



**The Stars Group Inc. FOX Bet Partnership Transcript**  
**May 9, 2019**

---

## **C O R P O R A T E   P A R T I C I P A N T S**

**Rafael (Rafi) Ashkenazi, *Chief Executive Officer***

**Eric Shanks, *FOX Sports CEO***

**Robin Chhabra, *Chief Corporate Development Officer***

**Marlon Goldstein, *Executive Vice-President, Chief Legal Officer and Secretary***

## **C O N F E R E N C E   C A L L   P A R T I C I P A N T S**

**Thomas Allen, *Morgan Stanley***

**Chad Beynon, *Macquarie Group, Ltd.***

**Joe Stauff, *Susquehanna Financial Group***

**Daria Fomina, *Goldman Sachs***

**Tim Casey, *BMO Capital Markets***

**Suthan Sukumar, *Eight Capital***



## **P R E S E N T A T I O N**

### **SLIDE 1: OPERATOR**

Good morning ladies and gentlemen and thank you for standing by.

At this time, all participants are in a listen-only mode. A question and answer session for analysts will follow the formal presentation.

As a reminder, this conference is being recorded today, Thursday, May 9, 2019.

Replay details are included in The Stars Group's earnings press release issued earlier this morning. I will now turn the call over to Vaughan Lewis, SVP Communications.

### **SLIDE 2: VAUGHAN LEWIS**

Thank you and good morning.

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. 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. Please refer to today's press release and the webcast presentation for more information.

Today's press release and presentation will both be available on our website.

I will now turn it over to our Chief Executive Officer Rafi Ashkenazi.



### **SLIDE 3 (RAFI)**

Good morning, and thanks for joining us, on what is an exciting day for The Stars Group. We believe this long-term strategic partnership with FOX uniquely positions us to build a leading betting and gaming business in the U.S. We're really excited to be working with a great team at FOX, who are the ideal partners for us and this significant market opportunity, and I'm delighted that Eric Shanks, the CEO of FOX Sports, is with us on the call today. I'm also delighted to announce the appointment of Robin Chhabra as the CEO of FOX Bet, our TSG US business, to lead our landmark national media partnership in the U.S. Robin Chhabra is also with us on the call today. Marlon Goldstein, our Chief Legal Officer also joins us on the call.

We believe the U.S. is the single most exciting long-term growth opportunity for the company, and the biggest new emerging market opportunity for the industry. We expect that our addressable market will reach around \$9 billion of net revenue by 2025, making it one of the largest online gambling markets globally over the coming years.

With this partnership, we believe that we are ideally positioned to excel in the U.S. market. Our partnership with FOX Sports gives us access to the iconic FOX brand, an extensive portfolio of premier sports rights and programming, an exceptional team of on-air talent and wide reach to nearly all U.S. households. These assets will allow us to capitalize on our proprietary technology and operating expertise developed over more than 15 years building Sky Bet into the UK's leading online betting brand.

The agreement provides significant strategic and economic alignment, with the ability to convert the long-term commercial partnership into up to a 50/50 joint venture partnership. FOX is deeply committed to the long-term success of the partnership and The Stars Group. As part of the agreement, FOX made a significant investment in The Stars Group of approximately \$236 million to acquire 4.99% of common stock, making FOX one of our largest and most strategically-aligned shareholders.



I'll now hand over to Eric Shanks, FOX Sports CEO, to provide an overview of FOX Sports and the strong assets it brings to the table.

#### **SLIDE 4 ERIC**

Thanks Rafi, and good morning everyone. It's an exciting day here at FOX Sports, as we start to work with The Stars Group to build great games and products to further deepen our relationship with our consumers. This will transform the way sports fans consume sports, media and gaming entertainment in America, providing a range of new ways to engage with the sports they love, including the ability to wager real-money on a wide range of sporting events in states where wagering is legal.

On slide 4, you can see a few highlights of just how powerful the FOX Sports brand is in the U.S.

We hold an extensive portfolio of premier sports rights in the United States, including the NFL and MLB, the two most-watched sports in America.

The FOX Broadcast Network is the leader in live sports viewing, available in 99% of all U.S. households.

And FOX Sports 1 is one of the leading cable sports networks available in over 80 million U.S. households, featuring more than 800 live sporting events annually.

Overall, FOX Sports' brand portfolio allows FOX to reach over 100 million viewers in a single weekend, providing a large platform for marketing and brand development.

Extending this brand into sports wagering provides us with a great opportunity to develop a deeper relationship with FOX Sports customers, extending the brand into desired demographics, and driving engagement and viewership. We know that many FOX Sports consumers already wager, and the partnership between FOX Sports and The Stars Group will enable high-quality, responsible wagering that is seamlessly integrated into the brand.



Building the leading wagering business in the U.S. is a long-term commitment for both of our respective businesses.

And our belief in the long-term growth plans is underpinned by our investment in new shares in The Stars Group, which was a critical part of the agreement for us. I will now hand the presentation back to Rafi to discuss the venture and The Stars Group's U.S. strategy further.

### **SLIDE 5 (RAFI)**

Moving on to slide 5, the partnership we announced this morning is a win-win agreement between The Stars Group and FOX.

We will invest in the FOX Bet brand, building awareness for this exciting new product, which is now part of the world-renowned FOX Sports family. We know from customer data and research that wagering drives viewers to the broadcast, enhances the enjoyment of watching live sports, drives viewers to the broadcast, and increases the engagement of consumers with the brand. We will also provide enriched content for broadcast, adding context around wagering opportunities, highlighting viewers' opinions on the games, and providing compelling content with fan-friendly games.

As the betting and gaming operator, we will receive major benefits from this relationship. The agreement gives us exclusive use of the FOX brand for sports wagering, giving us immediate access to an iconic brand that is embedded in U.S. sports culture. We also benefit from exclusive integrations into FOX Sports TV and digital programming and assets. The high brand awareness for this trusted brand provides us with an immediate advantage in customer acquisition. Further, having the FOX brand already engrained as part of the U.S. sporting culture should translate into FOX Bet being immediately viewed as a trusted and reliable wagering provider.

In short, we expect this to give us an exclusive, large and low-cost customer acquisition channel for sports wagering in the U.S., with a suite of digital and broadcast assets to help drive retention and lifetime value for our players. This partnership is mutually beneficial for FOX Sports, as FOX



will generate new revenues through our brand licence fee affiliate payments and advertising, and will also help to enhance the enjoyment of sports, driving viewership and boosting engagement with the brand.

This true win-win relationship is crucial to what we believe will be a very successful and value-enhancing partnership:

1. **First**, it is a long-term partnership, with a long-term vision to build a leading position in this exciting new industry.
2. **Second**, both parties are highly incentivised to succeed, with the potential for this to develop into a 50-50 joint venture.
3. **Third**, the operations and structure will leverage the full capabilities and assets of both The Stars Group and FOX Sports. We will use The Stars Group technology and infrastructure, our existing suite of U.S. products, and enhance these with new launches of our next generation product set, and over time, our Global Sportsbook and Trading Platform. These propositions will be deeply, and seamlessly, integrated within FOX Sports broadcasts and its digital sites.
4. **Last**, as part of the deal, FOX has required a strategic investment in The Stars Group common stock to reinforce its alignment and commitment to the partnership. Fox invested \$236 million in new primary shares in The Stars Group, and now holds 4.99% of our outstanding common shares. This significant investment not only makes FOX one of our most important strategic partners, but also one of our largest shareholders.

## **SLIDE 6 (RAFI)**

As highlighted on slide 6, the partnership is based on creating a winning ecosystem, leveraging the proven media partnership strategy that our Sky Bet business has executed in the U.K.

Advertising, wagering activity, and content, both TV and digital, represent the key pillars of this ecosystem.

Looking more specifically into each:



1. **First**, Advertising. Our FOX Bet brand will advertise within both broadcast and digital assets, creating an intention to wager, and driving engagement with the FOX Sports brand and its assets.
2. **Second**, wagering. We have a differentiated approach. We are about enhancing the enjoyment of sports and becoming part of the game, rather than being purely transactional.
3. **Third**, Sports Broadcasting and Digital content. Making wagering part of the sporting narrative is proven to enhance the enjoyment of sports broadcasts. It also creates a wider funnel for our offer.

A true virtuous circle. A model that enhances the Fox brand by extending it to provide high-quality, responsible sports wagering as part of the enjoyment of watching sports.

Through this ecosystem, we are confident in our ability to create a large and cost-efficient customer acquisition channel. The quality of our media integrations, the ongoing broadcast of sports, and proven network effects will also enhance our retention and drive lifetime value. Finally, cross-selling to poker and casino customers will further enhance the product set and enjoyment for our customers.

### **SLIDE 7 (RAFI)**

As mentioned during our recent investor day, our expansion into the U.S. will be driven by four key elements, as highlighted on slide 7:

1. **First**, Market Access. A license to operate in the market. We have secured access in up to 13 states via our deals with Eldorado, Resorts in New Jersey and Mount Airy in Pennsylvania, and are in advanced discussions to secure market access agreements in additional States. We are confident that we will ultimately have access to operate in all key states.
2. **Second**, Operations. More specifically, the operating skills that are crucial for building a leading gaming operation, and importantly a sportsbook business in co-operation with a media company. We have



some of the best sports wagering expertise in the world in our business already, through the Sky Bet business in the UK and the BetEasy business in Australia, and we have put together a highly talented team which combines this international sports wagering expertise with deep local U.S. knowledge.

3. **Third**, Technology. Our world-class proprietary technology provides us with a unique competitive advantage both from a customer-facing-product perspective and when dealing with multiple different regulatory frameworks, which is the environment the industry currently faces within the U.S.
4. **Fourth**, Product. Across The Stars Group, we have proven that a product-led company is needed to become a market leader. These product capabilities combined with FOX Sports' innovative sports programming and content capabilities will allow us to provide a differentiated experience for U.S. sports fans that will drive engagement and customer retention.
5. **Fifth**, Branding. The FOX Sports brand has become a leading, innovative and powerful brand in the U.S. market. The heritage of the brand, its standing within U.S. sports, and great team of media experts make this our ideal partner in the market.

I will now turn the presentation to Robin to discuss how he and his team will execute on our U.S. strategy.

### **SLIDE 8 (ROBIN)**

Thanks Rafi, and good morning. As Rafi said, this is a great day for The Stars Group, and I'd like to add my personal thanks to the teams at FOX and FOX Sports. We've been working hard on this for many months, and it's really exciting to be able to confirm the details, and I couldn't be more pleased with our partners at FOX.

Turning to slide 8, the strength of the FOX Sports brand that Eric outlined gives us an immediate advantage in the market, with brand awareness of nearly 80%. More importantly, the brand is embedded within mainstream sports in the U.S., and this heritage and link with sports means that consideration for use as a sports wagering provider is very high. Our



research suggests 27% of people across the U.S. would consider using a FOX branded wagering provider – this is over 50% higher than the largest Daily Fantasy Sports operators and far higher than any casino brand.

Consideration as a premier wagering provider is a key driver of customer acquisition and retention. Our analysis of the UK market shows that there is an almost perfect correlation between a wagering brand's consideration and its market share. This provides us with confidence that the FOX Sports brand will ultimately serve as an ideal springboard to build a market-leading position in the market.

### **SLIDE 9 (ROBIN)**

Turning to slide 9, What do we mean by creating a winning ecosystem between FOX Bet and FOX Sports?

We will work with FOX to create editorially relevant, engaging content within broadcasts that will make wagering and predictions part of the sporting narrative. We will also create relevant integrations into FOX Sports digital assets. Contextual integration ensures that this content is additive to the sports consumption experience.

For example, a sports fan reading a game preview for tonight's NBA games will see relevant NBA statistics, probabilities and wagering opportunities. We will work with FOX sports talent which will further increase brand consideration and trust, making FOX Bet a credible, and highly visible part of the sporting calendar. Use of Sports Media onscreen talent ensures brand equity from the Sports media brand to the betting brand is shared. Creating the best fan experience can only be achieved by teams from FOX Bet and FOX Sports working closely together on a day to day basis and we will have a dedicated team in Los Angeles to ensure this is the case.

We know how to make a great product, and we know how to promote. Not only to drive activity, but to drive network effects. For example, our suite of UK games is part of a powerful ecosystem that drives a large low-cost acquisition funnel and strong player retention. Unlike our competitors in the market, we are experts at utilizing media integration and tie-ins, and we



believe our team is unmatched at driving engagement using our product; as an example, we took over management of the ITV7 horse racing prediction game in March 2018, and we now see 8-10x the amount of people playing than were playing when it was operated by one of our competitors.

We are building a great team to make FOX Bet the market leader in the U.S, combining international sports wagering expertise from The Stars Group, Sky Bet and BetEasy with deep local U.S. knowledge from other leading operators.

We have also put together an advisory Board in place that will oversee the operations, and I'm delighted to say that this will include Ted Moss, who was previously the managing director of Sky Bet and one of the key architects of the wagering-media integration model. We've also appointed Andy Clerkson, who was the founder of Grand Parade, one of the world's leading design and digital innovation agencies for the spots and wagering sectors with clients such as Paddy Power Betfair, GVC, Golden Nugget, ITV and News Corp.

Crucially, we will be working very closely with Eric's team to ensure we deliver an integrated proposition for all our customers, that reflects the shared values of delivering innovative and quality products that are consistent with the FOX Sports brand values.

With that, I would like to hand back to Rafi to conclude.

### **SLIDE 10 (RAFI)**

Thanks Robin.

This is a great day for our company, and we are delighted to announce this partnership with FOX as we continue to execute on our growth strategy. To summarise:

- The U.S. is a large emerging attractive regulated market with high-growth potential. Our partnership with FOX uniquely positions us to capitalize on this exciting high-growth opportunity.



- We believe we have the assets, people, technology, and operating expertise to build a winning position in the U.S. market.
- With this partnership, which gives us exclusive access to FOX Sports brands and associated digital and linear programming assets, we believe we will have a top-tier brand and a unique large and low-cost source of customer acquisition and retention, that we believe will put us in a very strong position in the market.
- Our scalable proprietary platform positions us well for an effective state-by-state rollout.
- And, by leveraging our existing infrastructure and technology, we see potential to deliver attractive returns from this business over time.

This partnership uniquely positions us to replicate our proven media integration strategy in the U.S. As I'm sure you know, we will report our Q1 2019 results on our conference call next week on May 15. Therefore, we will only be taking questions on FOX Bet today.

I'd also like to thank Eric again for joining us this morning, and outlining how exciting this transaction is for both of our teams. FOX is holding an investor day this morning, and Eric is off to make the start of that, which I'd encourage you to tune into as well. With that, I'd like to open the call for questions.

**Operator:**

At this time, if any analysts would like to ask a question, please press the star and one on your touchtone phone. You may withdraw your question at any time by pressing the pound key. Once again, for our analysts on the call, to ask a question, please press star and one on your touchtone telephone.

We will go ahead and take our first question from Thomas Allen with Morgan Stanley. Please go ahead.

**Thomas Allen:**



Hey, good morning, and congrats on the deal. Just as we think about the branding—obviously, it makes sense to use the strong Fox brand, but as you think longer term about cross-selling your customers to gambling and poker, how are you thinking about kind of integrating the Stars brand, as well, if needed? Thanks.

**Rafael (Rafi) Ashkenazi:**

Yes, of course, the PokerStars and CasinoStars brands will be integrated into the FOX Bet. It will be all part of the same ecosystem, all part of the same offering. We've already developed a lot of techniques of how to cross-sell, and you can see it from the success of CasinoStars and BetStars all running on the PokerStars environment, so we are planning to replicate the same type of concept, the same type of cross-sell, also, in the U.S. There would be brand association, but no more than that, at this stage.

**Thomas Allen:**

Okay. Then, can you give any numbers or details about the potential for Fox to be able to buy 30% or 50% of the JV down the road? Is it based on EBITDA or revenue, or another strike price? Thanks.

**Robin Chhabra:**

Hi, it's Robin here. Good to speak to you again. The arrangement starts off as a long-term commercial agreement, and as we said, it's up to 25 years. Obviously, it's a very deep partnership. At any time between now and 10 years, Fox has the ability to take 50% of the equity in the U.S. venture. In order to do so, it has to go through licensing. In this scenario, we essentially treat the business as if it has always been a 50/50 joint venture partner from day one, and the brand affiliates and integration fees that we are paying under the commercial agreement would cease. Their contribution would obviously be the fact that they weren't taking those fees, and obviously, with the contribution they're giving on day one as part of their commercial agreement still stands; namely, the brand licenses and the



exclusive marketing and advertising rights that we have, and exclusive integrations.

**Thomas Allen:**

Makes a lot of sense. Thank you.

**Operator:**

We'll take our next question from Chad Beynon with Macquarie. Your line is now open.

**Chad Beynon:**

Hi, good morning. Congrats on what seems like a great partnership. I wanted to ask about the minimum guaranteed marketing spend that you highlighted in the presentation. Does this move up or down based on the number of states that are legal, and kind of how does this work over the life of the partnership, given the various stages of what sports betting will look like in the U.S.? Thanks.

**Robin Chhabra:**

Sure. So, we're not sort of giving away the detail there, but what I will say is that we're very confident we will spend in excess of the minimum marketing amounts. Your thinking is right on this one. Clearly, there is flexibility, based on roll-outs, based on the access to marketing inventory for betting, and so on and so forth. As I said, there is flexibility, but we feel pretty confident that we're going to be spending in excess of the minimums we've agreed.

**Rafael (Rafi) Ashkenazi:**

I would also add that—I mean, the way that we are looking into it, is that we are now—we have now access to a low-cost, high-scale acquisition channel, and that's essentially what we want to leverage on, and we will be investing as much as needed in order to, obviously, leverage on this unique



position that we have in the market. This is a competitive advantage that we want to leverage on.

**Chad Beynon:**

When you report this going forward—I'm sure you'll address this on the 1Q earnings call, but when you report this going forward, are you going to be reporting the U.S. venture or partnership separately, or will this be lumped into all the other Company financials?

**Rafael (Rafi) Ashkenazi:**

We are looking into reporting, potentially, the U.S. as a separate segment in the future. It's something that we haven't made a decision on yet, but it's something which you should likely expect, potentially, next year.

**Chad Beynon:**

Okay, great, and then my follow-up is just with respect to market access. You touched on your agreement with El Dorado. Now, that you have a firm and very strong partnership, do you think that helps your ability to gain market access maybe at even better terms than what you've done historically, and what's kind of a timeline expectation on filling out the rest of the map in the U.S.? Thanks for taking my questions.

**Robin Chhabra:**

Sure. As you know, we've got access into 13 states, so we have 11 via Eldorado, we have access in Pennsylvania via Mount Airy, and with Resorts in New Jersey. As we said at the Investor Day, we are in advanced discussions about broadening our coverage, that remains the case, and of course, with this partnership we have with somebody with the strength of Fox, clearly, we've become a very attractive proposition for market access partners across the U.S. As it happens, to your commercial question, we believe we've already secured market access on terms which are attractive, but clearly with Fox, I think we've—we were a strong partner—



we've become a very, very strong partner for access partners going forward.

**Chad Beynon:**

Thank you very much.

**Operator:**

We'll take our next question from Joe Stauff with Susquehanna. Your line is now open.

**Joe Stauff:**

Good morning. Congratulations. I wanted to see if you can kind of discuss, basically, this structure in particular—obviously, you think it's a superior structure, especially as you target the U.S.—and kind of compare, basically, that to certainly speculation that other operators may or may not do U.S. distribution deals, maybe distribution deals maybe with Sinclair, you know, other operators, and so forth? Could you just sort of discuss, basically, again, sort of your views on this structure and why you think it's superior, and maybe some analogs that you've seen in Europe, in particular?

**Rafael (Rafi) Ashkenazi:**

Okay. First of all—I think I've discussed it in the past—there are several different business models which are all legitimate that you can operate in the U.S. Some of the international operators decided to go with the large land-based casino to gain the market access and to leverage on their brand. Some of the operators went with Daily Fantasy Sports, which obviously invested quite a lot of money over the course of the last few years in building up a brand. This structure, we are very excited about. This long-term relationship and partnership, strategic partnership with Fox, which we are very, very excited about, fits our Company, we believe, the best, and that's what we were looking for.



We've done media integration in the U.K. and we've gained a lot of knowledge into the U.K. It's not something which is a straightforward type of integration between a gaming company or gambling company and a media company. It's something that the people at Sky Bet worked on for several years, and they obviously refined and retuned this structure to bring Sky Bet into a leading position in the U.K. It took several years to build it. What we are doing, essentially, is we are leveraging on this knowledge, the expertise and the experience that the Sky Bet people gained over the course of the years with media integration in the U.K., and I think that's probably what Fox also saw in us as the competitive advantage.

I can't see other operators replicating this type of structure easily. It's probably going to take many years for them to refine it. So, that's what gives us the competitive advantage and that's why we believe that we are—we do have a differentiated position in the market, which is a very strong position.

**Joe Stauff:**

Yes, makes sense, and just one follow-up. Is there any revenue share arrangement as part of this structure going forward?

**Rafael (Rafi) Ashkenazi:**

There is no revenue share arrangement as part of it. There is an affiliate fee for customers that would be driven from Fox into our gaming offering, but there isn't a revenue share agreement or arrangement.

**Joe Stauff:**

Okay. Thank you very much.

**Operator:**

We'll take our next question from Daria Fomina with Goldman Sachs. Your line is now open.



**Daria Fomina:**

Thank you. Congratulations on the deal. Two questions for me. One is a follow-up on marketing. Can you talk a little bit about the commitment again on the minimum spend, and, actually, more in terms of the plan on the spending between the sports betting in the states that are already open or will get opened for sports betting, as opposed to nationwide free-to-play game, will there be any investment from your side on the marketing into that? A second question on the free-to-play games launching nationwide, are there any regulatory issues that we need to be aware that might put this product too close to the sports betting? If you could give any color there, that would be very helpful.

**Rafael (Rafi) Ashkenazi:**

Robin will answer the marketing question and Marlon will answer the regulatory question. So, Robin, maybe you should start.

**Robin Chhabra:**

On the marketing, you're absolutely right, we have a couple of products to market. With the free-to-play game, as you know, it creates that very wide funnel of customers who we know enjoy sports, who enjoy making predictions to win money, and who are digitally native. It's worked very well for us elsewhere and we'll be deeply integrating those free-to-play games into Fox's content and help us build a very, very qualified—highly qualified database. Those will be available nationwide and we're very comfortable from a regulatory perspective.

Clearly, we can only advertise betting in those states where betting is legalized, but there is a lot of inventory available, as you'll know from the marketing spends of our competitors, and, again, Fox has very deep and strong positions in all of those key states. As I said in my earlier comments, we feel confident that we'll be exceeding our minimum advertising commitments, simply because of the quality of the inventory that Fox brings, given their assets.



**Daria Fomina:**

Just to clarify, basically, you're saying that it's okay for you to go and advertise free-to-play games nationwide, and that's what you'll be planning to do before you can actually legally launch sports betting? Did I get you right?

**Marlon Goldstein:**

Hi, good morning, Daria. It's Marlon. That is right. On a nationwide basis, we've looked at it quite carefully and we will craft games that allow us to operate and to offer them on a free-to-play basis across the country, and only in those states where it is legally permissible to do so, would we then offer a real money betting product alongside the free-to-play.

**Daria Fomina:**

Thank you.

**Rafael (Rafi) Ashkenazi:**

One more thing that I would like to clarify. The whole free-to-play offering, the whole free-to-play games, obviously have, like, two core objectives. The first objective is, essentially, acquiring customers, and the other objective is, obviously, engaging with customers. We see how well it's working here in the U.K. and we would like to replicate it in the U.S. In markets where we can't really operate real money gaming, we will offer the free-to-play games, and we will gradually build a large customer base, and we would wait for those states to open up and eventually regulate online gaming. We can see there is a very positive momentum currently in the U.S. and more and more markets are—or more and more states are regulating online sports, so this is quite exciting news for us, and in the interim we will offer these free-to-play games, build a database, and once the state or the market regulates, we can obviously convert them into real money. Throughout the entire period, we will also be able to engage with them, because those offerings would be available on a weekly basis, and, again, as I mentioned, it works very well in the U.K.



To a large extent, if you think about the free-to-play games, you can think about the free-to-play games similar to the way that poker operates, because, essentially, what we're building, it's a network, and we are just leveraging on the network effect of the free-to-play, very similar to what we're currently doing with poker.

**Robin Chhabra:**

Just one thing from me, and this is really important. What these games do is increase engagement with the content, and this is obviously what's exciting for Fox. We've seen, everywhere where we've integrated these games, the engagement with the content, with the broadcast, with the digital content that the media partner has increases substantially, and that's—our approach is very different, we're all about enhancing the enjoyment of sports and being part of the game, being part of the sporting narrative, it's not a transactional experience, and I think you should see free-to-play in that context, as well.

**Operator:**

We'll take our next question from Tim Casey with BMO. Your line is now open.

**Tim Casey:**

Yes, thanks. To the extent you're able to, could you talk a little bit about your near-term expansion plans? I assume you'll want to have these products up and running for football season, but how many states do you expect to launch in '19 and '20, and are you able to quantify the type of marketing investment that you expect that to come with in the near term? Then, second, can you just talk a little bit more about Fox's right to purchase half of the JV? Who decides it? Is that a one-way decision or is that an agreement that has to come both ways, and is there no other money that exchanges hands, other than the foregone minimum spends that you talked about? Thanks.



**Rafael (Rafi) Ashkenazi:**

In terms of the marketing investment, this will be something which I would regard as commercially sensitive information. What we are planning to do is, obviously, launch our games, to a large extent, as soon as we can, and we are aiming to launch it ahead of the football season, so hopefully around August, September. We will roll out more and more games and we will roll out more and more functionalities and we will roll out more and more free-to-play games. So, we are looking at this relationship as a long-term strategic relationship, in which, over the coming months, over the coming quarters, over the coming years, there would be more and more games available, there would be more and more offerings available, and we will simply continue to invest as it's needed. We do have a minimum investment, but it's not something that we are worried about in any way. To the contrary, we think that the minimum investment is quite below what we are planning to invest, regardless.

In terms of what Fox purchases of the 50%, maybe I'll allow Robin to explain it again.

**Robin Chhabra:**

Sure, and I'll refer you to my previous comments, but in terms of who has the option—we made it very clear, this is partnership, we've got up to a 25-year commercial agreement, incentives are aligned, and we both want to make this thing work, and we're both contributing an awful lot. That's evidenced, also, by the fact that Fox has taken just under 5% of the business. The option is at their election, but we're very happy for them to exercise that option. We're in this for a very long time, to become the leading player in the industry.

In terms of the mechanics, as I said, we essentially treat Fox—as I said, they've always been a 50/50 partner from day one, so there'll be various adjustments and that they forego the fees, which you identified when you asked the question.

**Operator:**



Our next question comes from Suthan Sukumar with Eight Capital. Your line is now open.

**Suthan Sukumar:**

Good morning, guys, and congrats on the partnership. The first question for me is just, when looking out to the lead time to the fall launch, how should we think about the type of further investments required from a technology and people perspective?

**Rafael (Rafi) Ashkenazi:**

We've been investing into the new—I mentioned the GSTP, I think, on a couple of the last calls. We've been investing into Sportsbook. This is a strategic investment that the Company did in technology. The Global Sports and Trading Platform that we are developing, we have a dedicated team, we have assigned a budget to this team. This is a long-term budget. The GSTP is a team that is there to stay and they are developing our Global Sports and Trading Platform which we'll be using across the world over the coming years. The U.S. would be part of the GSTP at some point.

What we are planning to do in terms of the technology, we also have a small team in the U.S. which will be essentially localizing our offering. This would be part of the acquisition we've done quite a while ago, the daily fantasy sports company that we acquired back in 2015, a company by the name of Victiv, and we have already a base in Austin which are localizing and dealing with the free-to-play games.

When it comes to the marketing, we are planning to leverage on the marketing capabilities that we currently have on the Group, and obviously we have a dedicated team which we have been reinforcing over the course of the last few months. The team would continue to be reinforced, and obviously we will have a team in the U.S. marketing to the U.S. customers, supported by the Group with all the capabilities and tools that we have.



So, you will see an incremental investment when it comes to marketing, when it comes to technology, when it comes to people, all to support the localization of our offering in the U.S. and all to support the leading position that we are planning to take.

**Suthan Sukumar:**

Great, thank you.

**Rafael (Rafi) Ashkenazi:**

I wouldn't be able to quantify it now, though.

**Suthan Sukumar:**

Okay, that's fair, that's fair. Can you guys speak a little bit to some of the market research that you guys have done around kind of the typical Fox sports viewer profile, in terms of their propensity to bet and overall betting behavior, and how that might be considered in kind of designing the product experience?

**Robin Chhabra:**

Sure. You've seen in the presentation that, in terms of consideration as Fox as a wagering provider, it's very, very high, much higher than, I guess, traditional competitors. What we're looking to do is go for the recreational customers, and their customer profile fits that of our other media partnerships elsewhere, and we're really looking to go for customers who are sports fans, who want to kind of spice up their viewing enjoyment and engagement, rather than kind of hardcore bettors. It allows us to tap into a pool of customers which other people don't reach. If you look at Sky in the U.K., Sky Bet in the U.K., 60% of it's customers are loyal to Sky, they don't bet with anybody else. That's much higher than any other operator, because they are tapping into a customer set which others can't reach, and that customer set actually corresponds to the profiles that we're seeing from the Fox sports customer base.



**Suthan Sukumar:**

Great, thank you, and just one last question, if I might. Sinclair recently acquired a number of Fox local media assets. Can you speak to if there's any relationship there, if at all?

**Rafael (Rafi) Ashkenazi:**

No, there is no relationship there, whatsoever.

**Suthan Sukumar:**

Okay, great. Thanks for taking my questions, I'll pass the line.

**Operator:**

I will now turn the call back to Rafi Ashkenazi for any additional remarks.

**Rafael (Rafi) Ashkenazi:**

Okay. So, thank you, everyone, for participating on today's call and the ongoing interest in the Company. Thank you and good-bye.

**Operator:**

This does conclude today's program. Thank you for your participation. You may disconnect at any time.