sportingbet plc

# Proposed acquisition of Centrebet and Q3 Results

sportingbet

# Disclaimer

These slides (the "**Document**") have been issued by Sportingbet plc (the "**Company**") and concern the proposed placing and open offer by the Company of ordinary shares in the capital of the Company (the "Transaction"), particulars of which will be set out in a prospectus which is expected to be published by the Company on or around 26 May 2011 (the "**Prospectus**").

This Document does not constitute a recommendation regarding securities of the Company. The information contained herein is for discussion purposes only and does not purport to contain all information that may be required to evaluate the Company and/or its financial position and, in particular, **is subject to amendment, revision and updating**. The information contained herein has not been verified by the Company or Oriel Securities Limited (**"Oriel"**) or by any other person on the Company's or Oriel's behalf.

You have been provided with this Document on the basis that you are a person into whose possession this Document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and on the terms and subject to the restrictions set out in the Document and you may not nor are you authorised to deliver this Document, electronically or otherwise, to any other person.

**THIS DOCUMENT IS AN ADVERTISEMENT AND NOT A PROSPECTUS AND SHOULD NOT BE CONSTRUED AS ANY OFFER OR INVITATION TO SUBSCRIBE FOR ANY SECURITIES IN THE COMPANY OR SECURITIES IN ANY OTHER ENTITY NOR SHOULD IT OR ANY PART OF IT NOR THE FACT OF ITS DISTRIBUTION, SAVE AS OTHERWISE EXPRESSLY AGREED, FORM THE BASIS OF, OR BE RELIED ON IN CONNECTION WITH, ANY CONTRACT OR INVESTMENT DECISION IN RELATION THERETO. THE INFORMATION CONTAINED HEREIN SHOULD BE DEEMED INSIDE INFORMATION (FOR THE PURPOSES OF THE CRIMINAL JUSTICE ACT 1993 (THE "CJA") AND WITHIN THE MEANING OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "FSMA")). ACCORDINGLY, BEHAVIOUR BY THE RECIPIENT IN RELATION TO THE INFORMATION CONTAINED IN THIS DOCUMENT MAY CONSTITUTE THE OFFENCE OF INSIDER DEALING WITHIN THE MEANING OF THE CJA OR MARKET ABUSE WITHIN THE MEANING OF THE FSMA. IN PARTICULAR, THE RECIPIENT MAY NOT DEAL IN THE COMPANY'S SECURITIES UNTIL SUCH INFORMATION CEASES TO BE INSIDE INFORMATION.**

**YOU SHOULD NOT SUBSCRIBE FOR ANY SECURITIES IN THE COMPANY EXCEPT ON THE BASIS OF INFORMATION CONTAINED IN THE FINAL FORM OF THE PROSPECTUS EXPECTED TO BE PUBLISHED ON OR AROUND 24 May 2011.**

This Document includes forward-looking statements that involve substantial risks and uncertainties, and actual results and developments may differ materially from those expressed or implied by these statements or a variety of factors. These forward-looking statements are statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, prospects, growth, strategies and the industry in which the Company operates. By their nature, forward-looking statements involve risks and uncertainties, including, without limitation, the risks and uncertainties to be set forth in the Prospectus, because they relate to events and depend on circumstances that may or may not occur in the future. Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond the Company's ability to control or estimate precisely, such as changes in taxation or fiscal policy, future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis. These forward looking statements speak only as of the date of this Document. The Company does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Document. Accordingly, undue reliance should not be placed on these forward-looking statements.

No reliance should be placed for any purposes whatsoever on the information contained in this Document or on its completeness. No person should treat the content of this Document as legal, tax or financial advice and you are advised to consult your own professional advisers for legal, tax or financial advice in relation to the Company's proposed capital raising and the matters contained in or referred to in this Document. No representation or warranty, express or implied, is given by or on behalf of the Company or any of the Company's directors, officers or employees or professional advisers, or by Oriel or any of their respective directors, officers or employees, or any other person as to the accuracy, completeness or verification of the information contained in this Document or upon which this Document is based or on any written or oral comments provided to you in connection with, or for the purposes of, evaluating the Company's proposed capital raising and all and any liability relating thereto is expressly disclaimed. No statement in this Document is intended to be nor may be construed as a profit forecast and no statement made herein should be interpreted to mean that the Company's profits or earnings per share for any future period will necessarily match or exceed the historical published profits or earnings per share of the Company.

The materials are only addressed and directed at persons in member states of the European Economic Area who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) (**"Qualified Investors"**). Within the United Kingdom, this Document is intended for distribution only to persons who (i) are Qualified Investors and (ii) who have professional experience in matters relating to investments and/or to high net worth companies falling within Articles 19(5) or 49(2) respectively of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (or persons to whom it may otherwise be lawfully communicated) and, if permitted by applicable law, is supplied outside the United Kingdom to professionals or institutions whose ordinary business involves them engaging in investment activities. The information contained in this Document is not intended to be viewed by, or acted upon by any other class of persons.

Oriel and their respective nominated affiliates are acting exclusively for the Company and no one else in connection with the Company's proposed capital raising referred to in this Document and will not be responsible to any other person for providing the protections afforded to their respective clients, or for providing advice in relation to the Company's proposed capital raising.

By accepting this Document, you agree to be bound by the foregoing limitations and conditions and, in particular, will be taken to have represented, warranted and undertaken that: (i) you have read and agree to comply with the contents of this notice including, without limitation the obligation to keep this Document and its contents confidential; and (ii) you will not at any time have any discussion, correspondence or contact concerning the information in this Document with any of the directors or employees of the Company or its subsidiaries, nor with any of their suppliers, or any governmental or regulatory body without the prior written consent of the Company. In addition, you agree that you will maintain a list of persons working for you (under a contract of employment or otherwise) who have access to inside information relating directly or indirectly to the Company; that you will supply a copy of that insider list to the Company as soon as possible upon request; that you will retain a copy of the list for a period of at least five years from the date on which it is drawn up or last updated, whichever is the later; and that you will take the necessary measures to ensure that every person named on that insider list acknowledges his/her legal and regulatory duties in relation to inside information and is aware of the sanctions attaching to the misuse or improper circulation of the relevant inside information.

This Document is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state or country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction, including into the United States or to any person located in the United States. Neither this Document nor any copy of it may be taken or transmitted into Australia, Japan, Canada, New Zealand, South Africa or the United States. Any failure to comply with this restriction may constitute a violation of the securities laws of Australia, Japan, Canada, New Zealand, South Africa or the United States. The distribution of this Document in other jurisdictions may be restricted by law and persons into whose possession this Document comes should inform themselves about, and observe, any such restrictions. The new ordinary shares, basic entitlements, excess CREST open offer entitlements and application forms have not been and will not be registered under the applicable securities laws of Australia, Japan, Canada, New Zealand, South Africa and the United States and are not being offered or sold within Australia, Japan, Canada, New Zealand, South Africa and the United States.

The new ordinary shares, basic entitlements, excess CREST open offer entitlements and application forms have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or under the applicable securities laws of any state or jurisdiction of the United States. None of the new ordinary shares, basic entitlements, excess CREST open offer entitlements and application forms may be offered, sold, taken up or otherwise transferred, directly or indirectly, within the United States. The new ordinary shares, basic entitlements and excess CREST open offer entitlements are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

By accepting this Document, you agree to be bound by the provisions and the limitations set out above, including, without limitation, the obligation to keep permanently confidential the information contained in these slides or this presentation or made available in connection with further enquiries to the extent such information is not made publicly available (otherwise than through a breach by you of this provision); and you represent and warrant that you will not at any time have any discussion, correspondence or contact concerning the information in this document with any of the directors or employees or its subsidiaries, nor with any of their suppliers, or any governmental or regulatory body without the prior written consent of the Company. Some of the statements are the opinions of the directors. You acknowledge that the delivery of the attached Document is confidential and intended only for you and **you agree you will not forward this Document to any other party or person or otherwise refer to, reproduce or publish it in any manner**.

Whilst this document refers to Centrebet Ltd (''Centrebet''), Centrebet has not been involved in the preparation of, and accepts no responsibility for, this document and disclaims all and any liability in connection with this document (however arising).
This document is in relation to the proposed acquisition of Centrebet.

All financial information and KPIs in this Document are unaudited.

## Key highlights

- Proposed acquisition of Centrebet Ltd for c.A$185m (£119m)
- Increases exposure to:
  - Regulated markets
  - Fast growing market
  - Non-European market
- Historic EBITDA* acquisition multiple: 8x
- Planned to be earnings enhancing in first full year post integration (2012/13)**
- Creates one of the leading fixed odds Australian bookmakers
- Highly complementary product offering
- Funded (including expenses) £65m firm placing and placing and open offer and £65m convertible bond
- Recommended transaction proposed to be supported by approx 60% of Centrebet shareholders subject to there being no superior offer

* Excluding share based payments charge

** Pre-amortisation of intangible assets

sportingbet

## Centrebet

- History
  - One of the first online bookmakers (established in 1992; online 1996)
  - ASX listed - market capitalisation of $141m* (£91m)

- Principal business
  - A leading player in Australian online betting market
  - 69% of total revenue for FY 2010 from Australia; 31% from Europe (principally Norway and Denmark)
  - Experienced management team
  - 209 employees
  - Sports focused
  - Based in New South Wales and Northern Territory

- Market position (phone/internet)
  1. Sportingbet
  2. Sportsbet
  3. IAS
  4. Centrebet

* 6th May 2011

sportingbet

## Australian retail betting market

| | 2009/10 $m |
|---|---|
| TABs | 16,065 |
| On course | 648 |
| Phone and internet | 5,904 |
| Total betting market | 22,617 |
| | |
| Sportingbet/Centrebet | 1,963 |
| Share of phone and internet | 33% |
| Share of total betting Market | 9% |

* Source: Australian Racing Board Fact book 2009/10

## Fast growing internet market

| | Internet Amounts Wagered | Actives |
|---|---|---|
| IAS / Sportsbet* | +20% | +46% |
| Centrebet** | +23% | +46% |
| Sportingbet*** | +31% | +62% |

* 2010 compared to 2009 on a proforma basis

** July to Dec 2010 compared to the same period in the prior year

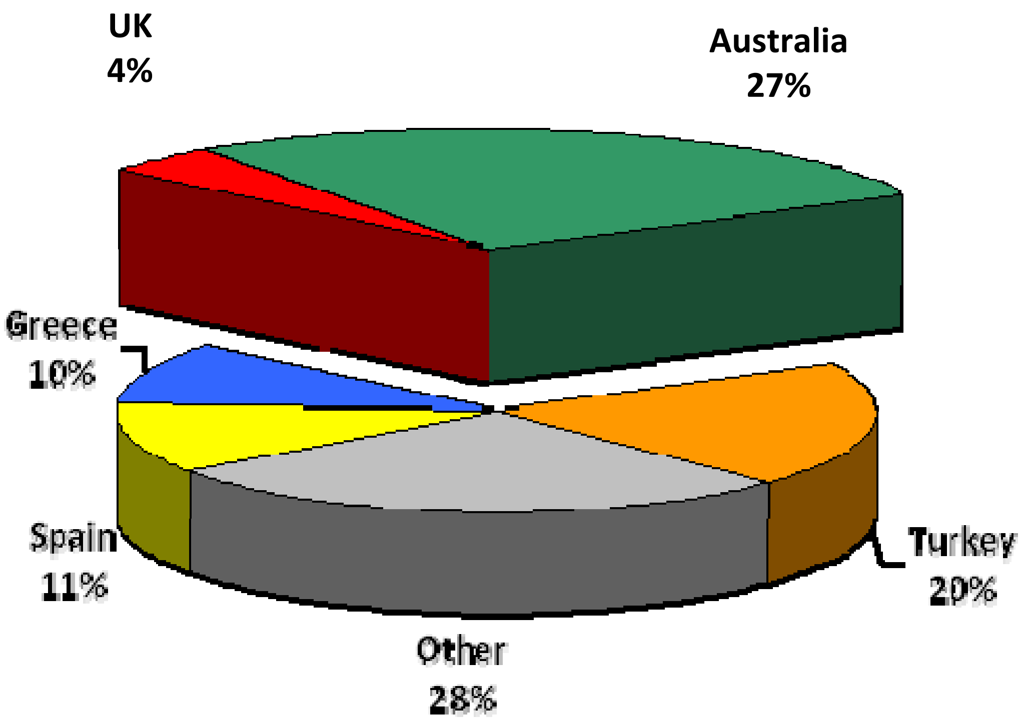
*** Aug 2010 – Jan 2011 compared to the same period in the prior year

## Transaction benefits: Australia

- Enhances Sportingbet's position as one of the leading fixed odds bookmakers in the fast growing Australian market*
- Complementary product offering – Centrebet's Sports focus; Sportingbet's horse racing focus
- Strong synergistic benefits available from merging operations:
  - "Best of Both" - management, trading, marketing functions etc.
  - Significant financial synergies
- Strongly positioned to benefit from higher potential growth rates if Australian regulation is relaxed for online casino, poker and in:running products

* Calculation based on 2010 figures for leading Australian corporate betting providers

## Increased exposure to regulated markets




- Proforma NGR for Sportingbet August 2010 to January 2011 plus Centrebet July to December 2010
- >30% of revenue from regulated markets
- >50% once Spain and Greece regulate

## Transaction benefits: Group

- Enhanced business resilience as exposure to regulated markets increased
    - Proportion of NGR from regulated markets increases to >30% of combined business
    - Potential to rise to over 50% following Greek and Spanish regulation (anticipated early 2012)
- Strengthened market position in Denmark (expected to regulate early 2012)
- Planned to be earnings enhancing in first full year post integration (2012/13)*
- Diversifies business risk across economic cycles
- Increased scale

* Pre-amortisation of intangible assets

## Synergies

- Identified synergies giving a net positive impact on PBT (after closure of Norway) of £9.4m* per annum
- Expected pre-tax cost synergies from:
  - Staff
  - IT software and hardware
  - Removal of duplicated costs
- Estimated one-off cash costs of obtaining synergies of £5m
- To be implemented during FY 11/12 with full benefit realised in FY 12/13
- Revenue synergies offer additional opportunities

* The achievability of these synergies relate to future actions and circumstances which, by their nature, involve risks and uncertainties. As such there can be no guarantee that these synergies will necessarily be achieved. The above statement as to synergies is not intended to constitute a profit estimate or forecast and should not be construed as such.

sportingbet

## Transaction summary

- Offer
  - Schemes of Arrangement under Australian law
  - AUS$2 per share giving a total value of c. AUS$185m (£119m)*
  - Offer at c.25% premium to share price on 6th May 2011
  - Funded (including expenses) £65m firm placing and placing and open offer and £65m convertible bond

- Approvals
  - Company to hold General Meeting on 13th June 2011 to approve transaction
  - Schemes of Arrangement in Australia - subject to Centrebet's shareholder and performance right holder and court approvals
  - Transaction supported by approximately 60% of Centrebet's shareholders

- Take ownership late August 2011

* Assumed Aus $ : £ exchange rate of 1:55

## Q3 highlights

- Business is in good shape
- Australia amounts wagered up 14%
- Like for like sports NGR in Europe up 12%
- Emerging Markets NGR up 148%
- In:play up 14% and accounted for 59% of European sports revenue (2009/10: 57%) in the quarter
- Mobile phone actives up 44%

## Income Statement

| | **Q3 2011 £m** | Q3 2010 £m | **YTD 2011 £m** | YTD 2010 £m |
|---|---|---|---|---|
| Amounts wagered | **507.3** | 520.8 | **1,576.5** | 1,486.3 |
| Net revenue | **54.7** | 55.7 | **162.6** | 156.9 |
| Costs | **(42.1)** | (43.7) | **(130.4)** | (126.6) |
| Operating profit* | **12.6** | 12.0 | **32.2** | 30.3 |
| Share option charge | **(0.2)** | (0.3) | **(0.7)** | (0.9) |
| Amortisation | **(0.4)** | (0.5) | **(1.3)** | (1.5) |
| Listing costs | **-** | (0.8) | **-** | (1.4) |
| Net finance income / (cost) | **0.1** | (0.5) | **1.5** | (0.3) |
| Tax | **(0.4)** | (2.4) | **(2.1)** | (3.3) |
| Profit for the period | **11.7** | 7.5 | **29.6** | 22.9 |
| Fully diluted EPS* | **2.4p** | 1.7p | **6.1p** | 5.2p |

* Before share option charge, amortisation and prior year listing costs.

# Q3 Operating profit reconciliation

| | | £m | £m |
|---|---|---|---|
| Q3 2010 operating profit* | | | 12.0 |
| Europe sports | • Volume | (2.8) | |
| | • Margin (12.1% vs 9.6%) | 7.1 | 4.3 |
| Australia sports | • Volume | 1.9 | |
| | • Margin (5.4% vs 7.4%) | (4.2) | (2.3) |
| | • Betting taxes | 0.8 | 0.8 |
| Casino and gaming effect | | | (0.6) |
| Poker effect | | | (1.2) |
| Increase in costs* | | | (0.4) |
| Q3 2011 operating profit | | | 12.6 |

* Before share option charge, amortisation and prior year listing costs.

## Summary

- Acquisition creates a more balanced, resilient international business:
  - Increases exposure to regulated markets
  - Diversifies business risk across economic cycles
  - Strengthens position in a key growth market
- Supports Sportingbet strategy:
  - Sports focused
  - Regulated
  - Top 3 local market position
- Q3 Results
  - EBITDA of £16.1m vs £14.9m last year
  - Strong Australia turnover but weak margin
  - Strong Europe margin but weak turnover