



Sportech[®] PLC

Halftime Report

Interim Results Presentation | September 2020

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Halftime Scorecard

H1 2020 Developments
Financial Summary
Operating Review
H2 2020 Playbook

For the six months ending
June 30, 2020

Richard McGuire

Chief Executive Officer

Tom Hearne

Chief Financial Officer

H1 Scorecard



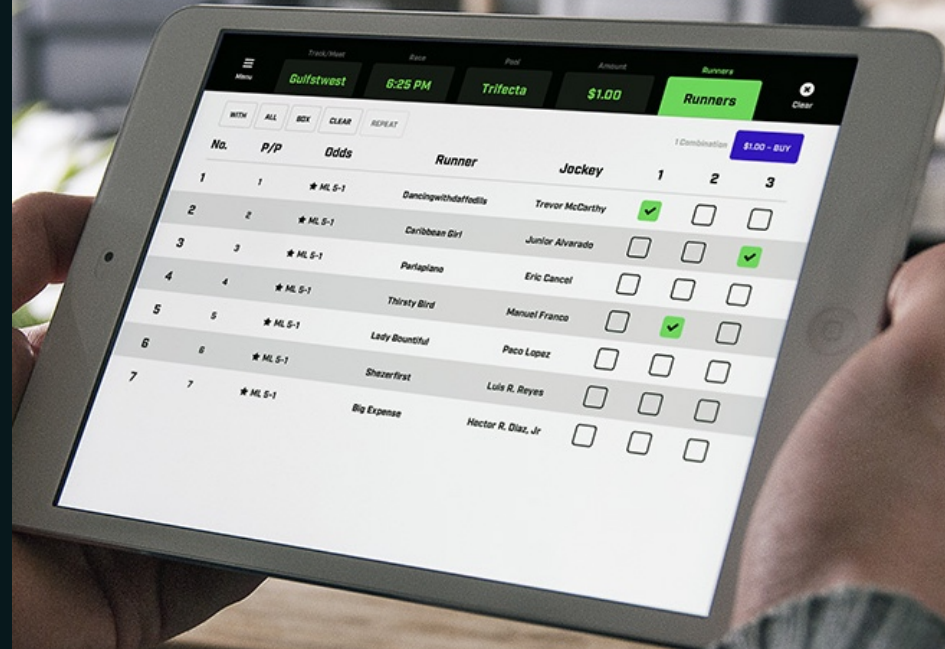
COVID-19 Obvious impact to revenues and growth trajectory, however accelerated strategic initiatives set out in 2019.

IMPROVED KPI'S

- Delivered significant business contract growth during the period
- Reduced Group capex by 44%
- Reduced exceptional costs materially
- Delivered 48% growth in online retail
- Delivered 23% growth in significant International Tote business and
- Delivered positive cash contribution from operating business

TECHNOLOGY Online platforms provided growth and further opportunities across all units.

PLC Solid balance sheet, zero debt, prudent cash management and significant client acquisition in H1, leaving Group well positioned for post COVID-19 world.



Financial Review

Tom Hearne

Chief Financial Officer



Sportech



Financial Summary

£m's	H1 2020	H1 2019 Constant Currency	H1 2019 Reported Currency
Revenue	20.2	33.0	32.6
Gross Profit	14.4	23.0	22.8
Contribution ¹	13.9	22.4	22.1
Adjusted EBITDA before sports betting investments ²	(1.1)	4.4	4.3
Adjusted EBITDA ³	(1.2)	3.4	3.4
Loss before tax	(10.7)	(2.5)	(2.5)
Adjusted loss before tax ⁴	(5.6)	(0.5)	(0.5)

1. Contribution is defined as gross profit, less marketing and distribution costs.
2. Excludes Sports Betting Investments during the period, amounting to £157k (2019: £905k).
3. Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation, impairments, share option charges and separately identifiable items as reported in note 7 of the Interim Financial Statements.
4. Adjusted loss is the aggregate of adjusted EBITDA, normalised share option charges, depreciation, amortisation (excluding amortisation of acquired intangibles) and certain finance charges.



Revenue Components

£m's	H1 2020	H1 2019
Racing and Digital – service revenue	12.3	16.2
Racing and Digital – sales revenue	0.4	1.0
Bump 50:50 – revenue	0.4	0.8
Total Racing and Digital	13.1	18.0
Venues – wagering revenue	6.4	12.9
Venues – F&B Stamford	0.3	1.0
Venues – F&B other	0.5	1.3
Total Venues	7.2	15.2
Inter-divisional elimination	(0.1)	(0.2)
Total Group	20.2	33.0

Presented using constant currency for H1 2019.



Divisional EBITDA

£'000s	H1 2020	Constant Currency H1 2019	Reported H1 2019
Racing & Digital	1,395	3,732	3,726
Venues	(1,266)	1,444	1,409
Corporate Costs	(1,194)	(816)	(829)
EBITDA¹	(1,065)	4,360	4,306
Sports Betting Investment	(157)	(917)	(905)
Adjusted EBITDA	(1,222)	3,443	3,401

In H1 2020, there were no internal market or product development costs for Sports Betting. All costs were for Sports Betting-related lobbying in Connecticut.



Cashflow

£m's	H1 2020	H1 2019
EBITDA	(1.2)	3.4
Add:		
Contingent consideration received from sale of Sportech Racing BV [net of transaction costs]	-	0.2
Less:		
Capitalised software	(0.8)	(1.4)
Property plant and equipment	(0.5)	(1.0)
Exceptionals	(0.3)	(1.5)
Working capital and other	1.0	(0.6)
Tax paid	(0.3)	(0.4)
Lease rentals	(0.8)	(0.9)
Lot.to acquisition	(0.5)	(0.7)
Net cashflows in year	(3.4)	(2.9)
Opening cash (excluding customer cash)	13.0	14.7
Closing cash (excluding customer cash)	9.6	11.8



Revenue to Adjusted EBITDA

Adjusted EBITDA includes £0.2m (2019: £0.9m) of Sports Betting Investment.

Presented using constant currency for H1 2019.

£m's	H1 2020	H1 2019
Revenues	20.2	33.0
Cost of sales	(5.8)	(9.9)
Marketing & distributions	(0.5)	(0.7)
Contribution	13.9	22.4
<i>Margin</i>	<i>68.8%</i>	<i>67.9%</i>
Staff costs	(9.9)	(13.0)
Property costs	(1.5)	(1.9)
Other costs	(3.7)	(4.1)
Total "adjusted" operating costs	(15.1)	(19.0)
ADJUSTED EBITDA	(1.2)	3.4



Balance Sheet

£m's	Non-current	Current	Combined	Dec 2019 Combined
Intangible, tangible & ROU assets	32.6	-	32.6	39.6
Cash, net of customer liabilities	-	9.6	9.6	13.0
Trade and other receivables	0.5	5.7	6.2	8.1
Inventories	-	2.7	2.7	2.6
Net deferred tax asset	1.2	(0.1)	1.1	0.8
Tax liabilities	-	(4.9)	(4.9)	(4.9)
Trade and other payables	-	(9.0)	(9.0)	(10.3)
Lease liabilities	(4.5)	(1.1)	(5.6)	(7.7)
Financial liabilities	-	-	-	(0.5)
Retirement benefits	(1.2)	-	(1.2)	(1.1)
Provisions	(1.2)	(0.5)	(1.7)	(1.6)
	27.4	2.4	29.8	38.0

Operating Review

Richard McGuire
Chief Executive Officer



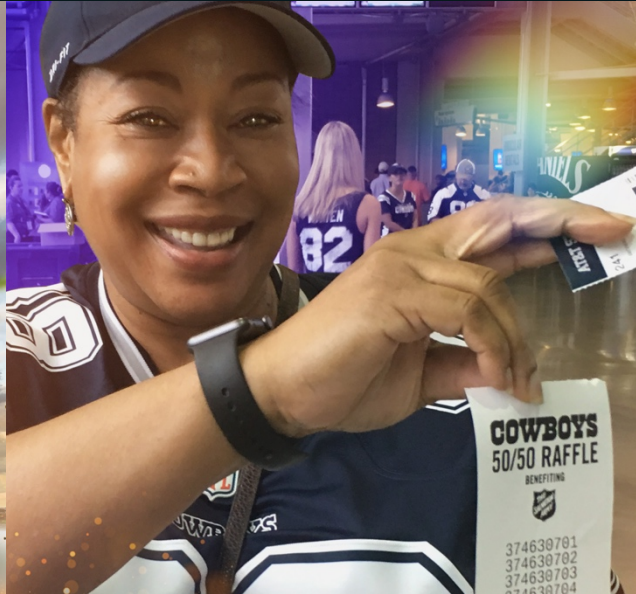
Sportech

H1 2020 Operating Divisions



RACING AND DIGITAL

Leading supplier of betting technology solutions to the global gaming industry.



BUMP 50:50

Innovative digital fund raising raffle solutions for charitable foundations.



VENUES

Operate restaurants, off track betting facilities and online betting platform in Connecticut, US.

Racing & Digital

- Reduced COVID-19 impact with decisive cost management initiatives.
- International commingling capability growth helped sustain activity, providing scarce content to a global market.
- Continued investment in Digital enhancements, flexible Tote platforms, and infrastructure.
- Delivered the Tote Superpool for Tote UK Group, Hong Kong Jockey Club and Ascot Racecourse with a nearly 50% increase in handle despite there being no on-course attendance.
- Launched new Point of Sale betting solution suitable for a range of hardware options that will streamline capex, improve efficiency, and provide an innovative and engaging end user experience.
- Extended contracts with key clients including Emerald Downs, Monmouth Park, UK Tote Group, Macau Jockey Club, Racecourse Media Group and Penn National Gaming.



Lottery

- Lottery clients also impacted significantly by COVID-19 with retail closures for most of Q2.
- Sportech joined the Association of North American State and Provincial Lotteries (NASPL) and the World Lottery Association (WLA).
- Core growth business opportunity.



Bump 50:50

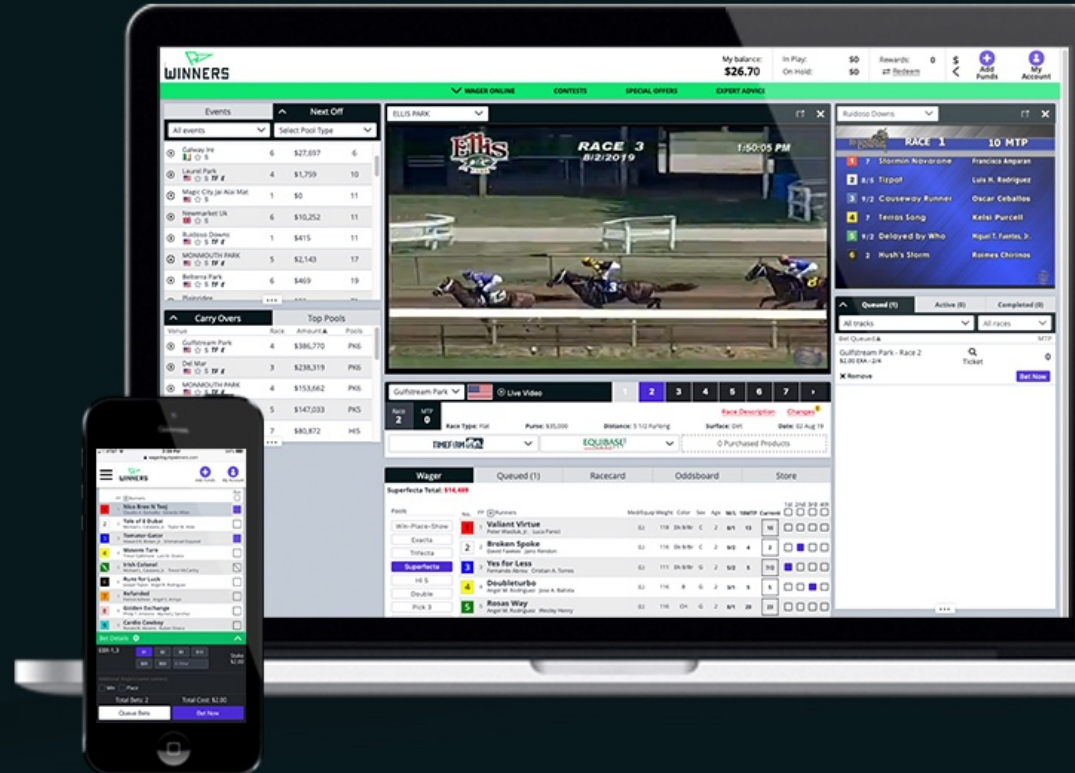
- Lack of spectator sports impacting 2020, however continue to deliver growth opportunities.
- Strengthened market position with record growth in new partners, adding 35 new contracts in 2020.
- Diversified previous reliance on sports teams with the addition of 28 new partners from the non-profit sector.
- Sharp increase in digital deployments with 34 new digital partners and existing stadium raffle partners who are expanding their product suite online.
- Management team enhanced with long term industry and technical expertise.



Venues



- Retail operations were severely impacted by COVID-19 with all venues closed in mid-March and postponement of Triple Crown races.
- Food and Beverage revenues likewise decimated during the period.
- Implemented immediate cost containment measures.
- +42% Online platform handle growth in Q2; supports digital growth initiatives.
- Sports Betting licensing remains clear objective.
- Real Estate: revaluation of leases executed.



Connecticut Sports Betting

- Targeted strategic advocacy campaign continued in early 2020 to promote legal online and retail Sports Betting in the State of Connecticut.
- Efforts were suspended with early end to the regular legislative session as government dealt with the COVID-19 outbreak.
- Campaign firmly positioned Sportech as a trusted “ready and regulated” partner to the State.
 - Government relations / lobbying
 - Multiple rounds of public testimony
 - Targeted marketing campaigns
 - Media interviews – TV, radio, opinion pieces
 - Advocacy microsite www.sportsbettingforct.com
- Resumed communications activities in August to lay groundwork for the 2021 regular session.
- Similar challenges remain.

SPORTS BETTING NOW. READY. REGULATED.

A SIMPLE SOLUTION TO THE SPORTS BETTING ISSUE...

THE ONLY GAMING OPERATOR IN CT LICENSED TO TAKE ONLINE BETS.

BETTING IS WHAT WE DO.



CONNECTICUT SPORTS BETTING

The Exclusivity Debate

The assertion is that Sports Betting is a 'reform your own opinion':

1. Sports betting is not authorized under either Title 36A or Title 36B, which may not be amended to authorize any form of Class III gaming which unless the amendments are subsequently amended.
2. Authorizing sports betting would not relieve the State. Sports betting is neither a "video" or "lottery" game.
3. The Indian Gaming Regulatory Act (IGRA) defines separate and different from "sports betting", which is therefore, arguably, the exclusivity provisions set for competing casino gaming would not be implicated by sports betting.
4. Granting the Tribes the exclusive right to operate the Federal and State Constitutions. In 2015, for the practice of granting exclusive off-reservation.

However, there is a simple solution:
License online Sports Betting to existing CT Mashantucket and Mohegan Tribes, and the L

Let's Go, Connecticut

CONNECTICUT SPORTS BETTING

Sports Betting is an ONLINE BUSINESS. Any less and you're on the bench.

US Sports Betting Market Analysis (Feb 2020)

Sports Betting was traditionally a retail business but has transitioned quickly in the US to be principally an online business. Licensing is online first, then consideration to investment in venue operators is secondary. The physical locations essentially boost the online brand and help create the community, but the core environment is online.

Forecasters of the high scale of the US Sports Betting market vary primarily due to the fledgling gaming marketplace and the varying legislative and regulatory regimes from state to state. Predictions range from a win for \$8 billion to \$18 billion Gross Gaming Revenue (GGR) by 2025, with current trends in states where Sports Betting has already been regulated suggesting that it will be towards the higher figure.

The most recent estimate from an investor presentation¹ of the environment also suggests online play is expected to make up approximately 75% of the US Sports Betting market.

From the legislated New Jersey market, as illustrated by the table to the right, it is clear that online Sports Betting will dominate the marketplace in states where the regulatory environment permits. No betting volume averaged \$45 over the last 12 months.

An Associated Press report from the East Coast Gaming Congress in Atlantic City in June 2018 made the forecast, envisaging that enhanced security protocols and increased adoption of internet-connected devices will drive growth of the online Sports Betting market.

Month	Online Play (\$M)
Jan 18	1.5
Feb 18	1.5
Mar 18	1.5
Apr 18	1.5
May 18	1.5
Jun 18	1.5
Jul 18	1.5
Aug 18	1.5
Sep 18	1.5
Oct 18	1.5
Nov 18	1.5
Dec 18	1.5
Jan 19	1.5
Feb 19	1.5
Mar 19	1.5
Apr 19	1.5
May 19	1.5
Jun 19	1.5
Jul 19	1.5
Aug 19	1.5
Sep 19	1.5
Oct 19	1.5
Nov 19	1.5
Dec 19	1.5
Jan 20	1.5
Feb 20	1.5
Mar 20	1.5
Apr 20	1.5
May 20	1.5
Jun 20	1.5
Jul 20	1.5
Aug 20	1.5
Sep 20	1.5
Oct 20	1.5
Nov 20	1.5
Dec 20	1.5

THE SPORTS BETTING SOLUTION.

- Provide the same in venue and online Sports Betting income to existing CT gaming operators, tax appropriately, and provide consumer protections.
- Reinforce equitable distribution of licenses for all four current license holders.
- Receive new revenue sources via regulated Sports Betting.
- Reduce illegal gambling and protect consumers.

SPORTS BETTING: THE GAME IS ONLINE

It is estimated that 90% of all US Sports Betting will be online and mobile within a decade.

NEW JERSEY STATS
 Total = \$4.26 billion
 Online = \$4,002 billion
 In-venue = \$263 million

H2 2020 Playbook

The impact of COVID-19 accelerated the strategic initiatives set out in 2019 and, despite global challenges, **the business transformation continues.**

- Build on recent achievements to **deliver a less capital intensive business.**
- Develop core Tote business, **driving leading technological advances** to global client base.
- **Develop key growth business units** – Bump, Lottery, Tote International, and Solutions.
- **Drive digital development** initiatives, with associated cost efficiencies, across all divisions.
- Continue relentless **professional pursuit of a Sports Betting licence** in Connecticut.
- **Evaluate and execute material corporate opportunities**, delivering tangible investor returns.



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