



Sportech PLC

2017 Full Year Results

For the Year Ending 31 December 2017

Sportech PLC Board

Introduction

Financial Summary

Operating Review

Regulatory Outlook

Richard McGuire
Non-Executive Chairman

Andrew Gaughan
Chief Executive Officer

Richard Cooper
Non-Executive Director

Giles Vardey
Non-Executive Director

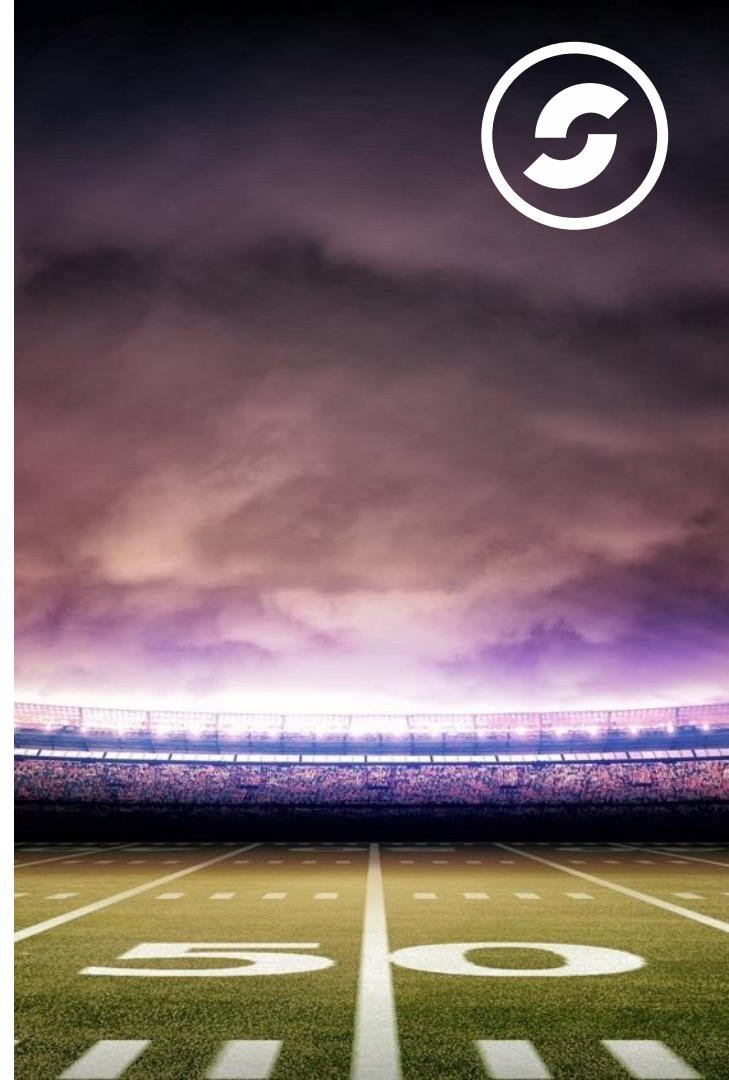


2017 Key Developments

Richard McGuire

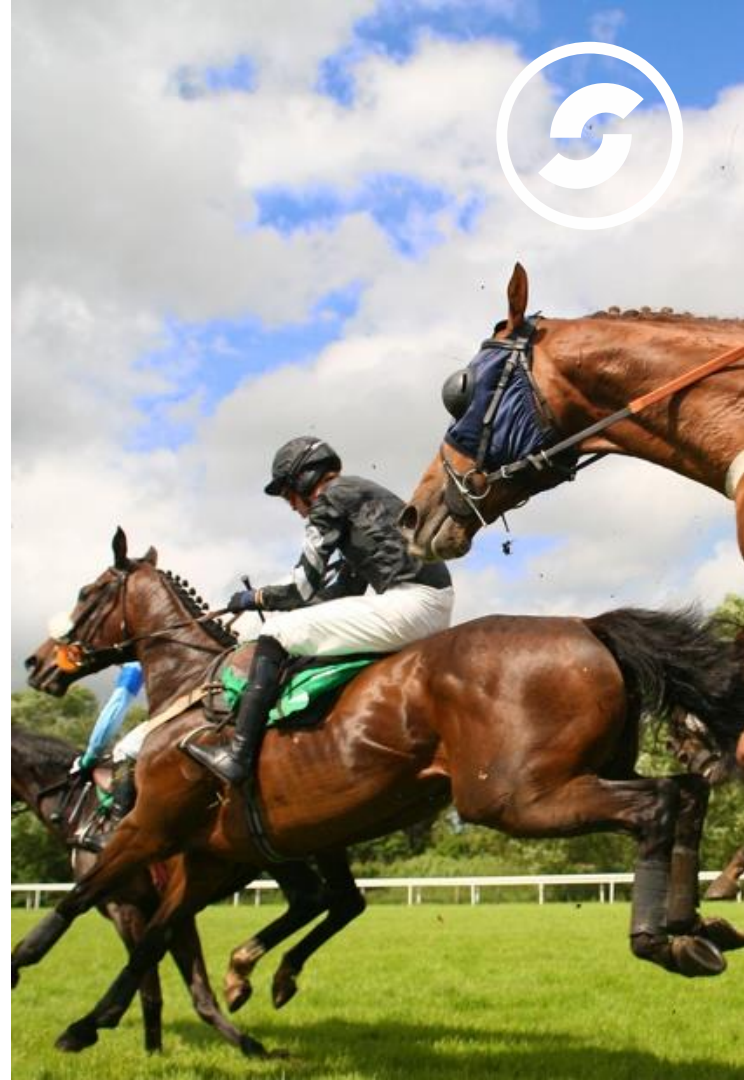
Non-Executive
Chairman

- Return of £75m to shareholders
- Repaid over £60m of debt
- Completion of Football Pools sale
- Opened prestigious venue in Stamford, Connecticut
- Corporate restructuring and cost saving program introduced
- Comprehensive review of accounting and reporting
- Well positioned for US Sports Betting opportunity



2017 Hurdles

- Formal Sale Process
- Corporate Costs
- Strategic Review
- Stamford
- International Aspirations
 - India
 - Norco
 - San Diego
 - Non-Core Assets
- Contractual





Financial Summary

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Richard Cooper

Non-Executive
Director



Financial Summary

Share option charges includes the non-cash accelerated charge (as calculated under IFRS2) for departing executives.

Spot the Ball ongoing litigation settled in 2016.

	2017 <i>£millions</i>	2016 <i>£millions</i>
Revenue	66.3	64.8
Adjusted EBITDA	6.7	8.5
D&A	(4.6)	(6.8)
Spot the Ball	0.8	91.0
Other Exceptional items and impairments	(20.1)	(27.4)
Share option charges	(4.4)	0.1
EBIT	(21.6)	65.4
Adjusted PBT from continuing operations	1.5	0.7

Revenue Components



	2017 <i>£millions</i>	2016 <i>£millions</i>
Racing and Digital – service revenue	32.9	29.3
Racing and Digital – sales revenue	1.4	5.9
Bump 50:50 – revenue	1.2	0.8
Total Racing and Digital	35.5	36.0
Venues – wagering revenue	27.6	27.0
Venues – F&B Stamford	1.5	-
Venues – F&B other	2.5	2.6
Total Venues	31.6	29.6
Total (net of inter-divisional elimination)	66.3	64.8

Revenue to adjusted EBITDA

Staff costs are net of
£3m capitalised
software.

Other costs include a
provision for £0.8m of
bad debts.

	2017 <i>£millions</i>	2016 <i>£millions</i>
Revenues	66.3	64.8
Cost of sales	(18.6)	(19.7)
Marketing & distributions	(2.1)	(2.1)
Contribution	45.6	43.0
- margin	68.8%	66.4%
Staff costs	(25.5)	(23.4)
Property costs	(5.5)	(4.6)
Other costs	(7.9)	(6.5)
Total "adjusted" costs	(38.9)	(34.5)
ADJUSTED EBITDA	6.7	8.5
MEMO: ADJUSTED PROFIT BEFORE TAX (from continuing operations)	1.5	0.7





EBITDA to (L) /PBT

Share option charges include £3.8m of accelerated non-cash charges for departing executives.

Impairments are £12m for Venues and £0.8m for California.

	2017 <i>£millions</i>	2016 <i>£millions</i>
EBITDA	6.7	8.5
Spot the Ball	0.8	90.9
Restructuring costs	(2.3)	(0.5)
California provisions	(2.7)	(0.2)
Other "cash" exceptional items	(0.6)	(4.7)
Share option charges	(4.4)	0.1
D&A	(4.6)	(6.8)
Impairments	(12.9)	(21.2)
Loss on NYX shares	(1.6)	(0.7)
EBIT	(21.6)	65.4
JV results	(1.5)	(1.2)
Finance	0.0	(0.5)
(L)/PBT – continuing operations	(23.1)	63.6

Discontinued Activities

Sportech Racing BV had revenue of £6m, EBITDA of £0.4m and PAT of £0.2m.

The cash contribution from the Pools was £79.4m in the year.

Football Pools 1 Jan 2017 to 26 June 2017	2017 £millions	2016 £millions
EBITDA	5.7	15.0
D&A	(0.5)	(2.0)
Exceptional items / impairments	0.9	(46.0)
Pre-tax	6.1	(33.0)
Tax	0.7	(0.7)
PAT	6.8	(33.7)
Consideration (net)	83.0	-
Costs of sale	(3.2)	-
Less: Book value of goodwill	(81.8)	-
Less: tax on sale	(6.5)	-
Book result on sale	(8.5)	-
Net result from Football Pools	(1.7)	-



(L)/PBT to Loss for year



	2017 <i>£millions</i>	2016 <i>£millions</i>
(L)/PBT – continuing operations	(23.1)	65.4
Discontinued activities – Pools + Holland	(1.5)	(33.6)
JV results	(1.5)	(1.3)
Finance charges	0.0	(0.5)
Taxation	0.2	(16.9)
Loss after tax	(24.4)	13.1
Basic EPS from continuing operations	(12.0)p	22.6p

Cashflow

The total capex on the leasehold premises Bobby V's in Stamford across 2016 and 2017 was £7.7m.

	<i>£millions</i>
EBITDA	6.7
Less:	
Capitalised software	(3.0)
Bobby V's capex	(5.2)
Other capex	(2.6)
Restructuring & other exceptionals	(2.6)
Working capital and other	(4.4)
SBT tax and deal fees	(15.9)
Add:	
Net cash from Football Pools	79.5
NYX share sale	2.3
Less: return of capital	(75.0)
Net cashflows in year	(20.2)
Opening cash	36.5
Closing cash	16.3
Less: Cash at Sportech Racing BV (held for sale)	(0.4)
Cash excluding customer balances	15.9



Balance Sheet

	Non-current £millions	Current £millions	Combined £millions
Tangible fixed assets and PPE	37.3	-	37.3
Cash, net of customer liabilities	-	15.9	15.9
Trade receivables	0.5	7.3	7.8
Other receivables	0.4	3.0	3.4
Inventories	-	2.7	2.7
NYX contingent receivables	1.5	-	1.5
Assets held for sale	-	0.8	0.8
Deferred tax asset	6.4	-	6.4
Tax liabilities	-	(7.1)	(7.1)
Trade payables	-	(13.2)	(13.2)
Bump 50:50 earn-out	-	(0.2)	(0.2)
Retirement benefits	(1.5)	-	(1.5)
Provisions	(1.5)	(1.1)	(2.6)
	43.1	8.1	51.2



Balance Sheet Bridge



<i>£millions</i>	
Net assets at 31 December 2016	148.8
Loss for the period	(24.4)
Offsetting equity items*	6.8
Foreign exchange movements	(4.9)
Movement in defined benefit pension obligation	(0.1)
Return of capital to shareholders – tranche 1, March 2017	(21.2)
Return of capital to shareholders – tranche 2, December 2017	(53.8)
Net assets at 31 December 2017	51.2

* *offsetting equity items include share option charges and brought forward losses on NYX shares*

Operating Review

Andrew Gaughan
Chief Executive
Officer





Operating Review

Operational Highlights

- Quantum™ System pools and bet types, and system management tools
- Growth in global commingling – Europe, Asia, North America
- 25 new Bump 50:50 contracts signed in 2017
- Secured legislation to expand number of venues in Connecticut
- Opened destination venue, Bobby V's Stamford
- Sports Betting progression for both Connecticut venues and US B2B business
- Significant progress on legislation in Connecticut ADW Bill to curtail out of state operators

Operational Businesses

Summary Financials



	Racing and Digital	Venues
	<i>£millions</i>	<i>£millions</i>
Service Revenue	34.1	27.6
F&B Sales Revenue		4.0
Contract Sales	1.4	-
Total revenue	35.5	31.6
Contribution	30.4	15.5
Contribution Margin	85.7%	49%
Adjusted operating expenses	(22.7)	(14.0)
EBITDA	7.7	1.5
Capitalised Software	3.0	-

Racing and Digital

Summary Financials



	2017	2016 Reported
	£000	£000
Sales revenue	1,389	5,789
Service revenue	34,080	30,248
Total revenue	35,469	36,037
Contribution	30,381	28,977
Contribution Margin	85.7%	80.4%
Adjusted operating expenses	(22,673)	(19,600)
Adjusted EBITDA	7,708	9,377
Internal software capitalised	3,026	3,022
Purchase of other intangibles	865	113
Purchase of PPE	1,281	2,885
Total capex in year	5,172	6,020

Racing and Digital

Operational Overview

The largest international provider of pari-mutuel systems and services, Sportech Racing and Digital provide the software, hardware, and services that facilitate pari-mutuel betting for a global customer base of licensed operators.

- Long term sustained earnings growth and value creation emanating from technology and business investments
- Key technology advances in the core Quantum™ System software realised
- Global Commingling business grew significantly
- Quantum™ System pools and bet types expanded
- Global footprint strengthened
- Rolled out key updates to our digital platforms – G4 websites and Digital Link® Mobile

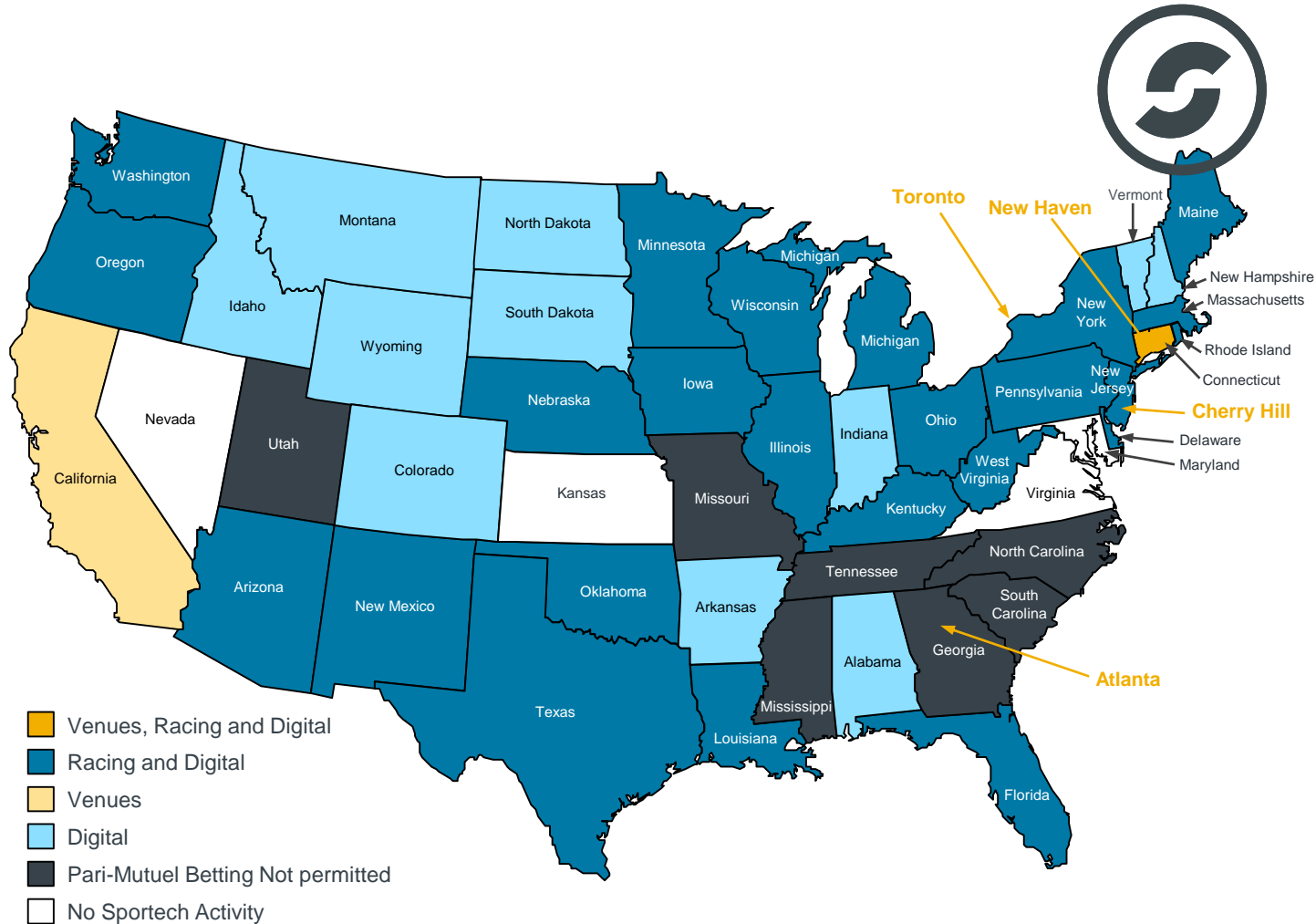
298 Customers in **37** Countries and **37** US States



North American Racing Related Operations

- 4 offices
- Presence in 37 U.S. States
- Licensed in 26 U.S. states and Canada¹
- 90 racetrack, ADW, casino customers
- 110 Commingling contracts

1. Licence not required in all states
Sources: Sportech management



Racing and Digital

Future Prospects

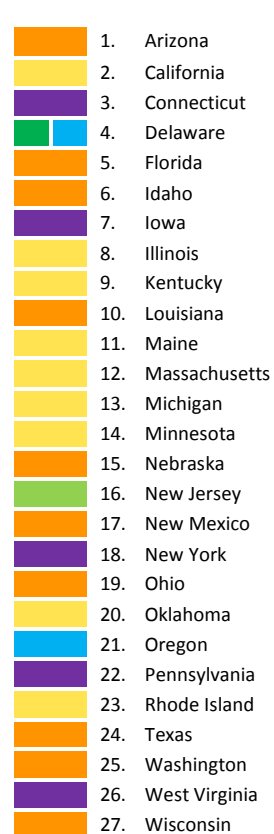


- Sales in Asia and Europe not completed in 2017 but expected to be finalised in 2018 to revert to typical annual sales levels
- Continued growth in commingling contracts with new agreements signed in 2018 to-date
 - Norsk Rikstoto of Norway - signed
 - OPAP of Greece - signed
 - Betfred network into Singapore Turf Club – pending Betfred direct contract
- Continued expansion of digital platforms distribution with new customers and contract extensions in 2018 to-date
 - Parx® Racing (Major Philadelphia area racino)
 - Camarero Racetrack (exclusive horseracing operator in Puerto Rico)
 - Saratoga Harness Raceway (Saratoga Hotel and Casino)
- Positioning to act quickly and decisively on sports betting B2B services should PASPA be repealed

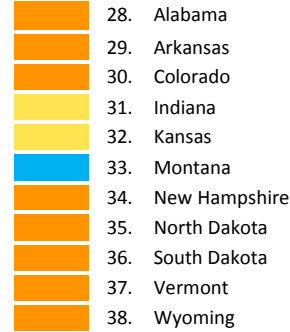
Well positioned for B2B Sports Betting

Summary of activity by state with sports betting legislation status

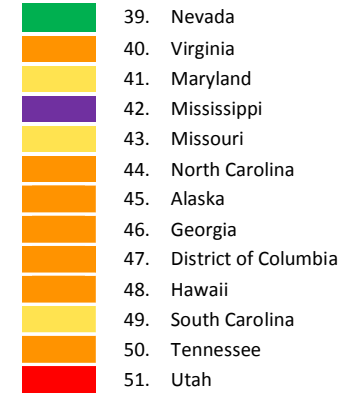
States with Sportech Tote Customers and/or Venues:



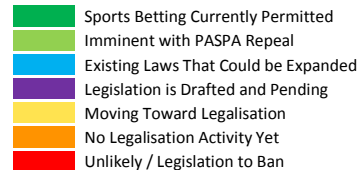
States with Sportech Digital Activity Only:



States with No Sportech Presence and/or No Pari-Mutuel Betting and/or No Casinos:



Key:



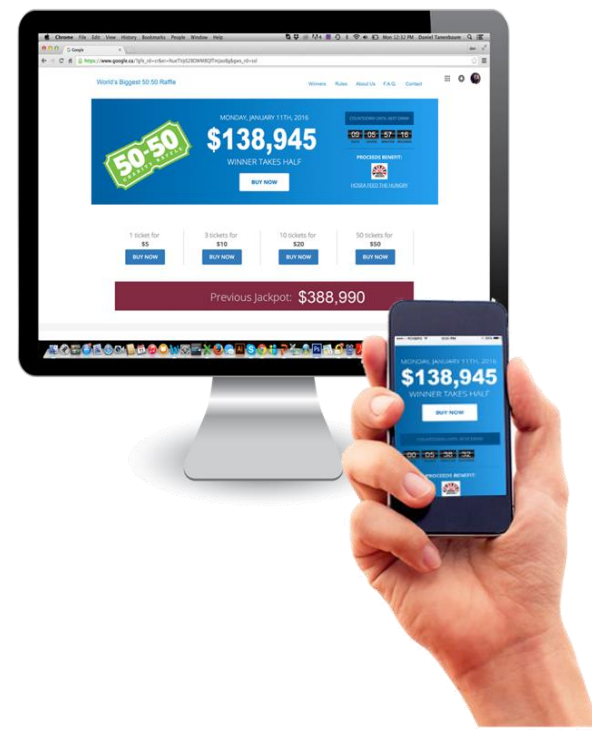
Racing and Digital

BUMP50:50

 racing//digital

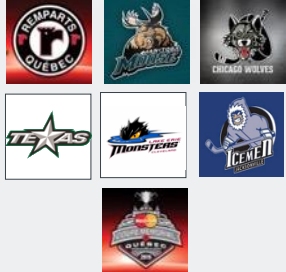
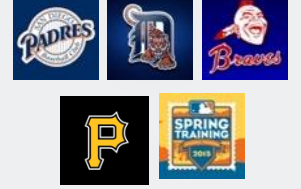
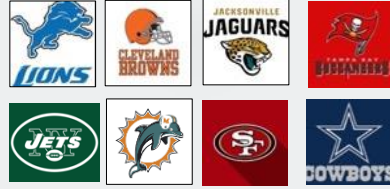
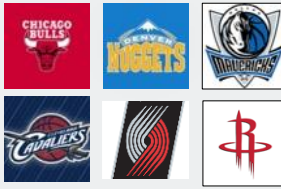
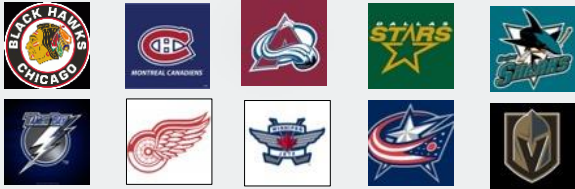
Operational Performance

- Signed 25 new clients in 2017
- Generated a US-record \$276k jackpot at the 2018 NHL® All-Star game in Tampa
- Produced total jackpots of almost \$11m in 2017
- Launched online and mobile channels
- 2018 - Continue the multi-year growth strategy that generated 40% revenue growth from 2016 to 2017



BUMP50:50

 racing//digital



Collegiate



Motor Sports



OTHER



Venues



MyWinners.com





Venues

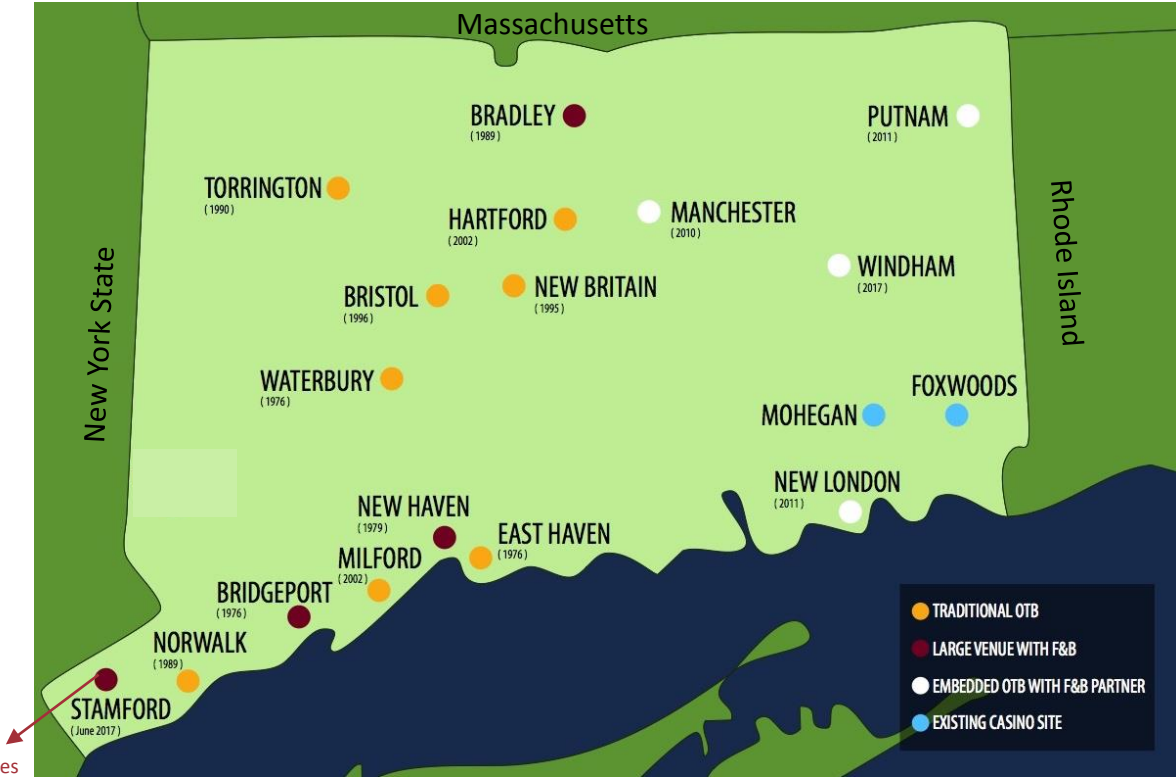
	2017	2016 Reported
	£000	£000
F&B - Stamford	1,417	-
F&B - Other	2,561	2,609
F&B - Total	4,032	2,609
Wagering revenue	27,574	27,050
Total revenues	31,606	29,659
Contribution	15,482	14,405
Contribution margin	49.0%	48.6%
Adjusted operating expenses	(13,985)	(11,957)
Adjusted EBITDA	1,497	2,448
PPE - Stamford	5,238	2,451
PPE - Other	370	511
PPE - Total	5,608	2,962

Summary Financials



Connecticut Venues

Operates all legal betting on horseracing, greyhound racing, and jai alai under an exclusive and perpetual licence for retail, telephone, internet and mobile channels.



37 miles
to NYC

Connecticut Venues

- Opened 25,000 sq ft destination venue, Bobby V's Stamford
- Successfully lobbied the Connecticut General Assembly for permission to open an additional six venues, over and above the 18 already permitted, for a total of 24
 - Additional bricks-and-mortar venues will support expansion and diversification into sports betting, if and when permitted
- Achieved 11% increase in 2017 in online and mobile handle versus prior year
- Extended key Managed Venue contracts
 - Mohegan Sun Casino in Connecticut
 - Two racebooks in Louisiana and the Caribbean

Operational Review





Connecticut Venues

- Reviewing various aggressive and proactive growth initiatives for wagering and food & beverage
 - Initiating new group sales and F&B management strategy
 - Deploying mobile betting via Sportech's Digital Link®

- Taking a much more aggressive stance with regard to promotion and marketing of digital channels



- Positioning to act quickly and decisively on sports betting in-venue and online should PASPA be repealed

Future Prospects

Regulatory Overview

Andrew Gaughan
Chief Executive
Officer



Regulatory Initiatives

- Connecticut ADW (Senate Bill 276)
 - Designed to curtail out of state operators from accepting Connecticut wagers
 - Ultimately resulting in increased in-state handle
- Proactive Campaign on Sports Wagering in Connecticut (including House Bill 5307 and Senate Bill 540)
 - Targeted lobbying and digital marketing campaign
 - Testimony before General Assembly committees and key legislators
- GDPR compliance initiative
 - Company-wide initiative to comply with new European Union standards across global company operations

Sports Betting
The Connecticut Way

Legalize Sports Betting in Connecticut

If the Supreme Court passed the Professional and Amateur Sports Protection Act (PASPA), Sports Betting will follow. Connecticut has the ability to keep gaming revenue and jobs in the state, and Sportech is proud to leverage its experience, existing facilities, and existing licensing when Connecticut is ready to begin.

\$600 million Excise of annual "slot market" sports betting revenue, estimated by Connecticut officials.	\$12.3 million Additional tax revenue sports betting will generate for the state through existing gaming establishments and an increase in state lottery.	\$92.3 million Connecticut has the most advanced sports betting legislation in the first five years through existing gaming establishments and an increase in state lottery.	Expansive that legal sports betting will generate jobs and revenue for the state.
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Staying on Top of Sports Betting

Many states, including those that have already implemented sports betting, are looking to regulate sports betting in Connecticut. Sportech is a qualified, regulated partner to the State of Connecticut and ready to take action on Sports Betting.

FALSE Sports Betting is not regulated.	FALSE The Supreme Court has ruled in favor of sports betting, and Connecticut is ready to begin.	FALSE Research shows that sports betting will increase state revenue and create jobs.
TRUE Many sports betting operators are looking to enter the Connecticut market, and Sportech is ready to take action on Sports Betting.	TRUE We provide the most advanced sports betting legislation in the first five years through existing gaming establishments and an increase in state lottery.	TRUE Research shows that sports betting will increase state revenue and create jobs.
FALSE Sports Betting is not regulated.	FALSE The Supreme Court has ruled in favor of sports betting, and Connecticut is ready to begin.	FALSE Research shows that sports betting will increase state revenue and create jobs.
TRUE Sports Betting is not currently regulated in Connecticut.	TRUE We believe that Connecticut's sports betting legislation is the most advanced in the first five years through existing gaming establishments and an increase in state lottery.	TRUE Research shows that sports betting will increase state revenue and create jobs.

Sportech



TAKE THE BET CONNECTICUT

Sportech

SPORTS BETTING CAN HELP FILL THE STATE BUDGET HOLE

Sportech

READY FOR SPORTS BETTING
Sportech is Ready to Partner with the State

Guidance

Richard Cooper
Non-Executive
Director



Guidance



PPE	£1m to £1.5m
Capitalisation of intangible assets	£2.5 to £3.5m
Corporate tax payments	up to £2.5m
Accelerated US pension payments	£0.6m

In Conclusion

Richard McGuire
Non-Executive
Chairman



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