



Results for the Year ended  
31 December 2010



# Agenda

**Gigi Levy**

Introduction

**Aviad Kobrine**

Financial Review

**Gigi Levy**

Operating Review  
Regulation

**Gigi Levy &  
Aviad Kobrine**

Summary and Q&A



## Highlights<sup>†</sup>

- Revenue **\$262m**, up **6%**
- Revenue B2C **\$222m**, up **13%**
- Revenue B2B **\$40m**, down **21%** but **4%** up on a pro-forma<sup>1</sup> basis
- Revenue B2C Bingo **\$50m**, up **370%**
- Revenue B2C Emerging Offering **\$16m**, up **12%**
- EBITDA<sup>2</sup> **\$29m** down **37%** mainly due to poker and increased marketing
- Strong Q4 followed by strong current trading

<sup>†</sup> All figures in this presentation are extracted from 888's financial statements as published where available.  
Totals may not sum due to rounding.

<sup>1</sup> On the basis that Wink remained a B2B licensee and revenue from certain licensees recognised on gross basis.

<sup>3</sup> <sup>2</sup> Excluding share benefit charges, F/X and restructuring costs





## Financial Review



## Profit and loss account

\$m <sup>1</sup>	2010	2009
<b>Revenue</b>	<b>262.1</b>	<b>246.7</b>
Operating expenses <sup>2,3</sup>	98.7	89.9
Research and development expenses <sup>3</sup>	21.8	24.2
Selling and marketing expenses	91.5	67.3
Administrative expenses <sup>3,4,5</sup>	21.6	19.8
<b>EBITDA<sup>3,4,5</sup></b>	<b>28.6</b>	<b>45.6</b>
Depreciation & Amortization	(12.3)	(8.5)
Net finance, F/X, other	(1.2)	(2.5)
<b>Profit before tax<sup>3,5</sup></b>	<b>15.1</b>	<b>34.6</b>
Taxation	(2.7)	(2.7)
<b>Profit after tax<sup>3,5</sup></b>	<b>12.4</b>	<b>31.8</b>
<b>Basic earnings per share</b>	<b>3.6¢</b>	<b>9.2¢</b>

<sup>1</sup> Rounded

<sup>2</sup> Excluding depreciation & amortisation

<sup>3</sup> Excluding restructuring costs

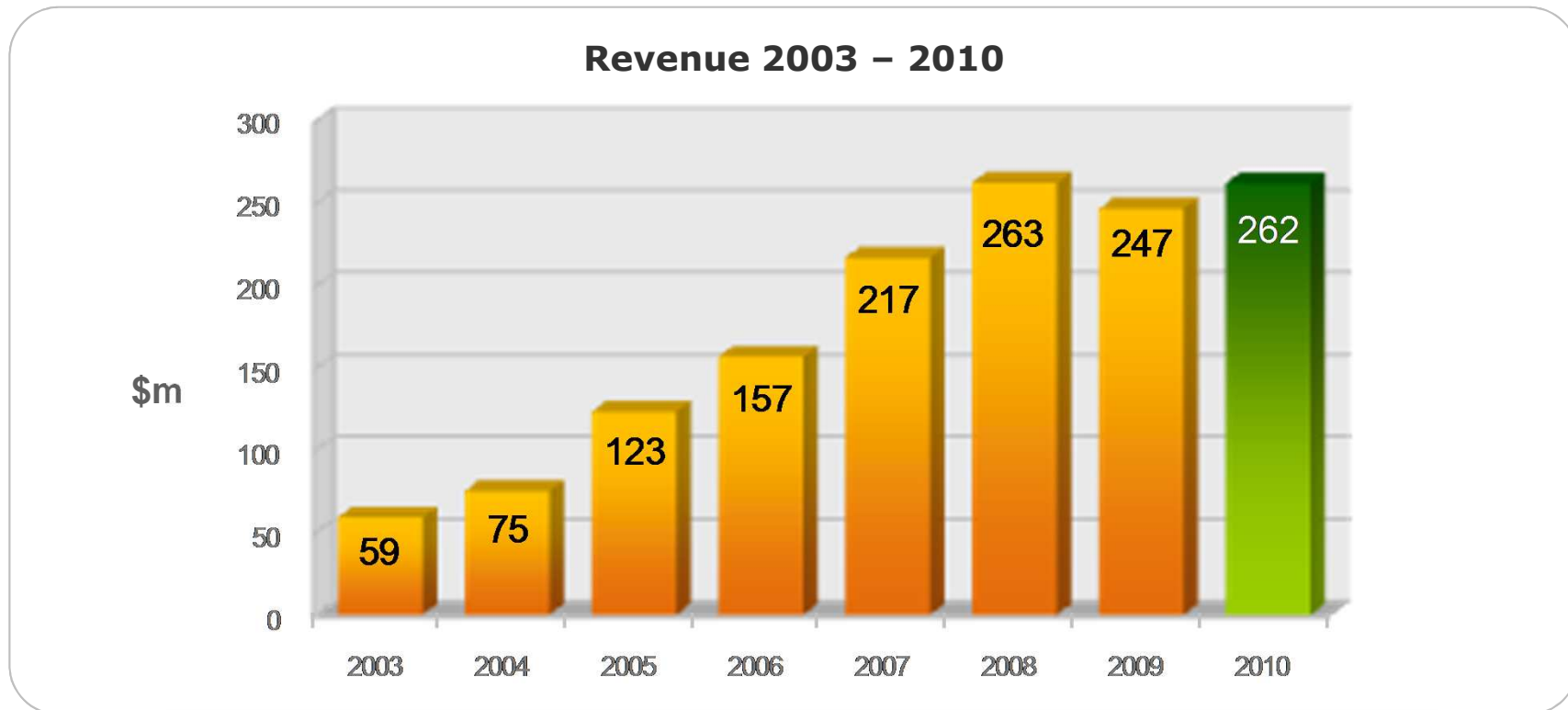
<sup>4</sup> Excluding exchange loss /gain

<sup>5</sup> Excluding share benefit charges



# Revenue

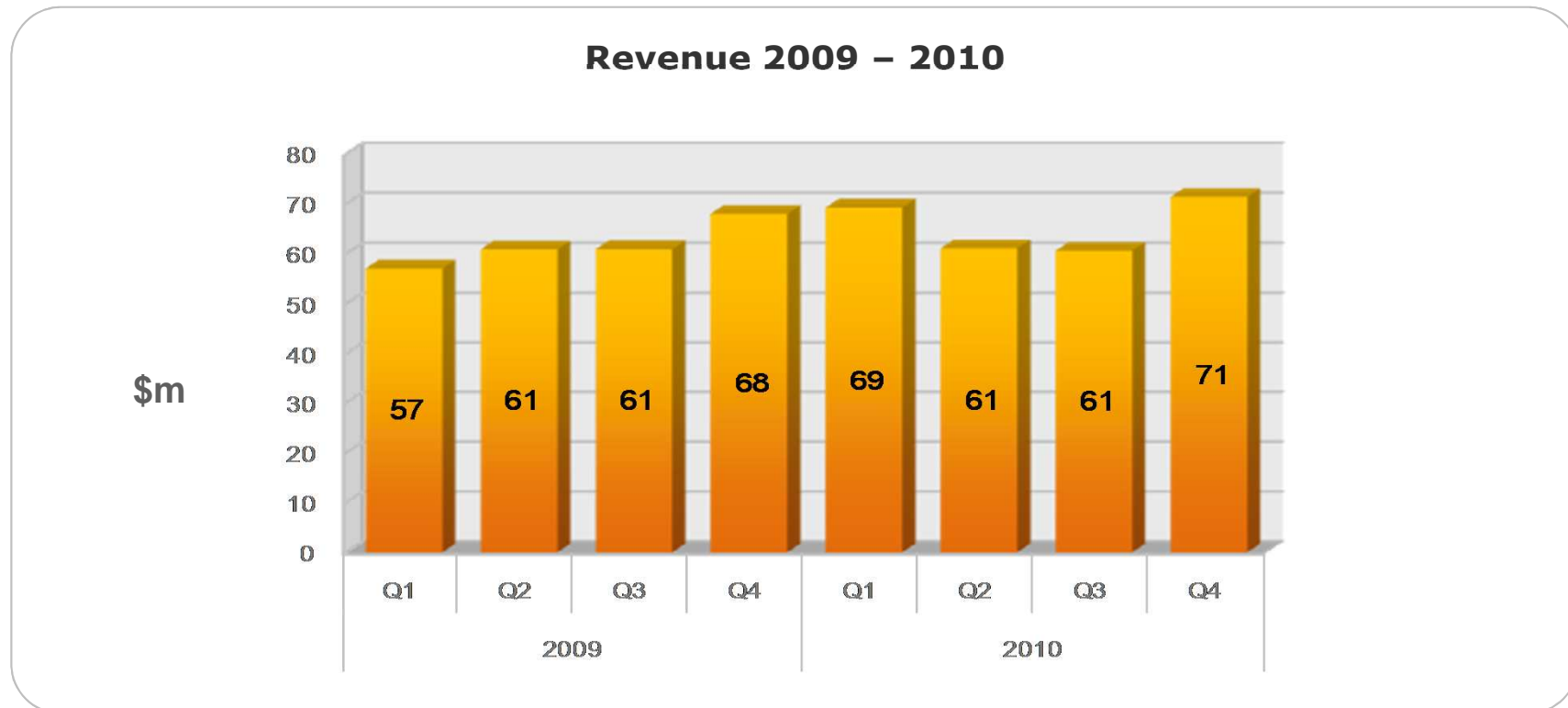
- 2010 - Revenue up **6%** to **\$262m** (2009: \$247m)
- Representing CAGR of 24%





# Revenue

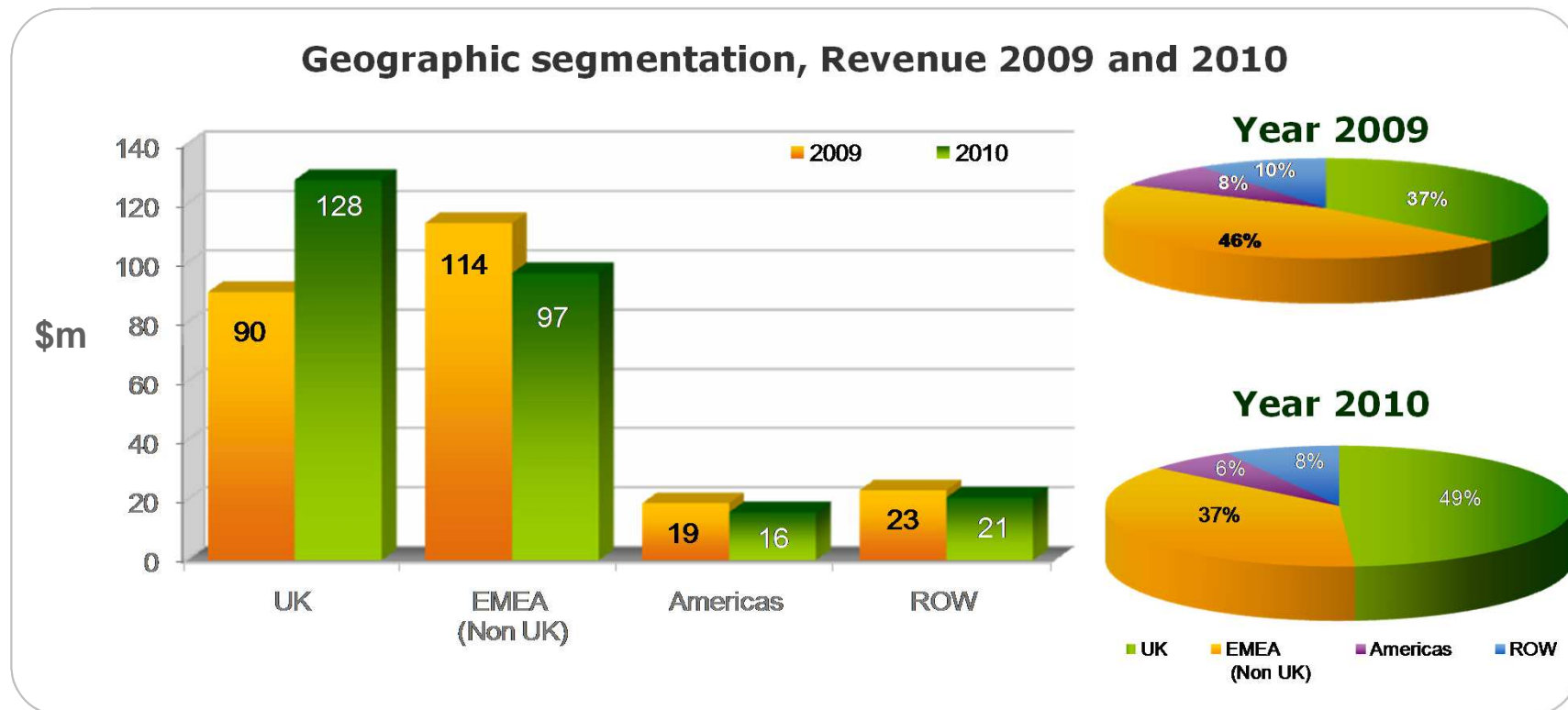
- Strong Q4 2010 Revenue up **18% from Q3 to \$71m**





# Geographic segmentation

- UK up **42%**, Europe (ex UK) down **15%**, Americas down **16%**, ROW down **10%**
- UK share grew to **49%** due to Wink Bingo acquisition

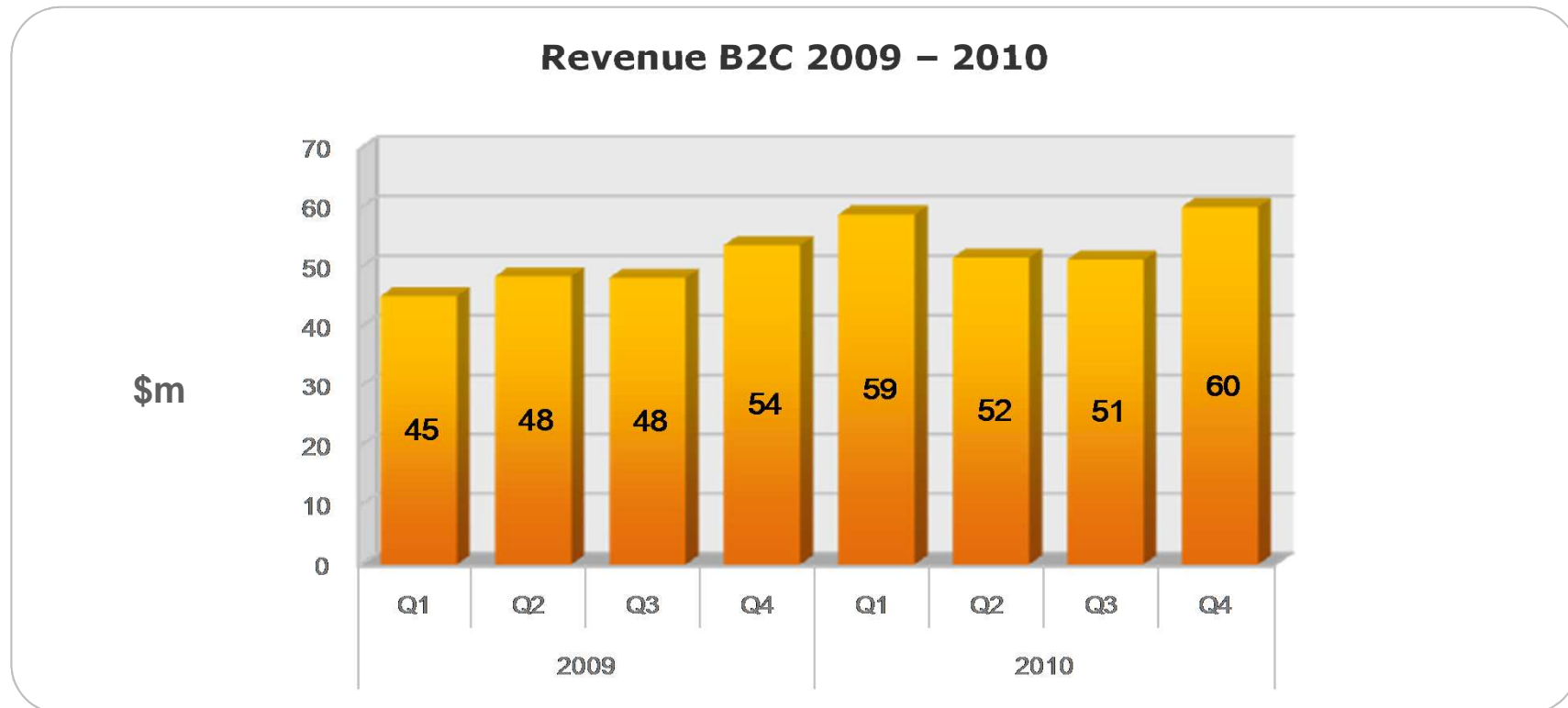






# Revenue B2C

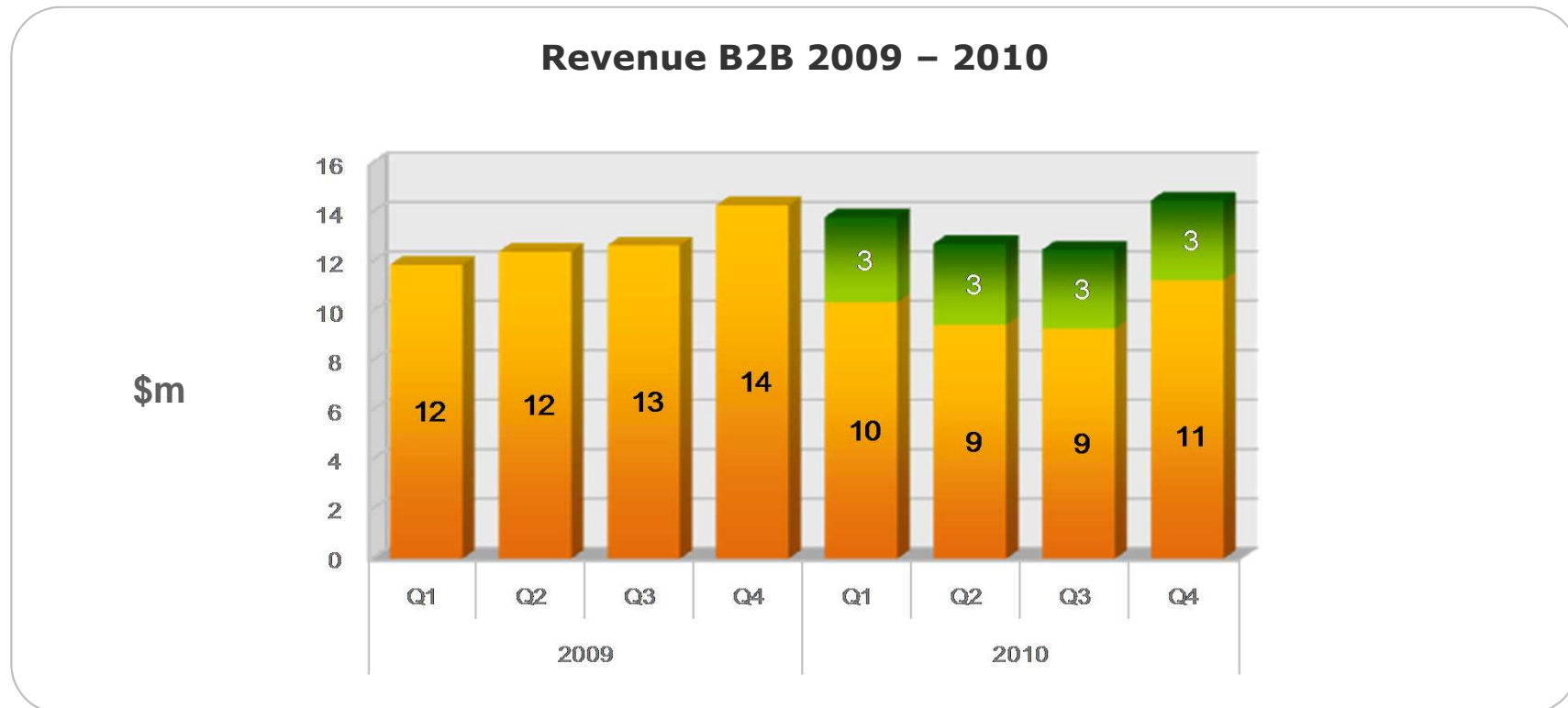
- Strong Q4 2010 Revenue to **\$60m** up **12%** on Q4 09 and up **17%** on Q3 10






## Revenue B2B

- Q4 2010 Revenue **\$11m** down **21%** on Q4 09, flat on a pro-forma basis

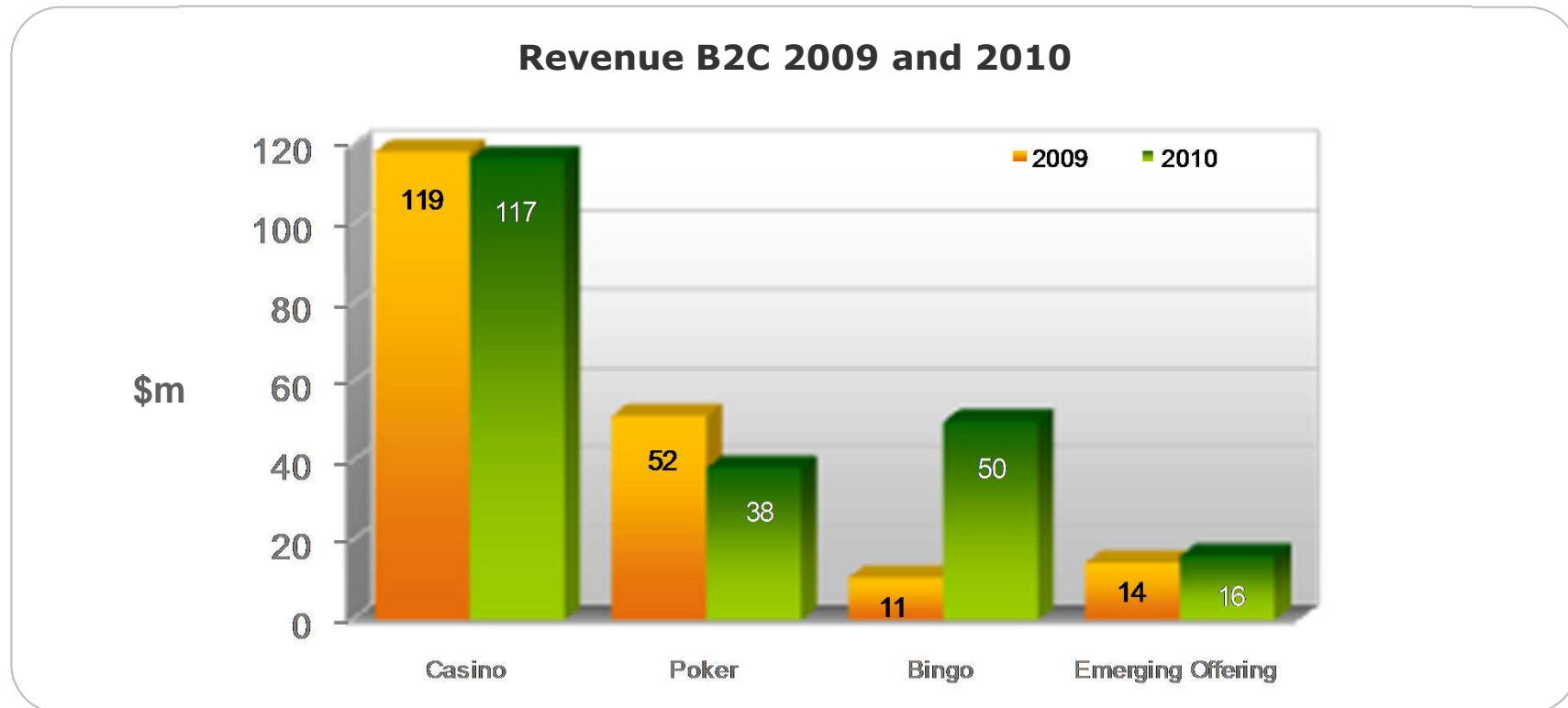


 Revenues that were reclassified to B2C as a result of Wink Bingo acquisition and changes in several licensees revenues recognition method from gross to net



## Revenue B2C by Product

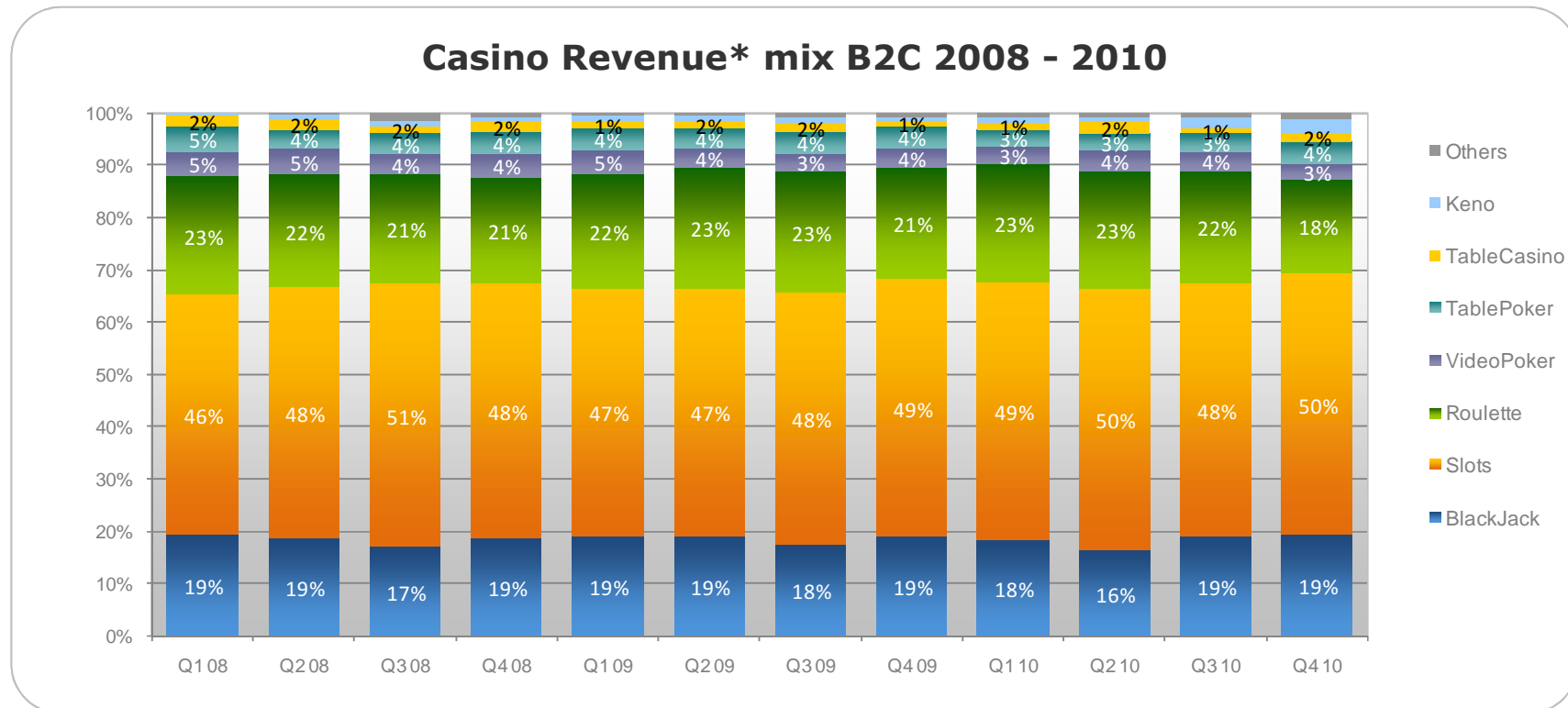
- Bingo up **370%**, Casino flat, Poker down **26%**, Emerging up **12%**
- Bingo growth driven by the acquisition of Wink bingo





# Casino Revenue\* mix B2C

- No significant change in Casino games mix



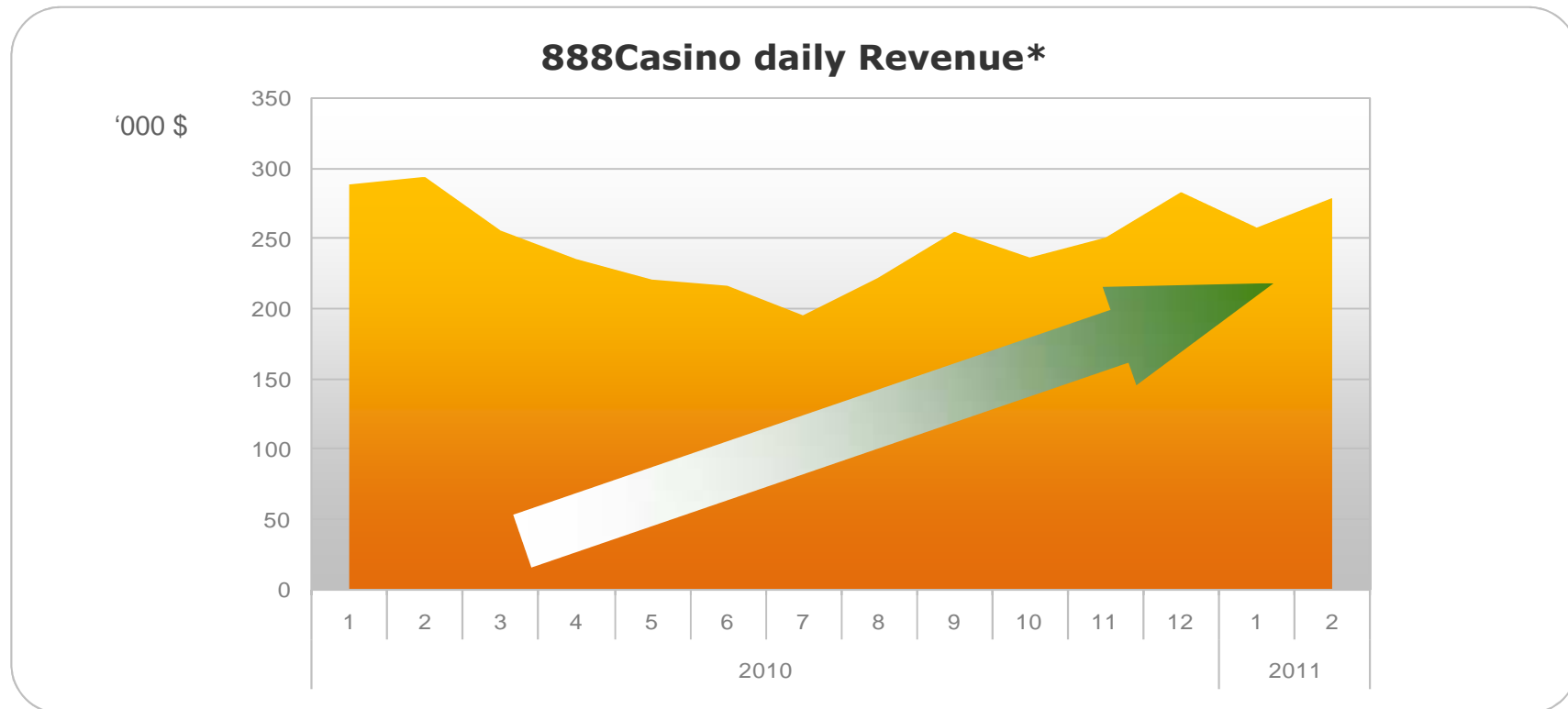
\*Revenue mix is based on *Casino House Profit = Bets-Wins*





# 888Casino Revenue Trend

- Daily revenue in Dec 2010 up **45%** vs. Jul 2010

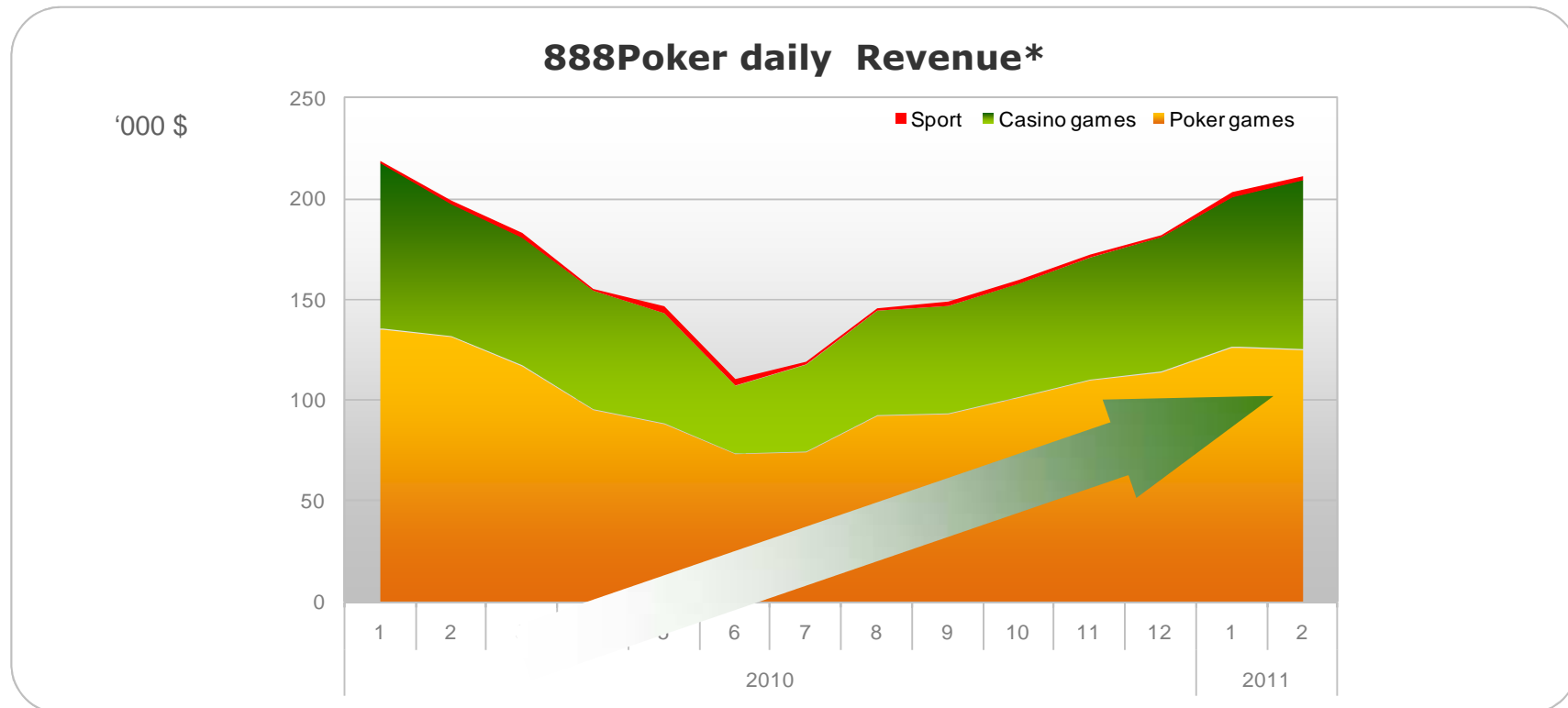


\*Revenue defined as Casino house profit – Bonus – Other adj.



# 888Poker Turnaround

- New Poker 6 launched in June 2010
- Dec 2010 daily revenue up **65%** and Feb 2011 up **92%** vs. Jun 2010

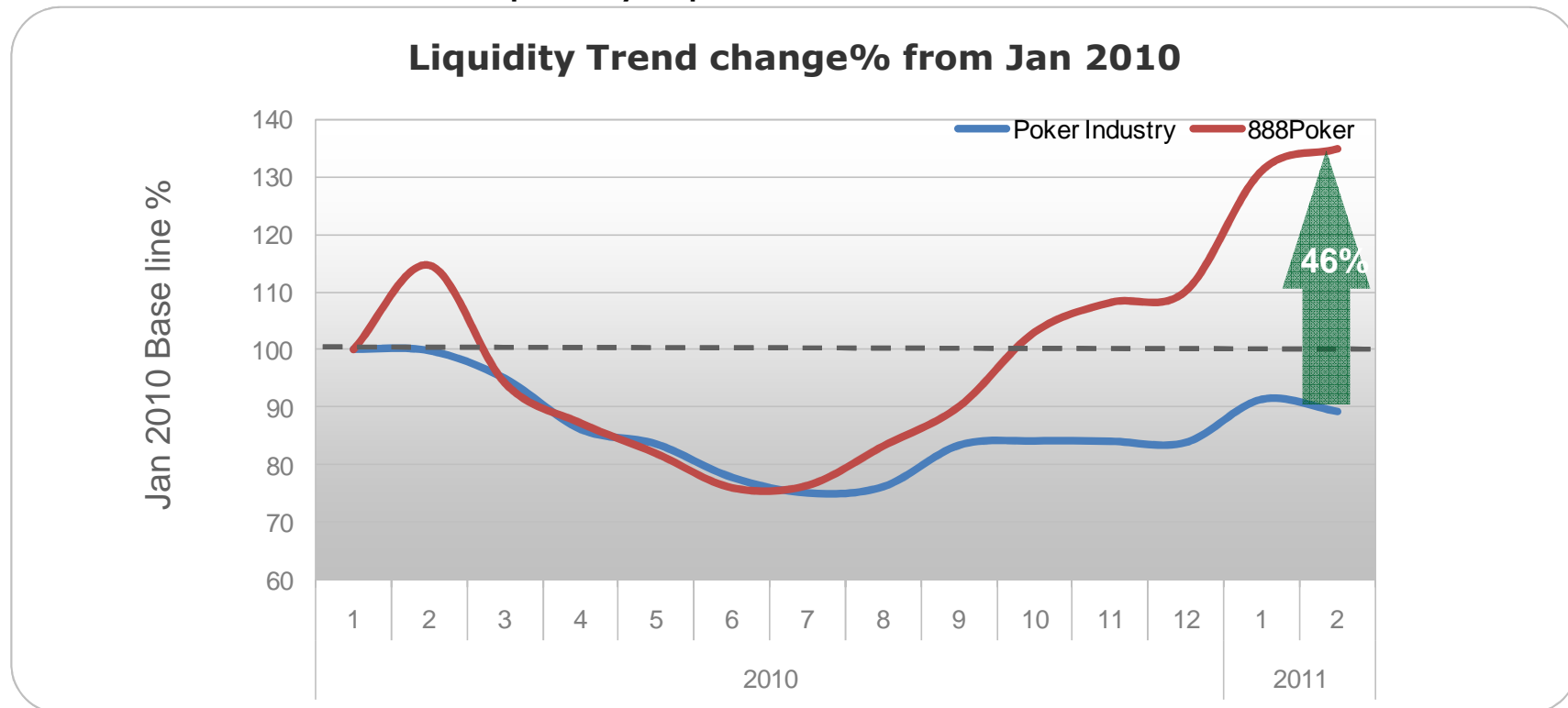


\*Revenue defined as rake + tournament fees + Casino house profit - Bonus -Other adj.



# Poker Industry Liquidity – Cash Games

- Feb 2011 Poker Industry liquidity down **11%** vs. Jan 2010
- Feb 2011 888Poker liquidity up **35%** vs. Jan 2010

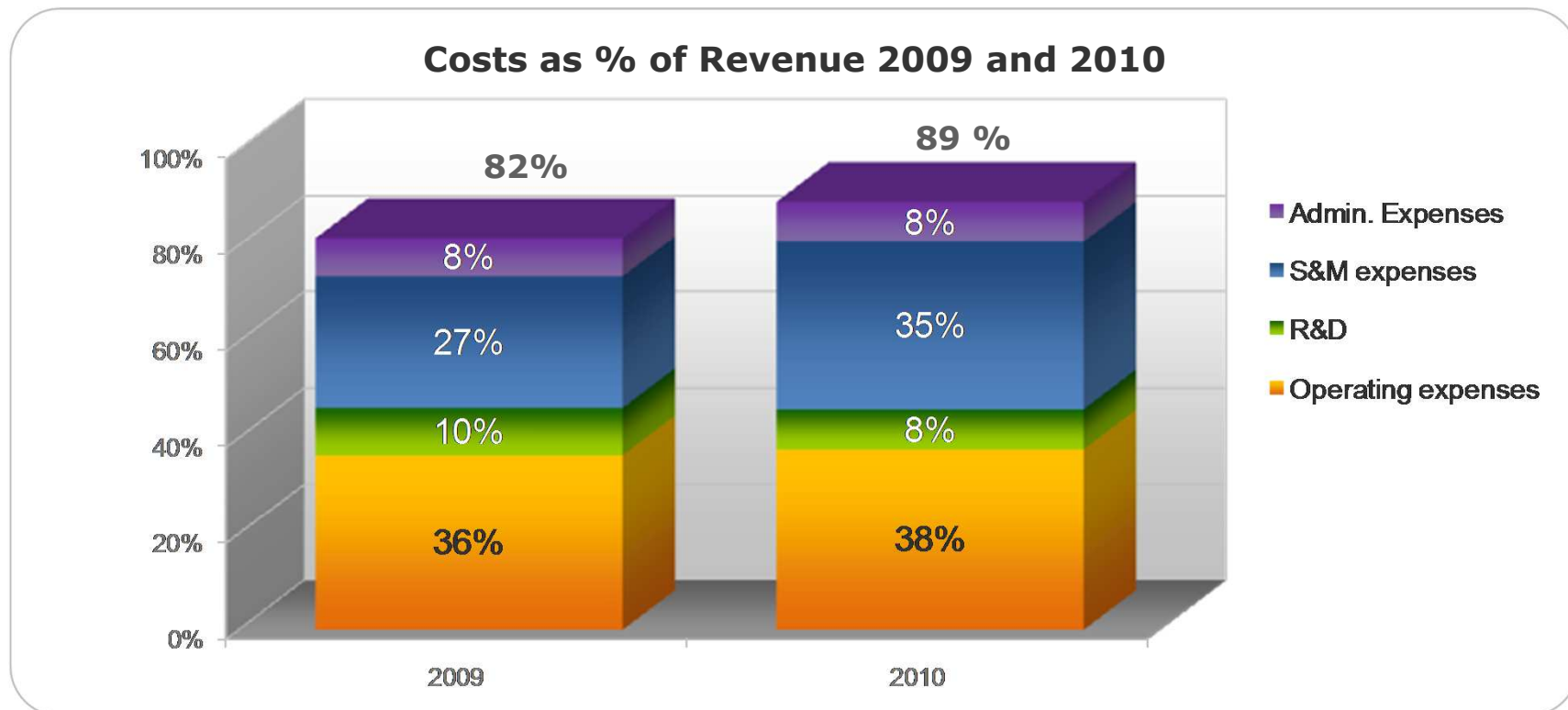


Source: Publicly available information



# Costs Breakdown

- Aggressive marketing investment resulted in reduced margins but result in strong trading in Q4 and Q1 2011



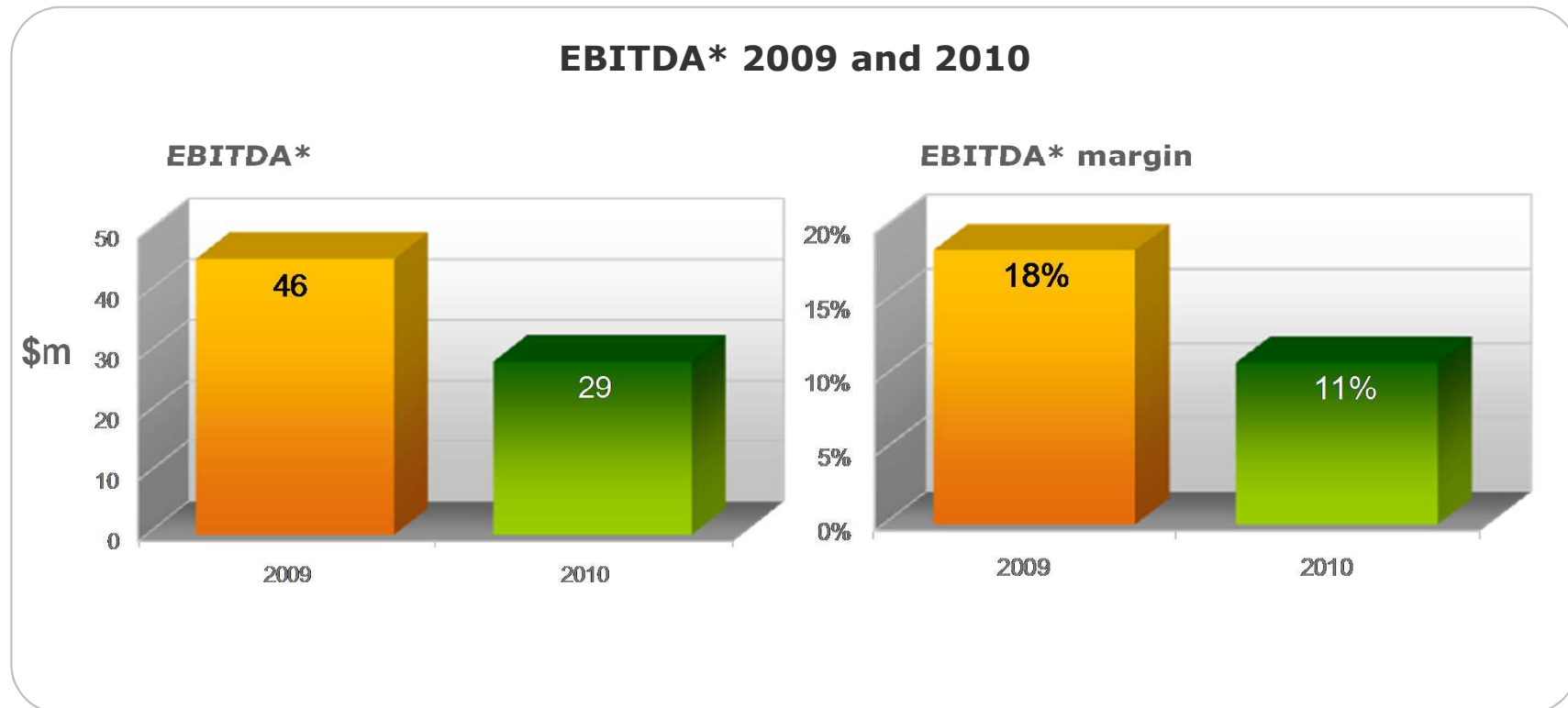
\*Excluding share benefit charges depreciation amortisation forex and restructuring





## EBITDA and EBITDA margin

- EBITDA\* **\$29m** (2009: \$46m)
- EBITDA\* margin **11%** (2009: 18%)

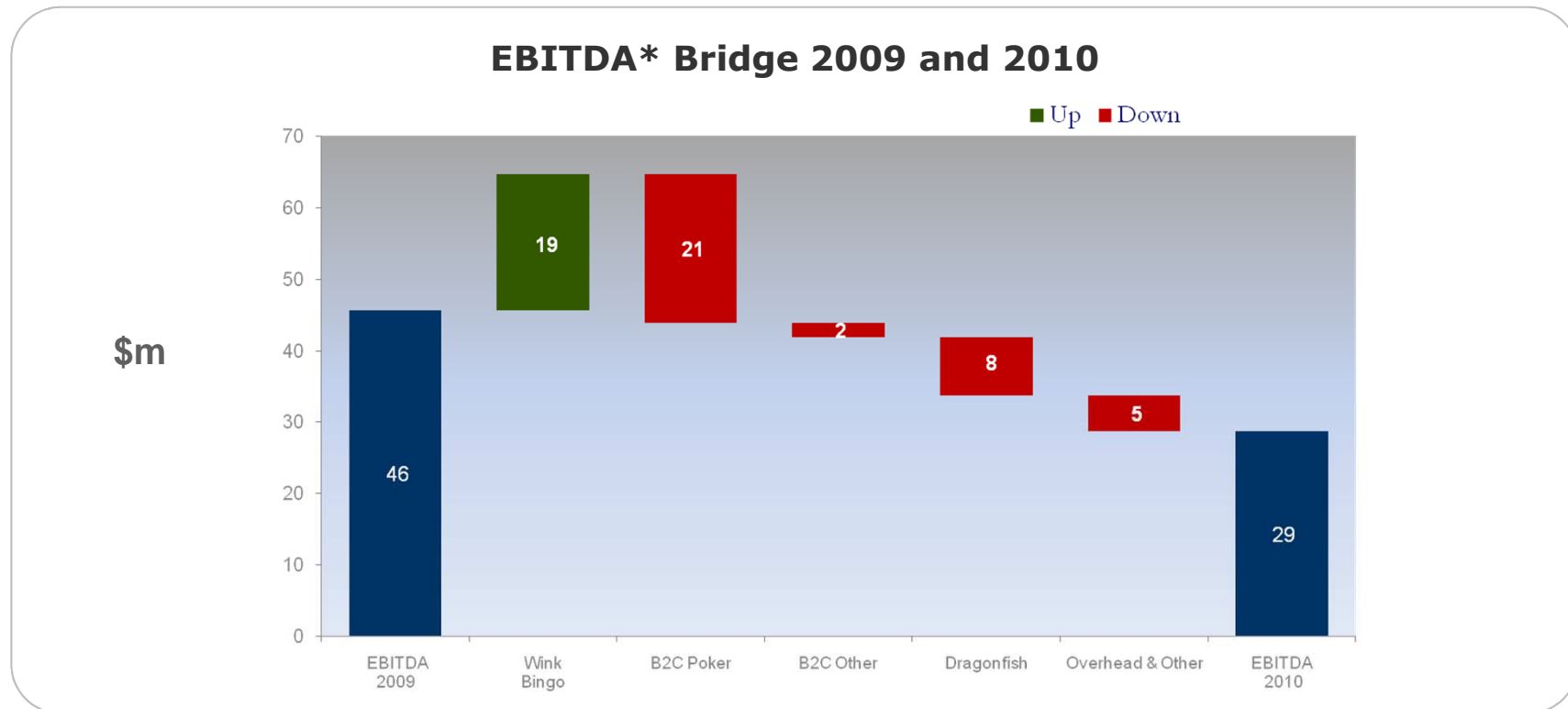


\*Excluding share benefit charges and restructuring costs



# EBITDA "Bridge" 2009 - 2010

- Newly acquired Wink Bingo showed strong results
- Offset by poker weakness in H1



\*Excluding share benefit charges and restructuring costs

The data represents contribution to EBITDA while overheads are shown separately

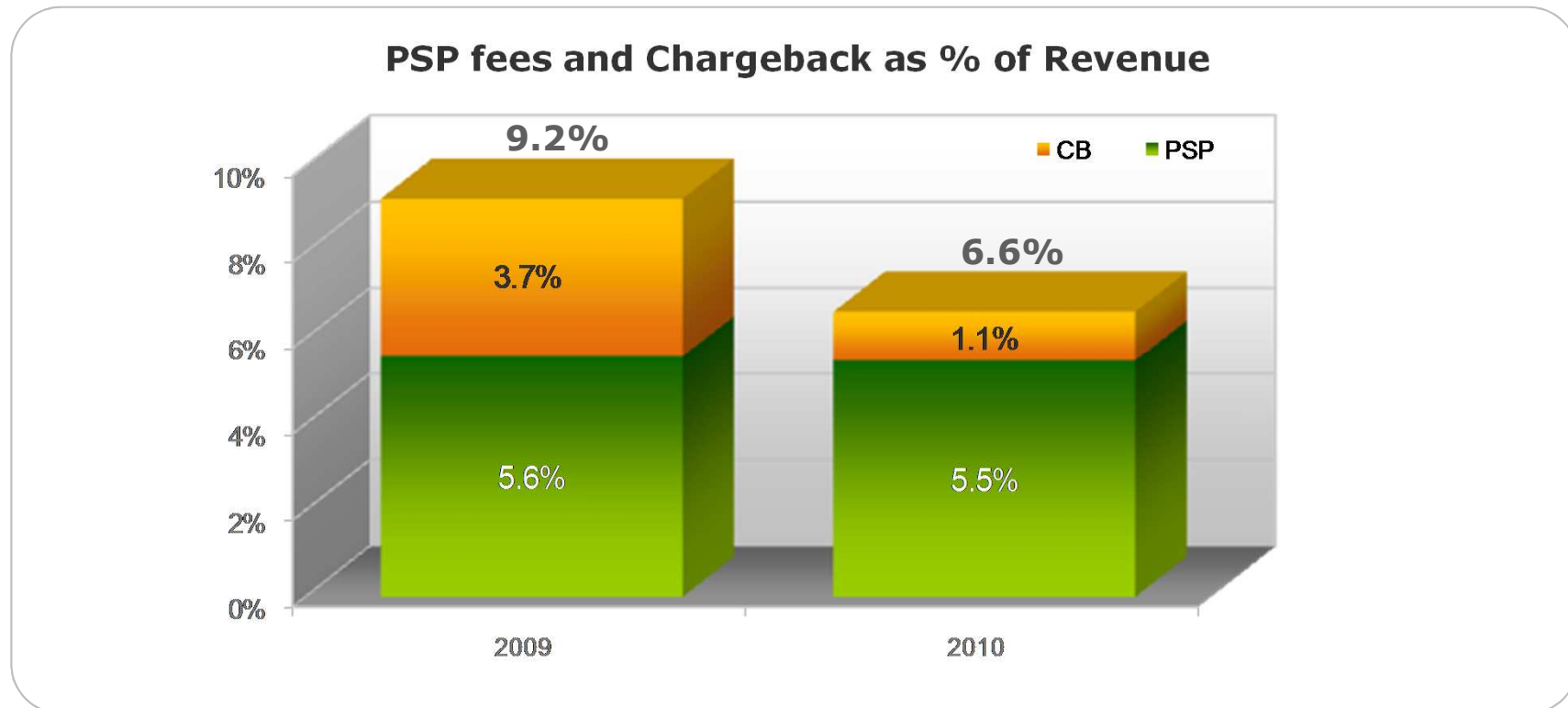
Dragonfish decline is impacted by the removal of Wink

B2C Other comprise: Casino, Sport,888Ladies, Asian Live Dealer and other



## Chargebacks & PSP fees - Group

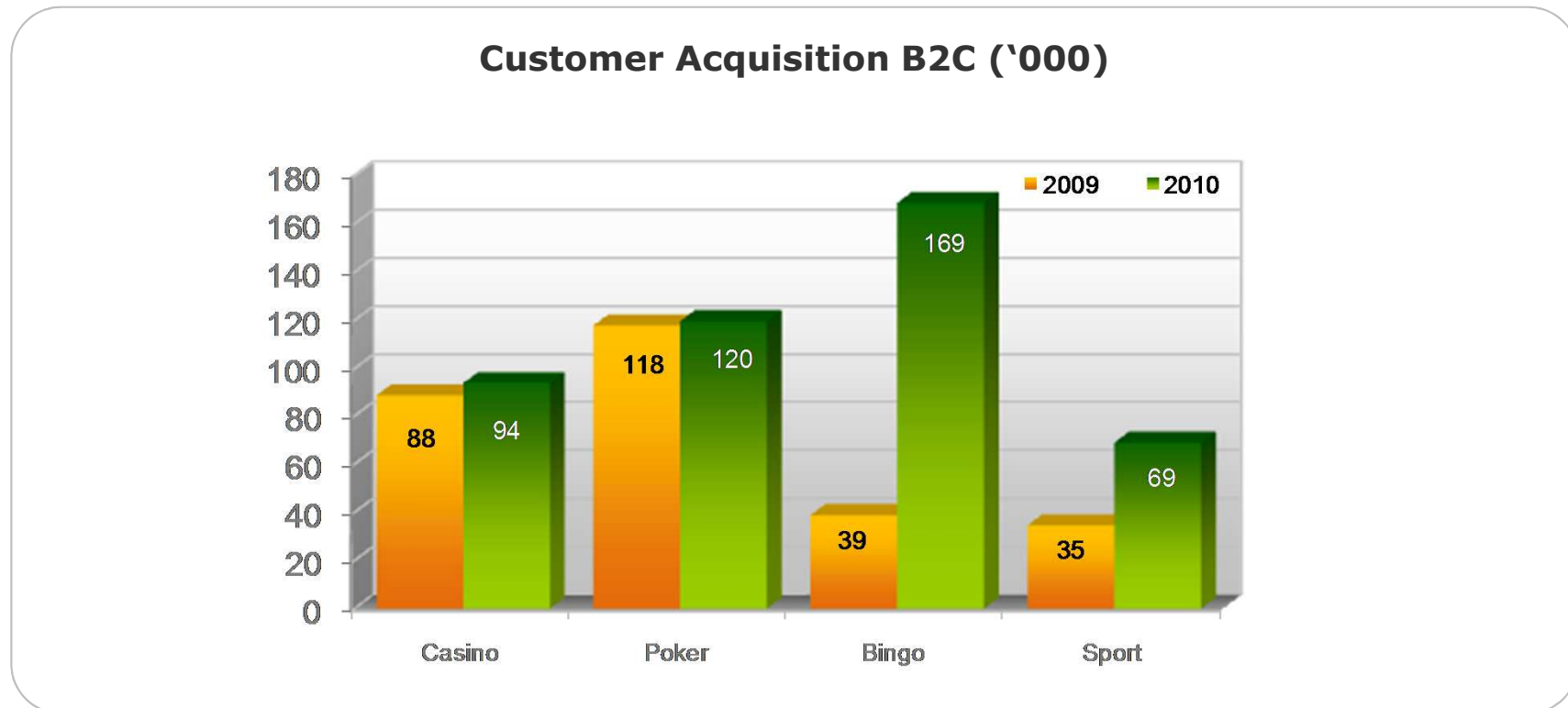
- PSP & CB at **6.6%** from Revenue (2009: 9.2%)
- Chargebacks back to normal rates





# Customer acquisition B2C

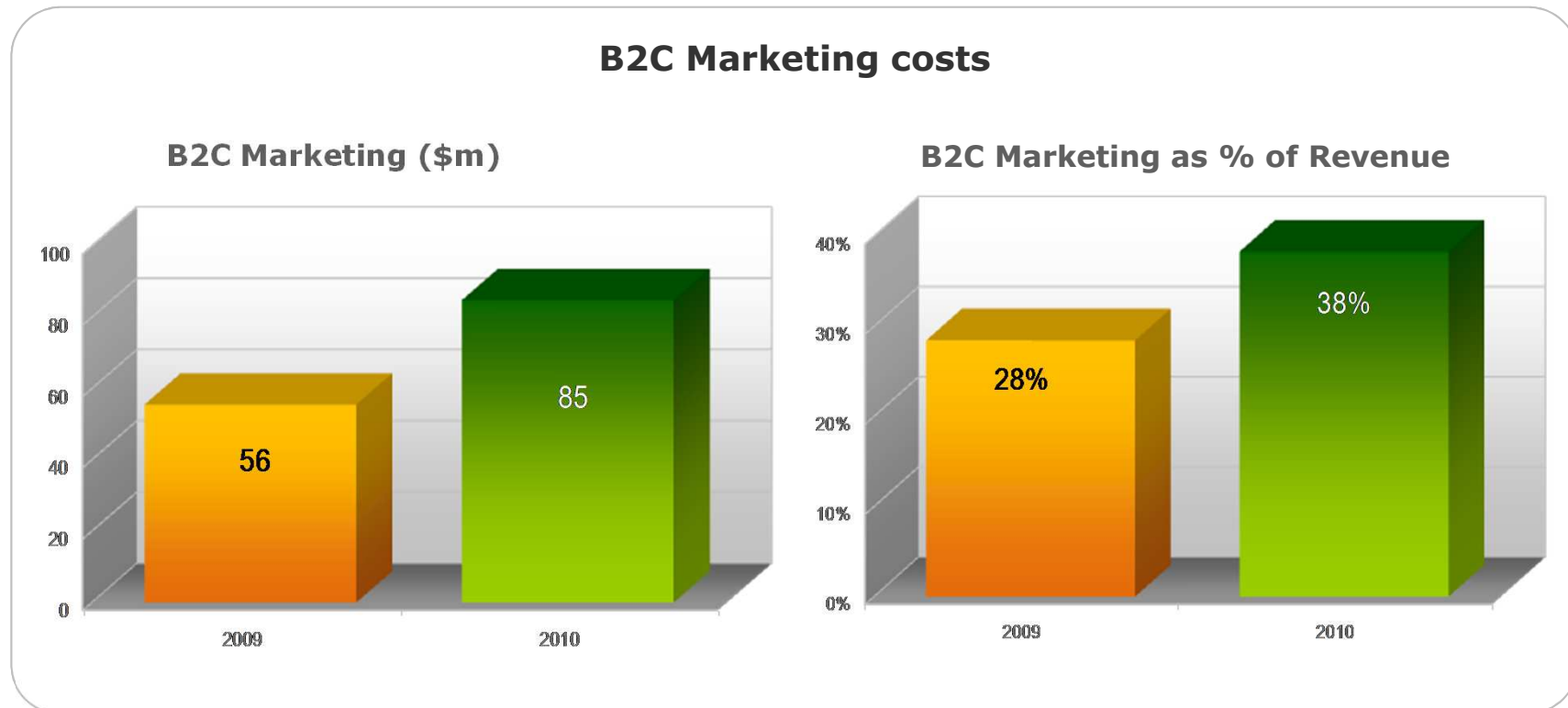
- 2010 B2C Casino and Poker FTDs **214,000** up **3%** over 2009
- 2010 B2C Bingo **169,000** up **339%** over 2009





# B2C Marketing Costs

- 2009 B2C Casino and Poker CPA at **\$201\*** (2009: \$177\*)
- Aggressive marketing investment in 2010

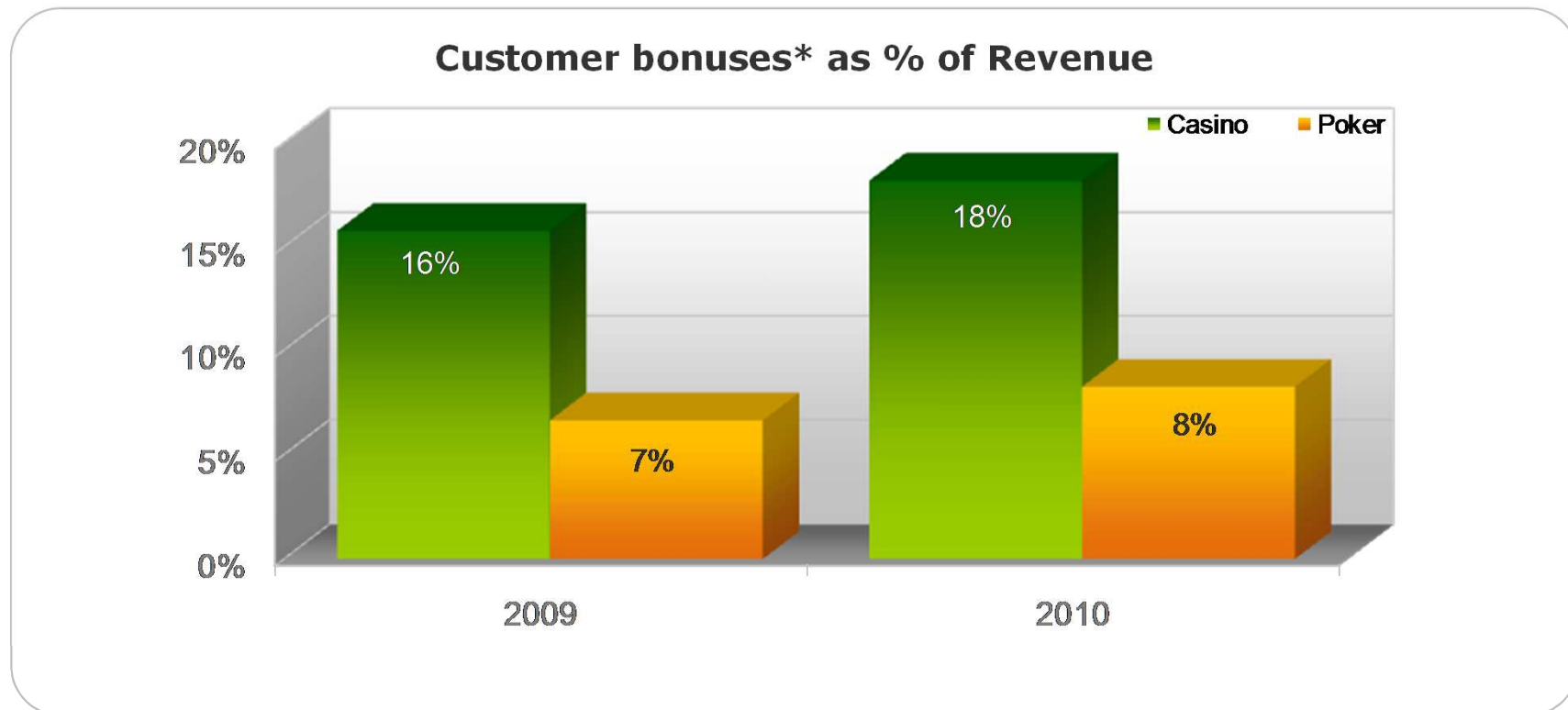


\*CPA - excluding revshare



# Customer Bonuses B2C Casino and Poker

- Under control, optimisation is maintained

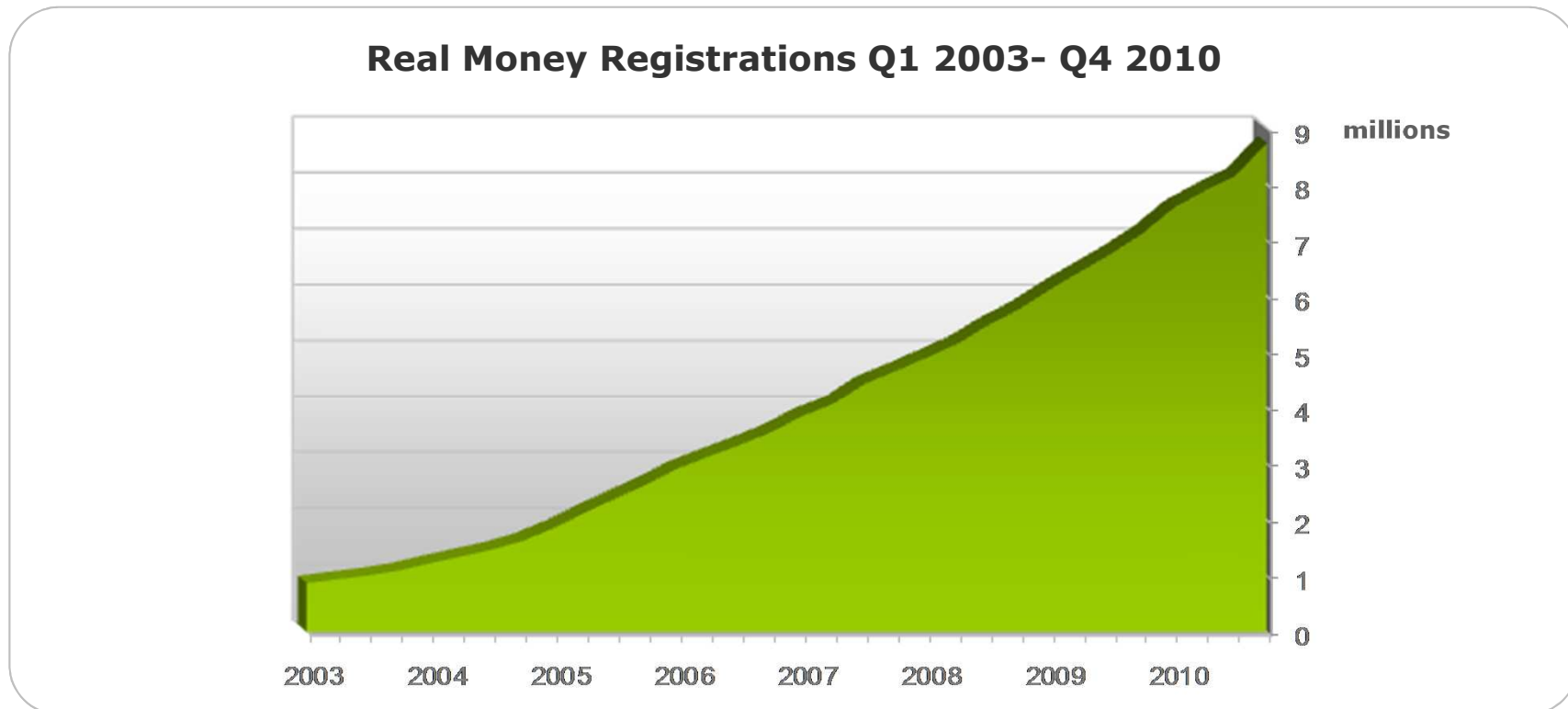


\*Bonus excluding converted loyalty points



# Strong Real Money Registrations Growth

- Registrations increased by **23%** reaching **8.7** million at Q4 2010
- Quarterly CAGR of **8%** between Q1 2003 to Q4 2010.





# Balance Sheet as at 31 December

\$m	2010	2009
<b>Non-current assets</b>		
Intangible assets	162.3	70.8
Property, plant and equipment	21.5	21.0
Deferred tax & Financial assets	0.8	0.8
Investment in equity accounted joint ventures	1.3	-
	<b>185.9</b>	<b>92.6</b>
<b>Current assets</b>		
Cash and cash equivalents	61.5	87.5
Trade and other receivables	24.3	21.2
	<b>271.8</b>	<b>201.3</b>
<b>Total Assets</b>		
<b>Equity</b>		
Share capital	3.2	3.2
Retained earnings and reserves	113.7	117.9
<b>Total equity attributable to equity holders</b>	<b>117.0</b>	<b>121.1</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	37.8	38.9
Customer deposits	34.7	37.6
Contingent consideration	78.0	-
<b>Non-current liabilities</b>		
Contingent consideration	4.2	3.8
<b>Total equity and liabilities</b>	<b>271.8</b>	<b>201.3</b>





# Cash Flow Statement

<b>\$m Year to 31 December</b>	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities</b>		
Profit before tax	10.6	27.6
Share benefit charges	2.3	7.0
Profit before tax and Share benefit charges	<b>12.9</b>	<b>34.6</b>
Depreciation, impairment and amortisation	12.3	8.5
Interest and share of post tax profit in the JV	0.9	(0.6)
Change in current assets and liabilities	(6.2)	3.1
<b>Cash generated from operating activities</b>	<b>19.9</b>	<b>45.6</b>
Tax paid	(3.7)	(4.1)
<b>Net cash generated from operating activities</b>	<b>16.2</b>	<b>41.5</b>
Net cash used in Investing Activities	<b>(28.3)</b>	<b>(30.0)</b>
<b>Financing activities</b>		
Dividends paid and share buy-back	(14.0)	(22.4)
	<b>(14.0)</b>	<b>(22.4)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(26.0)</b>	<b>(10.9)</b>
Cash and cash equivalents - beginning of year	87.5	98.4
<b>Cash and cash equivalents - end of period</b>	<b>61.5</b>	<b>87.5</b>

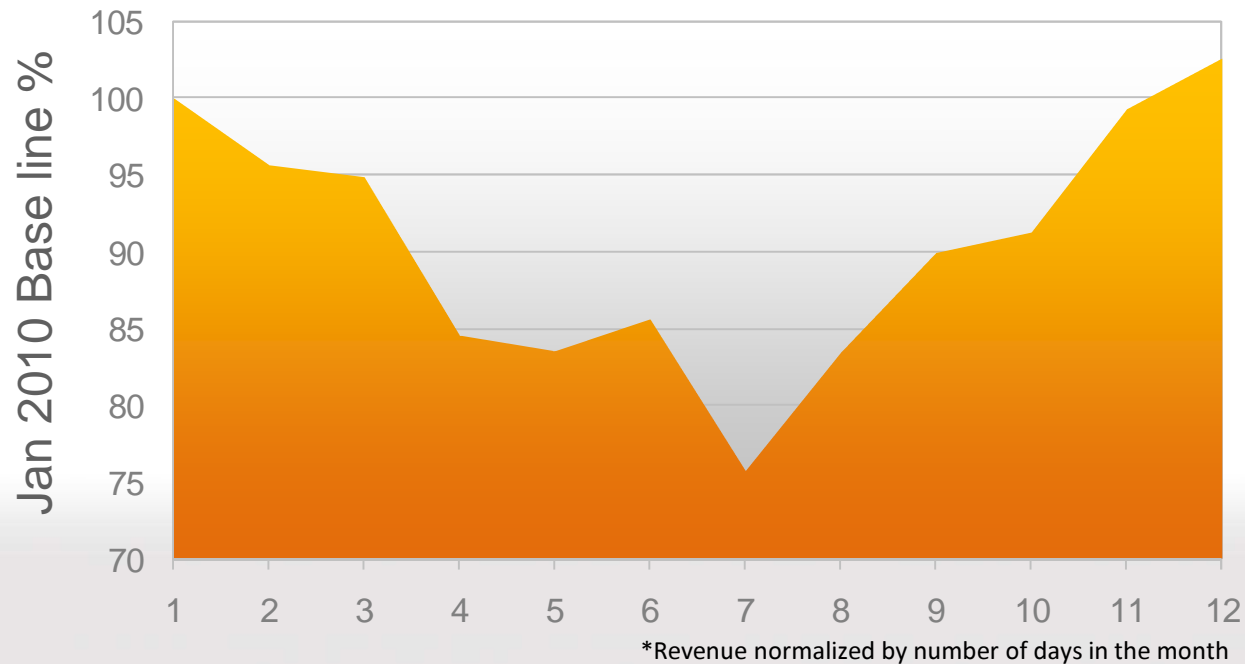
\* Rounded



# Operating Review



## Total Revenue\* seasonality



### Good start, followed by revenue decrease February to July:

- ▶ Rebranding
- ▶ Technical Changes
- ▶ World Cup
- ▶ General Poker weakness

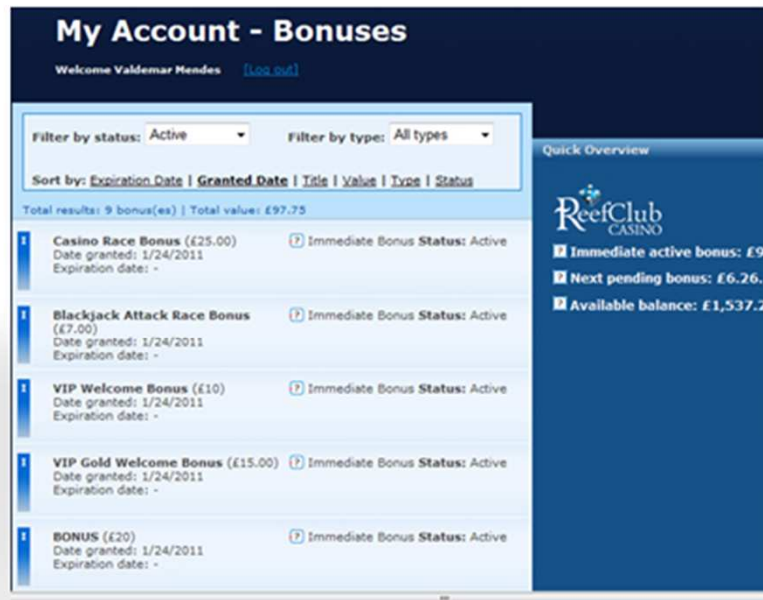
### Turnaround from July:

- ▶ Poker 6
- ▶ Better Casino performance
- ▶ Overall stability
- ▶ Strong trading continues into Q1

# Full B2C Rebranding



# Casino – Product innovation



Player account management tool



Pachinko and other new games

# Casino – Introduction of Casino Multi-brands



ReefClub CASINO

200% BONUS UP TO \$300 on your first deposit

Play now Deposit from \$K10

Jackpot

Latest Winners

VIP & High Roller Lounge

Game Paradise



EUROCITY CASINO

UP TO \$10,500 FREE!

DOWNLOAD NOW INSTANT PLAY

CLASSIC GAMES

PROMOTIONS

EUROCITY'S MENU

LATEST WINNERS



CASINO ON NET

100% Welcome Bonus up to \$500

Free Download

Roulette slots

Cherry picker offers

Live the High Life!



# Poker – 888poker reinvented



Bonus Progress: 38%  
255 points to get \$250

MiniIsr \$12,564.12  
MiniIsr \$12,564.12  
manuel199001 \$177,200

RonBakarski099 \$1,600.60

Total Pot: 14,500,000

10♥ K♣ 10♣ 2♥ 2♦

Mongopac \$1,441.11  
\$12,000,000

JBond **Sitting out**

Lio \$3,000

JessicaR \$0  
Kbaloo14 \$12,000,000  
Hi4U \$888.88

Play 888Casino

Your hand: Full House Aces over Tens

Chat Stats Table info

Dealer >> (Hand# 378805479) wallarera won 3,001 with Two Pairs Ten and Sixes  
Dealer >> (Hand# 378805479) wallarera won 20 with Two Pairs Ten and Sixes

blalalala options

Fold F5 Check F6 Raise to 12,000 F7

Min 1/2 Pot Max

10,000,000

Fold to any bet  
 Sit out next  
 Auto post blinds  
 Muck hand

888poker lobby and settings screens.

THE DAILY SMALL FISHES

888poker profile settings screen.

888poker table view screen.

# Poker – Product innovation



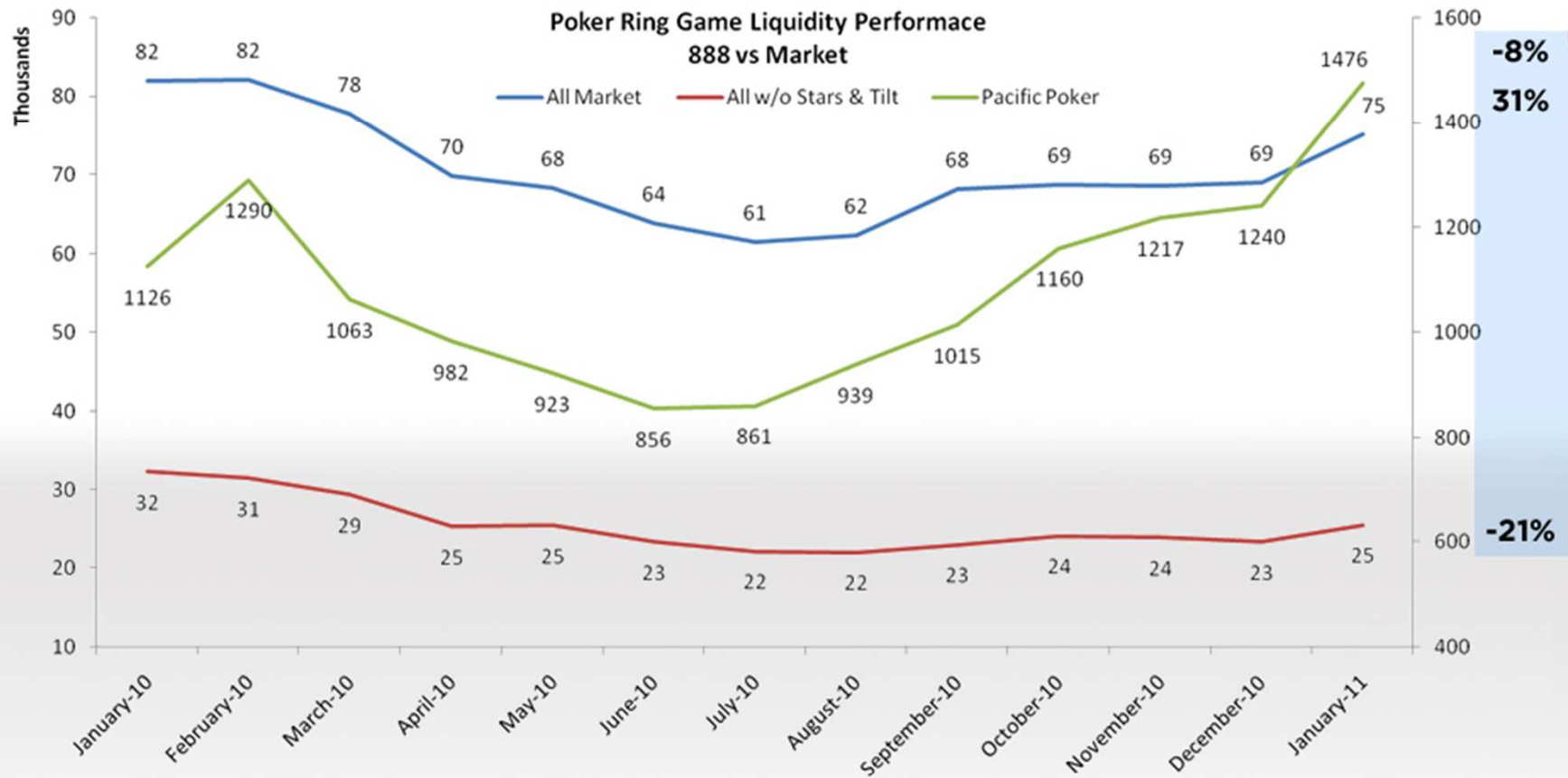
Poker Cam



Team Poker



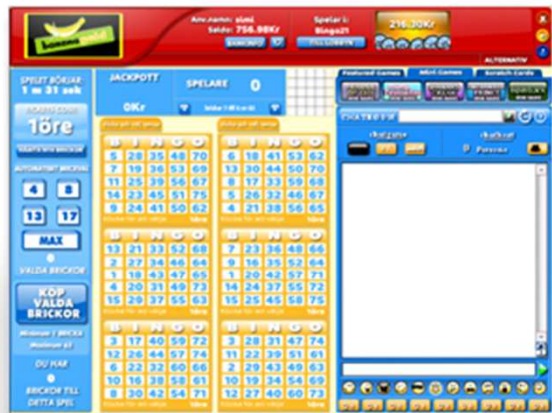
# Poker – Great results in H2



- Jan 10 – Jan 11 market declined 8%, non US-facing down 21%
- 888 grew 31% in the period and 72% from June 10

Source: PokerScout.com; monthly average liquidity of cash games

# Bingo – further platform improvement



New languages



Embedded games

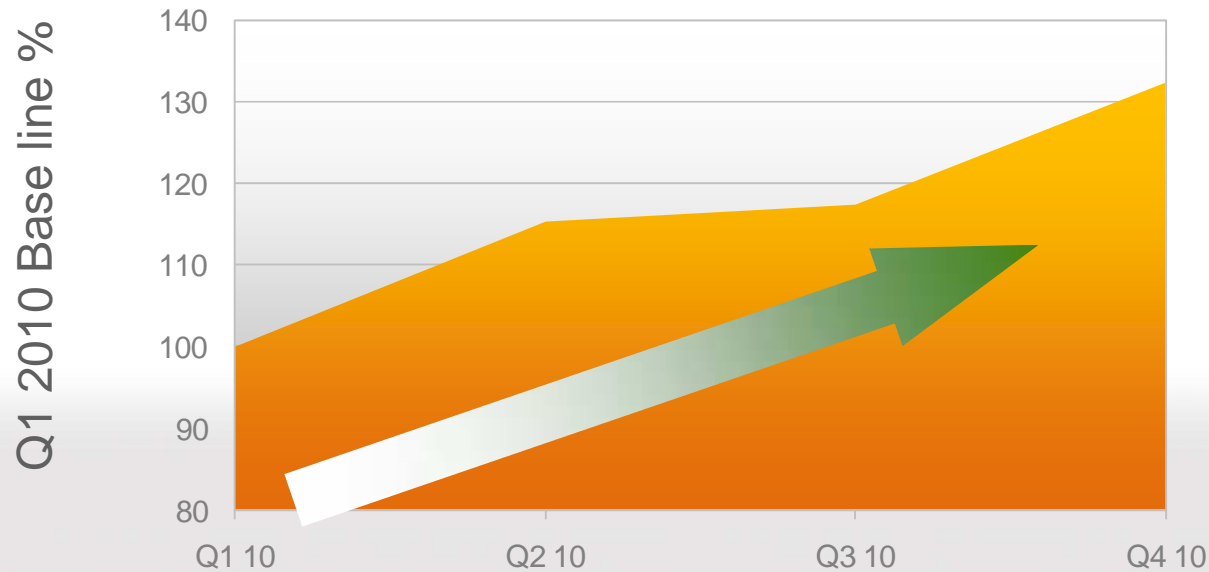


New games section



# Bingo – Wink performed exceptionally well

Wink Bingo daily Revenue\*



\*Revenue defined as Deposits – Cashouts



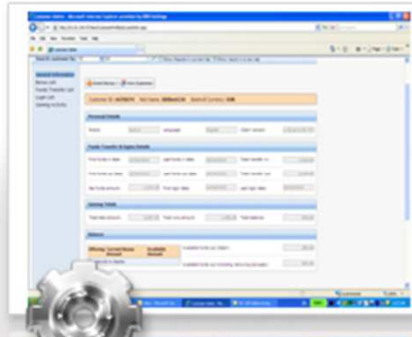
## Bingo – Wink arrangement

- Earn out close to its cap
- Agreement to spread payment till May 2012
- Protection for vendors:
  - Some of the Wink assets as security
  - In case of default vendors may initiate a sale of the Wink business
  - If 888 goes into administration or liquidation, vendors may exercise security
  - Limitations on dividends and payments out of the ordinary course of business
  - Personal clause relating to CEO
- No limitations on major corporate transactions
- No limit on any investment in the business

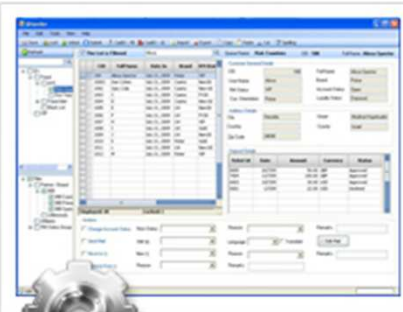
# Investment in technical infrastructure



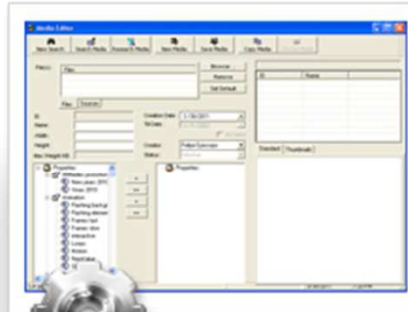
**Admin tools**



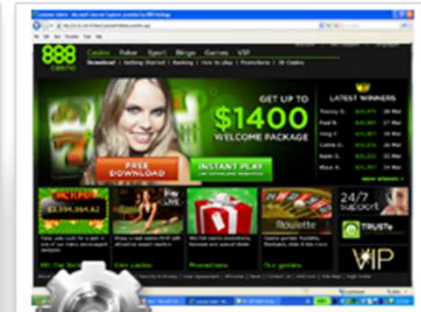
**Queue manager**



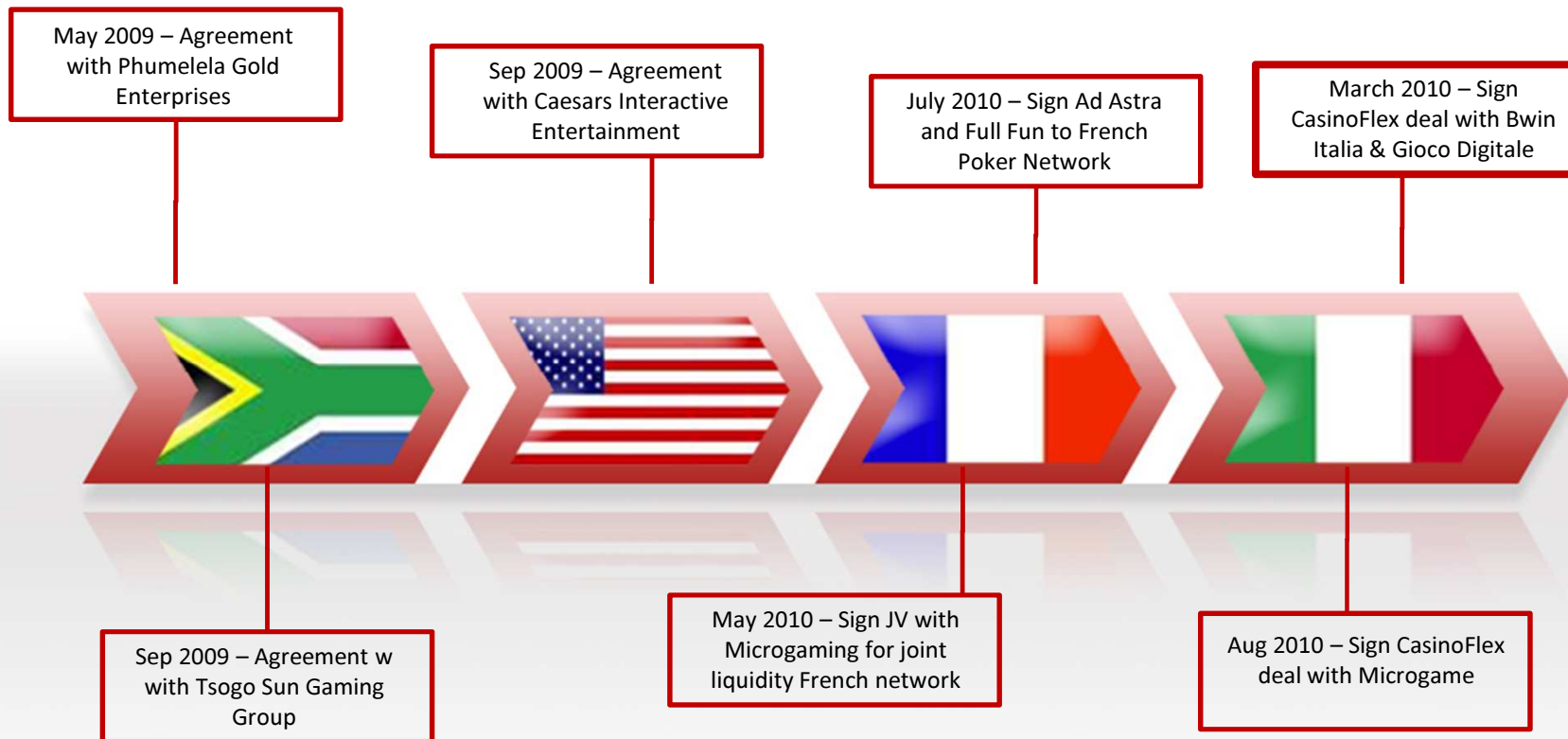
**Campaign  
Manager system**



**New CMS**

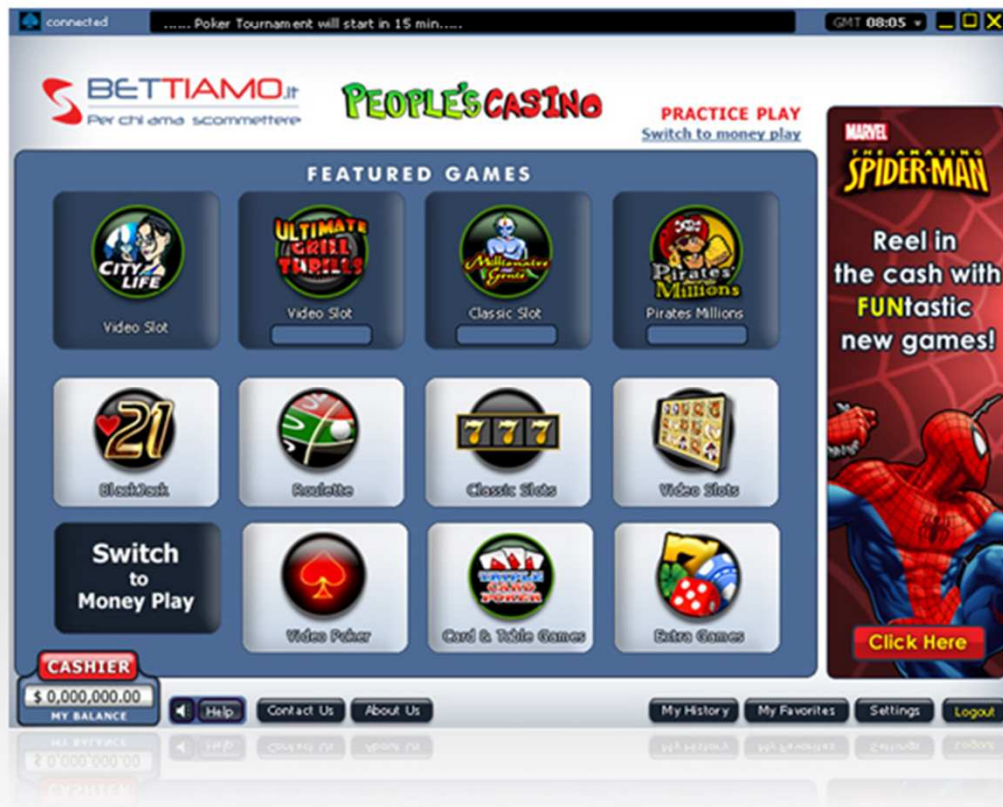


## Continued win in Regulated Markets



- ▶ 20 deals signed in 2010
- ▶ Significant pipeline for 2011, mostly in regulated markets

# First software only deals

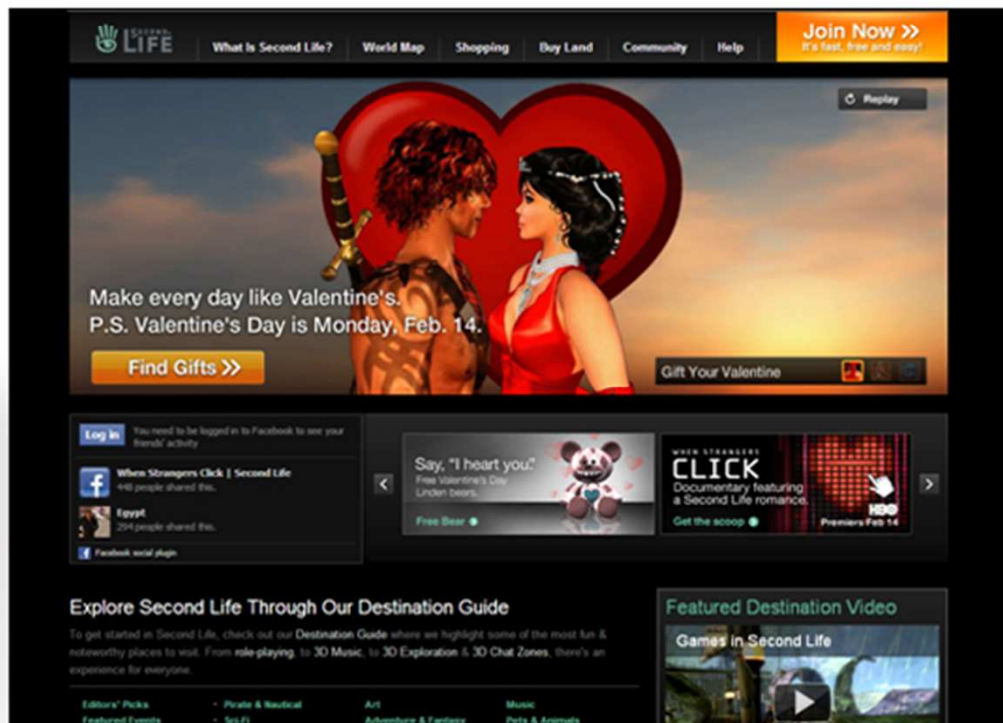


## Casinoflex

### Flexible casino solution

- Fully localized
- Huge game choice
  - Download & non-download
- Live dealer
- Player management platform
- Simple integration into partner's existing operating system

# First payment only deals announced



## Second Life - The world's leading 3D environment

- ePayments offering
  - Advanced cashier interface
  - Back office functionality
  - Fraud & Risk Management
  - Customer support
  - Payment optimisation
- The Linden Dollar economy generates \$500m per annum



# Mytopia



## Bingo Island

- Bingo Island is the most popular bingo application in Facebook
- Weeds and Dexter social games deals signed
- More than 1M monthly active mobile poker player
- Growing, still not profitable
- Initial proof as a source for real money customer acquisition

# Regulatory frameworks remain complex



- Overall positive trends:
  - **Italy** - casino and cash games decree published
  - **France** – follow-up committee set up, Q4 summary
  - **Germany** – potential Sportsbetting regulation, 2012
  - **Spain** – bill final version expected Q3, 2012
  - **Greece** – bill debated in parliament
  - **Denmark** – plans stalled, clarity in Q3
  - **Belgium** – restrictive licenses expected Q4
  - **Netherlands** – intention to regulate in 2012
  - **USA** – state by state (vs. Federal) progress
- Investment in technology and business preparation
- Green Paper reaffirms EU's current position
- No single market other than UK accounts for more than 6% of the group's revenues

## Regulation – NGBC and NGC approval



- Commercial relationship with Caesars recommended for approval by the NGCB and approved by the NGC
- First online gaming company to be found suitable for work with a Nevada licensed company
- The result of a 12 months process
- Good indication to 888's ability to pass the toughest scrutiny and be licensed anywhere

# Ladbrokes

- No updates
- Will be determined either way in the near future



## Current trading



- Very strong current trading
- Q1 2011 to date 7% above the very strong Q4 2010 and 10% above Q1 2010
- Trend as per traditional 'normal good' years and unlike 2010
- Fueled by Poker very strong performance and good performance across the business
- New customer signups 7% above the strong Q4, indicating positive momentum

# Summary



- Tough H1 2010
- Decision not to cut investment despite challenging trading
- Major H1 2010 problems resolved
- Improvement through H2:
  - Poker reinvented
  - Strong performance across the business
- Very strong start to Q1 2011
- Back on track
- Regulatory changes remain the major risk – and the big opportunity

