



RESULTS FOR THE YEAR ENDED  
31 DECEMBER 2018

# AGENDA

**Brian Mattingley** | Introduction

**Itai Pazner** | Overview

**Aviad Kobrine** | Financial Review

**Itai Pazner** | Operational Highlights

**Q&A**





## ITAI PAZNER, CEO | OVERVIEW



# CONSISTENT PROGRESS

- Record EBITDA achieved
- Executing on our strategy
- Three successful acquisitions during recent months - strategic & bolt-on
- Continued product innovation with launch of new Casino and AI products
- Improving trends in the UK market
- Market diversification through new market launches - Sweden and Portugal, 888sport in US
- Unique platform, well positioned for future opportunities



AVIAD KOBRINE, CFO | FINANCIAL REVIEW





# 2018 FINANCIAL HIGHLIGHTS

- Revenue down 2% to \$530m, primarily due to UK regulatory headwinds and challenging Poker
- Revenue (ex. UK) up 6% with Casino and Sport up 17% and 18% respectively
- Revenue from regulated markets (ex. UK) increased 14%
- Spain and Italy revenue increased 15% with Spain share of Group revenue increased to 13%
- Regulated and taxed markets comprise 70% of revenue, with continental European markets offsetting UK performance
- Encouraging UK trends in H2 2018 with new casino player recruitment in the UK up 60% YoY
- Marketing ratio down to 29% with customer acquisition increasing 7%, reflecting cost per acquisition efficiencies
- Resolution of legacy German VAT and release of an exceptional provision of \$22.4m
- Adjusted EBITDA<sup>1</sup> up 6% to \$107m, (up 17% on a reported basis)
- Adjusted EBITDA margin<sup>1</sup> at 20.2%, up 160bp
- Adjusted Profit before tax at \$87m, up 11%
- Final Dividend of 6.0c per share<sup>1</sup>, plus a one-off 2.0c per share, bringing the total dividends for the year to 12.2c per share
- Adjusted Basic EPS<sup>1</sup> at 20.2c

<sup>1</sup> As defined in 2018 yearly financial review and before VAT accrual release



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

| \$m  | FY 2018       | FY 2017       | % change |
|--|---------------|---------------|----------|
| <b>Revenue</b>                                 | <b>540.6</b>  | <b>541.8</b>  | 0%       |
| VAT accrual release <sup>2</sup>               | 10.7          | 0.0           |          |
| <b>Revenue (excluding VAT accrual release)</b> | <b>529.9</b>  | <b>541.8</b>  | -2%      |
| Operating expenses <sup>3</sup>                | 137.8         | 138.8         |          |
| Gaming duties                                  | 69.9          | 75.2          |          |
| Research and development expenses              | 32.8          | 35.4          |          |
| Selling and marketing expenses                 | 155.0         | 162.5         |          |
| <i>% of Revenues</i>                           | 29.3%         | 30.0%         |          |
| Administrative expenses <sup>4</sup>           | 27.3          | 29.2          |          |
| <b>Adjusted EBITDA<sup>2,4</sup></b>           | <b>107.1</b>  | <b>100.7</b>  | 6%       |
| <i>% of Revenues<sup>5</sup></i>               | 20.2%         | 18.6%         |          |
| Depreciation and Amortisation                  | 20.3          | 19.3          |          |
| Finance  | 0.1           | 3.1           |          |
| <b>Adjusted Profit Before Tax</b>              | <b>86.7</b>   | <b>78.3</b>   | 11%      |
| Taxation                                       | 13.9          | 6.2           |          |
| <b>Adjusted Profit After Tax</b>               | <b>72.8</b>   | <b>72.1</b>   |          |
| <b>Adjusted Basic EPS<sup>5</sup></b>          | <b>20.2 ¢</b> | <b>20.1 ¢</b> |          |

<sup>1</sup> Totals in this presentation may not sum due to rounding <sup>2</sup> US\$10.7 million (2017: nil) in respect of accrual release which relates to receipt of tax assessments in respect of legacy VAT in Germany <sup>3</sup> Excluding depreciation of \$5.3m (2017: \$5.7m) and amortisation of \$15.0m (2017: \$13.6m) <sup>4</sup> Excluding share benefit charges of \$8.9m (2017: \$8.5m) <sup>5</sup> As defined in 2018 yearly financial review



# GROUP REVENUE

- Group revenue down 2% to \$530m (2017: \$542m). Reported revenue at \$541m
- Growth drivers remain Sport, Casino and continental European regulated markets
- Long term growth track record with a CAGR of 16% since 2003

## Revenue 2018 vs. 2017

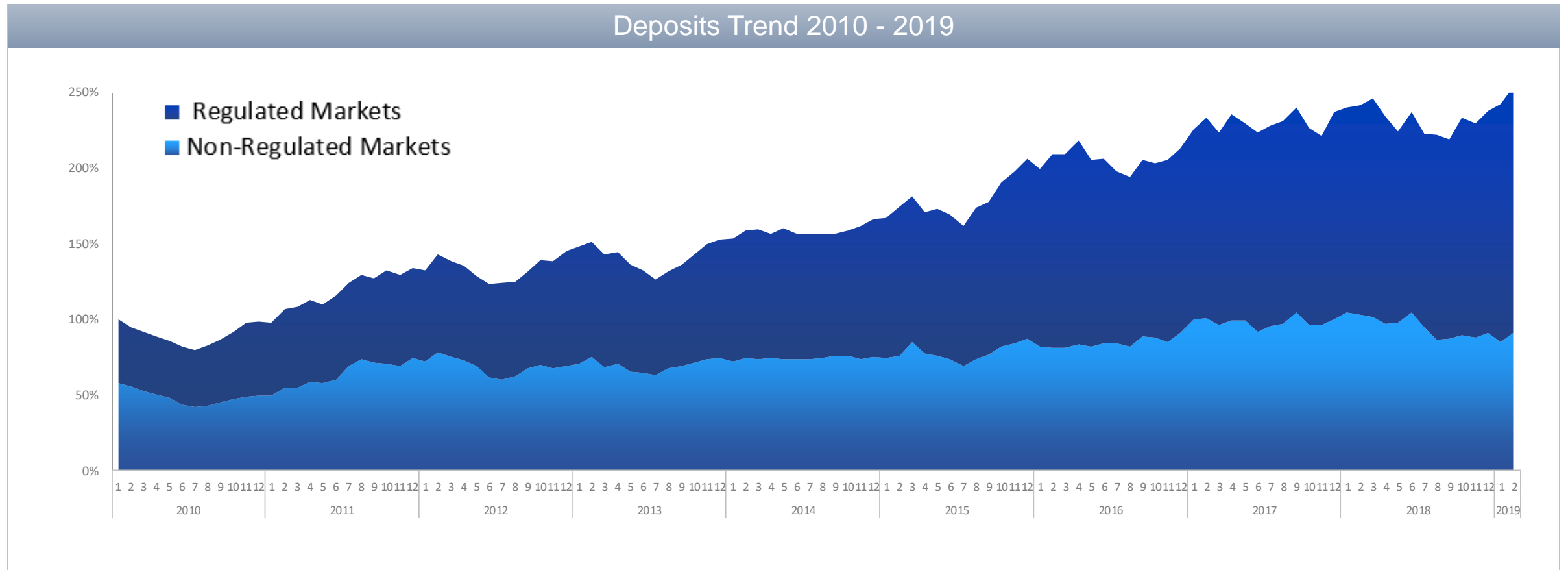
| \$US millions | FY 2018    | FY 2017    |
|---------------|------------|------------|
| Casino        | 318        | 294        |
| Sport         | 80         | 75         |
| Poker         | 49         | 78         |
| Bingo         | 32         | 39         |
| <b>B2C</b>    | <b>479</b> | <b>487</b> |
| <b>B2B</b>    | <b>51</b>  | <b>55</b>  |

- Group revenue increased 14% in regulated markets (ex. UK)
- Casino revenue increased 17% (ex. UK)
- Sport revenue increased 18% (ex. UK)
- Poker decrease primarily relates to exited markets during 2017 with pending shared liquidity in Spain and Portugal
- Bingo and B2B highly influenced by the stricter UK regulatory environment as well as the termination of Cashcade Bingo B2B partner
- UK market recovery trends during H2 and into 2019



# B2C DEPOSIT TREND

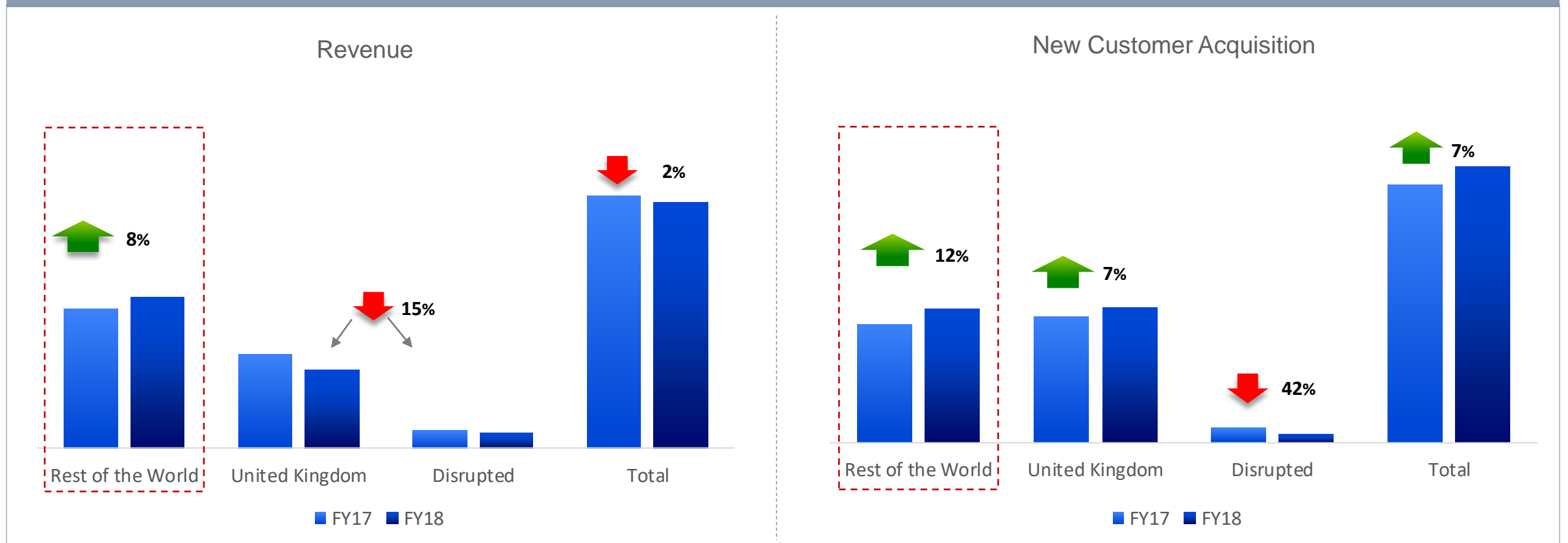
- Engine is resilient and working well despite external challenges
- Regulated markets continue to drive positive trends
- UK decline is offset by double digit progress in continental European regulated markets
- Improved UK performance in H2



# OUR ENGINE – LIKE FOR LIKE COMPARISON

- Revenue outside of UK and disrupted markets\* up 8% with new customer acquisition up 12%
- Overall customer acquisition increased 7% driven by Sport and Casino
- Customer acquisition in UK increased 7%, reflecting the Group’s refocused “mass markets” customer approach

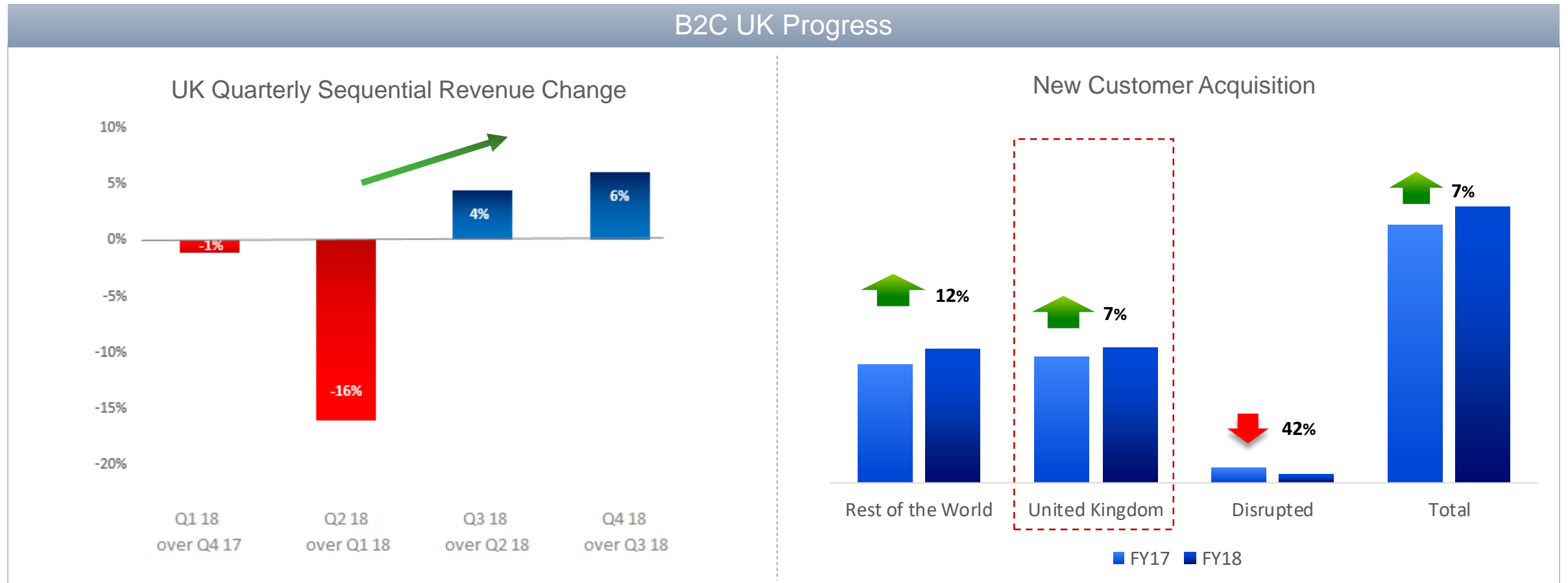
Group Revenue and New Customer Acquisition



\* Disrupted markets are terminated markets or those which suffered marketing restrictions

# B2C UK RECOVERY

- Deposits in the UK market recover from H2 18
- Casino UK deposits during H2 2018 are 24% higher than H2 2017
- Revenue progress during the last two quarters of the years - turnaround

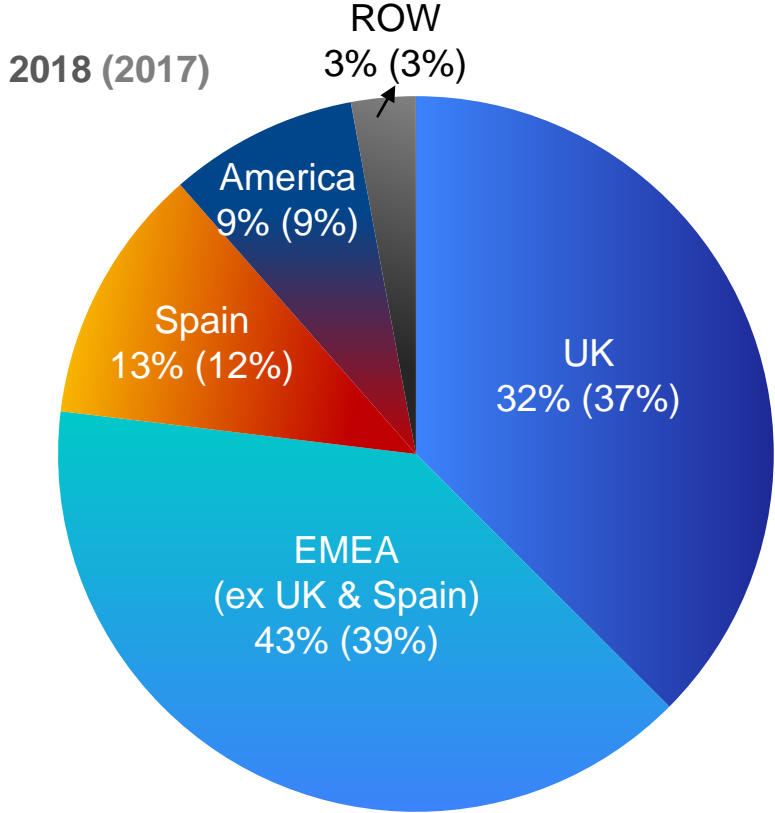
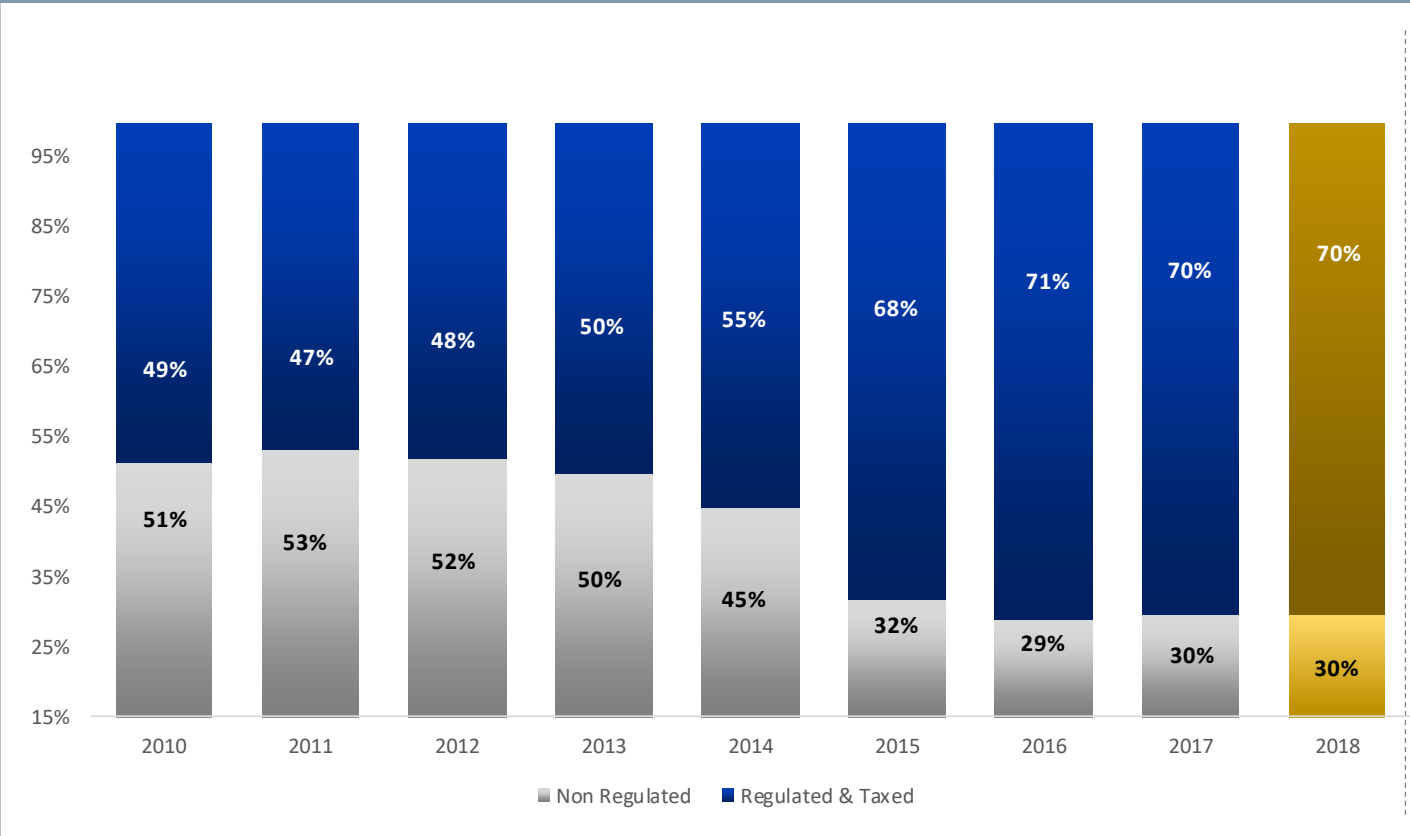


\* Disrupted markets are terminated markets or those which suffered marketing restrictions

# GEOGRAPHICAL SEGMENTATION

- EMEA (ex. UK) representing 56% of revenue with Spain representing 13% of revenue
- Regulated and taxed markets representing 70% of revenue
- UK share reduced to 32% as a result of successful diversification strategy, re-deployment of marketing investment and tighter regulatory constraints
- Regulated markets (ex. UK) up 14%

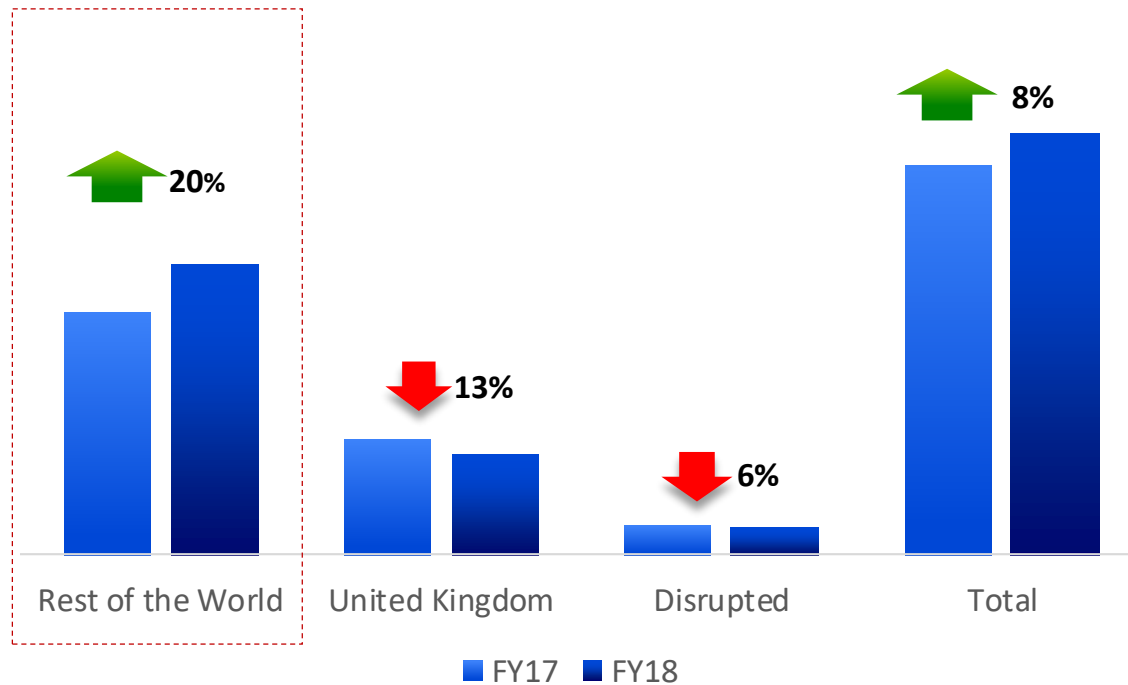
Geographic Segmentation 2010 - 2018



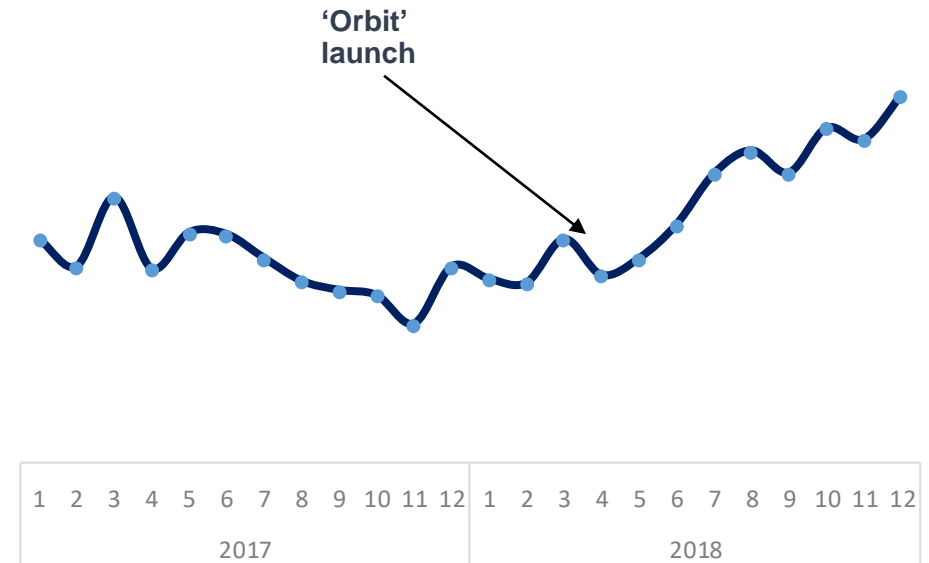
# REVENUE CASINO B2C

- Revenue up 8% to \$318m (2017: \$294m)
- B2C Casino revenue up 17% ex. UK and up 20% when adjusted for disrupted markets\*
- Launch of Orbit, 888's new cutting edge web-based Casino front end (late May), with very strong KPI's so far
- Casino growth is driven by direct acquisition and successful cross-sell

Revenue Casino B2C 2018 vs. 2017



Casino UK First Time Depositors

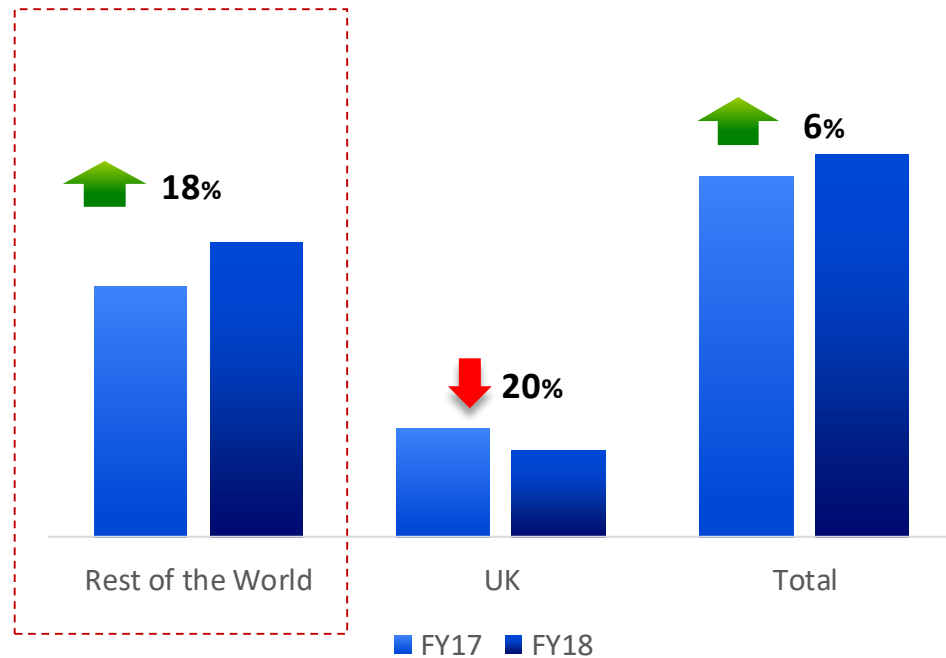


\* Disrupted markets are terminated markets or those which suffered marketing restrictions

# REVENUE SPORT B2C

- Revenue up 6% to \$80m (2017: \$75m) and up 18% ex. UK
- Consistent growth with 42% revenue CAGR since 2008
- Strong FIFA World Cup partly offset by several big horse racing wins
- Newly acquired Sport platform will enhance product differentiation and position 888 for continued growth in Sport

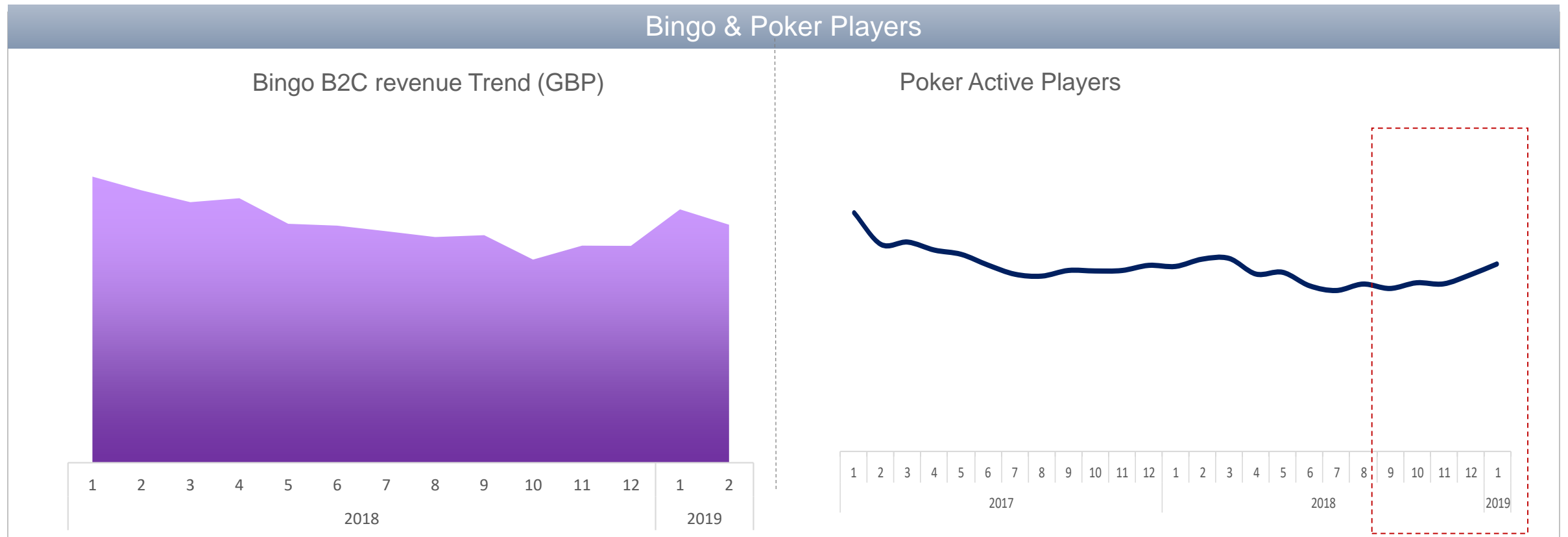
Revenue Sport B2C 2018 vs. 2017





# REVENUE BINGO & POKER B2C

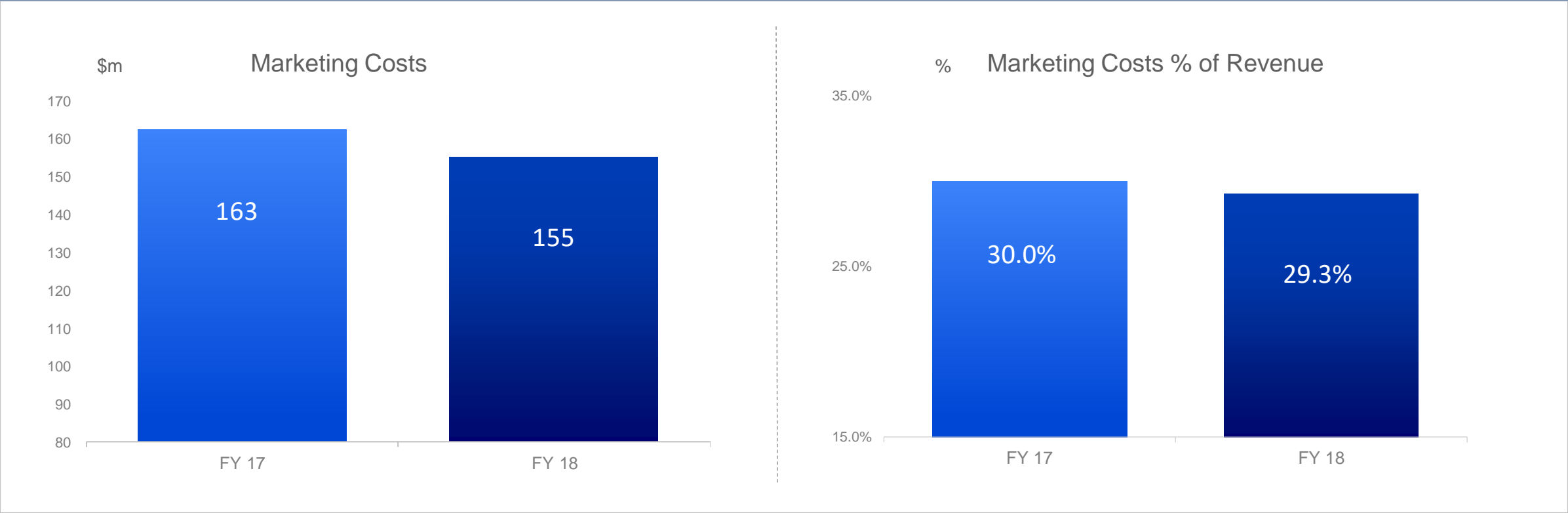
- Revenue from poker declined 37% to \$49m (2017: \$78m)
- Poker remains an important acquisition channel with 25% of new players recruited via Poker gateway. Poker revenue does not reflect the impact of cross sell to other verticals
- Bingo revenue decreased 17% to \$32m (2017: \$39m) as a result of UK regulatory headwinds and competitive market dynamics
- Bingo impacted by lower bonuses driven by higher tax. Average active days and deposits per *funded* player increased
- Both verticals showing improving trends towards the end of the year and into 2019



# MARKETING COST

- Decreased marketing spend in absolute terms, increased customer acquisition reflects efficiency of spend
- Marketing ratio down to 29% (2017: 30%)
- Increased focus and spend in continental European regulated markets

Marketing Cost 2018 vs. 2017

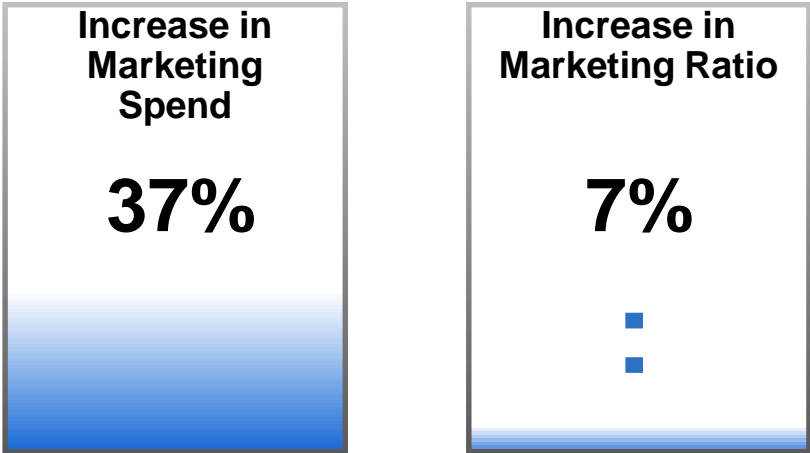


# MARKETING COST

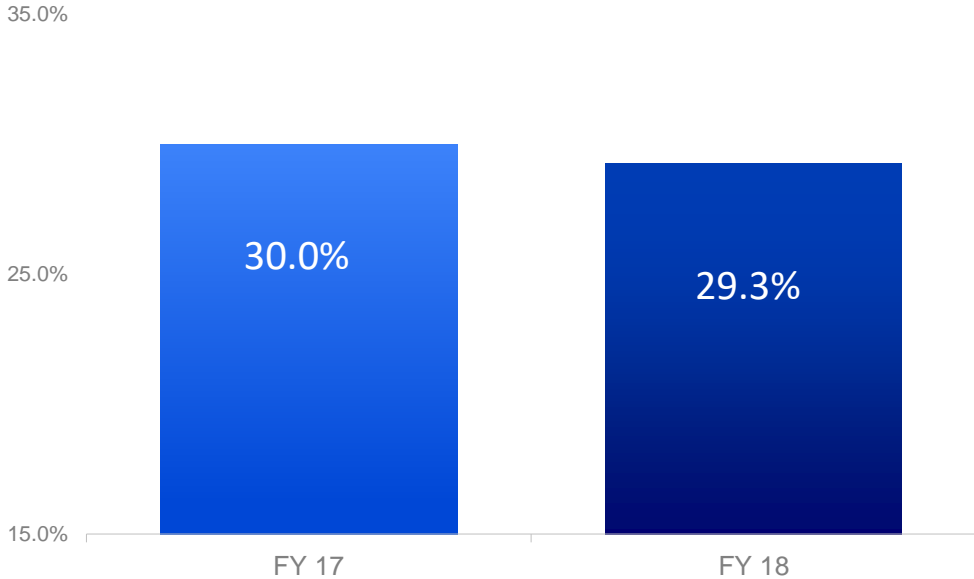
- Continued investment in developing continental European regulated markets
- 37% increase in marketing spend in continental European regulated markets year on year
- Marketing ratio increased by 7% in regulated markets (ex. UK)

## Marketing Cost 2018 vs. 2017

Marketing Costs for Continental European markets

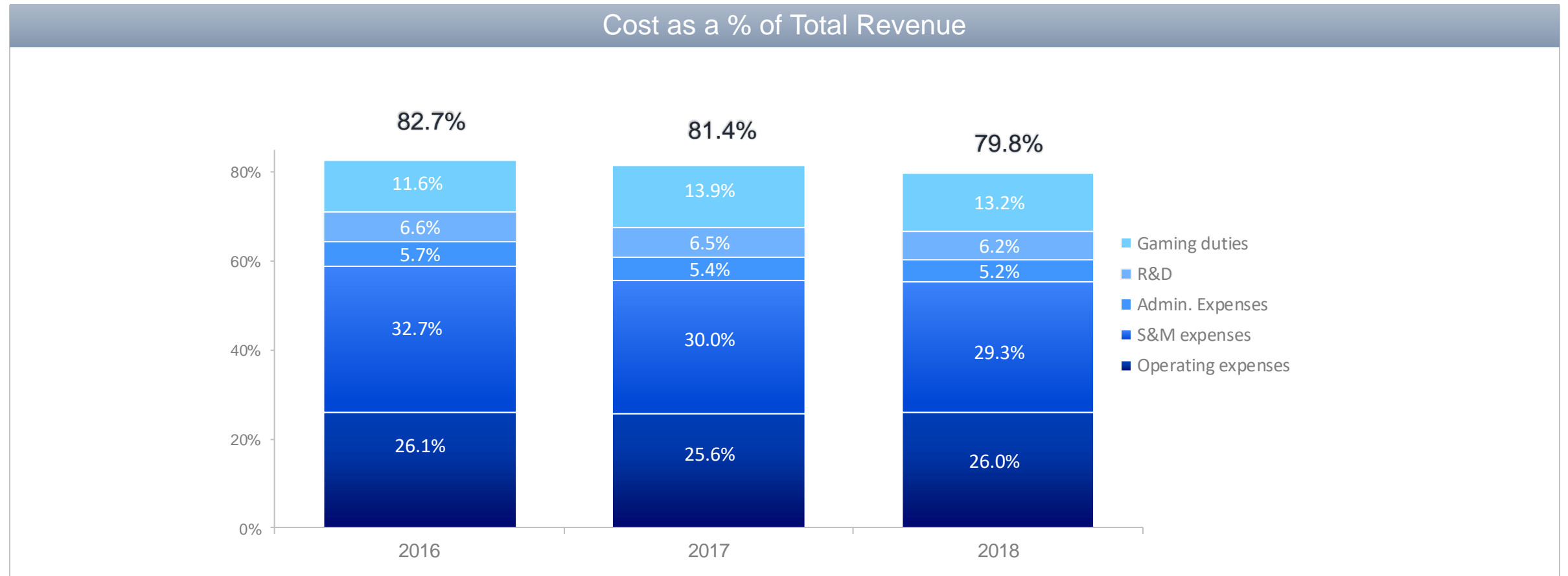


% Overall Marketing Costs % of Revenue



# COST STRUCTURE

- Continued healthy operational gearing trend with total costs at 79.8% of revenue\* (2017: 81.4%)
- Lower marketing ratio – a reflection of cost control, targeted and effective investment
- Lower gaming duties ratio mainly due to reduced tax rate in Spain



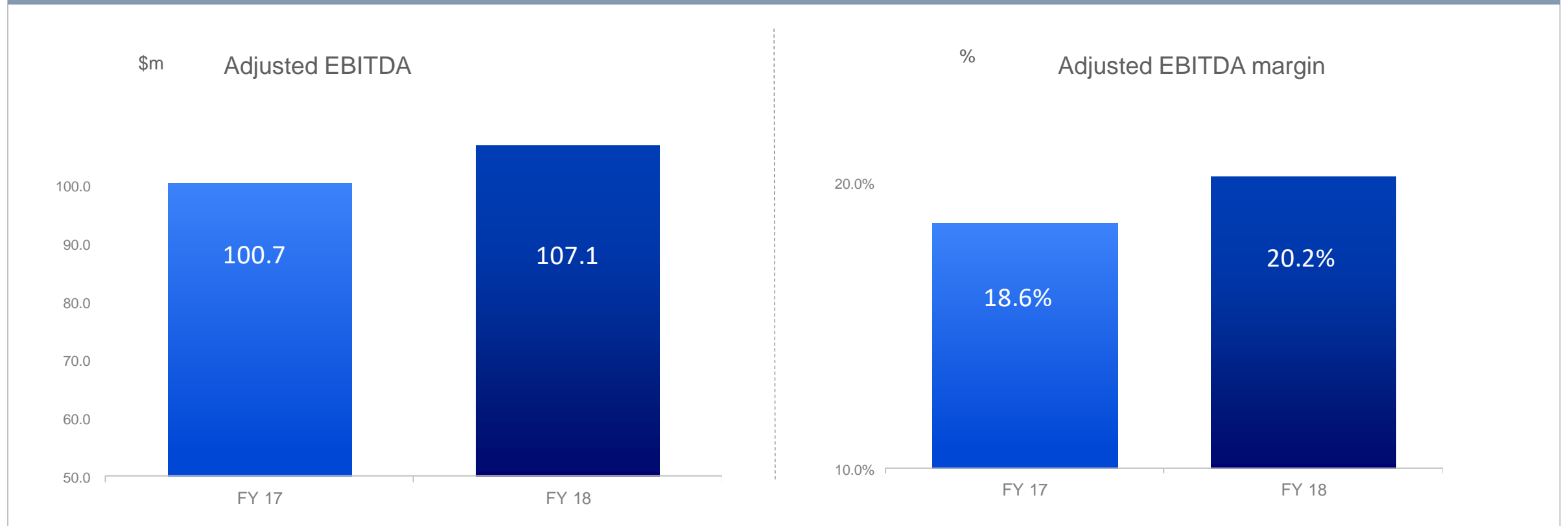
\* Operational margins are based on adjusted EBITDA as defined in 2018 yearly financial review

\* Ratios applied on US\$530 million revenue

# ADJUSTED EBITDA AND MARGIN

- Improved Adjusted EBITDA and margin, despite headwinds
- Adjusted EBITDA up 6% to \$107m (2017: \$101m)
- Adjusted EBITDA margin at 20.2% (2017: 18.6%)

Adjusted EBITDA 2018 vs. 2017



# BALANCE SHEET

| \$m  | 31-Dec-18    | 31-Dec-17    |
|--|--------------|--------------|
| <b>Non-current assets</b>                          |              |              |
| Goodwill and other Intangible assets               | 200.3        | 159.8        |
| Property, plant and equipment                      | 11.0         | 9.0          |
| Other non-current assets                           | 2.2          | 2.3          |
| Investments  | 1.1          | 1.3          |
|  | <b>214.6</b> | <b>172.4</b> |
| <b>Current assets</b>                              |              |              |
| Cash and cash equivalents                          | 133.0        | 179.6        |
| Trade and other receivables                        | 33.0         | 44.2         |
| <b>Total Assets</b>                                | <b>380.6</b> | <b>396.2</b> |
| <b>Equity</b>                                      |              |              |
| Share capital and share premium                    | 6.9          | 6.8          |
| Retained earnings, reserves and treasury shares    | 153.4        | 106.4        |
| <b>Total equity attributable to equity holders</b> | <b>160.3</b> | <b>113.2</b> |
| <b>Liabilities</b>                                 |              |              |
| <b>Current liabilities</b>                         |              |              |
| Trade and other payables                           | 138.2        | 160.2        |
| Provisions   | 11.3         | 47.0         |
| Tax liability                                      | 13.7         | 4.1          |
| Customer deposits                                  | 57.1         | 71.7         |
| <b>Total equity and liabilities</b>                | <b>380.6</b> | <b>396.2</b> |



# CASH FLOW

| \$m Period Ended 31 December   | FY 2018       | FY 2017       |
|--|---------------|---------------|
| <b>Cash flows from operating activities</b>                                  |               |               |
| Profit before income tax   | 108.7         | 18.8          |
| Gain from remeasurment of precviously held equity interest in joint ventures | (9.3)         | 0.0           |
| Share benefit charges  | 8.9           | 8.5           |
| Depreciation and amortisation  | 20.3          | 19.3          |
| Change in current assets and liabilities                                     | (80.5)        | 53.5          |
| Share of associates loss   | 0.2           | 0.2           |
| Interest Income  | (0.6)         | (0.6)         |
| <b>Cash generated from operations</b>  | <b>47.7</b>   | <b>99.7</b>   |
| Income tax paid  | (5.6)         | (4.2)         |
| <b>Net cash generated from operating activities</b>                          | <b>42.1</b>   | <b>95.5</b>   |
| Acquisition of property, plant and equipment                                 | (7.3)         | (5.6)         |
| Internally generated intangible assets                                       | (12.0)        | (11.2)        |
| Acquisition of intangible assets   | (2.7)         | (3.6)         |
| Consideration paid on acquisition  | (9.2)         | 0.0           |
| Interest received  | 0.6           | 0.6           |
| <b>Net cash used in Investing Activities</b>                                 | <b>(30.6)</b> | <b>(19.8)</b> |
| Issue of shares net of purchase  | (0.7)         | (0.4)         |
| Dividends paid   | (56.6)        | (70.5)        |
| <b>Net decrease in cash and cash equivalents</b>                             | <b>(45.8)</b> | <b>4.8</b>    |
| Cash and cash equivalents - beginning of the period                          | 179.6         | 172.6         |
| Effects of currency translation  | (0.8)         | 2.2           |
| <b>Cash and cash equivalents - end of the period</b>                         | <b>133.0</b>  | <b>179.6</b>  |



ITAI PAZNER, CEO | OPERATIONAL REVIEW

# STRATEGIC OVERVIEW

- ◉ M&A
- ◉ PRODUCT AND MARKETING INNOVATION
- ◉ RESPONSIBLE GAMING AND COMPLIANCE
- ◉ REGIONAL EXPANSION



# M&A

- Dual strategy in play:
  - Seeking value-enhancing opportunities, alongside transformational ones
- M&A pillars include:
  - P&L accretive (Mandalay, £18m)
  - Market footprint (AAPN, \$28m)
  - Product enhancing (BetBright, £15m)



# INTRODUCING THE NEW 888SPORT

- A proprietary, modern, scalable sport platform built by BETBRIGHT team
- Seasoned product, trading and risk management team
- Introducing additional “Sport DNA” into 888
- Dublin HQ to be integrated into the 888 group
- Sport product, technology and operations to be integrated into the 888 proprietary back office and marketing
- Post Merger Integration (PMI) project and team already operating
- Phased rollout in existing and future 888 markets, part of PMI plan



# PRODUCT & MARKETING INNOVATION



- ◉ Owning our product roadmap (new Sport platform)
  - ◉ Focus on new product capabilities - AI & personalisation
  - ◉ Player journey and experience (UX)
  - ◉ Constantly innovating our marketing efforts - delivering results (SEO, Attribution, Social)
  - ◉ FireStarter – harnessing 888's innovative DNA
- 



# No. 1 SEARCH RESULTS – SEO POWER

Google

poker

All Images News Videos Maps More Settings Tools

About 571,000,000 results (0.34 seconds)

**888 Poker: Online Poker | £20 No Deposit Bonus**  
<https://www.888poker.com/> ▼  
Tired of uneven matches & long waits? Play online **poker** at 888 **poker**! Get £20 bonus – NO DEPOSIT NEEDED ▶ Join now. T&Cs apply.

**Online Poker - Play Poker Games at PokerStars**  
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Join PokerStars today - the world's largest online **poker** room and the biggest tournaments anywhere online. Great deposit bonus for new players, don't miss out!

Videos

Poker Rules | Poker Tutorials  
Howcast  
YouTube - 6 Dec 2013

The #1 Mistake Poker Players Make  
Doug Polk Poker  
YouTube - 10 Mar 2018

Daniel Negreanu Lays A Poker TRAP for \$1000000  
Doug Polk Poker  
YouTube - 8 Dec 2017

Google

poker online

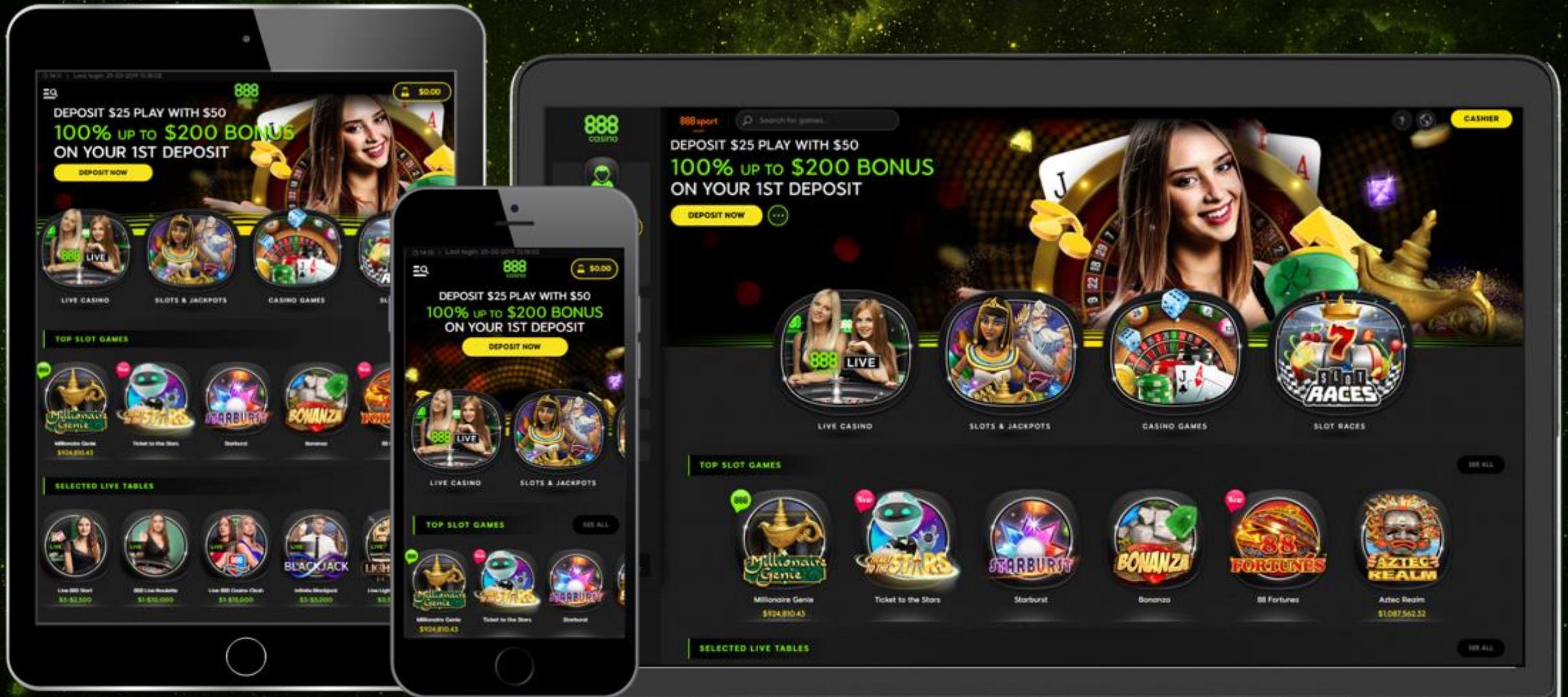
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Gioca a **poker online** su 888poker: Texas Hold'em, Omaha e 7 Card Stud in modalità torneo e cash. Ricevi 8€ alla registrazione + bonus di benvenuto fino a ...  
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Unisciti subito a PokerStars, la **poker room online** più grande del mondo con i più grandi tornei online. Fantastico bonus di deposito per i nuovi giocatori, non ...  
Poker gratuito - Impara a giocare - Punti del poker - Glossario Poker

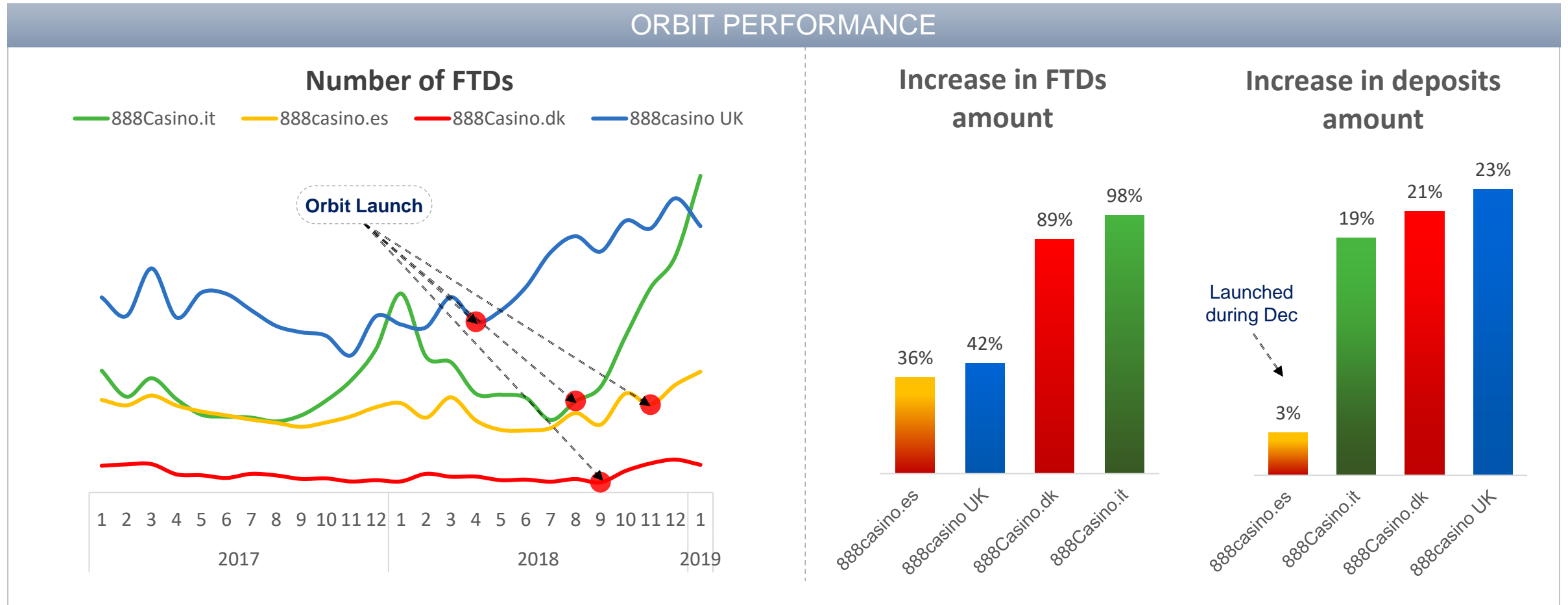
# 888CASINO - THE NEXT GENERATION





# PRODUCT INNOVATION “ORBIT” LAUNCH

- Launched end of May with gradual roll-out, now available in 90% of markets
- Further markets and additional features planned during 2019
- Enables proprietary developed AI mechanisms including personalised game recommendations



# GROWING 888sport

- Heading to become a \$100m vertical for 888
- Already our second biggest product vertical

## SPORT New AI

The screenshot displays the 888sport website interface. On the left is a navigation menu with categories like 'Starting Soon', 'Popular', and 'Sports'. The main content area features several sections:

- Premier League Match Cards:** Three cards for matches on 'Tomorrow 24 Feb 16:05'.
  - Manchester United vs Liverpool: Odds 3.05 (Manch...), 3.35 (Draw), 2.30 (Liverpool).
  - Arsenal vs Southampton: Odds 1.48 (Arsenal), 4.40 (Draw), 6.25 (Southa...).
  - Leicester City vs an opponent: Odds 1.88 (Leicest...).
- Promotional Banner:** 'PROVE 'EM WRONG' with a 'New Customer Offer' of 'Bet €10 GET €30 in Free Bets'. It includes the text 'Deposit using promo code: 30FB'.
- Recommended for You:** A section highlighted with a green border and a green arrow pointing to it. It lists several matches:
  - Manchester United - Liverpool (Tomorrow 16:05)
  - Arsenal - Southampton (Tomorrow 16:05)
  - Levante - Real Madrid (Tomorrow 21:45)
  - Atlético Madrid - Villarreal (Tomorrow 17:15)
  - Fiorentina - Inter (Tomorrow 21:30)
- Right Now:** A section for 'De Graaf Zwolle' with the text 'Current score remaining.' and a button 'PEC Zwolle to win?'.
- Athletic Club Eibar:** A section showing a score of 0-0 and a button 'Athletic CL... 1.36'.

# POKER 8



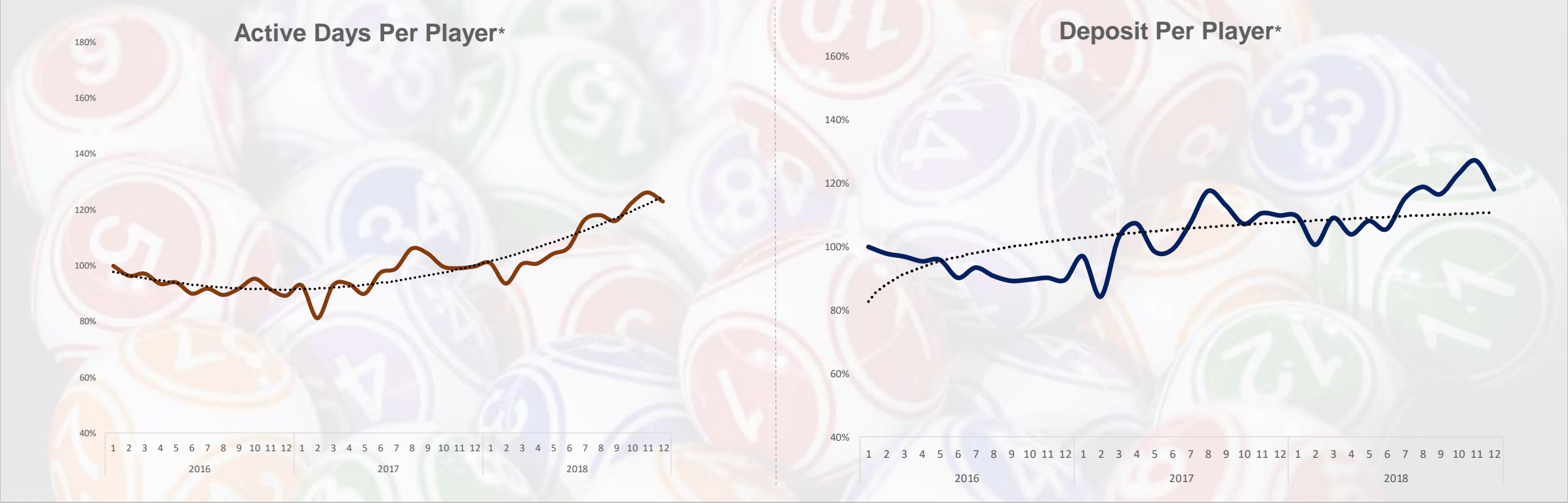
- New product enhancements to bolster competitive edge and differentiate the product proposition
- New Poker 8 gradual deployment – ‘PKO’ format and all-new UX
- Aiming to bolster liquidity through forthcoming EU shared network
- Remains a strong acquisition gateway
- Launched in Sweden, Portugal in 2019



# BINGO PLATFORM

- Proactive compliance measures in the UK market
- Average active days and deposits per player increased for funded players on the Dragonfish Bingo platform

## Bingo Platform Retention (GBP)



\* Jan 2016 as base = 100. Funded players



*And the winners are...*

# UNIQUE INNOVATION PROGRAMME

**160** PARTICIPANTS

**6** MENTORS

**130** AWESOME IDEAS

**35** TEAMS PASSED

**7** MADE IT TO THE FINAL

**3** WINNING TEAMS





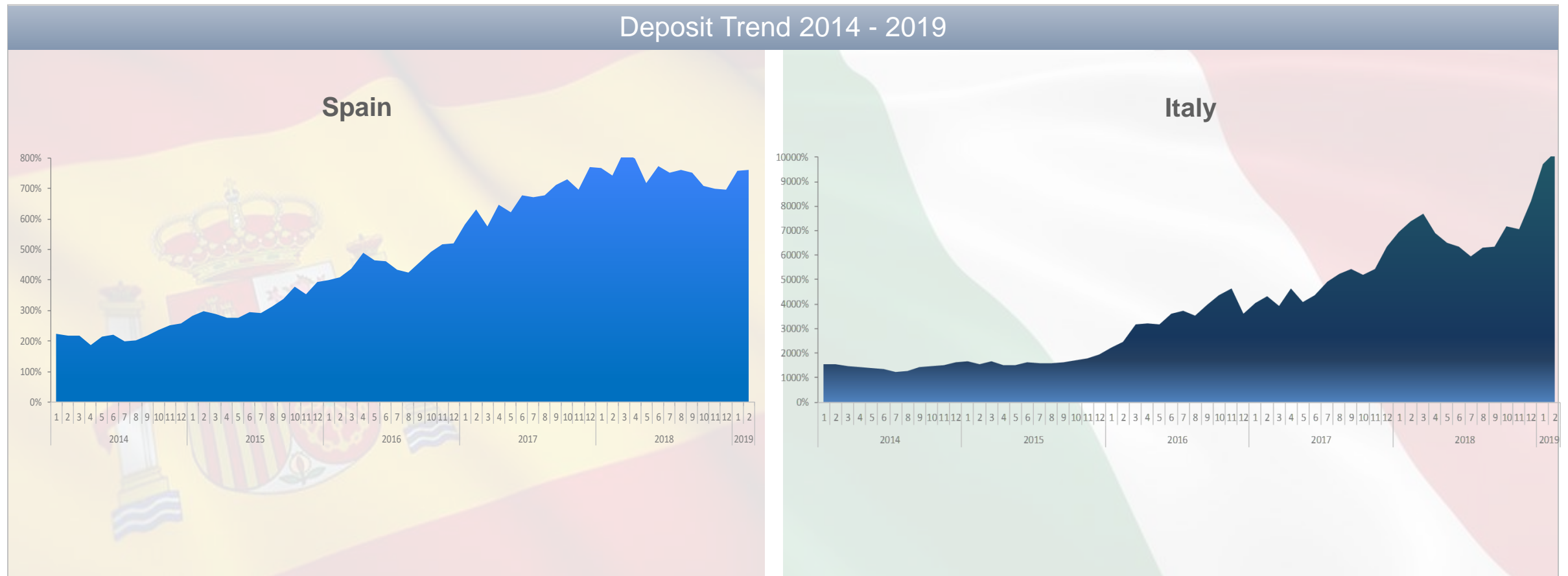
# RESPONSIBLE GAMING & COMPLIANCE





# REGULATED MARKETS – TRACK RECORD

- ◉ Robust growth continues to be driven by comprehensive product offering
- ◉ Poker launched in Italy in Q1, stronger summer seasonality and a strong winter season



# REGULATED MARKETS - OPPORTUNITY



Regulation expected in 2020  
Market estimated at **\$391M\*\***



Market estimated  
at **\$710M\***



Recently launched  
Market estimated at  
**\$1,365M\*\***



Market estimated  
at **\$7.1B\*\*\***



888sport, US Poker shared  
liquidity and Live Casino product  
launched  
New Jersey estimated at **\$352M\***



Market estimated  
at **\$112M\*\***



Recently launched  
Market estimated at **\$171M\***



Market estimated  
at **\$826M\***

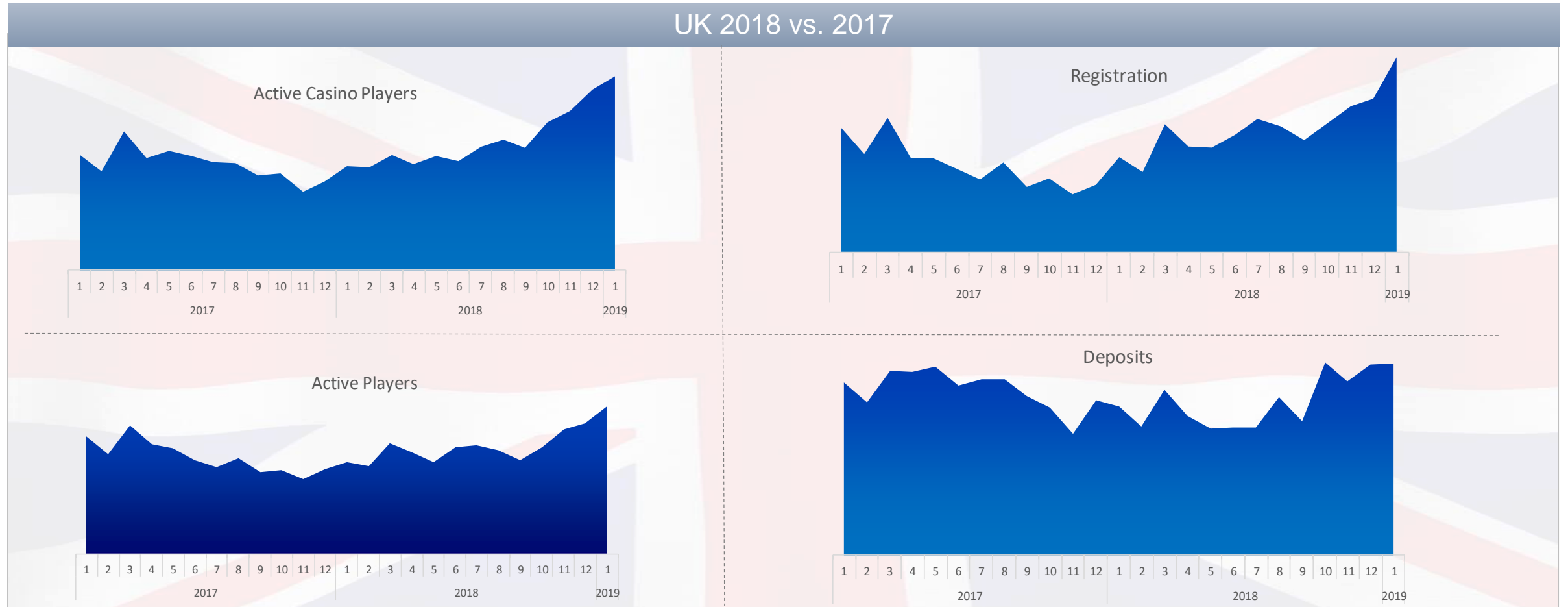


888poker launched Q1 2018  
Market estimated at **\$1,969M\*\***

Source: \*According to regulator reports normalized to a full year and converted to USD according to average exchange rate \*\*According to H2 Gambling Capital \*\*\*UKGC report until Apr18

# UK - POSITIVE TRENDS

- A recreational “mass market” strategy in place
- After a long process of product enhancements and marketing refocus, we see positive trends which have continued into 2019
- In Casino, where ‘Orbit’ was launched, new customers during H2 increased by 60%, with deposits up by 16%



# THE US

- AAPN acquisition enables 888 to pursue various opportunities and initiatives
- New Jersey full product suite; Casino, Poker and now 888Sport
- B2C & B2B agenda powering WSOP poker and Harrah's, NJ
- Utilising our global platform and front end
- Over 30 states in various stages of online gaming and sport regulation
- Remain a unique, independent operator with proprietary technology to monetise the long term opportunity







ITAI PAZNER, CEO | SUMMARY & OUTLOOK

# SUMMARY & OUTLOOK

- Record EBITDA despite various headwinds
- Two new markets launched in 2019
- Product development focus with Orbit launched in Casino; Sport, Poker & Bingo enhancements being launched
- Post BetBright acquisition 888 now has proprietary technology across all four product verticals
- Well positioned in the US with new states and partnerships under negotiation
- Continue to explore strategic and bolt-on M&A opportunities
- Positive current trading with year-to-date average daily revenue up 10% in Q1 vs. Q4 2018



Q&A