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Paddy Power Betfair plc - Combination of Betfair US with FanDuel

Paddy Power Betfair plc (“the Group”) today announces a definitive agreement to combine its US business (“Betfair US”) with FanDuel, a leading US daily fantasy sports operator.

The transaction strengthens the Group’s opportunity to target the prospective US sports betting market through the addition of a strong brand, large existing customer base and talented team. The scale of the combined business also means it is well positioned in discussions with providers of market access for sports betting.

Background to FanDuel

FanDuel has over 40% market share of the US daily fantasy sports market, with 7m registered customers across 40 states. In 2017, it had revenue of \$124m and 1.3m active customers. Headquartered in New York, the business has built-up a leading US sports brand with approximately \$400m cumulative marketing spend to date supported by innovative proprietary technology.

Transaction details

Under the agreement, the Group will contribute its existing US assets¹ along with \$158m of cash. This cash contribution will be used to pay down existing FanDuel debt (net debt of \$76m at 31 March 2018) and fund working capital of the combined business.

Upon completion of the transaction, the Group will own 61% of the combined business, with existing FanDuel investors owning 39%. All material FanDuel investors are rolling their investment into the combined business. A mechanism has also been agreed to take the Group’s ownership of the business to 80% after three years and 100% after 5 years, consisting of call and put options at the prevailing market valuations.

The Group will have operational control of the business, which will become a fully consolidated subsidiary, and will have the right to appoint the CEO and a majority of the Board of Directors. Existing FanDuel investors will continue to have Board representation.

The transaction is subject to customary regulatory and anti-trust reviews for transactions of this nature and is expected to complete in Q3 2018.

Financial details

On a proforma basis, including expected synergies but before investment in sports betting, the combined business is currently operating at broadly EBITDA breakeven. The transaction is not expected to have a material impact on the Group’s 2018 underlying EBITDA.

Peter Jackson, CEO of Paddy Power Betfair, commented:

“We are excited to add FanDuel to the Group’s portfolio of leading sports brands. This combination creates the industry’s largest online business in the US, with a large sports-focused customer base and an extensive nationwide footprint.

The Group has leading sports betting operating capabilities globally and strong operations on the ground in the US. Together with our substantial financial firepower, we believe we are now well placed to target the prospective US sports betting opportunity.”

Matt King, CEO of FanDuel, said:

“We are excited to bring these two great businesses together. The combination of brands and team, along with a shared culture and vision for the future, creates the leading gaming destination for US sports fans.”

Analyst Call – 6.00pm UK time (1.00pm US Eastern Standard Time)

The Group will host a conference call for institutional investors and analysts today at 6:00pm (IST/BST). To dial into the conference call, participants should dial 0800 389 7473 or 01296 480 180 from the UK, (01) 242 1075 from Ireland and +44 1296 480 180 from elsewhere. The passcode is 896 995 88.

The presentation slides that will be used on this call are available on the Group's corporate website: <https://www.paddypowerbetfair.com/investor-relations/results-centre>

Notes:

¹ In the year ended 31 December 2017, Betfair US had revenues of \$141m and reported pre-tax losses of \$18m. Betfair US had gross assets of \$612m at 31 December 2017.

² In the year ended 31 December 2017, FanDuel Limited had revenues of \$124m, EBITDA losses of \$37m and reported pre-tax losses of \$44m. FanDuel had gross assets of \$124m at 31 December 2017.

This announcement contains inside information for the purposes of Article 7 of EU regulation 596/2014.

Goldman Sachs International acted as financial advisor to Paddy Power Betfair plc and Blank Rome LLP acted as legal advisors to Paddy Power Betfair plc in relation to the transaction.

Moelis & Company acted as exclusive financial advisor to FanDuel, and Wilson Sonsini Goodrich & Rosati and Shepherd and Wedderburn LLP acted as legal advisors to FanDuel in relation to the transaction.

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