



GALA CORAL
GROUP

FY16 Q3 Results
31st August 2016

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Overview

FY16 Q3 Results

Q&A

Carl Leaver

Paul Bowtell



Overview

Q3 FY16 RESULTS:

- Coral Group EBITDA^[1/2] of £57.7m **+£6.5m (+13%)**. YTD EBITDA of £182.3m: **+£23.7m (+15%)**. After adjusting for regulatory impacts^[3]: **+32%**
- Online net revenue growth of **19%**
 - Coral.co.uk **+26%**, Eurobet.it **+25%**
 - Growth held back by new regulatory requirements
 - 230k FTDs during the quarter, driven by strong acquisition during the Euros, and multichannel sign ups (Connect sign-ups of 74k during the quarter)
- Current Trading
 - Growth in machines in UK retail. Eurobet Retail sports stakes and Online volumes (sports and gaming) growing strongly
 - Sports gross win margins behind
- Merger with Ladbrokes PLC
 - CMA Final Report issued on July 26th confirming that merger can proceed with sale of 350-400 shops
 - Expected merger completion in the Autumn

[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

FY16 Q3 and Q3 YTD Results

Paul Bowtell



FY16 Q3 and Q3 YTD Results

Continuing Operations ^[1]	Quarter 3			Quarter 3 YTD			
	£m	FY16	FY15	%	FY16	FY15	%
Net revenue ^[2]		264.0	241.0	10%	868.9	775.4	12%
Cost of sales		(79.4)	(75.2)	(6%)	(271.2)	(235.2)	(15%)
Gross profit		184.6	165.8	11%	597.7	540.2	11%
Marketing costs (Online)		(15.8)	(11.7)	(35%)	(59.2)	(43.8)	(35%)
Operating costs		(111.1)	(102.9)	(8%)	(356.2)	(337.8)	(5%)
EBITDA ^[3]		57.7	51.2	13%	182.3	158.6	15%
Depreciation and amortisation		(9.4)	(13.7)	31%	(38.0)	(42.2)	10%
EBIT ^[3]		48.3	37.5	29%	144.3	116.4	24%

Quarter 3

Net Revenue **+10%**

- Coral Retail **+5%**
- Eurobet Retail **+16%**
- Online **+19%**

Operating costs **-8%**

- Coral Retail **-9%**
- Eurobet Retail **+15%**
- Online **-14%**

Depreciation and Amortisation **+31%**

- Italian licences fully amortised
- Online re-launch costs now fully depreciated

Quarter 3 YTD

Net Revenue **+12%**

- Coral Retail **+4%**
- Eurobet Retail **+25%**
- Online **+30%**

Tax and Regulatory (up **£29.3m** year-on-year)

- Cost of sales includes **£22.1m** of incremental tax costs
- EBITDA of **£7.2m** was lost as a result of the DCMS £50 staking restrictions

Operating costs **-5%**

- Coral Retail **-4%**
- Online **-13%**

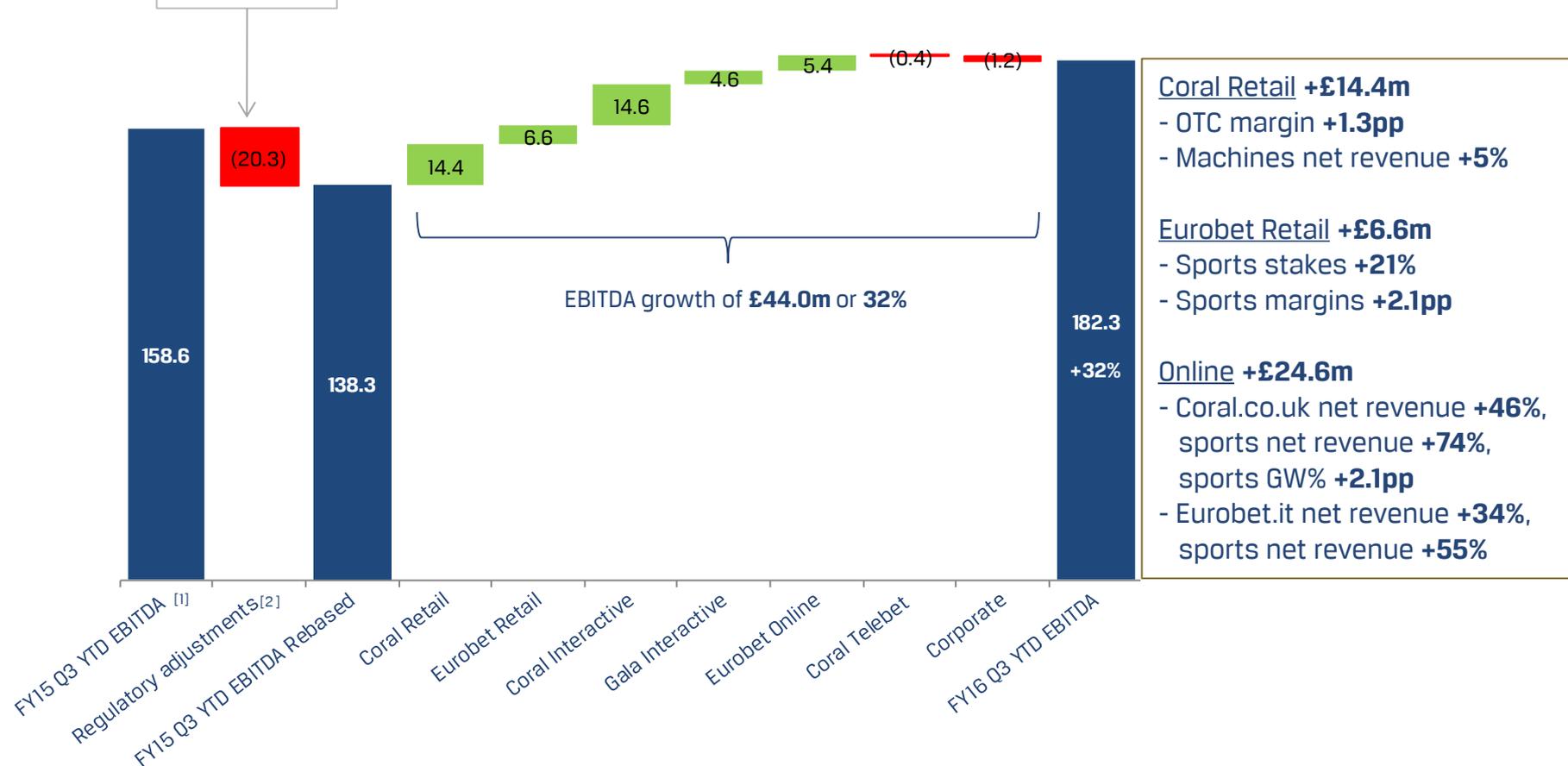
[1] EBITDA includes all revenue and expenses for the Coral Group and excludes Gala Retail (Q3 FY16: £0.0m and Q3 FY15: £11.9m, Q3 YTD FY16: £9.9m and Q3 YTD FY15: £38.1m), High Rollers (Q3 FY16: £0.0m and Q3 FY15: -£8.5m, Q3 YTD FY16: £0.0m and Q3 YTD FY15: -£7.6m) and Propco rental income (Q3 FY16: £0.0m and Q3 FY15: £0.0m, Q3 YTD FY16: £0.0m and Q3 YTD FY15: £5.8m)

[2] Statutory turnover of £870.4m includes Coral Retail vending machine income of £1.5m which is excluded from Net Revenue

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

FY16 Q3 YTD EBITDA Bridge

Coral Retail **£14.5m**
 Coral.co.uk **£3.3m**
 Gala websites **£2.3m**
 Coral Telebet **£0.2m**



[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 Q3 Profit & Loss

£m	Quarter 3		
	FY16	FY15	%
OTC stakes	379.7	405.9	(6%)
OTC gross win margin %	18.8%	17.5%	1.3pp
OTC gross win	71.3	71.1	0%
OTC net revenue	70.7	70.8	(0%)
Machines net revenue	92.9	84.5	10%
Stadia and other	1.4	2.3	(39%)
Net revenue ^[1]	165.0	157.6	5%
Cost of sales	(42.2)	(41.7)	(1%)
Gross profit	122.8	115.9	6%
Operating costs	(90.9)	(83.5)	(9%)
EBITDA ^[2]	31.9	32.4	(2%)
Depreciation and Amortisation	(6.0)	(6.5)	8%
EBIT ^[2]	25.9	25.9	0%

Quarter 3 Highlights

- OTC Stakes **6%** behind: shop closures, higher recycling in prior year especially horse racing and tougher AML checks
- OTC gross win margin of **18.8% (+1.3pp)**: Positive results in Euros and non-festival horses
- Machines net revenue **+10%** with slots accounting for **40%** of gross win (FY15: **38%**)
- Operating costs **9%** higher: Extended opening hours, staff bonuses relating to higher volumes of Connect sign-ups, staff - training (player protection). Full year operating cost guidance now 4-5%.
- EBITDA per shop flat, EBIT per shop **+2%**

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

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

Eurobet Retail FY16 Q3 Profit & Loss

£m	Quarter 3		
	FY16	FY15	%
Sports stakes	86.8	63.0	38%
Sports gross win margin %	15.9%	18.5%	(2.6pp)
Sports net revenue	13.8	11.7	18%
Virtual and other net revenue	7.5	6.7	12%
Net revenue ^[1]	21.3	18.4	16%
Cost of sales ^[2]	(13.7)	(12.1)	(13%)
Gross profit	7.6	6.3	21%
Operating costs	(2.3)	(2.7)	15%
EBITDA ^[3]	5.3	3.6	47%
Depreciation and Amortisation	(1.0)	(3.3)	70%
EBIT ^[3]	4.3	0.3	n/m

Quarter 3 Highlights

- Sports stakes **+38%** driven by the Euros, shop relocations and growth in BiP stakes (**+21%**). BiP now **c26%** of total sports stakes
- Sports market share **15.4% (+1.8pp)** – number 2 in the market by gross win
- Sports gross win margin of **15.9%** was **2.6pp** behind: below average pre-match football margins
- Virtual net revenue **13%** ahead – in-line with virtual market growth
- Operating costs **15%** lower than last year due to timing of marketing costs

[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

Online FY16 Q3 Profit & Loss

£m	Quarter 3		
	FY16	FY15	%
Coral.co.uk net revenue	42.3	33.5	26%
Gala websites net revenue	22.9	21.5	7%
Eurobet.it net revenue	11.1	8.9	25%
Net revenue ^[1]	76.3	63.9	19%
Point of consumption tax	(10.8)	(8.7)	(24%)
Cost of sales	(12.4)	(12.6)	2%
Gross profit	53.1	42.6	25%
Marketing costs	(15.8)	(11.7)	(35%)
Operating costs	(15.7)	(13.8)	(14%)
EBITDA ^[2]	21.6	17.1	26%
Depreciation and Amortisation	(2.4)	(3.9)	38%
EBIT ^[2]	19.2	13.2	45%

Quarter 3 Highlights

Coral.co.uk

- Actives **+35%**
- Sports margin **+1.0pp** to **9.4%**
- Bonus/GGR **25.3%** (PY: **21.7%**)
- Marketing/NGR **24.1%** (PY:**19.8%**)

Gala websites

- Actives **+3%**
- SPH **+4%**
- Bonus/GGR **27.7%** (PY:**26.1%**)
- Marketing/NGR **17.9%** (PY:**19.1%**)

Eurobet.it

- Actives **+33%**
- Bonus/GGR **11.0%** (PY:**9.1%**)
- Marketing/NGR **14.4%** (PY:**10.1%**)

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

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

FY16 Q3 YTD Cashflow

	Quarter 3 YTD		
	FY16 £m	FY15 £m	Change £m
EBITDA	182.3	158.6	23.7
Working capital and exceptionals	(13.4)	(15.9)	2.5
Inflow from Operations	168.9	142.7	26.2
Capex/Acquisitions	(41.1)	(36.0)	(5.1)
Taxation	(2.0)	(4.1)	2.1
Unlevered Free Cashflow	125.8	102.6	23.2
Interest	(76.0)	(94.0)	18.0
Free Cashflow	49.8	8.6	41.2
Deal and Integration costs	(12.6)	(5.8)	(6.8)
Disposal proceeds	230.5	-	230.5
Discontinued cashflow	2.6	(16.1)	18.7
Net Propco cashflow	-	(10.6)	10.6
Loan repayments	(327.0)	-	(327.0)
Loan redemption fees	(15.8)	-	(15.8)
Cashflow	(72.5)	(23.9)	(48.6)

Unlevered free cashflow for the period of **£125.8m** was **£23.2m** higher than the previous year primarily as a result of the increase in EBITDA

Capex spend was **£5.1m** higher as a result of continued investment in product development and other initiatives

Interest was **£18.0m** lower following the repayment of the senior notes and senior secured notes from Bingo disposal proceeds and excess cash

Deal and integration costs of **£12.6m** relating to the proposed merger with Ladbrokes

On repayment of the senior secured notes and the senior notes the Group incurred **£15.8m** of early redemption charges

Q&A

