



# Year End Results

Year ended 31 July 2009

## Agenda

- ♣ Andrew McIver, Group Chief Executive
  - ♠ Introduction
  - ♠ Highlights
  
- ♣ Jim Wilkinson, Group Finance Director
  - ♠ Financial Review
  
- ♣ Andrew McIver
  - ♠ Operational Review
  - ♠ Regulation
  - ♠ Summary and Outlook

## Highlights

- ♣ Continued investment in sports betting product:
  - ♠ More games covered
  - ♠ More markets covered
  - ♠ Launch of live streaming
  - ♠ Investment in in:play – now 52% of European sports margin
  - ♠ Industry leading margins – 10.2% for the year
- ♣ Launched into two new markets – Romania and South Africa
- ♣ Casino/Games performance robust: launched 90+ new games in Q4
- ♣ Market leading customer service

## Highlights

- ♣ Amounts wagered up 17% to £1,577.2m
- ♣ Operating profit\* up 26% to £31.1m
- ♣ Fully diluted EPS\* up 41% to 6.0p
- ♣ Reinstatement of dividend: 1.0p final dividend proposed
- ♣ Intention to move listing from AIM to Official List



# Financial Review

## Income Statement

(Continuing business only)

	Year Ended July 2009 £m	Year Ended July 2008 £m Restated
Amounts wagered	1,577.2	1,347.8
Net gaming revenue	163.6	144.3
Costs	(132.5)	(119.6)
Operating profit	31.1	24.7
Share option charge	(3.1)	(8.0)
Exceptional charge	(4.2)	(12.0)
Amortisation	(1.9)	(3.9)
Net finance income	0.4	0.4
Tax	(0.5)	(3.5)
Profit/(loss) for the year	21.8	(2.3)
Loss for the year on discontinued operations	(9.4)	(2.0)
Retained profit/(loss)	12.4	(4.3)
Fully diluted EPS*	6.0p	4.2p

\*Before share option charge, discontinued operations, exceptional items and amortisation

## Operating Profit Reconciliation

		£m	£m
2008 operating profit			24.7
Sports volume effect	◆ Europe	16.3	
	◆ Australia	3.3	
Sports margin effect (pre-betting taxes)	◆ Europe (10.2% vs 10.0%)	1.8	
	◆ Australia (4.8% vs 4.3%)	2.3	
Betting taxes		(3.0)	
Sports effect			20.7
Casino effect			5.0
Poker effect			(1.8)
Increase in costs			(17.5)
2009 operating profit			31.1
Discontinued Italian trading loss			(1.5)
			29.6

## Costs

	2009 £m	% of margin	2008 £m	% of margin
Marketing				
♦ reported	<b>46.2</b>	<b>25.4%</b>	45.9	29.1%
♦ customer bonuses	<b>18.1</b>	<b>10.0%</b>	13.5	8.6%
	<b>64.3</b>	<b>35.4%</b>	59.4	37.6%
Payment processing costs	<b>19.8</b>	<b>10.9%</b>	20.7	13.1%
IT costs	<b>10.2</b>	<b>5.6%</b>	9.1	5.6%
Employees	<b>32.9</b>	<b>18.1%</b>	27.4	17.4%
Depreciation	<b>8.6</b>	<b>4.7%</b>	6.3	4.0%
Other admin	<b>14.7</b>	<b>8.1%</b>	10.5	6.6%
	<b>150.6</b>	<b>82.9%</b>	133.1	84.3%
Operating profit margin		<b>17.1%</b>		15.7%

(2009 exclude costs associated with discontinued Italian operation)



## Balance Sheet

		31 July 2009	31 July 2008
		£m	£m
<b>NON-CURRENT ASSETS</b>	Goodwill	41.2	53.0
	Tangible and intangible assets	39.2	37.5
<b>WORKING CAPITAL</b>	Trade and other receivables	13.4	7.5
	Cash and cash equivalents	44.3	49.4
	Derivatives	0.7	-
	Other payables*	(41.1)	(52.9)
<b>LIABILITIES</b>	Interest bearing loans and borrowings	(4.0)	(5.6)
	Contingent consideration	(0.5)	(4.5)
		93.2	84.4
<b>EQUITY</b>	Share capital / share premium	59.9	56.8
	Shares to be issued	-	9.0
	Retained earnings	33.3	20.1
	Minority interest	-	(1.5)
		93.2	84.4

\*Includes client liabilities of £16.5m (2008: £15.2m)

## 08/09 Cash Flow

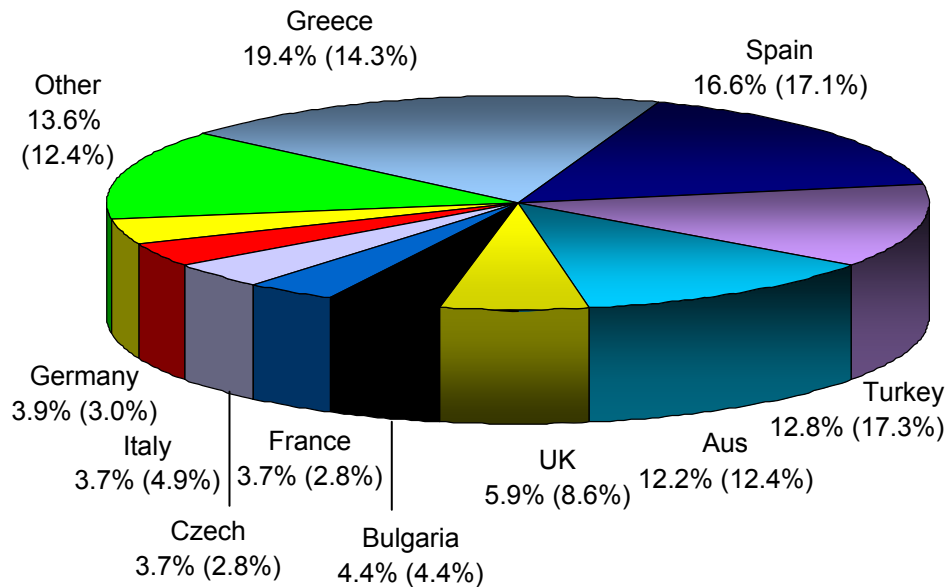
	£m	2009 £m
Opening cash as at 1 August 2008		49.4
EBITDA	39.8	
Working capital	(4.9)	
		34.9
Exceptional – Cash effect of prior year		(5.6)
Exceptional - 2009		(4.2)
Repayment of borrowings		(1.6)
Acquisitions		(4.5)
Disposal of Italian operations		(2.5)
Purchase of own shares		(4.2)
Tax		(2.6)
Capital expenditure		(12.7)
Other		(2.1)
Closing cash as at 31 July 2009*		<b>44.3</b>

\*Includes client liabilities of £16.5m



# Operations

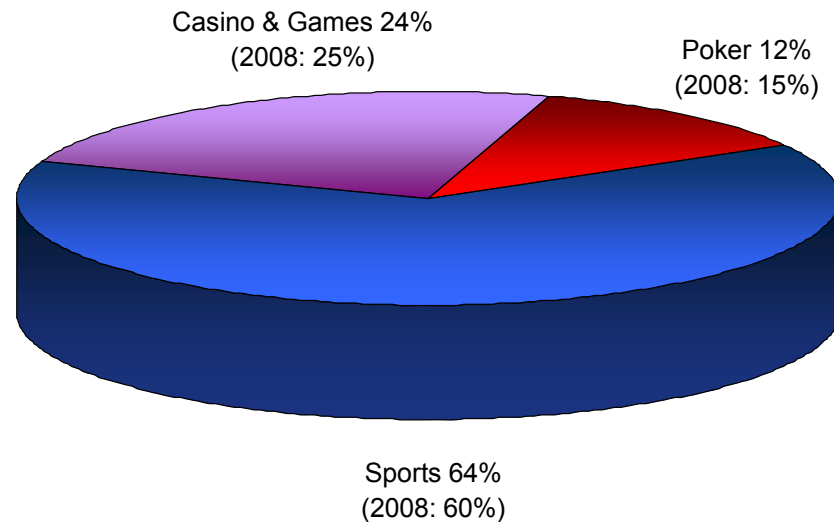
## Group – Geographical Breakdown (post-tax revenue)



- ♣ Continued strong growth from Greek partner +56% year-on-year
- ♣ Spain performing well despite recession and lower sports margins
- ♣ Turkey down 15% or £4.1m
- ♣ Recent UK performance significantly improved since summer investment
- ♣ Launched in Romania and South Africa
- ♣ Eastern Europe performed strongly

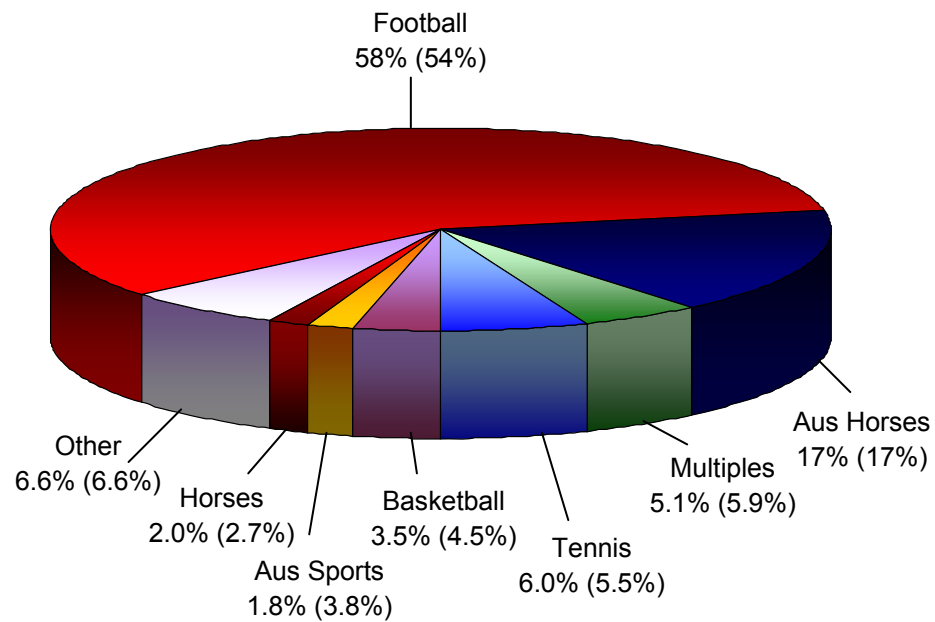
(2008 comparatives in brackets)

## Group – Product Breakdown



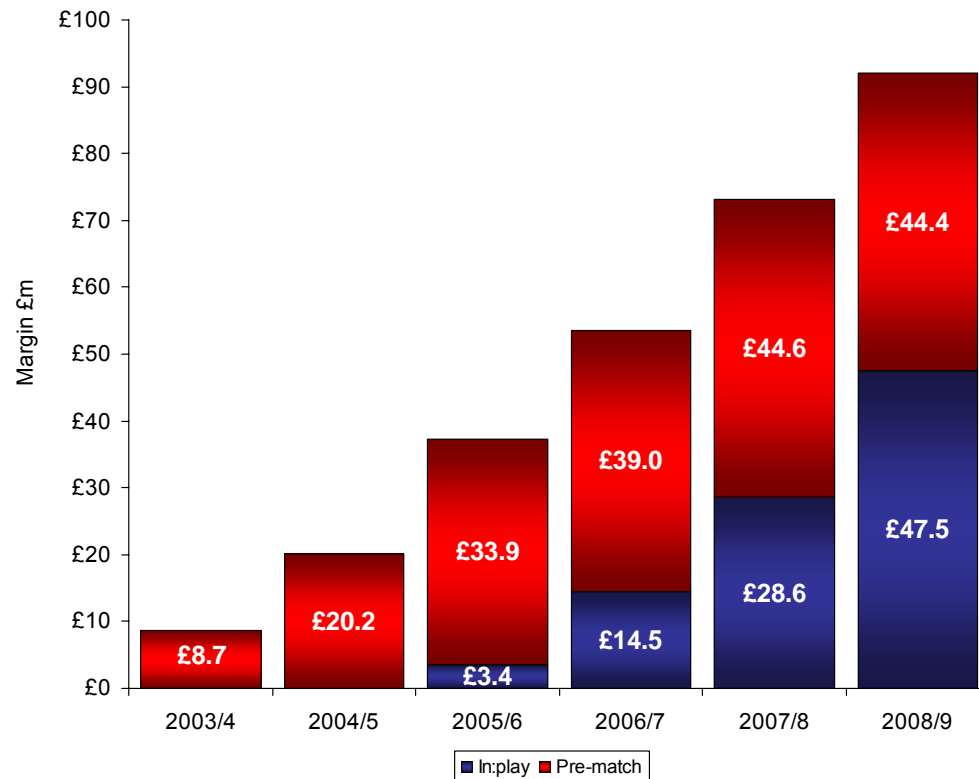
- ♣ Sports betting continues to drive the business
- ♣ Investment focused on sports
- ♣ Market leading trading team
- ♣ Outsource all non-sports products
- ♣ Continued enhancement of casino/games product will allow best-of-breed games to be sourced

## Sports breakdown (post-tax revenue)



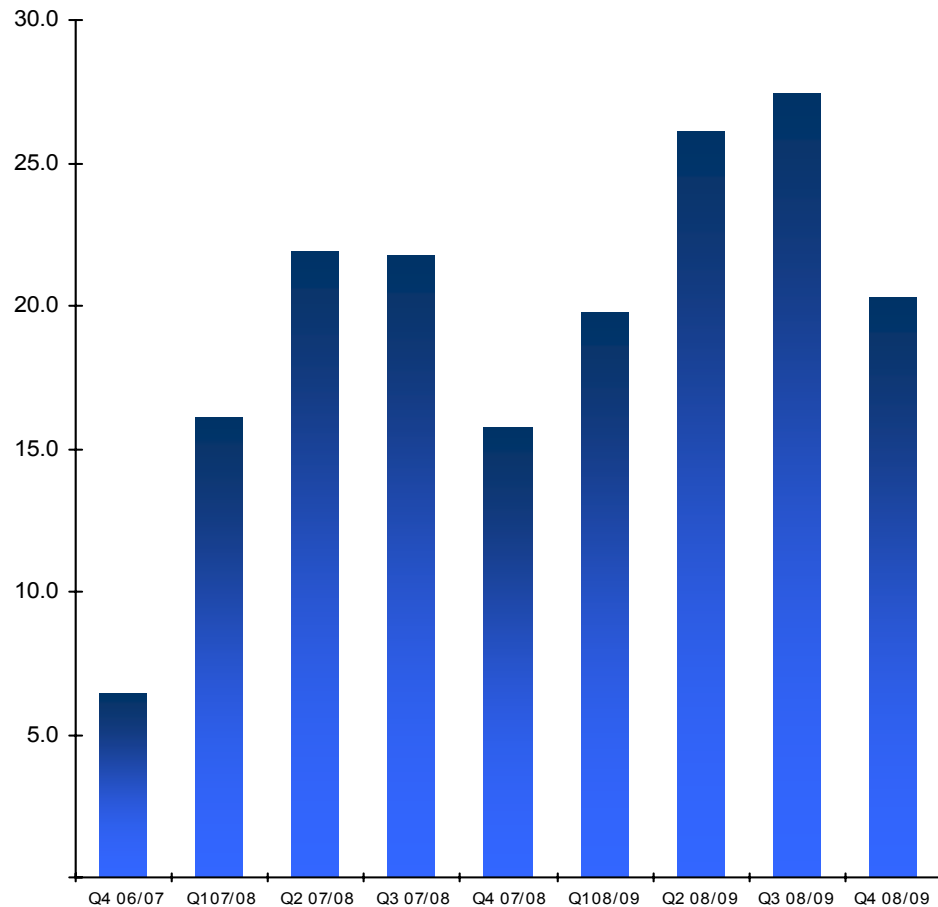
- ♣ Football growth above average due to roll-out of additional coverage
- ♣ Tennis betting benefiting from quality live streaming and more markets
- ♣ Increased number of markets for basketball to be introduced this year
- ♣ Further increase in coverage of in:play during the year

## In:play



- ♣ Substantial demand for in:play betting
- ♣ 52% of margin now generated in:play
- ♣ Considerable investment in systems to increase coverage of games and markets offered
- ♣ Slightly lower margin achieved on in:play due to lower number of multiple bets placed in:play
- ♣ Live web-streaming aids turnover – looking to add more content

## Europe – Sports

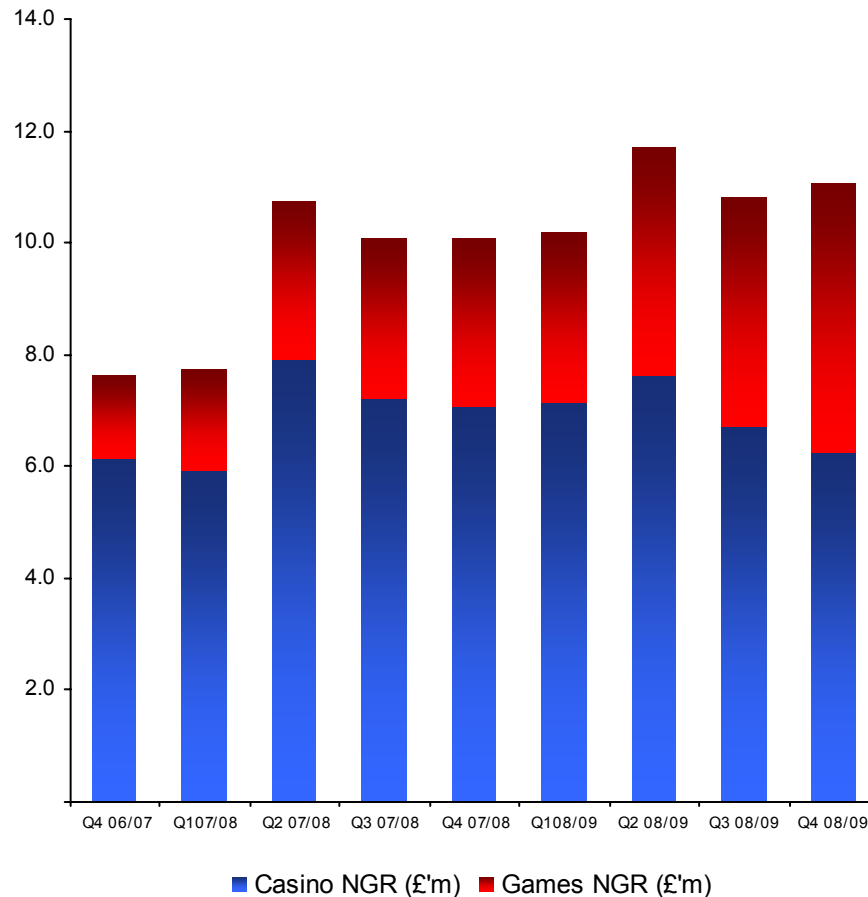


	2009	2008	+/-
Sports actives	<b>430,188</b>	464,523	-7.4%
Bets per customer	<b>134</b>	111	+20.4%
Yield per sports actives	<b>£216</b>	£161	+34.7%

- ♣ Strong Q4 sports performance given no major football tournament
- ♣ Continued focus on core customer base
- ♣ Amounts wagered up 21% yoy
- ♣ Industry leading sports margin at 10.2%
- ♣ Yield up 35% to £216 per active player

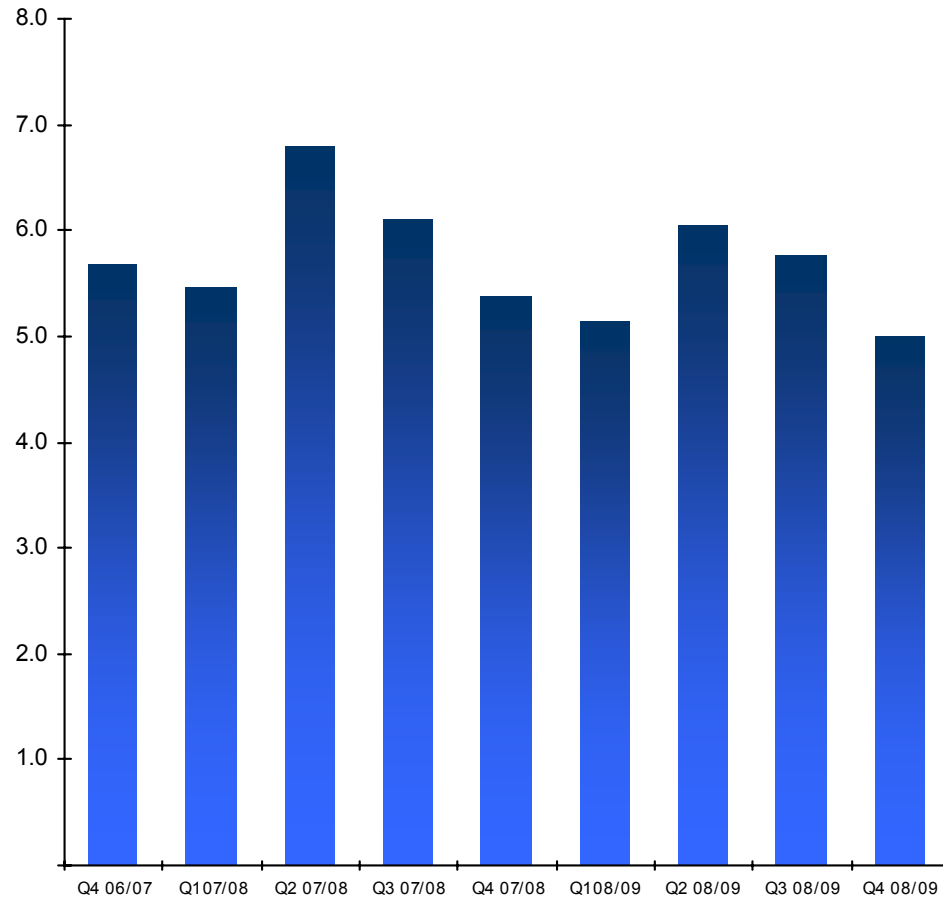


## Europe – Casino & Games



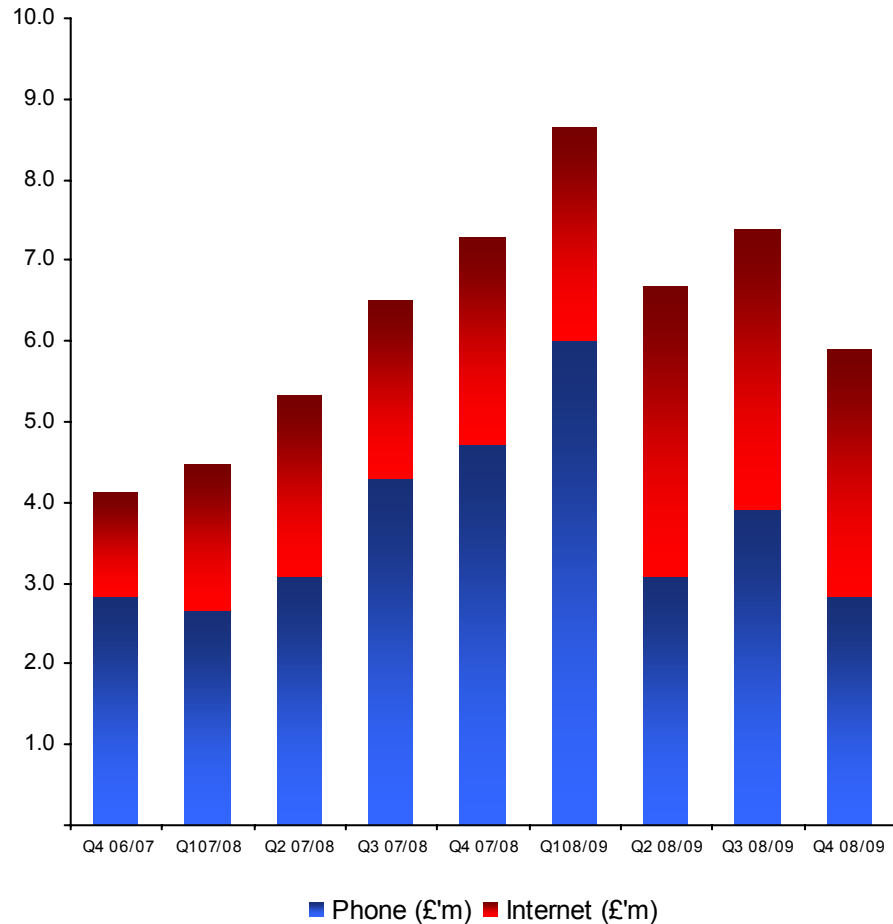
- ♣ Performance of download casino continues to be poor
- ♣ Flash-based games driving growth
- ♣ 90+ new flash games launched in Q4 from a variety of games developers
- ♣ New integration platforms will allow quick and easy integration of third party content

## Europe – Poker



- ♣ Poker market remains difficult
- ♣ Maintenance investment only
- ♣ Working with Boss Media on how to further develop the network
- ♣ Decrease in rake of 8% to £22.0m
- ♣ Now accounts for 12% of Group NGR

## Australia (pre-tax)



	2009	2008	+/-
Internet bets	<b>14.7m</b>	9.2m	+59.0%
Telephone bets	<b>1.5m</b>	1.3m	+10.4%

- ♣ Relaxation on advertising helping internet business
- ♣ Telephone business affected by recession
- ♣ Significant impact (£3.1m) from new taxes and levies
- ♣ Tax position still remains subject to challenge in some states
- ♣ Market attractive in long term for corporate book makers

HI	HI	HI		
PAYS GBP 62.26	PAYS GBP 56.29	PAYS GBP 621.63		
GO	3	2	12	GO
PAYS GBP 310.81	PAYS GBP 621.63	PAYS GBP 56.29		
LO	LO	LO		



# Regulation

## Regulation

- ♣ Europe
  - ♠ Increased EC pressure on member states to justify national gambling regimes
  - ♠ Move towards liberalisation in some markets (France/Denmark/Italy)
  - ♠ Others aiming to justify monopolies (Portugal/Norway)
  - ♠ Possible move by UK to improve financial requirements on offshore operators
  
- ♣ US
  - ♠ Active discussions ongoing with view to settlement
  - ♠ Difficult to predict timing and outcome
  
- ♣ Australia
  - ♠ Tax and levy regimes remain subject to challenge by industry



# Summary & Outlook

## Summary and Outlook

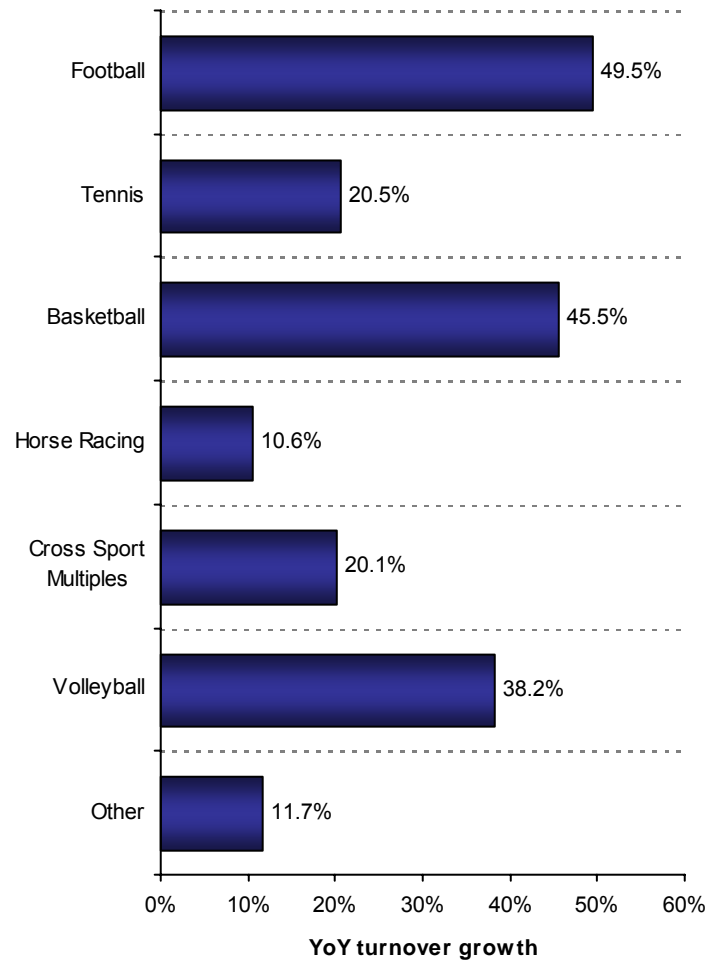
- ♣ Business well placed given strength of sports product
- ♣ In:play product range to continue to expand
- ♣ Further geographic expansion to supplement growth
- ♣ New financial year started in line with expectations
  - ♠ European sports betting strong
  - ♠ Australian wagers on target but lower margins to date
- ♣ Board remains optimistic for the full year outcome



# European Sportsbook review

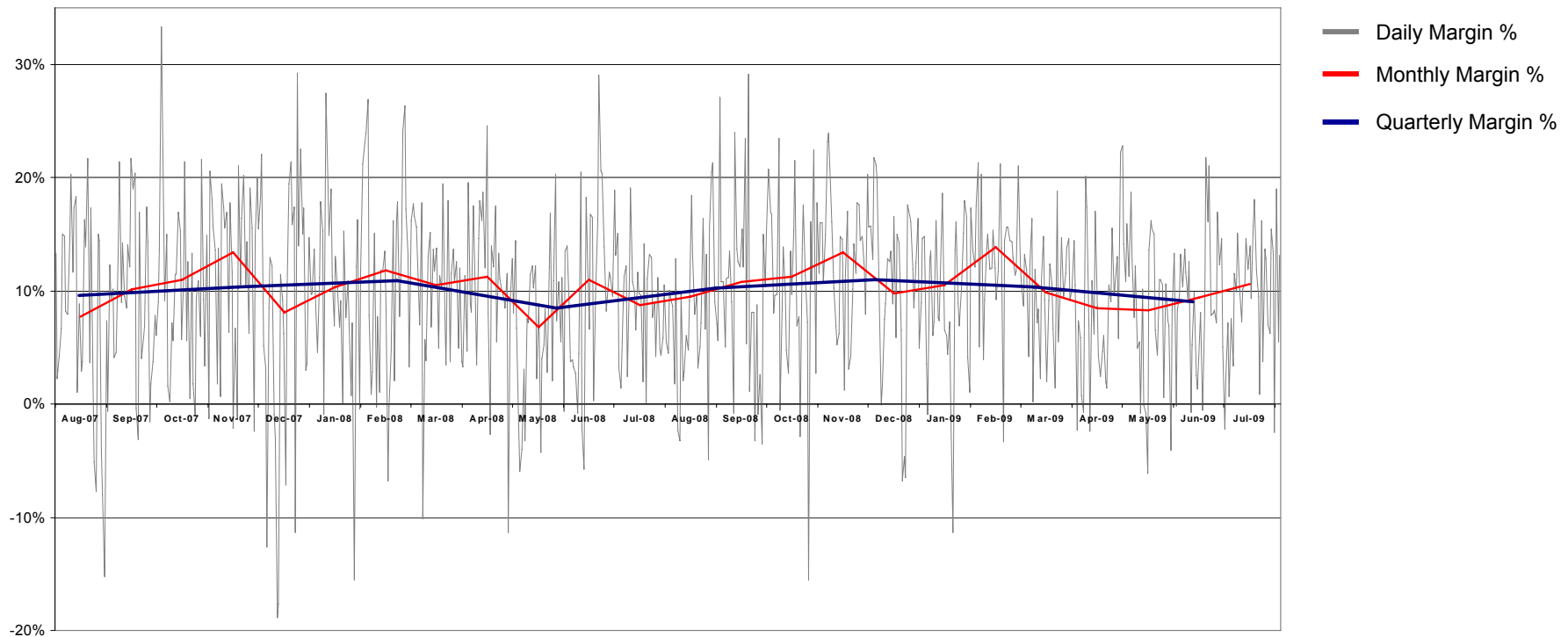


## European sportsbook turnover growth (Aug-Sept 2009)



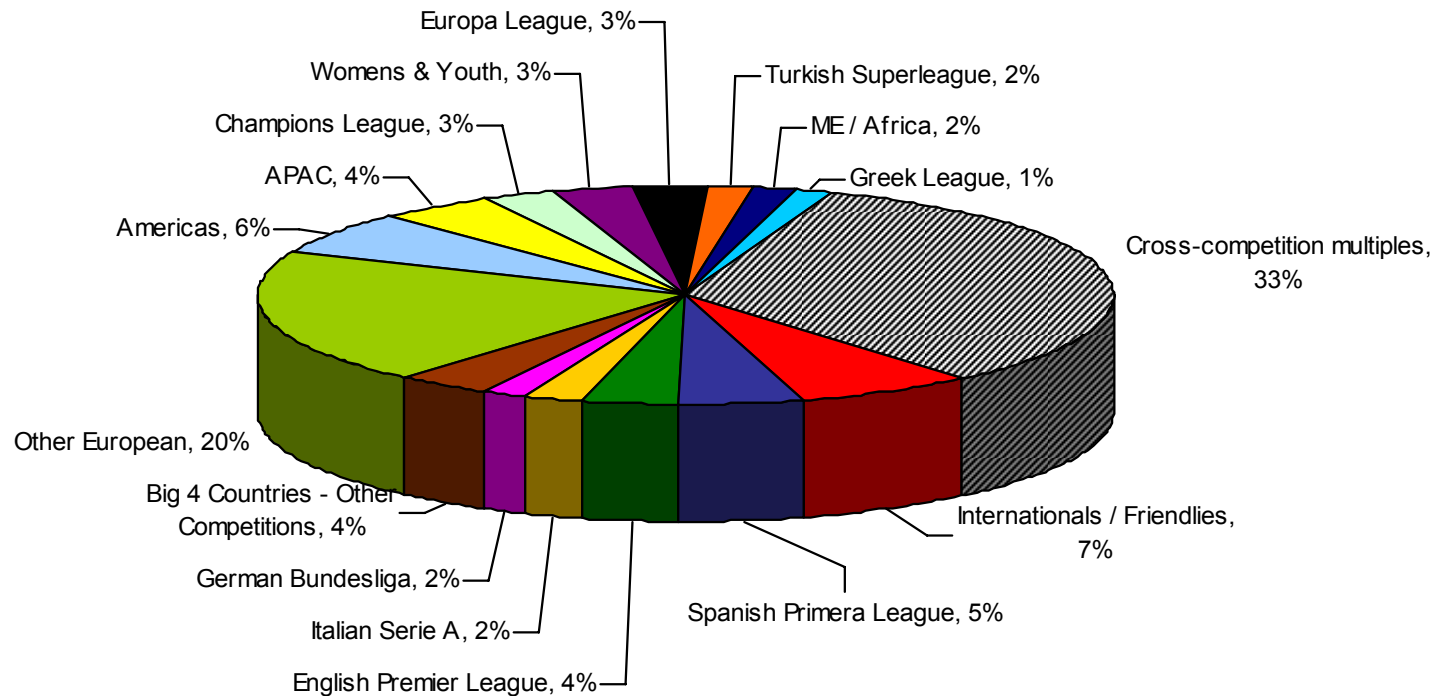
- ♣ Strong start to year for European sports
- ♣ Amounts wagered up 40% yoy for Aug/Sept
- ♣ Particularly strong in Football and Basketball
- ♣ Aided by strong football fixtures across the summer months
- ♣ Horse racing growth pleasing given our previous decline in this market

## Margin fluctuation



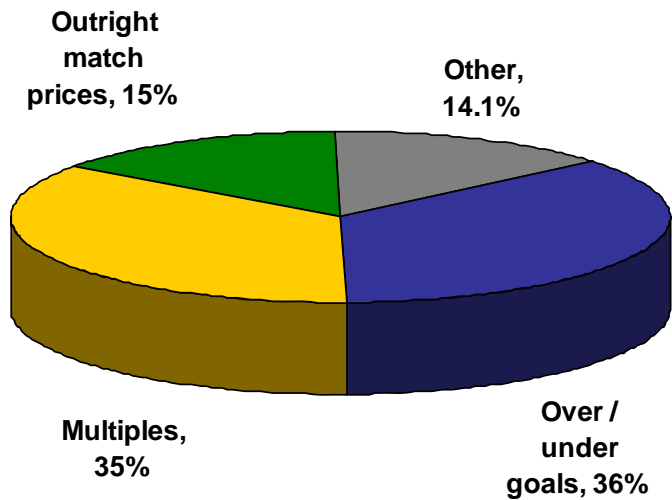
- ♣ Daily margin fluctuation evens out over the long run
- ♣ Some seasonality with margin during summer months slightly lower

## Football bets by competition – Aug/Sept 09



- ♣ Diversification of markets aids margin stability
- ♣ Big 4 leagues only accounted for 12.3% of turnover (excl x-league multiples)

## Football bet types – Aug/Sept 2009



- ♣ Broad range of markets diversifies risk
- ♣ Reduces exposure when favourites win
- ♣ Only 15% of football wagers dependent on straight match prices (win/lose/draw)

## European Sportsbook review - summary

- ♣ Strong growth continues within our European sports business
- ♣ Daily volatility in margin but stable in the long run
- ♣ Risk management aided by;
  - ♠ Greater geographical spread than traditional UK bookmakers
  - ♠ Greater proportion of stakes outside high profile leagues and competitions
  - ♠ Less reliance on win/lose/draw markets
  - ♠ Significantly more in:play
    - ◆ Greater ability to trade out of loss making positions
    - ◆ Diversifies bet types and betting behaviour
- ♣ Growth in other sports supporting football
- ♣ Current trend of low scoring results in some leagues has benefited over/under markets



# Appendix

## Net Gaming Revenue

		2009 £m	2008 £m	% change
Europe	♦ Sports (10.2% vs 10.0%)	93.6	75.4	+24%
	♦ Casino & gaming	43.7	38.8	+13%
	♦ Poker	22.0	23.8	-8%
		<b>159.3</b>	138.0	+15%
Australia	♦ Sports (3.7% vs 3.6%)	22.4	19.8	+13%
	Gaming revenues (post gaming taxes)	<b>181.7</b>	157.8	+15%
	Customer bonus adjustment	18.1	13.5	+34%
	Net gaming revenue	<b>163.6</b>	144.3	+13%

## Europe – KPIs

	2009	2008	+/-
Sports actives	<b>430,188</b>	464,523	-7.4%
Sports bets	<b>57.5m</b>	51.5m	+11.5%
Sports bets / active	<b>134</b>	111	+20.4%
Sports bet size	<b>£15.97</b>	£14.66	+8.9%
Sports margin %	<b>10.2%</b>	10.0%	+1.5%
Yield per sports active	<b>£216</b>	£161	+34.7%
Casino bets*	<b>174.2</b>	175.4	-0.7%
Casino bet size*	<b>£4.66</b>	£4.73	-1.5%
Casino margin %*	<b>3.4%</b>	3.4%	+0.7%
Poker – average daily rake	<b>£60,115</b>	£65,018	-7.5%

\*Download product only



## Australia – KPIs

	2009	2008	+/-
Sports actives	<b>51,451</b>	31,032	+65.8%
<b>Internet</b>			
Sports bets	<b>14.7m</b>	9.2m	+59.0%
Sports bets / active	<b>308</b>	332	-7.2%
Sports bet size	<b>\$30</b>	\$35	-12.2%
Sports margin %	<b>5.0%</b>	5.3%	-5.0%
<b>Telephone</b>			
Sports bets	<b>1.5m</b>	1.3m	+10.4%
Sports bets / active	<b>110</b>	149	-26.1%
Sports bet size	<b>\$603</b>	\$663	-9.1%
Sports margin %	<b>3.0%</b>	3.1%	-3.5%