



1 November 2017

Paddy Power Betfair plc – Q3 2017 Trading Update

Paddy Power Betfair plc (the “Group”) today announces a trading update for the three month period ended 30 September 2017 (“Q3 2017”).

<i>Unaudited</i> £m	Q3 2017	Q3 2016	YoY %	Constant currency YoY %
Revenue	440	404	+9%	+8%
Underlying ¹ EBITDA	121	113	+7%	+9%
<i>Underlying¹ EBITDA margin %</i>	<i>27.5%</i>	<i>28.0%</i>	<i>-0.5%</i>	<i>+0.4%</i>
Underlying ¹ operating profit	101	95	+5%	+8%

Highlights

- Revenue up 9% to £440m, driven by 11% growth in sports revenue
- Underlying¹ EBITDA up 7% to £121m, notwithstanding marketing investment in DRAFT and a strong contribution from Euro 2016 in the prior year
- Full year underlying¹ EBITDA now expected to be between £450m and £465m

Breon Corcoran, Chief Executive, commented:

“Q3 was an encouraging quarter for Paddy Power Betfair, with good stakes growth despite the absence of a major football tournament.

Our international businesses performed particularly well. In Australia, the winning combination of innovative product and marketing excellence continued to deliver exceptional results, with revenue up 29%², while US revenue was up 18%².

Paddy Power Retail also continues to outperform the market through its sports-led proposition and is well positioned to respond to regulatory changes.

The Group’s strong marketing capability was demonstrated once again ahead of the highest profile betting event of the year, the Mayweather-McGregor fight in August. Paddy Power’s infamous Lucky-Pants were on the ‘Money’ at the weigh-in, while Sportsbet and DRAFT leveraged Mayweather’s endorsement to drive high levels of customer engagement.

The integration of our technology platforms is nearing completion, and in 2018 customers will start to benefit from an increased pace of new product delivery across our Betfair and Paddy Power brands.

In the new year, I will hand over leadership of the Group to Peter Jackson and, while the industry remains highly competitive and is exposed to regulatory risks, I believe the business’ scale, leading capabilities and market positions mean it remains well placed to deliver sustainable, profitable growth.”

Revenue

Group revenue increased by 9% to £440m, led by an 11% increase in sports revenue. On a constant currency basis revenue was up 8%. Overall, sports results were in line with our expectations for the quarter.

Online

Revenue was down 3% to £216m against a tough comparative period that included a strong contribution from the concluding stages of the Euro 2016 tournament (which across the Group generated £16m of revenues in July 2016).

Sportsbook stakes were up 10%, but sportsbook revenue was down 2% due to a 0.8 percentage point decrease in the sportsbook margin. The decrease in the margin was driven by favourable sports results in the comparative period and continued investment in our customer proposition. The sportsbook margin this year of 6.6% was in line with our expectations for the quarter.

Exchange revenue was in line with our expectations and was down 5% year on year due to a strong comparative period, which benefitted from Euro 2016 and exceptional revenue from high value customers.

The integration of our technology platforms is nearing completion and the new Paddy Power desktop and mobile front ends are currently being tested with a small number of customers. We anticipate that all Paddy Power customers will be migrated to the integrated platform by early 2018. Completion of the integration will both improve efficiency and facilitates enhancement of our customer proposition.

Australia

Revenue increased by 29% in local currency, driven by a 33% increase in stakes. This strong performance was driven by continued product investment and promotional generosity, including features such as *'Powerplay'* and our *'24-Up'* & *'12-Up'* promotions.

At the end of September, ahead of the spring racing season, Sportsbet further enhanced its leading customer proposition with the launch of *'The Fold'*, a unique form of bet insurance that allows customers to cancel a bet mid-race and get a full stake refund.

In September, the Western Australian state Government announced its intention to introduce a point of consumption wagering tax from 1 January 2019 at a rate of 15% of wagering revenue. Approximately 11% of Sportsbet's revenues are from Western Australian customers and at current revenue levels the annualised cost of this tax would be approximately A\$12m.

Retail

Revenue was up 12% to £85m. Excluding the impact of new shops and currency movements, like-for-like revenue increased by 7%. This comprised a 7% increase in sportsbook revenues, driven by 2% stakes growth and improved sports results, and machine gaming growth of 8%. We opened two shops in the UK and one in Ireland during the quarter, taking our total estate to 623 shops. Furthermore, we have entered into an agreement to acquire a further five UK shops and expect this transaction to complete in the next few months.

US

Revenue increased by 18% in local currency, with sports revenue up 18% and gaming revenue up 16%. Sports revenue growth was driven by TVG where handle increased by 12%, supplemented by revenues from the Betfair New Jersey Exchange and DRAFT.

We are pleased with the progress DRAFT, the early stage daily fantasy sports operator acquired in May, has made since the start of the NFL season. This business incurred £8m of start-up losses in the quarter and we

continue to expect the full year EBITDA losses to be approximately £15m.

Profitability and financial position

Underlying¹ EBITDA increased by 7% to £121m, representing an underlying¹ EBITDA margin of 28%. On a constant currency basis, underlying¹ EBITDA was up 9%.

At 30 September 2017, the Group had £125m of net cash, excluding customer balances, after the payment of the interim 2017 dividend of £50m.

Outlook

Trading has been good in the period since our interim results and we now expect underlying EBITDA for the full year to be between £450m and £465m.

CEO succession

The Group confirms that, further to the announcement on 7 August 2017 regarding his appointment, Peter Jackson will take up the position of CEO on 8 January 2018.

Breon Corcoran will continue to lead the Group and remain on the Board until that date. Breon will be available thereafter to support an orderly transition.

¹ In this trading update reported profitability, including EBITDA and operating profit, is on an underlying basis and excludes exceptional items and amortisation of intangible assets relating to the merger

² Constant currency (“cc”) growth throughout this trading update is calculated by retranslating non-sterling denominated component of Q3 2016 at Q3 2017 exchange rates

Appendix: Q3 2017 Divisional Key Performance Indicators

Unaudited

£m	Online			Australia				Retail			US				Group			
	Q3 2017	Q3 2016	% Change	Q3 2017	Q3 2016	% Change	A\$ % Change	Q3 2017	Q3 2016	% Change	Q3 2017	Q3 2016	% Change	US\$ % Change	Q3 2017	Q3 2016	% Change	CC² % Change
Sportsbook stakes	1,377	1,256	+10%	1,019	732	+39%	+33%	459	426	+8%					2,856	2,414	+18%	+15%
Sportsbook net revenue %	6.6%	7.4%	-0.8%	10.8%	11.2%	-0.4%	-0.4%	12.7%	12.2%	+0.5%					9.1%	9.4%	-0.3%	-0.3%
Sports revenue	156	162	-3%	111	82	+35%	+29%	58	52	+12%	25	21	+19%	+18%	350	316	+11%	+9%
Gaming revenue	60	60	Flat	-	-	-	-	27	24	+10%	4	3	+16%	+16%	90	88	+2%	+4%
Total revenue	216	222	-3%	111	82	+35%	+29%	85	76	+12%	28	24	+18%	+18%	440	404	+9%	+8%
Regulated markets	196	204	-4%	111	82	+35%	+29%	85	76	+12%	28	24	+18%	+18%	420	386	+9%	+8%
Unregulated markets	20	18	+10%	-	-	-	-	-	-	-	-	-	-	-	20	18	+10%	+7%
Total revenue	216	222	-3%	111	82	+35%	+29%	85	76	+12%	28	24	+18%	+18%	440	404	+9%	+8%
Underlying EBITDA															121	113	+7%	+9%
Underlying operating profit															101	95	+5%	+8%

Analyst Call:

The Group will host a conference call for institutional investors and analysts this morning at 8:30am (GMT). To dial into the conference call, participants should dial 0800 783 0906 or 01296 480 100 from the UK, (01) 242 1074 from Ireland and +44 1296 480 100 from elsewhere. The passcode is 373 583 10.

A replay of the call will be available later today on our corporate website:

<https://www.paddypowerbetfair.com/investor-relations/results-centre/2017>.

ENDS

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About Paddy Power Betfair

Paddy Power Betfair plc is one of the leading sports betting and gaming groups in the world.

The business was formed from the February 2016 merger of Paddy Power plc and Betfair Group plc and has four divisions:

Online, which runs two of Europe's leading online sports betting and gaming brands, Paddy Power and Betfair, as well as a telephone based sportsbook and a number of B2B partnerships

Australia, consisting of Sportsbet, the market leader in the fast-growing Australian online betting market

US, which combines TVG, America's leading horseracing TV and wagering network, Betfair Casino, an online casino in New Jersey, the Betfair New Jersey Exchange and DRAFT, an early-stage operator in daily fantasy sports

Retail, which operates 623 Paddy Power betting shops across the UK and Ireland.