




Sportech PLC

2017 Interim Results

For the six months ended 30 June 2017

Presented August 2017



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Presenting Team



Richard McGuire
Chairman



Ian Penrose
Chief Executive



Mickey Kalifa
Chief Financial Officer

Agenda

Introduction

Financial & Operating

Review

CEO's Strategic Update

Summary & Outlook

Uniquely positioned for growth

- A global gaming business with growth opportunities and successes in Asia, Europe and US
- Two dynamic businesses well positioned for the significant growth opportunities from any US sports betting regulatory easing
- Unrivalled heritage in providing live betting technology to approx. 300 clients, including 200 clients across 38 US States





Sportech PLC

CEO's Group Overview



Ian Penrose
Chief Executive

Transformational period

Financial

- Won £97m VAT claim
- Modernised and sold Football Pools for £83m
- Repaid over £60m in debt
- Returned £21m to shareholders
- Further shareholder return to come from £76m cash balance

Regulatory gains

- Transitioned away from the UK market
- Netherlands
- Connecticut
- Well positioned if Supreme Court legalises sports betting



Transformational period

Operational

- Technology investment delivering results in Asia, Europe and US
- New flagship venue in Stamford, Connecticut now open
- Racing and Digital – improvement in quality of earnings, with strong growth in recurring revenues
- Focused business with clear and achievable growth story



Stamford opening





Sportech PLC

Financial & Operating Review



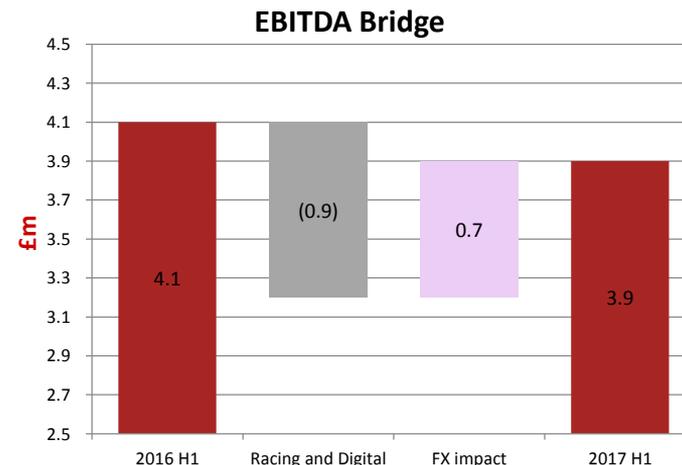
Mickey Kalifa
Chief Financial Officer

2017 Interim Results



	2017 H1 £m	Restated (5) 2016 H1 £m	Change £m
Revenue	36.4	34.7	1.7
EBITDA ⁽¹⁾	3.9	4.1	(0.2)
Depreciation and amortisation	(2.1)	(3.0)	0.9
Share option expense	(0.5)	(0.1)	(0.4)
Net bank interest	(0.2)	(1.4)	1.2
Adjusted⁽²⁾ profit before tax	1.1	(0.4)	1.5
Exceptional costs	(0.3)	(2.0)	1.7
Amortisation of acquired intangibles	(0.1)	(0.3)	0.2
Other finance (charges)/income	(0.6)	2.3	(2.9)
Share of loss after tax and impairment of joint ventures and associates	(0.2)	(0.4)	0.2
Loss before tax	(0.1)	(0.8)	0.7
Taxation	-	(0.2)	0.2
Loss from continuing operations	(0.1)	(1.0)	0.9
Football Pools: pre disposal trading profits	3.8	2.8	1.0
Post tax loss on disposal of Football Pools	(6.9)	-	(6.9)
(Loss)/profit for the period	(3.2)	1.8	(5.0)

- 1) EBITDA is stated before exceptional items, share option expense and impairment of assets.
- 2) Adjusted profit figures are stated before amortisation of acquired intangibles, impairment of assets, exceptional items, share of loss after tax and impairment of joint ventures, other finance (charges)/income, and results from discontinued operations.
- 3) 2016 H1 revenue £39.2m at constant currency
- 4) 2016 H1 EBITDA £4.8m at constant currency
- 5) 2016 results have been restated to present the Football Pools as a discontinued operation



	2017 H1	2016 H1
EPS – continuing operations		
Adjusted EPS (pence)	0.5p	(0.1)p
EPS (pence)	(0.1)p	(0.5)p

Cash Flow

Cash flow statement

Note: net impact of Spot the Ball claim

	£m
VAT repayment	43.5
Interest on VAT repayment	53.5
Total Repayment	97.0
Fees and other distributions	(5.9)
Corporation tax	(13.8)
Net cash from VAT claim	77.3

	Pools £m	Other £m	Total H1 £m	Since Jun-16 £m
EBITDA	5.7	3.9	9.6	22.3
Capex	(0.9)	(8.6)	(9.5)	(16.3)
Movements in working capital	(1.7)	(3.8)	(5.5)	(4.2)
Corporation tax	-	1.7	1.7	(0.3)
Other exceptional items	-	(0.3)	(0.3)	(2.0)
Other cash movements	-	(0.4)	(0.4)	(0.5)
	3.1	(7.5)	(4.4)	(1.0)
Spot the Ball				
Repayment of VAT and related interest			3.1	97.0
Costs in relation to the claim			(5.2)	(5.2)
Tax paid on claim			(13.8)	(13.8)
			(15.9)	78.0
Disposal of Football Pools				
Proceeds			86.2	86.2
Costs of disposal			(5.0)	(6.0)
			81.2	80.2
Net cash generated			60.9	157.2
Distributions to shareholders				
Funds to shareholders			(20.9)	(20.9)
Costs in relation to share buyback			(0.3)	(0.3)
			(21.2)	(21.2)
Net change in cash and cash equivalents			39.7	136.0



- > Balance sheet transformed
- > £157.2m of net cash generated since June 2016
- > £76.2m cash at end June 17 vs net debt at June 16 of £59.8m
- > £21m share buyback by way of tender offer in March 2017
- > Cancellation of bank facility
- > Tax to pay on the Football Pools disposal in H2 17 of £6.4m



Sportech Racing and Digital

Operational overview

Sportech Racing and Digital is the largest international provider of pari-mutuel systems and services, and the division provides the software, hardware, and services that facilitate pool/tote betting for a global customer base of licensed racing and betting operators.

- Benefits flowing from geographic expansion, particularly Asia
- Rapid expansion of international/cross-border pooled bets
- Growth of SaaS revenues
- We have renewed and extended eight existing customer contracts in core North American base. No lost contracts in the period
- Strong pipeline of sales/new customers expected in H2

283 in **37** and **38**
Contracts Countries US states





Sportech Racing and Digital

Financial performance

	2017 H1 £m	2016 H1 £m	Change £m
Recurring revenues			
Tote services and maintenance contracts	13.0	12.4	0.6
Digital services including sports and other lotteries	4.1	3.8	0.3
Total recurring revenues	17.1	16.2	0.9
System software and equipment sales	0.5	3.8	(3.3)
Total revenue	17.6	20.0	(2.4)
Payroll	(6.7)	(6.7)	-
Other costs	(7.0)	(8.5)	1.5
FXimpact	-	(0.5)	0.5
EBITDA	3.9	4.3	(0.4)

Note: 2016 H1 line items shown on a constant currency basis

- EBITDA of £3.9m with strong sales pipeline for H2
- Expansion of recurring revenue business driven by international commingling
- 35% of service revenues from long term contracts secured to 2018 and beyond, the largest of which expires in 2025
- Continued growth of BUMP with 48 professional sports teams deploying BUMP's technology. CAGR since acquisition of 55%

Sportech Venues

Operational overview

Sportech Venues operates 16 wagering venues in Connecticut alongside telephone and internet operations that service its exclusive and perpetual licence to provide pari-mutuel wagering on horseracing, greyhound racing and Jai Alai in the state.

Sportech also operates OTBs in the Netherlands under an exclusive licence.

- Exclusive and in perpetuity betting licence in Connecticut plus venues in California and the Netherlands
- Completed construction of flagship sports bar, restaurant and betting venue in downtown Stamford, opened in June 2017
- Legislative changes allow number of venues in Connecticut to increase from 18 to 24
- Revenues and EBITDA in line with prior year



Sportech Venues

Financial performance

	2017 H1		% of 2016 H1		Change
	£m	handle	£m	handle	£m
Connecticut Venues					
Betting turnover ("Handle")	64.4		65.7		(1.3)
Revenue	16.2	25.2%	16.7	25.4%	(0.5)
Margin	9.3	14.4%	9.6	14.6%	(0.3)
CT Venues EBITDA	1.5	2.3%	1.6	2.4%	-
Other Venues EBITDA	0.2		0.1		0.1
FX impact	-		(0.2)		0.2
Total Venues EBITDA	1.7		1.5		0.2



- CT Venues EBITDA stable at £1.5m despite 2% decline in handle
- Online handle growth of 8% - now represents 10% of overall betting turnover
- Illegal online operators from outside State estimated to be generating at least \$40m betting turnover - equivalent to approximately \$3m of lost EBITDA contribution

Capital Expenditure



	2017 H1	2016 H1	Change
	£m	£m	£m
Sportech Racing and Digital	2.9	2.7	0.2
Sportech Venues	5.6	0.7	4.9
Corporate costs	0.1	0.3	(0.2)
	8.6	3.7	4.9

- Racing and Digital includes continued development of our market-leading software and digital products
- Capital expenditure in Venues includes £4.4m of build-out costs in relation to Stamford



Financial Summary

SUCCESSFULLY DELIVERED ON
FUNDAMENTAL STRATEGIC GOALS



GOD FIRST HALF FINANCIAL PERFORMANCE



BALANCE SHEET TRANSFORMED





Sportech PLC

CEO's Strategic Update

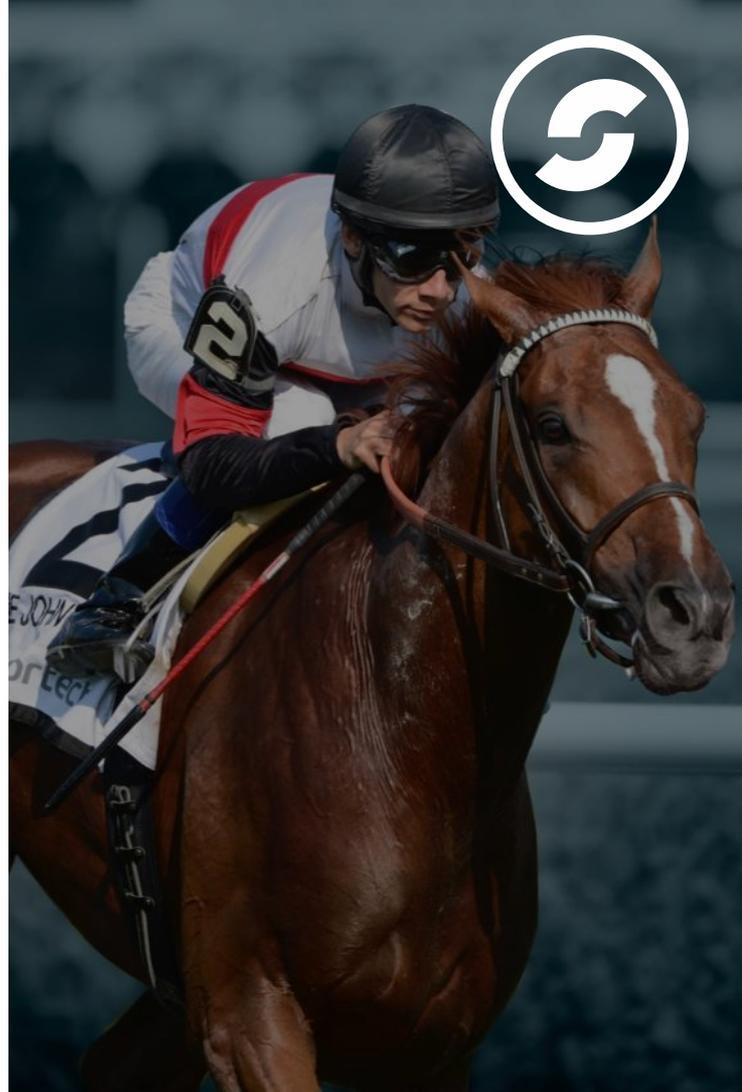


Ian Penrose
Chief Executive

Racing and Digital

Strategic and technology focus

- Significant capital investment in technology and product innovation since 2011 supporting new customer wins, growth and momentum
- Proprietary Quantum™ System - the world's most widely deployed pari-mutuel betting system built for exceptional scale, efficiency and reliability
- Quantum™ capable of processing huge volume of bets - up to 12,000 transactions per second
- New technology enabling customers in Europe, Asia and the Americas to bet into the world's premier race market, the Hong Kong Jockey Club - £262m of bets processed into HK year to date.
- Additional international/cross-border betting contracts expected shortly



International outlook and global reach

- Global investment delivering expansion in:
 - ▶ Asia (Hong Kong)
 - ▶ Europe (Denmark and Netherlands)
 - ▶ US (additional Connecticut licensing)
- Established market strength in Americas and Europe
- Strategic focus on delivering significant growth opportunity in Asia:
 - ▶ Established Singapore base
- Strong pipeline in Asian market in H2 2017 after establishing Singapore sales base

Selected global customers:



Dominican Republic Lottery
3,700 terminals
Multiple product lines from single system
DRP 4 billion



3,000 terminals
58 racecourses
8,000 shops and 3rd party internet providers
US\$ 688 million



1,360 terminals
12 Racetracks
ADW Service
\$565 million



185 terminals
G4 wagering website in Chinese & English
US\$108 million



Turkey Jockey Club
3,550 terminals
US\$ 1.6 billion



State of New Jersey*
2,283 terminals
ADW Service
\$904 million in NJ



2,500 terminals
Website with 600K users
US\$ 98 million racing
US\$ 533 million sports

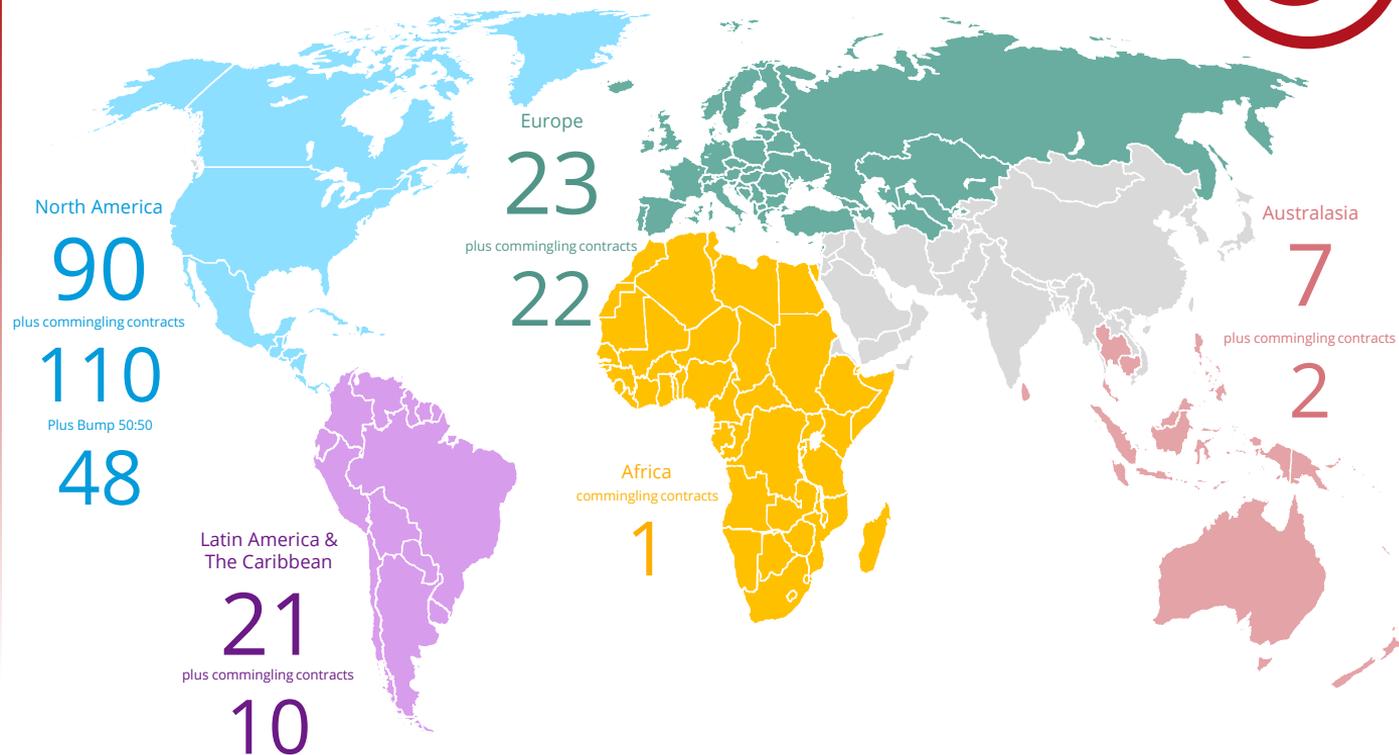


NY State OTB Corps and Racetracks
1,553 terminals
ADW Services
\$893 mm wagered in NY



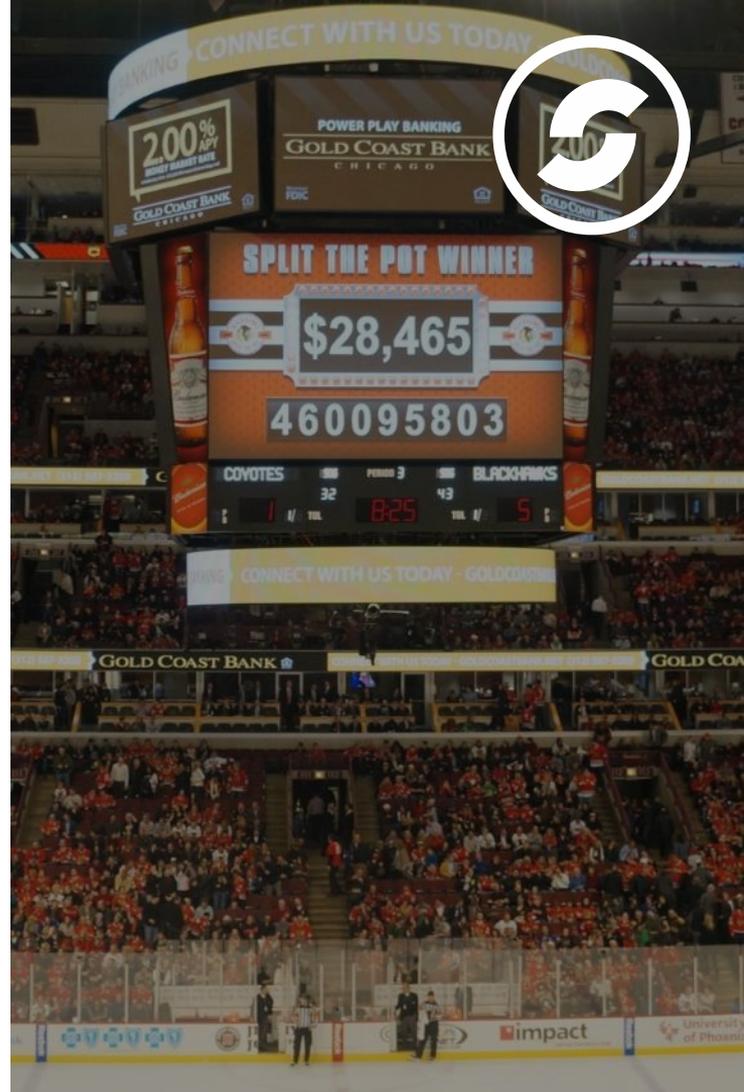
International outlook and global reach

Customers by market



Unique platform for growth in US market

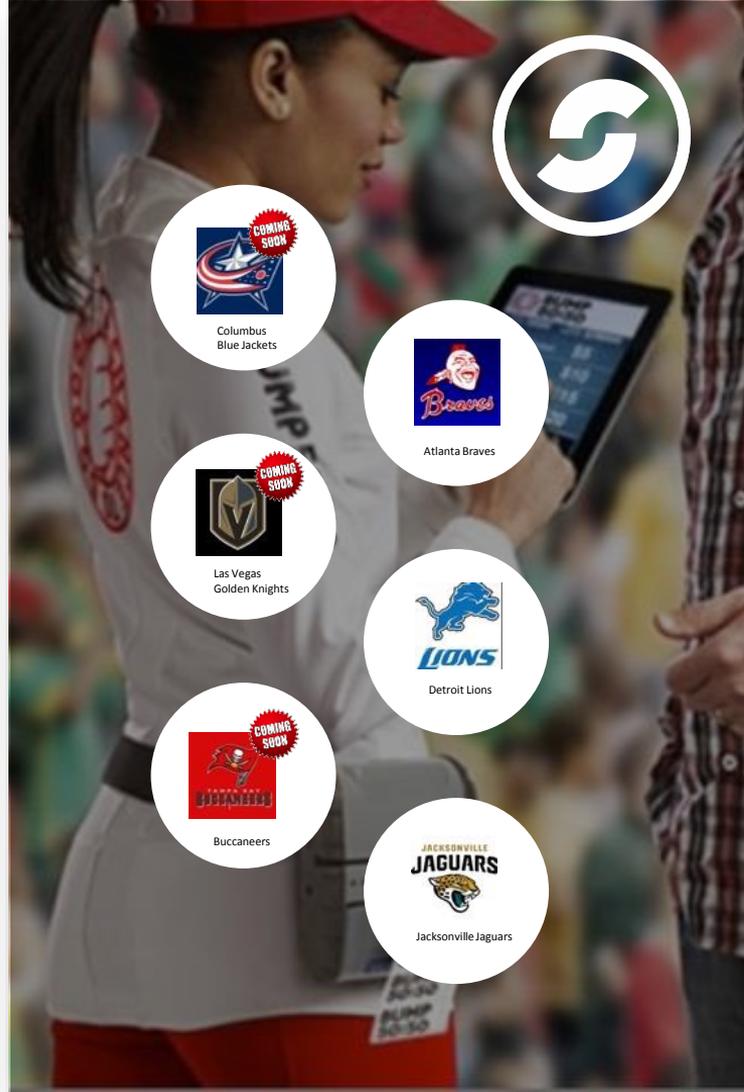
- Unique positioning in US market with presence in **38** states including **26** licences across the US and Canada
- Track record of leveraging licenses and relationships to capture growth opportunities presented by regulation – e.g. NYX joint venture in New Jersey for online casino
- Developments advanced on future of sports betting – Supreme Court agreed to consider whether PASPA ban is legal. Decision expected by June 2018
- Well positioned to capture significant sports betting opportunity in both divisions as and when regulation allows through leveraging unique relationships, licenses and footprint



Bump 50:50

Strategic focus

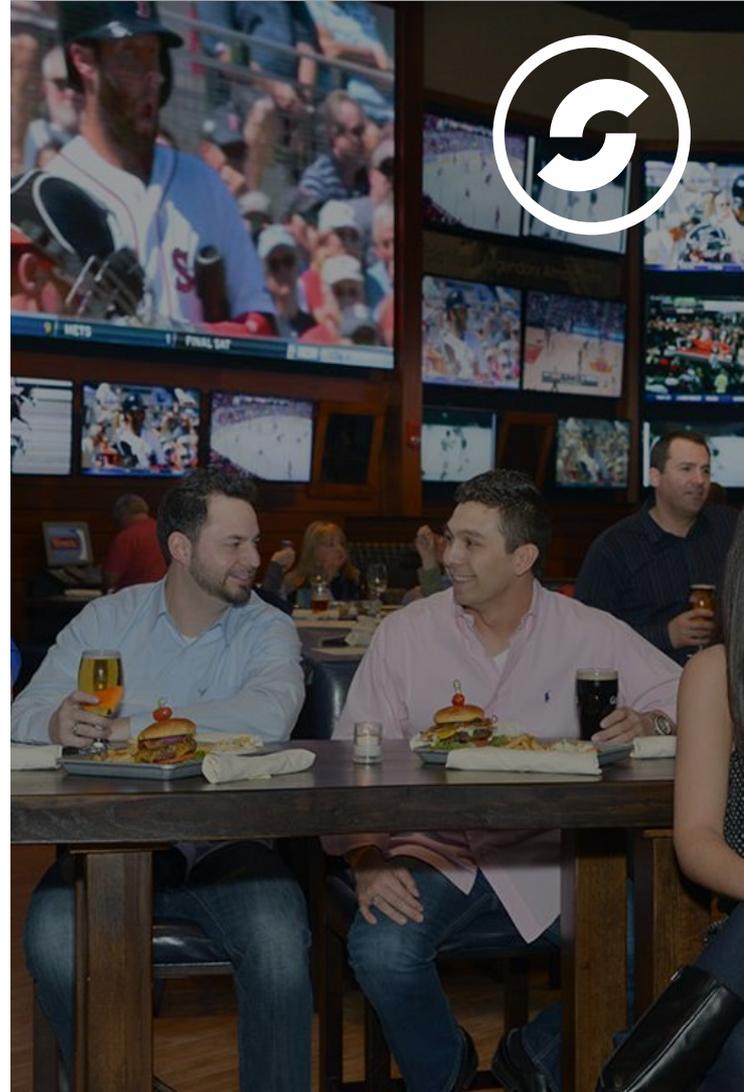
- Bump's customers provide Sportech with gaming technology partnerships with many of North America's leading sports teams (NFL, NHL, MBA, MLB, MLS)
- Bump 50:50 continues to make strong progress:
 - ▶ customer base grown from 7 to 48 sports teams within three years
- New and renewed customers in H1 include Atlanta Braves, Detroit Lions, Jacksonville Jaguars and three Raceways featuring NASCAR events. Since H1 secured Columbus Blue Jackets
- Approval for online and mobile sales in Manitoba (Canada); first time sales permitted outside of the stadia
- Anticipate this to be first of many teams to move online as other states and provinces enact similar regulation



Venues

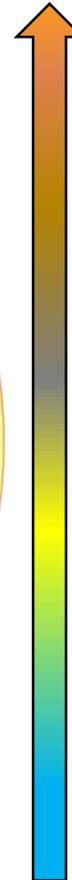
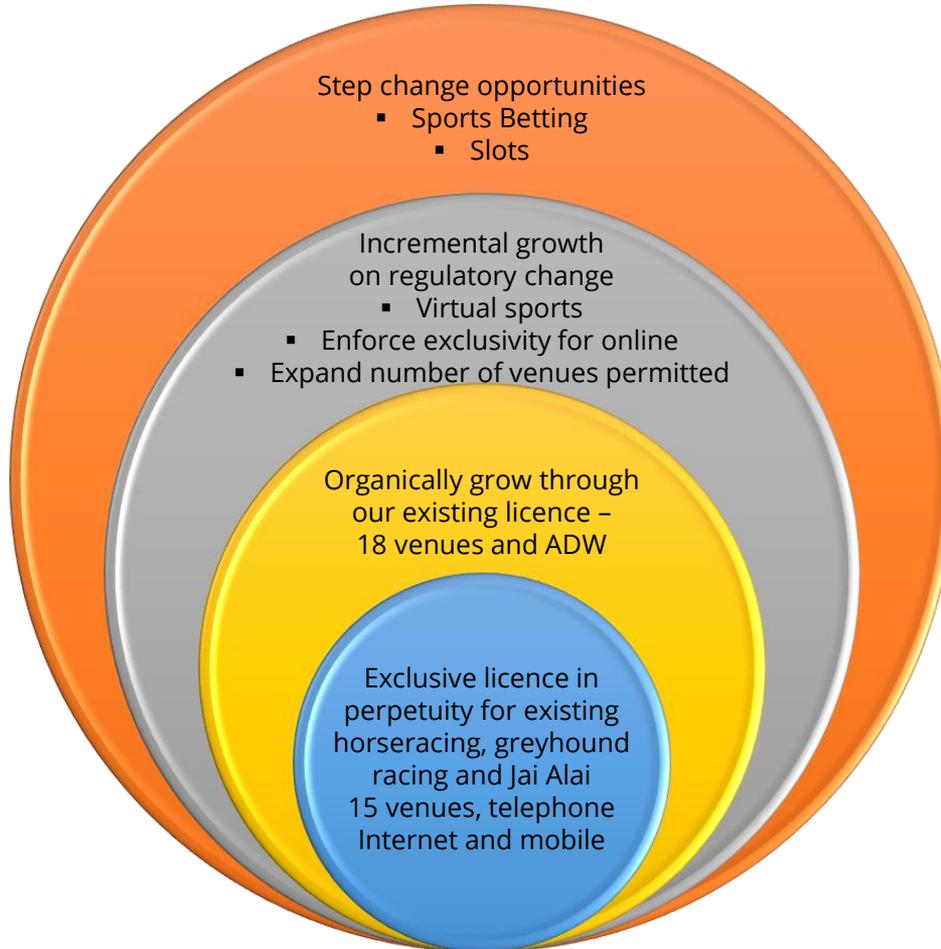
Strategic focus

- Sportech is aiming to become a multi-platform, multi-gaming product operator in Connecticut, with ancillary food and beverage revenues
- Encouraging customer feedback to new flagship venue in downtown Stamford
- Strong pipeline of new venues
- Monitoring regulation in Connecticut to offer a wider portfolio of sports and gaming products – uniquely positioned
- Position and strong licencing reputation helped secure extension to perpetual exclusive licence from 18 to 24 venues
- Looking to unlock value through sale of 9 acre Sports Haven site in New Haven
- Successfully secured new 5 year licence for exclusive right to carry out tote betting on horseracing in the Netherlands



Sportech Venues

Progress delivered to date in building value in Connecticut



- Implementation and regulation of sports betting being reviewed in Connecticut following State legislation
- US Supreme Court reviewing future of sports betting this autumn

- Legislative approval received to increase number of venues by 33% to 24 from 18

- 16th venue opened in Stamford

Summary & Outlook

- Sportech's dramatic transformation accelerated strategically, financially, operationally and regulatory
- Additional substantial return to shareholders from cash balance
- We have had a good first half and trading in line with management expectations
- Pipeline of Racing and Digital sales expected to fall into H2 2017
- The Group has made significant investment in market-leading technology providing a platform for growth across the business and to deliver increased value to our shareholders
- Unique positioning in the US market to capitalise on positive regulatory developments
- The Group is now well positioned to deliver strong shareholder growth



Contact Details

Sportech PLC

20 Balderton Street
London
W1K 6TL

 +44 (0) 20 7268 2400

 +44 (0) 20 7493 8445

 enquiries@sportechplc.com

 www.sportechplc.com





Bump 50:50 Customers
