



**sportingbet Plc**

# Year End Results

## Year ended 31 July 2006

Thursday 19 October 2006

# PROFIT AND LOSS

	Year ended July 2006	Year ended July 2005
	£m	£m
Turnover	2,063.5	1,526.2
Gross profit	303.3	175.8
Costs	(200.3)	(115.3)
Operating profit	103.0	60.5
Exceptionals	-	1.0
Share option charge	(6.4)	-
Goodwill	(22.1)	(16.4)
Associate	-	0.3
Interest	(3.0)	(4.6)
Tax	(2.0)	(0.9)
Minority interest	0.2	-
Retained profit	69.7	39.9
Basic EPS*	24.9p	18.6p
Fully diluted EPS*	23.8p	13.9p

\* Pre-exceptional items, goodwill amortisation and share option charge

# ACTIONS TAKEN WITH REGARD TO US OPERATIONS

## **Sports and Casino**

- US operations sold for US\$1
- Discharged excess liabilities of c.US\$13.2 million
- Saved closure and severance costs of c.US\$14.0 million
- No continuing involvement, commercial or otherwise, with the US business going forward

## **Paradise Poker**

- Deposits from US residents ceased on 13 October 2006
- US residents able to continue for real money play for 1 month
- On 13 November, Paradise will close to US residents for real money play



# Sportingbet Going Forward

# 2006 GROSS MARGIN – THE CONTINUING BUSINESS

	Year ended July 2006	Year ended July 2005	% chg
	£m	£m	
Europe - Sports	33.4	19.3	73%
- Casino	30.2	16.8	80%
- Poker	13.6	4.8	184%
	77.2	40.9	89%
Australia - Sports	12.9	8.4	54%
Paradise (non-US)	19.5	9.8	100%
	109.6	59.1	85%



# Europe



# THE ONGOING BUSINESS - EUROPE

## Europe

- 2006 gross win of £77.2m: Sports £33.4m, Casino £30.2m, Poker £13.6m
- Key markets: Spain, Turkey, UK, Scandinavia, Greece
- Key sports: UK / European football and horse racing
- High demand for casino and gaming
- Poker currently provided by Boss Media network platform
- High cost environment:
  - Marketing dominated by marketing partner revenue share deals (c.50-55% of margin)
  - Multi-culture / language / currency increases costs
  - Banking costs generally lower than US (c.8.0%-8.5% of margin)
  - High IT costs reflecting, in part, commissions on third party software (c.10% of margin)
  - Relatively high staff costs across Europe
- UK corporation tax paying – offset by Head Office costs

# EUROPE - 2006/06

	2005/06	2004/05	+/-
Sports actives	382,160	245,215	+55.9%
Sports bets	35.3m	20.2m	+74.3%
Sports bets / active	92	83	+11.8%
Sports bet size	£14	£13	+3.6%
Sports margin %	7.5%	7.9%	-5.6%
Gaming actives	155,596	59,596	+161.1%
Gaming bets	164.6m	93.0m	+76.9%
Gaming bet size	£5.1	£5.0	+0.7%
Gaming margin %	3.8%	3.8%	-
CPA	£158	£137	+15.7%







# Australia



# THE ONGOING BUSINESS - AUSTRALIA

## Australia

- Sports betting only permitted under Australian licence – no casino or poker
- Strength in Australian horseracing
- Relatively low sports margin – 2.5%-3.5%
- Low cost base:
  - Generally low marketing costs (c.15% of gross margin)
  - But higher staff costs than other regions (c.30% of gross margin)
- Licensed in Northern Territories
- Pay gaming tax (gross margin quoted net of gaming tax) and Australian corporation tax (30%)

# AUSTRALIA - 2005/06

	<b>2006</b>	<b>2005</b>	<b>+/-</b>
<b>Sports actives</b>	<b>17,732</b>	<b>6,298</b>	<b>+181.6%</b>
<b>Sports bets</b>	<b>4.6m</b>	<b>3.0m</b>	<b>+51.4%</b>
<b>Sports bets / active</b>	<b>259</b>	<b>482</b>	<b>-46.2%</b>
<b>Sports bet size</b>	<b>A\$181</b>	<b>A\$301</b>	<b>-39.8%</b>
<b>Sports margin %</b>	<b>3.8%</b>	<b>2.3%</b>	<b>+64.9%</b>
<b>CPA</b>	<b>A\$521</b>	<b>A\$917</b>	<b>-43.2%</b>





# Paradise Poker

# THE ONGOING BUSINESS – PARADISE POKER

## Paradise Poker

- Closed to deposit taking from US residents from 13 October 2006
- Closed for real money play to US residents from 13 November 2006
- 19% of 2006 revenue generated by non-US residents
- Remaining players may be difficult to retain – threat from large ‘Black Market’ sites  
e.g. PokerStars, Full Tilt
- Fall in liquidity of player pool may also reduce yield per player

# PARADISE POKER - 2005/06

	2005/06	2004/05	+/-
<b>Poker actives</b>	<b>345,575</b>	<b>212,000</b>	<b>+63.0%</b>
<b>Games per day</b>	<b>1.95m</b>	<b>0.99m</b>	<b>+96.8%</b>
<b>Average daily rake</b>	<b>\$513,995</b>	<b>\$283,824</b>	<b>+81.1%</b>
<b>CPA</b>	<b>\$233</b>	<b>\$139</b>	<b>+67.3%</b>

Includes sports customers active in Paradise Poker





# Regulation

# REGULATION

## UK

- Taxation still unresolved – probably will go with a higher rate
- Unlikely to see anything sensible
- Washing their hands of Europe and the US

## EU

- Have they really got the balls?
- Country specific stances abound
- Infringement cases hopefully are more than token gestures
- Case law likely to be the only way now





# REGULATION



Marty Gold  
Lobbying  
power



NFL  
Commission  
Fantasy  
sports



Bill Frist  
2009 election



Jim Leach  
Genuine belief





# Summary and Way Forward

# SUMMARY & WAY FORWARD

- Deeply saddened by recent events
- Remaining business is strong
- Significant management actions being taken:
  - Rationalisation of Head Office costs
  - Streamlining of European operations
  - Realignment of Paradise to new target markets
- Business well placed to move forward:
  - Strong management team
  - Significant cash balance
  - Sound footing to take things forward

