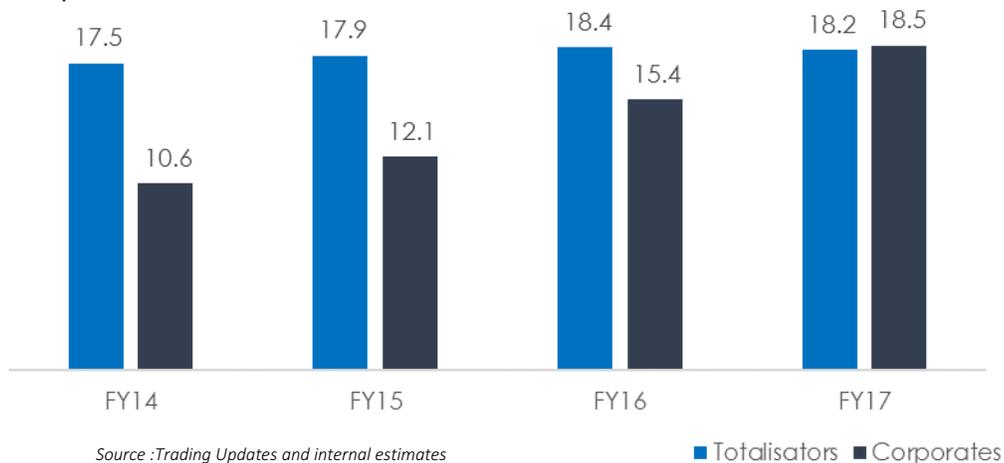
Sport Turnover Growing Faster than Racing

Sport Turnover CAGR +27%
Racing Turnover CAGR -0.3%



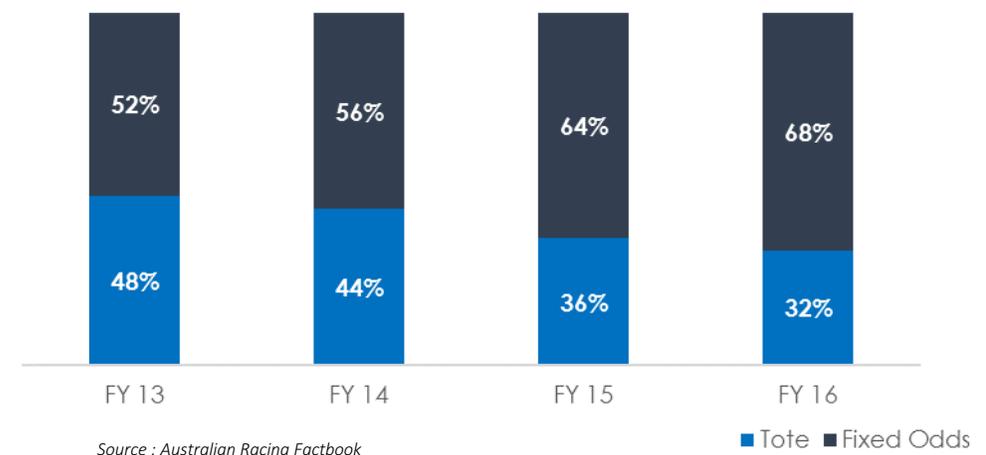
Corporates Taking Market Share (\$'b)

Totalisator Turnover CAGR +1%
Corporates Turnover CAGR +20%



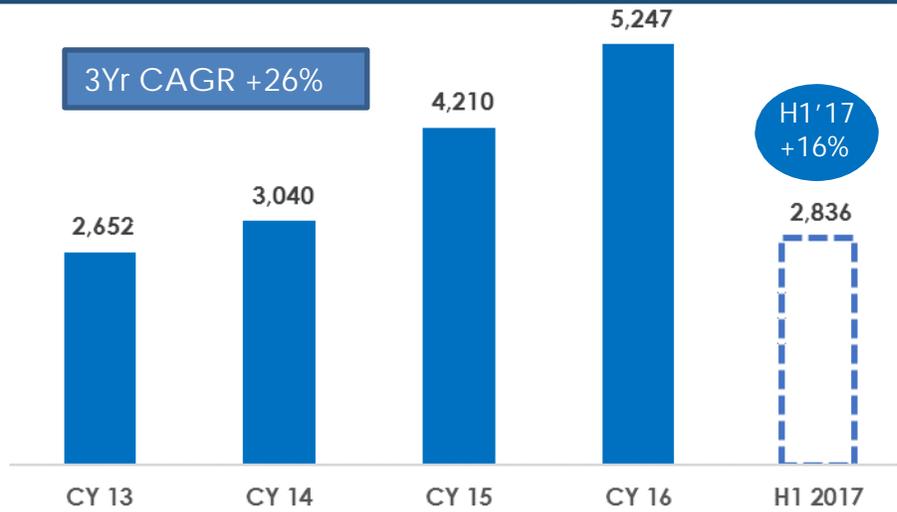
Fixed Odds Turnover Growing Fastest

Fixed Odds Turnover CAGR +15%
Tote Turnover CAGR -8%

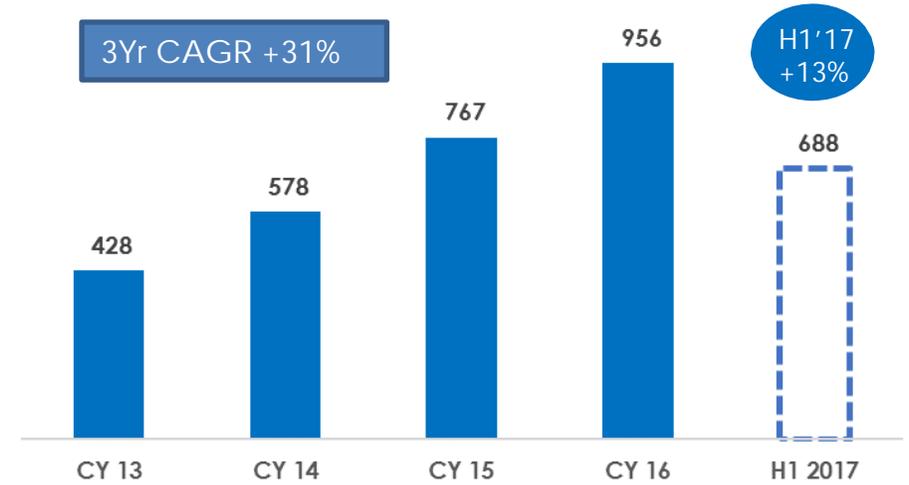


Sportsbet Performance

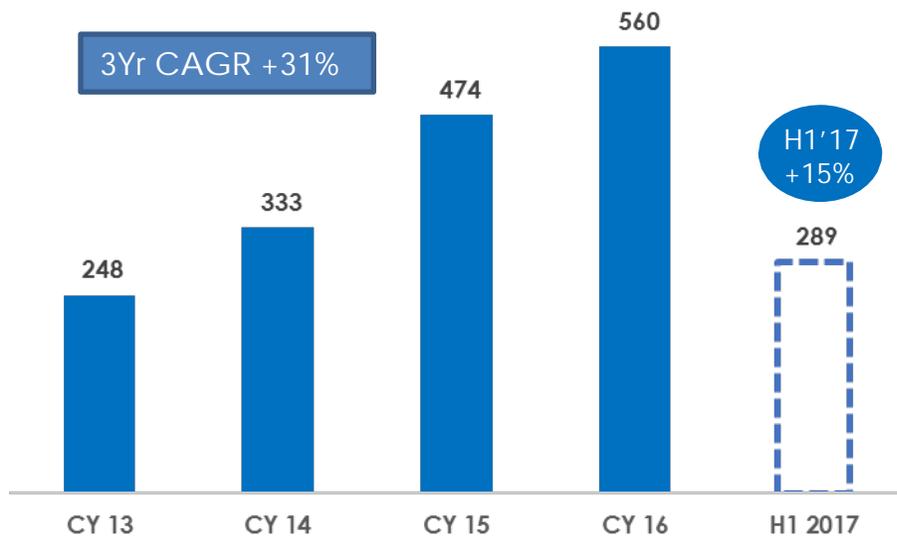
Turnover (A\$m)



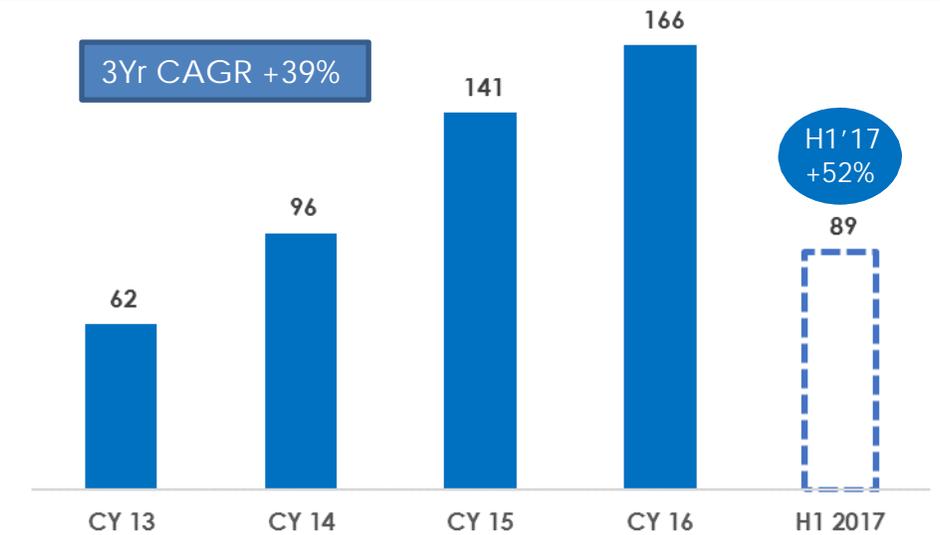
Active Customers ('000s)



Net Revenue (A\$m)



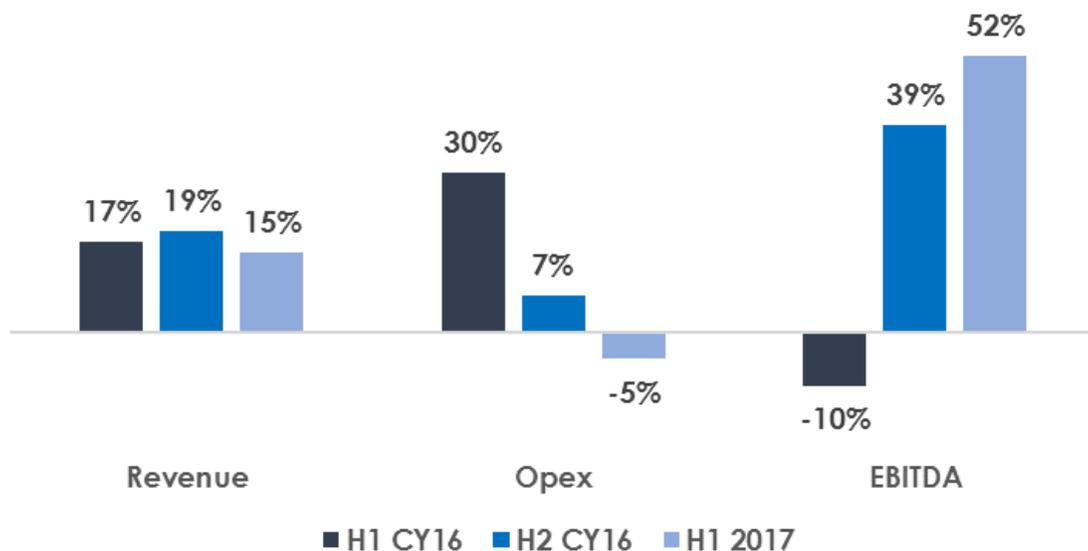
EBITDA (A\$m)



Delivering Operating Leverage

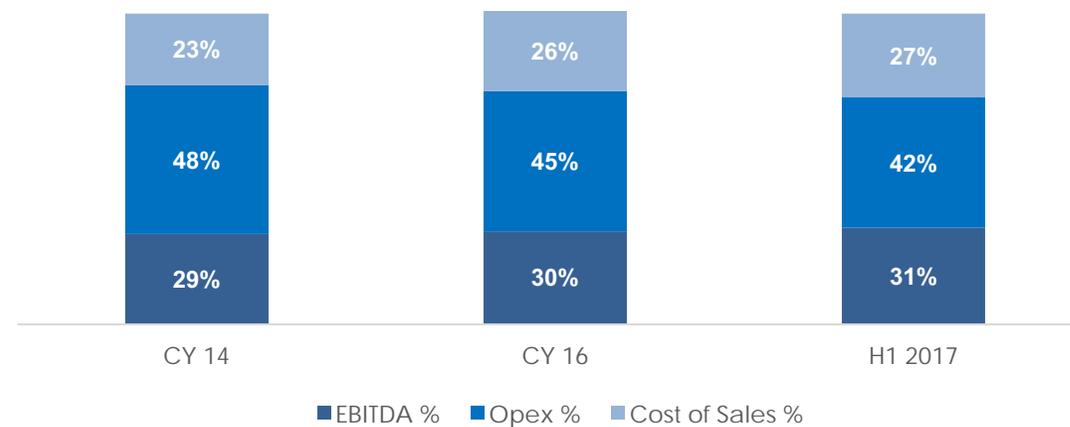
Increased focus on operating efficiency

Sportsbet YoY Growth



Scale & profitability position

Sportsbet P&L Breakdown (% of Revenue)



Increased focus on operating efficiency through:

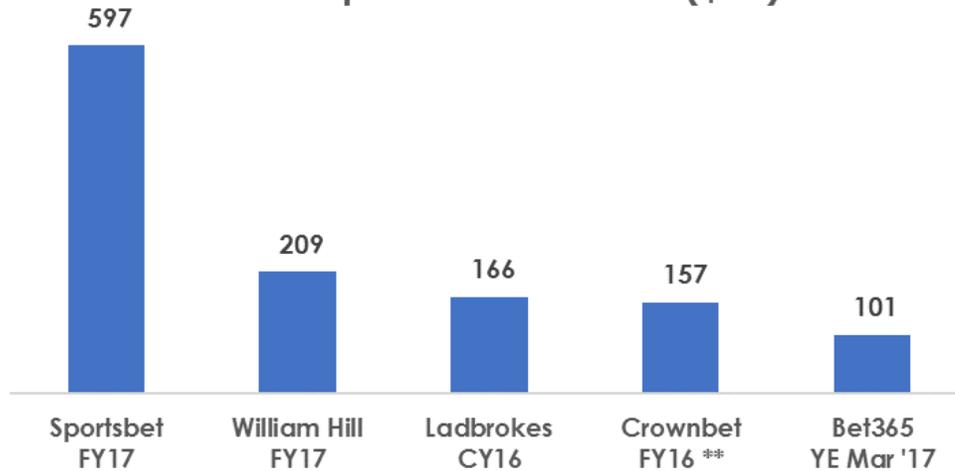
- Streamlining labour structures
- Leveraging procurement scale
- Global synergies
- Marketing optimization

- EBITDA margin has expanded from 29% in 2014 to 31% in H12017 notwithstanding significant increase in product fees

Scale Advantage

Corporate Bookmakers Revenue (\$m)

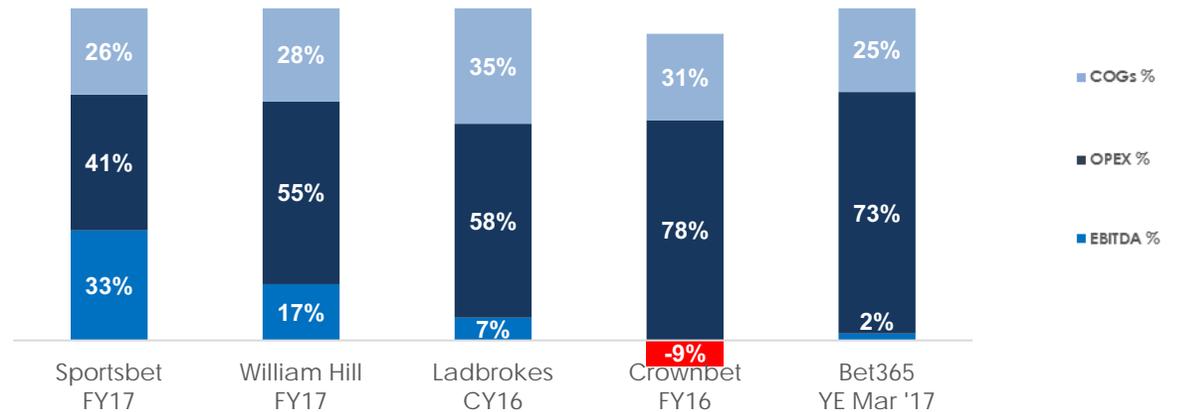
Last Reported 12 Months (\$'m)



** Crown Resorts did not split out Crownbet revenue for FY 17

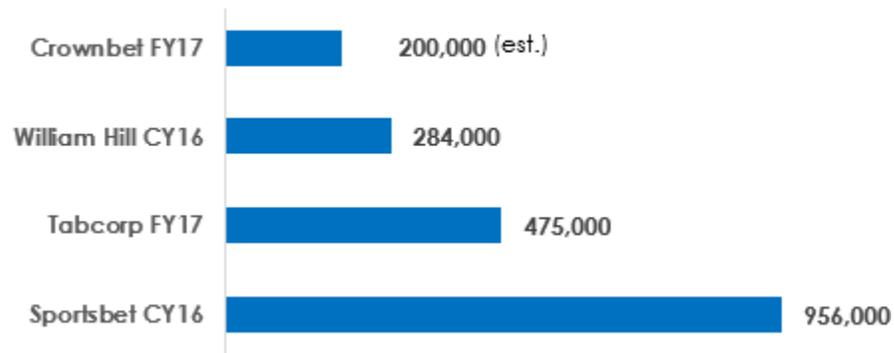
P&L Breakdown %

Last Reported 12 Months (% of Revenue)



Active Customers

Last Reported 12 Months



Crownbet actives per Matt Tripp in AFR interview on 07 February 2017

Advantages of Scale

- Leverage fixed cost base to reduce cost of service
- Facilitates investment in our customer proposition
 - New Product
 - Pricing
 - Promotions
- Acquire key marketing assets
- Invest in specialist talent
- Greater ability to absorb regulatory changes
- Ability to absorb volatility of sports results

Experienced Leadership Team

Chief Executive Officer
Cormac Barry

Commercial
Barni Evans

16 years with Group

Media

Marketing

Risk & Trading

Customer
Engagement &
Revenue

Customer
and People
Tania
Abbotto

5 years with Group

Human
Resources

Property

Customer
Operations

Phone Betting

Technology
Simon
Noonan

3 years with Group

Program
Management

Product
Delivery

Enterprise
Technology

Security

Finance &
Corporate /
Regulatory
Affairs
Ben Sleep

7 years with Group

Finance

Corporate /
Regulatory Affairs

Audit

Legal

Data &
Analytics
Tony
Gruebner

6 years with Group

Operational
Analytics

Forecasting &
Event Analytics

Personalisation
Program

Commercial
Analytics

Product
Doug Brown

2 years with Group

Sports Product

Racing Product

Customer
Platforms

Research

Strong Foundations, Compounded by Investments, Drives Growth and Returns

Foundations of long-term success:

Substantial scale

Leading capabilities

Distinctive brands

Differentiated products

Further increasing efficiency & competitiveness by:

Increased Efficiency

Investing in capabilities

Technology

Digital marketing

Risk & Trading

Customer Operations

Investing in customer proposition

Product

Brands

Pricing & Promotions

Customer Service

Increased Competitiveness

Generating profits from existing markets:

5 Year Revenue CAGR of 31%

5 Year EBITDA CAGR of 38%

Ben Sleep – CFO & Regulatory



13 Years
experience
in wagering

Acceleration of Regulatory Change



Key Political Participants

RETAIL
WAGERING
LICENSES

Tabcorp



CLUBS &
PUBS



SPORTS &
RACING
BODIES



BROAD-
CASTERS



NEWS LIMITED



CORPORATE
BOOKMAKERS



GOVERNMENT





CrownBet



- RWA was formed in 2016 as an independent representative body for the Australian online wagering industry
- RWA's objective is to ensure that Australia has the best conducted, socially responsible wagering industry in the world
- The body is headed by former Labor Federal Minister Stephen Conroy as Executive Director and former Liberal Senator Richard Colbeck as Chairman

- Sportsbet paid \$127m in GST & product fees in 2016
- Following introduction of South Australian POC tax Sportsbet is currently paying over 24% of net revenue in betting taxes & fees:

		% of Sportsbet Net Revenue
GST	<ul style="list-style-type: none">• Federal tax paid on all revenues• Fixed % of net revenue	c.9%
Product fees	<ul style="list-style-type: none">• Fees paid to Australian racing & sporting bodies• Paid on revenues from all domestic sports• Fees vary by state/sport/quality of race and are charged as a % of turnover and/or gross win	c.14%
South Australian POC tax	<ul style="list-style-type: none">• State tax payable since 1 July 2017• 15% of gross revenue• South Australia represents c.7% of Sportsbet revenues	c.1%

There is considerable regulatory activity occurring across Australia

The political environment is tough

- Traditional operators losing market share
- Falling state gambling receipts
- Public backlash on levels of advertising
- Federal Interactive Gambling Bill favours traditional operators
- Active advocates opposing online in-play

Significant change in IGA

- Must have an Australian license to offer to Australian
- Greater enforcement powers for ACMA
- Prohibits 'click to call' in-play betting
- Expands in-play wagering in retail wagering venues by allowing it on all "electronic devices"
- Credit wagering banned from February 2018 (will not materially impact Sportbet's business)
- National Consumer Protection Framework

The cost of doing business rising

- 15% POC tax in SA from 1 July
- Federal or all State POC expected to follow
- Joint Treasurers meeting in November to try agree on recommended options
- Increasing product fees

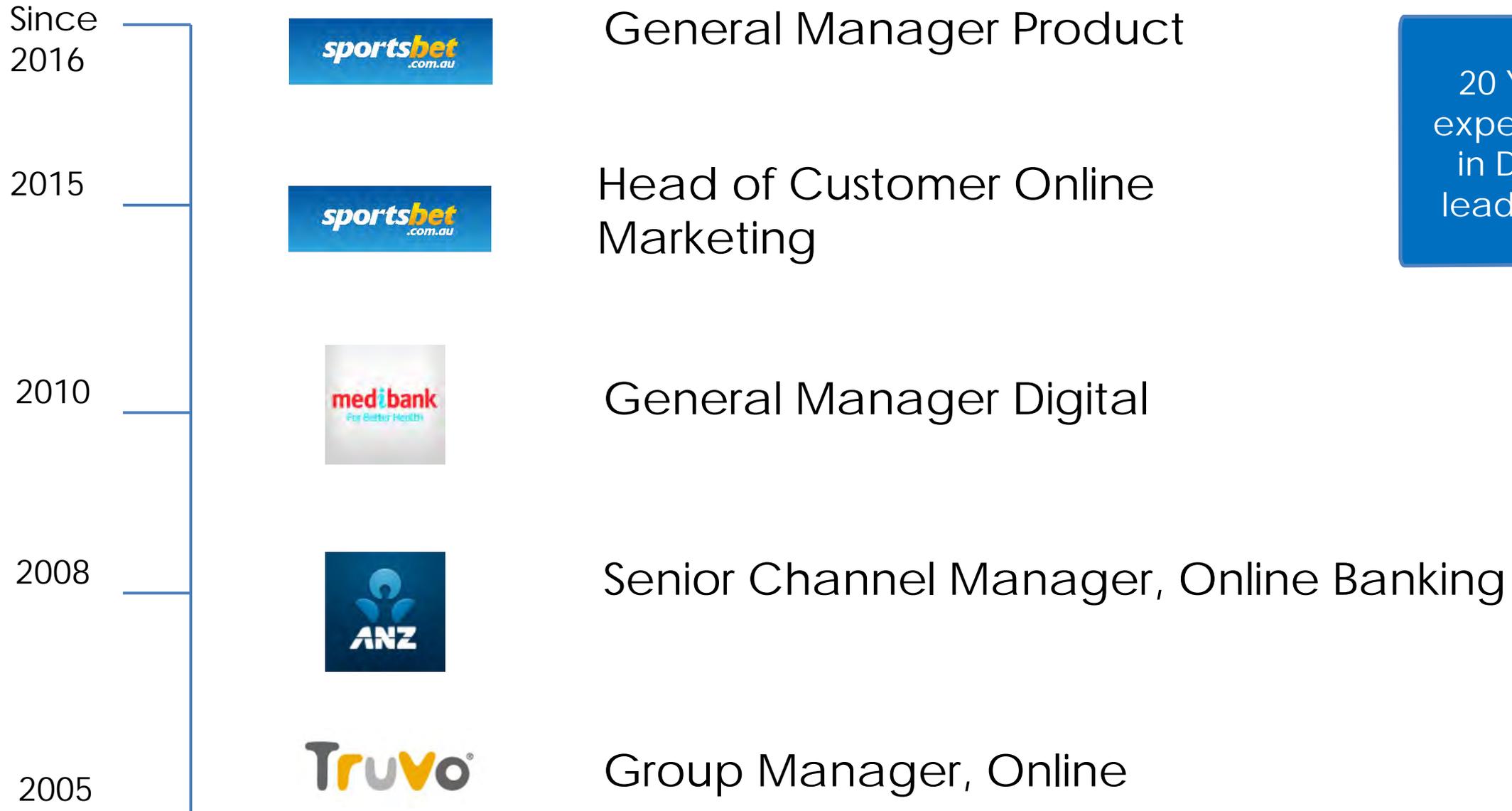
Our ability to advertise and promote will reduce

- Restrictions on broadcast advertising in Sport
- State-based static advertising bans
- Varying restrictions on how we offer and/or advertise promotions

- Australia is a highly regulated market
- Sportsbet pays a significant amount in taxes and product fees
- Point of Consumption Tax is expected
- The industry continues to face a tough political landscape with pressure on:
 - Advertising
 - Promotions
 - Products
- Sportsbet continues to engage on the development of the National Consumer Protection Framework and Point of Consumption
- The combination of higher taxes, reduced advertising and promotions and greater regulatory burden will disproportionately impact smaller scale operators

Doug Brown – General Manager Product - Product

About Me



20 Years
experience
in Digital
leadership

Key Battlegrounds

1

Ease

Sportsbet Leading

- Leading multi platform experiences
- Simplifying & Innovating core journeys
- Personalisation

2

Value

- Price innovation with PowerPlay
- Innovating in Promotions

3

Content

- Major expansion in live streaming
- Best in market racing form

4

Innovation

- Multi Builder & Same Game Multis
- The Fold

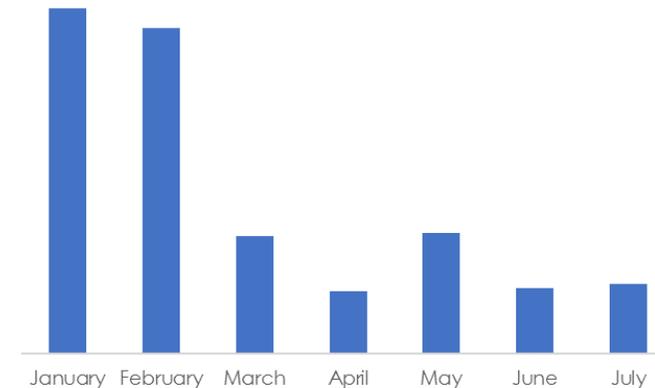
1 Relentless Focus on Reach, Speed and Ease

Launched Proprietary Native Android App



Automation Improved Settlement Times

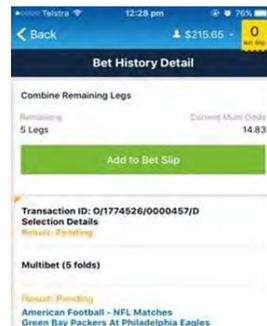
Racing - Winning Stake Affected by Settlement Delays (Jan 17= 100)



Simplifying Key Journeys



Cancel Pending Withdrawals



Rebet remaining multi legs

Payments Innovation

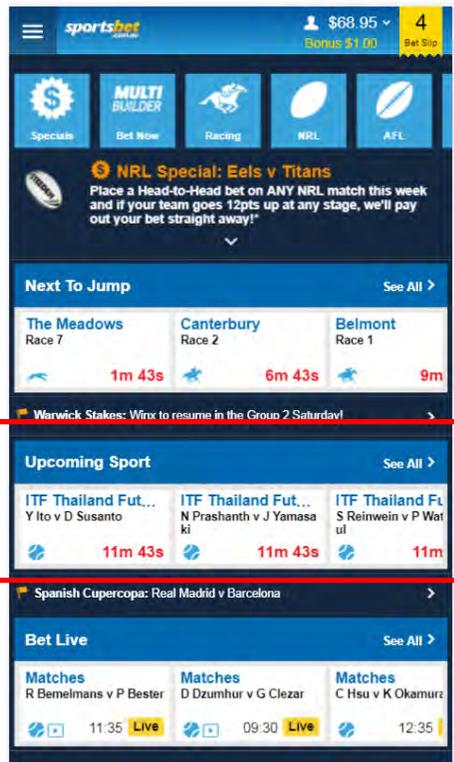


Simplifying the deposit and withdrawal experience with an upgraded Cash Card and a new Cash Top Up Network

1 Personalisation Driving Improved Experience

Leveraging customer scale, data advantage & flexible platforms to create personalised experiences

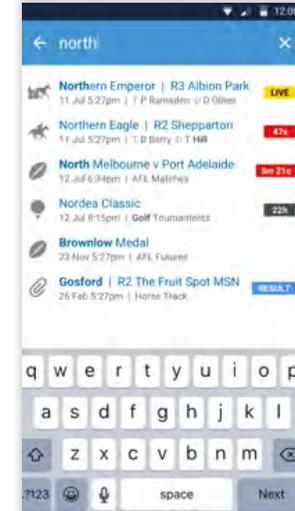
Personalised navigation & markets



Building comprehensive customer insights feeding machine learning models and enabling real time personalisation



Search simplifies the journey (Launching Q4)



Creating on platform connections, customers in control



Continuous Test & Learn



2 Leading Value Innovation with PowerPlay

PowerPlay proving to be a favourite with punters and enabling targeted generosity

Execution driving strong utilisation



Flexible and targeted coverage



Available to all customers on all channels



Ability to target generosity



Flexible pricing tables



AUSTRALIAN OPEN 2017

Rolled out across Racing, Sports & Key Events

3 Content Battleground – Leading Form

Significant improvements in racing and sports content to ensure that Sportsbet provides leading experience for every type of punter

Thoroughbred Form

Greyhound Form

Exclusive Tips

BlackBook

The Sportsbet Locker Room

“I love the Black Book option and use it religiously, so well done!!!”

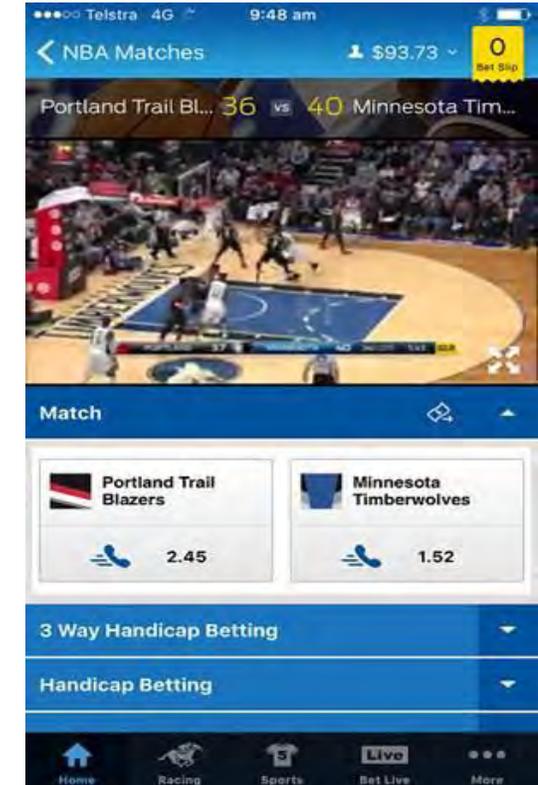
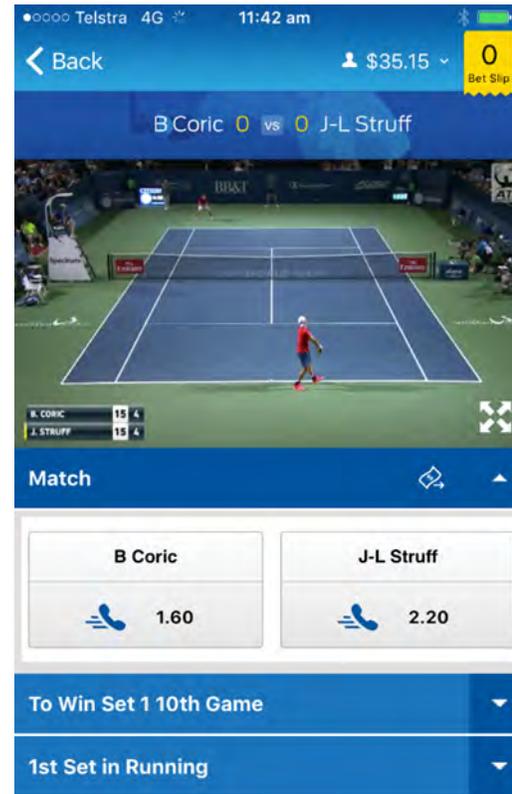
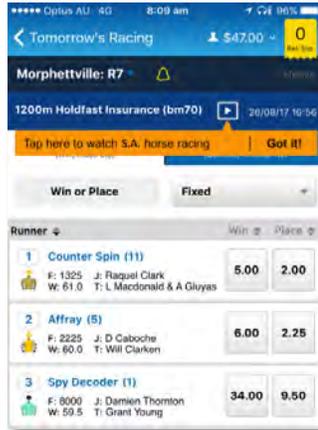
3 Content Battleground – Comprehensive Streaming

Providing increasing vision to Sportsbet punters across Racing and Sports, driving strong growth in streaming actives

SA Streaming expands content offering – Q3 roll out

100% increase in streamed events

NBA Streaming contributed to record growth in US Sports



4 Continued Sports Product Innovation - Multis

Sports innovation is simplifying and improving the Multis experience, with a broad range of markets and market leading Same Game Multis proposition

Sportsbet Multi Builder



First to market, simplifying the multi experience

Strong margin performance

Same Game Multis



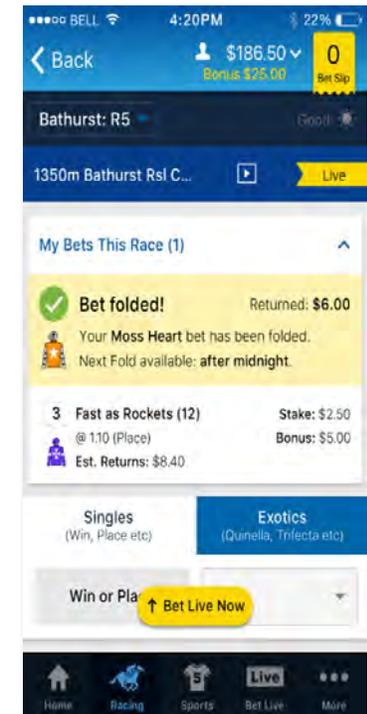
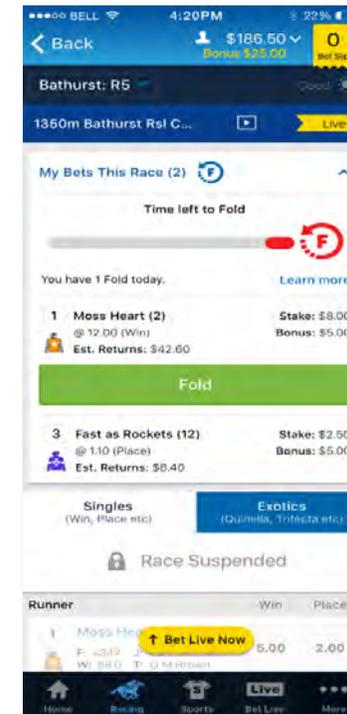
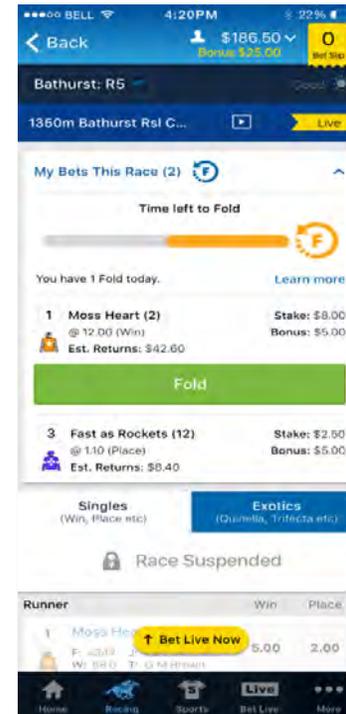
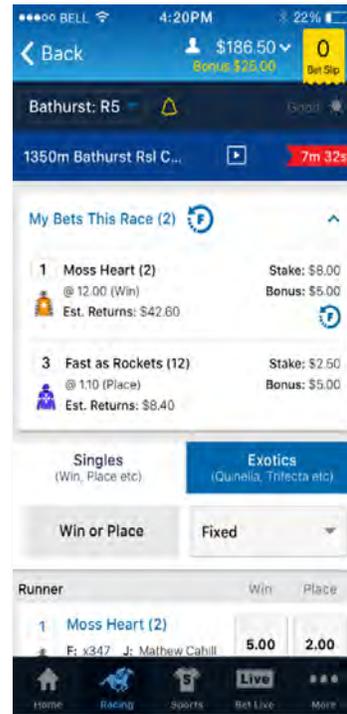
Leading Same Game Multis Proposition across AFL, NRL & NBA

Models developed across Europe & Australia



4 'The Fold'- Q3 Launch of unique racing experience in time for Spring

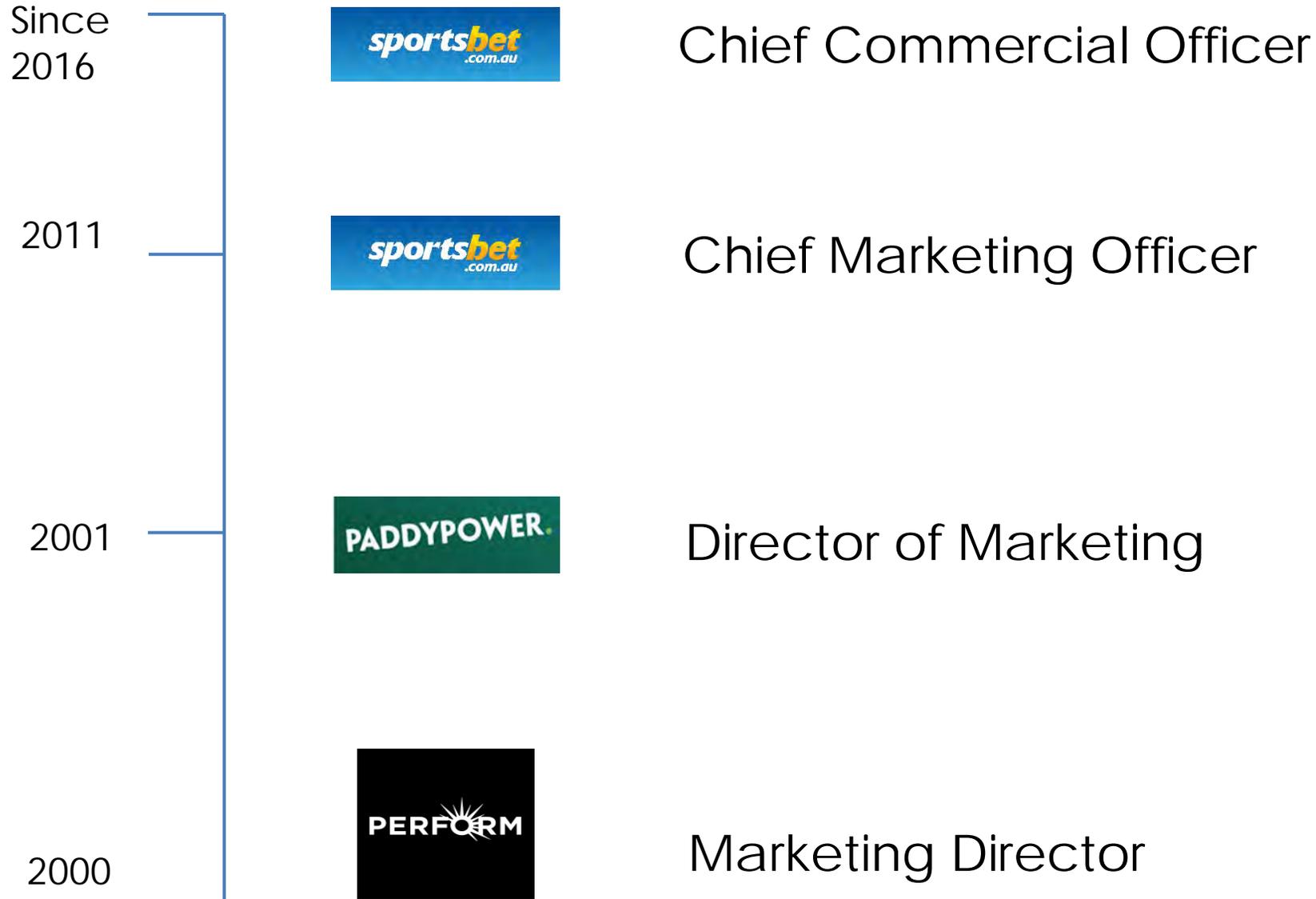
Appealing to the emotional highs and lows of every punter who's ever watched a horse race – The Fold creates a new level of excitement



- Relentless focus on speed and ease providing customers with an outstanding experience across desktop and mobile
- Continuous expansion of form and vision enhances the betting experience
- Significant focus on Racing Product contributing to strong growth
- Market leading Product innovation across Racing and Sports
- Tight alignment with design and technology accelerating product development and delivery

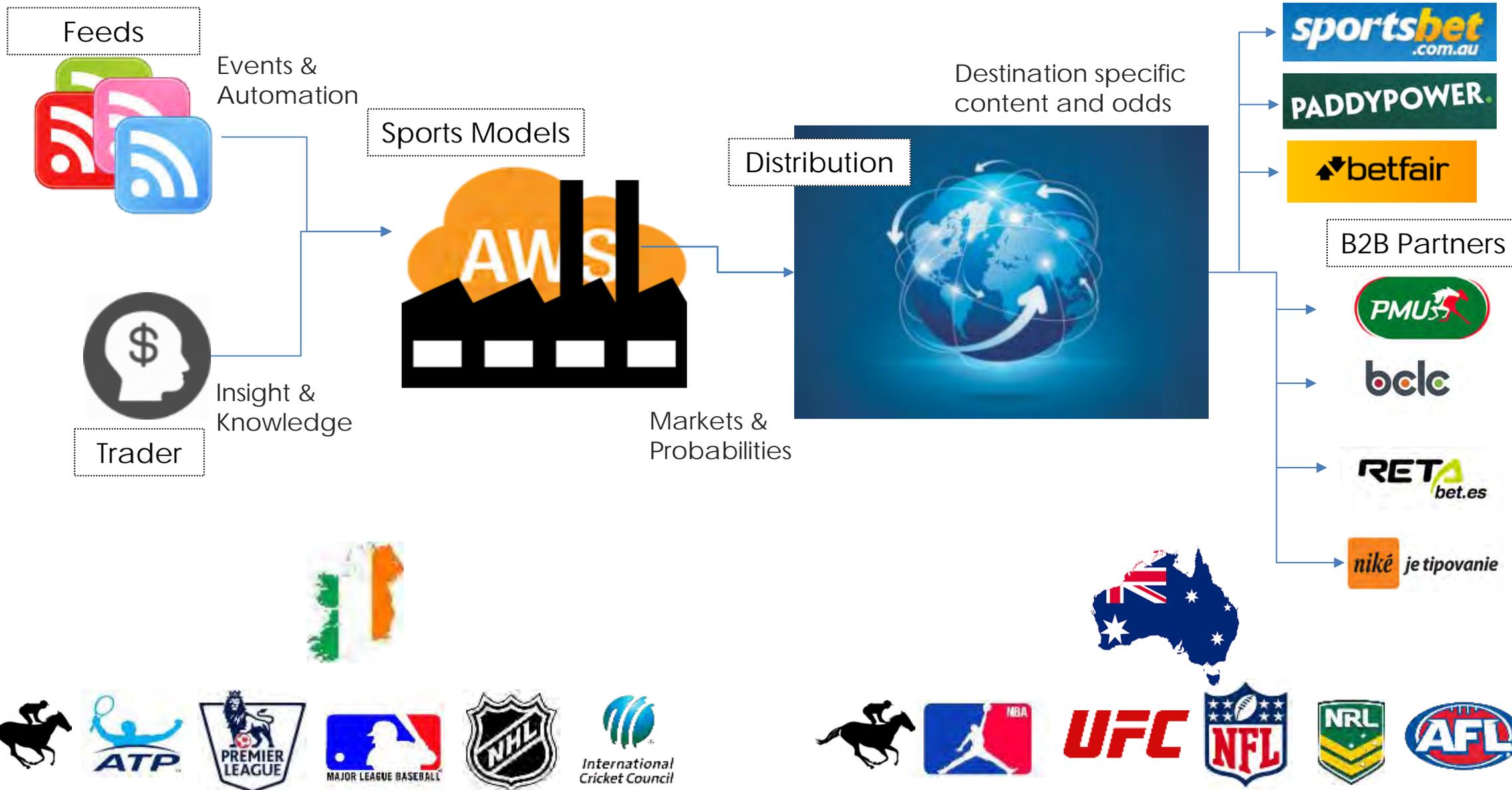
Barni Evans – CCO
- Marketing and Operations

About Me



16 Years
with the
Group

Follow the Sun Trading



Customer service

Global customer service approach for major events

Cheltenham



Grand National



Melbourne Cup



Account verification / Account queries / Bonus bet requests / Promo queries / Chat channel

 Dublin

 Malta

 Darwin

 Melbourne

Brand Landscape Evolution

tabsportsbet



Luxbet
Tatts



sportsbet



sportsbet

sportingbet

CENTREBET



William HILL

TOM
WATERHOUSE
.COM

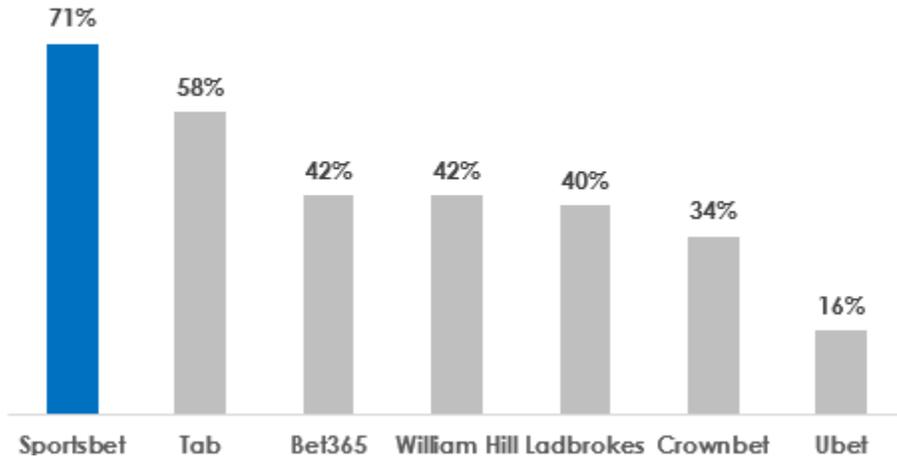
bet365

Ladbrokes

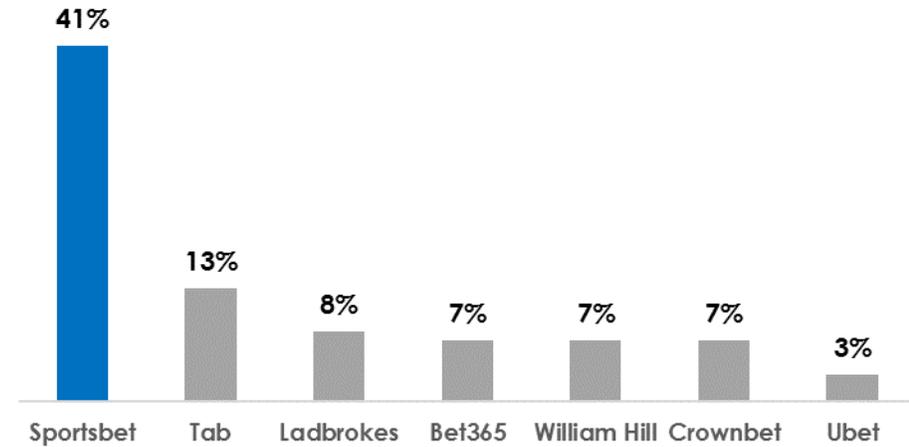
CROWN BET

Brand Strength

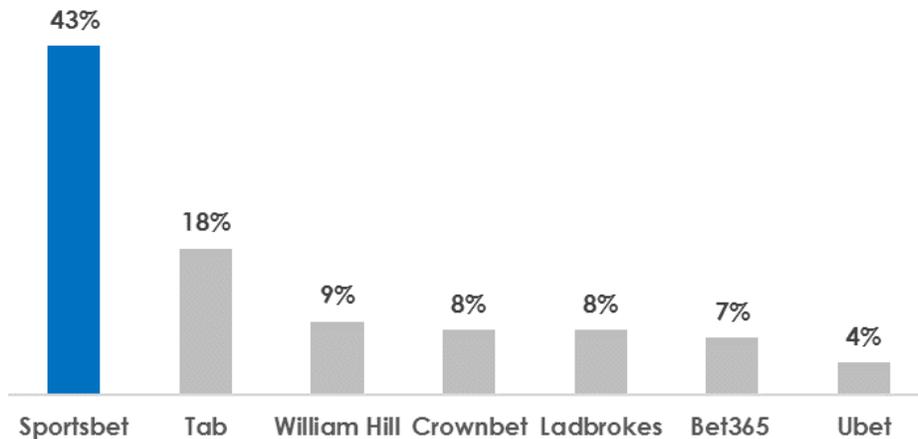
Spontaneous Awareness



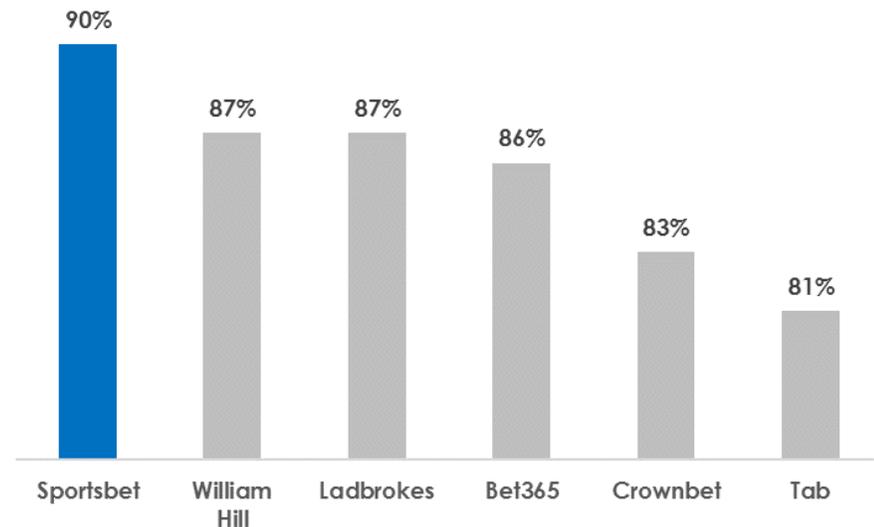
Most Fun



Most Often Used Mobile Brand



Customer Satisfaction – Mobile Product

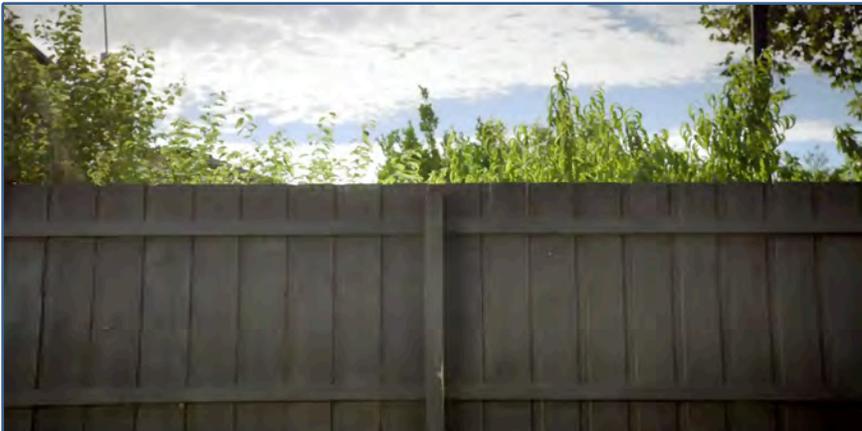


Customer Proposition

Compete On...

- Product
- Value
- Personality

Powerplay AFL



Same Game Multi Product launch



Multibuilder Product launch



Value - Increased Generosity & Innovation

Win More

Insurance

Into the Action

Social

Personalised



Powerplay

MBS

24 Up

Mates Rates

BYO

Personality Drives Differentiation



Aussie
SNACKETOLOGY

😂 VOTE 😱

VS

BBQ SHAPES (NEW) PRO SHAPES SNACKETOLOGY (OLD)

LINE -250 / +250
H2H \$6 / \$1.13

An advertisement for Aussie Snacketology. It features two boxes of Arnott's Shapes biscuits. On the left is the 'BBQ SHAPES (NEW)' box, which is green and red. On the right is the 'PRO SHAPES SNACKETOLOGY (OLD)' box, which is green and white. Between the boxes is a 'VS' symbol. Above the boxes are two voting buttons: a laughing face emoji (😂) and a shocked face emoji (😱). Below the boxes is a betting line: 'LINE -250 / +250 H2H \$6 / \$1.13'. The background is a light wood texture.

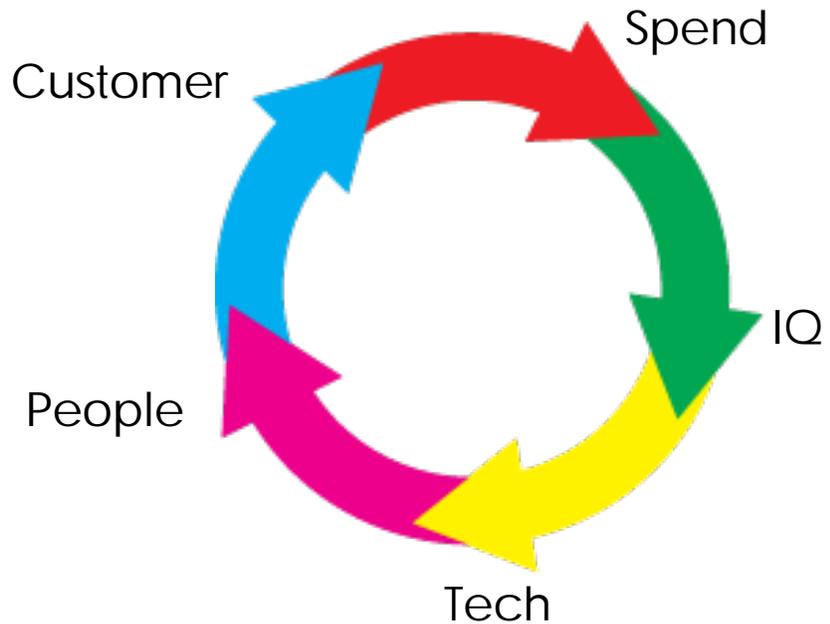
Domestic WINNER

😂 ❤️

XXXX GOLD VB

An advertisement for Domestic Winner beer. It features two bottles of beer on a wooden table. On the left is a bottle of XXXX Gold beer, and on the right is a bottle of VB beer. Between the bottles are two tall glasses filled with beer. Above the bottles are two voting buttons: a laughing face emoji (😂) and a heart emoji (❤️). The background is dark with a blurred bokeh effect. The text 'Domestic WINNER' is written in large, bold letters at the top. The XXXX Gold and VB logos are also visible.

Leverage Scale



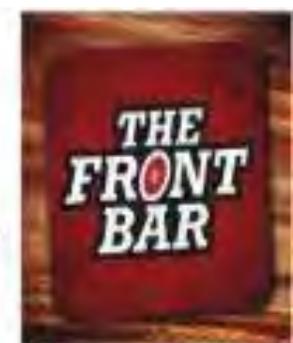
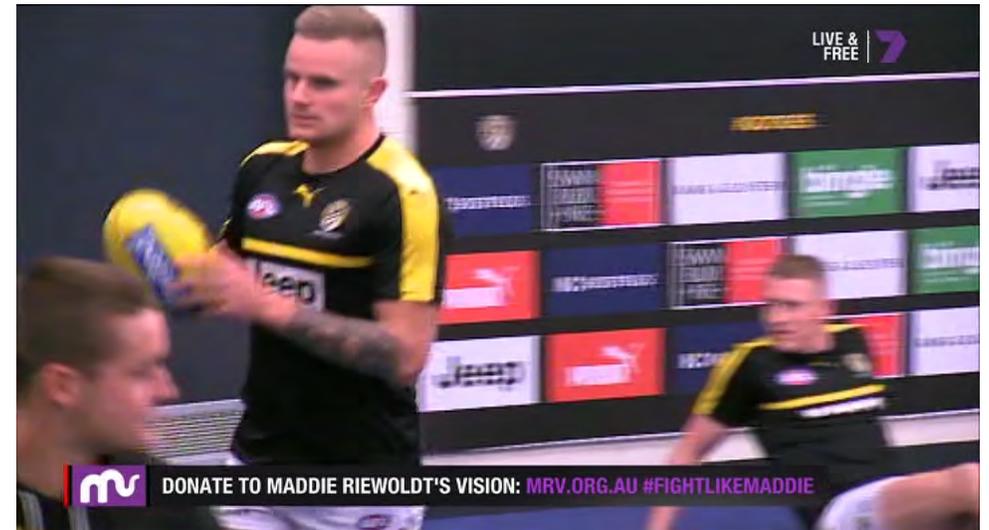
Communication

- Mass Reach
- Digital At Scale

Mass Reach Channels

	AFL	NRL	Racing
Free to Air TV	 	 	
PAY TV	 	 	
ONLINE	 	 	

Driving Mass Awareness



...Converting into Qualified Traffic...

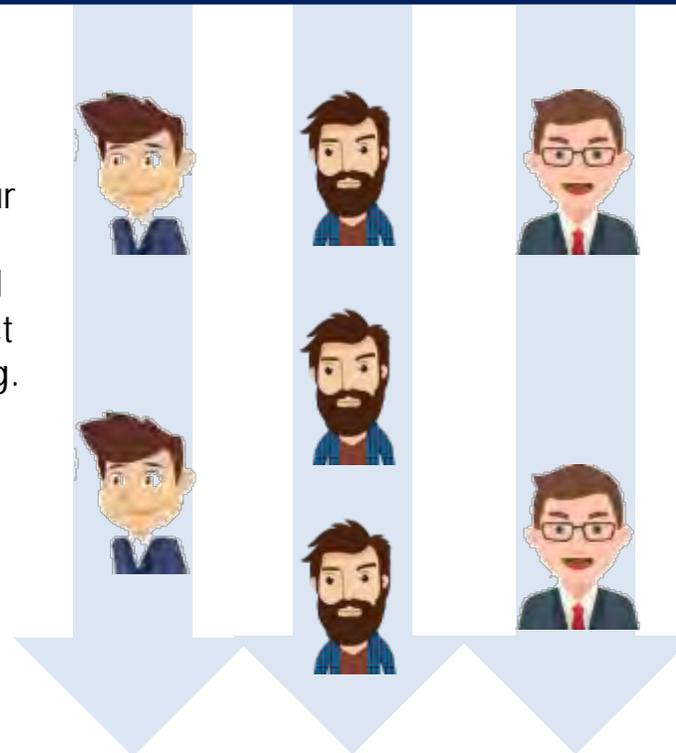
Price Extensions

Google search results for 'melbourne cup betting odds'. The advertisement for sportsbet.com.au includes a 4.7 star rating and a description: 'Sign up & Deposit to access Live VIC Race Streaming on Desktop and Mobile. Same Game Multi. 730k...'. Below the ad, there are price extension cards for 'Red Cardinal' at \$15.00 and 'Francis Of Assisi' at \$18.00, both with the note 'odds subject to change'. These price extension cards are circled in red.

Look-a-Like Targeting

Diagram illustrating Look-a-Like Targeting. It shows three categories: NRL, AFL, and Hi Value. Each category has a representative avatar. Below these is a box labeled 'CUSTOMERS' with the sportsbet logo. A large blue arrow points from this section towards the Creative Optimisation section.

Using our data to expand prospect targeting.



Creative Optimisation

Creative generator

Screenshot of the sportsbet creative generator interface. It includes a 'Year' dropdown set to 2017, 'Animation Version' options (A and B), and a list of 'Offer Values' such as 'Deposit 10 Get 80', 'Deposit 20 Get 100', 'Deposit 30 Get 100', 'Deposit 50 Get 100', 'Deposit Match 650', and 'Deposit Match 1000'. There are also 'Export All' and 'Get Match Assets' buttons, and a selection for 'Paramatta Eels v Gold Coast Titans'.

Creative advertisement for NSW Exclusive Offer. It features the logos for Paramatta Eels and Gold Coast Titans, with 'NRL' branding. The main offer is 'MAKE YOUR FIRST DEPOSIT OF \$20 TO GET A BONUS BET OF \$100'. The ad includes a 'JOIN NOW' button and the sportsbet.com.au logo.

...Converting Traffic into Customers

Retargeting

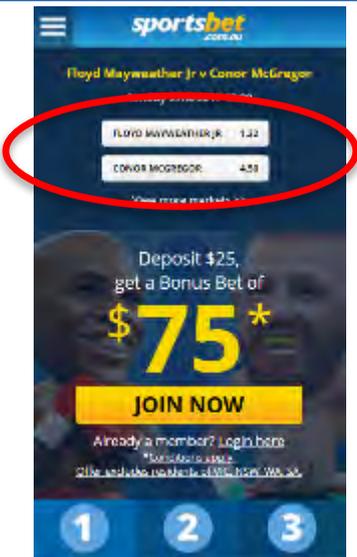
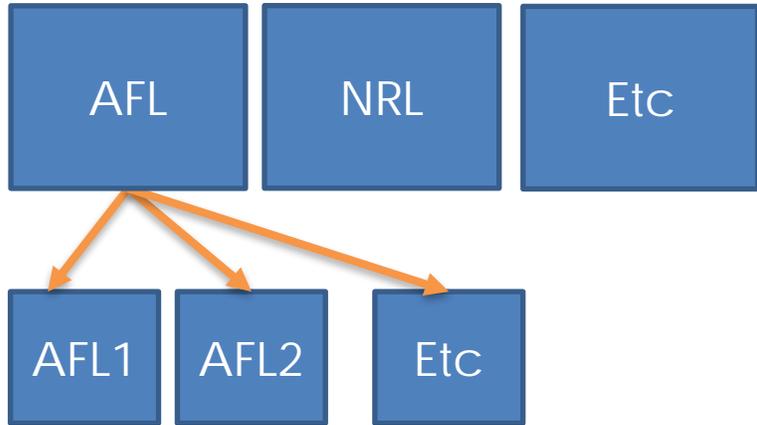
Facebook Video



...Retarget with call-to-action

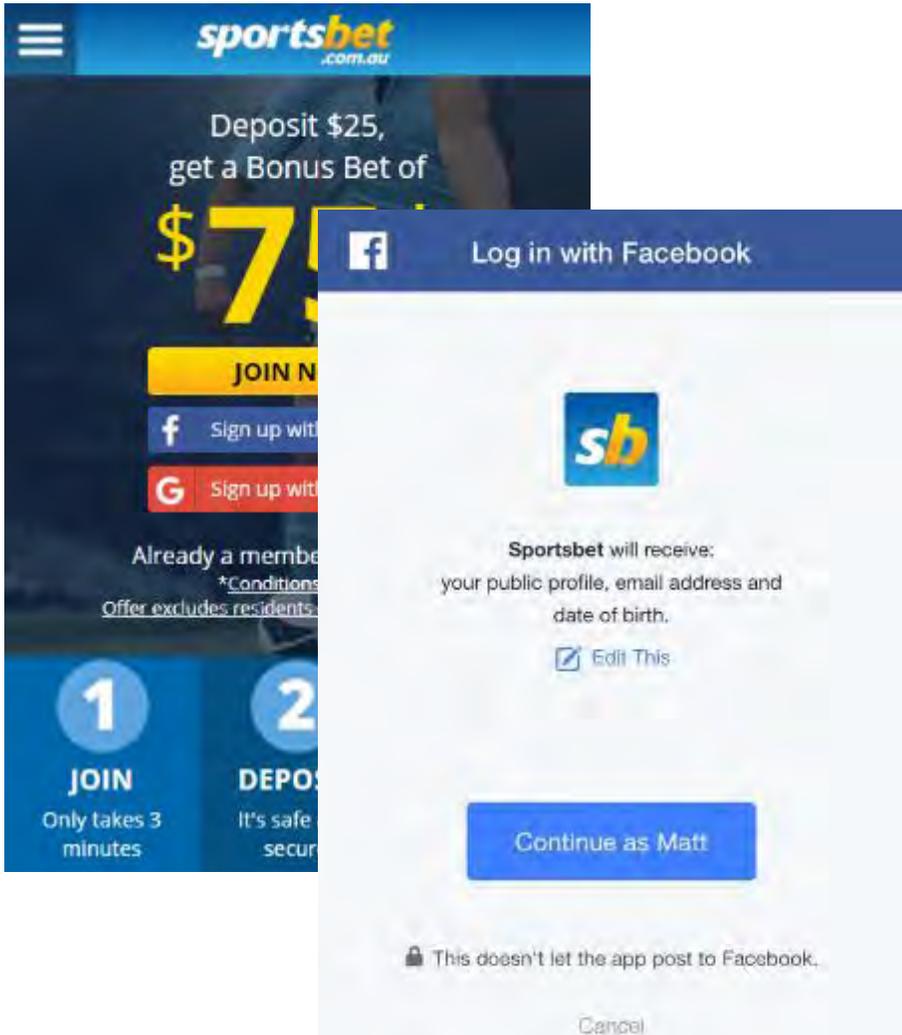


Landing Pages



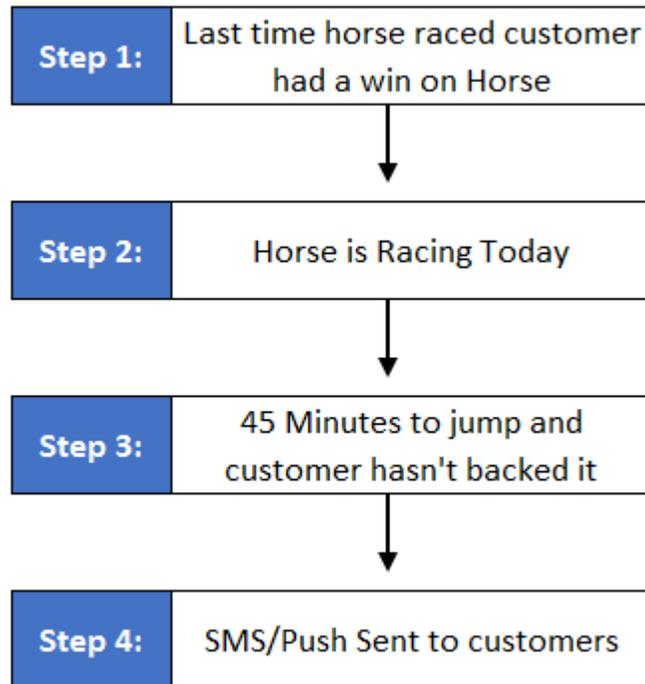
Live Odds

Social Login

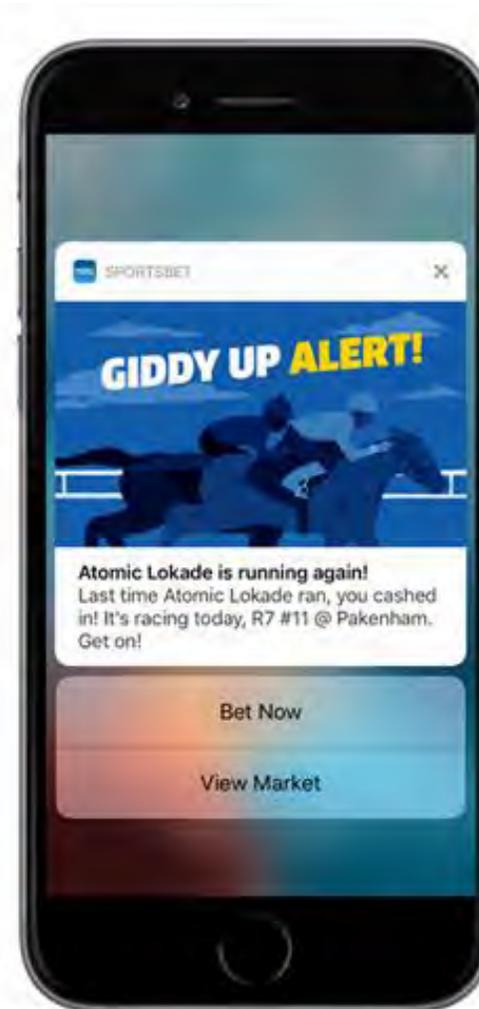


CRM as Added Value Functionality

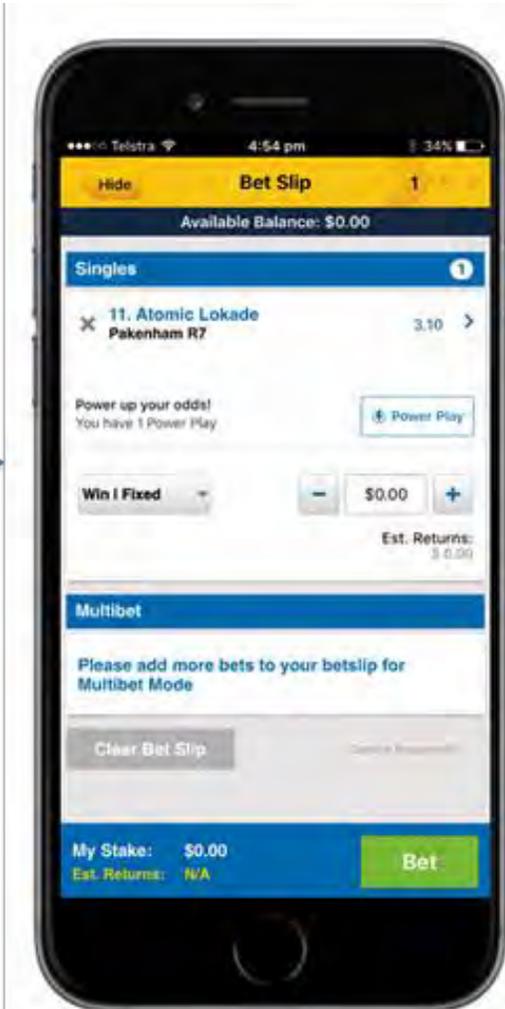
Useful, personalised information as opposed to financial incentives



Notification...



...to bet





Example markets only. Not all suggestions will become actual markets.



- Marketing focusses on
 - Product
 - Value
 - Distinctive brand personality
- Use local scale to
 - Dominate mass reach channels
 - Lead in digital marketing
- Leverage group scale to
 - Maximise efficiency
 - Learn and implement fast

Cormac Barry - CEO - Recap

- Australia continues to be an attractive, regulated market
- Significant online growth opportunity remains
- Sportsbet is the online market leader and continues to leverage its scale to invest in its leading customer proposition:
 - Value
 - Product
 - Distinctive Brand
- Sportsbet is well placed to take advantage of regulatory change

Q&A