

Top row of screens displaying horse racing content. From left to right: a live race feed with jockeys on horses; a large odds table with columns for race numbers and various betting options; a screen with a large green number '5' and the text 'SUPER HIGH THIS RACE'; and another live race feed with a results board on the right.

Middle row of screens. The central screen is a map of the United States titled 'THE KENTUCKY DERBY' with callouts for various stakes: BLUE GRASS STAKES (6 GOOD MAGIC, 4 FLAMEBERRY, 2 FREE DROP BILL), WOOD MEMORIAL (18 VINO ROSSO, 12 ENTICED, 1 FIRENZE FIDE), and SANTA ANITA DERBY (7 JUSTIFY, 11 BOLT O'ORO, 15 INSTALLED BYGONE). To the right is a large odds table for 'CHURCHILL DOWNS' with columns for race numbers and betting odds. Smaller screens on the left and right show live race feeds and a news anchor.



Sportech PLC

Interim Results Presentation

August 2018

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Presenters and Agenda

Presenters

Andrew Gaughan | Chief Executive Officer

Tom Hearne | Chief Financial Officer

Agenda

H1 2018 Developments

Financial Summary

Operating Review

Guidance



H1 Developments

Andrew Gaughan
CEO



- Completed agreement with Sportradar for sports betting data, trading, risk management, and technology platforms enabling delivery of a comprehensive sports betting platform
- Working proactively with key constituencies in Connecticut to secure the right to conduct sports betting as a licensed operator in the state
- Announced sale of Sportech Racing BV for €2.8 million, which closed on 26 July 2018
- The Bump 50:50 division added seven new professional sports teams and thirteen festivals
- Appointment of Andrew Gaughan to the position of Chief Executive Officer
- Appointment of Thomas Hearne to the position of Chief Financial Officer
- Group has cash of £12.5 million at 30 June 2018, and no bank debt. In July the Group received £2.5 million on the closing of the Sportech Racing BV sale
- Total Group revenue of £31.6 million from continuing operations (2017: £31.2 million using constant currency)
- EBITDA before sports betting investments of £3.3 million and total Adjusted Group EBITDA of £2.8 million from continuing operations (2017: £3.4 million using constant currency). The 2018 adjusted EBITDA includes £490k of costs related to the new sports betting division, (2017: nil)

Financial Summary



- Excludes the results in the six months of Sportech Racing BV, which was sold after the period end, and is accounted for as an asset available for sale.
- The H1 2017 numbers are presented on a constant currency and reported currency basis.

£m's	H1 2018	H1 2017 Constant Currency	H1 2017 Reported Currency
Revenue	31.6	31.2	33.5
Gross Profit	22.9	22.8	24.3
Contribution ¹	21.9	21.8	23.2
EBITDA before sports betting investments ²	3.3	3.4	3.6
Adjusted EBITDA ³	2.8	3.4	3.6
(Loss)/profit before tax from continuing operations	(0.6)	0.1	(0.3)
Adjusted (loss)/profit from continuing operations ⁴	(0.2)	0.9	0.9

1. Contribution is defined as gross profits, less marketing and distribution costs.
2. Excludes Sports Betting investments during the period, amounting to £490k
3. Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation, share option charges and separately identifiable items as reported in note 7 of the interim financial statements.
4. Adjusted profit from continuing operations is the aggregate of adjusted EBITDA, normalised share option charges, depreciation, amortisation (excluding amortisation of acquired intangibles), and finance charges.

Revenue Components

Presented using
Constant Currency for
H1 2017

£m's	H1 2018	H1 2017
Racing and Digital – service revenue	15.3	15.5
Racing and Digital – sales revenue	0.6	0.6
Bump 50:50 – revenue	0.7	0.5
Total Racing and Digital	16.6	16.6
Venues – wagering revenue	13.4	13.7
Venues – F&B Stamford	1.1	0.1
Venues – F&B other	1.3	1.3
Total Venues	15.8	15.1
Total (net of inter-divisional elimination)	31.6	31.2



Revenue to Adjusted EBITDA

Note: Adjusted EBITDA includes £0.5m of Sports Betting costs

H1 2017 numbers are in reported currency

£m's	H1 2018	H1 2017
Revenues	31.6	33.5
Cost of sales	(8.7)	(9.2)
Marketing & distributions	(1.0)	(1.1)
Contribution	21.9	23.2
- margin	69.3%	69.2%
Staff costs	(12.6)	(13.3)
Property costs	(2.6)	(2.6)
Other costs	(3.9)	(3.7)
Total "adjusted" costs	(19.1)	(19.6)
ADJUSTED EBITDA	2.8	3.6





Cashflow

Cash actually received from sale of Sportech Racing BV was €3.3 million (purchase price and cash adjustment on closing).

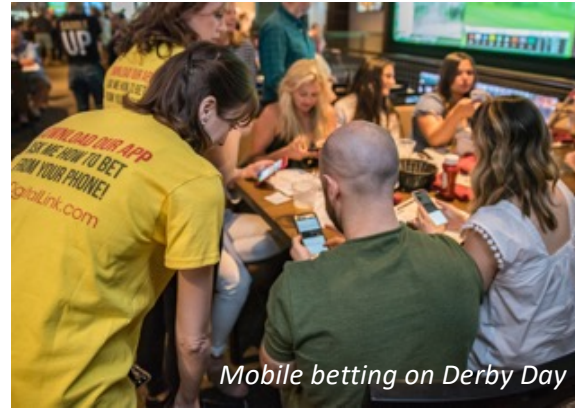
£m's		
EBITDA		2.8
Less:	Capitalised software	(1.6)
	Property plant and equipment	(0.9)
	Exceptionals	(1.6)
	Working capital and other	(1.0)
	Tax paid	(0.8)
Net cashflows in year		(3.1)
Opening cash		15.9
Closing cash		12.8
Less: Cash at Sportech Racing BV (held for sale)		(0.3)
Cash excluding customer balances		12.5

Balance Sheet



£m's	Non-current	Current	Combined
Intangible fixed assets and PPE	38.3	-	38.3
Cash, net of customer liabilities	-	12.5	12.5
Trade receivables	0.6	11.5	12.1
Other receivables			
Inventories	-	2.6	2.6
NYX contingent receivables	1.6	-	1.6
Assets held for sale	-	0.3	0.3
Deferred tax asset	7.3	-	7.3
Tax liabilities	-	(7.0)	(7.0)
Trade payables	-	(12.3)	(12.3)
Retirement benefits	(1.3)	-	(1.3)
Provisions	(1.5)	(1.0)	(2.5)
	45.0	6.6	51.6

Operating Review



Mobile betting on Derby Day



Sports Betting Crash Course



Launch self-service at Ascot



Derby Day at Bobby V's Stamford

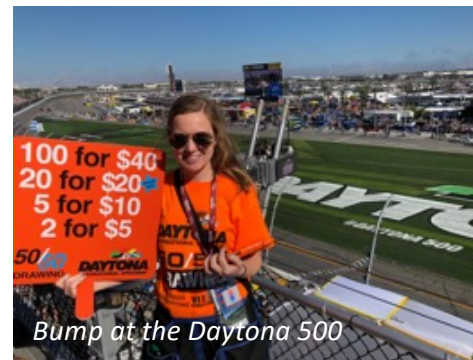


US Sports Betting



G4 Website Upgrade

Andrew Gaughan
CEO



Bump at the Daytona 500

Operating Review

- We closed our previously announced Sportech BV sale, bringing in €2.8 million (Sterling £2.5 million), which enhances our cash reserves and provides us with more capital to execute our sports betting opportunity
- Our Racing and Digital business maintained consistent levels of service revenues for H1 2018 versus the prior year
- We continue to identify operational efficiencies to maintain profit levels in the division
- Outside of North America, we are seeing a shift to more long-term service-based contracts rather than one-time sales-based contracts
- In Venues, our Stamford, Connecticut Bobby V's Restaurant & Sports Bar has begun to grow, both in terms of handle and food and beverage
- We expect the efforts of our new highly-experienced Food and Beverage and Group Sales Managers to have a positive impact on results and margins at our two Bobby V's Restaurant & Sports Bar locations later this year and into the 2019 financial year



US Sports Betting Opportunity

Sportech is acting quickly on the May US Supreme Court repeal of PASPA, which permitted states to enact legislation to license and regulate sports betting

- We believe that the State of Connecticut, where we own and operate both off-track betting and online/mobile betting services, will be an adopter of a comprehensive legal and regulatory framework for sports betting, either through a Fall 2018 special session or in H1 2019, and we believe that Sportech will be named as a licensed operator
- On 31 May we signed a sports betting platform agreement with Sportradar for sports betting data, trading, and risk management services, with technology platforms to be provided by Optima Gaming under subcontract, and commenced our B2B sales, pre-marketing, and technology integration efforts
- We believe that we will have a strong direct-to-consumer sports betting offering in Connecticut and that our network of 16 current (24 potential) Venues and our online / mobile betting service form an ideal base from which to offer sports betting within the state, alongside the two Tribal Casinos, Mohegan Sun and Foxwoods
- We also have a B2B presence in 36 other US states and are very well positioned to offer our customers a competitive integrated sports and race betting solution
- We invested £490k in sports betting technology, pre-marketing, lobbying, and organization in H1, and sports betting costs for 2018 should be in the range of £1.1m to £1.3m
- We held an educational session – *The Sportech Sports Betting Crash Course* – in Stamford, CT in June for over 95 customers, regulators, and other constituencies to provide information and education on the sports betting business, regulation and taxation best practices, and the strengths of Sportech’s sports betting solution



Racing // Digital



- Provide betting technologies and services to 293 racetrack, off-track betting network, casino, lottery, and online licensed operators, plus an additional 145 commingling customers, in 37 countries and 37 US states.
- Have approximately 27,000 betting terminals, 26 white-label betting websites, and 23 white-label mobile apps deployed worldwide
- Global pari-mutuel systems annually process nearly US\$12 billion in betting handle.

£'000s	H1 2018	H1 2017 Constant Currency	H1 2017 Reported Currency
Sales revenue	637	645	660
Service revenue	15,928	15,994	16,944
Total revenues	<u>16,565</u>	<u>16,639</u>	<u>17,604</u>
Contribution	14,247	14,648	15,438
Contribution margin	86%	88%	88%
Adjusted operated expenses	(10,973)	(10,867)	(11,570)
Adjusted EBITDA	<u>3,274</u>	<u>3,781</u>	<u>3,868</u>
Intangible assets capitalised	1,569	1,620	1,731
Purchase of PPE	646	721	785
Total capex in year	<u>2,215</u>	<u>2,341</u>	<u>2,516</u>

Racing // Digital



- Service revenues were comparable year-over-year on a constant currency basis
- We signed five new contracts, four in the US and one in Europe, and renewed and extended eight existing customer contracts. No contracts were lost in the period. Four of the renewals included enhanced Digital offerings
- Development of a new HTML5 version of our G4 betting website user interface was completed and the initial launches are underway. All customer websites will be converted over time, allowing R&D resources to increase software development and maintenance efficiency and free resources to focus on new digital sports betting opportunities
- We deployed a new Spanish-language G4 betting website in Peru and Digital Link® and self-service betting technologies and services at Ascot Racecourse
- The division is aggressively developing our sports betting integration, and the Company envisages being able to supply many of our racing customers with a sports betting solution that is integrated with their pari-mutuel betting solution

Bump 50:50

Provides technologies and services that allow the foundations associated with pro and collegiate sports teams, and entertainment venues, to sell and fulfil 50/50 raffles that generate funds for their charitable missions. Jackpots are divided equally between the foundation and the winner.

- The Bump 50:50 business continued its rapid growth in H1 2018, from a customer base of 48 pro sports teams in June 2017 to 72 teams in June 2018
- Revenues grew 42% versus the prior period, from £0.5 million to £0.7 million
- Bump added seven new customers in H1 2018 and renewed an additional seven, while losing only two smaller customers
- New customers include two MLB® teams, one NHL® team and one NBA® team and we also added 13 new festivals
- The division also seeks to expand to markets outside of team in-stadia raffles with offerings that are mobile-focused and delivered to charities outside of the sports space
- Several technology development projects are underway, which reduces EBTIDA growth in the short term, but opens up significant long-term opportunities
- EBITDA was £138k for H1 2018. EBITDA growth was 12% in H1 2018 versus the prior year at constant currency





Sportech Venues

Operates all betting on horse racing, greyhound racing and jai alai in the state of Connecticut under an exclusive and in-perpetuity licence for retail, telephone and online.

£'000s	H1 2018	H1 2017 Constant Currency	H1 2017 Reported Currency
F&B – Stamford	1,081	40	41
F&B - Other	1,266	1,274	1,388
F&B - Total	2,346	1,314	1,429
Wagering revenue	13,428	13,742	14,945
Total revenues	15,774	15,056	16,374
Contribution	7,651	7,227	7,861
Contribution margin	49%	48%	48%
Adjusted operated expenses	(6,565)	(5,853)	(6,382)
Adjusted EBITDA	1,086	1,374	1,479
PPE – Stamford	-	4,764	5,142
PPE – Other	274	354	367
PPE - Total	274	5,118	5,509

Sportech Venues

- Our Venues business continues to grow, albeit at a slower pace than we would prefer
- In July we added new highly-experienced Food and Beverage and Group Sales Managers and are looking to both to stimulate growth and profitability, especially at the Bobby V's in Stamford
- Total H1 food and beverage revenue was up 79% over prior year at constant currency, with EBITDA from food and beverage at £158k, up 105% versus the prior year
- Wagering revenue softness versus the prior year is from a combination of lower VIP betting and a reduced number of track racing days in key markets such as New York, Florida and Pennsylvania. This was offset somewhat by our successful Triple Crown where we saw turnover up 25% over the previous year
- We have been a proactive supporter of legislation to legalize and regulate sports betting in Connecticut and to combat the spread of illegal online Advance Deposit Wager ('ADW') to reduce the spread of illegal activity and protect consumers



Outlook



- **Racing and Digital** | We are seeing a shift in the market outside of North America from primarily one-time sales contracts to long-term service based contracts to drive a larger and more consistent international service revenue base and reduce reliance on one-time sales revenues and profit streams
- **Bump 50:50** | With continued strong growth in contracts, we are investing in technology projects to further expand the market for Bump's technologies and services
- **Venues** | The Stamford, Connecticut location continues to build market position and financial momentum and with the addition of our new Food and Beverage and Group Sales Managers we expect further improvements, particularly in 2019. We do expect to see continued softness in wagering revenue for the remainder of the year
- **US Sports Betting** | We believe that we will have a strong direct-to-consumer sports betting offering in Connecticut and that we are very well positioned to offer our Racing and Digital customers a competitive integrated sports and race betting solution. Sports betting costs for 2018 should be in the range of £1.1m to £1.3m. Given the legislative windows of various states we would anticipate sports betting revenues beginning in the second half of 2019
- **Corporate Costs** | Corporate costs should be consistent with the H1 costs incurred
- We are also continuing to look for efficiencies in all lines of business to enhance profitability



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