



## **RESULTS FOR THE SIX MONTHS**

ENDED 30 JUNE 2013

# AGENDA

**Brian Mattingley** | Introduction

**Aviad Kobrine** | Financial Review

**Itai Frieberger** | Operational Review

**Brian Mattingley** | Summary

**Q&A**



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**BRIAN MATTINGLEY, CEO** | INTRODUCTION

# SUMMARY RESULTS

- Another record results, revenue up **7%** to **\$200m** (H1 2012: \$186m)
- Adjusted EBITDA<sup>1</sup> up **7.2%** to **\$39m** (H1 2012: \$36m)
- Adjusted EBITDA Margin<sup>1</sup> kept at **19.3%**, (H1 2012: 19.3%)
- Adjusted PBT<sup>1</sup> at **\$38m**, up **36%** (H1 2012: \$28m)
- Cash position **\$89.3m**
- Interim Dividend **3.0¢** **20%** increase as per policy (H1 2012: 2.5¢)
- Current trading inline with expectations

<sup>1</sup> As defined in the 2013 Half-yearly Report.

# CORE BUSINESS REMAINS ON TRACK

- Strong growth in Casino & Poker
- New Sports provider - excellent start
- Mobile growth engine\*
  - Accounts for 17% of UK revenue (ex Bingo)
  - 26% FTD's recruited via touch in the UK (ex Bingo)
- Spain & Italy – positive contribution in 2013 ahead of expectations

\* June 2013

# US BECOMING A REALITY

- Three States ready to launch
  - Nevada ready to be launched imminently
  - Delaware Lottery on track to launch
  - New Jersey on track to launch
- Additional B2B contract prospects
- Shared liquidity options in negotiation
- Eight further States in consultation

# PROJECT FOCUS

- Restructure development centre in Eastern Europe
- Additional investment required to deliver US and other opportunities
- We remain aspirational to launch Poker in Italy & Sport in Spain
- Spanish slots expected by year end
- Social medium yet to deliver material results
- Bingo restructuring implemented
- Team fully motivated and delivering



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**AVIAD KOBRINE, CFO** | FINANCIAL REVIEW



# HIGHLIGHTS

- Another record half-yearly revenue up **7%**, to **\$200m**
- Revenue B2C up **8%** to **\$177m**
  - Revenue Casino B2C up **13%** to **\$94m**
  - Revenue Poker B2C up **13%** to **\$47m**
  - Casino & Poker B2C first time depositors up **10%**
- Adjusted EBITDA up **7.2%** to **\$39m**
- Adjusted EBITDA Margin at **19.3%**, (H1 2012: 19.3%)
- Adjusted PBT **\$38m** (H1 2012: \$28m)
- Adjusted EPS **9.9¢** (H1 2012: 7.2¢)
- Cash position **\$89.3m** - \$40m corporate cash, \$49.3m customers
- Dividend **3.0¢** per pay out policy

# PROFIT AND LOSS ACCOUNT<sup>1</sup>

\$m	H1 2013	H1 2012	% Change
<b>Revenue</b>	<b>200.1</b>	<b>186.4</b>	7%
Operating expenses <sup>2</sup>	54.2	56.8	
Gaming duties <sup>3</sup>	7.1	5.5	
Research and development expenses	15.2	13.8	
Selling and marketing expenses	72.1	61.7	
<i>% of Revenues</i>	36.0%	33.1%	
Administrative expenses <sup>4</sup>	12.8	12.6	
<b>Adjusted EBITDA</b>	<b>38.6</b>	<b>36.0</b>	7%
<i>% of Revenues</i>	19.3%	19.3%	
Net Finance Income (expenses)	6.3	(1.1)	
Depreciation & Amortisation	(6.8)	(7.0)	
<b>Adjusted Profit Before Tax</b> <sup>3,4,5,6</sup>	<b>38.1</b>	<b>27.9</b>	36%
Taxation	(3.4)	(2.7)	
<b>Adjusted Profit after tax</b> <sup>3,4,5,6</sup>	<b>34.7</b>	<b>25.2</b>	
<b>Adjusted EPS</b>	<b>9.9 ¢</b>	<b>7.2 ¢</b>	

<sup>1</sup> Totals may not sum due to rounding.

<sup>2</sup> Excluding depreciation of US\$4.1 million (H1 2012: US\$4.8 million) and amortisation of US\$2.7 million (H1 2012: US\$2.2 million).

<sup>3</sup> Excluding retroactive duties and associated charges of nil (H1 2012: US\$11.1 million)

<sup>4</sup> Excluding share benefit charges of US\$2.5 million (H1 2012: US\$0.8 million)

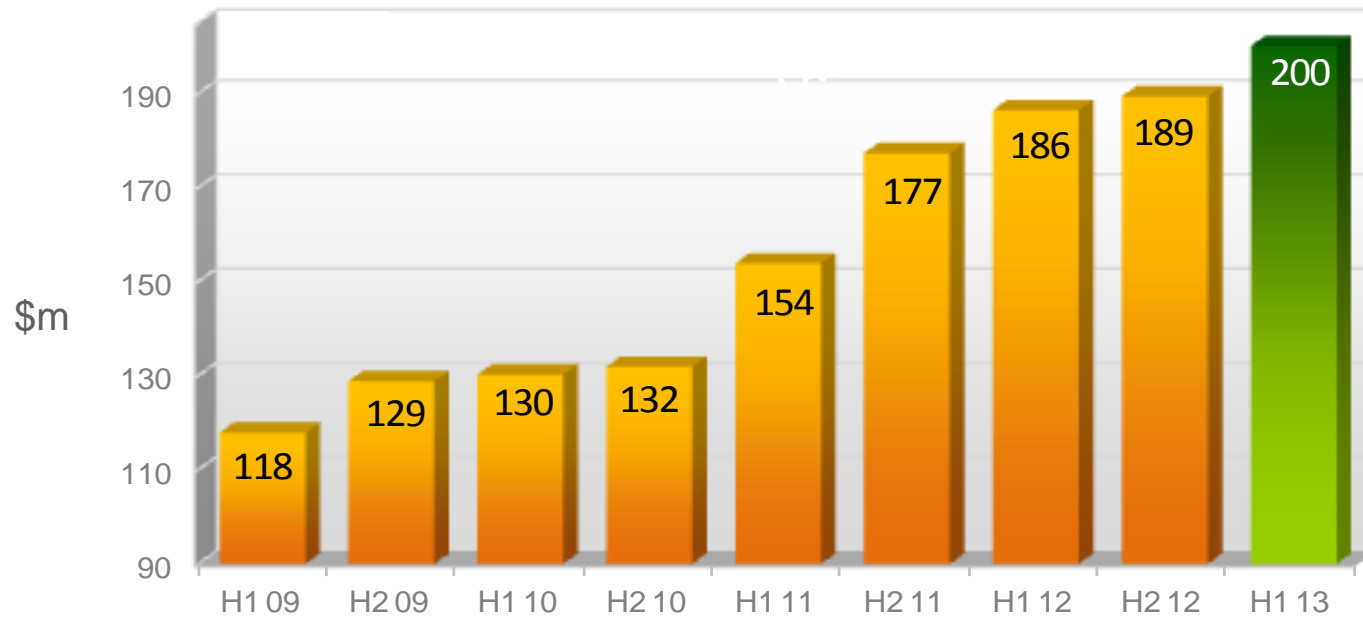
<sup>5</sup> Excluding movement in contingent and deferred consideration of -US\$0.5 million (H1 2012 US\$2.4)

<sup>6</sup> Excluding net effect of equity accounted joint ventures of US\$0.4 million (H1 2012: nil).

# REVENUE

- H1 2013 - revenue up **7%** to **\$200m** (2011: \$186m)
- H1 2013 - highest half-yearly revenue in 888 history
- F/X headwind estimated at circa \$2m
- 7% CAGR

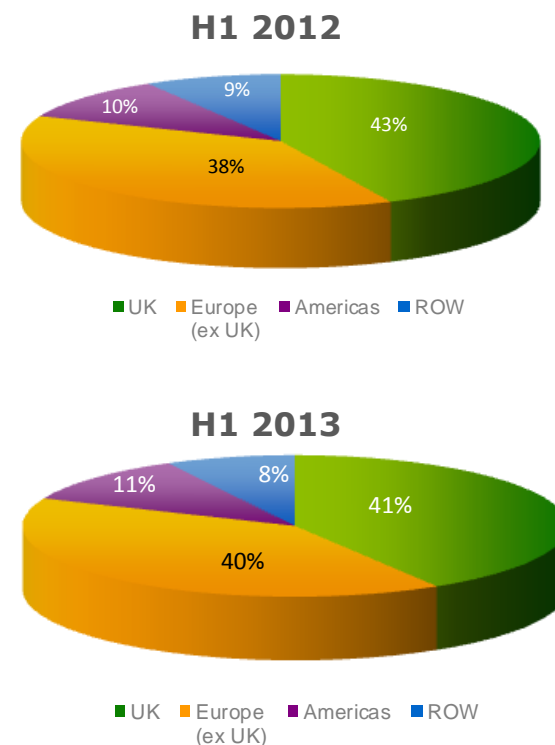
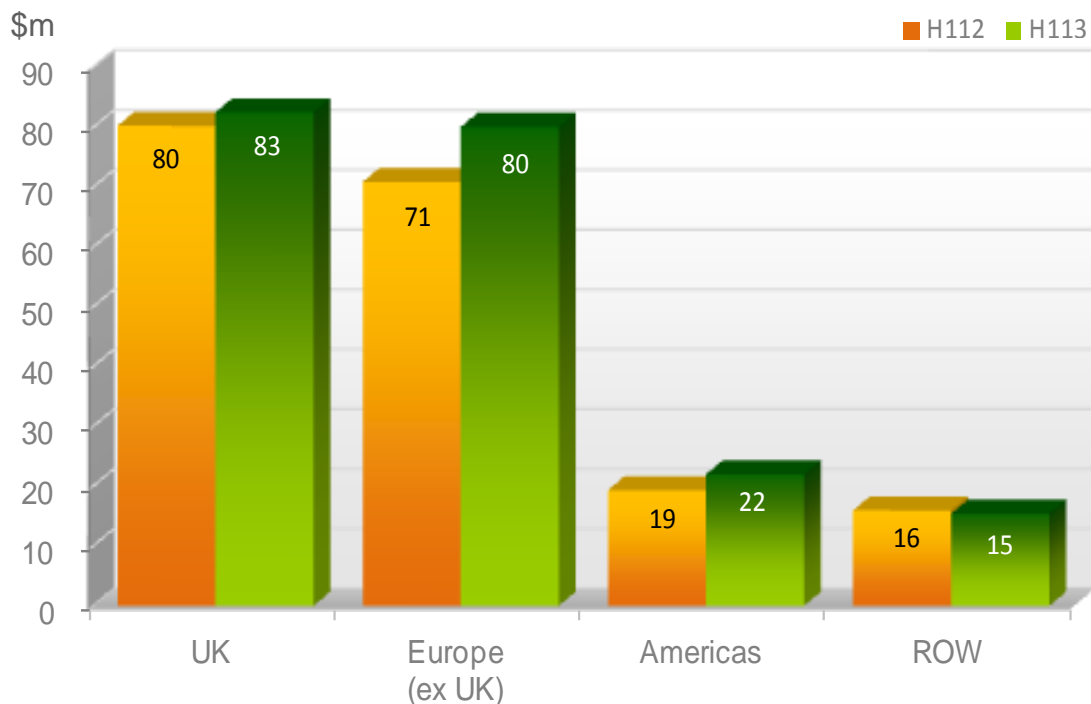
Revenue H1 2009 – H1 2013(\$m)



# GEOGRAPHICAL SEGMENTATION

- Revenue growth in UK **3%** (ex Bingo **13%**), Europe **13%**, Americas **14%**, ROW is down 3%
- UK represents **41%** of Total revenue in H1 2013 (H1 2012: 43%)
- More than 50% of revenue generated from regulated markets, boosted by European regulation growth

Geographic segmentation, Total Revenue H1 2012 and H1 2013

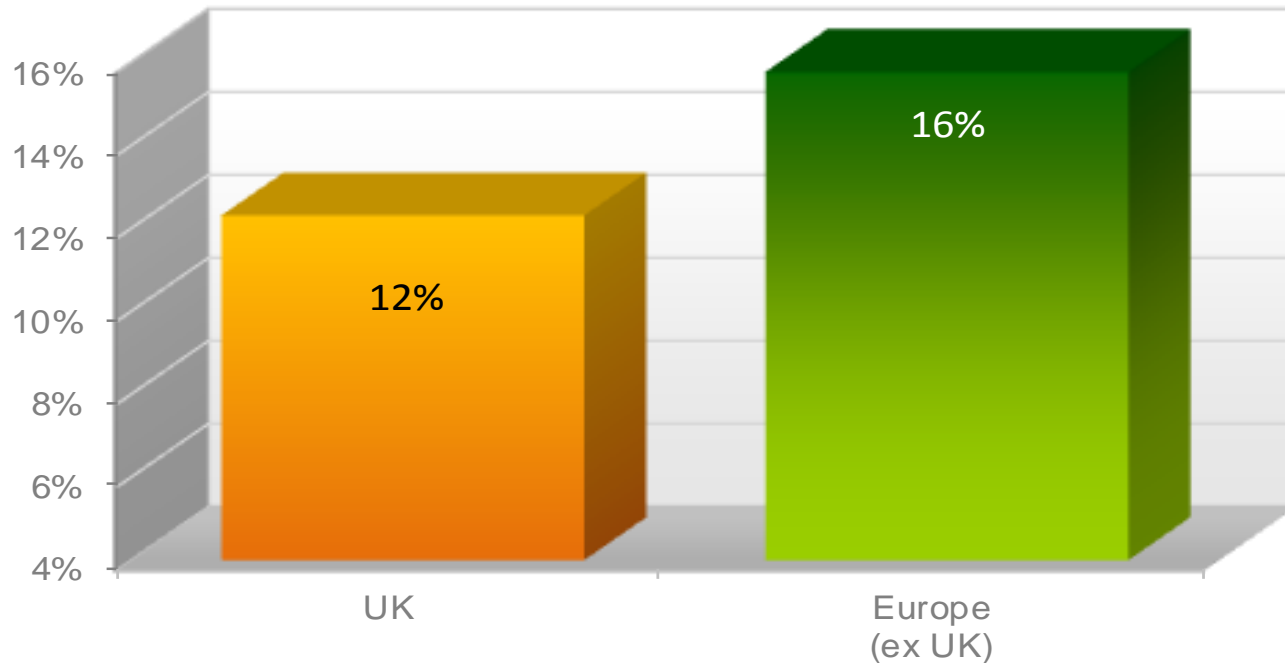


\* Americas region incorporates Mytopia Social Networks volumes, including US

# GEOGRAPHICAL GROWTH PER REGION/PRODUCT

- Casino maintains growth also in the mature UK market
- Poker growth engine is mostly from Europe outside UK, and is boosted by performance in Spain

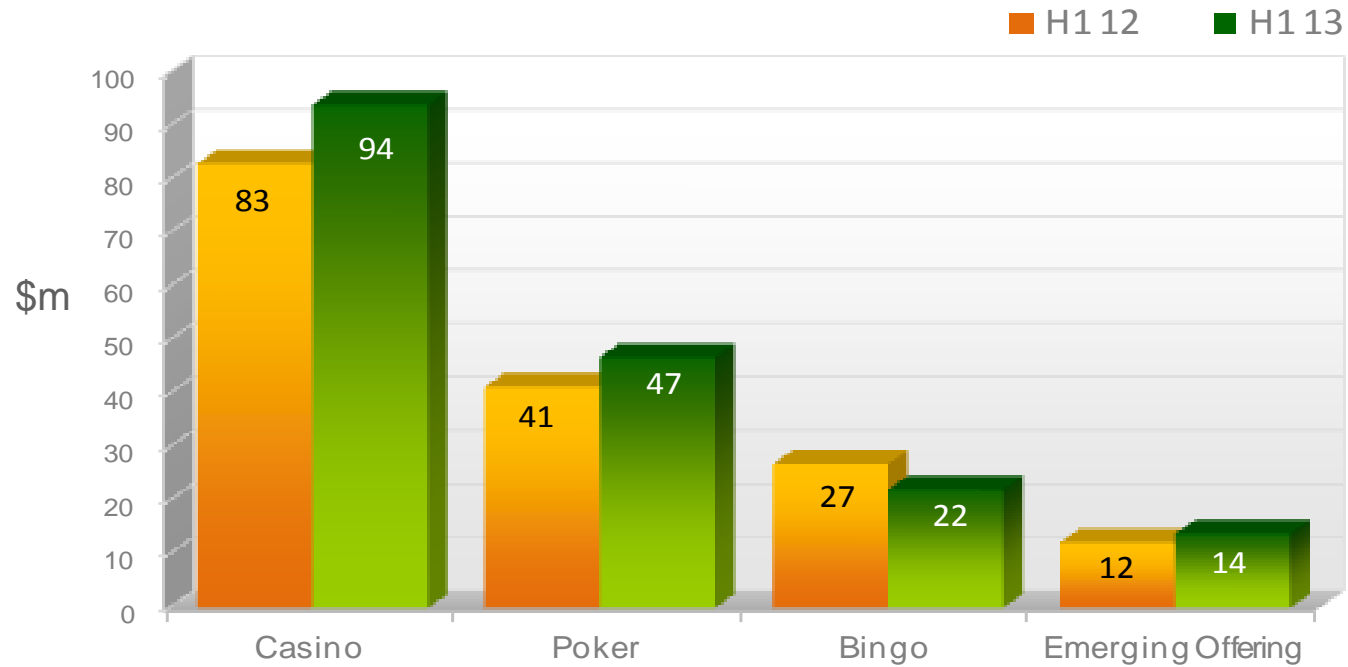
Casino & Poker B2C Revenue Growth in H1 2013 over H1 2012



# REVENUE B2C BY PRODUCT

- Casino up **13%**, Poker up **13%**, Bingo down 18%, Emerging Offering up **13%**

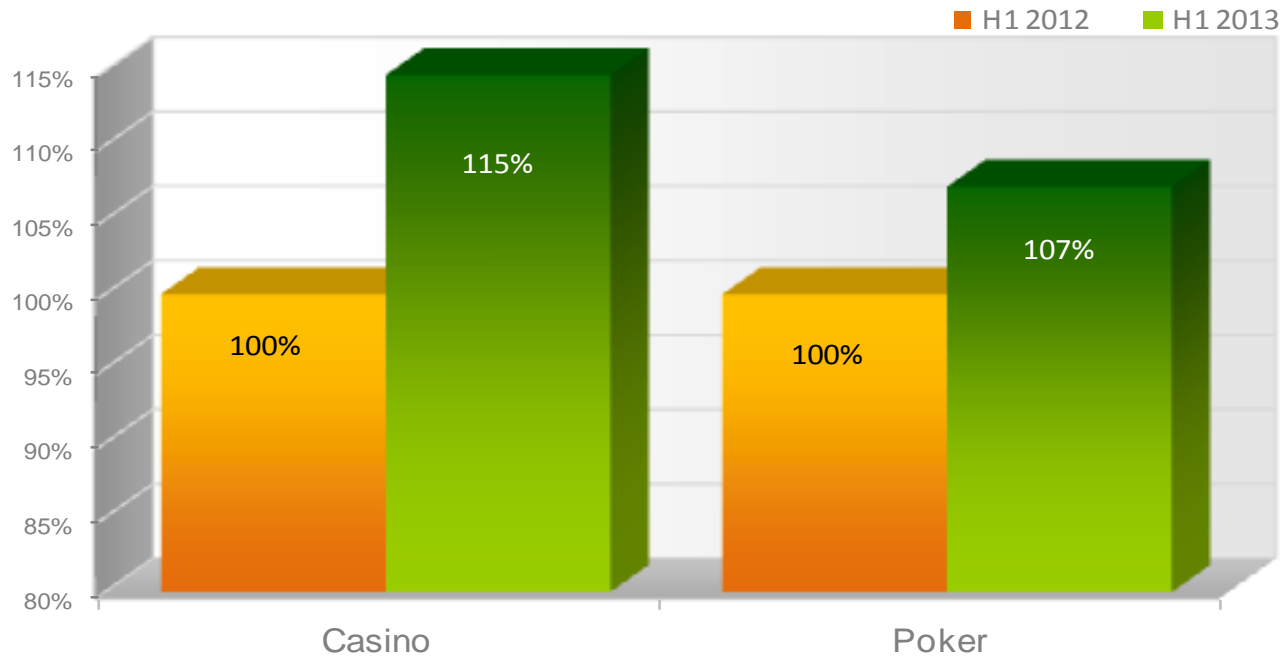
Revenue B2C H1 2013 vs. H1 2012 (\$m)



# B2C CASINO AND POKER FTDs

- Casino up **15%** boosted by the launch of slots in Italy, Poker up **7%** over the strong prior year comparable

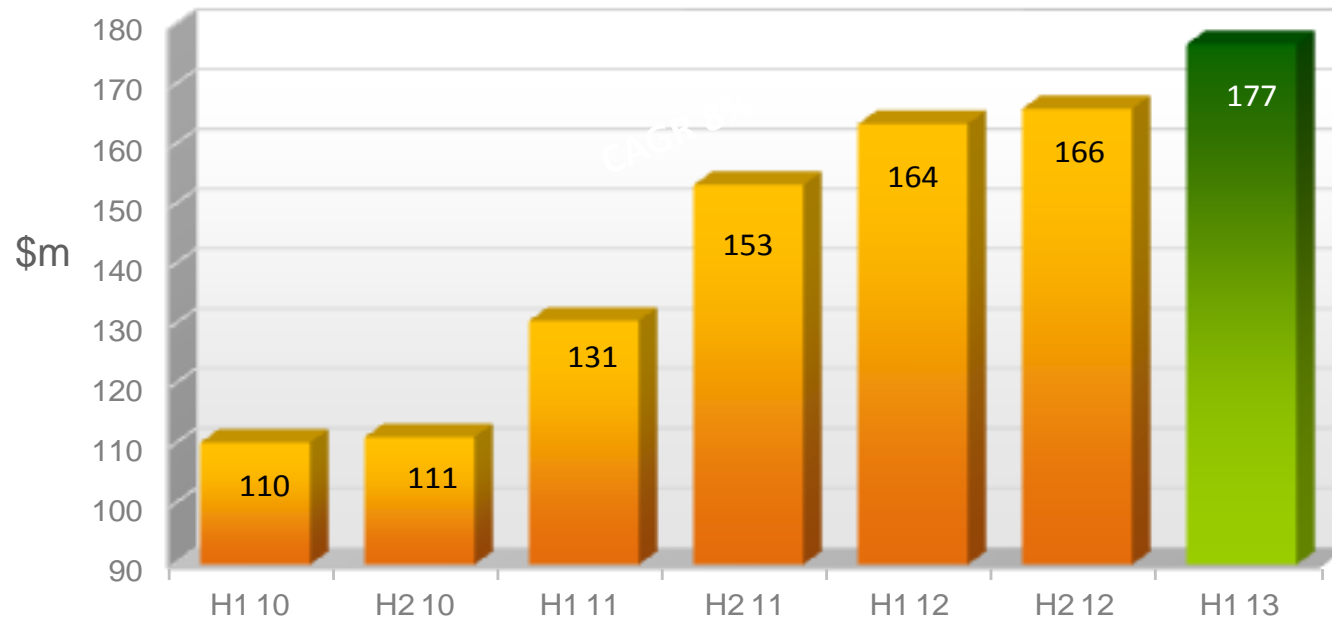
B2C FTDs H1 2013 vs. H1 2012



# REVENUE B2C

- H1 2013 revenue up **8%** to **\$177m** (H1 2012: \$164m)
- Consistent half-yearly revenue growth

Revenue B2C H1 2010 – H1 2013 (\$m)

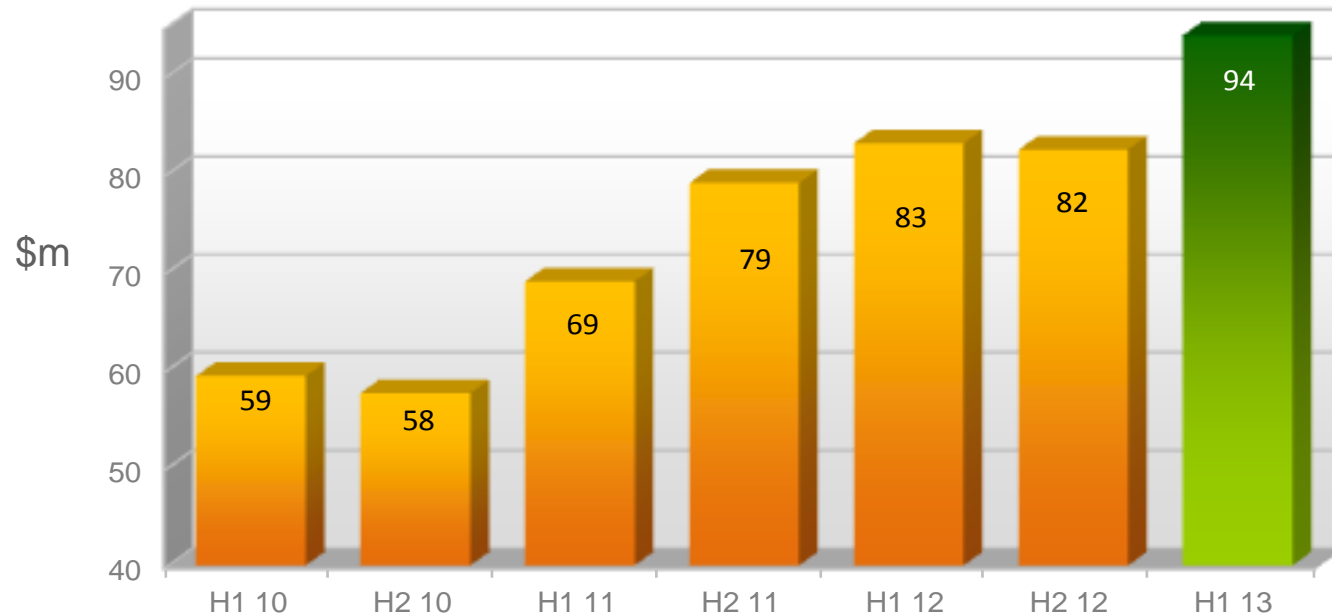




# REVENUE CASINO B2C

- H1 2013 revenue up **13%** to **\$94m** (H1 2012: \$83m)
- Strong Casino performance assisted by the introduction of Slots in Italy as of December 2012

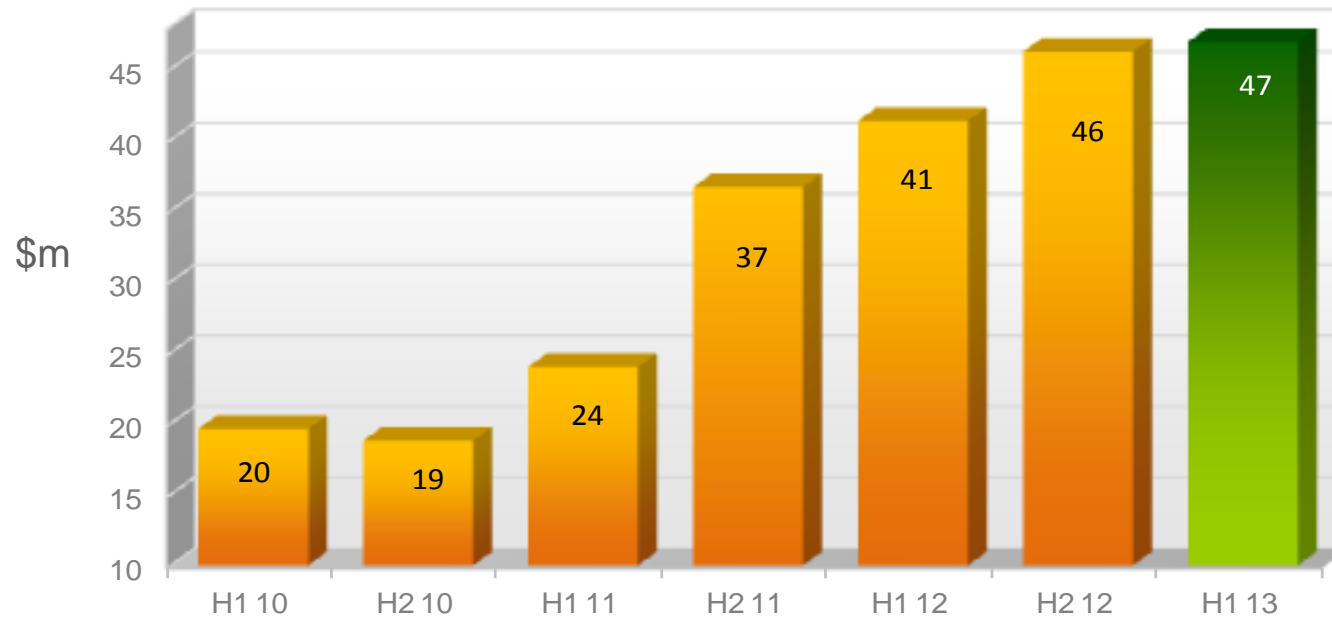
Revenue Casino B2C H1 2010 – H1 2013(\$m)



# REVENUE POKER B2C

- H1 2013 revenue up **13%** to **\$47m** (H1 2012: \$41m)
- Strong Poker growth, supported by robust liquidity and regulated revenue

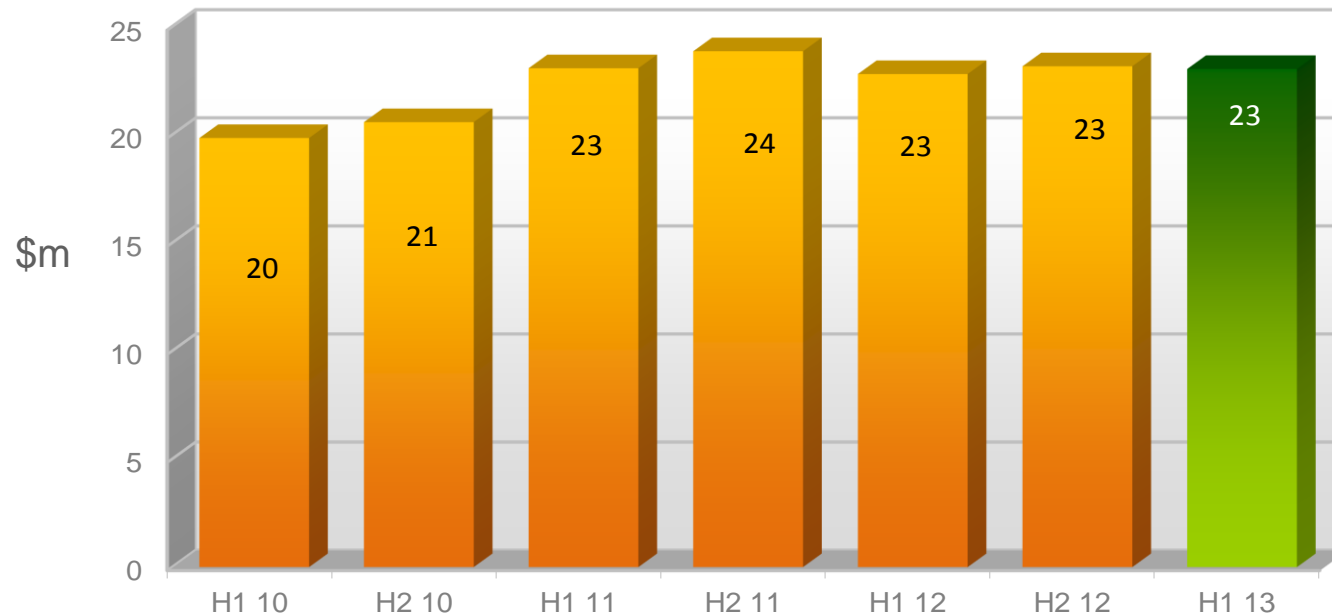
Revenue Poker B2C H1 2010 – H1 2013 (\$m)



# REVENUE B2B

- H1 2013 revenue up **1%** to **\$23m** (H1 2012: \$23m)
- B2B stable revenue ahead of US opportunities

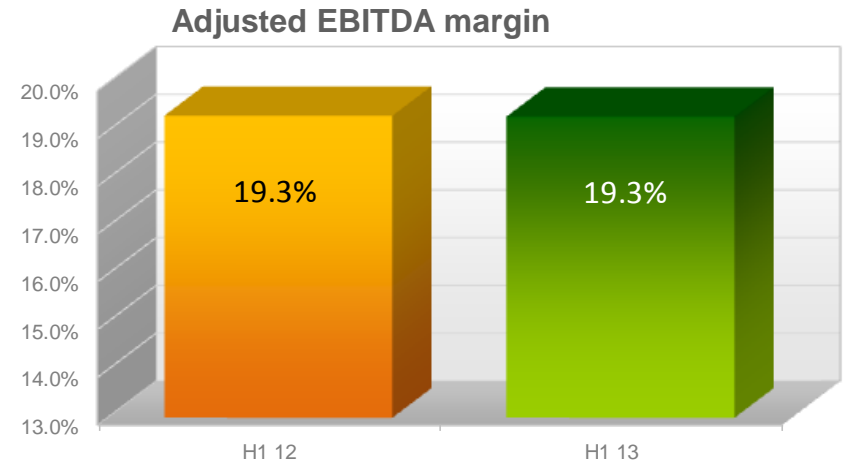
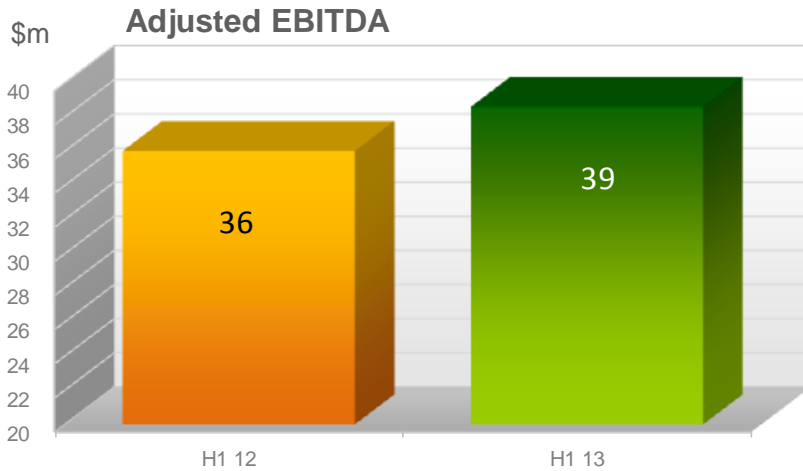
Revenue B2B H1 2010 – H1 2013 (\$m)



# ADJUSTED EBITDA AND MARGIN

- Adjusted EBITDA up **7%** to **\$39m** (H1 2012: \$36m)
- Adjusted EBITDA margin stable at **19.3%** despite increased gaming duty and US build-up costs

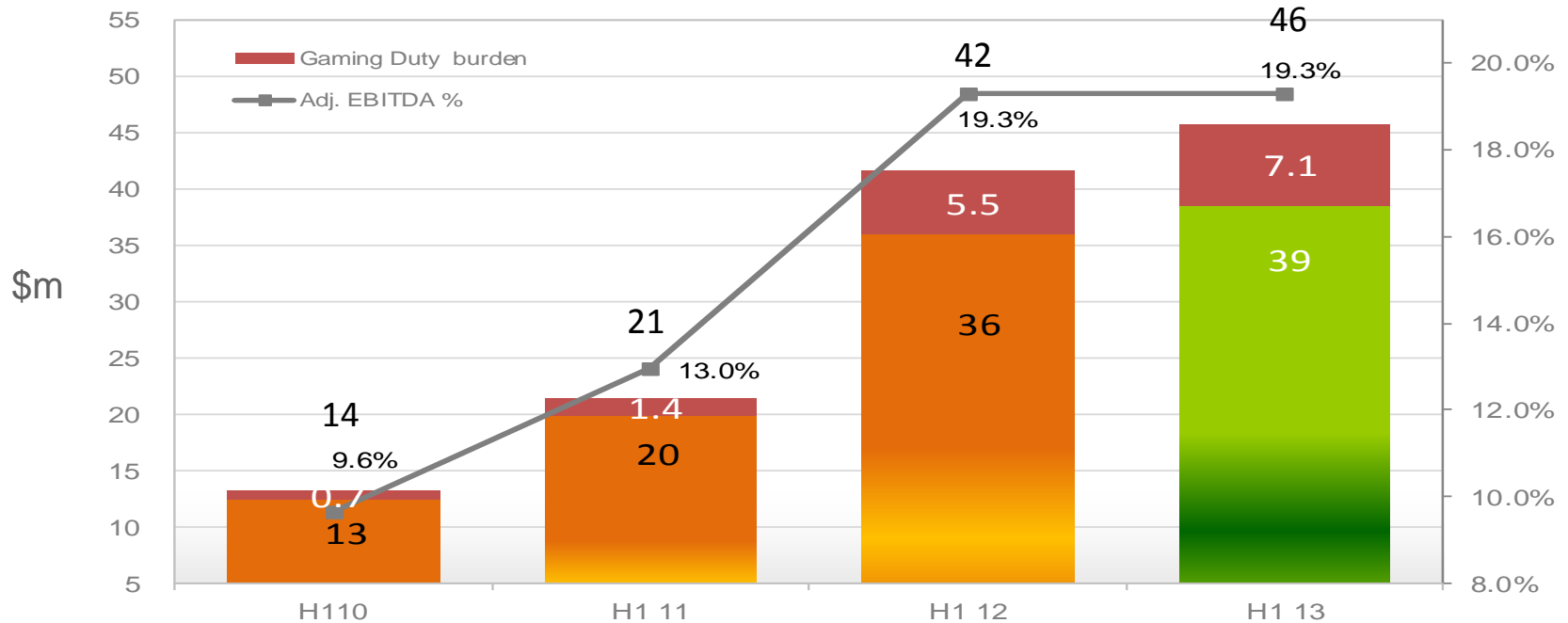
Adjusted EBITDA H1 2013 vs. H1 2012



# ADJUSTED EBITDA TREND

- Adjusted EBITDA Margin expansion despite increased gaming duty burden
- H1 2013 Adjusted EBITDA higher than strong prior year comparison

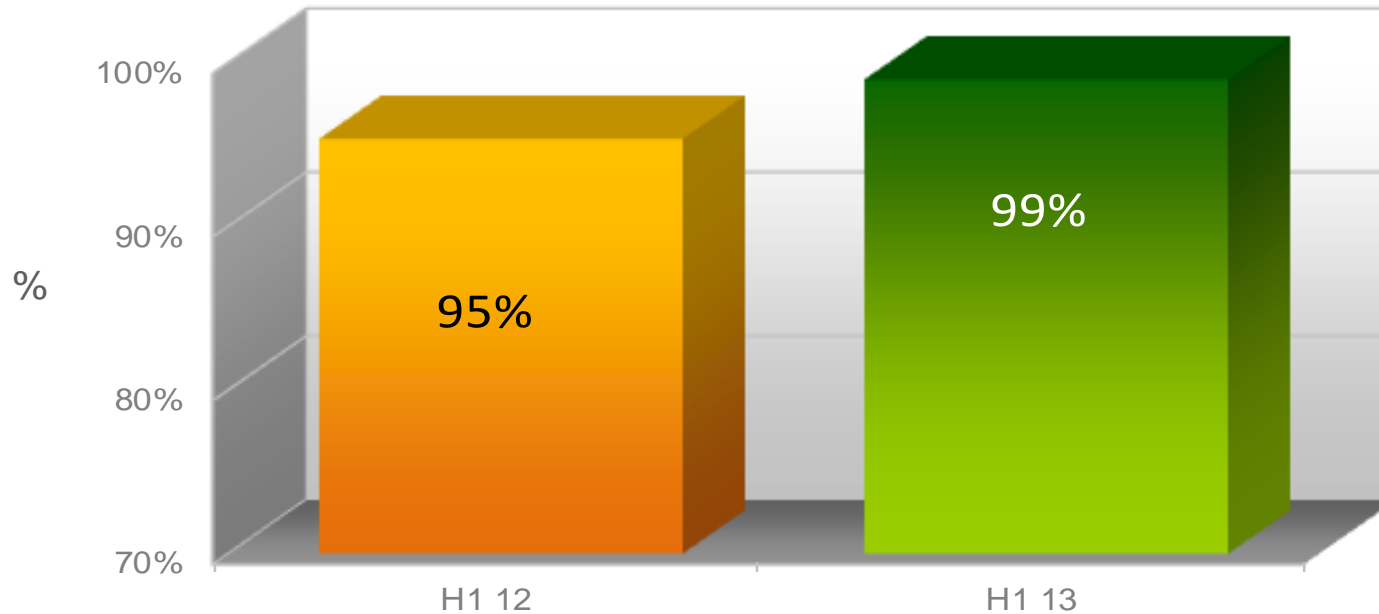
Adjusted EBITDA H1 2010-H1 2013



# CASH FROM OPERATIONS

- High % of cash from Adjusted EBITDA continues in H1 2013, **99%** (H1 2012: 95%)

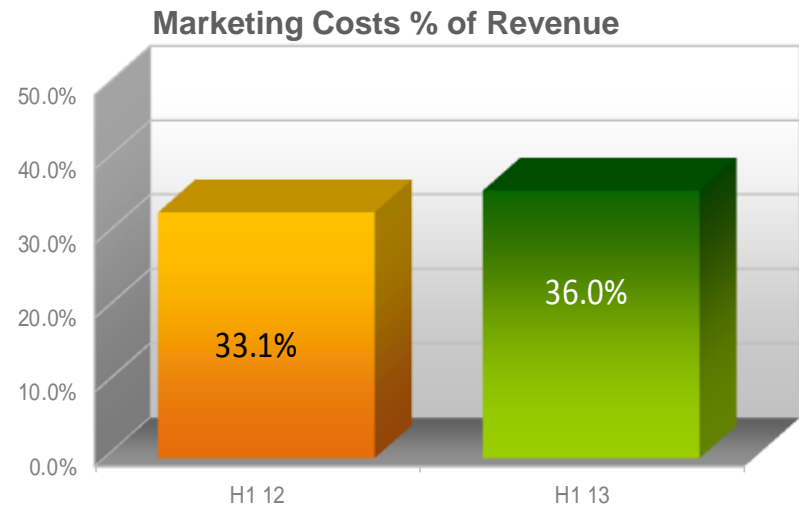
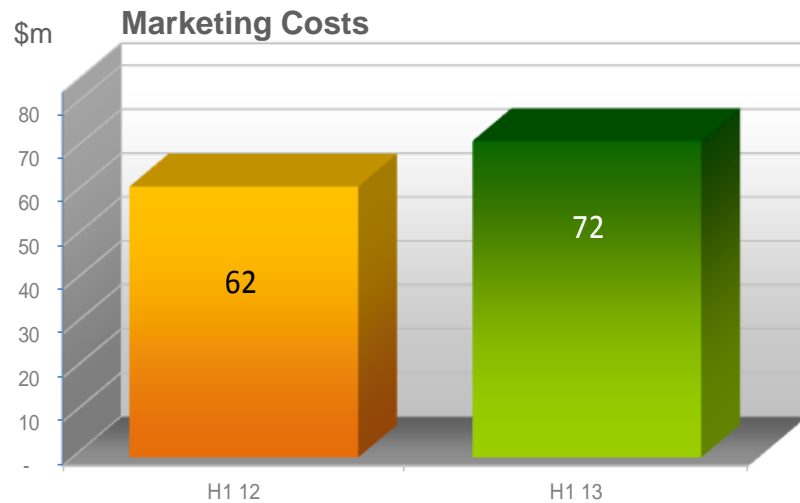
% Cash from operations as a % of Adjusted EBITDA



# MARKETING COST RATIO

- Higher Marketing ratio mainly in regulated markets
- Casino and Poker FTD increase of 10%

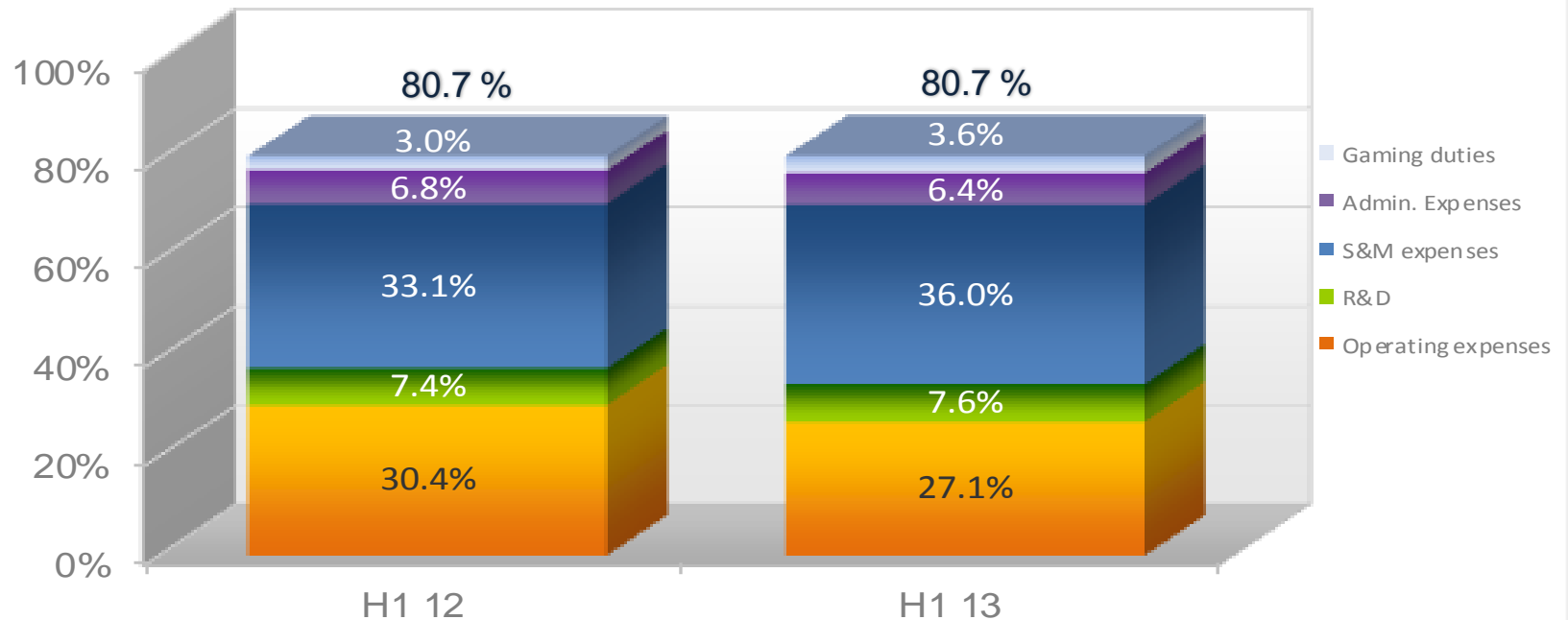
Marketing Costs H1 2013 vs. H1 2012



# COST STRUCTURE

- Cost\* percentage at **81%** (H1 2012: 81%)
- Cost ratio is stable despite regulated marketing investment and increased gaming duty

Cost as a % of Total Revenue H1 2013 vs. H1 2012



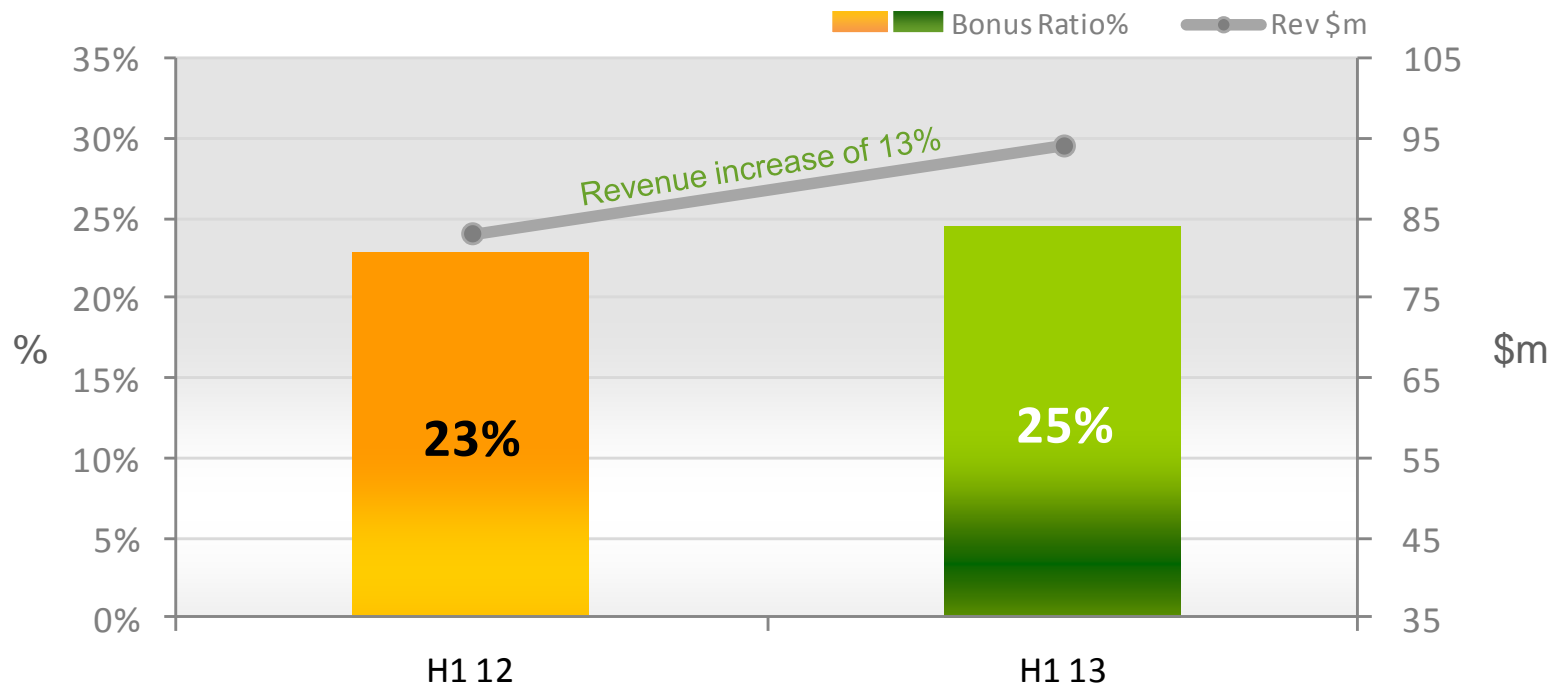
\* Excluding share benefit charges, depreciation, amortisation, retroactive gaming duties and associated charges,



# CUSTOMER INCENTIVES B2C CASINO

- H1 2013 Casino bonuses continues to support growth, demonstrating the optimal CRM efforts

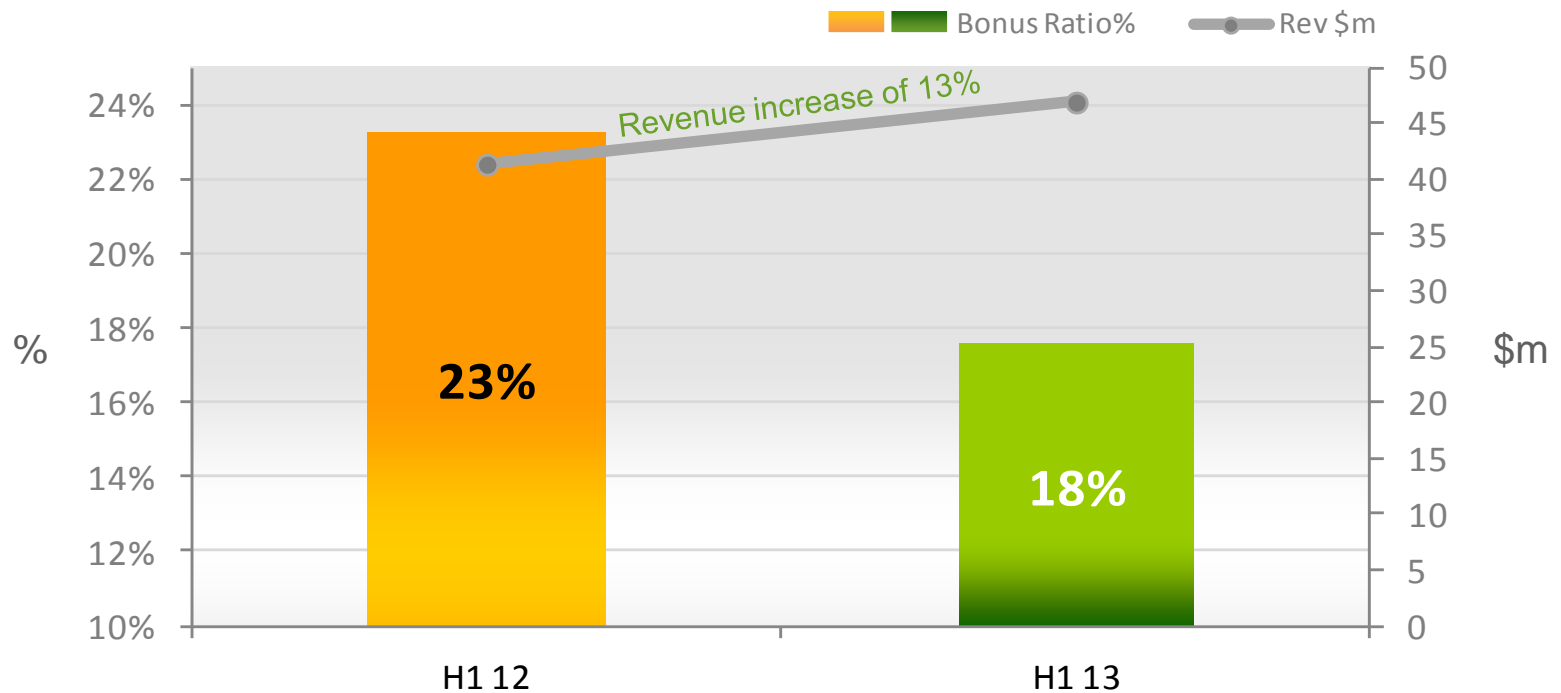
Customer Bonuses as % of Revenue



# CUSTOMER INCENTIVES B2C POKER

- Poker bonus ratio decreased, coupled with revenue growth and leading market position in Spain

Customer Bonuses as % of Revenue



# BALANCE SHEET

\$m	30-Jun-13	30-Jun-12
<b>Non-current assets</b>		
Intangible assets	149.8	145.3
Property, plant and equipment	17.3	18.2
Deferred tax & Other financial assets	0.2	0.4
Investment in equity accounted joint ventures	0.4	1.2
	<b>167.7</b>	<b>165.1</b>
<b>Current assets</b>		
Cash and cash equivalents	89.3	68.3
Trade and other receivables	30.8	21.8
Short term investments	3.6	0.9
<b>Total Assets</b>	<b>291.4</b>	<b>256.1</b>
<b>Equity</b>		
Share capital and share premium	4.0	3.3
Retained earnings and reserves	155.8	134.5
<b>Total equity attributable to equity holders</b>	<b>159.8</b>	<b>137.8</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	80.1	71.4
Customer deposits	49.3	46.2
Contingent consideration	0.6	0.7
<b>Non-current liabilities</b>		
Cash settled liability	1.6	0.0
<b>Total equity and liabilities</b>	<b>291.4</b>	<b>256.1</b>

\* Rounded

# CASH FLOW STATEMENT

\$m Six months Ended 30 June	H1 2013	H1 2012
<b>Cash flows from operating activities</b>		
Profit before income tax	35.5	18.4
Share benefit charges	2.5	0.8
Depreciation & amortisation	6.8	7.0
Change in current assets and liabilities	(2.2)	10.5
Other non cash adjustments	(2.4)	(0.1)
<b>Cash generated from operations</b>	<b>40.2</b>	<b>36.6</b>
Income tax paid	(1.9)	(2.3)
<b>Net cash generated from operating activities</b>	<b>38.3</b>	<b>34.3</b>
Acquisitions	(0.6)	(36.4)
Purchase of property, plant and equipment	(3.0)	(6.0)
Internally generated intangible assets	(4.7)	(3.8)
Other investment activity	(0.1)	5.3
<b>Net cash used in Investing Activities</b>	<b>(8.4)</b>	<b>(40.9)</b>
Interest paid	0.0	(1.0)
Issue of shares	0.7	0.0
Dividends paid	(22.8)	0.0
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>7.8</b>	<b>(7.6)</b>
Cash and cash equivalents - beginning of period	81.5	75.9
<b>Cash and cash equivalents - end of period</b>	<b>89.3</b>	<b>68.3</b>

\* Rounded



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**ITAI FRIEBERGER, COO** | OPERATIONAL REVIEW

# WE'VE BEEN BUSY...



# WE'VE BEEN BUSY...

- CASINO

- New game platform deployed – NetEnt
- New games developed by in-house game studio – excellent performers to date
- Magic888 – first real money facebook Casino

- POKER

- Climbed to #4 position in Pokerscout.com
- Ongoing, meticulous network management
- Continued execution of marketing strategy complementing the Poker ecology

- SPORT

- New Sport platform deployed – Kambi

# WE'VE BEEN BUSY...

- BINGO

- New game platforms deployed – NetEnt, Williams
- Existing partnerships extended while new skin signed and deployed over Dragonfish Bingo Network
- Bingo B2C operations streamlining

- PLATFORM

- Additional analytics and real time campaign features added
- Regulation adaptations (US, Italy, Spain)
- Infrastructure deployment in US – 3 data centers

- MOBILE

- Deployed new iOS and Android Poker and Casino apps
- New mobile Bingo product, showing good traction



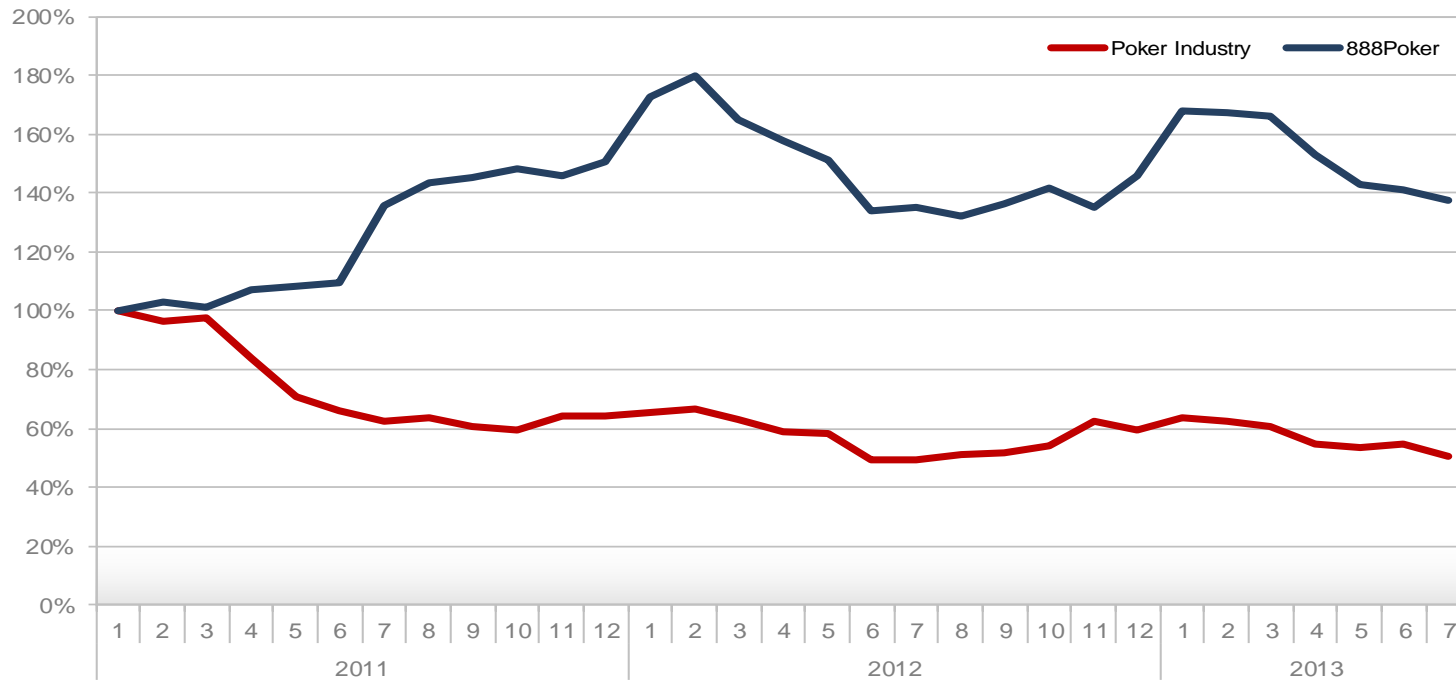
# WE'VE BEEN BUSY...

- Won Delaware Lottery bid and commenced delivery
- Nevada deployment imminent
- Licensing and deployment effort in NJ (CSIE application and CIE license partnership)



# POKER LIQUIDITY

Poker Liquidity trend change since Jan 2011



Source: pokerscout, July 2013



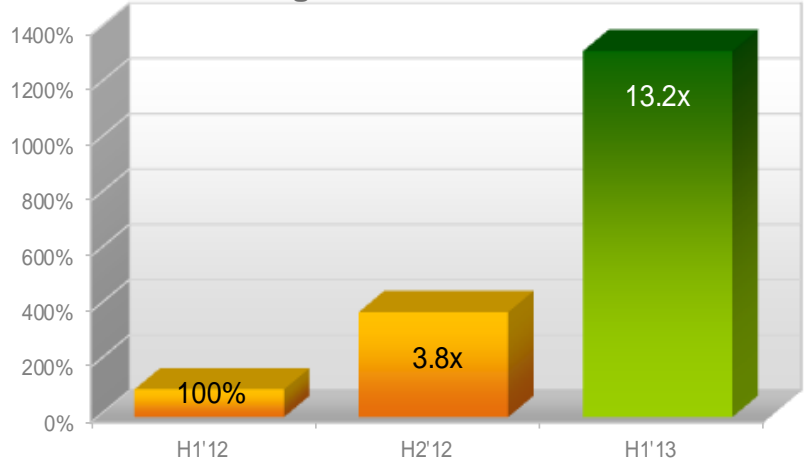


# MOBILE REVENUE IN UK

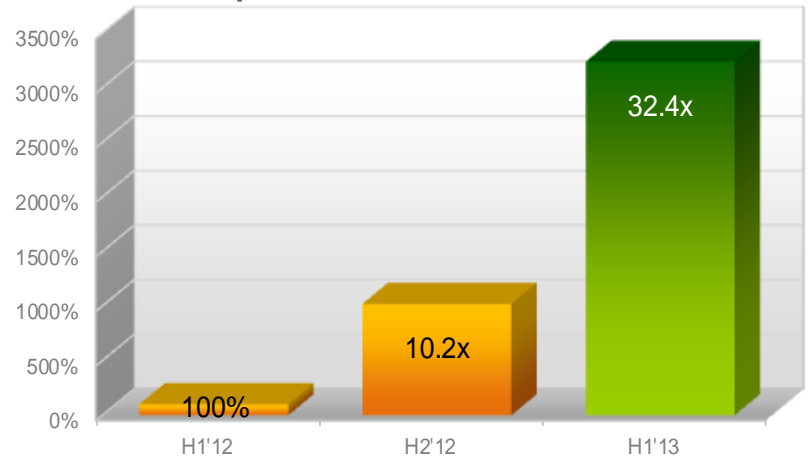


## Mobile Share in UK (ex Bingo)

Gross Gaming Revenue



New Depositors



# REGULATED MARKETS

## FROM PENETRATION TO SUSTAINABLE GROWTH

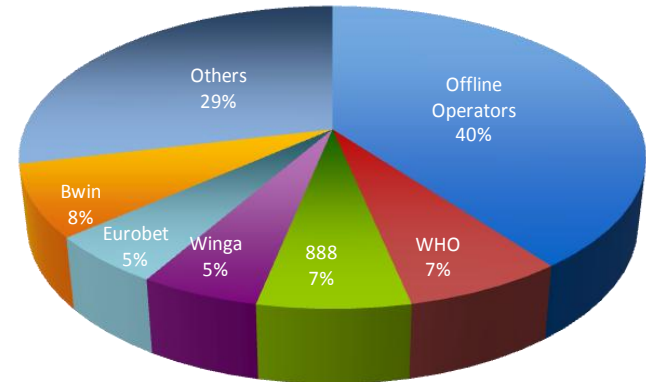
### Italy

- Maintaining Casino Market Share
- Continued optimized marketing campaigns
- Video Slots position 2013 Revenues on a different, higher level
- Continue deployment of games through H2 2013

### Spain

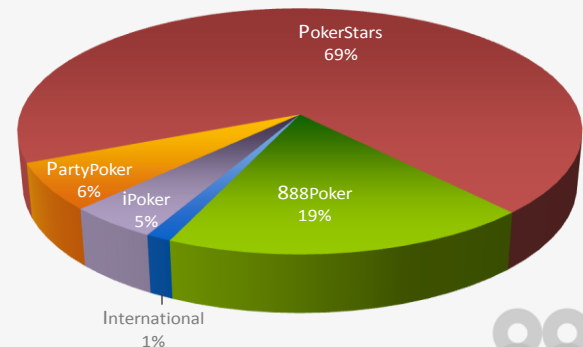
- Maintaining ~20% market share and leadership in Casino and Poker
- Launch complimenting products to drive acquisition cost down and LTV up

Italian online Casino market share  
(March 2013)



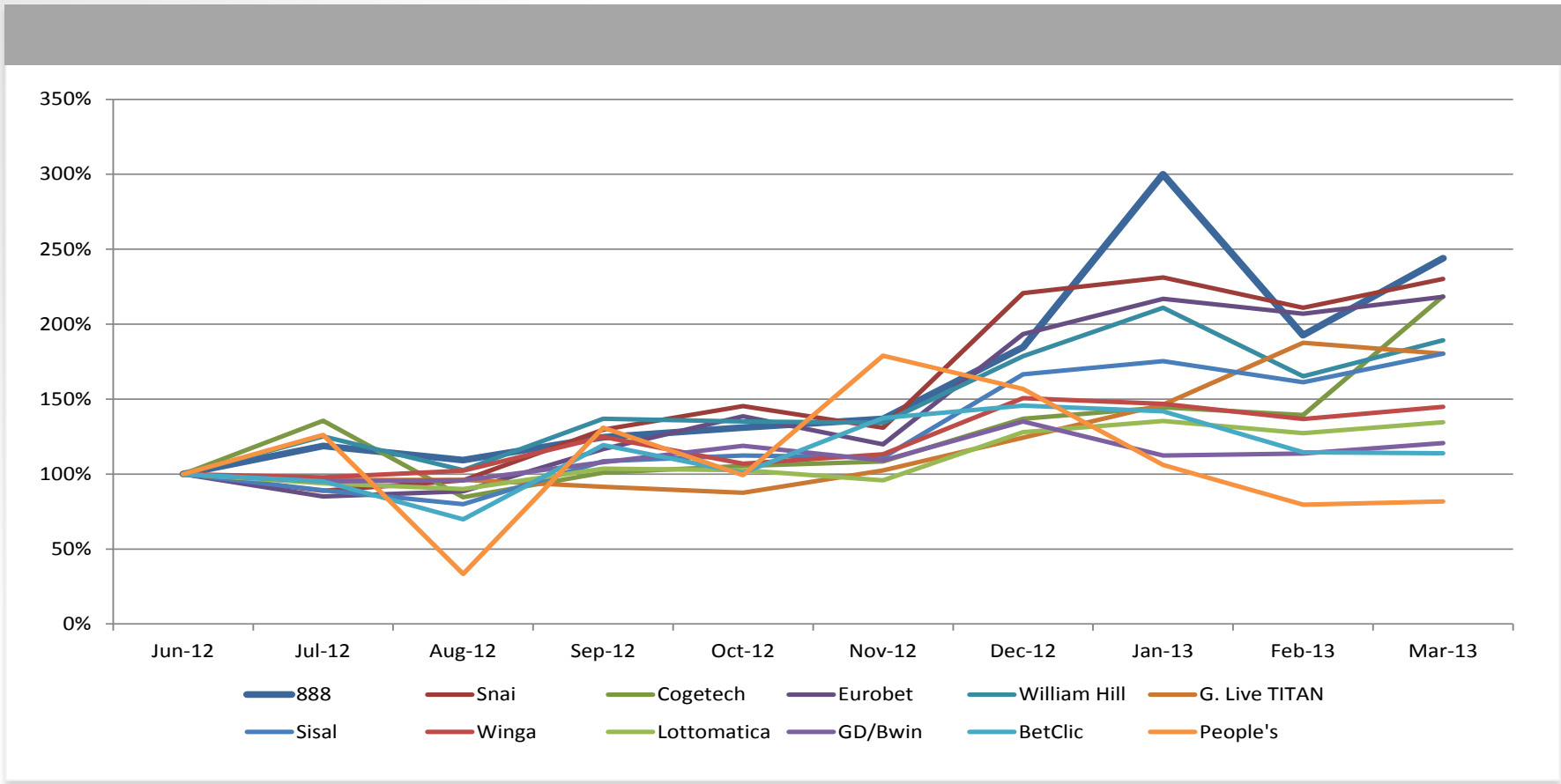
Source: AAMS

Spanish liquidity market share  
(Jan13 to June 13)



Source: Pokerscout

# CASINO MARKET SHARE TREND IN ITALY

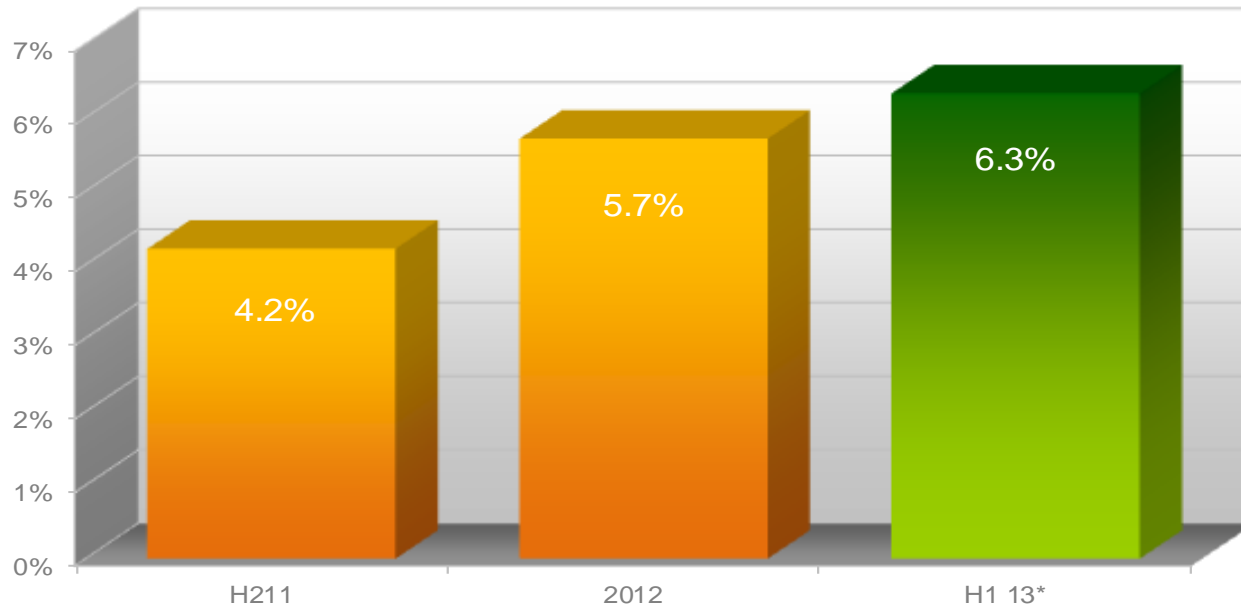


Source: AAMS



# 888.it MARKET SHARE

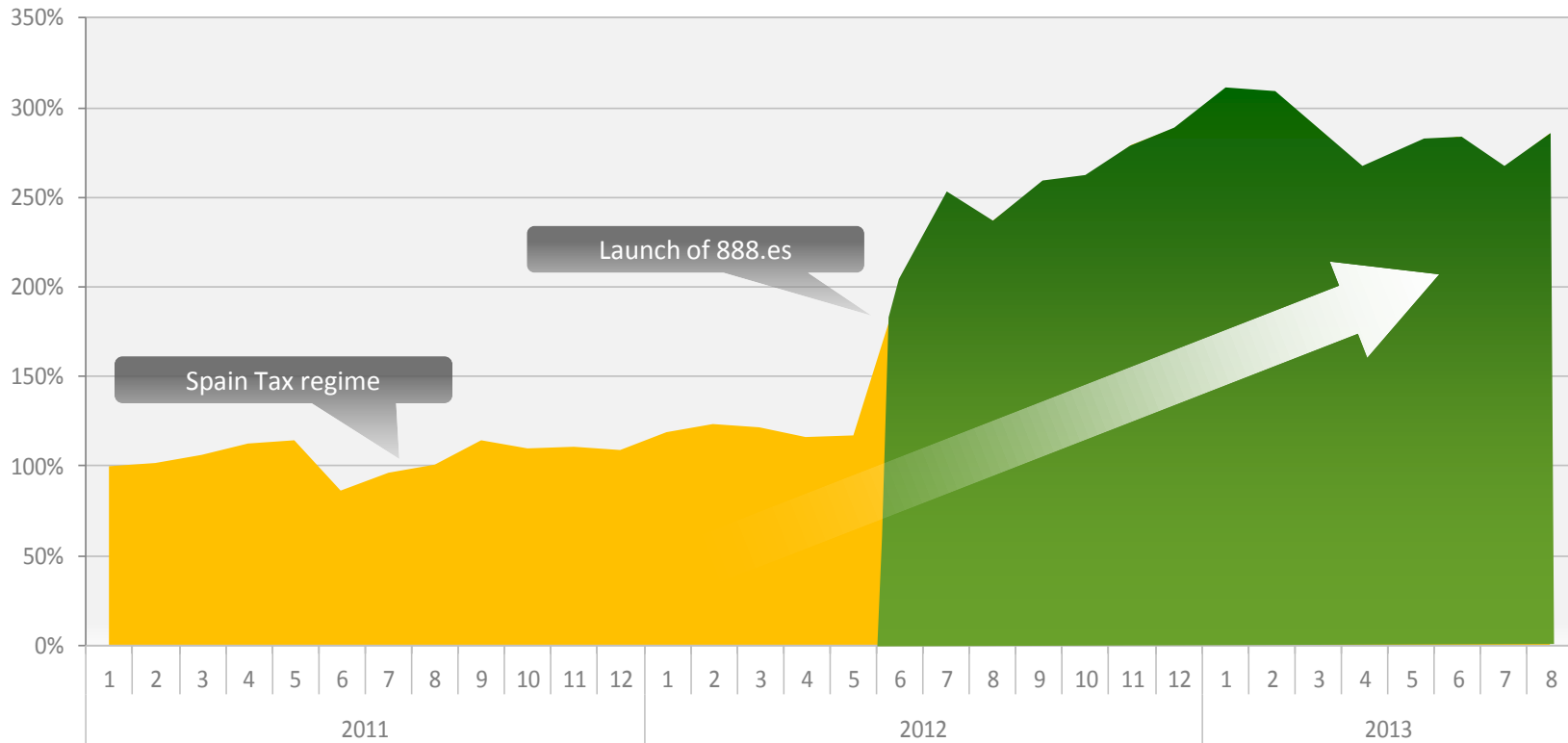
Italian Online Casino market share



\* According to Internal estimations

# 888.es POKER GROSS GAMING REVENUE

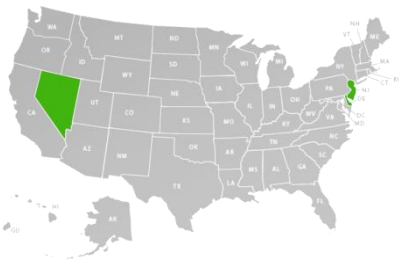
## 888 Spain Poker GGR Growth





# USA

- Preparation for launch in NV, DE and NJ during H2
- 888 brand to be deployed in NV through partnership with Treasure Island and in NJ through CIE (Caesars Atlantic City)
- 3 brands to be deployed in DE (Lottery sub-licensees)
- 3 data centers in final stages of deployment
- Following discussions about pooled liquidity between the different regulations



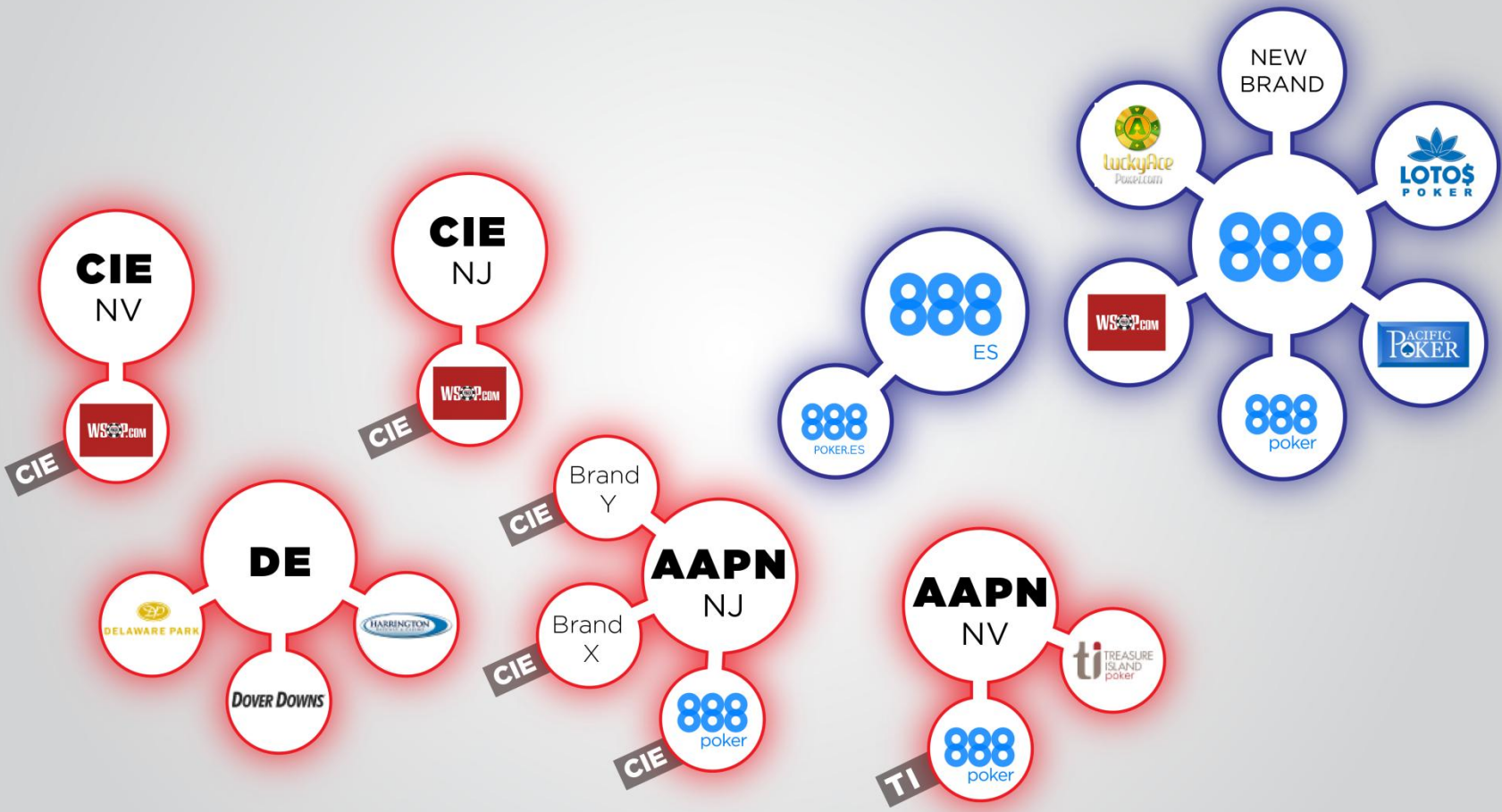
# THE 888 NETWORK - 2013



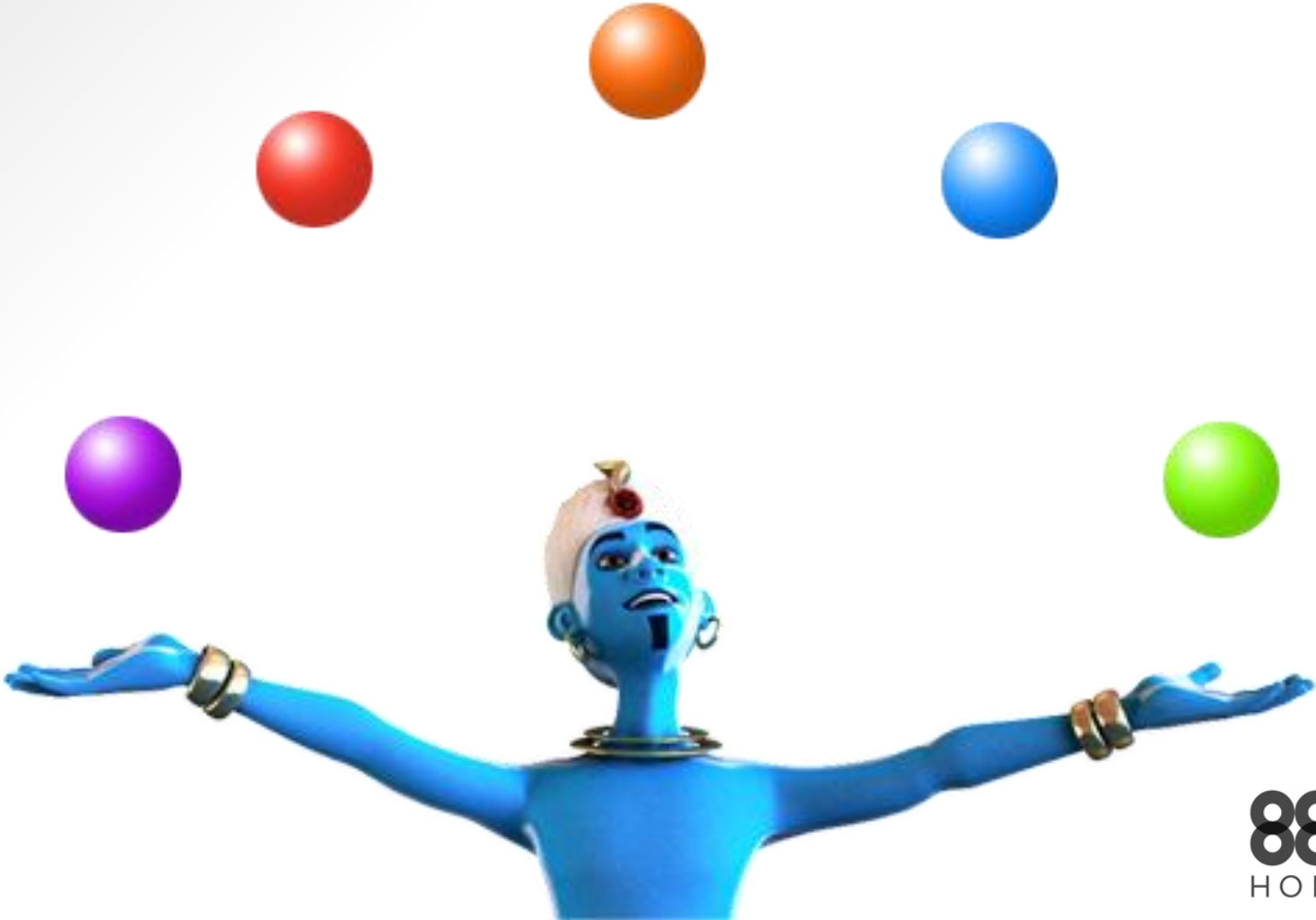
# THE 888 NETWORK - US



# THE 888 NETWORK - 2014



# SUMMARY





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**BRIAN MATTINGLEY, CEO | SUMMARY**

# SUMMARY AND OUTLOOK

- Another record H1 results
- US becoming a reality
- Strong momentum in mobile medium
- Continued growth in regulated markets
- Investment under-way to capitalise on opportunities
- Highly motivated and committed team
- Current trading in line with expectations



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Q&A





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## Appendix

# CHARGEBACK & PSP FEES

- Improved Chargeback and PSP ratios, leveraged by continued optimisation efforts
- H1 2013 at **6.4%** of total revenue (H1 2012: 7.1%)

Chargebacks & PSP fees as % of Total Revenue

