



3 May 2017

Paddy Power Betfair plc – Q1 2017 Trading Update

Paddy Power Betfair plc (the “Group”) today announces a trading update for the three month period ended 31 March 2017 (“Q1 2017”)¹.

Highlights

- Revenue up 23% to £416m (up 15% in constant currency, “cc”²)
- Growth driven by sports, with sportsbook stakes up 18% (cc +9%) and margins up 1.3ppts
- Underlying EBITDA up 87% to £111m and underlying operating profit up 114% to £91m (cc +117%)

Breon Corcoran, Chief Executive, commented:

“Reversing the trend of the past two years, results at Cheltenham 2017 favoured bookmakers and this contributed to good revenue growth. Combined with the annualisation of merger-related cost savings and continued focus on operating efficiency, this resulted in a doubling of operating profits in the first quarter.

Since then, however, at high profile events such as the Grand National, Premier League football and the US Masters, results favoured customers, and overall gross win margins were weak in April.

A key strategic focus for 2017 is the integration of our technology platforms. This project is on track and we expect both our European brands to be operating on a common platform by the end of the year, at which point customers will start to benefit from increased pace of new product delivery.”

Financial Summary

| <i>Unaudited £m</i> | Q1 2017 | Q1 2016 <i>Proforma</i> | Change % | Constant Currency Change % |
|------------------------------------|--------------------|----------------------------------------|---------------------|-------------------------------------------|
| Sportsbook stakes | 2,699 | 2,289 | +18% | +9% |
| <i>Sportsbook net revenue %</i> | 8.8% | 7.5% | +1.3% | +1.3% |
| Sports revenue | 326 | 254 | +28% | +18% |
| Gaming revenue | 90 | 85 | +6% | +6% |
| Total revenue | 416 | 339 | +23% | +15% |
| Underlying EBITDA | 111 | 59 | +87% | +83% |
| <i>Underlying EBITDA margin %</i> | 26.6% | 17.4% | +9.2% | +9.9% |
| Underlying operating profit | 91 | 42 | +114% | +117% |

Revenue

Group revenue increased by 23% to £416m. This included a £23m benefit from the translation of non-UK revenues due to the weakness of Sterling and on a constant currency basis revenue was up 15%.

The Group's sportsbook net revenue percentage was slightly behind our expectations in the quarter, but was up 1.3ppts year-on-year due to the impact of adverse sports results in 2016, most notably at the Cheltenham Festival. At this year's festival, 19 of the 28 races were profitable compared with just 11 races in 2016.

Due to the differences in the nature and prospects of our online and phone-based operations, we now disclose the sportsbook stakes for these channels separately.

Online

Revenue increased by 15% to £224m (cc +12%), primarily driven by a 33% increase in sportsbook revenue (cc +30%). Sportsbook growth was driven by both improved sports results and 13% growth in online stakes (cc +9%). Net revenue margin improved by 1.3ppts to 6.7%.

Our exchange continues to offer exceptional value and offered the best odds on 96% of runners at Cheltenham. In Q1, revenue was up 7% (cc +3%).

Gaming revenues were up 2%. We are continuing to focus on improving the performance of our gaming products, but currently revenue remains below expectations.

Australia

Revenue increased by 21% in local currency, driven by a 17% increase in total stakes. This growth was notwithstanding a reduced contribution from in-play betting, which represented 8% of stakes in the quarter versus 14% in the prior year when our 'Bet Live' product was available to customers.

Retail

Revenue increased by 23% to £82m (cc +18%). Excluding the impact of new shops and currency movements, like-for-like revenue increased by 16%. This like-for-like growth comprised of a 20% increase in sportsbook revenues, driven by 3% stakes growth and improved sports results, and machine gaming growth of 7%. We opened four shops in the UK and one in Ireland during the quarter, taking our total estate to 618 shops.

US

Revenue was up 12% in local currency, with TVG revenue up 5% and our online casino in New Jersey up 68%.

Profitability and financial position

Revenue growth combined with operational leverage led to an 87% increase in underlying EBITDA to £111m (Q1 2016: £59m), representing an EBITDA margin of 27% (Q1 2016: 17%). Operating costs increased by 5% (cc -2%). Underlying operating profit increased by 114% to £91m (Q1 2016: £42m). Underlying EBITDA growth included a £1m foreign exchange translation benefit.

At 31 March 2017, the Group had £133m of net cash, excluding customer balances.

¹In this trading update all growth rates are on a proforma basis, as if Paddy Power and Betfair had always been merged with the comparative period representing the three months ended 31 March 2016 ("Q1 2016"). Reported profitability, including EBITDA and operating profit, is on an underlying basis and excludes exceptional items and amortisation of intangible assets relating to the merger

²Constant currency ("cc") growth throughout this trading update is calculated by retranslating non-sterling denominated component of Q1 2016 at Q1 2017 exchange rates

Appendix: Q1 2017 Divisional Key Performance Indicators

Unaudited, Q1 2016 is proforma

| £m | Online | | | Australia | | | | Retail | | | US | | | | Group | | | |
|------------------------------------|------------|------------|-------------|-----------|-----------|-------------|--------------|-----------|-----------|-------------|-----------|-----------|-------------|---------------|------------|------------|--------------|--------------------------|
| | Q1 2017 | Q1 2016 | % Change | Q1 2017 | Q1 2016 | % Change | A\$ % Change | Q1 2017 | Q1 2016 | % Change | Q1 2017 | Q1 2016 | % Change | US\$ % Change | Q1 2017 | Q1 2016 | % Change | CC ¹ % Change |
| Sportsbook stakes: | 1,424 | 1,305 | +9% | 819 | 577 | +42% | +17% | 456 | 407 | +12% | | | | | 2,699 | 2,289 | +18% | +9% |
| - Online | 1,337 | 1,186 | +13% | 742 | 486 | +53% | +26% | | | | | | | | 2,079 | 1,672 | +24% | +15% |
| - Dial-a-bet / Phone | 88 | 119 | -27% | 77 | 92 | -16% | -31% | | | | | | | | 164 | 211 | -22% | -29% |
| - Retail | | | | | | | | 456 | 407 | +12% | | | | | 456 | 407 | +12% | +5% |
| Sportsbook net rev % | 6.7% | 5.4% | +1.3% | 10.4% | 10.0% | +0.4% | +0.4% | 12.4% | 10.7% | +1.7% | | | | | 8.8% | 7.5% | +1.3% | +1.3% |
| Sports revenue | 163 | 135 | +21% | 85 | 58 | +47% | +21% | 57 | 44 | +30% | 21 | 17 | +21% | +5% | 326 | 254 | +28% | +18% |
| Gaming revenue | 61 | 60 | +2% | - | - | - | - | 25 | 23 | +10% | 4 | 2 | +95% | +68% | 90 | 85 | +6% | +6% |
| Total revenue | 224 | 195 | +15% | 85 | 58 | +47% | +21% | 82 | 67 | +23% | 25 | 20 | +29% | +12% | 416 | 339 | +23% | +15% |
| Regulated markets | 205 | 177 | +15% | 85 | 58 | +47% | +21% | 82 | 67 | +23% | 25 | 20 | +29% | +12% | 397 | 321 | +24% | +16% |
| Unregulated markets | 19 | 17 | +9% | - | - | - | - | - | - | - | - | - | - | - | 19 | 17 | +9% | -3% |
| Total revenue | 224 | 195 | +15% | 85 | 58 | +47% | +21% | 82 | 67 | +23% | 25 | 20 | +29% | +12% | 416 | 339 | +23% | +15% |
| Underlying EBITDA | | | | | | | | | | | | | | | 111 | 59 | +87% | +83% |
| Underlying operating profit | | | | | | | | | | | | | | | 91 | 42 | +114% | +117% |

¹ Constant currency ('CC'), with non-sterling denominated component in Q1 2016 retranslated at Q1 2017 exchange rates

Analyst Call:

The Group will host a conference call for institutional investors and analysts this morning at 8:30am (IST/BST). To dial into the conference call, participants should dial 0800 6781161 or 01296 311600 from the UK, (01) 242 1074 from Ireland and +44 1296 311600 from elsewhere. The passcode is 636 794 90.

A replay of the call will be available later today on our corporate website:

<https://www.paddypowerbetfair.com/investor-relations/results-centre/2017>.

ENDS

Contact:

| | |
|-------------------------------------------|--------------------------------------|
| Paul Rushton, Investor Relations | + 44 20 8834 6139 / + 353 1 903 9105 |
| James Midmer, Corporate Communications | + 44 20 8834 6843 / + 353 1 903 9106 |
| Billy Murphy, Drury / Porter Novelli | + 353 1 260 5000 |
| Rob Greening / Simon Compton, Powerscourt | + 44 20 7250 1446 |

About Paddy Power Betfair

Paddy Power Betfair plc is one of the leading sports betting and gaming groups in the world.

The business was formed from the February 2016 merger of Paddy Power plc and Betfair Group plc and has four divisions:

Online, which runs two of Europe's leading online sports betting and gaming brands, Paddy Power and Betfair, as well as a telephone based sportsbook and a number of B2B partnerships

Australia, consisting of Sportsbet, the market leader in the fast-growing Australian online betting market

US, which combines TVG, America's leading horse-racing TV and betting network, Betfair Casino, an online casino in New Jersey, and the Betfair New Jersey Exchange

Retail, which operates 618 Paddy Power betting shops across the UK and Ireland.

Following the successful merger, Paddy Power Betfair's strategy is to create and sustain a world class, high performing business by strengthening or developing leading positions in large regulated markets. This will be achieved by generating superior returns through scale, capability and innovation, fuelled by focussed investment in people, technology, product, risk, trading and marketing, primarily in mobile online sports betting.