

# Amaya Inc. Q2 2016 Quarterly Earnings Conference Call August 12, 2016 8:30 a.m. ET

## **Operator:**

Good morning ladies and gentlemen, and thank you for standing by. At this time, all participants are in a listen-only mode. Following Management's commentary, we will conduct a question-and-answer session. Instructions will be provided at that time for financial research analysts that are covering the Company to queue for questions. If anyone has difficulties hearing the conference, please press star followed by the zero for Operator assistance at any time. As a reminder, this conference is being recorded today, Friday, August 12, 2016. Replay details are included in Amaya's earnings press release issued earlier this morning.

I will now turn the call over to Tim Foran, Amaya's Director of Investor Relations.

## **Tim Foran:**

Thank you, Operator. Welcome to Amaya's Second Quarter 2016 Conference Call. This morning, Amaya issued an earnings press release and filed its unaudited interim consolidated financial statements in MD&A on EDGAR and SEDAR. These documents and webcast presentation will also be available on Amaya's website at amaya.com.

Before we begin, Amaya would like to remind listeners that portions of today's discussion contain forward-looking statements under applicable securities laws that reflect Management's current views with respect to future events, such as Amaya's outlook for future performance. Any such statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those projected in these forward-looking statements. Undue reliance should not be placed on such statements.

Factors that could cause actual results or events to differ materially are set forth in the documents Amaya has filed or furnished with applicable securities regulatory authorities or otherwise made publicly available, including without limitation today's earnings press release, Amaya's Q2 MD&A, and its most recently Annual Information Form. Except as required by law, Amaya undertakes no obligation to update any forward-looking statements as a result of new information or future events.

This call will reference non-IFRS and non-US GAAP financial measures. Reconciliations to the nearest IFRS measures are included in today's earnings press release, Amaya's Q2 MD&A, and its earnings presentation, which will all be available on Amaya's website. Unless otherwise noted, all currency figures presented on this call are in US dollars.

Please note a copy of our accompanying presentation is also available through the webcast link provided in today's earnings press release.

I will now turn the call over to Rafi Ashkenazi, Amaya's Chief Executive Officer.

## **Rafi Ashkenazi:**

Thank you, Tim. Good morning ladies and gentlemen and thank you for participating on today's call. I'm joined on the call today by Daniel Sebag, our Chief Financial Officer.

As mentioned on our first quarter call, we continue to focus on our four strategic priorities; ensuring operational excellence by improving efficiency and effectiveness; growing online poker and our leadership position; becoming a leader in online Casino; and building a competitive online Sportsbook. With that, I am

pleased with our second quarter performance and with the continued focus on strong execution of our operations and Management Teams.

The successful execution of our strategies so far this year is fueling positive trends in our core poker business and continued growth in our newer product offerings, Casino and Sportsbook. Q2 saw strong year-over-year increases in revenue, Adjusted EBITDA, adjusted net earnings per share, and our key customer metrics as we continue to attract new customers and retain them longer. In particular, Q2 revenue increased 10% to \$286 million or an increase of 14% on a constant currency basis, and our Adjusted EBITDA increased 16% to \$130 million.

As for our key metrics, our quarterly active uniques were over 2.4 million, an increase of 3% year-over-year. Approximately 2.3 million quarterly active uniques played poker in the quarter, in line with Q2 2015. Approximately 438,000 quarterly active uniques played Casino and 232,000 made a bet on sports, with both verticals experiencing strong year-over-year growth. Our quarterly net yield, which represents our Real Money gaming revenue per quarterly active unique, increased 7.5% year-over-year to \$117, driven by strong growth in Casino and Sportsbook yields, while poker yields were stable. On a constant currency basis, total quarterly net yield was \$122, representing an increase of 12% year-over-year.

Poker performance in Q2 gained strength as we benefited from the initial positive impact of our strategy to focus on improving our recreational players experience and thereby increasing net deposits onto our platform. The second quarter was highlighted by a record-breaking Spring Championship of Online Poker, which we call SCOOP. This year's SCOOP generated the largest prize pool in tournament's history with more than \$91 million awarded, an increase of 19% over the previous year, resulting in 25% increase in rake during the series. The positive poker performance has been driven by changes to the poker loyalty program, including reducing incentives for high volume play, the introduction of new and improved promotions, an increased focus on CRM and customer life cycle (phon) campaigns, and rake changes equating to an effective 4% increase in overall pricing, though maintaining the overall lowest pricing among competitors.

Despite this positive momentum, we were still impacted by decreased poker revenue on Full Tilt, cannibalization from Casino, continued FX headwinds, and the 2016 Euros, which is the largest European-wide soccer tournament and occurs every four years. The changes to our poker loyalty program on Poker Stars are having the intended effect on our poker ecosystem as we reduced incentives for high volume players and enhanced the experience for new and recreational players. So far, there has been virtually no negative revenue impact from high volume players as a result of the changes, and we are seeing the desired shifts in customer behavior that creates more positive poker economy. As a result, the bankrolls of new and recreational players are lasting longer, which we believe will lead to increased retention, greater engagement with our site across all verticals, and more frequent deposits, improving our lifetime value from these customers.

We continue to focus on introducing new poker products, and in the second quarter launched Knockout Poker, our bounty tournament variant, which has performed very well. In the quarter, we ran one of our most successful promotions to date called Card Hunt, a game within the game which was very popular with experienced and recreational players. As a result, in the third quarter we will be launching a permanent product feature inspired by Card Hunt. We will continue to introduce innovative new features on an ongoing basis.

In the second quarter, tournament continued to comprise the majority of our poker revenue, with that percentage increasing year-over-year as some customers shifted away from cash (inaudible) tables and spent more time in bankroll on single and multi-table tournaments. While we continued to focus on improving our core poker business, we are successfully diversifying our revenue streams through Casino and Sportsbook, which accounted for a combined 21% of our total revenue in the second quarter compared to 12% a year ago. We continue to make product improvements in both offerings.

Casino revenues grew from a combination of an increase in uniques and higher per-player yield. Yield improvement is partially due to the improved slot offering over the past year. The number of uniques playing Casino increased 23% year-over-year driven by organic growth from an increase of cross-sell to eligible poker players. Sequentially, Casino uniques declined in line with the decrease in poker uniques and in line with expected seasonality for the verticals. We are planning to continue improving the Casino offering by adding more Tier 1 gaming content, including progressive jackpots and improving the quality of our mobile games offering, launching the standalone Casino and mobile app by the end of Q3, and developing a VIP program for Casino players.

In the second quarter, we focused our development efforts on the Poker Stars Vegas Casino tab. Casino revenues did not grow sequentially as a result of seasonality, limited slot product roll-out, and a focus on development efforts on the new Poker Stars Vegas tab. In July, we launched a Vegas tab which included some of the most popular slot games from Tier 1 provider, Playtech. We have only begun rolling out the Playtech slots, with 12 currently on the site and a library of hundreds more for us to choose from.

During the second quarter, Sportsbook revenue sequentially increased over 25% and Sportsbook uniques increased 38%. The growth was driven by an increase in cross-sell and geographic expansion. The offering was available to about half of our poker players in Q2 and at the end of the quarter was available to just under 55% of players, similar to Casino. New jurisdictions, including beta launches in Italy as well as France in the latter part of the quarter.

During the second quarter, we expanded TV marketing of our BetStars brand. Going forward, we intend to take a measured approach at marketing the BetStars brand while we work on improving the competitiveness of the offering. We also recently announced our first betting partnership with Premier League Champions, Leicester City for the upcoming season.

Earlier this week, we appointed Zeno Ossko as Managing Director of BetStars. Zeno, who was most recently CEO of mybet will start in mid-September, bringing a decade of Sportsbook and online gaming experience. We are excited to welcome him to the Team. For the remainder of 2016, our focus will be continuing to improve our Sportsbook offering in terms of functionality and overall user experience, specifically on mobile.

As part of our 2016 strategy relating to operational excellence, we have undertaken a review of our expense structure and identified areas for improvement that we believe will enhance shareholder value. During the quarter, certain office locations and departments, including in London, Sydney and Dublin, have undergone restructuring to reduce costs and increase efficiency and focus, some of which are related to the Full Tilt migration. Where possible, we expect to reassign staff within the organization and we don't anticipate a significant debt reduction in headcount. While there will be temporary restructuring costs, any resulting savings from an overall reduction in cost will allow us to invest in product and marketing with the aim of improving our R&D and competitiveness and growing our top line revenue in future years.

In summary, our performance in the second quarter demonstrated the continued successful execution of our strategy to focus on the recreational poker player experience and maintain our industry leadership position while expanding our Casino and Sportsbook offerings.

I will now turn the call over to Danny to provide further details on our Q2 financial performance.

**Daniel Sebag:**

Thanks Rafi. As a reminder, in the first quarter we changed our presentation currency from Canadian dollars to US dollars; as such, all figures presented are in US dollars unless otherwise noted.

Our Q2 2016 revenues increased 10% to \$286 million versus Q2 2015. We had strong growth in Casino and Sportsbook revenue, and we are pleased with our performance in poker, which was flat year-over-year compared to an 11% decline in the first quarter. This quarter, poker revenues comprised approximately 75% of total revenues and Casino and Sportsbook combined revenues comprised 21% as compared to approximately 83% and 12% respectively in Q2 2015.

Our poker revenues were flat in Q2 2016 at \$216 million, continuing the positive trends we've observed this year. We experienced an increase in revenue from the previously announced changes to our loyalty program, rake increase, and a record-breaking SCOOP tournament; however, this increase was offset by a decline in activity on the Full Tilt platform, cannibalization from our Real Money online Casino product, and the impact of the 2016 Euro Soccer Tournament.

Our Casino and Sportsbook revenues increased significantly in Q2 2016 to \$60 million, with Casino representing approximately 90% of total revenue. Revenue growth was primarily the result of the continued roll-out of the Casino product under the Poker Stars brand, including the addition of third party slots and the expansion of the Sportsbook product, including the addition of new sports and geographies.

During the first half of 2016, on a year-over-year basis total revenues increased 8% to \$575 million, of which poker revenue was \$432 million and Casino and Sportsbook combined revenues were \$120 million. The factors affecting revenue in the first half of 2016 are largely the same as those affecting it in Q2 2016. On a geographic basis, revenues for the first half of 2016 were split approximately as follows: 63% from 28 countries in the European Union, 17% from the rest of Europe, 13% from the Americas, and 7% from the rest of the world.

Our second quarter Adjusted EBITDA of \$130 million was an increase of approximately 16% versus the prior year. Adjusted EBITDA during the quarter added back \$13 million in unrealized losses from our investments in Nick's (phon) and a \$7 million impairment taken on our investment in Nova Gaming Group, and the discontinuation of the Poker Stars dual poker product.

There were approximately \$20 million in other adjustments, including \$7.2 million in costs related to the termination of employment agreements, \$5.3 million of professional fees accrued by the Company and the Special Committee of the Board of Directors, a majority of which are in connection with the strategic alternatives process and the AMF investigation, \$4.5 million of certain lobbying and legal expenses. Adjusted EBITDA in Q2 2016 benefited from the expansion of online Casino and reduced processor costs and marketing spend on our Full Tilt brand, which was partially offset by increased expenses, notably new gaming duties. Casino once again provided strong contribution as we did not engage in external marketing but instead continued to focus on cross-sell. Profits from the Casino vertical will continue to help support our investment in Sportsbook. For the first half of 2016, Adjusted EBITDA grew 12% to \$253 million versus the prior year.

Our second quarter adjusted net earnings grew 25% to \$89 million versus the prior year, reflecting the increase in Adjusted EBITDA and a reduction of interest expense. Adjusted net earnings per diluted share was \$0.46 in Q2 2016 versus \$0.36 in Q2 2015. For the first half of 2016, adjusted net earnings per diluted share was \$0.92 versus \$0.70 for the same period in 2015. In Q2 2016, we generated approximately \$70 million in operating cash flow or \$107 million excluding the movement in customer deposits. That compares to \$77 million in Q2 2015 or \$107 million excluding discontinued operations and movements in customer deposits. As mentioned before, while our working capital fluctuates, our needs are minimal over the course of the year.

While our operating business generates deposits from players from around the world, primarily in Europe, gameplay is predominantly in US dollars; therefore, our business is impacted by fluctuations in global currencies against the US dollar.

In Q2 2016, the purchasing power of our customer base continued to decline. Based on a weighted average of customer deposits, we estimate the value of our customers' local currencies declined 3.6% against the US dollar on a year-over-year basis. Due to the impact of currency fluctuations on our business, we provide a constant currency comparison to show how the underlying business performed, excluding the impact of foreign currency rate fluctuations. On a constant currency basis, our Q2 2016 total revenue increased 15% versus the comparable prior year period. Our Q2 2016 Real Money online poker revenue increased 5% versus the comparable prior year period.

Our first half 2016 total revenue increased 15% versus the comparable prior year period. Our first half 2016 Real Money online poker revenue increased 1% versus the comparable prior year period. We estimate that in July, we generated \$85 million of revenue, representing an increase of 2% over July 2015. On a constant currency basis, total revenue increased 6%. Real Money online poker revenue was \$61 million, a decrease of 8% year-over-year, which was in line with our expectations. On a constant currency basis, poker revenue decreased 3%. Real Money online Casino and Sportsbook revenue was \$21 million, representing an increase of 58% year-over-year. Our July results were impacted by external factors, including the Euro soccer tournament as it typically carries a hangover effect for several weeks after completion and requires adjustments to the promotional calendar. We were further impacted by currency fluctuations and cessation of operations in a few small markets.

I will now turn the call back over to Rafi.

**Rafi Ashkenazi:**

Thank you, Danny. As you can see from our Q2 results, we are executing our strategy effectively, capitalizing on growth opportunities, and identifying efficiencies to expand the business and enhance shareholder value. I am very pleased with the momentum in our core poker business, where despite some continued headwinds, as Danny noted, we have begun reversing certain negative trends we have faced over the past several quarters. We are also continuing our efforts to promote online gaming regulation in markets where we have little to no business. This includes the United States, where we have seen positive momentum in 2016 towards regulation in several large states.

Poker Stars New Jersey, which launched in March 2016, continues to be the leading poker site in the state. In Q2, Poker Stars NJ helped the market grow by 25% over the previous year and held approximately 44% of the Real Money online poker market, despite limited marketing. In addition to growing the overall market, we are demonstrating the synergies of combining online and live events. We have just finalized an agreements with Resorts Casino Hotel, our partner in New Jersey, to host a Poker Stars-branded live poker tournament at resorts in late October, and fans will be able to qualify to win main event seats and poker tourism packages by playing in special promotion online tournaments at [PokerStarsNJ.com](http://PokerStarsNJ.com).

We continue to execute on our 2016 strategy and through focused expense management and product improvement and diversification, we delivered second quarter results that partially offset seasonal headwinds and continued currency challenges, demonstrating the strength of our business.

As we announced earlier today, I have been appointed CEO of Amaya on a permanent basis. I would personally like to thank David Baazov for the contribution that he has made over the years to transform Amaya into the successful company that it is today. I am confident that I can continue to build on that success with the support of Amaya's strong Management Team and Board of Directors. As always, I am very proud of our staff around the world who have remained focused on our customers and delivering high quality customer service, a superior gaming experience, and continue to deliver on our strategy each and every day.

Before we open the lines for questions, note that since our Q1 call there have been no material updates in the Kentucky proceedings, and at the direction of the Special Committee of the Board of Directors, we will

not be addressing any questions relating to our ongoing strategic alternatives process, the AMF investigation, or related matters. As noted in today's earnings release, the Special Committee continues to focus on the strategic alternative process with a committed view towards maximizing shareholder value.

With that, Operator, we are now ready to take questions.

**Operator:**

Thank you. The floor is now open for questions. If you would like to ask a question, please press star, one on your telephone keypad at this time. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. Once again, that is star, one to register your questions at this time. One moment please while we poll for questions.

Our first question is coming from Chad Beynon of Macquarie. Please proceed with your question.

**John Cardoso, Macquarie:**

Good morning, guys. This is actually John on for Chad. Thanks for taking my questions. Rafi, could you help us think about what was implemented and recognized in the quarter regarding the lower cost of running the business, and were there major fixed cost changes after the quarter?

**Rafi Ashkenazi:**

Sorry, the broader cost of running the business, and?

**John Cardoso, Macquarie:**

I'm sorry. Can you help us understand whether any of these lower costs were implemented in this quarter, and if there are any fixed cost changes after the quarter?

**Rafi Ashkenazi:**

So the changes that we implemented during this quarter are changes that will impact the next quarter and on an ongoing basis. The changes are strategic changes, essentially restructuring the Company and will have an ongoing effect.

**John Cardoso, Macquarie:**

Okay, great. Thanks. I have a follow-up, if I may. Can you talk about the impact, both on the top line and the bottom line, for the quarter from the rake increase? Thanks.

**Rafi Ashkenazi:**

Yes, rake increase had an impact of approximately 4% on revenues.

**Daniel Sebag:**

Some of the rake increase flows to the bottom line and some of it just gets reinvested in R&D, marketing, etc.

**John Cardoso, Macquarie:**

Okay, great. Thanks guys, and congratulations on the quarter, and Rafi on your appointment.

**Rafi Ashkenazi:**

Thank you.

**Operator:**

Thank you. Our next question is coming from Maher Yaghi of Desjardins Capital Markets. Please proceed with your questions.

**Maher Yaghi, Desjardins:**

Thanks for taking my question. Good morning, guys. I wanted to just ask you regarding the Casino. So you mentioned the Euro games would have impacted July results. Can you tell us what in your view was the impact in the second quarter, if you are able to quantify it?

**Rafi Ashkenazi:**

So your question is in relation to Casino specifically on the second quarter?

**Maher Yaghi, Desjardins:**

No, no, just in general because you mentioned in your presentation that July results were kind of impacted by the Euro Cup ending in that period, and I wanted to know if there was any impact in your view on the second quarter.

**Rafi Ashkenazi:**

So the July impact that we had was on the back, as I mentioned, of the hangover of the Euro--of the Euro Cup. We also had challenges in terms of--or headwinds in terms of FX. We closed a few small markets also at the end of the second quarter. But nonetheless, we do see a positive trend starting in August and we're basically bouncing back.

For the second quarter, what we have versus the first quarter, obviously the VIP changes that were implemented at the beginning of the year and impacted very positively on our overall profit performance. I think I mentioned on the previous call that we see poker progressing on a month-by-month basis, and this progress went throughout the second quarter. At the end of the first quarter, we also increased the rake which had a very positive impact on the second quarter results for poker. I'm very happy, because that's the first time in a while where we have poker revenues, just poker revenues on a quarterly basis essentially flat year-over-year.

**Maher Yaghi, Desjardins:**

Right, right, and so when you look at the impact on Q2 from the Euro or for July, it's mainly, as you say, impacting Casino games, not poker?

**Rafi Ashkenazi:**

No, the impact from the Euro has an overall effect. I mean, from a sports betting perspective, it's obviously very positive. We increased our sports betting revenues. We created--we increased our cross-sell during

the Euros and we're actually now in a new base, in a new baseline which is higher than the baseline that we had previously to the Euros. That's from the sports betting perspective.

From the poker and from the Casino perspective, apart from the seasonality that you have usually in July, the hangover from the Euros is impacting the number of uniques that you have on the site, and as a consequence obviously you have a drop in poker revenues. The drop, general drop in uniques on the site also has an impact on Casino, since Casino is a cross-sell product. I hope this answers the question.

**Maher Yaghi, Desjardins:**

Okay, I see. No, no, it's starting to become clearer here. So when I look at your active uniques on Casino in the quarter of 0.44, which was down from the first quarter, you put most of the blame there on the Euro?

**Rafi Ashkenazi:**

Yes, the blame is on seasonality first of all before everything, and then the hangover from the Euros.

**Maher Yaghi, Desjardins:**

Okay, okay, because last year in the second quarter, active uniques in Casino was going up a lot versus Q1 from the chart I'm looking.

**Rafi Ashkenazi:**

Sorry, can you please repeat your question?

**Maher Yaghi, Desjardins:**

Right, I mean, the seasonality in the Casino business in Q2 versus Q1 last year, in Q2 active uniques increased significantly sequentially from Q1 to Q2, yet they decreased in Q1 to Q2 this year, so I am trying to understand what's behind this change.

**Rafi Ashkenazi:**

Okay, I think I got it. So generally, I mean, you see Casino pretty much flat Q1 over Q2, but there are a few positive indications when you look at the Casino, the Casino business. First of all you have ARPU in Q2 better than the ARPU in Q1. We have the GGR numbers actually for Casino in Q2 were better than Q1, and the overall bets in Casino were also higher than Q1. So what we did—I mean, some of the differences that we had were the fact that we are flat, approximately flat quarter-over-quarter is on the back of a higher level of CRM and promotional activities that we have done in Q2.

**Maher Yaghi, Desjardins:**

Okay, so you expect that to bounce back in Q3?

**Rafi Ashkenazi:**

Yes, we expect to bounce back in Q3 and more so in Q4.

**Maher Yaghi, Desjardins:**

Okay, okay. Perfect. Just wanted to ask you, related to your—maybe this is a question for Danny. The cash from operations, I am getting somewhere around \$70 million in the quarter versus \$80 million last



year. When you look at the operating cash flows, when should we expect to see the momentum becoming more positive, given the growth that you're seeing right now on--let's say when I look at the EBITDA showing growth improvements, when is that going to show in operational cash flows, maybe?

**Daniel Sebag:**

I think it actually does. Actually, one of the things you should notice, which we mentioned in Q1, is that one of the things that was skewing how cash flows are viewed is really the withdrawals of cash from customers, from customer accounts of high volume players. We talked about that in Q1. This quarter, what we've done on the cash flow statement, just to make that clear, is we've actually shown what those customer withdrawals are or what those customer deposit movements are during the quarter, and if you actually normalize for the customer deposit movements, the actual cash flow in Q2 of 2016 was higher than Q2 2015.

**Maher Yaghi, Desjardins:**

Okay, great. My last question, maybe looking at growth opportunities, Rafi, in terms of geographic--new geographic opportunities, can you maybe tell us what's in your view the biggest opportunity for additional--you know, seeing additional growth in the Company's business, which geography, which country you think is the next—to be the big contributor here?

**Rafi Ashkenazi:**

So I would say that from a poker perspective, the US would be the biggest opportunity for us. We are quite happy with the positive momentum which is going on in the US currently with some of the states, Pennsylvania, Michigan, New York, some positive developments also in California. That would be the biggest opportunity for us in the Company.

**Maher Yaghi, Desjardins:**

Do you think any movement on that legislation to happen before the end of 2016?

**Rafi Ashkenazi:**

It's very hard to predict whether there would be legislation before the end of the year, but again, we remain optimistic and we're doing our best to be there.

**Maher Yaghi, Desjardins:**

Okay, thank you.

**Operator:**

Thank you. Our next question is coming from Eyal Ofir of Dundee Capital Markets. Please proceed with your question. Eyal, your line is live.

**Suthan Sukumar, Dundee:**

Good morning, guys. This is actually Suthan filling in for Eyal. A couple of questions on our side here. First one is how does your recent hire on the Sportsbook side influence the strategy on the product going forward?

**Rafi Ashkenazi:**

So we are very pleased to have Zeno on board. Zeno is a very seasoned manager, a lot of experience with Sportsbook. I am pretty certain that he will come in and he will have a fresh view of our product and strategy, and we will make whatever adjustments that we need to make to our strategy specifically on Sportsbook. He will bring a lot of experience that will help us.

**Suthan Sukumar, Dundee:**

Okay, great. That sounds good. How has the overall liquidity looked following the migration of Full Tilt onto the Poker Stars network?

**Rafi Ashkenazi:**

The liquidity looks good. I mean, we've migrated the vast majority of the player funds from Full Tilt to Poker Stars. Most of the players are continuing to play on Poker Stars and on the Full Tilt brand. It's boosted liquidity. What we see on the Full Tilt scheme is improving--improvement on pretty much every single KPI that we have compared to previously in terms of retention, in terms of lifetime value, basically in almost every KPI, so we're quite happy with this migration, and it's overall very positive for the business.

**Suthan Sukumar, Dundee:**

Okay, nice. Lastly, just given the recent restructuring and sort of cost optimization following the migration, what's kind of ballpark of or the scope of cost savings that you guys expect to realize?

**Rafi Ashkenazi:**

We have a plan and a budget for this year that we think that we are implementing, and so far the execution of this plan is going well. We have additional plans for Q3, more plans for Q4, and a few plans for 2017. So we have—what we are referring is operational excellence program that we're simply rolling out and will continue to roll out, I would say at least for the next three or four quarters.

**Suthan Sukumar, Dundee:**

Okay. Okay, great. That's it for me, guys. Thanks for taking my questions.

**Operator:**

Thank you. Our next question is coming from David McFadgen of Cormark Securities. Please proceed with your question.

**David McFadgen, Cormark:**

Hi, a couple of questions. So if I just talk about Sportsbook revenue for a second, I think you said that Sportsbook revenue increased sequentially by 25% from Q1 '16 to Q2 2016; so Danny, would the Sportsbook revenue in Q2 be about \$6 million, then?

**Daniel Sebag:**

Yes, it's \$6.6 million in Q2.

**David McFadgen, Cormark:**

Okay.

**Daniel Sebag:**

Q1 was around \$5 million, so that's the growth in Sportsbook. It represents about 2% of revenue, and it's still in investment mode, so that's sort of our expectation for the year.

**David McFadgen, Cormark:**

Okay. Is your win percentage on Sportsbook running around 8%? It would seem to be lower, but just wondering.

**Rafi Ashkenazi:**

It's a bit higher than that.

**David McFadgen, Cormark:**

Oh, so it's higher than that? Okay. Is your offset percentage running at about 100?

**Rafi Ashkenazi:**

No, it's not running on a hundred. Our offsets for Sportsbook is, at 10% to 20%, I would say.

**Daniel Sebag:**

Yes.

**David McFadgen, Cormark:**

Oh, okay. Sorry, okay. I was thinking of another metric.

**Rafi Ashkenazi:**

Yes, yes.

**David McFadgen, Cormark:**

Okay, and then if we can just talk about July revenue for a second, then. So it was nice to see that the poker revenue is flat in Q2, July it's down 8%, but it looks like some things have been pushed into August. You indicated that August was trending back up. Do you think August would be flat? I don't know if you can give any color about that.

**Rafi Ashkenazi:**

I can't give any color at this stage, but I can tell you that the revenues in--poker revenues in August have bounced back, and the impact that we had from the Euros is basically not there anymore.

**David McFadgen, Cormark:**

Okay, and then if I can just move on to the Rational Group deferred payment, are you still expecting to pay about US\$400 million in February 2017?

**Daniel Sebag:**

Yes, we are.

**David McFadgen, Cormark:**

Okay, so just looking at the balance sheet, it appears as though there is only about \$129 million set aside so far for that payment. Is that correct?

**Daniel Sebag:**

Right now there is a \$129 million. We have obviously \$60 million of cash set aside as well in operating cash. We have some liquidity in terms of investments, but more importantly for—at the end of the year, obviously we have more cash, but whatever we are lacking, we have more than one non-dilutive options that are available to us, and you know, market conditions dependent, we wouldn't have a long overhaul or overhang following the resolution of strategic process, which affects when we go to market as well.

**David McFadgen, Cormark:**

Okay. Do you think it's possible that you might raise equity to pay that?

**Daniel Sebag:**

No. As I said, we have several non-dilutive options available to us, and those are the ones we would pursue.

**David McFadgen, Cormark:**

Okay, all right. Then I know you talked about the Kentucky lawsuit, you said nothing has changed; but can you just remind us where that's at? I mean, have you started (inaudible)?

**Daniel Sebag:**

Yes, as we said the Notice of Appeal has been filed. So far to date, we basically have the Appeal bond that was posted. We have about \$40 million of cash collateral for the \$100 million bond, and about \$30 million in letters of credit, but that's where it stands right now. There is no other updates on Kentucky.

**David McFadgen, Cormark:**

Okay. All right, that's it for me. Thank you.

**Operator:**

Thank you. Once again, that is star, one to register any questions.

Our next question is coming from Ralph Garcea of Cantor Fitzgerald. Please proceed with your question.

**Ralph Garcea, Cantor:**

Yes, good morning gentlemen, and thanks for taking my questions. Just on some of the growth opportunities going into 2017, I mean, where does Portugal stand now, I guess both on the Sportsbook side and reopening on the poker front? Then with some of the other legislations passed in the Czech Republic, the Netherlands, etc., do you see those as incremental markets that could add to your poker growth?

**Rafi Ashkenazi:**

Yes, absolutely. I mean, Portugal, we're not operating in Portugal for quite a while now, so Portugal is definitely going to add to our opportunities, or growth opportunities that we have. Czech Republic will be operational under a regulatory regime from January 1, 2017, and we are planning obviously to be there, and the Netherlands is a great market. It's a market that we are really looking forward to operate under a licensing regime.

**Ralph Garcea, Cantor:**

Did you think you'll get something in Portugal in Q4, or will that also be Q1 of '17?

**Rafi Ashkenazi:**

We aim to launch in Portugal this quarter, in Q3.

**Ralph Garcea, Cantor:**

Okay, perfect.

**Rafi Ashkenazi:**

We've pretty much finalized everything on our end, and it's now in the homologation process, so we really hope that we will be able to operate already in this quarter. It will be operational initially at the closed liquidity market, but we are quite positive about open liquidity opportunities probably the beginning of next year.

**Ralph Garcea, Cantor:**

Okay. Then on the operational excellence, I mean, you've had these plans in place for a few quarters now. Did they change direction after Brexit on where you would make cuts and move offices, or are you proceeding as sort of planned from previous?

**Rafi Ashkenazi:**

Yes, I'm proceeding according to the plan. The Brexit had no impact on the operational excellence program. We are simply proceeding as planned.

**Ralph Garcea, Cantor:**

You don't see any impact, right, moving staff from one country to another as you move forward, right?

**Rafi Ashkenazi:**

Yes, of course the operational excellence program has to be rolled out in a measured way, and we are taking the steps in order to ensure that there is no impact on the business. So far it's going quite well, and I don't anticipate to see any large hurdles on the way, so so far so good. But nothing on the operational excellence program was triggered by the Brexit. Whatever we had before, it's still continuing as is today.

**Ralph Garcea, Cantor:**

Okay, and just lastly on the mobile side, whereabouts are you, sort of percentage of completion on the Casino side, and then the Sportsbook side where you can get to 100% of the offering that you want to have on each of those platforms for mobile?

**Rafi Ashkenazi:**

Sure. So Casino, we are also hoping to roll out Casino standalone mobile app this quarter in Q3. Currently it seems like we are on track, and we are going to roll it out. In terms of the Sportsbook mobile app, we already have a Sportsbook mobile app on all the stores. What we are planning to do, though, in sports betting is essentially revamping the app completely, and we are hoping that by the end of the year we'll have a Sportsbook 2.0 version of our Sportsbook offering on mobile. These are the plans that we have.

**Ralph Garcea:**

And that will be a full complement of sports right across the board?

**Rafi Ashkenazi:**

Yes.

**Ralph Garcea:**

Okay, thank you.

**Operator:**

Thank you. At this time, I would like to turn the floor back over to Management for any additional or closing comments.

**Rafi Ashkenazi:**

Okay, thank you. I would like to thank everyone for participating on today's call. We certainly appreciate your questions and your ongoing interest and support of Amaya. Thank you and good bye.

**Operator;**

Ladies and gentlemen, thank you for your participation. This concludes today's teleconference. You may disconnect your lines at this time and have a wonderful day.