



GALA CORAL
GROUP

FY16 H1 Results
8th June 2016

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Overview

Current Trading
and Outlook

FY16 H1 Results

Q&A

Carl Leaver

Carl Leaver

Paul Bowtell



Overview

H1 FY16 RESULTS:

- Coral Group EBITDA^[1/2] of £124.6m **+£17.2m (+16%)**
 - After adjusting for regulatory impacts^[3] **+£37.5m (+43%)** with a £22m bounceback in football margins
- Strong net revenue growth across all primary websites
 - Coral.co.uk **+58%**, Eurobet.it **+38%**, Galabingo.com **+15%**
 - 757k FTDs at consistent LTVs. Very strong acquisition in Eurobet.it: FTDs **+110%**
 - CPAs very competitive **£59** in Coral.co.uk and **£75** in Galabingo.com
- Sports betting market share gains in Italy:
 - Eurobet Retail: **16.0%**, **#3** by stakes, **#2** by gross win
 - Eurobet.it: **10.4%**, **#2** by stakes and gross win

[1] EBITDA includes all revenue and expenses for the Coral Group and excludes Gala Retail (FY16: £9.9m and FY15: £26.2m), High Rollers (FY16: £0.0m and FY15: £0.9m) and Propco rental income (FY16: £0.0m and FY15: £5.8m)

[2] EBITDA is stated pre-exceptional items

[3] 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

Current Trading and Outlook

- Responsible Gambling
 - Harm minimisation
 - Auto self-exclusion
 - Reality checks
 - AML
- Momentum into H2
 - Coral mobile app re-launched on proprietary platform
 - Coral Connect sign-ups accelerating: FY16 H1 sign ups of 160k already ahead of the total signed up in the whole of FY15
- Current Trading:
 - Coral Retail and Eurobet Retail net revenues in line with last year
 - Continued strong growth in sports stakes in Coral.co.uk and Eurobet.it; gaming impacted by UK site instability but recovering
- Merger with Ladbrokes PLC
 - CMA Provisional Findings announced on May 20th proposing 350-400 shop disposals
 - Expected completion in late Q3 / early Q4

FY16 H1 Results

Paul Bowtell



FY16 H1 Results

| Continuing Operations ^[1] | FY16 £m | FY15 £m | Change % |
|---|--------------------------|--------------------------|---------------------------|
| Net revenue ^[2] | 604.9 | 534.4 | 13% |
| Cost of sales | (191.8) | (160.0) | (20%) |
| Gross profit | 413.1 | 374.4 | 10% |
| Marketing costs (Online) | (43.4) | (32.2) | (35%) |
| Operating costs | (245.1) | (234.8) | (4%) |
| EBITDA ^[3] | 124.6 | 107.4 | 16% |
| Depreciation and amortisation | (28.6) | (28.5) | (0%) |
| EBIT ^[3] | 96.0 | 78.9 | 22% |

Net Revenue

- Coral Retail **+4%**
- Eurobet Retail **+29%**
- Online **+35%**

Tax and Regulatory (up **£26.8m** year-on-year)

- Cost of sales includes **£19.8m** of incremental tax costs
- EBITDA of **£7.0m** was lost as a result of the DCMS £50 staking restrictions

Operating Costs

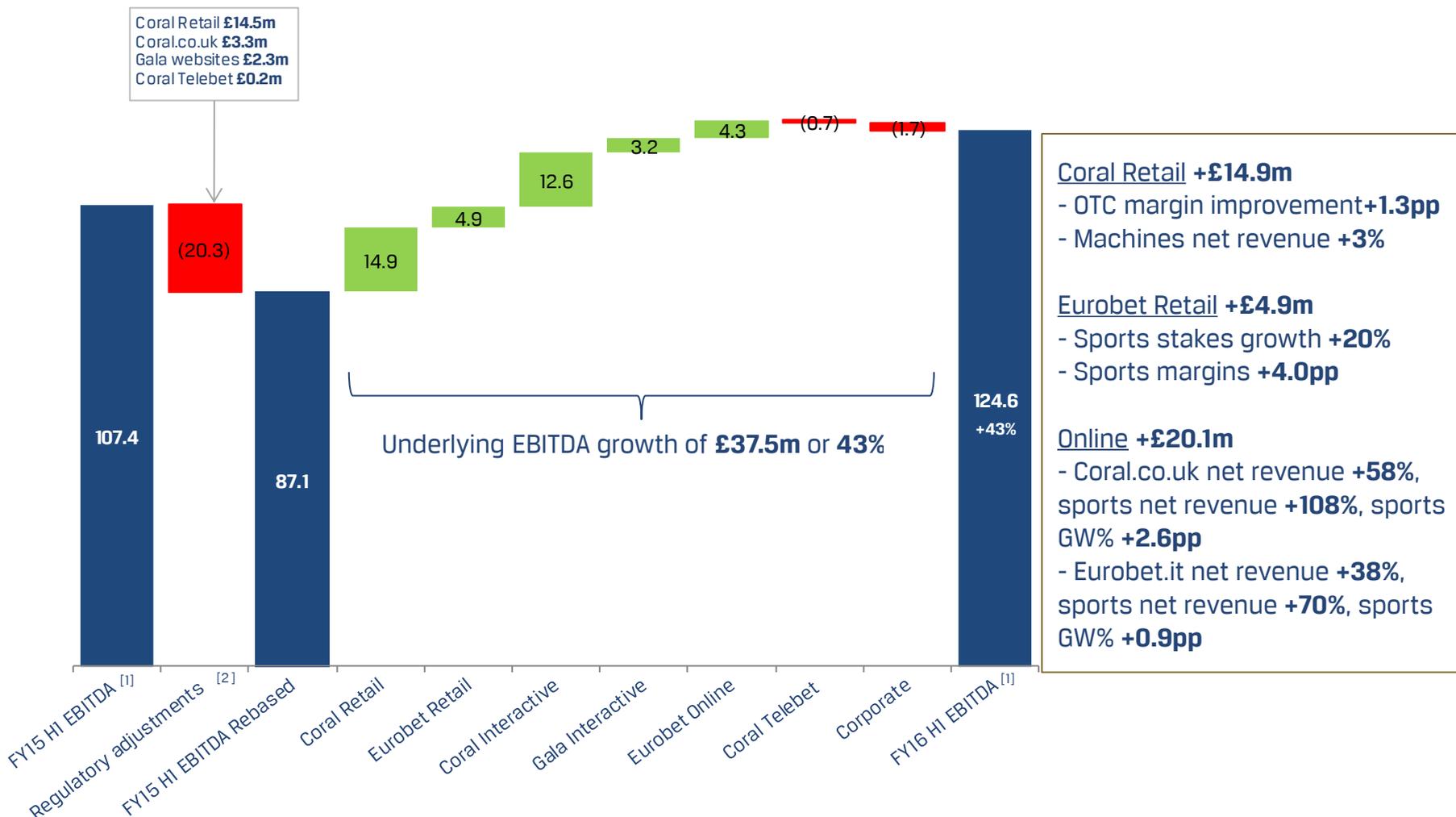
- Coral Retail **2%** higher
- Online **14%** higher

[1] EBITDA includes all revenue and expenses for the Coral Group and excludes Gala Retail (FY16: £9.9m and FY15: £26.2m), High Rollers (FY16: £0.0m and FY15: £0.9m) and Propco rental income (FY16: £0.0m and FY15: £5.8m)

[2] Statutory turnover of £606.0m includes Coral Retail vending machine income of £1.1m which is excluded from Net Revenue

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

FY16 H1 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 H1 Profit & Loss

| | FY16 | FY15 | Change |
|-----------------------------------|--------------|--------------|---------------|
| | £m | £m | % |
| OTC stakes | 905.5 | 919.0 | (1%) |
| OTC gross win margin % | 18.5% | 17.2% | 1.3pp |
| OTC gross win | 167.2 | 158.6 | 5% |
| OTC net revenue | 165.7 | 157.7 | 5% |
| Machines net revenue | 209.3 | 202.7 | 3% |
| Stadia and other | 7.2 | 5.9 | 22% |
| Net revenue ^[1] | 382.2 | 366.3 | 4% |
| Cost of sales | (102.5) | (91.2) | (12%) |
| Gross profit | 279.7 | 275.1 | 2% |
| Operating costs | (200.4) | (196.2) | (2%) |
| EBITDA ^[2] | 79.3 | 78.9 | 1% |
| Depreciation and Amortisation | (15.1) | (14.3) | (6%) |
| EBIT ^[2] | 64.2 | 64.6 | (1%) |

OTC Stakes **1%** behind – shop closures and recycling impact

OTC gross win margin of **18.5%** (**+1.3pp**) driven by improved football margins up **7.8pp** year-on-year, but still behind 5 year average

Machines net revenue **+3%** with slots accounting for **39%** of gross win (FY15: **35%**)

Cost of sales includes **£8.5m** of incremental MGD cost

Operating costs **2%** higher:
 - Salary reviews
 - Staff training (player protection)

| Memo: | FY16 | FY15 |
|------------------------|--------------|--------------|
| b/f total shops | 1,850 | 1,834 |
| Shop openings | 6 | 24 |
| Shop closures | (26) | (13) |
| c/f total shops | 1,830 | 1,845 |

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

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

Eurobet Retail FY16 H1 Profit & Loss

| | FY16 | FY15 | Change |
|-----------------------------------|-------------|-------------|---------------|
| | £m | £m | % |
| Sports stakes | 204.7 | 170.4 | 20% |
| Sports gross win margin % | 18.8% | 14.8% | 4.0pp |
| Sports net revenue | 38.5 | 25.2 | 53% |
| Virtual and other net revenue | 16.4 | 17.3 | (5%) |
| Net revenue ^[1] | 54.9 | 42.5 | 29% |
| Cost of sales ^[2] | (36.9) | (29.8) | (24%) |
| Gross profit | 18.0 | 12.7 | 42% |
| Operating costs | (6.2) | (5.8) | (7%) |
| EBITDA ^[3] | 11.8 | 6.9 | 71% |
| Depreciation and Amortisation | (6.3) | (6.0) | (5%) |
| EBIT ^[3] | 5.5 | 0.9 | 511% |

Sports stakes **+20%** driven by shop optimisation. BiP stakes growth **+36%**, now around 20% of total sports stakes

Sports stakes market share **16.0%** (**+1.9pp**)

Sports gross win margin of **18.8%** was **4.0pp** ahead: football margin well ahead of last year, but still behind expectations

Virtual market stabilised

Operating costs **7%** higher due to increased bonus provision

Memo: Constant Currency^[4]

| | |
|--------|-------------|
| EBITDA | 66% |
| EBIT | 377% |

| Memo: | FY16 | FY15 |
|--------------|-------------|-------------|
| Corners | 245 | 207 |
| Shops | 586 | 620 |
| Average LBOs | 831 | 827 |

[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

Online FY16 H1 Profit & Loss

| | FY16 £m | FY15 £m | Change % |
|-----------------------------------|--------------|--------------|-------------|
| Coral.co.uk net revenue | 86.1 | 54.5 | 58% |
| Gala websites net revenue | 53.0 | 48.8 | 9% |
| Eurobet.it net revenue | 27.1 | 19.6 | 38% |
| Net revenue ^[1] | 166.2 | 122.9 | 35% |
| Point of consumption tax | (23.2) | (11.8) | (97%) |
| Cost of sales | (29.0) | (26.8) | (8%) |
| Gross profit | 114.0 | 84.3 | 35% |
| Marketing costs | (43.4) | (32.2) | (35%) |
| Operating costs | (33.5) | (29.5) | (14%) |
| EBITDA ^[2] | 37.1 | 22.6 | 64% |
| Depreciation and Amortisation | (7.2) | (8.2) | 12% |
| EBIT ^[2] | 29.9 | 14.4 | 108% |

Coral.co.uk

- Actives **+30%**
- Sports SPH **+17%**
- Sports margin **+2.6pp** to **8.0%**
- Bonus/GGR: **24.8%** (PY: **24.1%**)
- Marketing/NGR: **31.0%** (PY:**31.9%**)

Gala websites

- Actives **+7%**
- SPH **+10%**
- Bonus/GGR: **28.1%** (PY:**25.7%**)
- Marketing/NGR: **21.1%** (PY:**22.3%**)

Eurobet.it

- Actives **+65%**
- Bonus/GGR: **12.1%** (PY:**11.7%**)
- Marketing/NGR **19.9%** (PY:**19.4%**)

Memo: Constant Currency Variance ^[3]

| | | | |
|------------------------|------------|---------------|------------|
| Eurobet.it Net Revenue | 58% | Online EBITDA | 61% |
| Online Net Revenue | 35% | Online EBIT | 83% |

[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

H1 FY16 Cashflow

| | H1 FY16 £m | H1 FY15 £m | Change £m |
|--|----------------|---------------|----------------|
| EBITDA - Coral Group | 124.6 | 107.4 | 17.2 |
| Working capital and exceptionals | (5.8) | 21.0 | (26.8) |
| Inflow from Operations | 118.8 | 128.4 | (9.6) |
| Capex/Acquisitions | (28.9) | (25.7) | (3.2) |
| Taxation | (2.0) | (2.0) | - |
| Unlevered Free Cashflow | 87.9 | 100.7 | (12.8) |
| Interest | (52.7) | (54.2) | 1.5 |
| Free Cashflow (pre transaction costs) | 35.2 | 46.5 | (11.3) |
| Transaction costs | (10.5) | (3.9) | (6.6) |
| Loan repayments | (327.0) | - | (327.0) |
| Loan redemption fees | (15.8) | - | (15.8) |
| Cashflow | (318.1) | 42.6 | (360.7) |
| <i>Memo:</i> | | | |
| Disposal proceeds | 230.5 | - | 230.5 |
| Discontinued cashflow | 2.6 | (23.2) | 25.8 |
| Net Propco cashflow | - | (10.6) | 10.6 |
| Total Cashflow | (85.0) | 8.8 | (93.8) |

- Unlevered free cashflow of **£87.9m** was **£12.8m** lower than the prior year primarily as a result of a **£17.2m** increase in EBITDA offset by a **£26.8m** reduction in working capital and exceptionals
- The **£26.8m** variance to prior year in working capital and exceptionals was due to a number of one off items in the prior year, including a **c£25.0m** benefit from changes in the duty regime and a **£4.0m** exceptional income
- During H1 FY16 we invested **£28.9m** in the business and incurred **£52.7m** of interest costs
- During the period **£100.0m** of excess cash has been used to repay the Senior notes and a further **£227.0m** was repaid on the Senior secured notes following the sale of the Bingo business. Redemption fees in relation to these repayments were **£15.8m**

Q&A

