



Sportech is one of the world's leading pool betting operators and technology suppliers

24 August 2016

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## Presentation Team

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**Roger Withers**

**Chairman**



**Ian Penrose**

**Chief Executive**



**Mickey Kalifa**

**Chief Financial Officer**

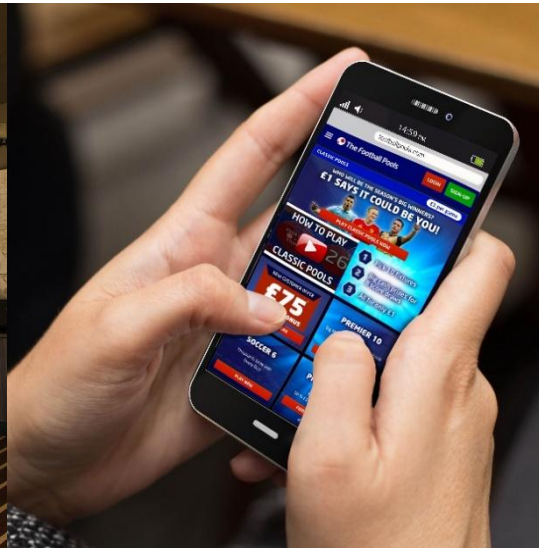


- Good performance in first half year
- Reached key stage in our development
- 70% of revenues now generated overseas
- Good progress in the US
- Stability in the UK - The Football Pools
- Focusing on a return to growth for the full year
- Discussions continue regarding a possible sale of The Football Pools



- EBITDA from continuing channels increased by 5% to £11.1m from £10.6m
- Sportech Racing and Digital – investment in technologies, new international customers and efficient deployment of capital offset loss of California contract
- Sportech Venues – construction commenced at flagship Stamford venue; sports bar opened in San Diego, California
- Football Pools - completed key modernisation milestones and demonstrating earnings stability
- £97m VAT reclaim – Court of Appeal unanimously ruled in favour of the Group – awaiting Supreme Court decision, expected in Autumn 2016

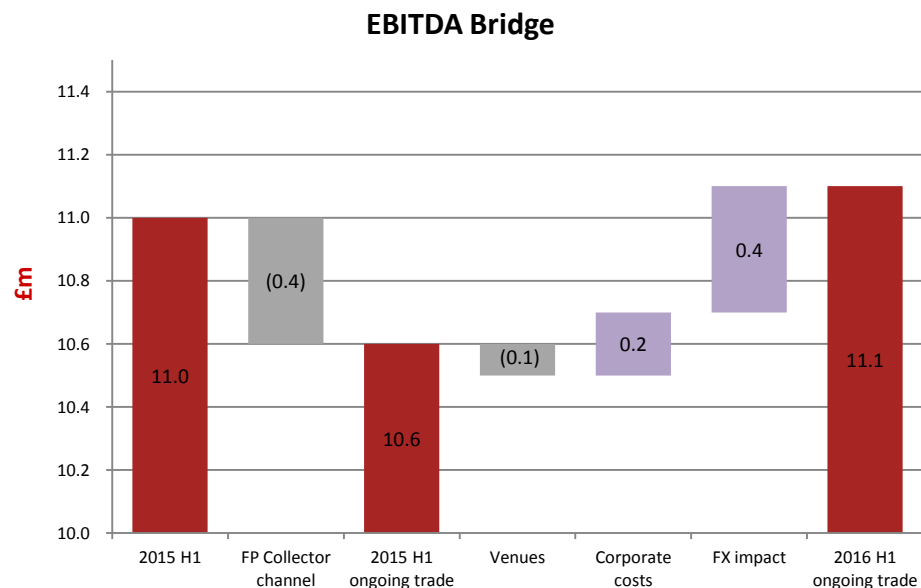
# Chief Financial Officer's Review



# 2016 Interim Results



	2016 H1	Reported 2015 H1	Change
	£m	£m	£m
Revenue	48.7	51.0 <sup>(3)</sup>	(2.3)
EBITDA <sup>(1)</sup>	11.1	11.0 <sup>(4)</sup>	0.1
Depreciation and amortisation	(4.0)	(3.7)	(0.3)
Share option expense	(0.1)	(0.3)	0.2
Net bank interest	(1.4)	(1.6)	0.2
<b>Adjusted<sup>(2)</sup> profit before tax</b>	<b>5.6</b>	<b>5.4</b>	<b>0.2</b>
Taxation of adjusted profit	(1.2)	(1.1)	(0.1)
<b>Adjusted<sup>(2)</sup> profit after tax</b>	<b>4.4</b>	<b>4.3</b>	<b>0.1</b>
<i>Adjusted EPS - pence</i>	2.1	2.1	-
<i>EPS – pence</i>	0.9	2.0	(1.1)



(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, and other finance income.

(3) 2015 H1 Revenue £52.9m at constant currency

(4) 2015 H1 EBITDA £11.4m at constant currency

## 2016 Interim Results cont.



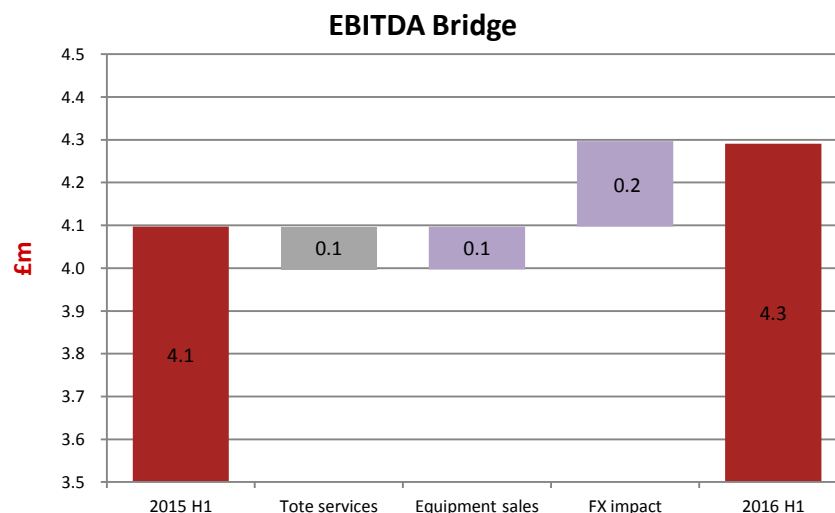
	2016 H1	2015 H1	Change
	£m	£m	£m
Adjusted <sup>(1)</sup> profit before tax	5.6	5.4	0.2
Exceptional income	-	8.1	(8.1)
Exceptional costs	(4.5)	(0.9)	(3.6)
Amortisation of acquired intangibles	(0.3)	(0.6)	0.3
Impairment of assets	-	(3.7)	3.7
Other finance income	2.3	-	2.3
Share of loss after tax of joint ventures	(0.4)	(0.4)	-
<b>Profit before tax</b>	<b>2.7</b>	<b>7.9</b>	<b>(5.2)</b>
Taxation	(0.9)	(3.8)	2.9
<b>Profit after tax</b>	<b>1.8</b>	<b>4.1</b>	<b>(2.3)</b>

- Reduction in profit before tax owing largely to the £8.1m profit generated on disposal last year of our online gaming interests to NYX
- Exceptional costs in 2016 primarily relate to the closure of the collector channel and ongoing corporate activity

(1) 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, and other finance income.



	2016 H1	2015 H1	Change
	£m	£m	£m
Tote services and maintenance contracts	13.0	14.4	(1.4)
System software and equipment sales	3.5	2.4	1.1
Digital service contracts	1.3	1.3	-
FX impact	-	(0.9)	0.9
<b>Total revenue</b>	<b>17.8</b>	<b>17.2</b>	<b>0.6</b>
Payroll	(6.0)	(7.0)	1.0
Other costs	(7.5)	(6.8)	(0.7)
FX impact	-	0.7	(0.7)
<b>EBITDA</b>	<b>4.3</b>	<b>4.1</b>	<b>0.2</b>



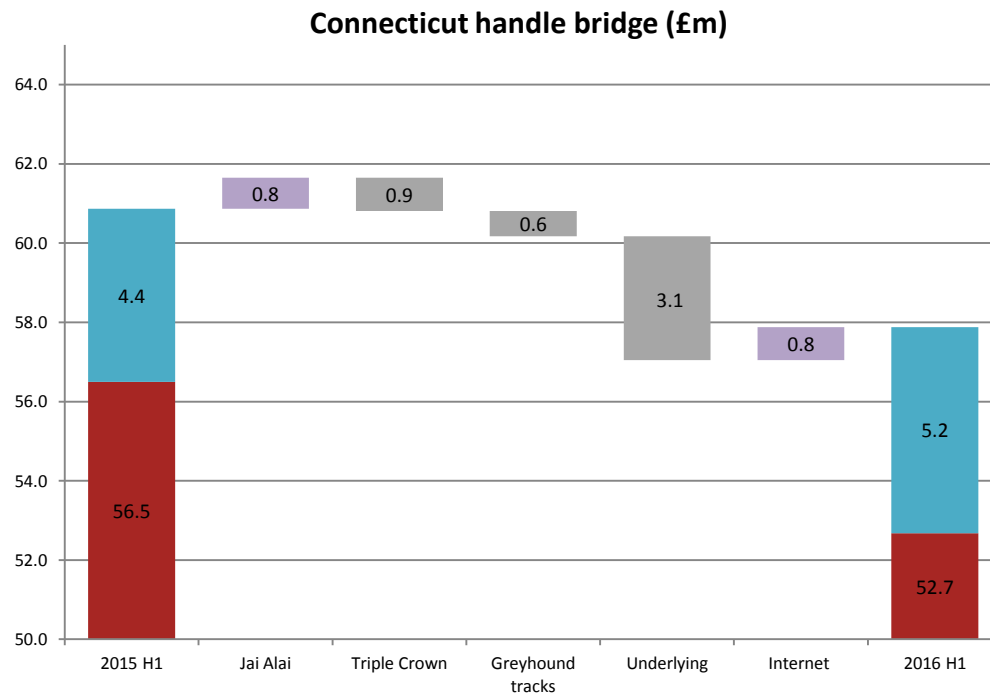
Note: 2015 H1 line items shown on a constant currency basis

- EBITDA increased to £4.3m, despite the loss of contracts in California and Germany
- Equipment sales increased by 46% as the Group expands presence in Asia
- 35% of service revenues from long term contracts secured to 2018 and beyond, the largest of which expires in 2025





	2016 H1		% of 2015 H1		% of <i>Change</i>
Connecticut Venues	£m	handle	£m	handle	£m
Handle	57.9		60.9		(3.0)
Revenue	14.7	25.4%	15.4	25.3%	(0.7)
Margin	8.4	14.5%	8.8	14.4%	(0.4)
CT Venues EBITDA	1.4	2.4%	1.4	2.3%	-
Other Venues EBITDA	0.1		0.2		(0.1)
FX impact	-		(0.2)		0.2
<b>Total Venues EBITDA</b>	<b>1.5</b>		<b>1.4</b>		<b>0.1</b>

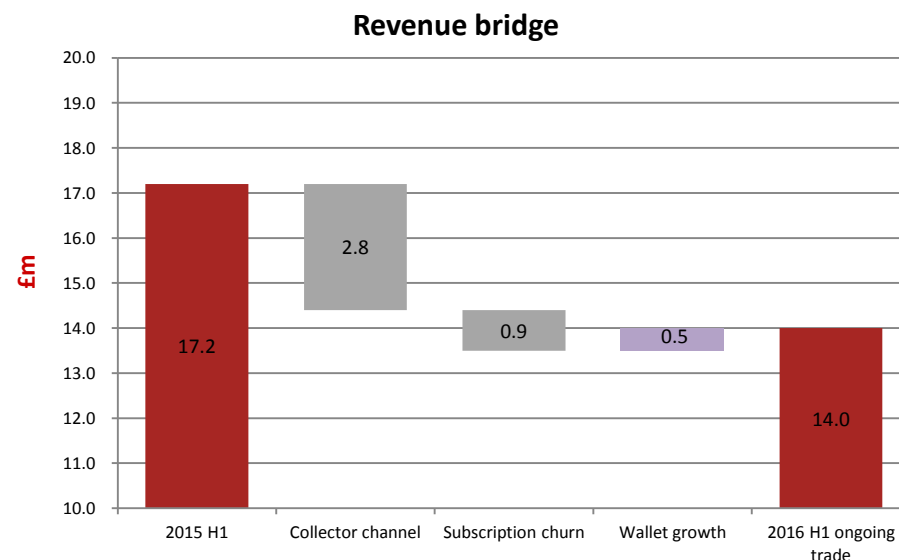


- Earnings stability despite 5% reduction in handle from last year – impacted by no triple crown contender and industry challenges
- 19% increase in handle in our online betting platform
- Bradley’s revenues up by 18%

# The Football Pools



	Ongoing trade			Collector	Total
	2016 H1	2015 H1	Change	2015 H1	2015 H1
	£m	£m	£m	£m	£m
Revenue	14.0	14.4	(0.4)	2.8	17.2
Sales-related costs	(2.4)	(2.3)	(0.1)	(1.1)	(3.4)
<b>Overheads:</b>					
- Staff costs	(1.7)	(1.9)	0.2	(0.6)	(2.5)
- Marketing	(1.1)	(1.1)	-	-	(1.1)
- Entry printing	(0.2)	(0.3)	0.1	(0.2)	(0.5)
- Other overheads	(1.6)	(1.8)	0.2	(0.5)	(2.3)
<b>EBITDA</b>	<b>7.0</b>	<b>7.0</b>	<b>-</b>	<b>0.4</b>	<b>7.4</b>



- Stability achieved, with ongoing EBITDA of £7.0m
- Core subscription initiatives have increased weekly spend per customer by 2% to £3.08 per week
- Continued focus on the cost base

# Capital Expenditure



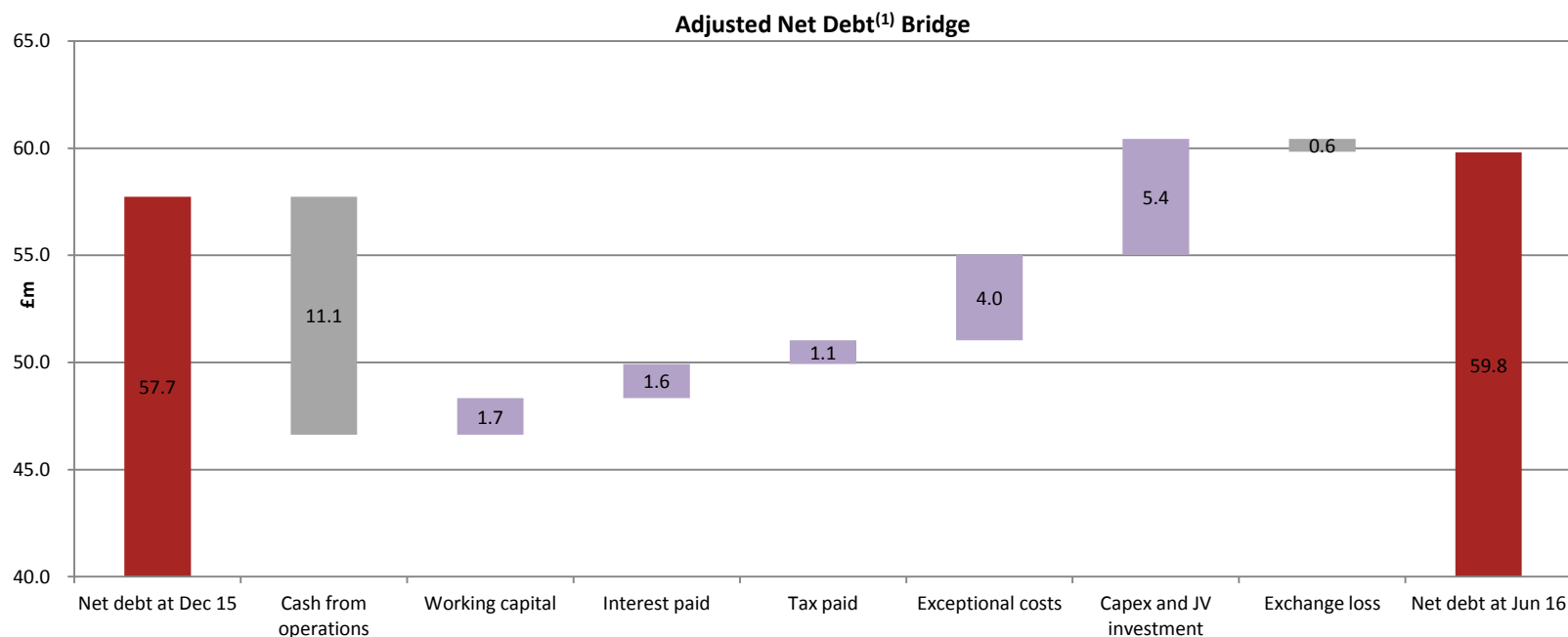
	2016 H1	2015 H1	Change
	£m	£m	£m
Sportech Racing and Digital	2.7	1.8	0.9
Sportech Venues	0.7	0.4	0.3
Football Pools	1.5	1.3	0.2
Corporate costs	0.2	-	0.2
	5.1	3.5	1.6

- Racing and Digital includes investment in digital products and the build of our new BetJet Aero terminal
- Capital expenditure in Venues primarily on the flagship venue in Stamford
- Football Pools includes modernisation costs and ongoing digital development

# Cash Flow Summary



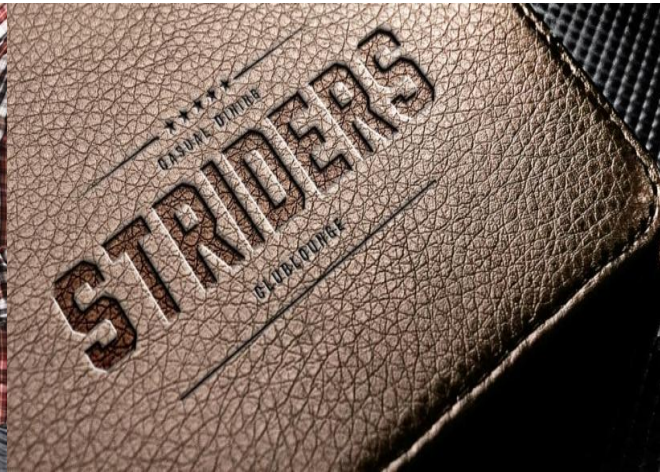
- The Group has net cash of £36.2m following the June receipt of £93.3m from HMRC (VAT repayment)



- Adjusted net debt/EBITDA for covenant testing purpose has improved to 2.57x (June 2015: 2.76x)

(1) Adjusted net debt excludes cash held on behalf of customers and the Spot the Ball VAT repayment

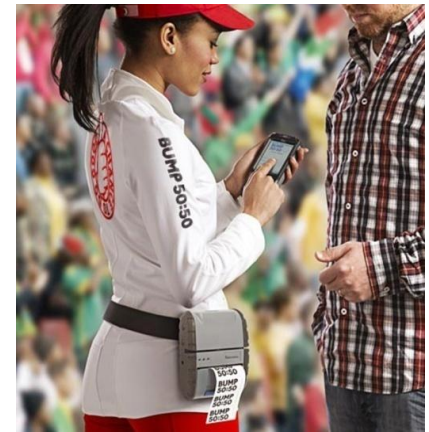
# Chief Executive's Review



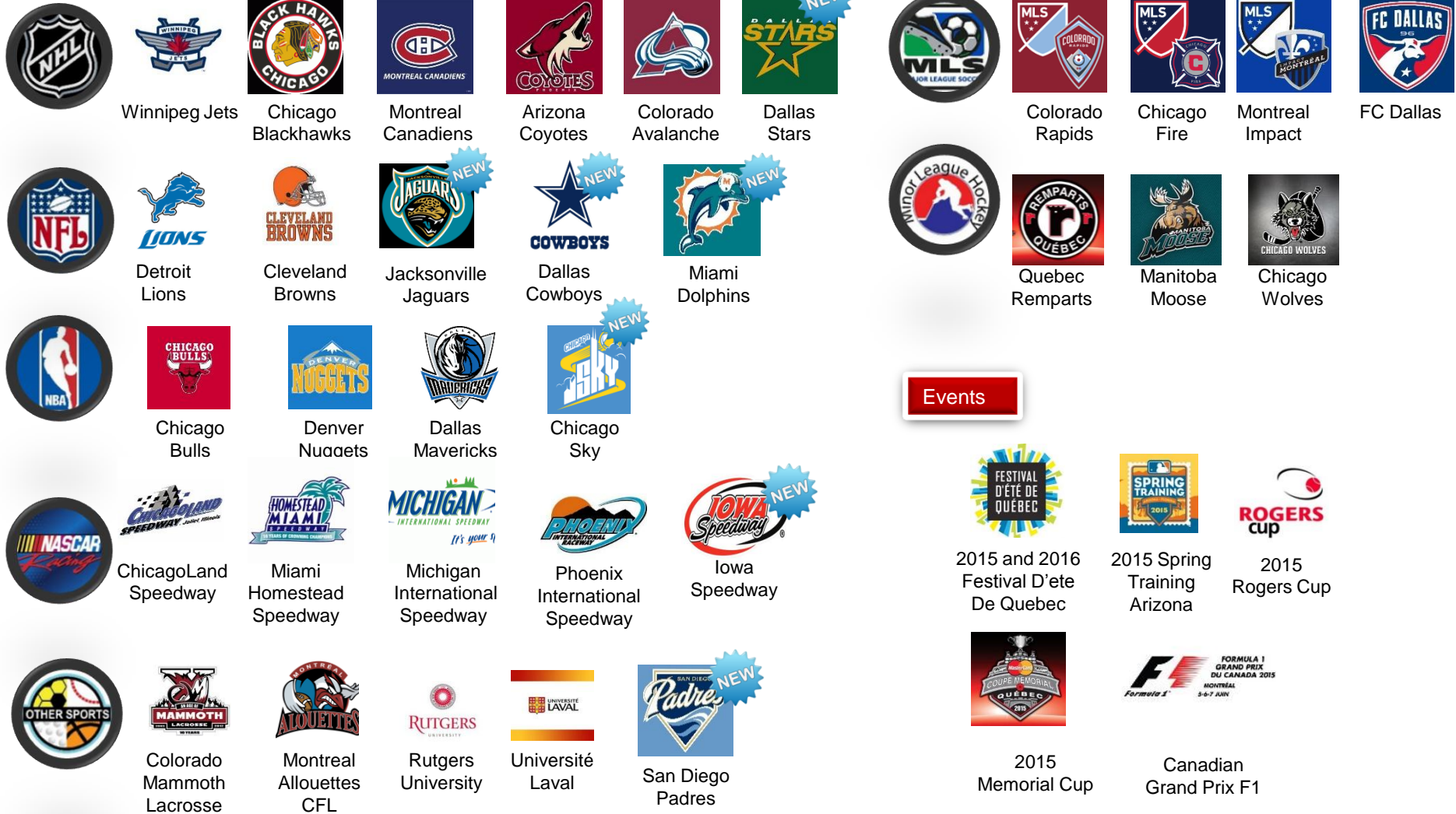
# Sportech Racing and Digital



- Diversification continues from core racing products into a range of sporting solutions, including football pools, cricket pools, in stadia electronic lotteries and national lotteries
- Pivoting of business to new markets in Asia has successfully led to new contracts, including Macau Jockey Club
- Recovered from loss of contract in California with efficient redeployment of capital and new contract wins in the US
- Major customer installations in the UK with Betfred now largely complete
- Technology provided by the Group's existing joint venture with Playwin is live and operational in India
- Expansion into professional sports; customer number increased from 7 to 33 since acquisition, including Dallas Cowboys



# Sportech Racing and Digital - Bump 50:50



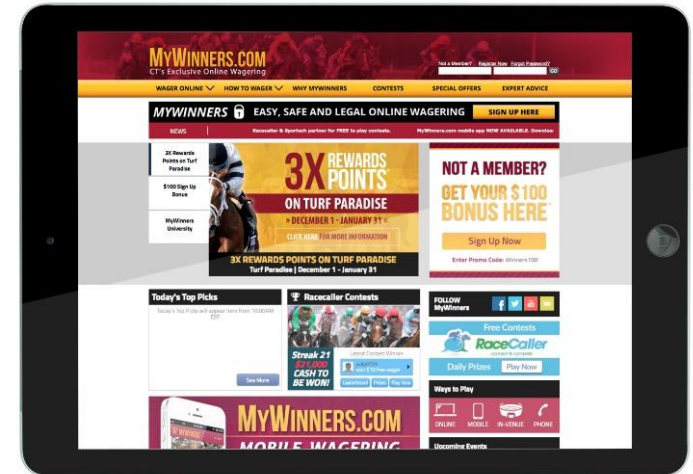


## Connecticut

- Business stabilised after challenging 2015
- Diversification into food and beverage revenues starting to pay back (up 18%)
- Internet betting handle up 19% against prior year
- Construction started on new \$7m site in Stamford
- Expanded gaming regulations remain under consideration
- CBRE advising on options for our 9 acre site in New Haven

## California

- First sports bar, restaurant and betting venue opened in January 2016 in San Diego





# The Football Pools



- Key modernisation milestones completed including closure of collector channel and consolidation into a single database
- Revenue per Classic Pools player grown 2% to £3.08
- c.10k new players acquired, 53% via digital channels
- 63% of our customer base playing by direct debit
- Customer numbers at 30 June 2016 220k, (June 2015: 234k)



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## £97m VAT Refund



- Case first filed in March 2009
- First-tier Tribunal ruled in our favour in March 2013
- Upper Tier Tribunal ruled in favour of HMRC in September 2014
- The Court of Appeal unanimously ruled in favour of the Group in May 2016
- HMRC paid £93m to us in June 2016
- We await the outcome of HMRC's direct appeal to the Supreme Court – expected in the Autumn



- Good first half year
- Important second half year ahead
  - Continued focus on a return to growth
  - Strategic options
  - VAT decision
- Board remains committed to delivering shareholder value



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## Appendix - 2016 Cash Flow Summary



	2016 H1	2015 H1	Change
	£m	£m	£m
<b>EBITDA</b>	<b>11.1</b>	<b>11.0</b>	<b>0.1</b>
Working capital outflow	(1.7)	(1.4)	(0.3)
Net exceptional costs	(4.0)	(0.9)	(3.1)
Capex	(5.1)	(3.5)	(1.6)
Interest paid	(1.6)	(1.5)	(0.1)
Taxation	(1.1)	(0.8)	(0.3)
Investment in joint ventures	(0.3)	(2.0)	1.7
Exchange translation	0.6	(0.4)	1.0
<b>Movement in adjusted net debt</b>	<b>(2.1)</b>	<b>0.5</b>	<b>(2.6)</b>
Opening adjusted net debt	(57.7)	(63.8)	6.1
<b>Closing adjusted net debt</b>	<b>(59.8)</b>	<b>(63.3)</b>	<b>3.5</b>
Spot the Ball repayment	93.3	-	93.3
<b>Net cash/(debt) <sup>(1)</sup></b>	<b>33.5</b>	<b>(63.3)</b>	<b>96.8</b>

(1) Cash balances and movements exclude customer funds which are ring fenced and matched with a corresponding liability owing to those customers

## Appendix - Sportech Key Facts



- Specialises in pool betting products, systems and services
- Currently processes \$11bn bets annually
- Licensed in 28 US States, with customers in over 30 States\*
- Customers in over 30 countries across 6 continents worldwide including:

Continent	Where are Sportech's customers?
Europe	UK, Channel Islands, Ireland, Spain, Netherlands, Denmark, Finland, Cyprus, Malta, Germany, Austria, Sweden, France, Turkey
North America	USA, Canada, Mexico, Dominican Republic, Panama, Puerto Rica, St.Kitts, Barbados, Trinidad, United States Virgin Islands
South America	Peru, Chile, Argentina
Asia	South Korea, India, Malaysia, China, Vietnam, Sri Lanka
Africa	Mauritius, South Africa
Oceania	Australia

\* We can operate legally in some States that do not require us to hold a licence

# Divisional Overview



Servicing	B2B	B2C	B2C
<i>Description</i>	<ul style="list-style-type: none"> <li>• Supplier of tote equipment, services and software on-track, off-track, online and mobile</li> <li>• Licensed in 28 States</li> <li>• Racetrack, ADW, casino customers across the US:                             <ul style="list-style-type: none"> <li>▪ 44 casinos</li> <li>▪ 125 racetracks</li> <li>▪ 29 ADWs</li> </ul> </li> <li>• Includes Bump 50:50</li> </ul>	<ul style="list-style-type: none"> <li>• Exclusive operator of betting on racing in venues and online across Connecticut and California and the Netherlands</li> <li>• Winners, MyWinners and Runnerz brands</li> </ul>	<ul style="list-style-type: none"> <li>• Operator of pools betting predominantly through subscription and online channels</li> <li>• Over 300,000 customers playing a range of pool games every week</li> </ul>
<i>Locations</i>	US (Atlanta, New Jersey), Canada, Singapore, Ireland, UK	US (Connecticut, California), Netherlands	UK, operational centre in Liverpool
<i>Customers</i>	Worldwide	US (Connecticut, California), Netherlands	Predominantly UK
<i>H1 Revenues (% group)</i>	£17.8m (36%)	£17.4m (35%)	£14.0m (29%)

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