



# Acquisition of Sky Betting & Gaming by The Stars Group

April 23, 2018

## Transaction Terms

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- ★ The Stars Group (“TSG”) to acquire Sky Betting & Gaming (“SBG”) for £2.6bn (\$3.6bn) in cash, plus 37.9mm newly issued TSG common shares
- ★ The transaction values SBG at £3.4bn (\$4.7bn)

## Acquisition Rationale

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- ★ Ownership of best-in-class sportsbook
- ★ Unmatched global presence and scale
- ★ Enhanced product diversity and regulated markets exposure
- ★ Cost synergies and further upside via improved cross-sell
- ★ Unique advantage provided by two large, low-cost customer acquisition channels: Poker and Sports
- ★ Well-positioned to capitalize on potential US sports betting market

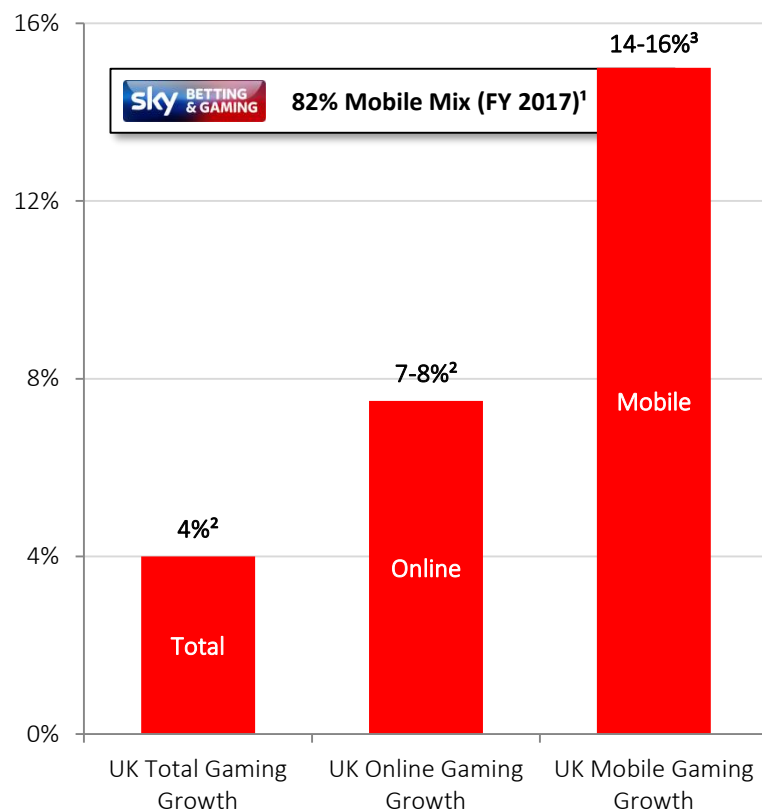
# About Sky Betting & Gaming

## UK: Largest Market with Attractive Growth Prospects



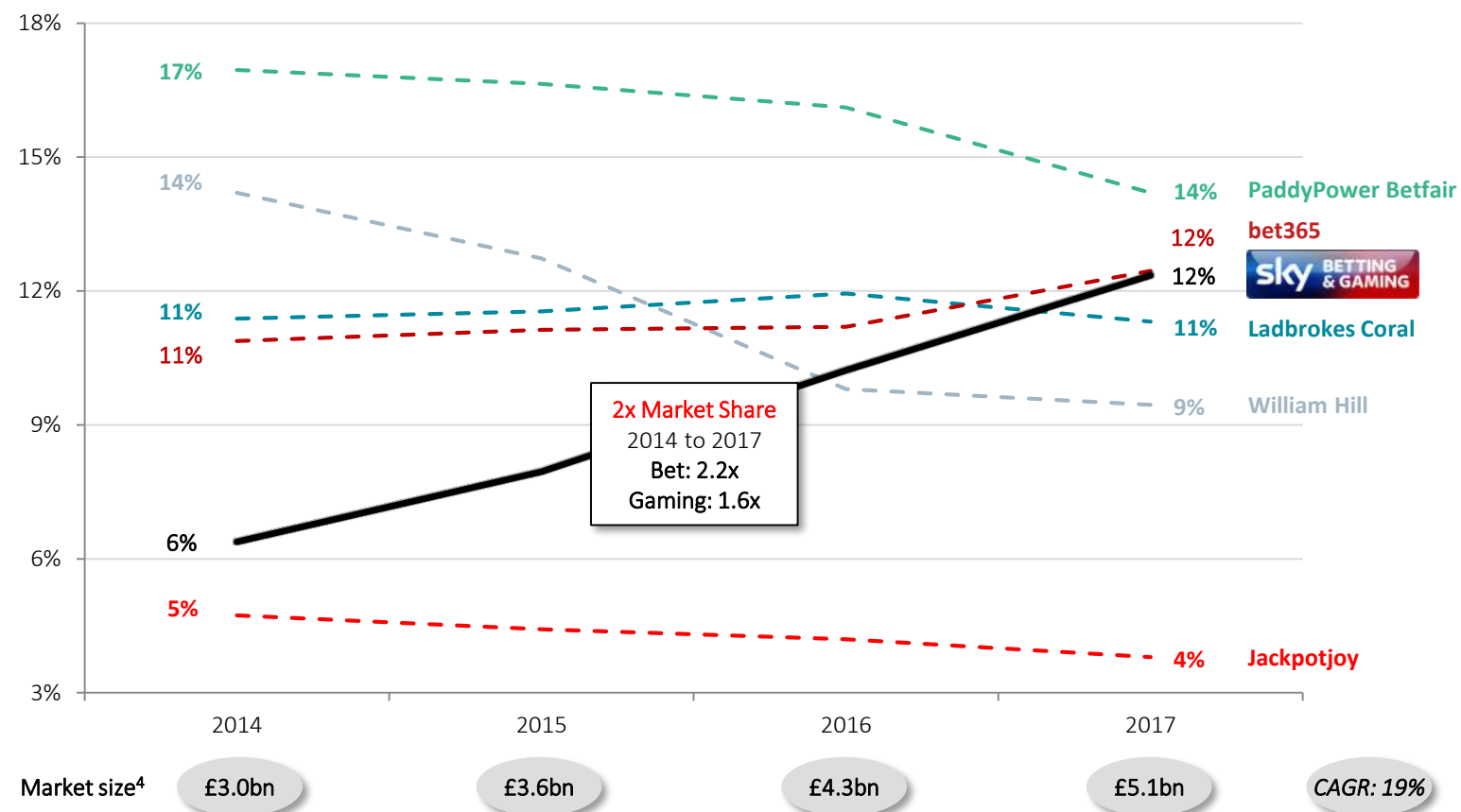
### Online and Mobile Gaming in the UK to Grow Rapidly

2017-2020E Growth (CAGR)



### SBG has Doubled UK Online Gaming Market Share Since CY2014

UK Online Gaming Market Share (By Revenue)



1. Financial year ended June 30, 2017
2. Total UK Gaming Market Net Revenue (excludes Lottery)
3. H2GC, Regulus Partners
4. Regulus Partners. Net Revenue

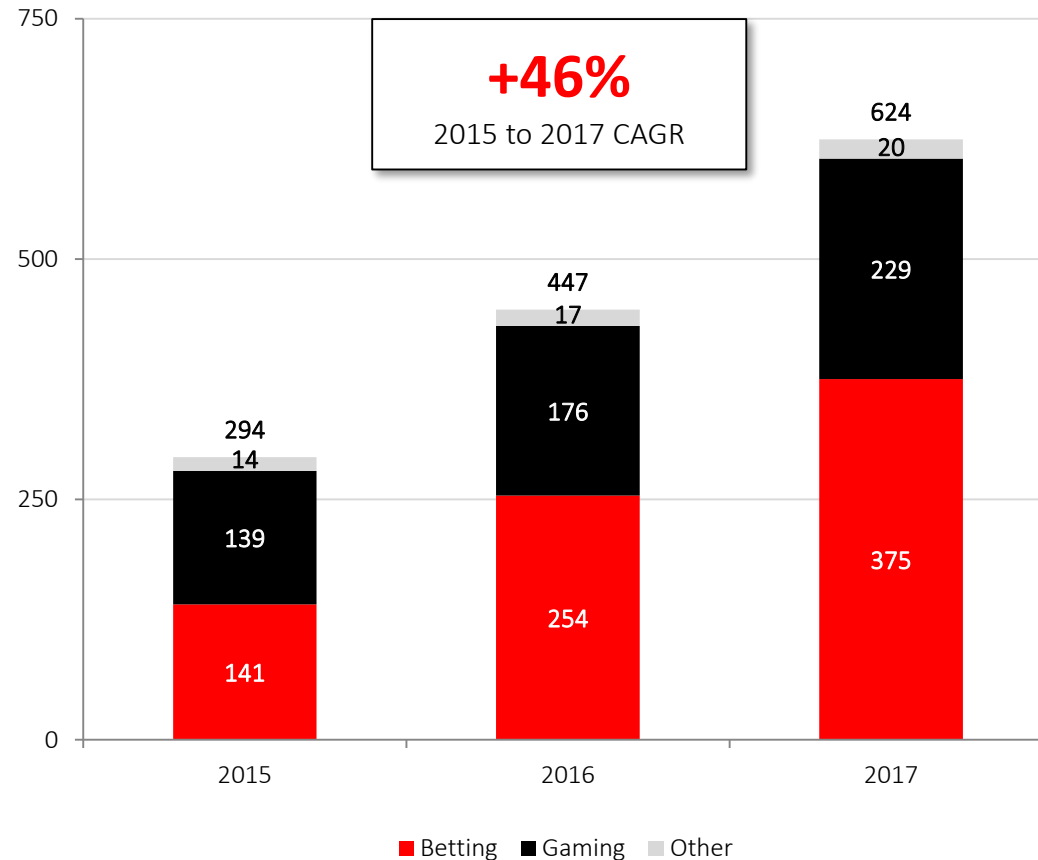
# About Sky Betting & Gaming

## SBG Delivers Rapid Growth

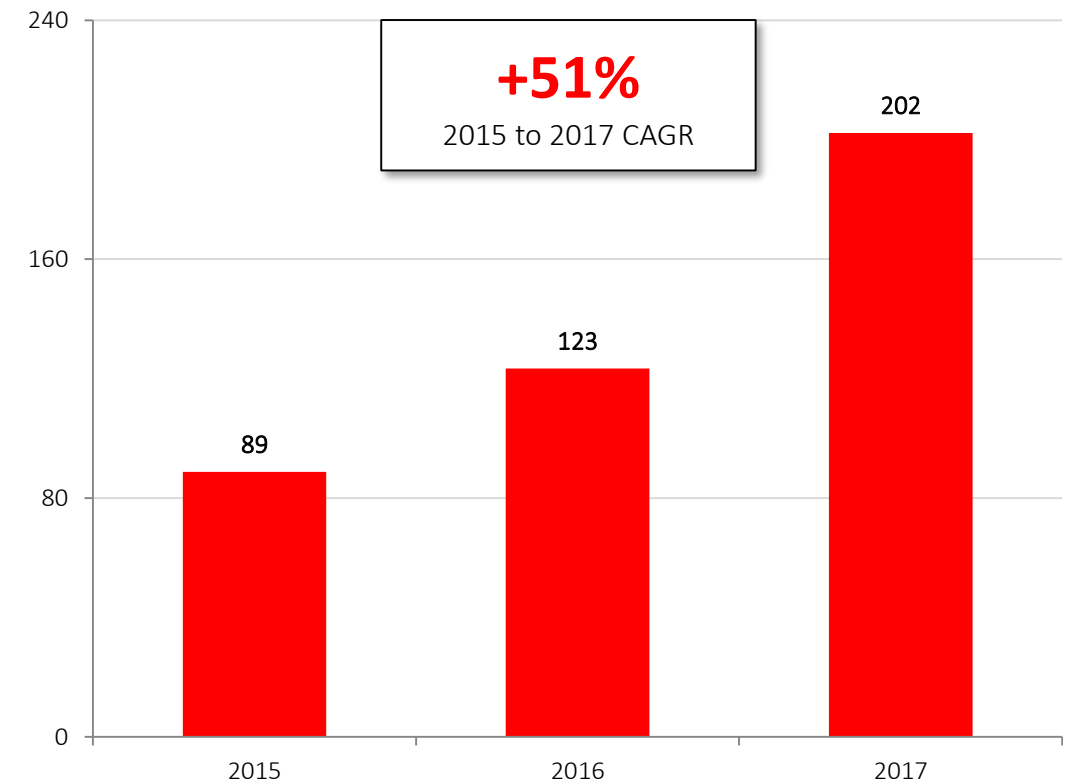


### SBG has a Track Record of Revenue and Profit Growth

Net Revenue (£mm)<sup>1</sup>



Adjusted EBITDA (£mm)<sup>2</sup>



1. Year-end December 31. Other includes Oddschecker and International

2. Year-end December 31. Adjusted EBITDA is defined as net earnings before financial expenses, income taxes expense (recovery), depreciation and amortization, restructuring and certain other items

# About Sky Betting & Gaming

## Loyal Customer Base Supported by Mobile-Led Product Portfolio

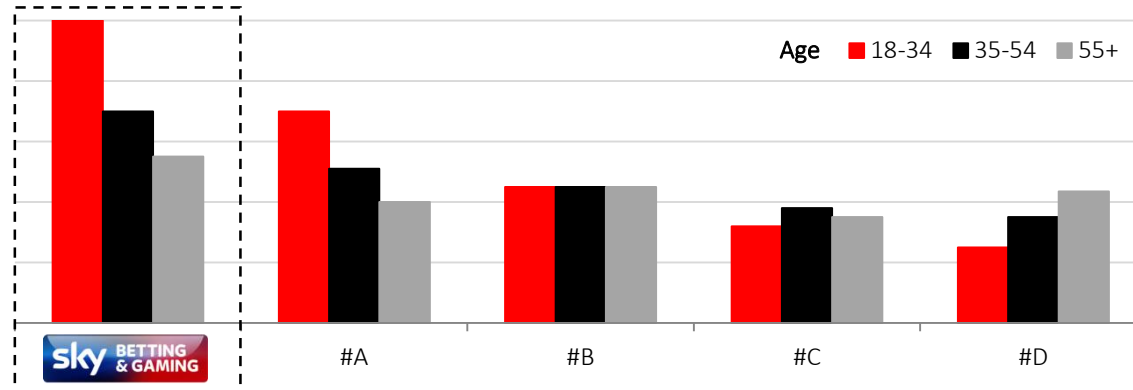


### Highly Loyal and Recreational Customer Base

- ★ 58% of SBG's customers use SBG exclusively
- ★ On average Sky Bet users have **1.9 betting accounts** versus the **average competitor of 2.7<sup>1</sup>**
- ★ **84% of FY 2017<sup>2</sup> revenue** from customers that lost **less than £250** in the year
- ★ Average bet size of £7-8

### Strong Brand Penetration Across Ages, with Skew to Younger Customers<sup>3</sup>

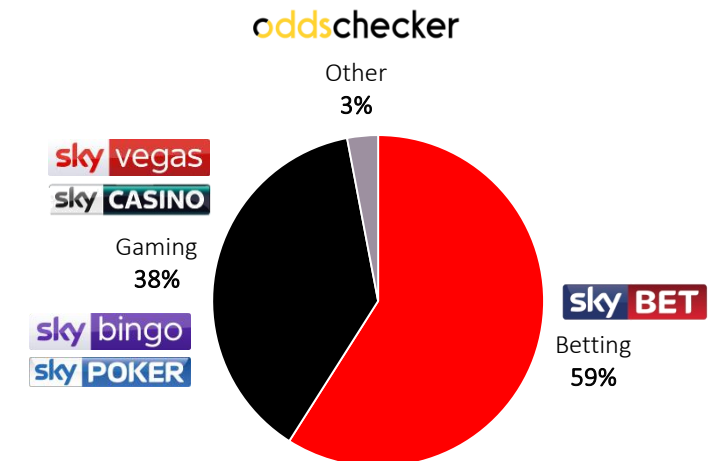
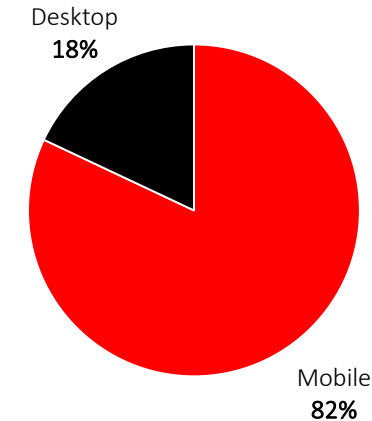
Customers by Age (CY 2017)



Source: Regulus Partners, Kantar Betscope

1. Kantar Betscope (CY2017). Average competitor excludes SBG
2. Financial year ended June 30, 2017
3. Kantar Betscope (CY2017)

### Total Revenue Contribution by Channel and Division (FY 2017<sup>2</sup>)



# About Sky Betting & Gaming

## Sustainability of Growth Underpinned by Recurring Revenue



### Revenue From Every Cohort Of Customer Sign-ups Has Grown

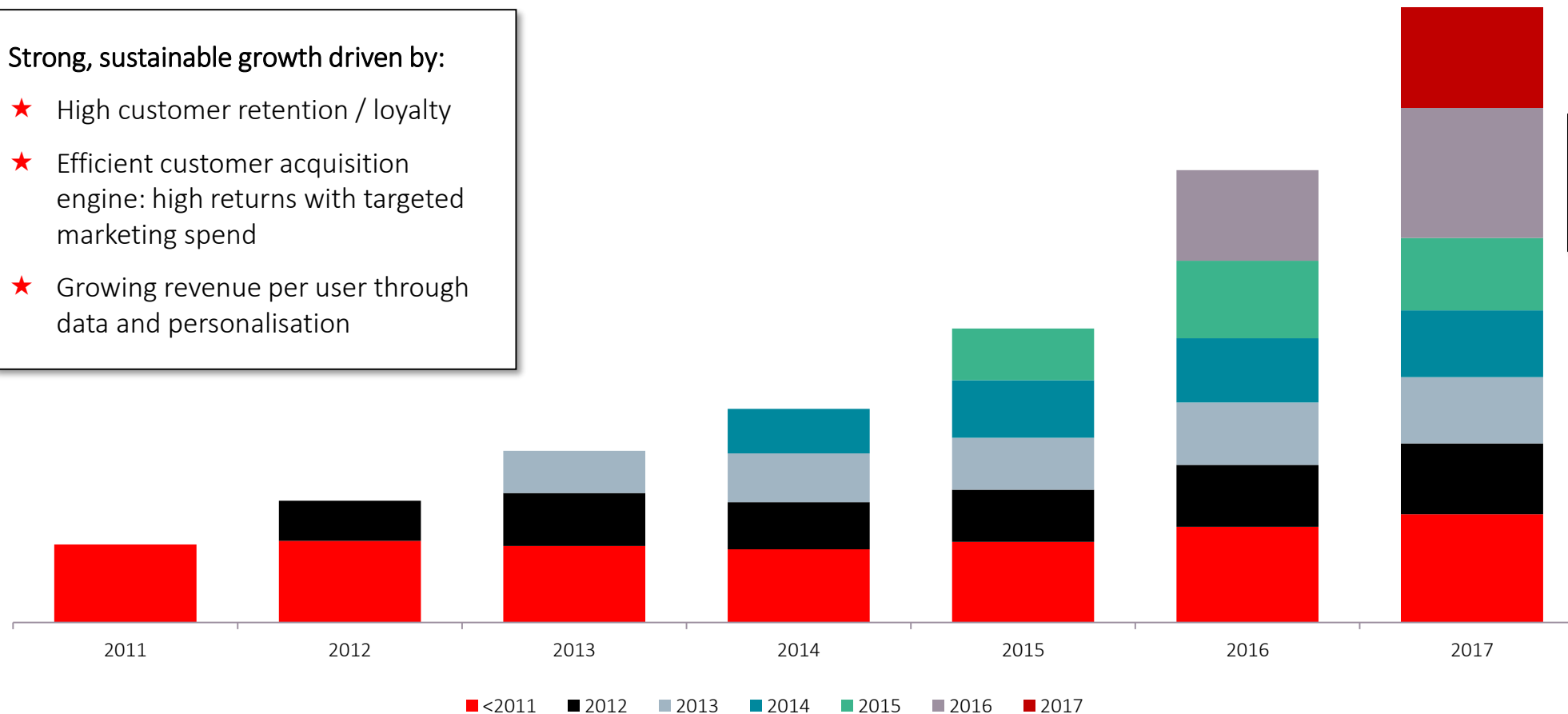
Gross Gaming Revenue by Year of Customer Registration (£mm)

#### Strong, sustainable growth driven by:

- ★ High customer retention / loyalty
- ★ Efficient customer acquisition engine: high returns with targeted marketing spend
- ★ Growing revenue per user through data and personalisation

**84%**

of FY 2017 GGR from existing customers



1. Gross Gaming Revenue ("GGR") is rake or fees charged to customers plus customer bets placed in online casino and sportsbook product offerings minus customer winnings, before offsets to revenue including customer loyalty program costs, bonuses and promotions, tournament overlays, and value added taxes



# About Sky Betting & Gaming

## Unique Relationship with Sky Plc



**4<sup>th</sup>** Most Valuable Global Sports Brand (Sky Sports)<sup>1</sup>

**6<sup>th</sup>** Most Valuable Brand in the UK<sup>2</sup>

**26.4mm** Customers, 16.3mm in Ireland and UK<sup>3</sup>

**7** European Territories<sup>4</sup>

**£6bn+** Annual Content Investment

**25-year License with a Trusted Brand (22 Years Remaining)**



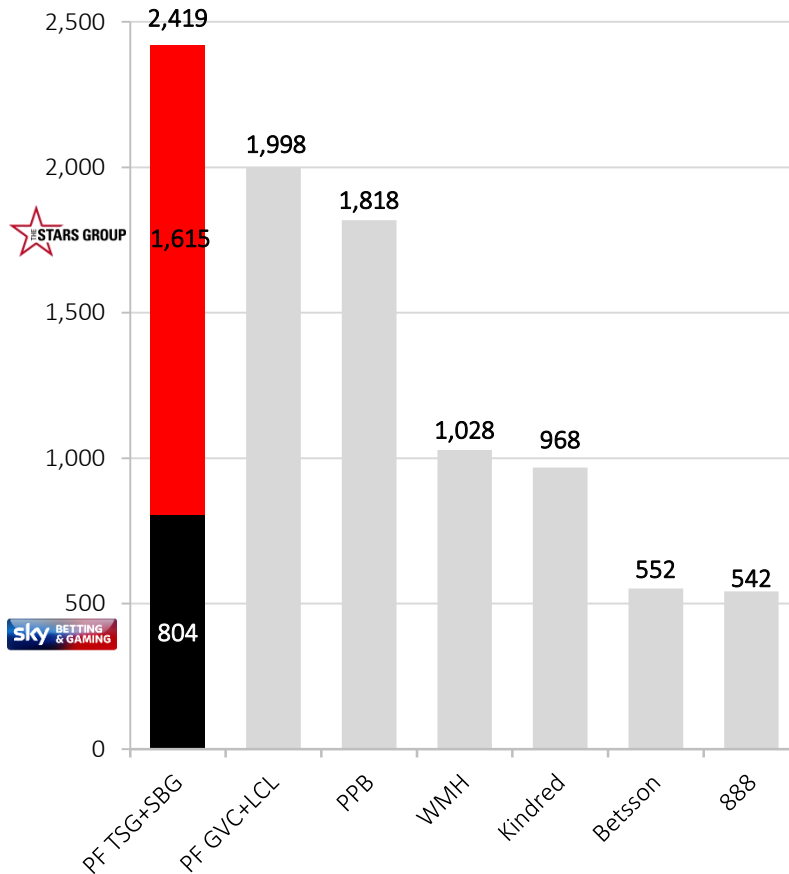
1. Includes both retail and wholesale customers  
2. WPP Research (CY2017)  
3. Forbes (CY2017)

# Acquisition Rationale Online Gaming Leader



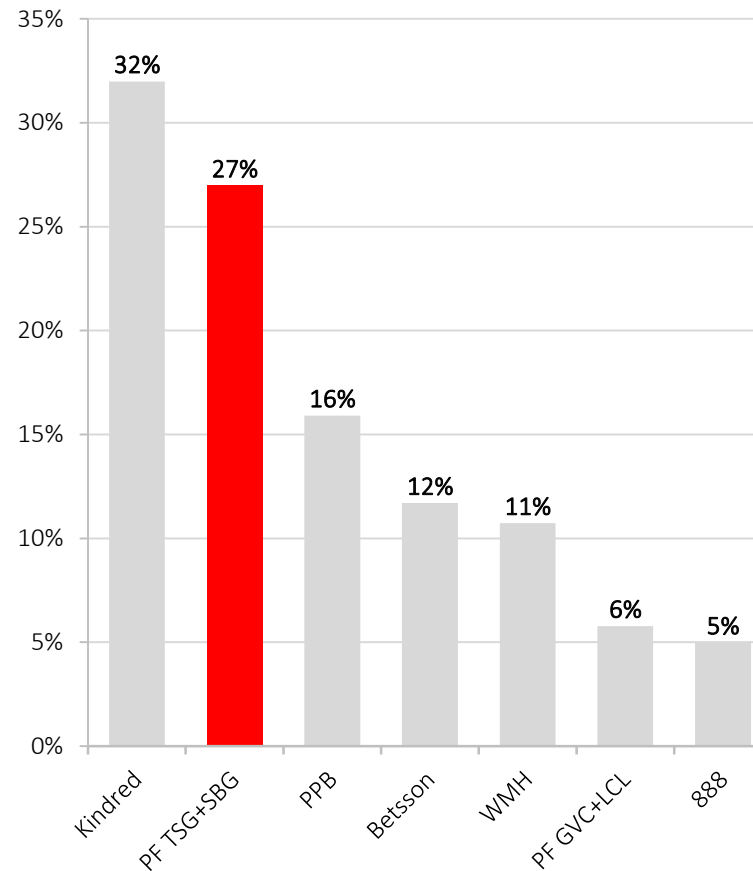
## Largest Listed Global Online Gaming Player...

Online Revenues - \$mm, CY2017<sup>1</sup>



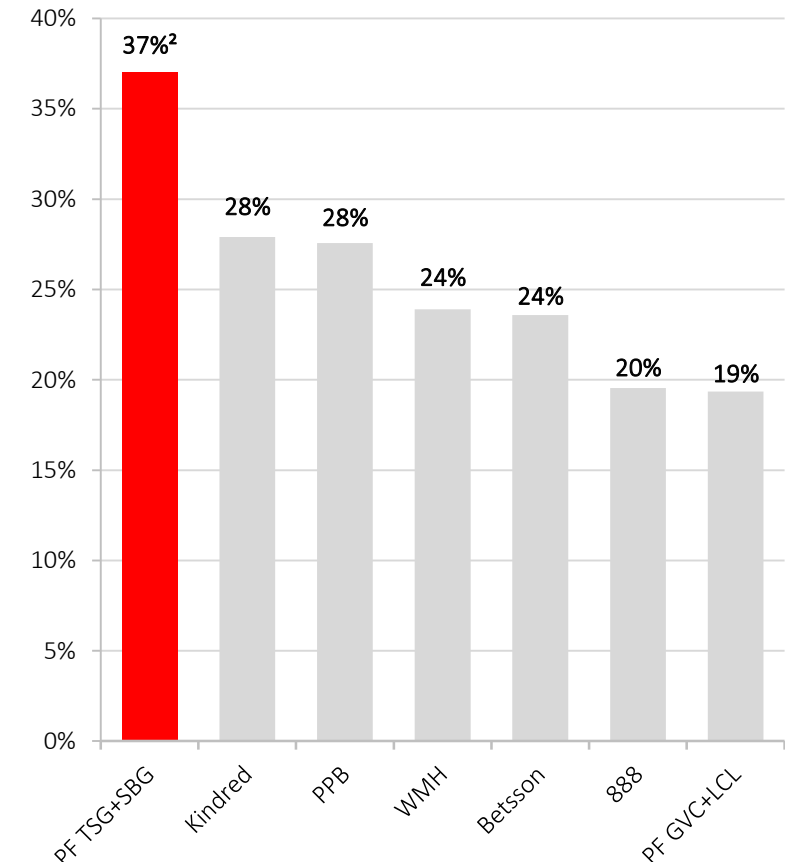
## ...with Significant Momentum...

Net Revenue Growth – 2H CY2017 vs. 2H CY2016<sup>1</sup>



## ...and Best in Class Margins

EBITDA Margins - Last Reported<sup>1</sup>



Source: Company filings. GBP, EUR, AUD and SEK converted to USD using average 2017 FX rates of 1.29, 1.13, 0.77 and 0.12

1. TSG pro forma for CrownBet and William Hill Australia using full year financials. GVC and LCL pro forma combined using LTM revenue and EBITDA at 1H 2017 for LCL, and H1 2017 vs. H1 2016 growth for LCL as full year 2017 financials not available. Kindred shows reported 'GWR' including 32Red; the rest show reported 'Revenue'
2. Pro forma TSG + SBG EBITDA margin excludes cost synergies.



# Acquisition Rationale

## Well Positioned in Key Markets



### Strong Position in the Leading Regulated and Taxed Markets



1. Total 2017 online market GGR (Sports, Casino, Poker, Bingo, excluding Lottery) and excludes unregulated and/or untaxed markets. EUR converted to USD using the 2017 average FX rate of 1.13. Source: H2 Gambling Capital as of April 2018  
 2. Upon anticipated closure of CrownBet and William Hill Australia acquisitions

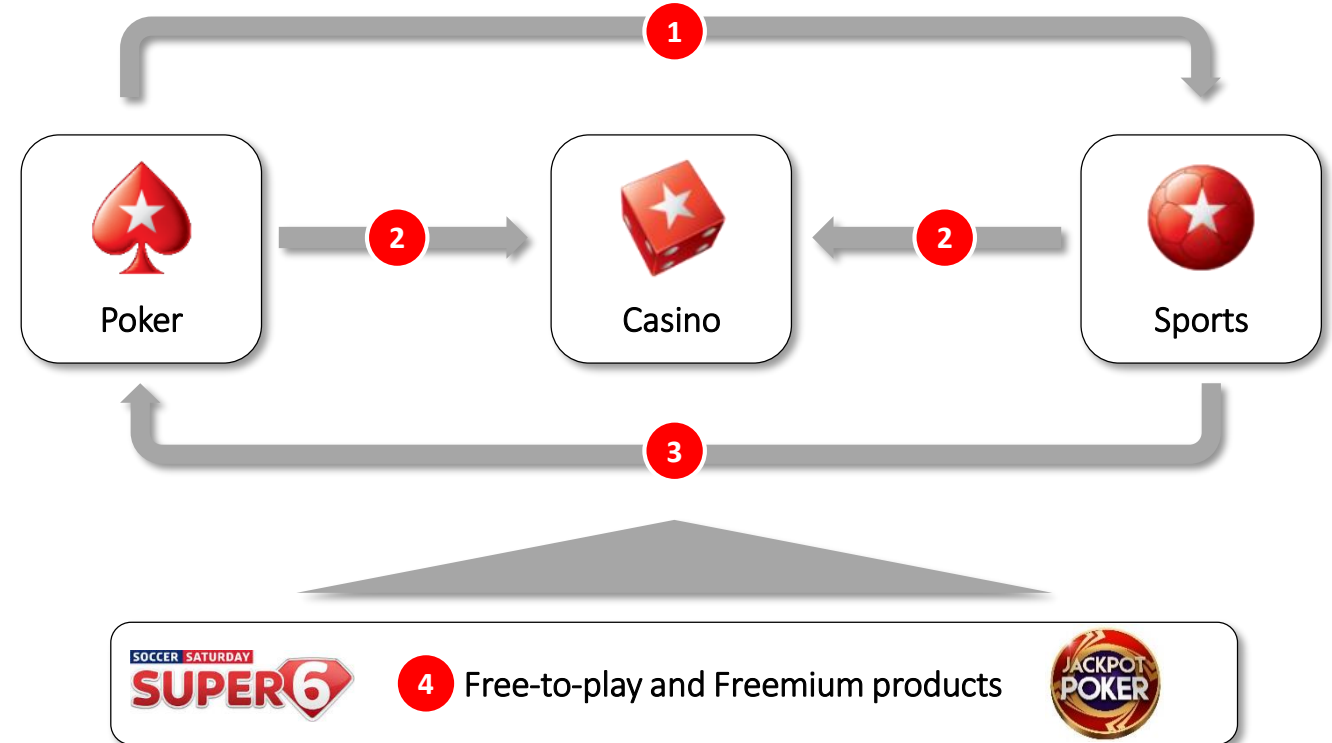
# Acquisition Rationale

## Revenue Opportunity Through Improved Cross-Sell



TWO Large Scale, Low Cost Customer Acquisition Channels which Can Be Cross Sold in High Yielding Casino Products

- 1 Poker to Sports:** TSG's poker base provides a significant cross-selling opportunity to SBG's leading sports products
- 2 Poker and Sports to Casino:** Cross-selling a large and relatively low cost per acquisition customer base into high yielding casino products
- 3 Sports to Poker:** cross-sell from SBG to TSG's leading poker platform
- 4** TSG and SBG's **free-to-play and freemium** products have significant customer bases which can be cross sold into RM products worldwide



# Acquisition Rationale

## Global Growth Strategy for SBG



### Continue to Grow UK Market Share

- ★ SBG team to lead combined UK sportsbook initiatives
- ★ SBG UK technology platform to remain stand-alone to maintain momentum and continue delivering market-leading products and apps

### Build Sportsbook Leadership Positions in Major EU Markets

- ★ Achieve leading positions in Italy and Germany
- ★ Leverage TSG database and Sky relationships
- ★ Continue to drive growth through marketing investment

### Strengthen TSG's Rest-of-World Customer Ecosystem

- ★ Increase cross-sell rates and net yield by leveraging SBG's Sports and Vegas products
- ★ Add new products such as Bingo and free-to-play games to further enhance the network effect

### Take Early Positions in Newly Regulated Markets

- ★ Capitalize on potential US sportsbook opportunity by leveraging the combination of TSG's brand strength, customer database and poker leadership with SBG's expertise in sportsbook and media partnerships
- ★ Roll out improved Sports product in high-potential emerging markets where TSG already has a regulated poker-based presence

# Acquisition Rationale

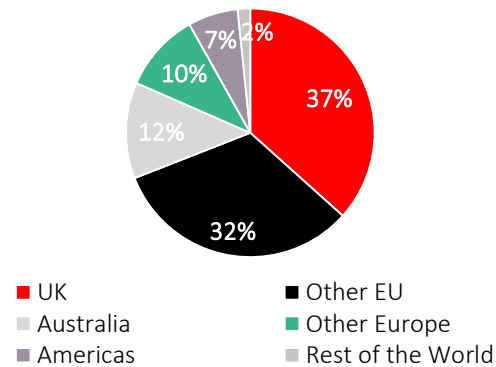
## Balanced Regulatory and Product Exposure



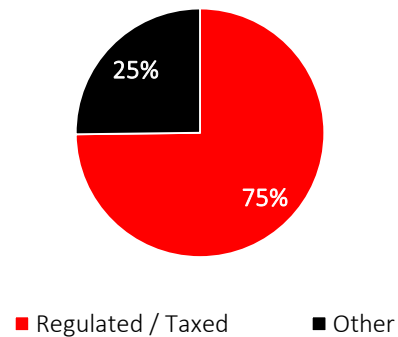
### Exposure to Attractive Regulated / Taxed Markets



Pro Forma Revenue by Geography<sup>1</sup>



Pro Forma Revenue by Regulation<sup>1</sup>

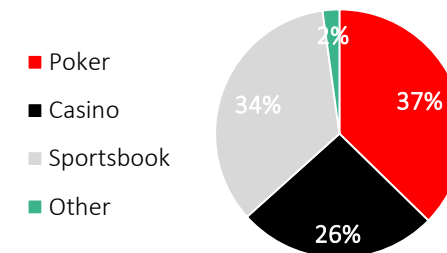
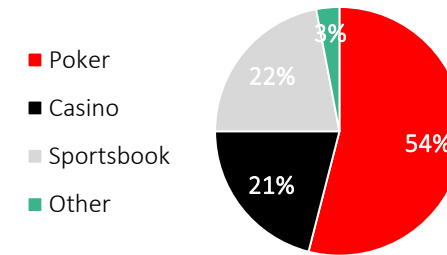


- ★ Licensed or approved in 18 jurisdictions
- ★ Transaction reinforces SBG's position in the UK
- ★ SBG to benefit from TSG's presence in its new markets (Italy and Germany)
- ★ Leverage TSG's global platform to grow SBG sports and casino

Source: GBP and AUD converted to USD using average 2017 FX rates of 1.29 and 0.77

1. Based on CY 2017 revenues. TSG pro forma for CrownBet and William Hill Australia

### Balanced Product Portfolio<sup>1</sup>



# Acquisition Rationale

## Cost Synergies



Integration Principles	<ul style="list-style-type: none"><li>★ Preserve the culture of success and minimize the disruption to the operational momentum of SBG</li><li>★ Industry leading management, selected from two well-respected and experienced leadership teams</li><li>★ SBG's Yorkshire base will operate as a major hub of the enlarged group</li><li>★ SBG's sportsbook operation to support the enlarged group's sports product</li></ul>
Synergies	<ul style="list-style-type: none"><li>★ Identified cost synergies of at least \$70mm recurring per annum</li><li>★ Further upside expected through improved cross-sell</li></ul>
Key Sources of Cost Synergies	<ul style="list-style-type: none"><li>★ Rationalization of overlapping roles and responsibilities</li><li>★ Non-headcount G&amp;A savings</li><li>★ Marketing spend optimization in UK, Italy and Germany</li><li>★ TSG sportsbook costs (e.g. duplicative data feeds)</li></ul>
Implementation Cost	<ul style="list-style-type: none"><li>★ One-off cash costs of approximately 1.2x recurring synergies</li></ul>
Phasing	<ul style="list-style-type: none"><li>★ Full benefit of cost synergies to be achieved within two years of transaction completion</li></ul>

# Transaction Details



Purchase Price	<ul style="list-style-type: none"><li>★ TSG to acquire SBG for £2.6bn (\$3.6bn) in cash, plus 37.9mm newly issued TSG common shares<ul style="list-style-type: none"><li>– SBG currently owned by CVC Capital Partners Limited and Sky Plc</li></ul></li><li>★ The transaction values SBG on an enterprise value basis at £3.4bn (\$4.7bn)<ul style="list-style-type: none"><li>– Represents a multiple of 12.8x LTM Adjusted EBITDA<sup>1</sup>, including expected run-rate cost synergies</li></ul></li></ul>
Other Terms	<ul style="list-style-type: none"><li>★ The consideration shares represent approximately 20% of TSG's issued and outstanding common shares, following completion of the transaction<sup>2</sup><ul style="list-style-type: none"><li>– Substantially all of the common shares issued to the sellers will be subject to certain transfer restrictions for a minimum of six months, subject to customary exceptions</li></ul></li><li>★ Unique relationship with Sky Plc, Europe's leading sports rights owner and media company<ul style="list-style-type: none"><li>– 25 year brand license (with 22 years remaining) that grants exclusive use of the Sky brand for betting and gaming</li></ul></li></ul>
Timing	<ul style="list-style-type: none"><li>★ Currently expect transaction completion in Q3 2018</li></ul>

1. Unaudited Adjusted EBITDA in the last twelve months to March 31, 2018 of £213 million and run-rate cost synergies of \$70 million

2. Based on approximately 190mm issued and outstanding common shares post transaction (including following completion of the CrownBet and William Hill Australia acquisitions)



## Debt Financing

- ★ A strong syndicate group has fully committed to \$6.9 billion debt financing, comprising:
  - \$5.1bn of 1st Lien term loans
  - \$1.4bn of Senior Unsecured Notes
  - \$400mm Revolving Credit Facility, unfunded
- ★ Funded proceeds of \$6.5 billion will be used for the cash portion of the transaction consideration, refinancing TSG's existing first lien term loan and repaying SBG's outstanding debt
- ★ Growth, margin expansion and cashflow profile expected to drive rapid de-leveraging

## Equity Financing

- ★ Approximately 37.9 million common shares issuable from treasury at closing
- ★ Approval of TSG's existing common or preferred shareholders not required

# Conclusion: Creating the Online Gaming Leader



- ★ Ownership of best-in-class sportsbook
- ★ Unmatched global presence and scale
- ★ Enhanced product diversity and regulated markets exposure
- ★ Cost synergies and further upside via improved cross-sell
- ★ Unique advantage provided by two large, low-cost customer acquisition channels: Poker and Sports
- ★ Well-positioned to capitalize on potential US sports betting market

Q&A



# CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS



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Forward-looking statements and information are inherently subject to significant business, regulatory, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such statements. Specific risks and uncertainties relating to the transaction described in this presentation include, but are not limited to: (i) the completion of the proposed transaction may not occur on the anticipated terms and timing or at all, (ii) the required regulatory approvals are not obtained, or that in order to obtain such regulatory approvals, conditions are imposed that adversely affect the anticipated benefits from the proposed transaction or cause the parties to abandon the proposed transaction, (iii) the risk that a condition to closing of the transaction may not be satisfied, (iv) potential litigation relating to the proposed transaction that could be instituted against the parties or their respective directors, (v) potential adverse reactions or changes to business relationships resulting from the announcement or completion of the transactions, (vi) risks associated with third party contracts containing consent and/or other provisions that may be triggered by the proposed transaction, (viii) negative effects of the announcement or the consummation of the transaction on the market price of The Stars Group's common stock, (ix) risks relating to the value of the The Stars Group shares to be issued in the transaction and uncertainty as to the long-term value of The Stars Group's common stock, (x) the potential impact of unforeseen liabilities, future capital expenditures, revenues, expenses, earnings, synergies, economic performance, indebtedness, financial condition and losses on the future prospects, business and management strategies for the management, expansion and growth of The Stars Group's operations after the consummation of the transaction and on the other conditions to the completion of the transaction, (xi) the risks and costs associated with, and the ability of The Stars Group to, integrate the businesses successfully and to achieve anticipated synergies, (xii) the risk that disruptions from the proposed transaction will harm the parties' businesses, including current plans and operations, (xiii) the ability of the parties to retain and hire key personnel, (xiv) adverse legal and regulatory developments or determinations or adverse changes in, or interpretations of, applicable laws, rules or regulations, including tax laws, rules and regulations, that could delay or prevent completion of the proposed transaction or cause the terms of the proposed transaction to be modified, (xv) the impact of the heavily regulated industry in which the parties operate and carry on business, (xvi) risks related to tax matters, and (xvii) management's response to any of the aforementioned factors. Other applicable risks and uncertainties include, but are not limited to, those identified in The Stars Group's annual information form for the year ended December 31, 2017, including under the heading "Risk Factors and Uncertainties", and in management's discussion and analysis for the year ended December 31, 2017, including under the headings "Risk Factors and Uncertainties", "Limitations of Key Metrics and Other Data" and "Key Metrics", each available on SEDAR at [www.sedar.com](http://www.sedar.com), EDGAR at [www.sec.gov](http://www.sec.gov) and The Stars Group's website at [www.starsgroup.com](http://www.starsgroup.com), and in other filings that The Stars Group has made and may make with applicable securities authorities in the future. Investors are cautioned not to put undue reliance on forward-looking statements or information. 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