



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

Presentation Team



Roger Withers

Chairman



Ian Penrose

Chief Executive



Mickey Kalifa

Chief Financial Officer

Group Summary



- Results in line with expectations – EBITDA up 3% to £23.8m
- Announcement of the conditional sale today of The Football Pools for £83m, subject to shareholder approval and Gambling Commission licensing.
- Successful outcome to our eight year £97m VAT refund appeal after rulings at the Supreme Court and the Court of Appeal
- £20m tender offer details also announced today, representing a buyback of around 10% of the issued share capital of Sporthex. To be implemented in the current tax year
- Transformation in the Group's financial structure
- Board restructured to include relevant industry experience and associated knowledge

Proposed Sale of The Football Pools



- Sale of Football Pools to OpCapita for total cash consideration of £83m on debt free, cash free basis
- Proceeds from sale enable Sportech to invest in a more streamlined and focused gaming business
- Balance sheet transformed following VAT case and sale of business
- Sale conditional on Gambling Commission licences and Sportech shareholder approval following completion of the tender offer

Rationale for proposed sale

- Attractive opportunity to realise value
- Creates focused gaming business
- Provides Sportech with additional resources to invest in product and technology developments
- Increased management focus through separation
- Potential for further return of capital to shareholders

VAT Refund of £97m



- Successful outcome to an 8 year process
- Received £94m, expecting remaining £3m this month
- Potential for compound interest
- Littlewoods in Supreme Court in July to establish the principle
- Updates to follow in due course

Chief Financial Officer's Review



Financial Summary

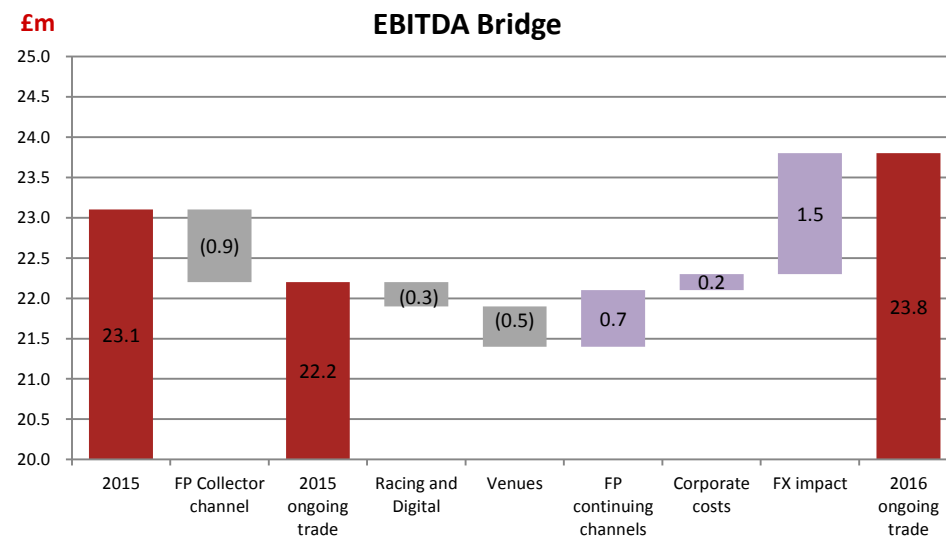


- Profit before tax increased to £30.7m (2015: £9.7m)
- Transformation in Group's financing with cash balances at 31 December 2016 of £36.5m (2015: net debt of £57.7m), reducing by £21.5m following payment of tax and fees
- Adjusted profit before tax is up by 17% to £13.8m (2015: £11.8m)
- Balance sheet strengthened by £22.6m despite a detailed review of assets leading to a non-cash impairment of £63.7m

Final Results 2016



	2016	Reported	Change	£m
	£m	2015	£m	£m
		£m		
Revenue	98.6	100.2 ⁽³⁾	(1.6)	
EBITDA ⁽¹⁾	23.8	23.1 ⁽⁴⁾	0.7	
Depreciation and amortisation	(8.4)	(7.6)	(0.8)	
Share option credit/(expense)	0.1	(0.5)	0.6	
Net bank interest	(1.7)	(3.2)	1.5	
Adjusted⁽²⁾ profit before tax	13.8	11.8	2.0	
Taxation of adjusted profit	(3.1)	(2.8)	(0.3)	
Adjusted⁽²⁾ profit after tax	10.7	9.0	1.7	
<i>Adjusted EPS – pence</i>	5.2	4.4	0.8	
<i>EPS – pence</i>	6.4	3.3	3.1	



(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 Revenue £108.3m at constant currency, of which £5.4m relates to the closed collector channel

(4) 2015 EBITDA £24.6m at constant currency, of which £0.9m relates to the closed collector channel

Final Results 2016



	2016 £m	2015 £m	Change £m
Adjusted profit before tax ⁽¹⁾	13.8	11.8	2.0
Exceptional income	91.0	8.1	82.9
Exceptional costs	(9.7)	(2.6)	(7.1)
Amortisation of acquired intangibles	(0.6)	(1.2)	0.6
Impairment of assets	(63.7)	(6.1)	(57.6)
Other finance income	1.1	0.6	0.5
Share of loss after tax and impairment of joint ventures and associates	(1.2)	(0.9)	(0.3)
Profit before tax	30.7	9.7	21.0
Taxation	(17.6)	(3.0)	(14.6)
Profit after tax	13.1	6.7	6.4
<i>EPS – pence</i>	6.4	3.3	3.1

(1) Adjusted profit figures are before amortisation of acquired intangibles, impairment of assets, exceptional items, share of loss after tax and impairment of joint ventures, and other finance income.

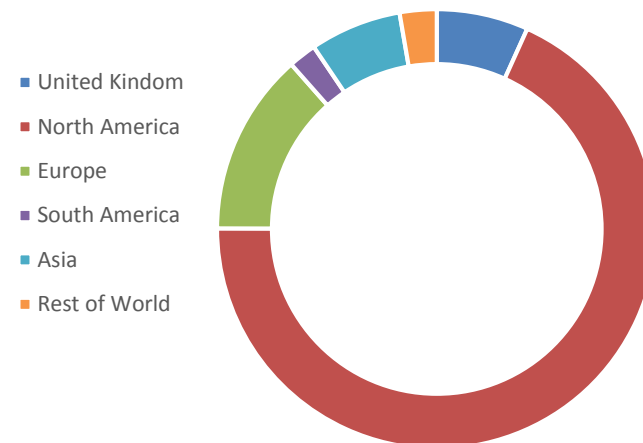


	2016	Constant currency 2015	Change	Reported 2015
	£m	£m	£m	£m
Tote services and maintenance contracts	22.5	26.5	(4.0)	23.5
System software and equipment sales	6.0	5.4	0.6	4.9
Digital services including sports and other lotteries	7.5	6.9	0.6	6.2
Total revenue	36.0	38.8	(2.8)	34.6
Payroll	(11.0)	(12.2)	1.2	(12.7)
Other costs	(15.6)	(16.9)	1.3	(13.3)
FX impact	-	(1.1)	1.1	-
EBITDA	9.4	8.6	0.8	8.6

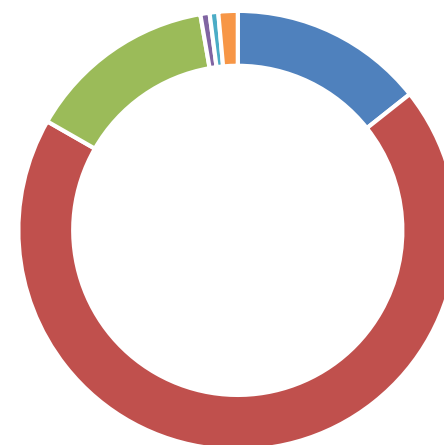
Note: line items shown on a constant currency basis

- Tote services revenues reduced from prior year due to loss of California contract
- Software and equipment sales increased from prior year, main sales being to customers in Macau, Russia, Malaysia and Peru as well as our long standing customer in Australia (Tabcorp)
- Digital revenues include Bump which has seen growth in the year
- Overall costs reduced

Revenue by place of supply 2016



Revenue by place of supply 2015

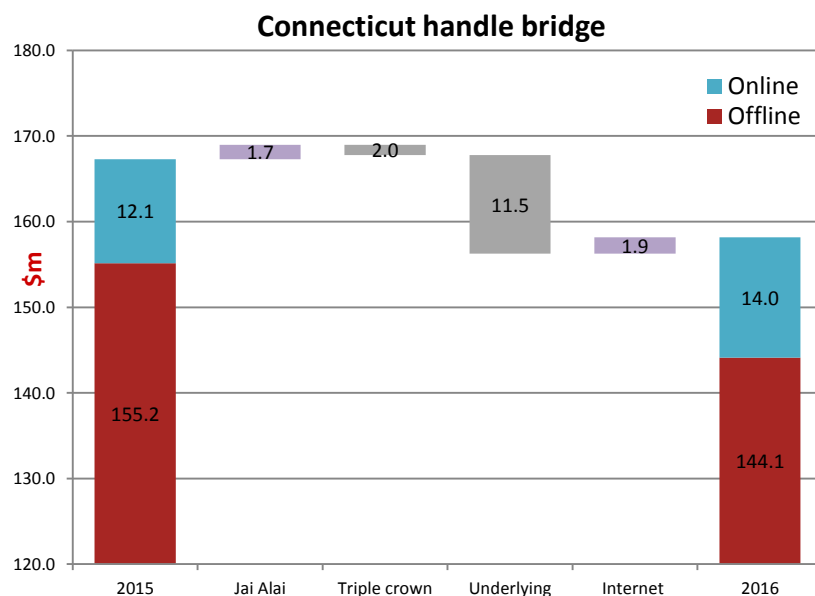


Sportech Venues



	2016	% of	Constant	% of	Change	Reported	
	£m	handle	2015	handle	£m	2015	% of
			£m			£m	handle
Handle	116.8		122.8		(6.0)	109.5	
Revenue	29.4	25.2%	30.9	25.2%	(1.5)	27.6	25.2%
Margin	17.0	14.6%	17.7	14.4%	(0.7)	15.8	14.4%
CT Venues EBITDA	2.5	2.1%	2.9	2.4%	(0.4)	2.6	2.4%
Other EBITDA	0.2		0.3		(0.1)	0.2	
FX impact	-		(0.4)		0.4	-	
Total Venues EBITDA	2.7		2.8		(0.1)	2.8	

Note: line items shown on a constant currency basis



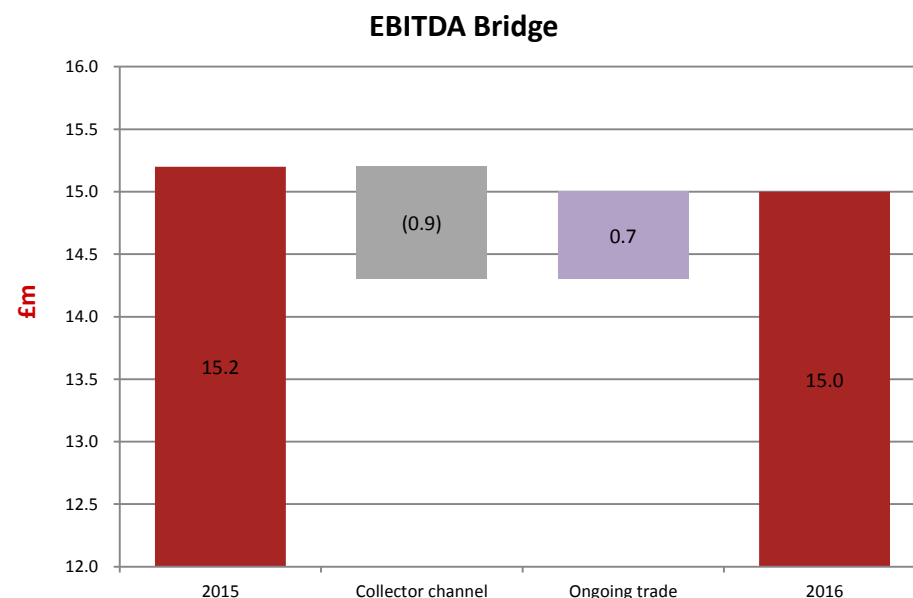
- Revenues were exceptionally high in 2015 during the Triple Crown season due to American Pharaoh
- Internet handle up 16% to \$14.0m (2015: \$12.1m)
- F&B revenues at BV's sports bar of £1.9m with EBITDA £0.2m
- Payroll savings following headcount reductions

The Football Pools



- Announced the sale of the business for £83m - business has been modernised and is now reporting stable to growing financials for the first time ever

	2016 £m	2015 £m	Change £m
Revenue	28.4	28.4	-
Sales-related costs	(4.6)	(4.4)	(0.2)
Overheads:			
- Staff costs	(3.4)	(3.7)	0.3
- Marketing	(1.8)	(1.9)	0.1
- Entry printing	(0.5)	(0.5)	-
- Other overheads	(3.1)	(3.6)	0.5
EBITDA – continuing channels	15.0	14.3	0.7
EBITDA – collector channel	-	0.9	(0.9)
Total EBITDA	15.0	15.2	(0.2)



- Stable revenues from subscription and wallet products
- EBITDA growth of £0.7m from those continuing channels

Capital Expenditure



Capital Expenditure

	2016	2015	Change
	£m	£m	£m
Sportech Racing and Digital	5.3	4.5	0.8
Sportech Venues	3.1	1.1	2.0
Football Pools	2.7	2.5	0.2
Corporate costs	0.8	0.3	0.5
	11.9	8.4	3.5

Impairments

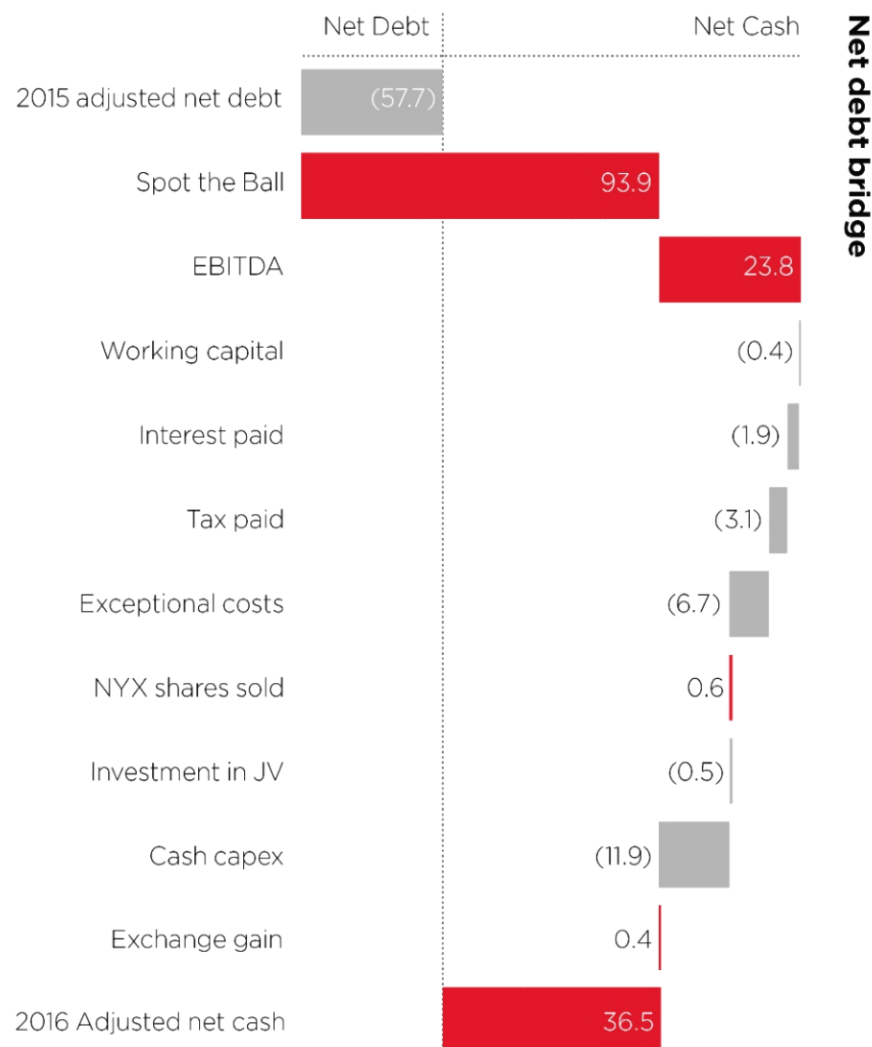
	2016	2015	Change
	£m	£m	£m
Sportech Racing and Digital	17.2	6.1	11.1
Sportech Venues	4.0	-	4.0
Football Pools	42.5	-	42.5
Group asset impairments	63.7	6.1	57.6
JVs and associates	0.6	0.2	0.4
Total impairments	64.3	6.3	58.0

- Continued investment in technology across the Group
- Racing and Digital includes £1.6m investment in Digital Link/G4 online development
- Construction of new venue at Stamford commenced – opening June 2017
- Football Pools includes ongoing systems modernisation and online website development

Cash Flow Summary



- Year end cash of £36.5m
- Post year end cash outflows of: £5.9m costs paid re STB VAT, £10m payment on account for corporation tax (a further payment of £4.4m is expected in April 2017), c£20m share buy back
- Facility reduced to £50m from £75m in December 2016 and will reduce to £15m on disposal of the Football Pools



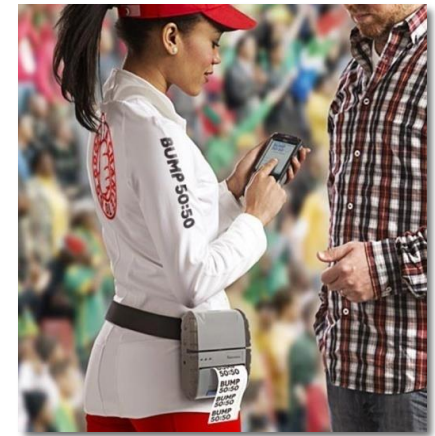
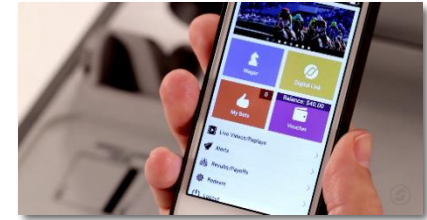
Chief Executive's Review



Sportech Racing and Digital



- Developing an international sports betting and lottery technology supplier from previously US centric horseracing technology business
- Invested heavily in pursuit of this strategy
 - **New technologies:** core systems, digital, networks
 - **New sports and products:** NFL, NBA, NHL, MBL, MLS, to compliment horseracing, football and lotteries
 - **New geographies:** Asia and Russia
- Well positioned for regulatory change
 - 28 US States, 30 countries, \$11bn bet annually

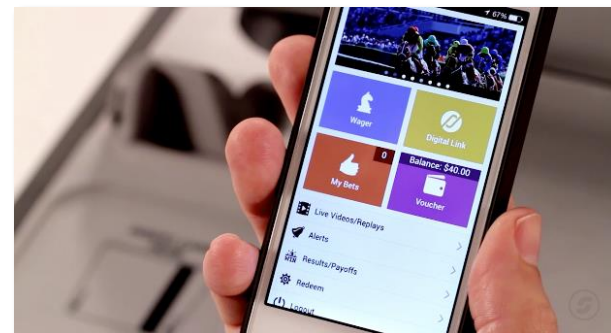


Sportech Racing and Digital – Contracts

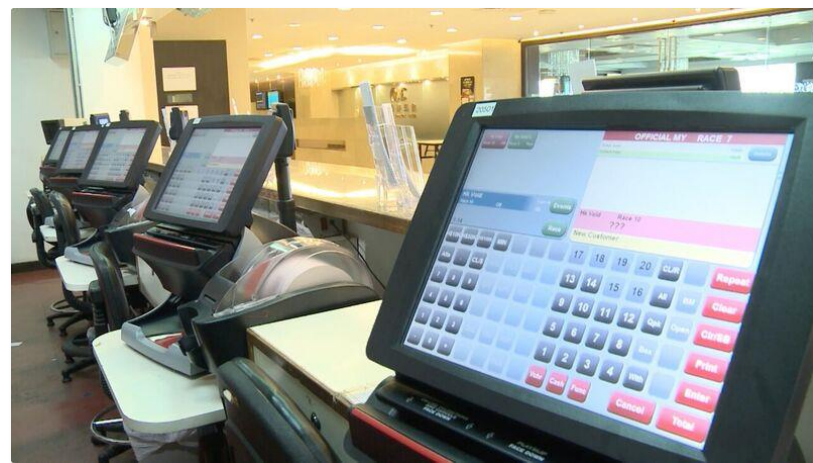


Contracts update:

- Supply of Tote system software and hardware during 2016, including our Quantum™ Tote System and newly developed BetJet Aero™ terminals
- New customers:
 - (i) Asia
 - Macau Jockey Club
 - Royal Sabah Turf Club in Malaysia
 - Vung Tau greyhound track in Vietnam
 - (ii) Eastern Europe
 - Pari Engineering Rus Ltd in Russia
 - (iii) USA
 - Lone Star Park in Texas
 - Remington Park in Oklahoma and Kentucky Downs
- Our systems are opening the Hong Kong betting market to the UK Tote and the Great Canadian Gaming Corporation



Sportech Racing and Digital – Macau Jockey Club



Sportech Racing and Digital – Bump 50:50



- Established a strong position already in professional sport in North America
- Partnering leading sports franchises
- Raised over \$8m for charitable causes in 2016 through our systems
- Expect this growth to continue in 2017

San Diego Padres MLB



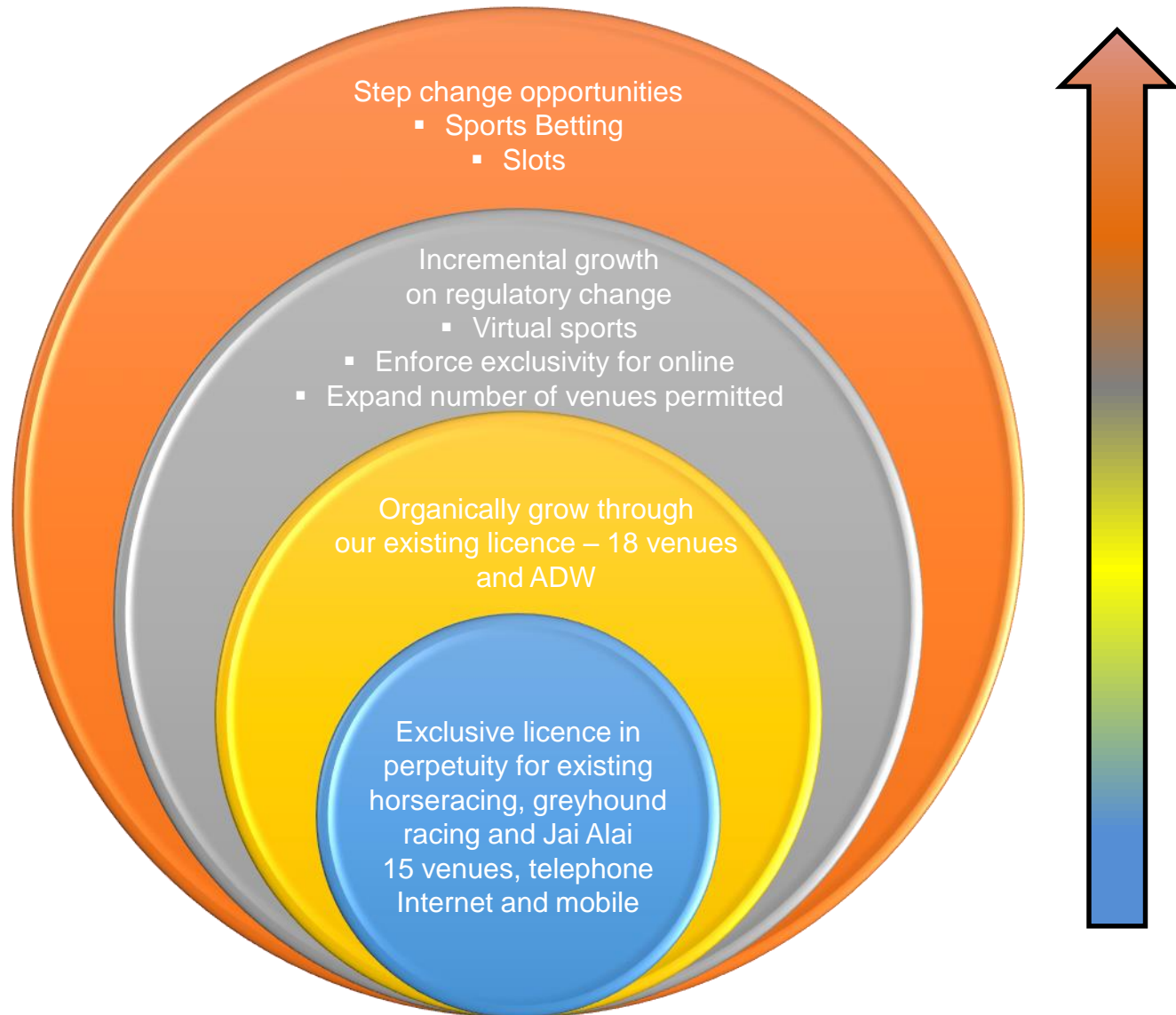
Dallas Cowboys – AT&T Stadium



Sportech Racing and Digital – Bump 50:50



Sportech Venues – Strategic Opportunity



Sportech Venues



- New 20,000 sq ft flagship venue opening in June in Stamford – partnering again with Bobby Valentine
- Further expansion opportunities with opening of Windham and one in Q4 to take number of venues to 17
- Other regulatory/legislative situations being developed
- Change of planning permission being sought for 9 acres at New Haven – expected in 2018
- Online betting volumes up 16%
- Bradley now contributes \$1m pa : F&B \$200k



Sportech Venues



California

- The first of our sports bar, restaurant and betting venues building a good customer base and increasing its revenues
- Approval granted to construct a second site in Norco
- Agreement in place to develop up to ten similar facilities across California



Netherlands

- Exclusive OTBs, point-of-sale terminal estate and online betting on horseracing produced a solid performance – ongoing discussions regarding regulatory plans
- Licence extended to June 2017

Stamford

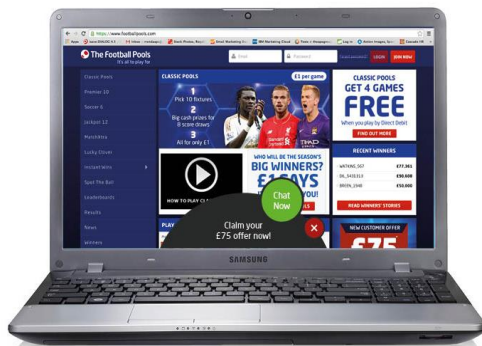
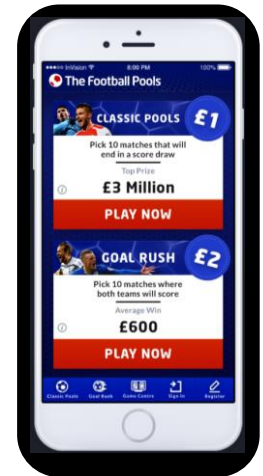
- Stamford has about 117,000 residents but its population swells to 250,000 during the workday.
- The coastal county of Fairfield (home of Stamford) is the most affluent county in one of the country's most affluent states with an average income of \$130,000 and is America's 6th wealthiest county



The Football Pools



- Delivered stability in continuing subscription and digital channels
- New platforms for retail growth established: enabled the launch into WH Smith in January 2017
- Completed the implementation of significant operational and technological change
- Closed the loss making, challenging and cost intensive paper coupon collector network



Summary and Outlook



- Sportech has enjoyed a transformational year
- Conditional sale of Football Pools announced today
- Results in line with expectations
- Successful outcome to VAT reclaim - progressing to compound interest claim
- Financial position transformed enabling £20m return to shareholders
- Strategically positioned for growth and value creation



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Overview



Servicing	B2B	B2C	B2C
<i>Description</i>	<ul style="list-style-type: none"> • Supplier of tote equipment, services and software on-track, online and mobile • Licensed in 28 US States • Racetrack, ADW, casino customers across the US: <ul style="list-style-type: none"> ▪ 44 casinos ▪ 125 racetracks ▪ 29 ADWs • Includes Bump 50:50 	<ul style="list-style-type: none"> • Exclusive operator of betting on racing in venues and online across Connecticut and the Netherlands • Winners, MyWinners and Runnerz brands • San Diego venue opened under brand name “Striders” 	<ul style="list-style-type: none"> • Operator of pools betting predominantly through subscription and online channels
<i>Locations</i>	US (Atlanta, New Jersey), UK, Ireland	US (Connecticut, California), Netherlands	UK, operational centre in Liverpool
<i>Customers</i>	Worldwide	US (CT and CA) and Netherlands	Predominantly UK
<i>2016 Revenue (% group)</i>	£36.0m (36%)	£35.1m (35%)	£28.4m (29%)

2016 Cash Flow Summary



	2016	2015	Change
	£m	£m	£m
EBITDA	23.8	23.1	0.7
Working capital outflow	(0.4)	(2.9)	2.5
Exceptional cash inflows	93.9	-	93.9
Exceptional cash outflows	(6.7)	(2.3)	(4.4)
Capex	(11.9)	(8.3)	(3.6)
Interest paid	(1.9)	(3.2)	1.3
Taxation	(3.1)	(2.3)	(0.8)
Investment in joint ventures and associates	(0.5)	(2.5)	2.0
Cash relating to disposal of NYX JV	0.6	5.1	(4.5)
Refinancing costs	-	(0.3)	0.3
Exchange translation	0.4	(0.3)	0.7
Movement in adjusted net debt ⁽¹⁾	94.2	6.1	88.1
Opening adjusted net debt ⁽¹⁾	(57.7)	(63.8)	6.1
Closing adjusted net cash/(debt) ⁽¹⁾	36.5	(57.7)	94.2

⁽¹⁾ Adjusted net cash excludes cash held on behalf of customers

Sportech Key Facts



Sportech:

- Specialises in pool betting products, systems and services
- Currently processes \$11bn bets annually
- Is licensed in 28 US States, with customers in over 30 States*
- Has customers in over 30 countries across six 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	US, Canada, Mexico, Dominican Republic, Panama, Puerto Rico, St.Kitts, Barbados, Trinidad, United States Virgin Islands
South America	Peru, Chile, Argentina
Asia	South Korea, India, Malaysia and Vietnam
Africa	Mauritius, South Africa
Oceania	Australia

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