



**THE STARS GROUP 2017 ANNUAL AND SPECIAL MEETING  
MANAGEMENT PRESENTATION**

MAY 10, 2018, TORONTO, 11:30 (ET)

**Please Note:**

Some of our comments today will contain forward-looking information and statements under applicable securities laws that reflect management's current views with respect to future events, such as The Stars Group's outlook for future performance. Any such information and statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those projected in the forward-looking information and statements. Undue reliance should not be placed on such information or statements.

Factors that could cause actual results or events to differ materially are set forth in the documents The Stars Group has filed or furnished with applicable securities regulatory authorities or otherwise made publicly available.

Except as required by law, The Stars Group undertakes no obligation to update any forward-looking information or statements as a result of new information or future events.

During the presentation, we will reference non-IFRS and non-U.S. GAAP financial measures. Although The Stars Group believes these measures provide useful supplemental information about its financial performance, they are not recognized measures and do not have standardized meanings under IFRS or U.S. GAAP.

Reconciliations to the nearest IFRS measures are included in today's presentation, which will all be available on our website.



## **PART 1 - BRIAN KYLE – CFO, THE STARS GROUP**

Thank you Mr. Chairman, Ladies and Gentlemen.

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When I joined The Stars Group as Chief Financial Officer last June, I was very excited to be part of an organization with the inspiring vision to be the world's favourite online gaming destination.

At the time, The Stars Group was starting to benefit from a strategic repositioning of its existing business and preparing to accelerate an ambitious global growth strategy.

Less than a year later, The Stars Group has been completely transformed – first from within and then again very recently through the three acquisitions announced since the beginning of 2018.

The architect of this transformation, our CEO Rafi, will speak to you about our company's future.

Allow me to first set the table for Rafi by giving you some context.

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The Stars Group operates in the online gaming market – or “iGaming” as we call it.

It's a vast global market, worth over \$40 billion, and growing.

Sports betting is by far the largest segment, or vertical, and is also the fastest growing. Global sports betting revenue is followed by casino in both size and growth opportunity. Together, these two verticals represent almost 90% of the total online gaming market.



Just a few years ago, The Stars Group derived virtually all of its revenue from online poker, which represents a small percentage of the global online market.

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The Stars Group has long been, and remains, the global leader in online poker. This is a great position to hold and a great position from which to grow in adjacent verticals.

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Under Rafi's leadership, the company has successfully grown in the much larger online casino and sportsbook verticals, by cross-selling these new products to both our existing customers and newly acquired poker customers while retaining our poker leadership. From zero revenue in these verticals in 2014 to almost \$400 million last year.

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As a result of this growth, casino and sportsbook accounted for 31% of revenue by the fourth quarter of 2017. This is quite a significant revenue diversification in such a short period of time. And it was all achieved organically, efficiently and profitably.

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The company also expanded into licensed markets globally. The Stars Group now pays local taxes in more than 20 jurisdictions. These jurisdictions accounted for approximately 56% of our real money online gaming revenue in the first quarter of this year.

The actions and achievements of the past few years created strong momentum that culminated in an outstanding 2017 performance.

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- Revenue was up 14% to \$1.3 billion.
- Adjusted EBITDA reached \$600 million, up 15% over 2016.



(slide 12)

- Net earnings increased 91% to \$259 million.
- And adjusted net earnings were up 25%.

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One of the strengths of The Stars Group is high earnings to cash conversion.

Net cash inflows from operating activities were \$495 million last year, up 41% from 2016.

Adjusted cash flow from operations was \$526 million.

Free cash flow, after deducting capital expenditures, interest and principal repayments on debt, was \$340 million dollars.

Our financial position and flexibility improved significantly as a result of this performance. So much so that the company ended 2017 in the healthiest financial position of its history. This provided us with tremendous flexibility to pursue our growth strategy.

The positive momentum in our business continued into 2018, driven by strong organic growth, and this is reflected in the first quarter results announced this morning.

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Revenue was up 24% from the first quarter of last year, mainly organic growth.

- Adjusted EBITDA increased by 16%
- Net earnings increased by 13%
- And Adjusted net earnings were up 23%



There are several key takeaways from all of the numbers I've presented today.

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- One is the health and vigour of our existing business.
- Two, they demonstrate solid execution of organic growth.
- And three, they reflect the company's successful transformation from an online poker operator to a company with a growing footprint in casino and sportsbook, the two largest verticals in online gaming.

This stellar performance made it possible for The Stars Group to execute the acquisition component of our strategy and seize opportunities in a consolidating industry.

Since the beginning of 2018, we have announced three acquisitions that are collectively transformational in their impact, and that will create a new company that is almost twice the size it was at the end of 2017.

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Two of the acquisitions are in sports betting in Australia, the world's second largest regulated sports betting market. The process of merging the operations of CrownBet and the former William Hill Australia business has begun, creating a strong number 3 online sports betting operator in a very attractive market.

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Just a few weeks ago, we announced an acquisition that will significantly strengthen our position in the United Kingdom, the world's largest online gaming market. The Sky Betting & Gaming transaction is expected to close in the third quarter.



This transaction, coupled with our new business in Australia, positions us globally as a best-in-class online sportsbook operator.

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Following the closing of the Sky Betting & Gaming transaction, The Stars Group will also become the world's largest publicly listed online gaming company, with a tremendous platform for growth and the creation of long-term shareholder value.

And with that, I thank you for your attention and invite Rafi to talk about the new Stars Group and the company's future.



## **PART 2 – RAFI ASHKENAZI – Chief Executive Officer, The Stars Group**

(slide 19)

Thank you Brian, and good morning everyone. Thank you for joining us today.

These are very exciting times for The Stars Group, for our employees and for shareholders.

In the space of a few months, we are literally creating a new company.

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In particular, the recently announced acquisition of Sky Betting & Gaming, or SBG, is a landmark acquisition and a game changer for our company. It's a huge step in realizing our vision to be the world's favourite iGaming destination.

As Brian mentioned, it will make us the world's largest publicly listed online gaming company. On a pro forma basis giving effect to the SBG acquisition and our recently completed Australian transactions, let me show you how the sum of the parts compares to what we reported in 2017.

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- Combined revenue would have been \$2.4 billion, compared to the \$1.3 billion we reported.

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- Adjusted EBITDA would have exceeded \$900 million, excluding anticipated synergies, compared to \$600 million for The Stars Group in 2017.

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- We also expect that the new Stars Group will continue to maintain strong cash generation from operations and earnings to cash conversion. In 2017 and 2016, we were able to make total payments of \$840 million for debt repayment, interest and deferred consideration using cash generated from



operations and proceeds from the sale of legacy investments. Continued strong earnings to cash conversion is very important going forward.

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In terms of product mix, poker would have been 37% of revenue on a combined basis, compared to the 67% we reported in 2017. Sports betting would have been 34% of revenue, and casino about 26%. As you can see, a very balanced mix of business, fortified by the addition of strong new brands.

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Sports betting is both the world's largest and fastest growing online gaming segment, and our BetStars brand is an emerging player in numerous global markets. With the acquisition of SBG and our Australian transactions, we will cement our position in sports betting in the United Kingdom and Australia, the world's two largest licensed online gaming markets.

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The quality of our earnings and our risk profile are much stronger. That's because regulated and locally taxed markets would have accounted for 75% of our revenue on a combined basis, compared to the 56% we reported in the first quarter of this year. This gives us much greater revenue stability, visibility and predictability.

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The combined company will continue to be a technology leader. Like The Stars Group, SBG is fully digital and recognized for innovative technology. Their particular strength is in mobile play, the fastest-growing segment of the UK online gaming market. Together, we will have a strong and robust technology stack.

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And the combined company will have a truly global footprint with nearly 4,000 employees around the world committed to providing the best customer experiences. That's compared to 2,100 staff at the end of 2017.





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We believe the most compelling benefit of our acquisitions is revenue potential. Our expectation is that organic growth will be fuelled by our massive scale, a stronger brand portfolio, a larger and broader customer base, our global footprint, and momentum in all three of our verticals.

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In the UK, we will be the leading sportsbook and online gaming operator as measured by number of customers. Over the past three years, SBG has doubled their UK market share by offering best-in-class mobile products, a focus on recreational bettors and safer gambling, and leveraging its relationship with Sky, Europe's leading media company, sports rights owner, and pay-TV broadcaster. SBG's customer base is young, tech-savvy and very loyal.

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We will support SBG's continued growth in the UK and build our sportsbook position in major European markets. The two most exciting opportunities are in Germany and Italy where SBG has relationships with the national Sky subsidiaries and where The Stars Group has large existing customer bases and operating experience.

With our increased scale, expanded product portfolio and strong customer focus, we are also well-positioned to take advantage of emerging opportunities in Europe and in the United States, if and when the regulatory environment becomes favourable.

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With SBG in the fold, we will be one of the only operators capable of leveraging two low-cost customer acquisition channels – poker and sportsbook.

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We will look to cross-sell customers between these two verticals, and into our high-yielding casino offerings.



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In the meantime, we have begun to integrate the two companies acquired in Australia. Led by an experienced management team, our Australian subsidiary will operate on a stand-alone basis in a market with its own dynamics.

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We also remain very focused on nurturing the organic growth that is driving the outstanding performance in our existing poker, casino and sportsbook businesses.

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Poker remains both our foundation and our primary acquisition channel. As indicated by our first quarter results, the beginning of 2018 was very strong, with 12% poker revenue growth year over year.

We continue to improve the poker ecosystem through game innovation and compelling promotions for the benefit of existing customers and to attract new players to the game. We are excited at the prospect of adding Portugal in the shared player liquidity pool in Southern Europe, which includes France and Spain since early in the year.

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In casino, we continue to enhance the customer experience, notably by expanding our game selection, rolling out our new mobile applications and promotional tools into more markets, and upgrading our web platform. We have introduced over 200 new games in the last twelve months, and will accelerate the introduction of more in-house titles.

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In sportsbook, our BetStars brand reached several milestones in the first quarter. It recorded its first million-bet week, its first \$20 million turnover week, and its first week hosting more than 100,000 unique players.



We are investing in marketing and promotion in our largest markets in anticipation of the 2018 FIFA World Cup, the first time BetStars will benefit from this highly popular betting event. And we just launched the Stars 100-million-pound Challenge. If awarded, it will be one of the largest prizes in global sports betting history.

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We are very proud of our achievements over the past two years. We have built an exceptional foundation for growth and value creation through organic growth, making it possible for us to accelerate our strategy.

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Our acquisitions extend our leadership positions in online gaming and position the Stars Group for continued growth in the years to come.

- We are maintaining our global leadership in online poker.
- We have one of the largest and fastest-growing online casinos.
- We will soon own the largest and fastest-growing established online sportsbook in the UK, the world's largest online gaming market.
- We are a leading sportsbook in Australia, the world's second-largest online gaming market, and
- We will soon be the world's largest publicly listed online gaming operator.

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These leadership positions are merely the first goal in a greater game to come. The Stars Group will possess massive scale. That scale will afford us not only new opportunities for revenue growth, but also the ability to realize our vision of becoming the world's favourite iGaming destination.

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Our remarkable performance is the result of the tireless efforts of our employees. Their belief in our vision and perseverance have driven our success, and their dedication gives me great confidence going forward. I also wish to thank my



management team, our Board of Directors and our shareholders for their continued support.

Looking ahead, I see a bright future for The Stars Group – for employees, customers and shareholders.

Thank you and I will now pass it back to our Chairman for a question period with shareholders.