
Paddy Power Betfair plc

Retail Briefing

29 September 2017



PADDYPOWER

Wi-Fi ZONE

ENJOY FREE WIFI
IN THIS SHOP

Wi-Fi ZONE

ENJOY FREE WIFI

Agenda

// **PP Retail Outperformance**

Dan Taylor
(Managing Director UK & Ireland)

// **Why PP Retail Outperforms**

// **UK Estate Development Strategy**

David Newton
(Managing Director Retail)

// **FOBT Regulation**

// **Product & Innovation**

Cecilia Mourain
(Head of Multichannel)

// **Q&A**

// PP Retail Outperformance

Dan Taylor

Managing Director UK & Ireland

About me



Experienced leadership team

Managing Director UK & Ireland

Dan Taylor

3 years with Group

Managing Director Retail

David Newton

6 years with Group

Paddy Power & Betfair
Online

IRL Director

**Charlie
Kelly**

18 years with Group

Commercial
& Operations

Development

GB Director

**Jessica
Norell**

4 years with Group

Commercial
& Operations

Development

FOBT

Product
**Michael
Ahearne**

4 years with Group

Sportsbook
Product

Technology

Multichannel
**Cecilia
Mourain**

3 years with Group

Online
Cross-sell

Digital

People
**Eimear
O'Reilly**

1 year with Group

Learning &
Development

Engagement

Finance
**Keith
Wall**

10 years with Group

Planning

Investment &
Cost Control

PP Retail is positioned for continued market outperformance

1

Delivering market leading revenue & EBITDA growth

2

Winning in our local markets with sports led proposition

3

Proven track record of driving value through estate expansion

4

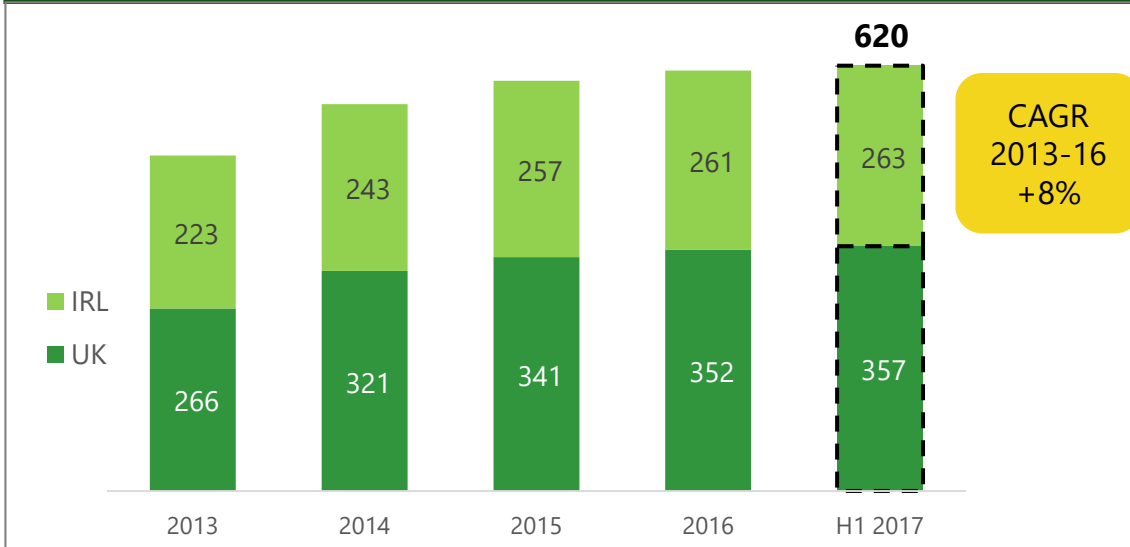
Well placed to mitigate against expected regulatory change

5

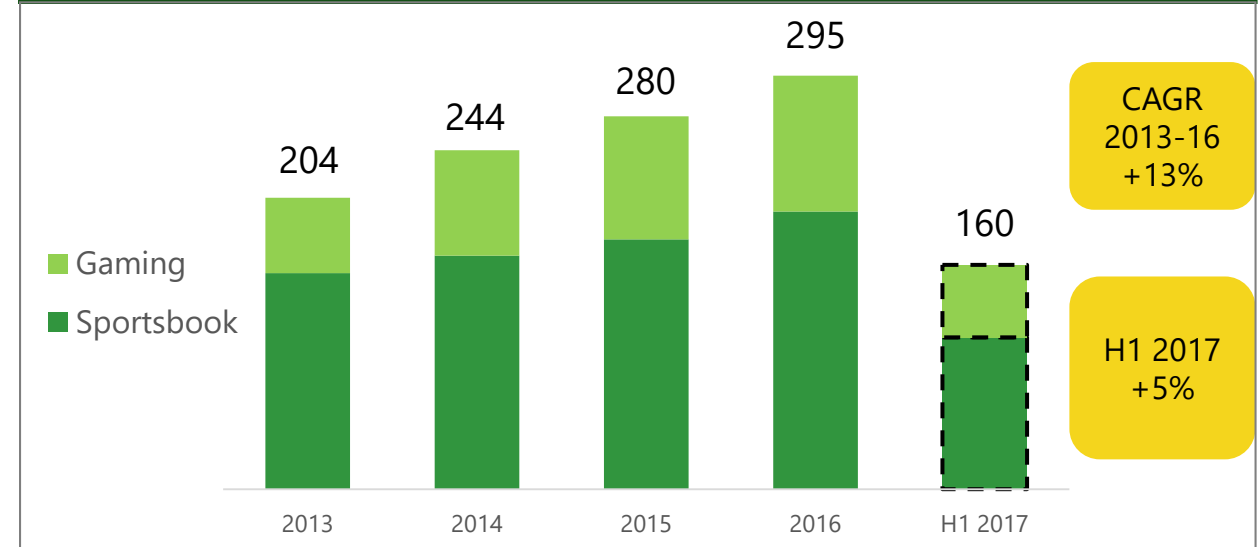
Building differentiation through product

PP Retail has delivered sustained revenue and EBITDA growth

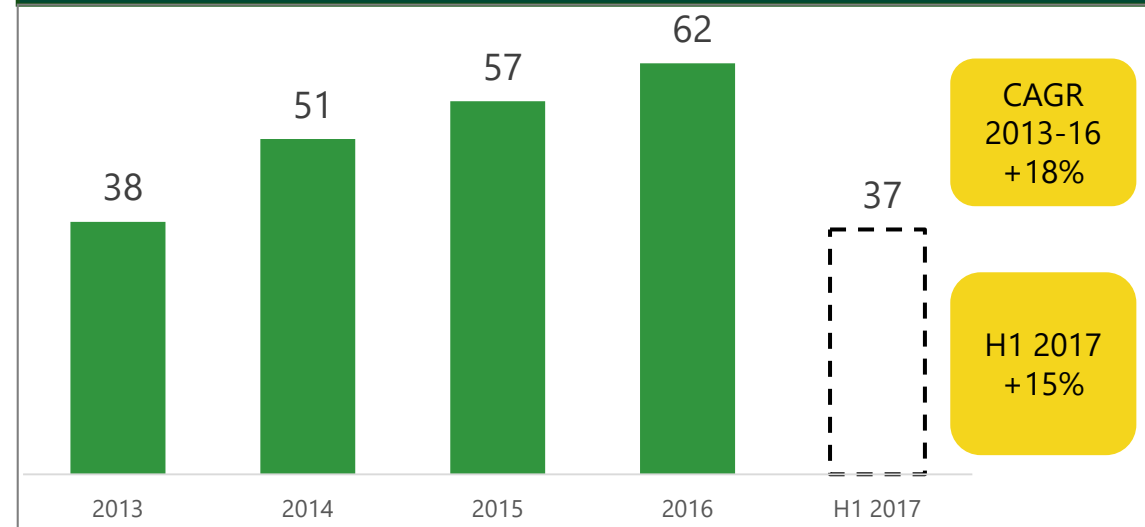
Number of shops



Net revenue (£m)

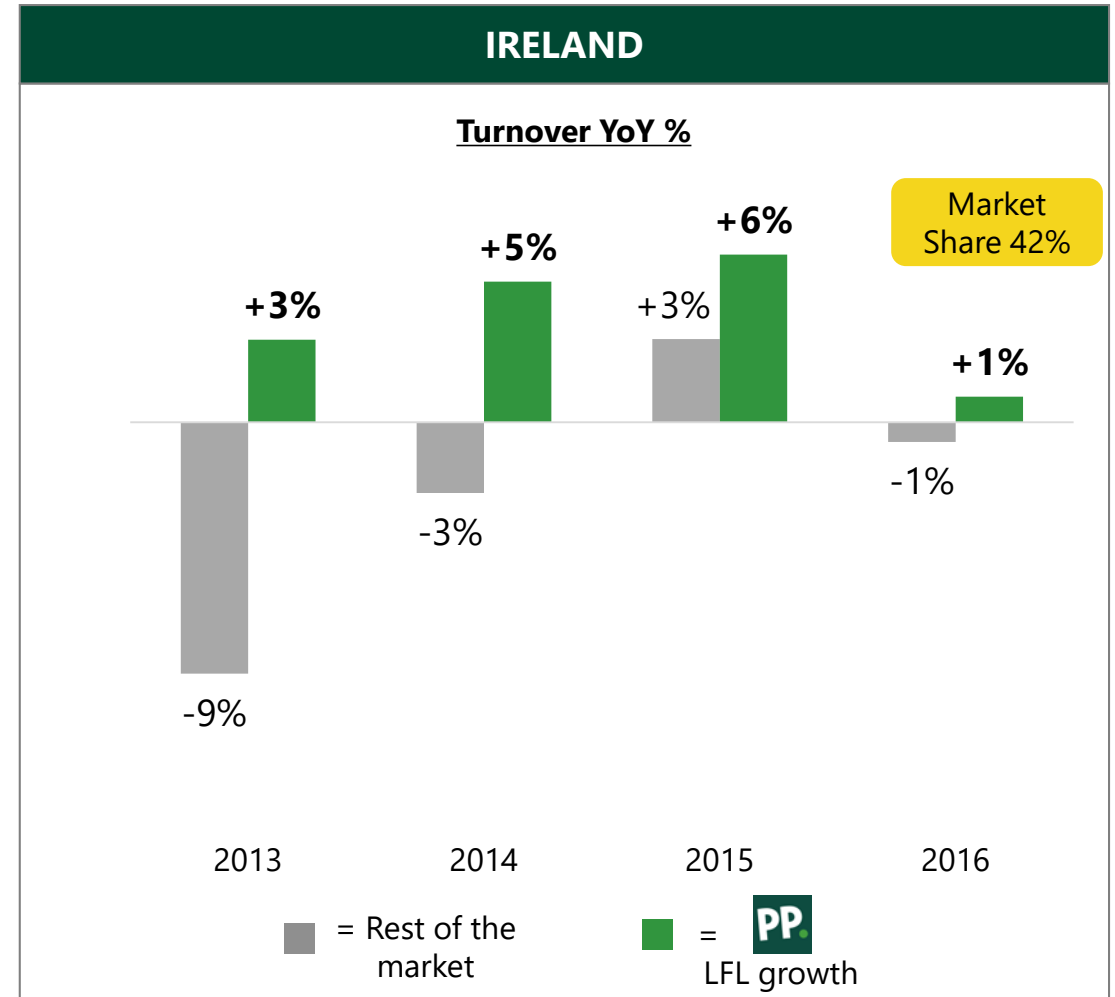
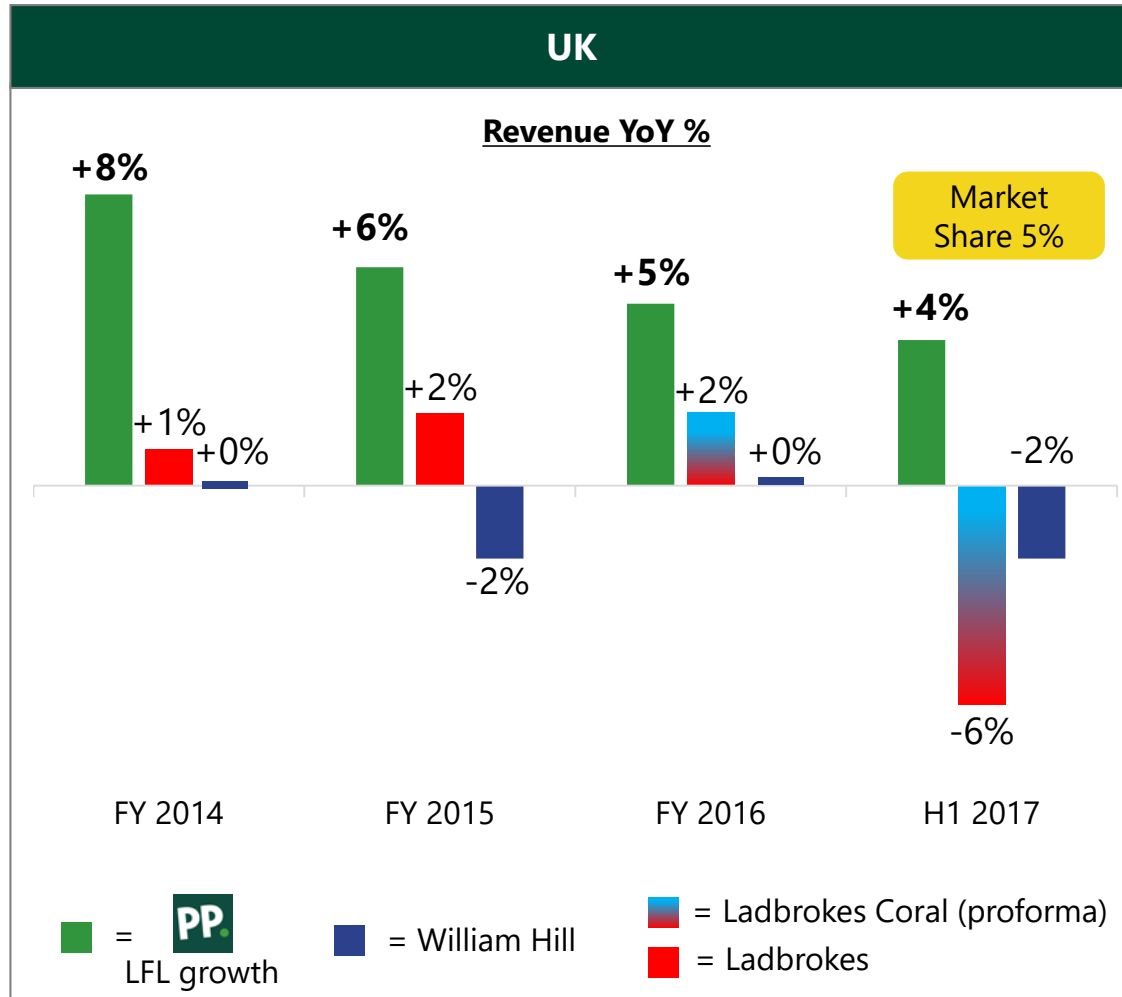


EBITDA (£m)



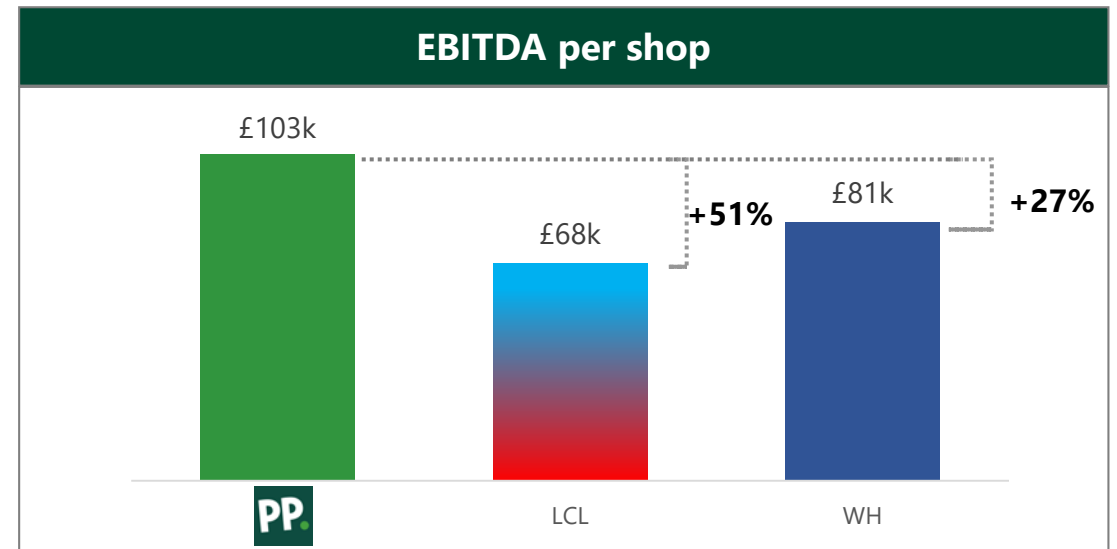
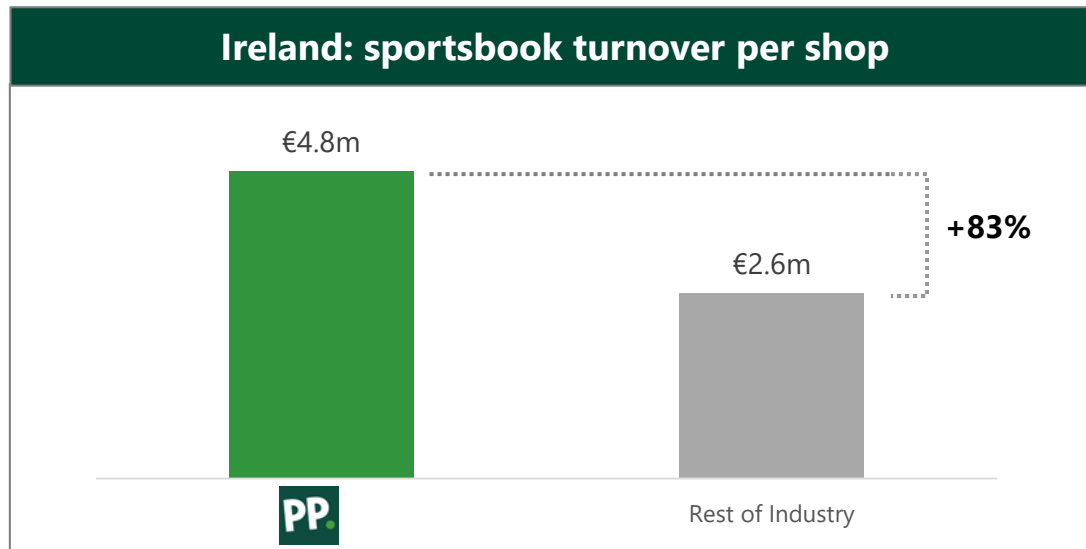
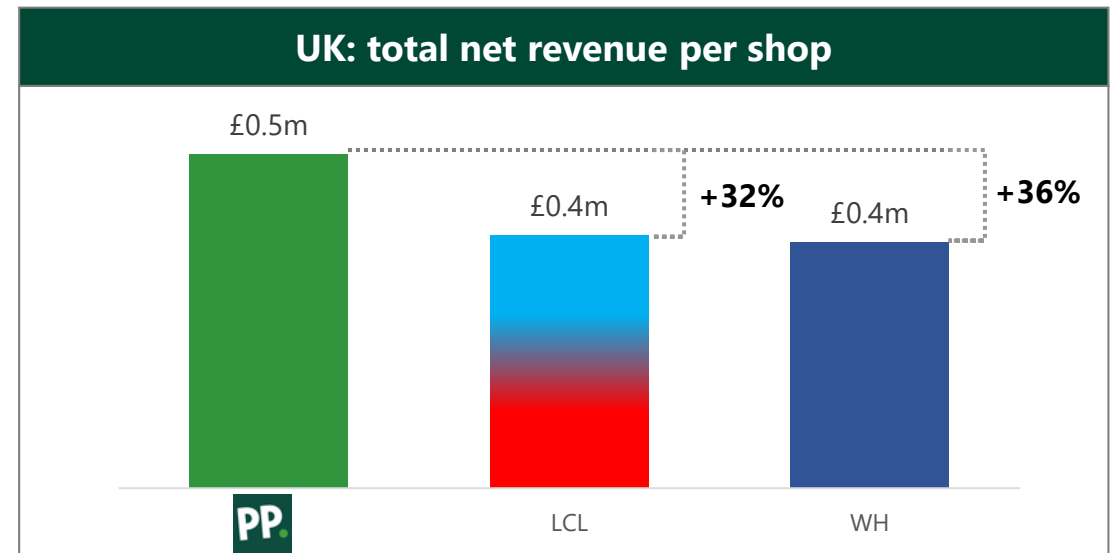
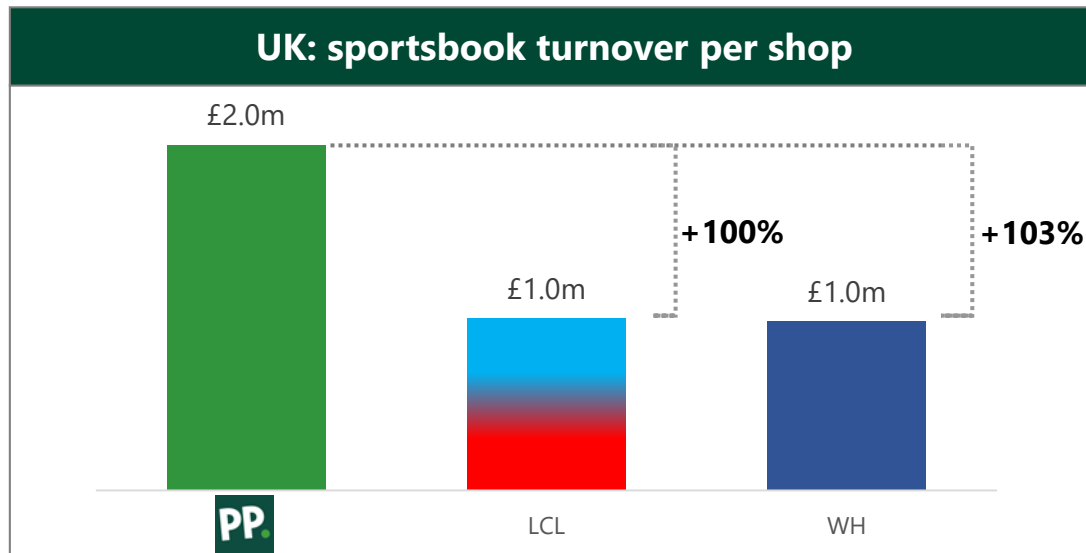
Note: 2013-2015 net revenue & EBITDA have been restated to 2016 FX rates for consistency; CAGR and H1 2017 growth rates shown in constant currency

PP Retail has consistently delivered market leading growth rates



Note: PP growth is shown in constant currency and on a like-for-like for basis before the impact of new shop openings
 Sources: Competitor published accounts, Irish Revenue Commissioners Betting Tax Returns

PP Retail outperforms on a per shop basis

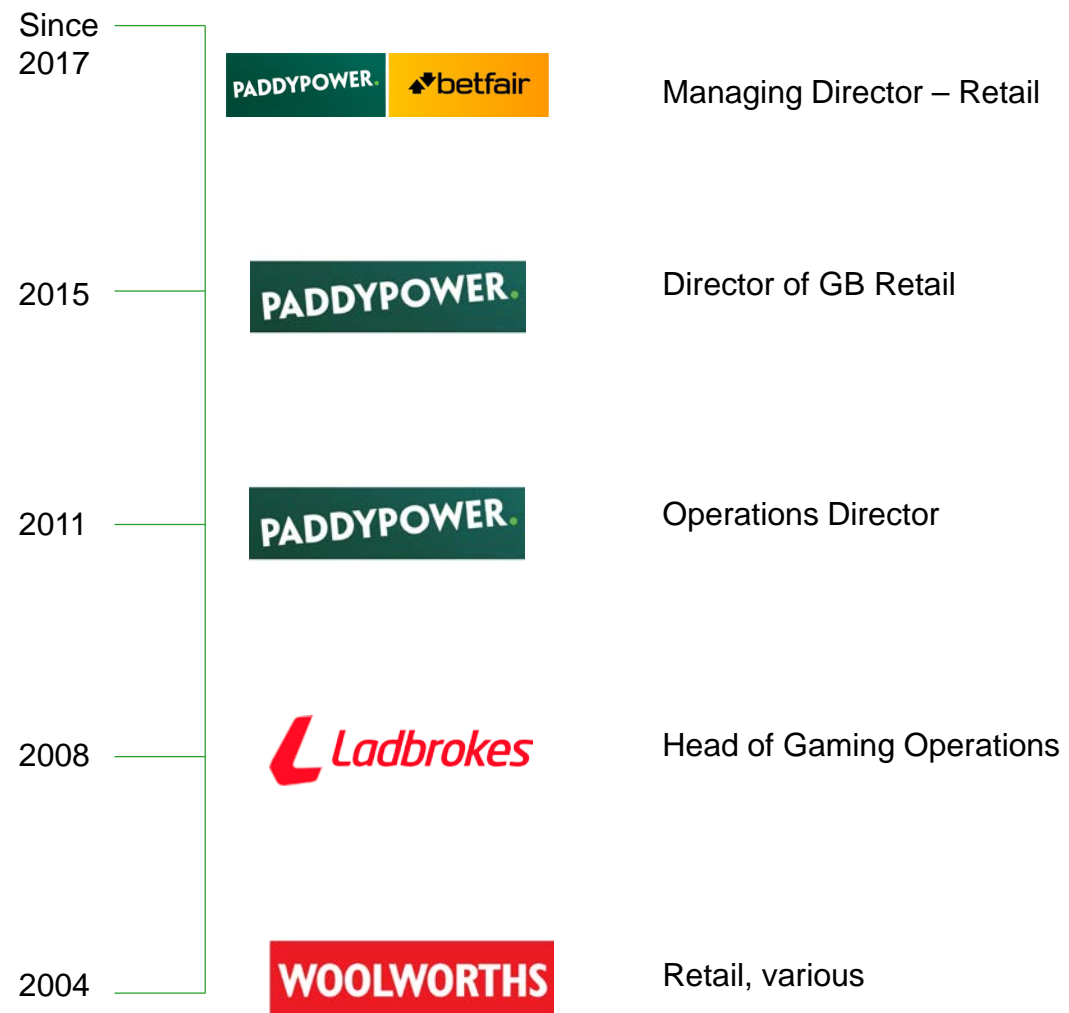


- // Why PP Retail Outperforms**
- // UK Estate Development Strategy**
- // FOBT Regulation**

David Newton

Managing Director Retail

About me



Why does PP Retail outperform?

Key Drivers

- 1 Brand
- 2 Fit-out Quality
- 3 Service & People
- 4 Product & Content
- 5 Loyalty
- 6 Value

Paddy Power Leading

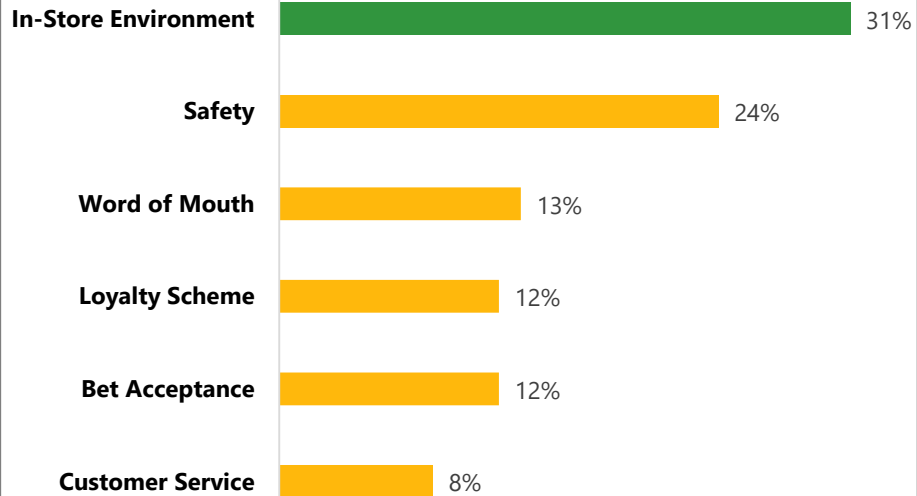
- PP brand leveraged in shop
- Newest and most invested estate in the industry
- Leading customer service scores
- More product and content to bet on
- Highly engaged loyalty program customers
- The best odds & offers in retail betting

Leveraging our distinctive brand in shops



Best invested estate drives higher customer footfall

Reason for choosing retail brand (excluding shop location)



High quality fit-out

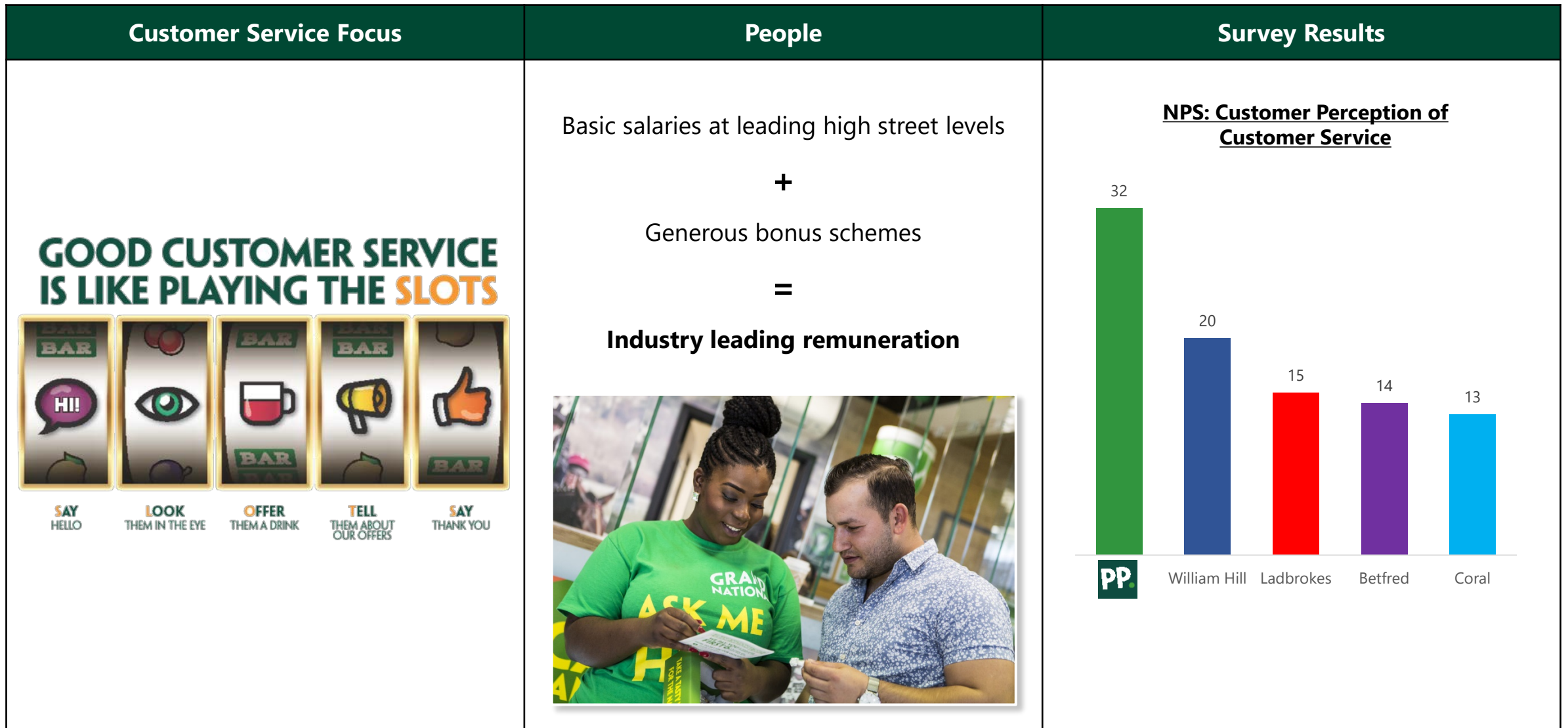


Dedicated product zoning























**c.75% of PP shops were opened or
have been refurbished in the last
5 years**

Industry leading customer NPS scores



Best content offering

				
Sky Sports in all shops				
BT Sport in all shops				
Bingo screens in all shops				
Dedicated virtual racing screens in all shops				

Track record of being first to market with new products



Online deposits and withdrawals



Pricing screens



HD gaming



Track My Bet



2009

2010

2011

2013

2014

2015

2016

2017

Self-service betting



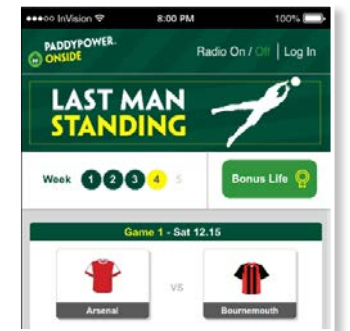
Gaming loyalty





Self-service tablets

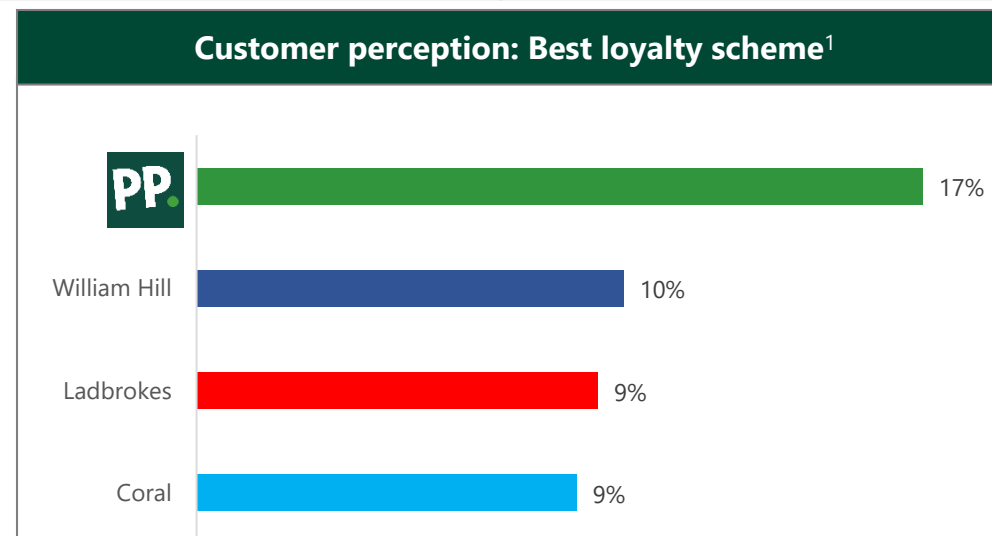


Digital free to play



Differentiated loyalty proposition to complement our value offer

Sportsbook	Gaming
 <ul style="list-style-type: none"> • In-shop promotions • Early life campaigns • Personalised retention 	<ul style="list-style-type: none"> • Industry leading position due to differentiation <ul style="list-style-type: none"> ○ Earn points towards free bets ○ 4 value tiers ○ Rewarded by value tier • Full life cycle management 



¹ % of consumers that rate brand as having "a good customer loyalty scheme". Source: Independent market research, Kantar H1'17

Market leading value offering

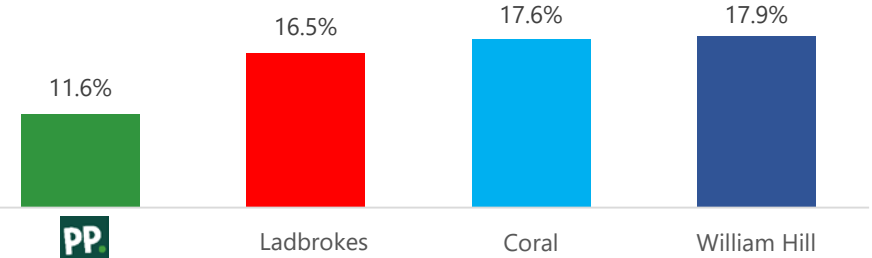
Pricing

>90% of PP
Retail odds
same as
PP.com



Best pricing in retail betting

Average UK Retail Sportsbook Margin % 2014-2016¹

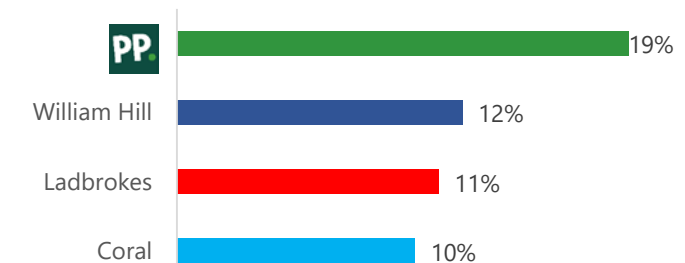


"Always On" Offer

Value offerings
available every
day to customers



Customer perception: Best odds²

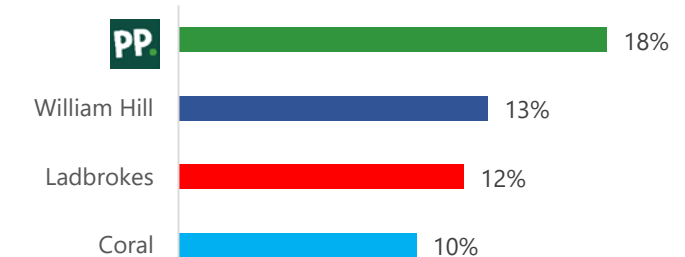


Daily & Event Offer

Differentiated
daily value and
high profile event
driven offers



Customer perception: Best offers & promotions²



¹ Source: Competitor published accounts

² % of consumers that rate brand as having "the best odds" and "good offers and promotions", respectively; source: Independent market research, Kantar H1'17

// UK Estate Development Strategy

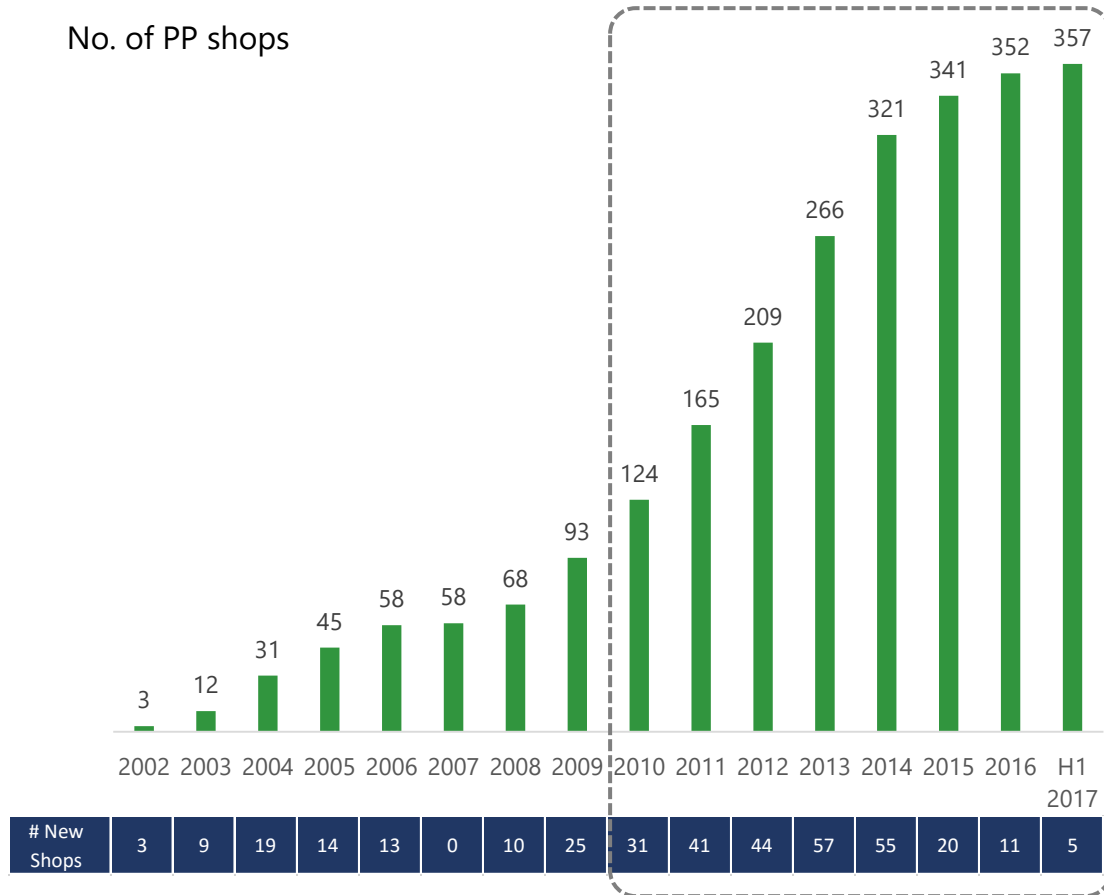
David Newton

Managing Director Retail

UK estate development

Significant UK estate expansion since 2010 driven by both organic openings & acquisitions

No. of PP shops



264 new shop openings
since 2010

211 Organic

53 Acquired

- Large existing markets
- Attacking strong competitor shops
- Purchased from independent operators

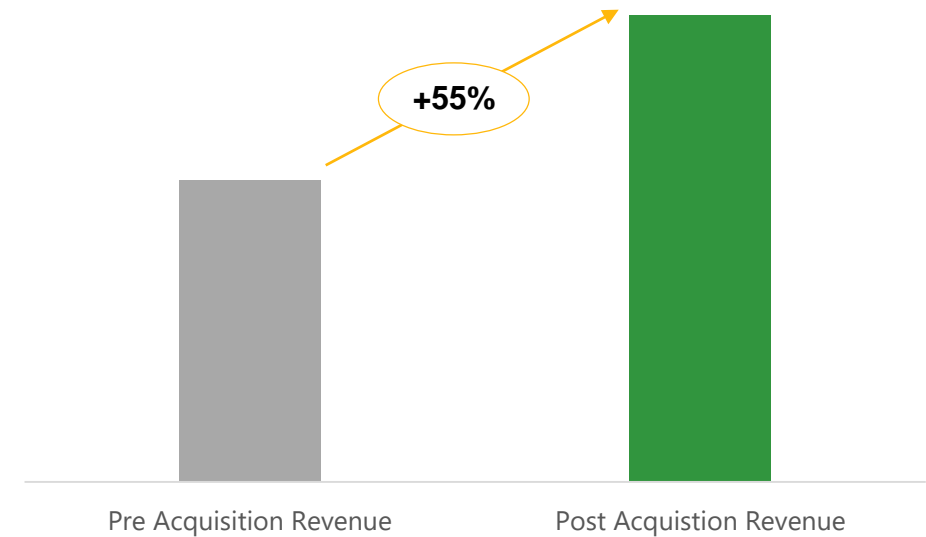
Why are acquisitions interesting?

Reasons to acquire

- Access to locations where organic opportunities limited due to market dilution
- Faster, and lower risk, due to existing licence and customer base
- PP per shop outperformance is scalable and generates a demonstrable uplift
- Acquisition premiums have decreased in recent years
- Typically payback within 3 years
- Still significant opportunities in the market with 844 Independents
 - 9 operators account for 55% of shops
 - Many structurally poor performers

Material revenue uplift achieved on acquired shops

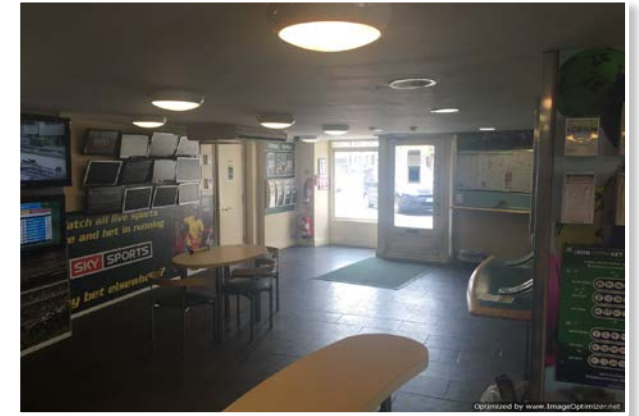
PP acquired shops 2014-2016



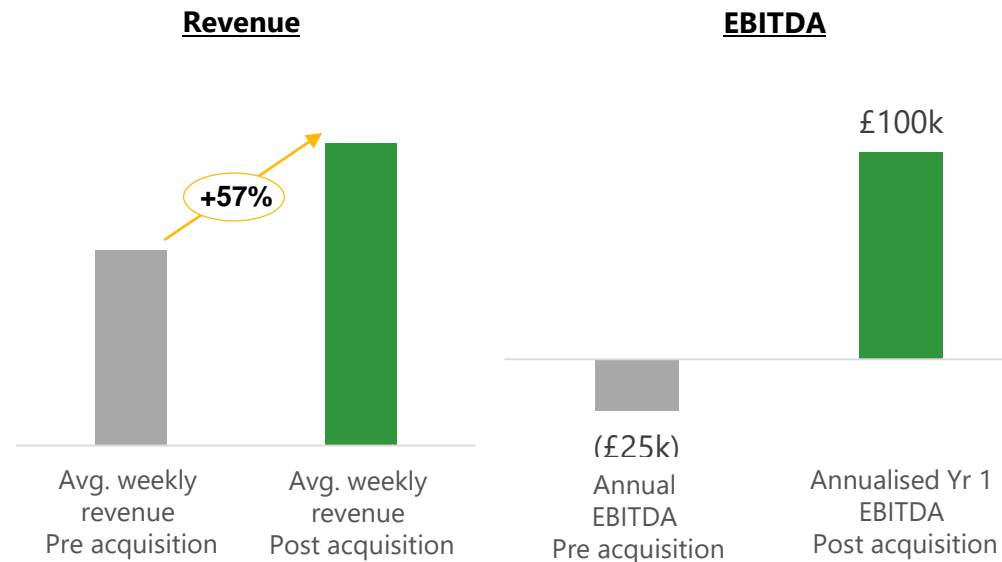
Case Study: Independent unit acquired December 2016

Acquisition Background

- Sits in a prime location but with a poor fit-out and underinvestment
- Organic opportunities in the area limited due to market dilution
- Business case modelled at a £2 max FOBT stake
- Estimated to be losing £25k EBITDA per annum



Significant turnaround in performance post acquisition



// FOBT Regulation

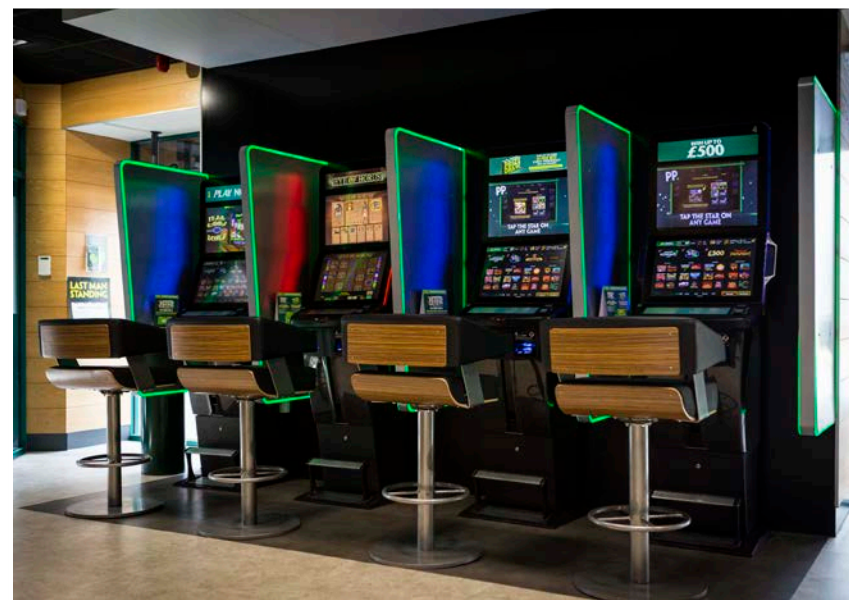
David Newton

Managing Director Retail

Fixed Odds Betting Terminal (FOBT)...what are they?

- Electronic gaming machines with **Roulette, Card Games and Slots** content
- not to be confused with Self-Service Betting Terminals (SSBTs)
- **Only in UK** betting shops; not permitted in Ireland
- Limited to **four terminals** per shop under legislation
- Maximum stake is **£50** (or **£100** via a loyalty card or if authorised by staff)
- 25% Machine Gaming Duty applicable to revenue
- 2016 Triennial review ongoing with findings expected late October 2017

Category	B2	B3
Game types	Roulette/Card Games	Slots
Stake limit	£100/£50	£2
Spin time	20s	2s
% of FOBT market	65%	35%

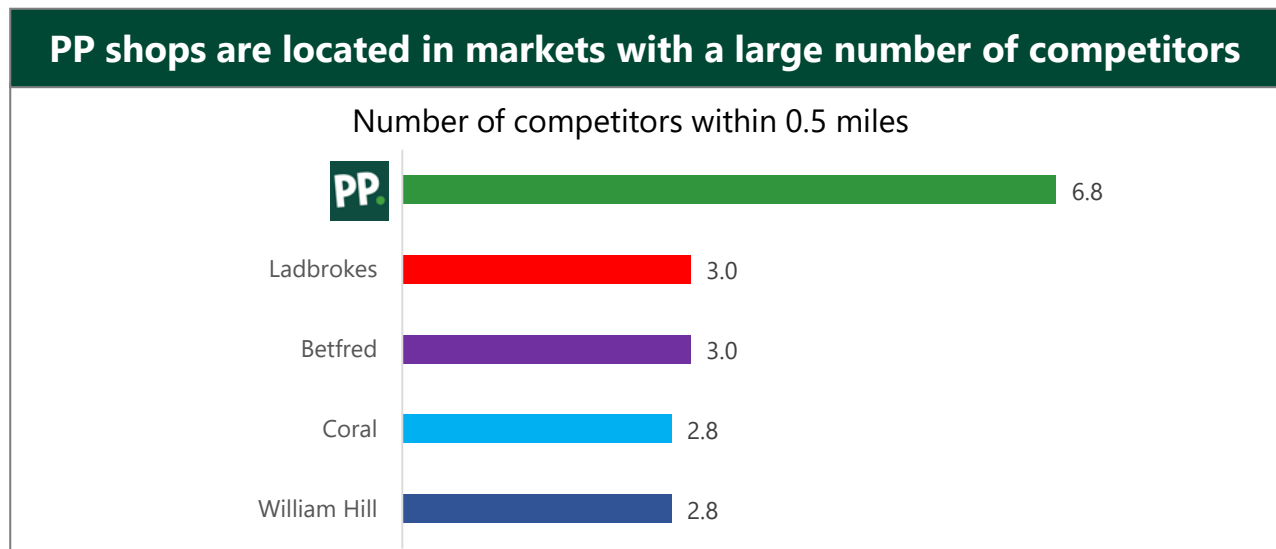
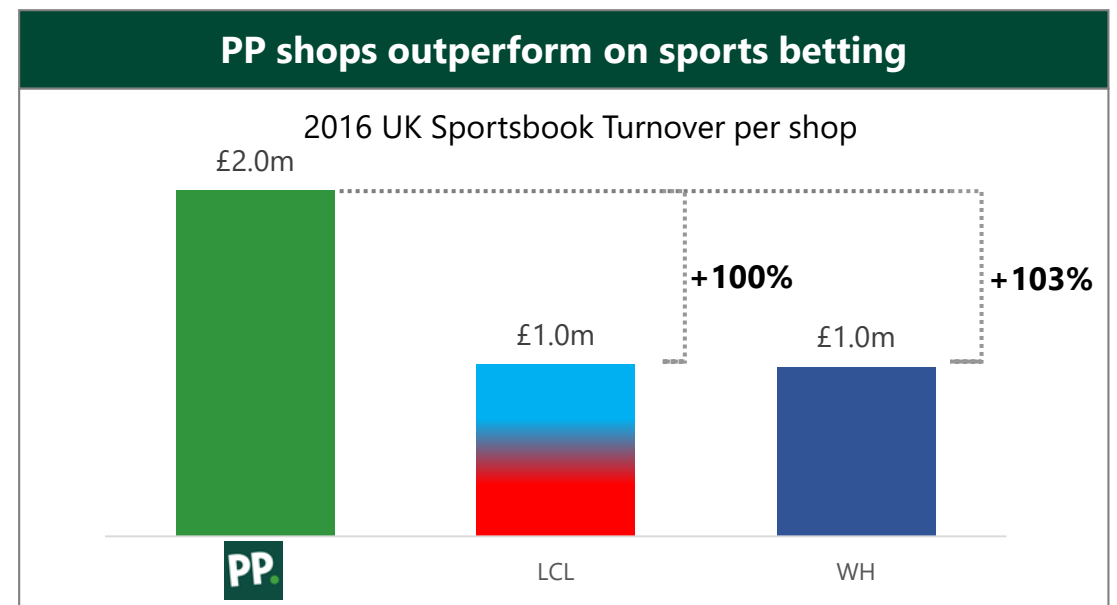
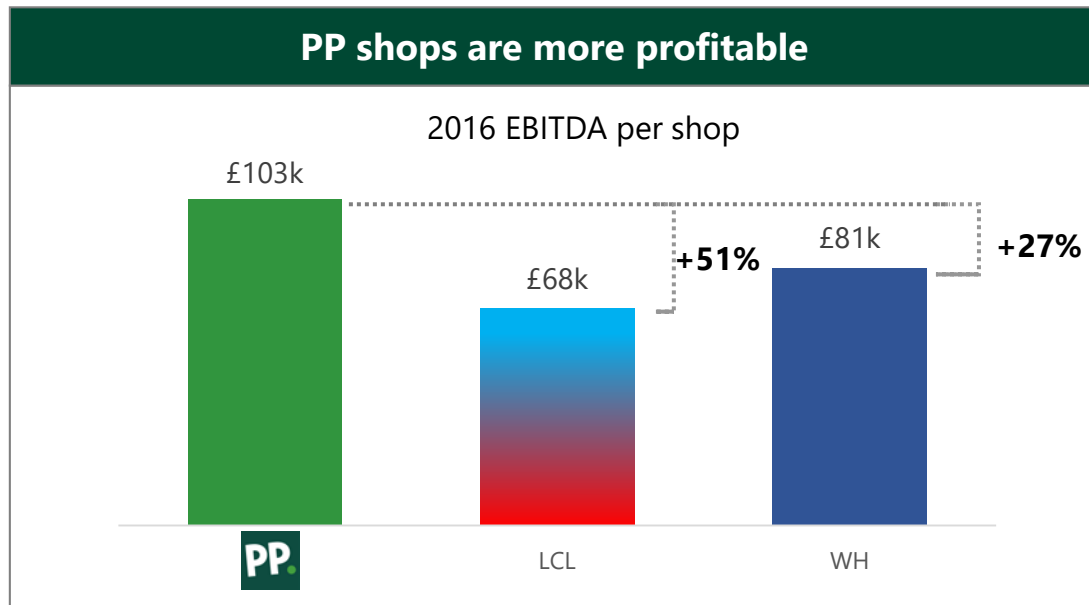


Triennial Review: impact of reductions in stake limits

Direct impact (pre-mitigation)		Potential mitigation
Stake limit	Estimated impact on FOBT Net Revenue ¹ (% decrease)	
£50	c.4%	<ul style="list-style-type: none"> • Product development • Substitution • Market consolidation
£30	15% - 21%	
£20	19% - 27%	
£10	26% - 36%	
£2	33% - 43%	

1. Impact is after estimated substitution to lower staking B2 and B3 content

PP well positioned to benefit from market consolidation

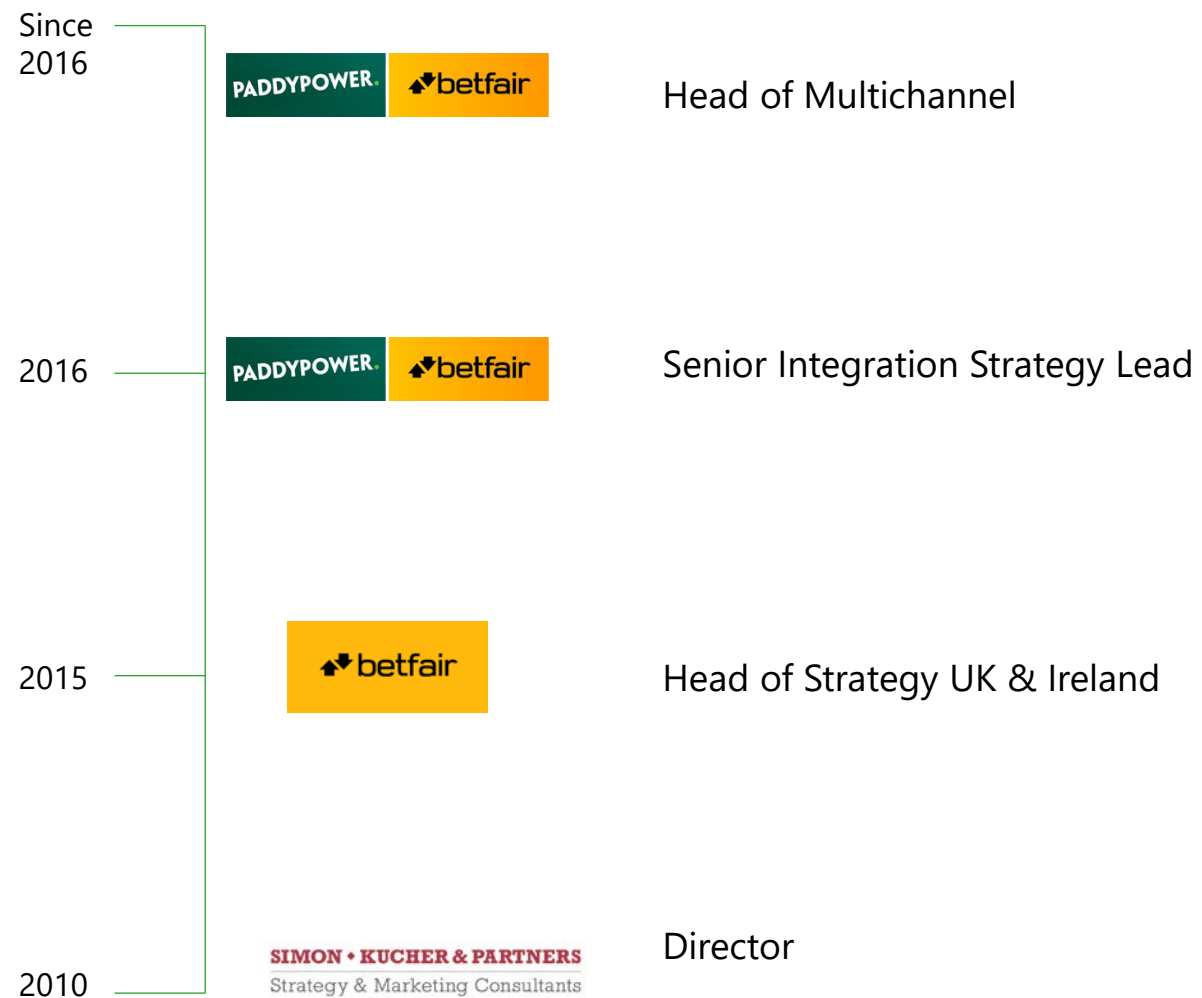


// Product & Innovation

Cecilia Mourain

Head of Multichannel

About me



Product strategy: Digitise retail & drive multichannel

1 Enrich the betting experience in shops through digital

Digital innovations



PP Online

Screens & displays
Self-service
Technology
Data
Products
Customer proposition
CRM

PP Retail



Multichannel initiatives

2 Increase multichannel penetration through shops

New generation displays enhance the customer experience

The image displays a grid of digital screens used in a betting shop. The screens are organized into several sections:

- Top Left:** A large screen for the 15:15 Paddy Park race, showing a list of horses and their odds. The top race is 6 Chilli Gibson (5/4), followed by 7 Tuckle (7/2), 11 Aerodynamic (2), 5 Straight Story (10/3), and 4 Simba Diesel (6). It also includes a forecast (2-3 27.75) and a tricicast (2-3-1 263.58).
- Top Middle-Left:** A screen for the 15:20 Sunderland race, featuring a live video feed of the race and the PP.TV2 logo.
- Top Middle-Right:** A screen for the 15:25 Kempton race, showing a list of horses and odds. The top race is 6 Vintage Paradise (5/4), followed by 2 Lady Besta (3/1), 7 Global Tour (15/2), 10 Rosie Lea (4/1), 3 Aero Majestic (5/1), 3 Aero Majestic (18/1), 4 Should Coco (20/1), and 5 Belle Banjo (40/1). It includes the PP.TV1 logo.
- Top Right:** A screen for the 15:25 Wolverhampton race, showing a list of horses and odds. The top race is 7 Compton Albion (5/4), followed by 4 Strategic Bid (5/4), 3 New River (4), 10 King William (5), 2 Never Complain (5), 16 Theobos on the Hill (6), 11 Tangolan (6), 15 Andria (8), 9 Barrabhey (9), 1 Great Explorer (10), 4 Our Sweet Art (12), 12 Deva Victrix (17), and 19 Tristessa (21). It includes the PP.TV3 logo.
- Far Right:** A screen for a football match, Manchester City 2 - 2 Tottenham, showing a live video feed of a player and the PP.TV logo.
- Bottom Left:** A screen for the latest racing results, showing a grid of race results for various tracks and times.
- Bottom Middle-Left:** A screen for the 15:20 Sunderland race, featuring a 'Guaranteed Prices on Greyhound Singles' promotion and a 'No More Bets' offer. It lists horses like Bruce Shatani (15/8), Miracle Man (13/2), Morning Odds (1/4), Galtee Groucho (1/4), Baby Bubba (5/6), and Ceili KeWell (10).
- Bottom Middle-Right:** A screen for the 15:25 Kempton race, featuring a 'Double Odds Any Winner' promotion. It lists horses like Vintage Paradise (5/4), Lady Besta (9/4), Global Tour (4), Rosie Lea (5), Aero Majestic (7), Aero Majestic (10), and Belle Banjo (15).
- Bottom Right:** A screen for the 15:40 Perry Barr race, featuring a 'Double Odds' promotion. It lists horses like Compton Albion (5/4), Strategic Bid (9/4), New River (4), King William (5), Never Complain (5), Theobos on the Hill (7), Tangolan (10), Andrea (15), Barrabhey (20), Great Explorer (22), Our Sweet Art (22), Deva Victrix (25), and Tristessa (25).
- Far Right (Bottom):** A screen for a rugby match, Ireland vs Wales, showing a live video feed and the PP.TV logo.

- Leverages our distinctive brand
- Enhances store environment
- Showcases leading content
- Highlights pricing & promotions

Launch of PPTV provides the ability to control content



15:10 KILLARNEY

NEWCASTLE
15:30 1M 2F
Going Down
Normal

7	SIEGE OF BOS	6/5
9	BOUNTY PUR	7/1
1	DECLAMATIO	8/1
6	WINK OLIVER	9/1
2	KEENES POIN	10/1
8	BLACKTHORN	10/1
4	DOEADEER	14/1
10	COOPERESS	20/1
5	HUMOUR	20/1
11	RAISE THE G	25/1
3	RISING SUNS	33/1
12	EL TEL	40/1

← RESULTS 1ST: FLOOD WARNING 11/8 2ND: SHANKARA 13/8 NON-RUNNERS: 5.PERSISTENCE MONEY BACK SPE

CATTERICK	15:40	1:19 NOTTINGHAM RESERVE DOG: 3 BELVEDERE
SUNDERLAND	15:49	OZZIE
CLUB HIPIC'	15:50	OZZIE

PP.TV 1
09:59:20

Key benefits:

- Ability to directly procure new content
- 70+ additional betting events per day
- Seamlessly promote PP products & offers
- Ability to entertain customers whilst bringing our distinct brand to life

PP.TV 1

PP.TV 2

PP.TV 3

Coming soon

PPTV is the perfect platform to highlight our leading products & offers



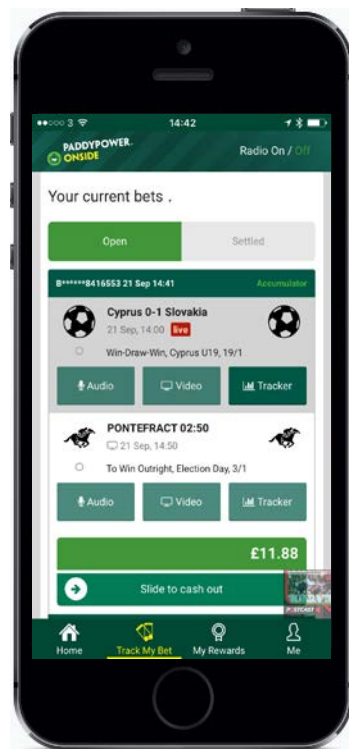
Market leading self-service betting proposition



- **Highest density per shop in the industry** (average 6 in UK, 5 in Ireland)
- **Introducing new bet types and promotions** (aligning with our leading OTC offering)
- **Proprietary PPB Racing pricing** ensures differentiation versus competitors
- **Integrated with our Retail app**, including Track My Bet

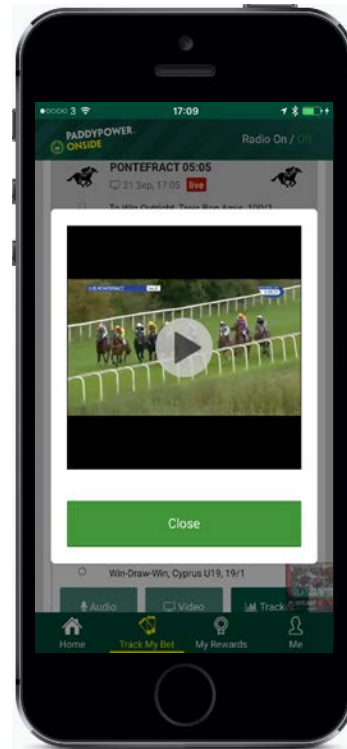
PP 'Onside' app brings key online features to retail customers

Track My Bet and Cash Out



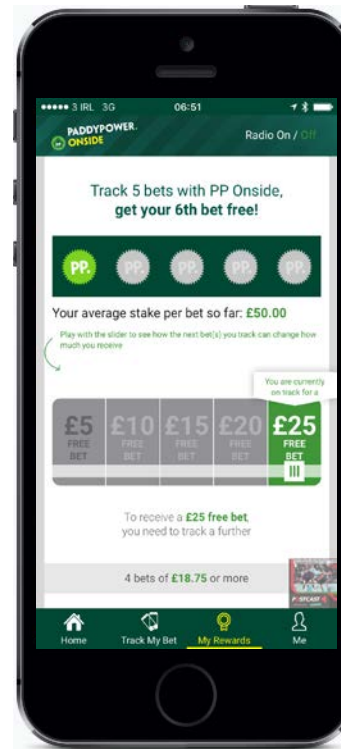
127k
unique users since
launch

Live streaming



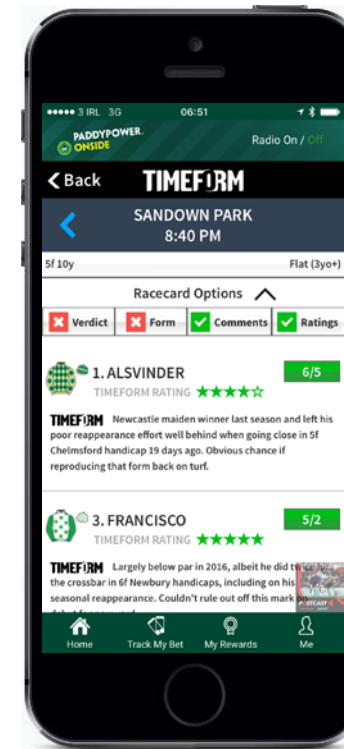
100+
Events available
to stream daily

Sports loyalty and offers



+28%
Staking uplift with
loyalty

Sports news, stats, race cards



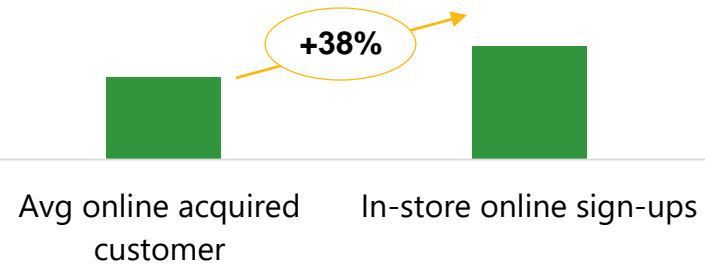
32
app visits per user
per month

Maximising the multichannel opportunity

Online customer acquisition

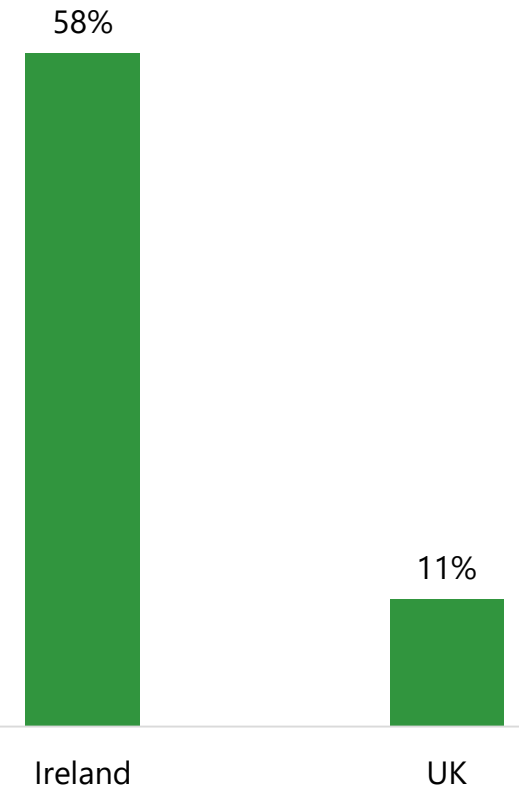


PP online sportsbook average revenue per customer in first month



Multichannel contribution

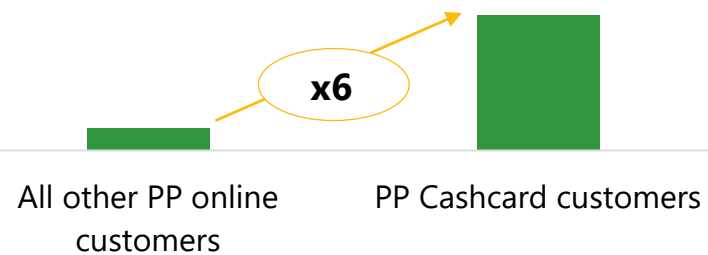
% of PP Online sportsbook revenue from Cashcard customers



Online wallet access



PP online sportsbook revenue per customer



// CONCLUSION

Dan Taylor

Managing Director UK & Ireland

PP Retail is positioned for continued market outperformance

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Delivering market leading revenue & EBITDA growth

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Winning in our local markets with sports led proposition

3

Proven track record of driving value through estate expansion

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Well placed to mitigate against expected regulatory change

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Building differentiation through product

// Q & A