Acquisition of Sky Betting & Gaming by The Stars Group

April 23, 2018
(Revised May 3, 2018)
Transaction Overview

Transaction Terms

★ 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

★ 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)

- UK Total Gaming Growth 14-16%
- UK Online Gaming Growth 7-8%
- UK Mobile Gaming Growth 4%

SBG has Doubled UK Online Gaming Market Share Since CY2014

UK Online Gaming Market Share (By Revenue)

- SBG: 17%
- PaddyPower Betfair: 14%
- Bet365: 12%
- William Hill: 11%
- Ladbrokes Coral: 11%
- Bet: 2.2x Gaming: 1.6x

Market size
- 2014: £3.0bn
- 2015: £3.6bn
- 2016: £4.3bn
- 2017: £5.1bn
- CAGR: 19%

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Revenue (£mm)³</th>
<th>Adjusted EBITDA (£mm)²</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>294</td>
<td>254</td>
</tr>
<tr>
<td>2016</td>
<td>447</td>
<td>254</td>
</tr>
<tr>
<td>2017</td>
<td>624</td>
<td>375</td>
</tr>
</tbody>
</table>

- **+46%** 2015 to 2017 CAGR
- **+51%** 2015 to 2017 CAGR

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
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 2.7¹
- 84% of FY 2017² customers lost less than £250 in the year³
- Average bet size of £7-8

Total Revenue Contribution by Channel and Division (FY 2017²)

- Mobile 82%
- Desktop 18%

Strong Brand Penetration Across Ages, with Skew to Younger Customers⁴

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. Correction: Original version of this presentation stated, ‘84% of FY 2017² revenue from customers that lost less than £250 in the year’
About Sky Betting & Gaming

Sustainability of Growth Underpinned by Recurring Revenue

Gross Gaming Revenue\(^1\) 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

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1. Gross Gaming Revenue (GGR) is defined as stakes less the amount paid out to customers as winnings, plus poker rake or tournament fees charged to customers
### About Sky Betting & Gaming

**Unique Relationship with Sky Plc**

1. Includes both retail and wholesale customers
2. WPP Research (CY2017)
3. Forbes (CY2017)
4. Sky plc European territories: UK, Ireland, Germany, Austria, Italy, Switzerland and Spain

<table>
<thead>
<tr>
<th>Rank</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4th</td>
<td>Most Valuable Global Sports Brand (Sky Sports)¹</td>
</tr>
<tr>
<td>6th</td>
<td>Most Valuable Brand in the UK²</td>
</tr>
<tr>
<td>26.4mm</td>
<td>Customers, 16.3mm in Ireland and UK³</td>
</tr>
<tr>
<td>7</td>
<td>European Territories⁴</td>
</tr>
<tr>
<td>£6bn+</td>
<td>Annual Content Investment</td>
</tr>
</tbody>
</table>

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

1. Includes both retail and wholesale customers
2. WPP Research (CY2017)
3. Forbes (CY2017)
4. Sky plc European territories: UK, Ireland, Germany, Austria, Italy, Switzerland and Spain
Acquisition Rationale  
Online Gaming Leader

Largest Listed Global Online Gaming Player...  
Online Revenues - $mm, CY2017\(^1\)

...with Significant Momentum...  
Net Revenue Growth – 2H CY2017 vs. 2H CY2016\(^1\)

...and Best in Class Margins  
EBITDA Margins - Last Reported\(^1\)

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 H1 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**

<table>
<thead>
<tr>
<th>Market</th>
<th>Total Online Market GGR$^1$</th>
<th><strong>Fastest growing established online operator in the UK</strong></th>
<th><strong>Clear #3 online operator in Australia$^2$</strong></th>
<th><strong>Strong foundation in Germany with Sky Deutschland relationship and large TSG player base</strong></th>
<th><strong>Accelerated growth in France, Spain and Italy (anticipated) from shared poker liquidity regulation</strong></th>
<th><strong>Top 2 online gaming operator in Italy with large player base and relationship with Sky Italia</strong></th>
<th><strong>Well positioned to capitalize on US opportunity</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>$7.6bn</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✗</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Australia</td>
<td>$2.6bn</td>
<td>✔$^2$</td>
<td>✗</td>
<td></td>
<td></td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>Germany</td>
<td>$2.5bn</td>
<td>✔</td>
<td>✗</td>
<td></td>
<td></td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>France</td>
<td>$1.8bn</td>
<td>✔</td>
<td>✗</td>
<td></td>
<td></td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>Italy</td>
<td>$1.7bn</td>
<td>✔</td>
<td>✗</td>
<td></td>
<td></td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>Ireland</td>
<td>$1.1bn</td>
<td>✔</td>
<td>✗</td>
<td></td>
<td></td>
<td>✔</td>
<td>✗</td>
</tr>
<tr>
<td>Spain</td>
<td>$0.9bn</td>
<td>✔</td>
<td>✗</td>
<td></td>
<td></td>
<td>✔</td>
<td>✗</td>
</tr>
</tbody>
</table>

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. Due to recent acquisitions of CrownBet and William Hill Australia
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**

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**Exposure to Attractive Regulated / Taxed Markets**

- **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**

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**Pro Forma Revenue by Geography**

- UK: 37%
- Other EU: 12%
- Americas: 10%
- Australia: 7%
- Rest of the World: 32%

**Pro Forma Revenue by Regulation**

- Regulated / Taxed: 75%
- Other: 25%

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**Balanced Product Portfolio**

- Poker: 34%
- Casino: 37%
- Sportsbook: 12%
- Other: 17%

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**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
## Acquisition Rationale

### Cost Synergies

<table>
<thead>
<tr>
<th>Integration Principles</th>
</tr>
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<tbody>
<tr>
<td>★ Preserve the culture of success and minimize the disruption to the operational momentum of SBG</td>
</tr>
<tr>
<td>★ Industry leading management, selected from two well-respected and experienced leadership teams</td>
</tr>
<tr>
<td>★ SBG’s Yorkshire base will operate as a major hub of the enlarged group</td>
</tr>
<tr>
<td>★ SBG’s sportsbook operation to support the enlarged group’s sports product</td>
</tr>
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<table>
<thead>
<tr>
<th>Synergies</th>
</tr>
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<tbody>
<tr>
<td>★ Identified cost synergies of at least $70mm recurring per annum</td>
</tr>
<tr>
<td>★ Further upside expected through improved cross-sell</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Key Sources of Cost Synergies</th>
</tr>
</thead>
<tbody>
<tr>
<td>★ Rationalization of overlapping roles and responsibilities</td>
</tr>
<tr>
<td>★ Non-headcount G&amp;A savings</td>
</tr>
<tr>
<td>★ Marketing spend optimization in UK, Italy and Germany</td>
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<tr>
<td>★ TSG sportsbook costs (e.g. duplicative data feeds)</td>
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<table>
<thead>
<tr>
<th>Implementation Cost</th>
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<tbody>
<tr>
<td>★ One-off cash costs of approximately 1.2x recurring synergies</td>
</tr>
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<table>
<thead>
<tr>
<th>Phasing</th>
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<tbody>
<tr>
<td>★ Full benefit of cost synergies to be achieved within two years of transaction completion</td>
</tr>
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</table>
**Transaction Details**

<table>
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<th>Purchase Price</th>
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<tbody>
<tr>
<td>★ TSG to acquire SBG for £2.6bn ($3.6bn) in cash, plus 37.9mm newly issued TSG common shares</td>
</tr>
<tr>
<td>- SBG currently owned by CVC Capital Partners Limited and Sky Plc</td>
</tr>
<tr>
<td>★ The transaction values SBG on an enterprise value basis at £3.4bn ($4.7bn)</td>
</tr>
<tr>
<td>- Represents a multiple of 12.8x LTM Adjusted EBITDA(^1), including expected run-rate cost synergies</td>
</tr>
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<table>
<thead>
<tr>
<th>Other Terms</th>
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<tbody>
<tr>
<td>★ The consideration shares represent approximately 20% of TSG’s issued and outstanding common shares, following completion of the transaction(^2)</td>
</tr>
<tr>
<td>- 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</td>
</tr>
<tr>
<td>★ Unique relationship with Sky Plc, Europe’s leading sports rights owner and media company</td>
</tr>
<tr>
<td>- 25 year brand license (with 22 years remaining) that grants exclusive use of the Sky brand for betting and gaming</td>
</tr>
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<table>
<thead>
<tr>
<th>Timing</th>
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<tr>
<td>★ Currently expect transaction completion in Q3 2018</td>
</tr>
</tbody>
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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)
Financing Details

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
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