



GALA CORAL
GROUP

FY16 Q1 Results
3rd March 2016

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Overview

FY16 Q1 results

Q&A

Carl Leaver

Paul Bowtell



FY16 Q1 Highlights

- Total Coral Group EBITDA^{1} of **£62.4m** was **£7.9m** or **14%** ahead of last year with growth in all divisions
- After adjusting for regulatory impacts^{2} underlying EBITDA was **59%** ahead of last year, with improved football results contributing significantly to the underlying gross profit improvement
- Online EBITDA^{1} of **£18.5m** was **£6.6m** or **55%** ahead of last year, and **194%** ahead after adjusting FY15 for regulatory impacts^{2}
 - Online net revenue **+41%** of which
 - Coral.co.uk **+69%**
 - Gala websites **+11%**
 - Eurobet.it **+42%**
- EBITDA growth in Coral Retail and Eurobet Retail
- CMA review of the proposed merger with Ladbrokes PLC progressed to Phase 2, in line with expectations
- Sale of Gala Retail to Caledonia Investments for a headline price of **£241m**
- Positive Current Trading

{1} All numbers are now stated under IFRS for FY16 and FY15

{2} FY15 rebased for the estimated impact of Point of Consumption Tax, the increase in rate of MGD to 25% and DCMS FOBT high-stake restrictions, calculated as if all changes had been in existence for the corresponding periods in FY15

FY16 Q1 Results

Paul Bowtell



FY16 Q1 Results

Continuing Operations ^[1]	FY16	FY15	Change
	£m	£m	%
Net revenue ^[2]	333.3	286.2	16%
Cost of sales	(108.3)	(82.8)	(31%)
Gross profit	225.0	203.4	11%
Marketing costs (Online)	(23.0)	(17.4)	(32%)
Operating costs	(139.6)	(131.5)	(6%)
EBITDA ^[3]	62.4	54.5	14%
Depreciation	(10.4)	(8.4)	(24%)
Amortisation	(6.7)	(7.8)	14%
EBIT ^[3]	45.3	38.3	18%

Net Revenue

- Coral Retail **+7%**
- Eurobet Retail **+36%**
- Online **+41%**

Tax and Regulatory (up **£19.1m** year-on-year)

- Cost of Sales includes **£15.2m** of incremental tax costs
- EBITDA of **£3.9m** was lost as a result of the DCMS £50 staking restrictions

Operating Costs

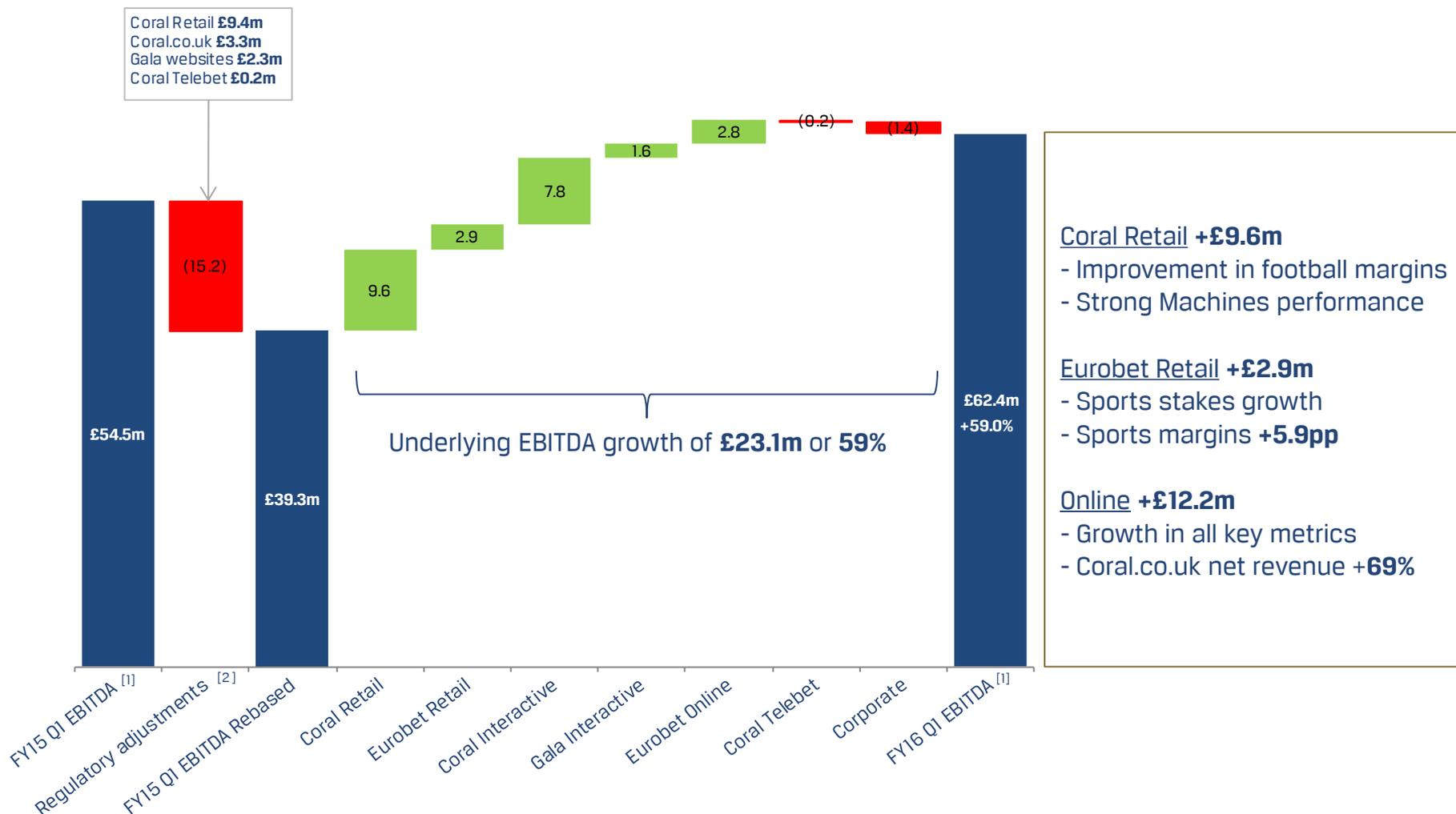
- Coral Retail **4%** higher
- Eurobet Retail **in line**
- Online **16%** higher

[1] EBITDA includes all revenue and expenses for the Coral Group and excludes Gala Retail (Q1 FY16: £9.9m and Q1 FY15: £12.1m) and Propco rental income (Q1 FY16: £0.0m and Q1 FY15: £5.7m)

[2] Statutory turnover of £333.9m includes Coral Retail vending machine income of £0.6m which is excluded from Net Revenue

[3] EBITDA and EBIT are stated pre-exceptional items

FY15 EBITDA Bridge



[1] Includes EBITDA from continuing Coral Group operations

[2] FY15 rebased for the estimated impact of Point of Consumption Tax, the increase in rate of MGD to 25% and DCMS FOBT high-stake restrictions, calculated as if all changes had been in existence for the corresponding periods in FY15

Coral Retail FY16 Profit & Loss

	FY16	FY15	Change
	£m	£m	%
OTC stakes	508.3	502.8	1%
OTC gross win margin %	18.2%	16.7%	1.5pp
OTC gross win	92.5	83.7	11%
OTC net revenue	91.8	83.3	10%
Machines net revenue	117.3	113.2	4%
Stadia and other	3.8	3.1	23%
Net revenue ^[1]	212.9	199.6	7%
Cost of sales	(57.3)	(48.4)	(18%)
Gross profit	155.6	151.2	3%
Operating costs	(114.9)	(110.7)	(4%)
EBITDA ^[2]	40.7	40.5	0%
Depreciation and Amortisation	(8.1)	(8.3)	2%
EBIT ^[2]	32.6	32.2	1%

OTC Stakes **1%** ahead

OTC gross win margin of **18.2%** (**+1.5pp**) driven by improved football margins up **7.9pp** year-on-year

Machines net revenue **+4%** with B3 slots accounting for **31%** of gross win (B2 and B3 slots: **38%**)

Cost of sales includes **£6.0m** of incremental MGD cost

Operating costs **4%** higher : Estate development (**+0.5%**), ASR and a higher number of rent reviews

Memo:	FY16	FY15
b/f total shops	1,850	1,834
Shop openings	5	14
Shop closures	(21)	(12)
c/f total shops	1,834	1,836

[1] Net revenue is calculated as gross win less free bets

[2] EBITDA and EBIT are stated pre-exceptional items

Eurobet Retail FY15 Profit & Loss

	FY16 £m	FY15 £m	Change %
Sports stakes	110.8	93.5	19%
Sports gross win margin %	17.7%	11.8%	5.9pp
Sports net revenue	19.6	11.0	78%
Virtual and other net revenue	8.8	9.9	(11%)
Net revenue ^[1]	28.4	20.9	36%
Cost of sales ^[2]	(20.1)	(15.5)	(30%)
Gross profit	8.3	5.4	54%
Operating costs	(3.2)	(3.2)	0%
EBITDA ^[3]	5.1	2.2	132%
Depreciation and Amortisation	(4.7)	(3.2)	(45%)
EBIT ^[3]	0.4	(1.0)	141%

Sports stakes **+19%** (**+25%** constant currency^[4])

BiP stakes growth **+36%** (**+43%** constant currency^[4])

Sports gross win margin of **17.7%** was **5.9pp** ahead: football margin well ahead of last year, but still behind expectations

Sports market share **16.1%** (**+2.4pp**)

Completion of shop optimisation process; **250** shops relocated to more profitable locations

Memo: Constant Currency^[4]

EBITDA	158%
EBIT	165%

Memo:	FY16	FY15
Corners	244	251
Shops	579	583
Average LBOs	823	834

[1] Net revenue is calculated as gross win less free bets

[2] Cost of sales includes payments to franchisees and betting duties

[3] EBITDA and EBIT are stated pre-exceptional items

[4] FY15 figures restated using FY16 budget exchange rates

FY15 Online Profit & Loss

	FY16	FY15	Change
	£m	£m	%
Coral.co.uk net revenue	47.6	28.1	69%
Gala websites net revenue	29.0	26.2	11%
Eurobet.it net revenue	14.5	10.2	42%
Net revenue ^[1]	91.1	64.5	41%
Point of consumption tax	(12.7)	(3.6)	(253%)
Cost of sales	(18.0)	(15.3)	(18%)
Gross profit	60.4	45.6	32%
Marketing costs	(23.0)	(17.4)	(32%)
Operating costs	(18.9)	(16.3)	(16%)
EBITDA ^[2]	18.5	11.9	55%
Depreciation and Amortisation	(4.3)	(4.7)	8%
EBIT ^[2]	14.2	7.2	96%

Coral.co.uk:

- Actives **+41%**
- Sports SPH **+28%**
- Sports margin **+3.4pp to 8.3%**
- Bonus / GGR: **22.4%**
- Marketing / NGR: **28.2%**

Gala websites

- Actives **+10%**
- SPH **+5%**
- Bonus / GGR: **28.5%**
- Marketing / NGR: **22.1%**

Eurobet.it

- Actives **+59%**
- Sports SPH **+63%**
- Bonus / GGR: **11.2%**
- Marketing / NGR: **22.1%**

Memo: Constant Currency Variance ^[3]

Eurobet.it Net Revenue	49%	Online EBITDA	55%
Online Net Revenue	42%	Online EBIT	96%

[1] Net revenue is calculated as gross win less free bets

[2] EBITDA and EBIT are stated pre-exceptional items

[3] FY15 and FY16 figures restated using FY16 budget exchange rates

Q1 FY16 Cashflow

	Q1 FY16 £m	Q1 FY15 £m	Change £m
EBITDA - Coral Group	62.4	54.5	7.9
Working capital and exceptionals	1.1	(8.2)	9.3
Inflow from Operations	63.5	46.3	17.2
Capex/Acquisitions	(15.7)	(15.4)	(0.3)
Taxation	(1.0)	-	(1.0)
Unlevered Free Cashflow	46.8	30.9	15.9
Interest	(42.1)	(43.0)	0.9
Free Cashflow (pre transaction costs)	4.7	(12.1)	16.8
Transaction costs	(5.3)	-	(5.3)
Loan repayments	(327.0)	-	(327.0)
Loan redemption fees	(15.8)	-	(15.8)
Continuing Group Cashflow	(343.4)	(12.1)	(331.3)

Unlevered free cashflow **£46.8m**

- **£15.9m** ahead of FY15

Working capital and exceptionals
£1.1m

- **£9.3m** ahead of FY15 as a result of timing benefits

Capex (**£15.7m**)

- Capex spend in line with prior year

Financing

- **£227.0m** of Senior Secured notes repaid with the proceeds on disposal of Gala Retail

- **£100.0m** of Senior notes repaid using excess cash

Q&A

