

Amaya Inc. Q4 and FY 2016 Quarterly Earnings Conference Call

March 22, 2017 8:30 a.m. ET

Operator:

Good morning ladies and gentlemen, and thank you for standing by. Welcome to Amaya Inc.'s Fourth Quarter 2016 Earnings Call. 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 up for questions. If anyone has any difficulties hearing the conference, please press star, followed by zero for Operator assistance at any time. As a reminder, this conference is being recorded today, Wednesday, March 22, 2017. Replay details are included in Amaya's earnings press release issued earlier this morning.

I would now like to turn the conference call over to Tim Foran, Amaya's Director of Investor Relations. Thank you; you may begin.

Tim Foran:

Thank you operator. Welcome to Amaya's fourth quarter and full year 2016 conference call.

This morning, Amaya issued an earnings press release and filed its audited annual consolidated financial statements, MD&A, and annual information form on EDGAR and SEDAR, and its Form 40-F annual report on EDGAR. These documents and a webcast presentation will also be available on Amaya's website at www.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 Q4 and full year 2016 MD&A and its 2016 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-U.S. GAAP financial measures. Although Amaya 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 earnings press release, Amaya's Q4 and full year 2016 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.

Rafael 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.

Today we will review our fourth quarter and full year 2016 results, discuss recent developments and initiatives for continuing to build momentum for 2017 and outline our longer-term principal growth strategy for the future.

As for our accomplishments, in 2016 we

- Achieved record annual revenues
- Improved the poker business by focusing on the recreational player
- Created over 10 million winning moments per day for our customers
- Obtained a local online gaming license in Portugal where we have established a first-mover advantage and dominant market position
- Created a mainstream social marketing campaign called Raiset featuring Cristiano Ronaldo, Dwayne Wade and Neymar Jr. that generated great consumer buzz with over 158 million social media views
- Leveraged our powerful poker acquisition engine to become one of the largest online casino by active uniques with a basic offering, which proves the strength of our poker cross-sell efforts
- Continued to invest in sportsbook with the goal of building a second customer acquisition channel behind poker
- Invested in R&D resources to improve our innovation pipeline
- Realigned the organization through our Operational Excellence Program in an effort to ensure efficiency and the best use of our talent, and
- Repaid \$200 million of our deferred payment obligation

So far in 2017 we:

- Were granted the first online gaming license in the Czech Republic
- Launched Millionaire's Island, our first in-house developed progressive jackpot that has already produced two lucky millionaires
- Repaid an additional \$75 million of our deferred payment obligation and we anticipate full repayment by the end of the first half of 2017
- Repriced and restructured our first lien term loans, which we expect will save approximately \$15 million in annual interest expense and further improve our cash flow conversion, and
- Have had strong performance in January and February with revenue growth of 13% year over year and poker revenue up over 4% on the back of a very strong January

As for our financial results, Q4 revenues increased 6% to \$310 million, or an increase of 10% on a constant currency basis, our adjusted EBITDA increased 18% to \$148 million, and our Q4 2016 net earnings from continuing operations increased to \$45 million as compared to a \$15 million loss during the prior year period.

Our record high full year 2016 revenues increased 8% to \$1 billion \$156 million, or an increase of 12% on a constant currency basis, our adjusted EBITDA increased 14% to \$524 million, and our full year 2016 net earnings from continuing operations increased to \$136 million as compared to a \$20 million loss during the prior year.

As for our key customer metrics:

- We recorded approximately 2.6 million total quarterly active unique players on our platform in the fourth quarter, an increase of 8% year over year led by innovative customer acquisition initiatives.
 - Online poker remains very attractive for our business as we maintain significant competitive advantages through low player acquisition costs and the network effect of our sizeable

- player base. In Q4, approximately 2.5 million quarterly active uniques played poker, an increase of 5% year over year.
- We have been successful in marketing and cross selling casino and sportsbook to our poker players with about one-third of them already playing casino. In Q4 approximately 648,000 Quarterly Active Uniques played casino and 247,000 made a bet on sports, with both verticals experiencing strong year over year growth.
- Our Quarterly Net Yield, which represents our real money online gaming revenue-per-Quarterly Active Unique, increased approximately 1% year over year to \$114, driven primarily by growth in casino yield offsetting declines in poker yield attributable to:
 - \$6.8 million of one time revenue due to a frequent player points adjustment in Q4 2015
 - only one month of operations in Portugal in Q4 2016
 - players shifting some of their play to our new verticals
 - and the focus on acquiring new customers who tend to have a lower yield in their first quarter on the platform.

On a constant currency basis total Quarterly Net Yield was \$117, representing an increase of 3% year-over-year.

Poker revenue was down 2% in Q4 pro forma for the removal of the \$6.8 million of revenue mentioned above in Q4'15. Including the adjustment poker was down 5%. As we have discussed on prior earnings calls we have implemented a long term plan to improve the poker ecosystem with the goal of creating a more attractive gaming environment and an improved experience for recreational players. We expect this will enable the recreational player to play longer on our platform across verticals and have more winning moments, which we believe allows us to engage and retain our customers longer, increase net deposits as we have done in 2016, and improve their lifetime value. We are starting to see some of the effects already. The positive momentum in poker continues despite the impact of anticipated cannibalization from our other product offerings, decreased poker revenue on Full Tilt – which was merged into the PokerStars platform during the year – and the closing of certain small jurisdictions.

We have been encouraged by the fact that we are generating more poker revenue from newly-acquired users, who at the same time are also playing casino and sportsbook, and we believe we are capturing more of their overall gaming wallet.

While we continue to improve our core poker business, we are successfully diversifying our revenue streams through casino and sportsbook, which accounted for a combined 26% of our total revenue in the fourth quarter, compared to 17% a year ago.

Casino revenues grew as a result of an increase in uniques and higher per player yield, in-line with our strategy. Casino yield improvement is partially due to the improved slots offering over the past year. The number of uniques playing casino increased 47% year-over-year, driven by organic growth from expansion into new jurisdictions and an increase of cross-sell to eligible poker players. Our casino offering is now available to 70% of poker players.

Despite almost no external marketing and no dedicated VIP program, in 2016 we continued to improve our offering and became one of the largest online casino as measured by active uniques. As a reminder, almost all of our marketing efforts to-date are through direct cross-sell to our poker customers. Our aim continues to be to become one of the largest in terms of revenues among our public competitors.

As for sportsbook, during the fourth quarter, year-over-year growth was positively impacted by the opening of new jurisdictions in the first half of 2016, our ability to retain newly acquired players, and the launch and marketing of our BetStars brand. During the fourth quarter, we did not add any new jurisdictions and sportsbook was available to approximately 55% of our poker players. On a sequential basis, we saw growth in uniques and wagering, but revenues were offset by relatively low gross win margins due to customer friendly results in football in the latter half of the quarter, similar to results experienced by our competitors.

In summary, I am very proud that 2016 was a record year for revenue for the Company. Our operations performed very well and we achieved our primary objectives for the year across each vertical of our business. Q4 and full year 2016 saw strong year-over-year increases in revenue, adjusted EBITDA, net earnings from continuing operations, adjusted net earnings per share, and our key customer metrics as we continue to attract new customers and increase net deposits onto our platform. Our strong performance was achieved despite multiple headwinds including turnover in senior management, a lengthy strategic review process and continued currency declines against the US dollar.

I'd now like to tell you about our 2017 strategy and initiatives to continue to build upon our 2016 momentum. In 2017 we anticipate reinforcing the foundation for sustainable and diversified revenue growth by continuing to execute on our four strategic priorities:

- growing the poker category and our poker leadership position
- becoming a leader in online casino
- establishing a competitive online sportsbook
- and achieving operational excellence

Poker is the primary channel through which we acquire customers in an efficient and cost effective manner. In 2016 we attracted many new players and we believe those new players are having an improved experience, leading to more playing time, more deposits and increased revenue. In 2017 we are continuing to actively manage the ecosystem and grow the poker category by:

- improving the engagement of our customer base with the introduction of a new Loyalty Program
- maintaining a healthy ecosystem and a balanced offering
- accelerating product innovation
- continuing to effectively acquire customers and improve brand health
- investing in innovative marketing programs, such as Raiselt
- and exploring alternative and sustainable sources of growth.

In 2016 we became one of the largest online casino by active users. In 2017 we expect our casino growth to continue by:

- continuing to increase the quality of our offering and number of casino games
- increasing marketing investment in customer acquisition, including ramping up external marketing to attract casino-focused players
- improve our Platform and Marketing Tools capabilities
- maintaining the engagement of the existing casino players and continuing to cross sell to poker players
- and launching a dedicated VIP program

For sportsbook, in 2016 we continued to make improvements to close product gaps with our competitors, launched external marketing and expanded to multiple markets. In 2017 we will refine our plans and strategy by investing less on market expansion and more on product improvements and parity, especially on mobile, as well as delivering a localized experience to our customer base. We will also be focusing on cross sell capabilities and experience, monetization and profitable player acquisition while undertaking only measured marketing in the second half of the year as we continue to make these changes. We are beginning to see the improvements we have made in the product so far paying off as we are experiencing a higher degree of cross sell, active uniques and bets on a daily basis.

As our results demonstrate, our focus on operational excellence is ensuring that we have the right people, doing the right things at the right time. We reduced our cost base in 2016 while increasing revenue and maintaining a high level of customer service.

In 2017 we have and will continue our operational excellence program and focus on further optimizing our operations focusing on a higher level of efficiency, effectiveness and quality throughout the organization. We will continue to enhance and optimize our operations, with the resulting cost savings allowing us to

invest in R&D and marketing to grow our business and help offset increasing regulatory costs such as gaming duties.

Before I turn the call over to Danny I would like to briefly thank our shareholders and board of directors for their strong support throughout the year and for the Board's continued leadership and guidance. In particular, our Chairman Dave Gadhia has worked tirelessly to ensure our shareholders' interests are well served. Thank you Dave.

I will now turn the call over to Danny to provide further details on our Q4 and full year 2016 financial performance.

Daniel Sebag:

Thanks Rafi.

Our Q4 2016 revenues increased 6% to \$310 million versus Q4 2015. This quarter, poker revenues comprised approximately 70% of total revenues and casino and sportsbook combined revenues comprised 26%, as compared to approximately 78% and 17%, respectively, in Q4 2015.

Poker revenue was down 2% in the fourth quarter if you remove the impact of \$6.8 million of revenue due to a one time frequent player point adjustment in Q4'15. Including the adjustment poker was down 5%. Poker revenue was negatively impacted by: cannibalization from our real money online casino product, the \$6.8 million frequent player point adjustment in Q4 2015, a decline in the activity on Full Tilt, the cessation of operations in certain small jurisdictions and the devaluation of certain currencies. However, the overall decline was partially offset by the previously announced changes to our loyalty program, rake increases, the re-launch of Portugal in late November and the launch of PokerStars NJ.

Our casino and sportsbook combined revenues increased significantly in Q4 2016 to \$80 million, with casino representing approximately 91% of the revenues. Revenue growth was primarily the result of the continued rollout of the casino product under the PokerStars brand, including the addition of third-party slots, the addition of new geographies to both verticals and the expansion of the sportsbook product.

During the full year 2016 on a year over year basis total revenues increased 8% to \$1 billion \$156 million, which was a record year of revenues for the Company. Poker revenue was \$846 million and casino and sportsbook combined revenues were \$264 million. The factors affecting revenue in the full year of 2016 are largely the same as those affecting it in Q4 2016.

On a geographic basis, revenues for 2016 were split approximately as follows: 63% from the 28 countries in the European Union, 18% from the rest of Europe, 13% from the Americas, and 6% from the rest of the world.

Our Q4 2016 net earnings from continuing operations increased to \$45 million as compared to a \$15 million dollar loss during the prior year period. In the full year of 2016 our net earnings from continuing operations increased to \$136 million as compared to a \$20 million loss during the prior year.

Our fourth quarter diluted earnings from continuing operations per common share was 23 cents versus a loss of 11 cents the prior year. Our diluted earnings from continuing operations per common share for the full year 2016 was 70 cents versus a loss of 15 cents the prior year.

Our fourth quarter Adjusted EBITDA of \$148 million was an increase of approximately 18% versus the prior year.

Adjusted EBITDA during the quarter added back:

- a \$10 million impairment related to various intangibles and our stake in NYX
- \$5 million in unrealized losses from our investment in NYX
- \$4 million related to termination of employment agreements related to our Operational Excellence Program
- And \$2 million of stock based compensation

There were approximately \$10 million in other adjustments, including:

- \$5 million of professional fees incurred 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
- And \$4 million of certain lobbying and legal expenses

During the fourth quarter Adjusted EBITDA and net earnings from continuing operations benefited from the increase in revenues notably due to the expansion of online casino. Casino once again provided strong contribution as we engaged in very limited external marketing, but instead continued to focus on product expansion and cross-sell. Profits from the casino vertical will continue to help support our investment in sportsbook.

During the full year 2016, Adjusted EBITDA grew 14% to \$524 million versus the prior year.

Our full year 2016 Adjusted Net Earnings grew 26% to \$367 million versus the prior year, reflecting the increase in Adjusted EBITDA and the reduction of interest expense.

Adjusted Net Earnings per Diluted Share was 53 cents in Q4 2016 versus 42 cents in Q4 2015. For the full year of 2016 Adjusted Net Earnings per Diluted Share was 1 dollar and 88 cents versus 1 dollar and 47 cents for 2015.

In Q4 2016, we generated approximately \$148 million in operating cash flow, or \$143 million excluding the movement in customer deposits. That compares to \$103 million in Q4 2015, or \$97 million excluding discontinued operations and movements in customer deposits. Our operating cash flow increased primarily as a result of increased EBITDA.

We highlight operating cash flow net of movements in customer deposits because they not readily available to us and do not impact our operational cash. As we continue to make changes to our ecosystem to benefit our recreational players we anticipate that customer deposits will continue to fluctuate.

While our operating business generates deposits from players from around the world, primarily in Europe, poker gameplay is predominantly in US dollars. Therefore, our business is impacted by fluctuations in global currencies against the US dollar, particularly against the Euro which is the primary depositing currency of our customers. In Q4 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 customer's local currencies declined 3% against the US dollar on a year over year basis. During the full year 2016 we estimate the value of our customer's local currencies declined approximately 4% against the US dollar versus 2015.

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 Q4 2016 total revenue increased 10% versus the comparable prior year period.
- Our Q4 2016 real-money online poker revenue declined 1% versus the comparable prior year period.
- In the full year of 2016 total revenue increased 12% versus the comparable prior year period
- And, in the full year of 2016 real-money online poker revenue was flat versus the prior year

As it relates to regulation and the regulatory environment, we relaunched online poker and launched online casino in Portugal at the end of November 2016 and temporarily ceased operations in the Czech Republic for approximately six weeks at the beginning of this year between the time the online gaming law formally came into effect until we were issued our license and restarted operations in February. PokerStars was the first operator to be granted a live games license and we are currently operating poker and player versus player casino games.

As previously mentioned, in Australia we currently offer poker and continue to review the applicability of proposed legislation to player-vs-player games of skill. It still appears likely that if the legislation passes, we would block players from Australia.

In addition to full year 2017 guidance, as we are already approaching the end of March, we've decided to provide a trading update consisting of our expected preliminary, unaudited revenue figures for January and February.

Our expected revenues for January and February of 2017 are approximately \$215 million, a 13% year over year increase. We estimate our poker revenues were \$148 million, a 4% year over year increase and our casino and sportsbook revenues were \$59 million, a 51% year over year increase. This strong revenue growth was in part due to continued growth in our casino product, rake increases from the prior year that were not yet in effect in Q1 2016, stronger customer acquisition, increased net depositing activity and uplift from more marketing spend in Q4 2016 than in the prior year.

As it relates to our 2017 full year guidance, we currently expect:

- Revenue of \$1.2 to \$1.26 billion
- Adjusted EBITDA of \$560 to \$580 million
- Adjusted Net Earnings of \$400 to \$430 million; and
- Adjusted Net Earnings per Diluted Share of \$1.94 to \$2.13

The guidance assumes no material adverse regulatory events or foreign currency exchange rate fluctuations, a Euro to US dollar exchange rate of 1.06, the closure of Australia at the end of April, and the launch of our new cross vertical loyalty program in the third quarter.

From a capital markets perspective, as we recently announced, in early March we successfully closed on a repricing, retransching and amendment to our first lien term loans. We reduced the applicable interest margin on the first lien term loans by 50 basis points and removed the Euribor floor on the Euro tranche. We also shifted the currency mix and reduced our currency risk by increasing our Euro tranche by 100 million Euros and reducing the U.S. Dollar tranche by the same amount. Further, we obtained an amendment to waive our excess cash flow sweeps due in 2017 and 2018. As a result of this transaction we estimate that we will save \$15.4 million in interest expense over the next year. The successful completion of this transaction demonstrates the strength of our business and operations as well as the continued support of both our existing and new lenders.

The \$48 million excess cash flow sweep payment that would have been due at the end of this month will now be used to pay down our deferred payment obligation. We currently estimate that the remaining \$122.5 million will be fully repaid by the end of the first half of 2017 using cash on the balance sheet and cash flow from operations.

As you know, in January I informed the company of my intention to retire. I will stay on until my successor is appointed and will assist in an orderly transition of my duties. I have enjoyed my time at Amaya and would like to thank my team and all of the employees for their services over the years, it is truly a great place to work.

I will now turn the call back over to Rafi.

Rafael Ashkenazi:

Thank you Danny.

As you can see from our 2016 and year to date results and current expectations for 2017, we believe we have been executing our strategy effectively, capitalizing on growth opportunities and identifying efficiencies to streamline the business and enhance shareholder value. These factors should allow us to actively and strategically manage our future.

I'd like to take a moment to highlight some of the management initiatives underway as we invest in building a robust and expert management team at the corporate and operational levels of the Company.

With the recent appointment of Bo Wanghammer as managing director of casino operations, we have completed the restructuring of our operational management team and have strong executives across our product offerings. We also believe we have a deep bench of management talent driving the day-to-day operations and executing our growth strategies across the business.

As you know, with Danny's planned retirement we have launched a global search for a new Chief Financial Officer. In addition, we currently intend to add additional senior management in the coming months to bolster our corporate development and technology initiatives. We expect that this expanded team will help drive our long term strategic growth.

The Amaya you see today is quite different than the Amaya of 2015 and by the end of this year we expect to have opened a new chapter in our growth story. We can now devote more energy toward telling our story and sharing our vision more effectively. To that end, at this year's upcoming annual shareholders' meeting, we plan to seek shareholder approval to change our corporate name to better reflect the company we are today and the company we aim to be in the future. In support of this, we will also continue to focus on our industry and financial communications and deepen our relationships throughout the financial community.

We expect to deploy more resources toward investor relations and corporate communications to increase the visibility of our company and its leaders and to more effectively communicate our growth story.

As always, I am very proud of our staff around the world who have remained focused on our customers by delivering high quality customer service, a superior gaming experience and continue to deliver on our strategy each and every day. The operations of the company were largely unaffected by the headwinds we faced in 2016. This is a testament to our dedicated staff and management around the world who rose to the occasion and continued to deliver positive results for the company and our shareholders.

Before we open the line for questions, note that, since our Q3 call there have been no material updates in the Kentucky proceedings, and at the direction of the Board of Directors, we will not be addressing any questions relating to the AMF investigation, payments matter or related matters.

Danny and I are joined on the call today by Marlon Goldstein our Executive Vice President of Corporate Development and General Counsel for the question and answer portion. With that, operator, we are now ready to take questions.

Operator:

Thank you. We will now be conducting a question-and-answer session. In the interest of time, we ask that you please limit yourself to one question, one follow-up, and re-queue for any additional questions. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd 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. One moment please while we poll for questions.

Our first question comes from the line of Chad Beynon with Macquarie Group. Please proceed with your question.

Chad Beynon:

Hi. Good morning. Thanks for taking my questions and, Danny, congrats on your retirement announcement. Wanted to touch on your EBITDA guidance, and more focused on the margin. You guys talked about some of the new marketing efforts, that that will come into play in 2017. Then also your view on Australia and that that should come out at the end of April, and I think last quarter you said that could have a negative margin impact. So, just getting some questions on your margin guidance, if there's anything that we're missing, how you'll be able to keep margins as high as you're guiding. Is that mainly cross-sell or something else? A little bit more color there would be helpful. Thank you.

Daniel Sebag:

Yes. So what I'd say is over the course of—you're right there with a decline that that would've been attributable to Australia, which is correct. However, we do gain efficiencies as a result of the Operational Excellence program that was really designed to optimize our cost base during the year, and it definitely improved efficiency of operations. Additionally, we're focused on product improvement, so we really anticipate making investments in Sportsbook marketing more towards the second half of 2017, which, again, will keep the margin very, very strong and, incrementally, gaming duty is more or less going to stay in the same place as it has in 2016 as revenue is growing. So, overall, with the operating leverage in the business, we continue to sustain strong margins during the year.

Chad Beynon:

That's helpful. Then just on the seasonality of Poker, now that you've seen almost a year under the new recreational format and you're, I believe, you're still seeing some changes in the tournament versus cash, should we assume anything different in terms of the seasonality of Poker now that it's become more of a recreational game? That's all for me. Thanks.

Rafael Ashkenazi:

No. We're not expecting to see any changes to seasonality in Poker. We are—I mean, 2017, we're going to pull out from Australia very soon, as you know, as you mentioned, and this is an impact which we have analyzed and we do anticipate to have a slowdown due to pulling off of this market, but it's still very hard for us to anticipate what will be the full impact. But, generally, we don't see any change to the seasonality. What we hope to do in 2017 is to have a flat year-over-year in Poker revenues after pulling out from Australia.

Chad Beynon:

Okay. Great, very helpful. Thank you very much.

Operator:

Thank you. Our next question comes from the line of Kevin Wright with Canaccord Genuity. Please proceed with your question.

Kevin Wright:

Hey, guys. Thanks for taking my question. Last year in February, you guys had some goalposts for growth in the Casino segment. Can you guys—it sounds like you're talking stabilization or maybe even growth in Poker this year. I mean, is that the right way to think about Poker? Then, in terms of the Casino segment, are you setting any goalposts for that Casino/Sports segment this year as part of that guidance?

Rafael Ashkenazi:

Okay. We don't see—I mean, in terms of Poker, we are expecting to see, as I mentioned before, a flat year-over-year. That's what we're expecting to see in Poker. In terms of Casino, yes, we do see an increase in revenue coming from Casino and Sportsbook just by continuing our strategy, adding more content, focusing on VIP management, and those two verticals should grow for us in 2017.

Kevin Wright:

Okay. Then just one more question and then I'll pass the line. In terms of accelerating payments into the sellers of the Rational Group, you guys are making really nice progress there in your free cash flow. You guys have entered into an agreement to sell some of the shares that you have in Innova. Can we take that as any kind of willingness to sell other stakes that you hold in other investments, any shares that you hold in order to accelerate payments or deleveraging in 2017? I'll pass the line. Thanks.

Daniel Sebag:

What I'd say is as it relates to deleveraging objectives specifically, we don't need to sell these investments per se, but these remaining investments are really a result of our stakes in divested businesses that are non-core to our operations, so it'll be at our discretion when we see value being created.

Kevin Wright:

Okay. Thanks, guys.

Rafael Ashkenazi:

Just to complement your first question, in relation to sports betting, we believe that sports betting would be approximately 3% of the revenues in 2017. This is just to complement your first question.

Operator:

Thank you. Our next question comes from the line of Eyal Ofir with Eight Capital. Please proceed with your question.

Eyal Ofir:

Thanks. Thanks for taking my question, guys. Just wanted to clarify, I think you talked about the sports betting, you want to make additional investments in the product in the course of 2017 and, I think, in terms of marketing, it's probably more of a second half for both Casino and Sportsbook. What should we think about in terms of the initiatives you're taking, both in mobile and other investments in the Sportsbook category for 2017?

Rafael Ashkenazi:

Okay. So the main focus that we have for sports betting, as I mentioned, is product parity and focusing far more on localization. We are a truly global Company and our advantage compared to the industry is really being global, and we have this global reach. So we're going to invest in product parity and in localization. When it comes to the mobile, mobile is the most important platform for sports betting. We are developing the completely new mobile product which will be rolled out probably towards the end of H1, beginning of H2. That's what we have currently on the plan.

Eyal Ofir:

Okay. Great. Then in Casino, the active count has increased substantially sequentially. Obviously you've entered new markets there as well, but how should we think about that playing out in 2017? Are you going

to be adding more? Is it the same level of player acquisitions you're looking for or are you just trying to take more revenue from the players that you already have?

Rafael Ashkenazi:

So, first of all, we are trying to improve even more our cross-sell capabilities and we do hope to have more of our existing Poker players cross-sold into Casino. The main goal, though, for the year for Casino is really to attract more value for those players that we did cross-sold into Casino. So, I would say the core objective is to increase lifetime value of those players, and second one is to be able to increase the cross-sell capabilities that we have. We do have geographic expansion in 2017 as well, but very small.

Eyal Ofir:

Sorry. Say that again?

Rafael Ashkenazi:

I was saying that we do have plans to expand geographically in 2017 as well, but it's very small percentage points, yes.

Eyal Ofir:

Okay. Maybe before I pass the line, just a last question for you; outside of Australia and some of the items you've identified in your guidance, is there any other markets that you're kind of watching that could be either tailwinds or headwinds in the second half of 2017? Thanks, and I'll pass the line.

Rafael Ashkenazi:

We may need to pull out from Colombia or apply for a license there. It's something that we're still investigating. As you know, we have plans to go into India this year. This will be probably towards the second half of the year. I don't see anything major changing in 2017. There will be some movement, I believe; however, the impact on revenues will come only in 2018, so there'll be a lot of work—hopefully a lot of work in new regulated markets, maybe the Netherlands is one of them, maybe Germany, the shared liquidity environment between France, Italy, Spain, and Portugal, so there'll be a lot of work done in 2017 in preparation for 2018.

Eyal Ofir:

Okay. Great. Thanks. I'll pass the line.

Operator:

Thank you. Our next question comes from the line of David McFadgen with Cormark Securities. Please proceed with your question.

David McFadgen:

Yes. Danny, I was wondering if you could tell us the Sportsbook revenue in the fourth quarter.

Daniel Sebag:

Yes. That would be around \$7 million.

David McFadgen:

Seven million. Okay. Just following up on what Rafi said earlier, did you say that you expect sports betting revenue to be about 3% of revenue in 2017?

Daniel Sebag:

That's accurate.

David McFadgen:

Yes. Okay. So when you look at the quarterly net yield on your Casino product, you have very large uniques but the quarterly net yield looks low in terms of Casino, like, compared with other guys. What are you doing to try and get that to increase a fair bit?

Daniel Sebag:

Yes. I think the key is really adding Tier 1 content to the library. We still don't have a full offering and that's really going to be the predominant driver towards the yield. Also, again, our Loyalty program and the VIP program specific to Casino players is going to be a major catalyst to growing the yield as well.

David McFadgen:

That Loyalty program is expected to kick in, in Q3?

Rafael Ashkenazi:

Yes. The Loyalty program is—I mean, there are two programs there. There is the Loyalty program, which we are launching, which is essentially a program that is cross-vertical program, and we have the VIP program specifically that we are launching for the various different verticals. Both of them are expected to be around Q3, yes.

David McFadgen:

When do you expect to have the Tier 1 Casino product online?

Rafael Ashkenazi:

We do have Tier 1 Casino content already today. We are planning to add two more Tier 1s this year. What we've decided as a strategy is to essentially just increase the number of content that we have, the number of games that we have from our existing Tier 1 content and not add additional Tier 1 content this year. So we, in a sense, will add two more very soon within Q1 and Q2 and then just increase the content that we are getting from the existing Tier 1 providers.

David McFadgen:

Okay. All right. Thank you.

Operator:

Thank you. There are no further questions at this time. I would like to turn the call back over to Rafi for closing remarks.

Rafael Ashkenazi:

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

Operator:

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