

HALFTIME REPORT



Sportech PLC

*INTERIM RESULTS
PRESENTATION
AUGUST 2019*



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Agenda

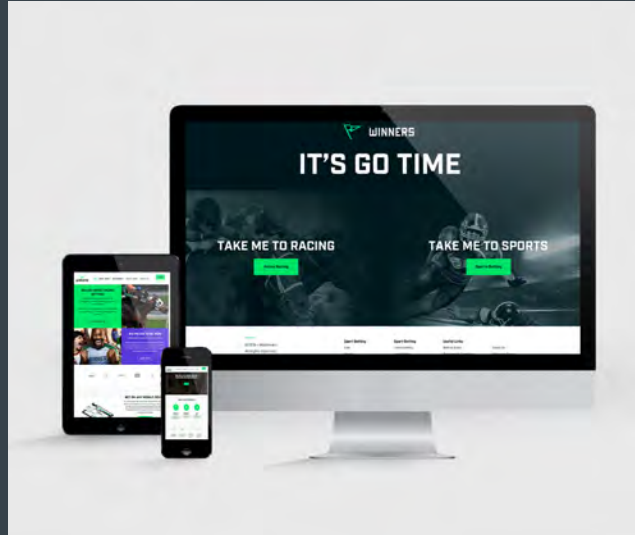
H1 2019 Developments

Financial Summary

Operating Review

H2 Playbook

Richard McGuire
Chief Executive Officer





Relentless pursuit of objectives
outlined in 2018 results:

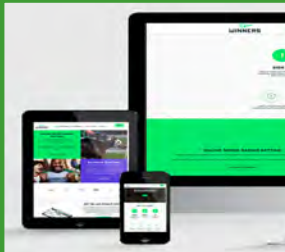
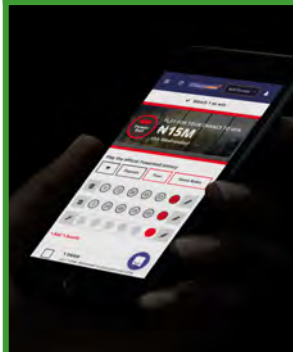
Drive Efficiencies, Innovate, and
Enhance the User Experience

*Resetting the operational cost base
for future growth*

Bolstered senior
management team
with emphasis on
accountability

Emphasis on
protecting and
strengthening our
'asset' base

Enhancing
international
position in Global
Tote Technology



Focus on
"industrial" to
"digital" transition
creating
opportunities
across the Group

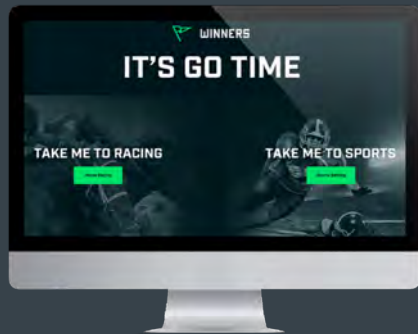
Improving
ownership focus
leading to further
cost reductions



'Challenge
Everything'
is delivering results
with a clear vision
to move forward

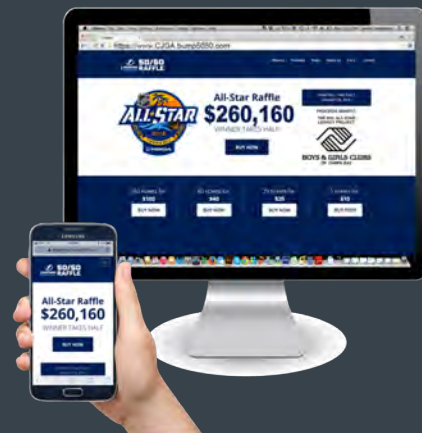
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H1 Operating Review



- Senior management team appointed with focus on accountability and delivery of tangible long term growth.
- Group Revenues marginally lower, EBITDA unchanged¹
- 2019 is transition year as we implement a digital transformation.
- *Challenge Everything* drive delivering future operational efficiency across all business lines.
- Executed cost reductions in H1, delivering future benefits.
- Corporate costs further reduced by 22%.
- Positive long term decisions to restructure business resulted in £1.5m of Exceptional Costs (2018: £1.6m).
- Tote - Core pool wagering business demonstrated growth; Global Pool and World Pool initiatives delivered.
- Venues' operational leverage challenge being tackled via cost management, asset review and strategic initiatives.
- Lottery delivering stable growth with opportunities emerging, following acquisition.
- Bump 50:50 market position strengthened with record client acquisitions; H1 investment core to growth plans.
- Sports Betting platform delivered; Sportech IP.

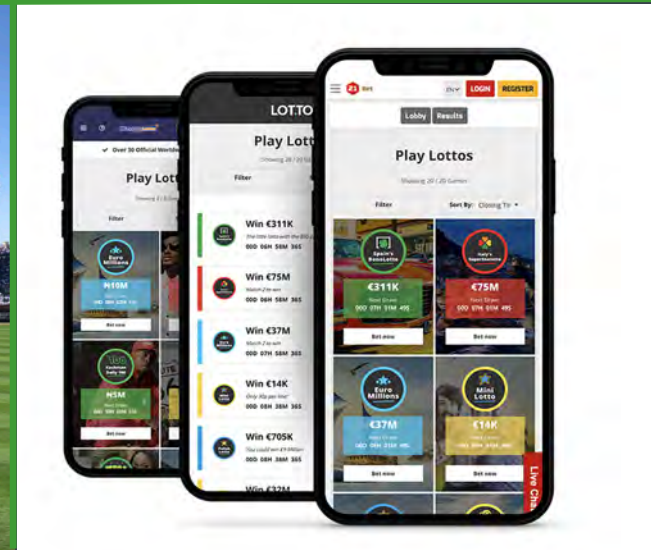
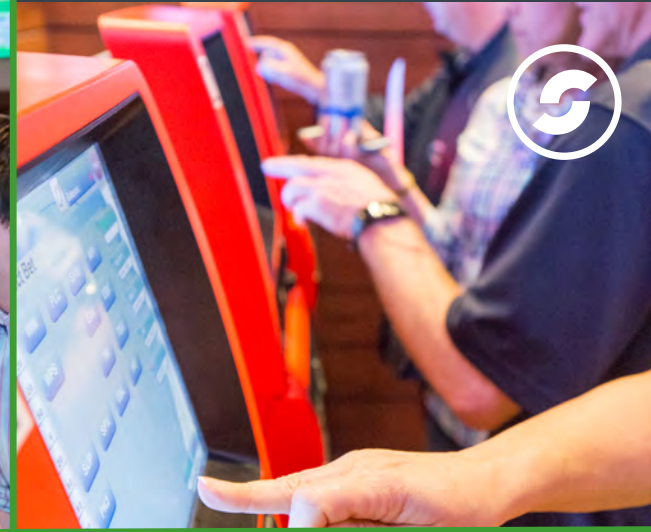
1. Constant Currency: Group revenue down 1.8% vs. H1 2018 (Reported Currency: up 3.8% vs. H1 2018).



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Financial Review

Tom Hearne
Chief Financial Officer





Financial Summary

£m's	H1 2019	H1 2018 Constant Currency ^{6,7}	H1 2018 Reported Currency ⁷
Revenue	32.6	33.2	31.4
Gross Profit	23.0	24.0	22.8
Contribution ¹	22.1	23.0	21.9
Adjusted EBITDA before sports betting investments ²	4.3	4.4	3.3
Adjusted EBITDA ³	3.4	3.9	2.8
Loss before tax from continuing operations ⁴	(2.4)	(0.6)	(0.6)
Adjusted loss from continuing operations ⁵	(0.5)	(0.2)	(0.2)

1. Contribution is defined as gross profits, less marketing and distribution costs.
2. Excludes Sports Betting investments during the period, amounting to £0.9m. (H1 '18 £0.5m)
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. Decrease from 2018 mainly due to fall in Adjusted EBITDA, higher depreciation and amortisation (£0.4m), amortisation of the acquired intangible with Lot.to (£0.3m), increased share option charge (£0.4), higher exceptional costs (£0.2m) and higher finance costs (£0.2m), mainly foreign exchange).
5. 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.
6. Prior year comparatives have been adjusted for estimated impact of IFRS 16 *Leases* (increase in 2018 Adjusted EBITDA of £0.9m). IFRS 16 required reported comparatives not to be restated for the change in accounting policy for leases.
7. 2018 numbers have been corrected for a presentational reclassification of reward points from marketing expenses to net off from revenue in the Venues division (six months ended 30 June 2018: £155k, six months ended 30 June 2018: £166k).



Revenue Components

Presented using
Constant Currency
for H1 2018

£m's	H1 2019	H1 2018
Racing and Digital – service revenue	16.1	15.6
Racing and Digital – sales revenue	1.0	0.6
Bump 50:50 – revenue	0.8	0.7
Total Racing and Digital	17.9	16.9
Venues – wagering revenue	12.7	14.1
Venues – F&B Stamford	1.0	1.2
Venues – F&B other	1.3	1.3
Total Venues	15.0	16.6
Inter-divisional elimination	(0.3)	(0.3)
Total Group	32.6	33.2



Divisional EBITDA

£'000s	H1 2019	Constant Currency H1 2018 ^{2,3}	Reported H1 2018
Racing & Digital	3,726	3,562	3,274
Venues	1,409	1,871	1,086
Corporate Costs	(829)	(1,063)	(1,073)
EBITDA¹	4,306	4,370	3,287
Sports Betting Investment Costs	(905)	(513)	(490)
Adjusted EBITDA	3,401	3,857	2,797

1. EBITDA declined 1% YoY, Corporate cost savings & growth in Racing and Digital business's helped offset the Venues drop
2. 2018 numbers have been corrected for a presentational reclassification of reward points from marketing expenses to net off from revenue, the impact in the six months ended 30 June 2018 is £155k.
3. Constant currency for 2018 also includes the impact of IFRS 16, which is more relevant to the Venues business.



Revenue to Adjusted EBITDA

£m's	H1 2019	Constant Currency H1 2018	Reported H1 2018
Revenues	32.6	33.2	31.4
Cost of sales	(9.8)	(9.3)	(8.6)
Marketing & distributions	(0.7)	(0.9)	(0.9)
Contribution	22.1	23.0	21.9
- margin	67.8%	69.3%	69.7%
Staff costs	(12.8)	(13.2)	(12.6)
Property costs (2019 numbers under IFRS 16)	(1.9)	(1.8)	(2.6)
Other costs	(4.0)	(4.1)	(3.9)
Total "adjusted" operating costs	(18.7)	(19.1)	(19.1)
ADJUSTED EBITDA	3.4¹	3.9²	2.8³

1. Adjusted EBITDA includes £0.9m of Sports Betting costs (2018: £0.5m)
2. Prior year comparatives at constant currency have been adjusted for estimated impact of IFRS 16 *Leases* (increase in 2018 Adjusted EBITDA of £0.9m, from a reduction in property costs).
3. 2018 numbers have been corrected for a presentational reclassification of reward points from marketing expenses to net off from revenue, the impact in the six months ended 30 June 2018 is £155k.



Cashflow

£m's	H1 2019	H1 2018
EBITDA	3.4	2.8
Add: Contingent consideration received from sale of Sportech Racing BV (net of transaction costs)	0.2	-
Less: Capitalised software	(1.4)	(1.6)
Property plant and equipment	(1.0)	(0.9)
Exceptionals ¹	(1.5)	(1.6)
Working capital and other	(0.6)	(1.0)
Tax paid	(0.4)	(0.8)
Lease rentals	(0.9)	-
Lot.to acquisition	(0.7)	-
Net cashflows in year	(2.9)	(3.1)
Opening cash (excluding customer cash)	14.7	15.9
Less: cash at Sportech Racing BV (held for sale)	-	(0.3)
Cash (excluding customer cash)	11.8	12.5

1. In 2019, exceptional items include restructuring costs £846k, UK defined benefit pension scheme buy-out costs £339k, UK litigation costs £132k, legacy tax advisory costs £82k, Lot.to acquisition costs £52k and India exit costs of £18k.



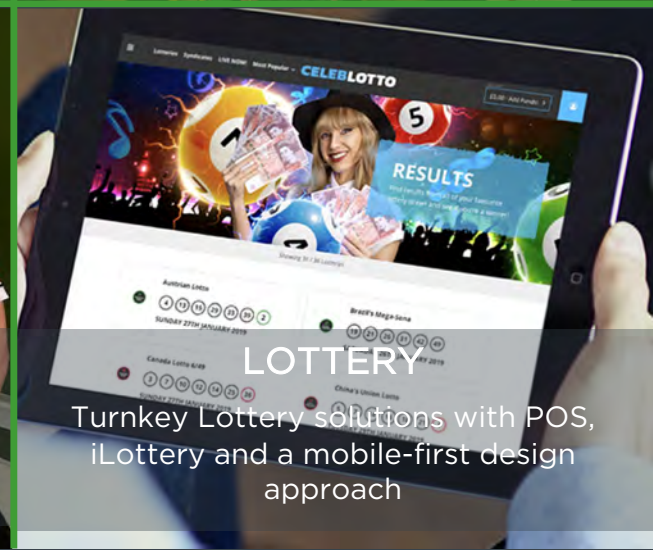
Balance Sheet

£m's	Non-current	Current	Combined
Intangible fixed assets and PPE	48.5	-	48.5
Cash, net of customer liabilities	-	11.8	11.8
Trade receivables	0.4	6.4	6.8
Other receivables	0.2	4.2	4.4
Inventories	-	2.9	2.9
Deferred tax asset	6.6	-	6.6
Tax liabilities	-	(6.5)	(6.5)
Trade payables	-	(11.6)	(11.6)
Lease liabilities	(7.3)	(1.2)	(8.5)
Financial liabilities	-	(0.5)	(0.5)
Retirement benefits	(0.9)	-	(0.9)
Provisions	(1.5)	(0.7)	(2.2)
	46.0	4.8	50.8

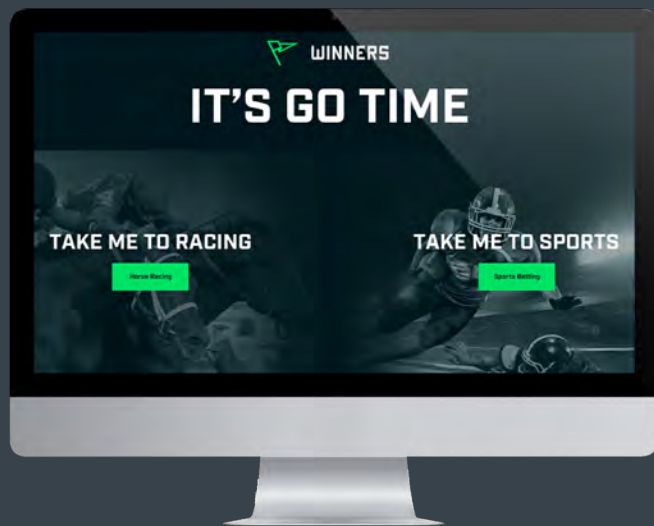
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Current Business

Richard McGuire
Chief Executive Officer



US Sports Betting



B2C | Connecticut, USA

- Extensive government and media relations conducted in H1 seeking to extend our pari-mutuel licence to deliver Sports Betting across Connecticut. The situation remains complex and despite diligent efforts from numerous stakeholders, legislation was not passed during the regular legislative session, which ended in early June 2019.
- The Group continues to work with State legislators and established State licensed gaming operators to seek a solution and deliver a comprehensive legal and regulatory framework for Sports Betting, either through a 2019 special session or in H1 2020.

B2B | Rest of the US

- In 2018, we signed an agreement with Sportradar for Sports Betting data, trading, and risk management services and sought third party technology platforms. In H1, with the new talent acquired in digital development, we opted instead to develop our own proprietary technology platforms. Sportech now owns its own platform, still powered by Sportradar's leading data and managed trading services, reducing costs and enhancing IP and client management.
- We commenced B2B marketing and technology integration efforts in a very competitive environment as we position our white label product, seeking to offer a competitive integrated sports and race betting solution.

Sportech Racing



Welcomed new clients, including Boyd Gaming's Belterra Park, and extended existing contracts

Advancing innovative terminal strategy

Launched new G4 websites for various clients, including Parx Racing

Seamlessly delivered complex Global World Pool event for key clients

Delivered new dual-language G4 website and Digital Link® mobile for Camarero in Puerto Rico

Strengthened International Commingling technology platform

Inked deal with SIS for Global Pool and continue global connectivity focus



Delivered 300 BetJet® Aeros to Turkey Jockey Club



Sportech Venues



Lack of US Sports Betting licensing remains a regional challenge

Sports Betting Opportunity

- No Connecticut State Sports Betting licences authorised in H1.
- This remains a core objective in Connecticut.
- Complex situation; Sportech fully engaged in working with the all parties to seek a solution.

F&B

- Management restructured in July following lacklustre performance, particularly at key Stamford location.

Pari Mutuel Betting

- Connecticut enhanced protection of current pari-mutuel wagering licence.
- Handle softness is a combination of poor weather, the temporary closure of popular racetracks, and small field sizes at marquee tracks.
- Sports betting competition from nearby states is clearly impacting pari-mutuel handle.

And...

- A period of lower sales highlighted the higher operating leverage challenge and focused management's attention on reviewing the portfolio and numerous inherited agreements, to better address operational performance.
- Sports Betting licensing and pari-mutuel sales growth are significant key revenue objectives in H2.

BUMP 50:50

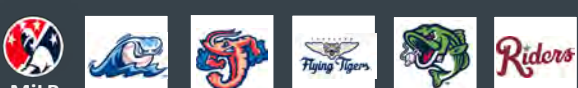
Significant
Investment in H1
provides platform
for growth initiatives


- Invested further in regional licenses to support growth.
- Hosted successful Bump Academy, with significant potential client participation.
- Expanded technology team to enhance product innovation and digital capability.
- Client acquisition continues at pace and 2019 will be record year.
- Sports clients dominate with 82 teams on our current roster.
- Successful start to non-sports related client growth initiative.
- New product suite and related commercially sensitive growth strategy in place.





BUMP 50:50

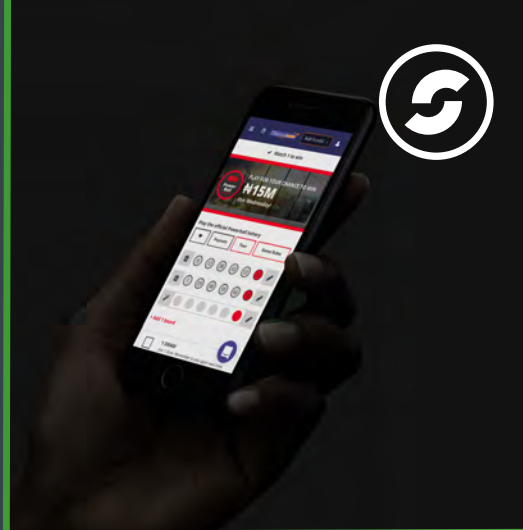


 = 2019 New

Lottery

Growth Initiatives Accelerated

- Growth initiatives accelerated following digital expertise acquisition.
- Reduced '19 Capex investment plan through innovative product development.
- Increased sales agent distribution for core client, delivering additional terminals in H1.
- Launched progressive Lottery product.
- Enhanced iLottery product suite.



SECOND HALF PLAYBOOK



Operational

- Continue relentless drive to improve operational efficiencies.

Racing and Wagering

- Deliver hardware innovation project. Drive efficient capex and streamline operations.
- Launch proprietary Sports Betting and Tote B2B platform.
- Leverage new CRM and reporting tools.
- Deliver digital upgrades to B2B client base delivering growth, scale, and enhanced UX
- Enhance SaaS model strategy
- Execute various commercially sensitive new opportunities.

Lottery

- Expand client base, product suite, digitisation and innovation.

Bump 50:50

- Leverage H1 investment, execute expansion into non-sports related clients, deployment of web/mobile raffle platforms to expand ex-stadia, and enter international markets.
- Launch new progressive jackpot variations and complimentary product suite.

Venues

- Advance Sports Betting licensing across Connecticut.
- Execute revenue model to capitalise exclusive pari-mutuel licensing.
- Manage property estate efficiently.
- Progress commercially-sensitive partnership plans.

Sportech Solutions

- Coming soon; watch this space.





IT'S GO TIME



TAKE ME TO RACING

Horse Racing



TAKE ME TO SPORTS

Sports Betting



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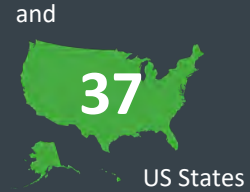
Athlone
Atlanta
Bristol
Chester
New Jersey
Singapore



APPENDIX



Key Facts



Racing and Bump 50:50

Have est. 29K betting devices and



white-label betting websites deployed

And



White-label mobile

In total, our systems process



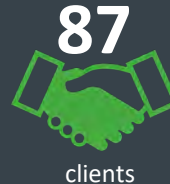
In handle annually

Bump have



Sports, entertainment and charity clients

Since 2014 have gained a massive net



clients

In 2018, Bump generated



In charitable funds for their clients



Racing and Digital

£'000s	H1 2019	H1 2018 Constant Currency	H1 2018 Reported Currency
Sales revenue	1,007	645	637
Service revenue	<u>16,930</u>	<u>16,243</u>	<u>15,928</u>
Total revenues	<u>17,937</u>	<u>16,888</u>	<u>16,565</u>
Contribution	14,834	14,535	14,247
Contribution margin	83%	86%	86%
Adjusted operated expenses	<u>(11,108)</u>	<u>(10,973)</u>	<u>(10,973)</u>
Adjusted EBITDA	<u>3,726</u>	<u>3,562</u>	<u>3,274</u>
Intangible assets capitalised	1,389	1,669	1,569
Purchase of PPE	<u>810</u>	<u>683</u>	<u>646</u>
Total capex in year	<u>2,199</u>	<u>2,352</u>	<u>2,215</u>



Venues

£'000s	H1 2019	H1 2018 Constant Currency	H1 2018 Reported Currency
F&B - Stamford	961	1,153	1,081
F&B - Other	1,294	1,350	1,265
F&B - Total	2,255	2,503	2,346
Wagering revenue	12,735	14,149	13,273
Total revenues	14,990	16,652	15,619
Contribution	7,275	8,158	7,651
Contribution margin	49%	49%	49%
Adjusted operated expenses	(5,866)	(6,287)	(6,565)
Adjusted EBITDA	1,409	1,871	1,086
PPE - Total	153	292	274