

7 Nov 2019

Q3 2019 Trading Update

Raising US guidance; excellent US sports betting and casino momentum

Flutter Entertainment plc (the "Group") announces a trading update for the three months ended 30 September 2019.

<i>Unaudited £m (nominal)</i>	Q3 2019	Q3 2018	YoY %
Sports revenue	417	375	+11%
Gaming revenue	116	107	+8%
Total revenue	533	483	+10%

- Q3 revenues grew 10% year-on-year, with good growth across both sports and gaming
- Australia continues to perform very well with Sportsbet net revenue growth of 19%
- US revenues grew by 67%, driven in particular by sportsbook and casino
- As previously guided, a combination of responsible gambling measures and international market switch offs have continued to affect PPB Online, with revenues down 1%, albeit with more encouraging underlying trends
- **Outlook:** For Group (ex-US), 2019 EBITDA guidance remains unchanged at £420-440m. Raising US guidance due to better-than-expected revenue growth, driven by both sports betting and online casino; US EBITDA loss now expected to be circa £40-45m versus previous expectation of £55m.

Peter Jackson, Chief Executive, commented:

"Q3 was an important quarter for the Group with revenues up 10% and the announcement of our combination with The Stars Group. We believe that this deal will accelerate delivery of all of our core strategic objectives and we are very excited about the international growth prospects for the combined group.

Within PPB, both the Paddy Power and Betfair brands continued to make good progress in building more recreational customer bases through enhanced responsible gambling measures. While revenues in the quarter were impacted by this ongoing work, we remain confident that the changes being made will improve the sustainability of future growth and lead to a more diversified customer base for both brands. In our retail business, we have seen an improvement in gaming revenue trends month-on-month and this trend has accelerated since the start of the fourth quarter as competitors have started to close shops across the UK.

Sportsbet delivered another strong quarter in Australia with revenues increasing by 19%. Refinement of our pricing capabilities and ongoing changes in our product mix are delivering positive changes in expected margins while ongoing investment in product and value is continuing to drive customer engagement.

In the US, FanDuel has now launched online sports betting in Pennsylvania, West Virginia and Indiana and we have been very encouraged by progress to date. Published market share data in Pennsylvania shows that FanDuel quickly became the market leader with around 50% share while we remain the clear number one operator in New Jersey also. Notwithstanding the substantial investment we are making, our strong customer and revenue momentum means that we are raising our full-year guidance in the US".

Divisional analysis

Unaudited £m	Online		Australia		US		Retail		Group	
	Q3 2019	YoY % cc	Q3 2019	A\$ YoY %	Q3 2019	US\$ YoY %	Q3 2019	YoY % cc	Q3 2019	YoY % cc
Sports	163	-6%	119	+19%	76	+55%	58	+5%	417	+10%
Gaming	84	+11%	-	-	15	+174%	17	-37%	116	+7%
Total revenue	247	-1%	119	+19%	91	+67%	75	-9%	533	+9%

All growth rates referenced in the commentary are on a constant currency basis.

Group

Total Group revenues grew 9% in Q3 with sports revenue growth of 10% and gaming growth of 7%. The addition of Adjarabet added 4 percentage points to Group growth in the quarter.

Online

Performance in PPB Online was affected in the third quarter by a combination of ongoing enhancements to our responsible gambling measures, international market switch offs and challenging World Cup comparatives. Reported revenue growth across our products therefore masked stronger underlying performance, where we are continuing to grow our recreational customer base.

Total sports revenues declined by 6%. Adjusting the 2018 comparative for the World Cup and the international market switch offs flagged at our interim results, growth was 5% year-on-year.

Sportsbook revenues were down 5% (up 7% excluding the World Cup). Net revenue margin for the quarter was broadly in line with our expectations at 8.2%, incorporating a structural increase of 60 bps year-on-year. This improvement was due to a combination of the ongoing benefit of country specific pricing, positive customer bet mix changes (including increased same game multi usage) and continued growth in our recreational customer base. Sportsbook staking declined 13% year-on-year as a result of World Cup comparatives, the improvement in expected margins and the removal of some lower value staking activity within our international business.

Exchange and B2B revenues were down 9% or 1% when adjusted for the impact of international market switch offs and the World Cup. Following the introduction of My Betfair Rewards in Ireland in July, we have now rolled the programme out in the UK and we are pleased with the initial response and engagement from customers.

Gaming revenue in Q3 increased by 11% to £84m. While this was £2m lower than Q2, it reflects the expected impact that enhanced responsible gambling measures are having on our higher value tier customers. Average daily actives for the combined Paddy Power and Betfair gaming businesses were up 9% year-on-year in Q3, demonstrating the ongoing shift that we are making towards a more sustainable customer base.

Australia

In Australia, we are very pleased with our continued momentum. Sportsbet revenues increased by 19% in the quarter to £119m, driven by good customer growth over the last 12 months and a strong net revenue margin of 11.4%. This represented a 290 basis point improvement year-on-year.

The strong margin reflected a number of factors. Firstly, we have seen a 50 basis point structural improvement in expected margin thanks to a combination of ongoing refinement of our pricing capabilities and positive bet mix changes. Popularity of our same game multi product continued into Q3 with high levels of player engagement helping to drive these positive changes. Secondly, we estimate that favourable sports results contributed to a 170bp outperformance above expected margin during the quarter.

With the uncharacteristically high margins reducing customer recycling, stakes were unsurprisingly down 11%. We responded to the bookmaker friendly results by increasing our investment in targeted customer generosity during the quarter and we believe that this will position us well during the important fourth quarter.

US¹

US revenues increased by 67% in Q3 driven by excellent sportsbook and gaming performance.

We launched the FanDuel sportsbook in 5 new states during the quarter, two online (Pennsylvania and West Virginia) and three in retail (Iowa, New York and Indiana). As part of the launch in West Virginia, we successfully rolled out our own proprietary account and wallet technology, in line with our goal of creating a more flexible US technology stack.

FanDuel sportsbook remains the clear market leader in New Jersey and following the launch of our Pennsylvania online sportsbook in July, we have also succeeded in achieving a leading market position there. We believe that this is the clearest demonstration yet of our potential to replicate the success that FanDuel has had in New Jersey. On October 22nd, we launched our online sportsbook in Indiana and while it is still very early days, we have been encouraged by our performance there to date. Overall US active customer growth is currently running ahead of our expectations. We have now acquired over 250,000 online sportsbook customers, up from just over 200,000 at the time of the Stars Group announcement.

Net revenue margin across our sportsbook increased by 100 bps year-on-year, helped by favourable sports results towards the end of the quarter but also reflecting the evolution and growing maturity of our US business. The main drivers of the improved margin include better geographic diversification within the US and a lower proportionate spend on customer acquisition bonuses as our customer mix changes.

Casino revenues increased 174% year-on-year. Cross-sell of our casino product to FanDuel sportsbook customers has continued apace and the third quarter saw FanDuel remain the market leader in New Jersey with an 18% market share. Our existing US businesses, TVG and daily fantasy sports also delivered good growth with combined revenues increasing 5% on a pro-forma basis. Driven principally by sportsbook and casino, Q3 revenues have exceeded our expectations, meaning that our expected loss in the US this year is likely to be lower than previously guided. We now expect to incur a US EBITDA loss of £40-45m in 2019 versus our previous expectation of £55m.

Retail

Retail revenue declined 9% year-on-year to £75m, with 5% sportsbook growth more than offset by the 37% decline in fixed odds betting terminals ('FOBT') revenues.

Sportsbook growth was driven by a strong net revenue margin of 12.8% (Q3 2018: 11.8%). This was 60 bps above expected margin, reflecting favourable sports results in the quarter. Staking was down 3% year-on-year, reflecting the increased margin as well as the inclusion of the World Cup in the prior year.

Gaming revenues decreased by 37% in Q3 2019 reflecting the impact of the change to FOBT staking limits since April. This compares with a decline of 44% in Q2 2019 and we have continued to observe an ongoing improvement in this trend as the year has progressed. This improvement has accelerated since the beginning of October as competitors have moved to close shops in the vicinity of our UK retail estate and we expect this trend to continue as more closures occur. We previously guided that the impact of the change to FOBT staking would decrease gaming revenues by 33-43% in the 12 months post regulatory change and we now believe that this is likely to come in at the better end of this range.

Notes: ¹ Market share of taxable gross revenue, based on New Jersey DGE and Pennsylvania Gaming Control Board published reports

Analyst Call:

The Group will host a conference call for institutional investors and analysts this morning at 8:30am (BST). To dial into the conference call, participants should dial 0800 783 0906 or 01296 480 100 from the UK, (01) 2421074 from Ireland and +44 1296 480 100 from elsewhere. The passcode is 497 988 73

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

<https://www.flutter.com/investors/results-centre/year/2019>

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About Flutter Entertainment plc

Flutter Entertainment plc (the "Group") is a global sports betting and gaming operator and is divided into four divisions:

- Online; which runs the Paddy Power, Betfair and Adjarabet online sports betting and gaming brands;
- Australia; which consists of the Sportsbet online sports betting brand, the #1 corporate bookmaker in Australia;
- US; which operates as FanDuel Group and runs the FanDuel sportsbook and daily-fantasy-sports brands, the TVG broadcasting and advanced deposit wagering network and the Betfair online casino in New Jersey and;
- Retail; which runs over 620 Paddy Power retail betting shops across the UK and Ireland.