Proposed Acquisition of bwin.party by GVC Holdings plc

Monday 16 November 2015

On Friday, November 13, 2015, GVC issued its prospectus after receiving approval from the UKLA. Shareholders should have received this document in the post by now, but it is of course available on GVC's website.

The prospectus, which is accompanied by a Scheme of Arrangement document, and was preceded earlier last week by bwin's own scheme document, is on the same terms as GVC announced on the fourth of September 2015; each bwin shareholder, will, subject to a mix and match facility, receive up to 25 pence in cash and 0.231 gvc shares.

The offer comes with the unanimous recommendation of the bwin and GVC boards and will create a global player in the e-gaming market with a diversified market and product base, including markets in UK, Europe, Latin America.

<u>This is a further transformational deal for GVC</u> and should complete on the second of February 2016 - a little under three years since GVC acquired Sportingbet and executed its integration and financial turnaround so successfully.

Immediately prior to the sportingbet acquisition, GVC's share price was 244 and a half pence. The current stock price is around 400 pence, and, since the sportingbet acquisition, GVC shareholders have received 103.2 pence in dividends, so a gain of 259 pence or 106%.

GVC management has the credentials to execute the much-needed turnaround at bwin, and are looking forward to working on the integration.

Whilst there are a number of minor regulatory hoops to go through – which is inevitable in this sector – GVC is pleased to be able to say that its plans are well advanced and there is a high level of cooperation with the bwin.party team.

Now I turn to the presentation which is available on the investor relations page of the GVC website and I am obliged to draw your attention to the disclaimer on page two.

On page four, we summarise the impact that the transaction will have, namely that it should result in:

- Being one of the largest online publicly-traded sportsbooks
- Realising substantial cost synergies and revenue cross-sell opportunities

- Further diversifying market and product streams for GVC with a higher proportion of income from fully regulated markets

- A main market listing with therefore a higher capital markets profile, and…

- A business with a compelling proforma revenue, EBITDA and cashflow generation

I will now hand you over to Richard Cooper who will walk you through part of the transactional and financial factbook.

THANK YOU KENNY

In Section one of the accompanying presentation, we list the key dates of this transaction, some leading up to now, and then the next steps. Possibly the most important date now is the GVC EGM to be held in the country of GVC's incorporation, The Isle of Man, on 15th December and requiring our shareholders to vote on the transaction.

Whilst Kenny and I would be delighted to welcome you there, if you are unable to attend, then we ask you to complete the proxy forms diligently and mail back to the Registrar.

As mentioned by Kenny earlier, the GVC directors will be voting unanimously for this transaction, and will, have great alignment with shareholder interests via their own personal shareholdings, 3.6 million shares.

The administrative process, regulatory consents and court hearings should culminate in the deal completing on Monday 1st February 2016 and bwin shareholders receiving new certificates shortly afterwards.

SLIDE 8 shows the purchase price, which, when based on the closing prices of the gvc and bwin shares last week, values the bwin.party at one billion pounds, a significant transaction in anyone's language, and as you will see from the date record, will, by completion, have taken a year from start to finish. So, this is a good time to thank all our advisers and hard-working staff for all their efforts.

The financing for the acquisition is from a combination of new GVC shares issued to bwin shareholders; new gvc shares issued via a subscription and placing, and senior debt.

The terms of the debt are summarized on this slide and appear in full on page 358 of the prospectus. Shareholders will already be aware that the terms of the debt facility prohibit a dividend being paid during 2016.

GVC has of course long been considered a dividend stock and we are committed to restoring an aggressive and progressive dividend as soon as possible – hopefully in early 2017.

Turning now to slides ten and eleven, and following questions from the many fund mangers who have already contacted us, we show some balance sheet extracts based on the position of both companies at their half-year and reported on 28th August this year.

We expect to be able to announce unaudited balance sheet and revenue figures in mid January to help the market further with its financial modeling.

I shall now pass you back to Kenny to take you through the rest of the slide deck.

THANK YOU RICHARD

GVC has both a proven acquisition record, which is summarized on slide 13, and a proven growth track record, summarized on slide 14.

Working closely with bwin management over the last couple of months, and of course with Norbert, who will join the GVC board, I am highly confident that together we can once again move the revenue and profits graphs in a upward direction.

Of course, there is much work to be done to integrate and grow the combined businesses.

We have summarized our approach here in section 3 of the slide deck, the turnaround plan.

I do not propose to talk through these slides, but will summarise by saying; that the turnaround involves both a right-sizing of costs, where we expect to save an incremental £110 million on the current combined cost base, and 125 million euro if measured on the 2014 cost base, AND, a focus to increase revenues, and stabilize those parts of the bwin business which have witnessed a significant downward trend.

I am confident we can achieve this in the timeline we advocate, and expect broadly 2016 to be the restructuring year and 2017 to be the year when our efforts bear fruit and we are able to restore our dividend.

I conclude, on slide 22 by looking at the shape and competitive position of the enlarged group: one with 800 million euro of pro-forma revenue; one with four strong product verticals in sports, casino, poker and bingo; one with 15 separate gaming licences; one with a diversified geographic market and currency profile, and one with an experienced, committed management team at and below board level.

Of course the sector, like many others in today's economy, has headwinds which it can do little to control, whether those be increases in direct and indirect taxes or currency volatility. But it is through a combination of consolidation and diversification which will help de-risk this.

I now believe there is a moderated Q&A session. But in the meantime, copies of the presentation and the text of this speech will be available on our website.

Q&A Session

Question 1

Gavin Kelleher, Goodbody

Hi, good afternoon Kenny, good afternoon Richard. Just two from me please.

Could you give any sort of guidance on the geographical breakdown of the enlarged Group? And then I note within the documents you talk about consolidation, consolidating your position in regulated markets. Does that hint at potential closures in any markets that Bwin is currently regulated in? I'm asking there about France and Italy maybe, to see what your thoughts on those markets are please.

Kenny Alexander

I'll answer the second part of it. We're not closing down any of Bwin's regulated markets. I can see a situation where we will remove some investment in certain regulated markets and move it into other markets where we think we can get a better return on our investment, but we're not going to be exiting France and we're not going to be exiting Italy. So, as I said before, I think there will be a movement of marketing investment from certain territories into others where we think we can get a better return on our money, but there will be no closure of any individual markets.

In terms of the profile of our revenue and earnings, I'll leave that to Richard to go through the numbers.

Richard Cooper

I think the best way to try and answer this question is to refer to some external research that's been done, with which we don't disagree, and that suggests that between 50% and 60% of the enlarged Group's earnings will be fully regulated and taxed.

That would of course include German gaming revenues, and Germany will be the largest market, which should come as no surprise to anyone who follows the stock of GVC with its legacy casino club business and Bwin's very strong brand obviously in Germany. We anticipate giving more disclosure on these revenues either early in January or at the publication of our finals, which are going to be probably mid-April.

One further thing I think we can say is that the amount of earnings made in euros, between 40-50% of the revenue base will be in one currency, the euro block.

Gavin Kelleher

Thanks Richard. Just maybe one more question on non-core businesses. Can you give any sort of update, how you're thinking of those and how we should be thinking about them next year given the desire to refinance pretty quickly?

Kenny Alexander

In terms of non-core assets nothing really has changed. Our number one intention is still to run all the businesses that Bwin currently has. It does have some non-core assets, there's been mention about Kalixa, possibly InterTrader. We will look at those assets. If there are interested buyers and they meet our evaluation then we will do something. If they don't meet our evaluation then we won't be doing anything. We don't need to dispose of assets and we certainly won't be disposing of assets anything less of which I think is a true value and an interest to shareholders' interests. That's where we are with it.

Richard Cooper

I'll just say one further point. We have been at pains to say that we will have four strong product verticals: sports; casino; poker; and bingo.

<u>Question 2</u>

Simon Davies, Canaccord

Three from me please. Firstly, you pointed to cost savings on the branded side of Bwin.party in terms of some of the sponsorship deals. Can you say roughly where you think the marketing spend should be for the enlarged Group as a percentage of net gaming revenues?

Secondly, what are your views in terms of likely timing of getting the move to the premium listing? And thirdly, in the document you talk about the potential for taking Bwin back into some unregulated markets, i.e., Latin America. What is your view going out on a two to three year basis in terms of the balance of revenues between regulated and unregulated, do you think that the unregulated components could grow?

Kenny Alexander

In terms of Bwin moving into other territories, there are some obvious hits. GVC has been quite successful in Latin America. Bwin has been very successful in doing a lot of sponsorship and branding, the brand awareness is out there. So I think an obvious one would be to move Bwin into some of our Latin American territories, but principally Brazil where we are the market leader. When we will do it? I would expect us to do it somewhere in the second half of 2016. That's a definite.

Bwin have talked about re-entering the Greek market. They would probably be doing that anyway, and certainly I think it makes complete sense to move Bwin back into the Greek market as well. Those are a couple of examples of territories where I can see Bwin re-entering, and both of those should be in 2016, Greece probably in the first half of 2016 and Latin America probably realistically now in the second half of 2016, but as soon as we possibly can.

Your other questions were?

Simon Davies

Sorry, just on that first one, do you see the balance between regulated and non-regulated revenues changing materially?

Kenny Alexander

Our objective is to grow both regulated earnings and unregulated earnings. How will the mix change over the next two to three years? I don't know. I expect the mix will stay probably similar to where it is, probably a bit more regulated, because I think the way the European markets are going it tends to be moving towards regulation, so I expect probably the percentage of regulated earnings to move slightly higher than where it is at the moment. Our intention is to grow the amount of regulated earnings and also to grow the amount of unregulated earnings. How the mix comes out, probably slightly higher on regulated earnings as more of these European markets regulate and we get licences in them.

The last part of the question was to do with the premium listing. I'll let Richard go through the dates for that.

Richard Cooper

The trigger point on moving towards premium is obviously GVC publishing its 2015 report and accounts, because that gives us the three year track record to incorporate the Sportingbet transaction. It’s not quite clear when the various index components meet to discuss admission, but we do expect moving up from standard to premium to be in 2016. Whether it is the latter part of Q3 or the early part of Q4, I’m not certain about.

Simon Davies

The last question is on marketing spend. Obviously you’re alluding to the cutbacks on sponsorship deals. Where do you think the balance is like to end up for the enlarged Group as a percentage of NGR?

Kenny Alexander

I think in terms of marketing spend, if you look at what GVC spends at the moment and where Bwin spends in the last 12 months, if you add the two together less the sponsorship that is where it is going to be in terms of quantum. In terms of a percentage of NGR, I would expect it to be somewhere between 20-25%, probably about 22%, I think. Somewhere about 22-22.5% of NGR’s we’re marketing.

Apart from the sponsorship we're expecting to keep marketing investment at the same level as to where its historical play has been. We may allocate it into different areas but we expect to maintain levels at where it has been in the last 12 months less sponsorship. Because what is absolutely crucial is we’re not just in here to cut costs. Our main objective is to grow this business and we appreciate to grow it we need to continue to invest in the business, invest in marketing but as we’ve always said we will be removing all sponsorship as soon as we possibly can.

Question 3

Jane Anscombe, Edison Investment Research

Afternoon. Following up from Gavin’s question on the Cerberus loan you mention the possibility of refinancing and I just wondered if you can indicate if and when that might happen, if you hope?

Richard Cooper

I’ll tackle that. Well let’s look at the structure of the debt in the first place. There is an anniversary fee and an 18 month fee and we are keen to avoid both of them which would suggest to the outside adviser or observer that we will be looking to change the debt provider on or around January/February 2017. Because of the make whole there's no advantage to refinance it any earlier than that date, we’d still pay the same interest component but it is certainly an advantage doing it at that time.

Jane Anscombe

Okay. And then two other numbers type questions. Firstly whether you would anticipate any non-cash impairment charges at all on top of the other exceptional costs that are highlighted in the prospectus?

Richard Cooper

Well the work to review the balance sheet can really only start after we’ve got the keys and we have to appoint further sets of reporting accountants to go through that exercise and fair value everything. We will have done that by the interims, so August time, and it is expected to be quite a lengthy exercise.

There were impairment charges when we took over Sportingbet, we have to marry up accounting policies and similar. So it’s slightly too early to say Jane.

Jane Anscombe

Okay and my final question in on dividends and the dividend policy because in different places there's slightly different explanations and obviously on the call today you've just talked about hopefully an aggressive and progressive dividend policy as soon as possible. In the document it also refers to a level comparable with the quoted peer group and I just wondered if you could say a little bit more on that?

Kenny Alexander

Okay I'll just clarify. Obviously next year there will be the dividend holiday and then following that we expect to pay a dividend per share where we have historically paid it, or very, very close to it. That's where we're striving to pay as high a dividend as we possibly can and the aim is to pay what we're currently paying or very, very close to that level. And that's the dividend policy. And ongoing as the business hopefully grows we expect it to be progressive.

Richard Cooper

Jane to just put a bit more colour on that a lot will of course depend on the amount of debt that we carry and the cost of that debt. We will obviously be reviewing that in the latter part of 2016 as we come to refinance it and will closely examine what we think is in the best shareholder interest in terms of leverage.

Question 4

Nicholas Batram, Peel Hunt

Hi chaps, good afternoon. Just three questions if I may, I notice in the document that you seem to have got clearance from most of the major markets where you'd expect them, those that you're regulated in and I just wonder if you could confirm that's the case or is there any particular material markets that are outstanding?

Secondly you talk about B to B and reinvigorating that area of the business, now obviously in terms of propriety technology that's poker and sport, is that where you're looking, poker and sport, or is it just one or the other? And if it's sport would you consider supplying a major operator, someone like a Meyer?

And finally just in terms of rebuilding a market-leading trading team within the sports business is that something that you've got the people there already and you just need to point them in the right direction or is that a major piece of work?

Kenny Alexander

Okay I'll answer number two and three and Richard can do the clearance.

In terms of B2B even though I've done a few deals in terms of B and D they've just got the platform and infrastructure but I think most of the B2B deals we'd be looking to do in the future probably would be along the lines of sports, and I'm keen to explore doing more B2B opportunities. They would have to be meaningful, we're not interested in doing small subscale deals but if opportunities come along which make sense and are of a significant scale then certainly we would do it and I think it's most likely we'll be doing it in sports.

Would we do a deal with a Meyer to offer them a sports book? Well obviously we would, subject to the right commercials and the right terms, etc. That's the sort of deal that obviously we'd be interested in but it wouldn't just be with a Meyer there's a number of other operators out there that we would be interested in offering our product to subject to the right commercials.

And your third question about the trading team I actually think that's one of the areas that GVC does very, very well. I think GVC does some things very well, some things okay and maybe other things not so well. The one thing I think we do as well as anyone out there is trading. I think our trading team is very, very strong, it's comparable with anything out there. Bwin has got undoubtedly a good trading team as well. But I think by mixing the best of both trading teams we'll provide a market-leading trading team very, very easily. And I don't expect to be having to recruit in any external traders to get us there. As I said to you I think the current trading team we've got at GVC, as seen by the results, is absolutely first class and as good as anything out there and I'm sure there's some good traders in Bwin as well that can complement that. So between the two we'll get there very easily.

And I'll let Richard talk about clearance.

Richard Cooper

There are no major roadblocks on regulatory clearance. I believe there are only two bodies working through their process with us. In the overall revenue scheme of things they're important but not material and neither of them present roadblocks to the acquisition and we've got a plan B if indeed a roadblock emerges.

Question 5

Jane Anscombe, Edison Investment Research

Just one finally on synergies, obviously the €125m is all gone through in lots and lots of detail on the sports book. Can you say anything at all about potential synergies on the casino and poker side? And also potential negative synergies whether they be from churn or anything else?

Kenny Alexander

Well there's going to be a fair amount of synergies in terms of the casino. We obviously run a standalone casino operation, as do Bwin, so we'll by combining those two teams there will be significant synergies obviously. The large group is going to be a significant sized operator, so there's opportunities there to negotiate possibly better terms with some of our suppliers. So the synergies I think it's fair to say will be significantly higher in the sports area but there are still some synergies for the reasons I've given in terms of the casino and poker.

In terms of the negative synergies in terms of churn, obviously there will be a migration of our sports book onto the Bwin platform. There undoubtedly will be some sort of migration loss but we expect that loss to be fairly minor and we expect the recovery of those losses to be done very, very quickly.

This migration project will be carefully planned. We will not migrate any players until we're absolutely 100% confident that they're getting a like-for-like experience and the testing is all done. So I'll just say yes there will be some sort of negative churn and some sort of migration loss. We've built it into our projections but we think it'll be fairly minor. And that's where we are with it.

We've obviously done migrations in the past as part of the Sportingbet deal and as you can see from the numbers they were successful. Bwin have obviously done a lot of migrations themselves so with the combination of both teams I'm pretty confident on the migrations of the GVC sports base onto the Bwin platform will be successful.

Question 6

Simon Davies, Canaccord

Hi, just a quick follow up on sports book migration, can you just talk a bit about the timing and the approach? Are you going to do all brands at the same time and are you still looking to do that post the European Championships and before the start of the football season next year?

Kenny Alexander

Yeah I think we will be migrating all of our sports book brands. Obviously the first brands that we'll be moving over will be the smaller brands, the last ones to be migrated obviously will be the bigger brands for obvious reasons. If there are teething problems we hope to have them at the start rather than at the end when the larger brands will be coming across.

When we do it hasn't quite been agreed, obviously the best times to do it are in the quieter times of the year which are obviously during the closed season and obviously we've got the summer football tournament: I think it's very unlikely that we will do migrations before the European Championships, I think the best opportunity would be to migrate just after the European Championships and before the start of the new domestic season. So that looks like the most likely slot.

We've already kick started the plans so that's late July, early August seems a sensible slot. What I would say is we won't be taking any unnecessary risks and migrated until we're absolutely ready. So I'll caveat it with that point.

Concluding comments: Kenny Alexander

Okay that seems to be all the questions. Thanks for everyone attending and have a good day. Cheers. Bye.