

Results for the  
Six Months Ended  
30 June 2011



# Agenda

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- **Brian Mattingley** | Introduction
- **Aviad Kobrine** | Financial Review
- **Itai Frieberger** | Operational Review
- **Brian Mattingley** | Summary and Outlook
- **Q&A**

# Introduction



# Highlights<sup>†</sup>

- Second highest Half-Yearly revenue ever - **\$154m**, up **18%**
- Casino & Poker B2C first time depositors up **43%**, led by Poker
- Active Players Casino & Poker B2C up **77%**
- Revenue B2C up **18%** to **\$131m**
- Revenue B2B up **16%** to **\$23m**
- B2C Customer Deposits up **20%**
- EBITDA<sup>1,2,3,4</sup> up **59%** to **\$20m**
- EBITDA margin up to **13%**
- Cash at period end **\$61m**

<sup>†</sup> All figures in this presentation are extracted from 888's financial statements as published where available.  
Totals may not sum due to rounding. All comparisons on a Half Yearly basis.

<sup>1</sup> Excluding restructuring costs.

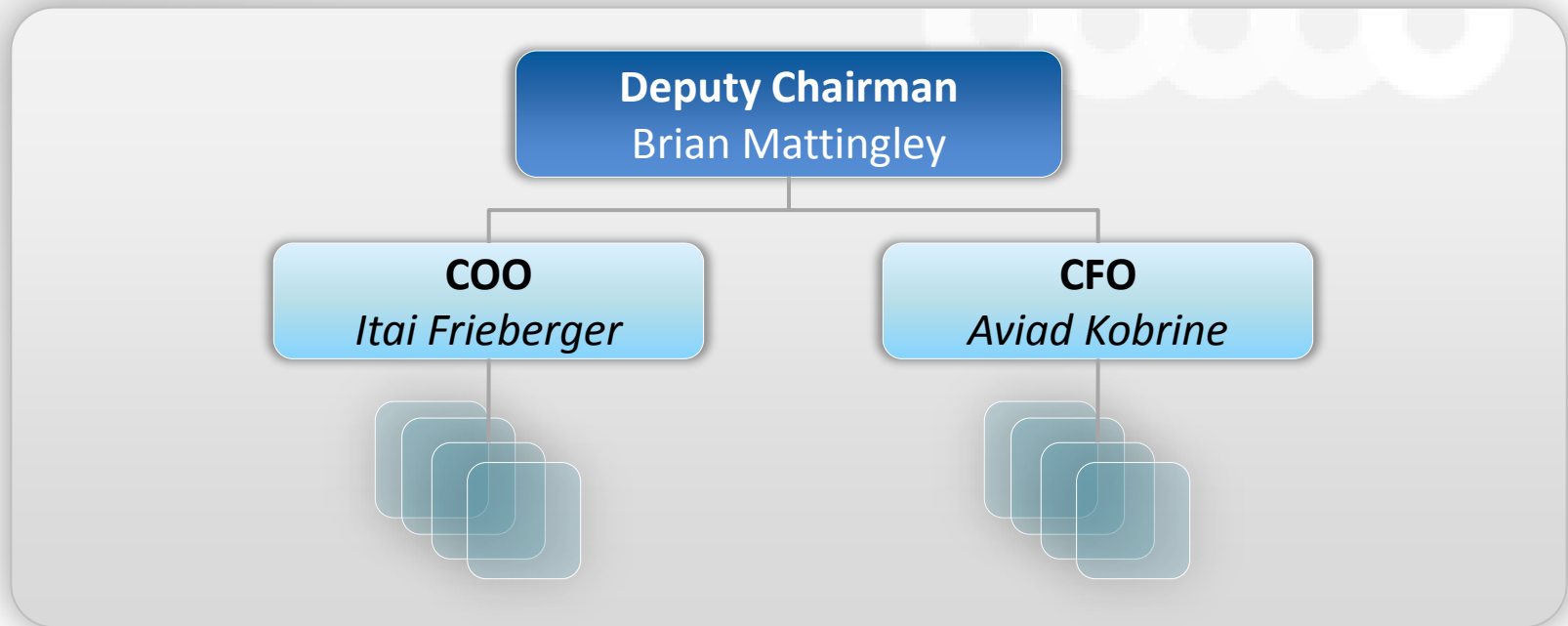
<sup>2</sup> Excluding exchange loss /gain.

<sup>3</sup> Excluding share benefit charges.

<sup>4</sup> Excluding Mytopia Goodwill write-off.

# H1 Review

- **Management Change**
  - CEO departure
  - New management structure
  - Team has significant online gaming experience



# H1 Review

- Management Change
- Approach by Ladbrokes
- Wink
  - Payment reschedule announced March 2011
  - Strong internal cash generation
- Mytopia
  - Performance has not yet met our expectations
  - Social networks gaming could be profitable in the future
  - Prudent accounting decision

# Strategic Plan

- **Core Products**
  - Casino, Poker, Bingo, Sport
  - B2C or B2B partners
- **Focus on B2C**
  - Best in class product
  - Key assets:
    - Back office
    - ROI marketing/analysis
    - CRM
    - Corporate social responsibility
- **Dragonfish**
  - Review all contracts
  - Fewer but larger contracts
  - Good pipeline

# Strategic Plan

- **Focus on Margins**
  - Driving volume
  - Operational efficiencies
  - Goals
- **Over arching Strategic Importance – Regulated Markets**
  - Implementation – Italy, France
  - Formulating – Spain
  - Developmental – US, Germany



# Financial Review



# Profit and loss account<sup>1</sup>

- H1 11 - Total Revenue up **18%** to **\$154m** (H1 10: \$130m)
- EBITDA up **59%** to **\$20m** (H1 10: \$13m), marketing efficiency

\$m	H1 2011	H1 2010	H1'11 / H1'10
<b>Revenue</b>	<b>153.8</b>	<b>130.2</b>	18%
Operating expenses <sup>2,3</sup>	56.0	45.8	
Research and development expenses <sup>3</sup>	12.9	13.2	
Selling and marketing expenses	49.9	47.5	
Administrative expenses <sup>3,4,5,6</sup>	15.1	11.2	
<b>EBITDA<sup>3,4,5,6</sup></b>	<b>20.0</b>	<b>12.6</b>	59%
Depreciation & Amortization	(7.1)	(5.6)	
Interest , F/X, other <sup>7</sup>	(8.2)	1.5	
<b>Profit before tax<sup>3,5,6</sup></b>	<b>4.6</b>	<b>8.4</b>	
Taxation	(1.2)	(1.6)	
<b>Profit after tax<sup>3,5,6</sup></b>	<b>3.5</b>	<b>6.8</b>	
<b>Basic Earning per Share<sup>3,5,6</sup></b>	<b>1.0 ¢</b>	<b>2.0¢</b>	

<sup>1</sup> Rounded

<sup>2</sup> Excluding depreciation & amortisation

<sup>3</sup> Excluding restructuring costs

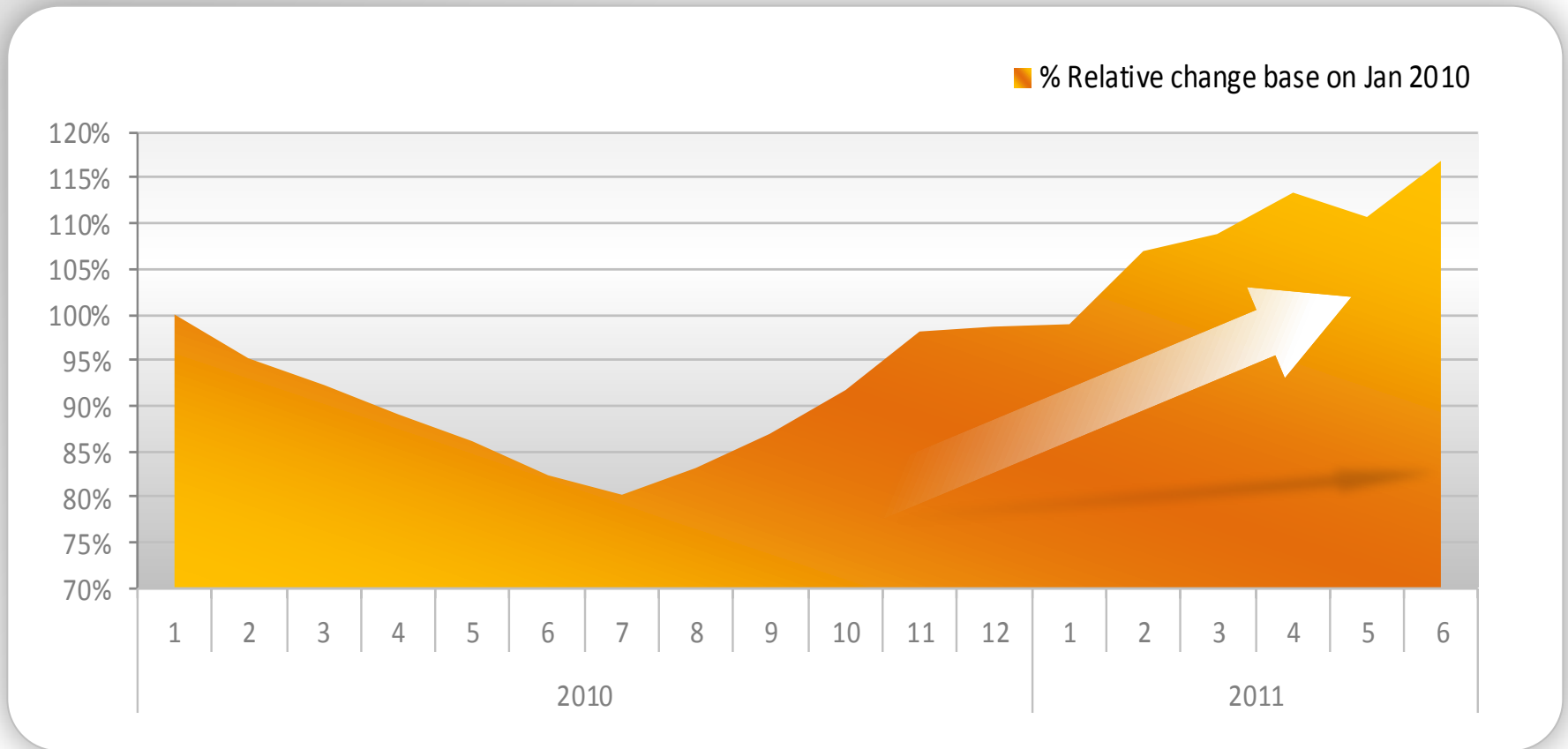
<sup>4</sup> Excluding exchange loss /gain

<sup>5</sup> Excluding share benefit charges

<sup>6</sup> Excluding Mytopia Goodwill Write-off

<sup>7</sup> Interest (2011) paid at \$0.7m, \$7.5m represent non-cash items

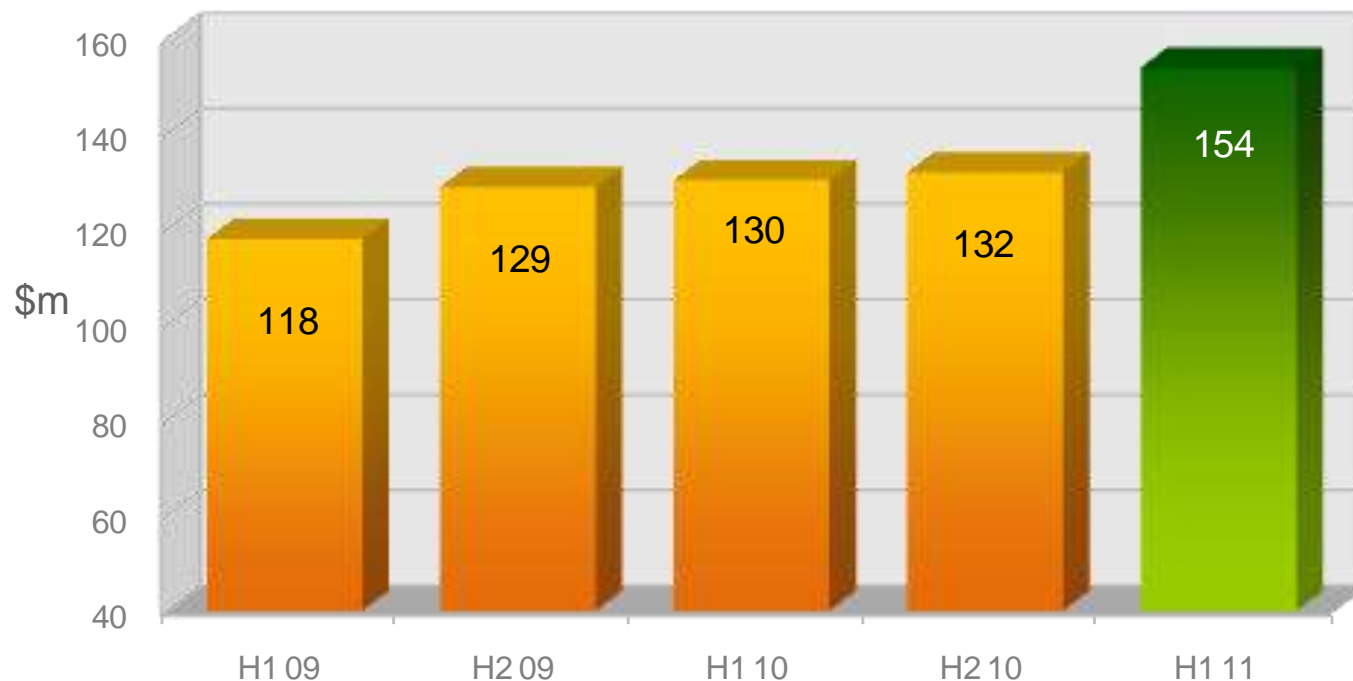
# B2C Average Daily Deposit Growth



# Total Revenue

- H1 11 - Total Revenue up **18%** to **\$154m** (H1 10: \$130m)
- H1 11 - Second highest ever for 888

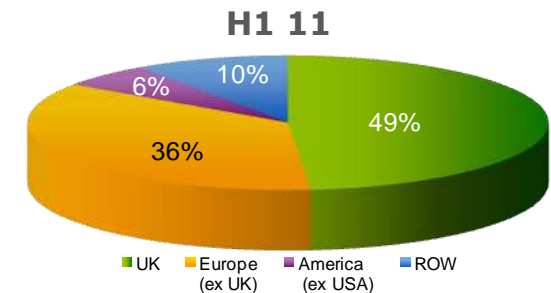
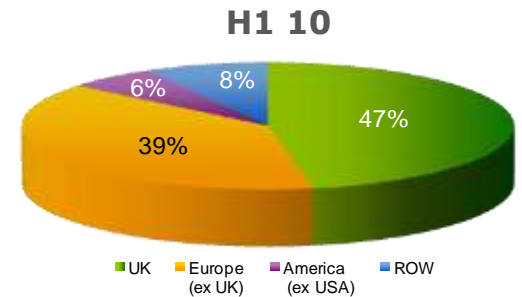
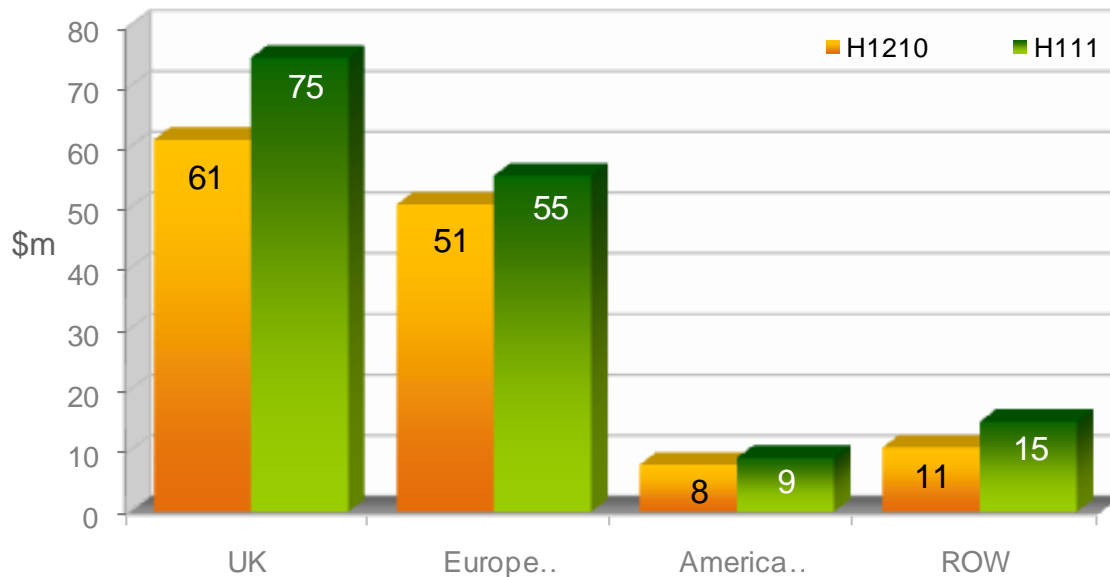
Total Revenue H1 09 – H1 11 (\$m)



# Geographical segmentation

- Revenue growth across all markets: UK **22%**, Europe **9%**, Americas **15%**, ROW **40%**
- UK represent **49%** of Total Revenue in H1 11

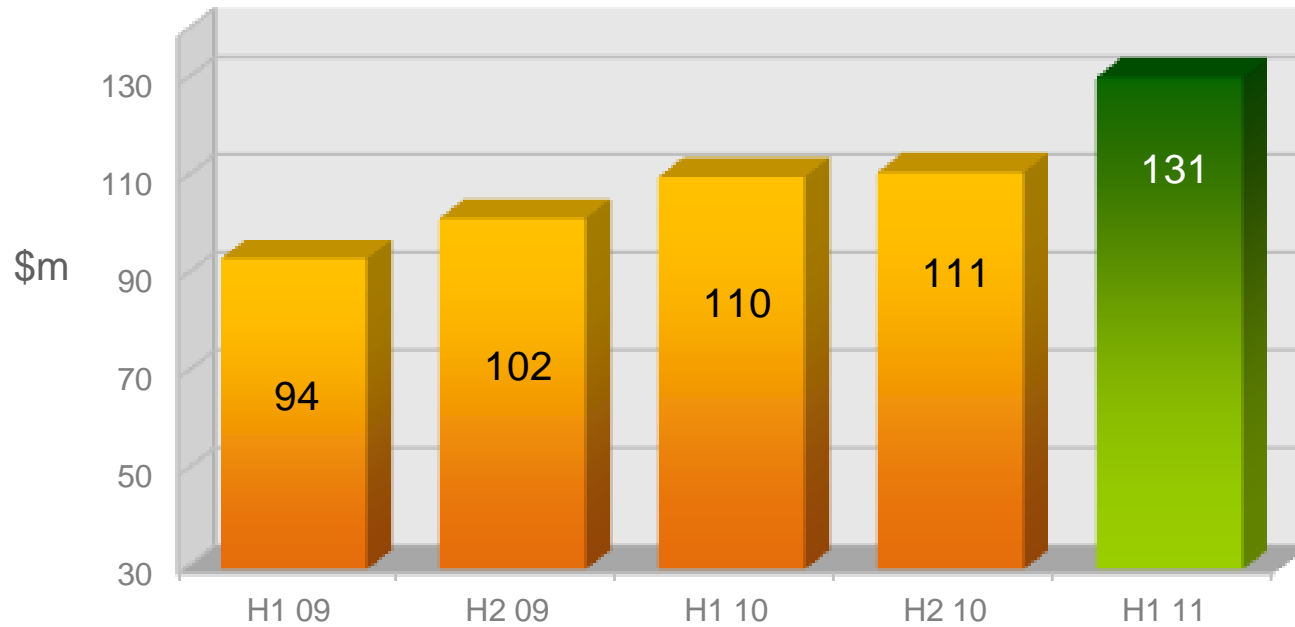
Geographic segmentation, Total Revenue H1 10 and H1 11



# Revenue B2C

- H1 11 – B2C Revenue up **18%** to **\$131m** (H1 10: \$110m)

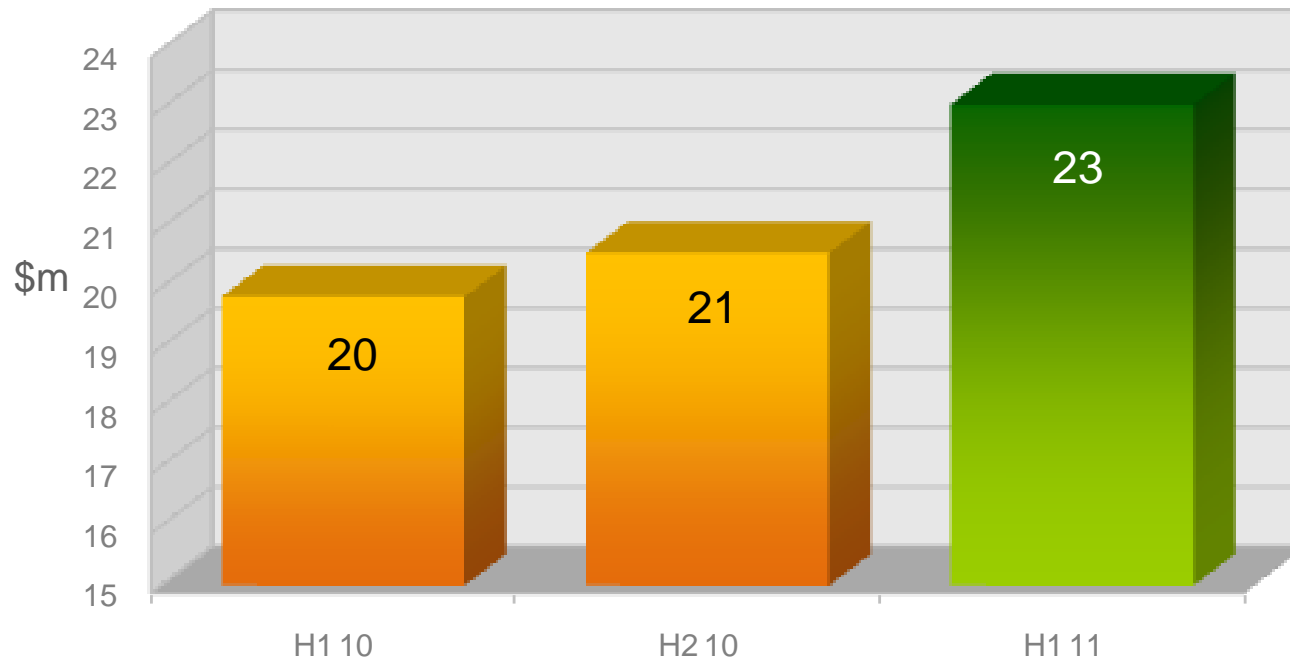
Revenue B2C H1 09 – H1 11 (\$m)



# Revenue B2B

- H1 11 – B2B Revenue up **16%** to **\$23m** (H1 10: \$20m)

Revenue B2B H1 10 – H1 11 (\$m)



# Revenue B2C by Product

- Casino up **16%**, Poker up **22%**, Bingo up **17%**, Emerging Offering up **28%**

Revenue B2C H1 10 vs. H1 11 (\$m)

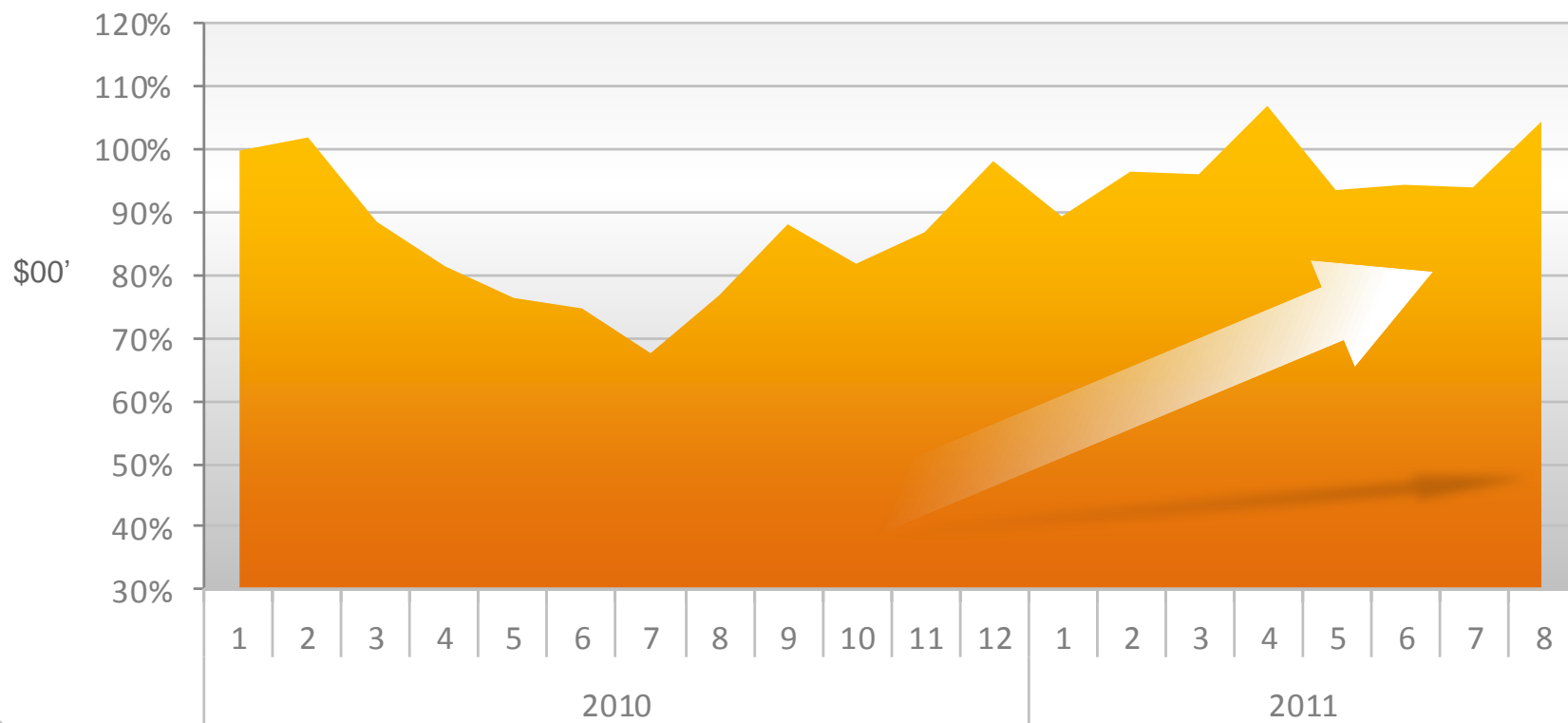




# 888Casino Revenue Trend

- 888Casino revenue growth continue since Q3 2010
- Aug 2011 Daily Average up **35%** over Aug 2010

888Casino Daily Revenue\*

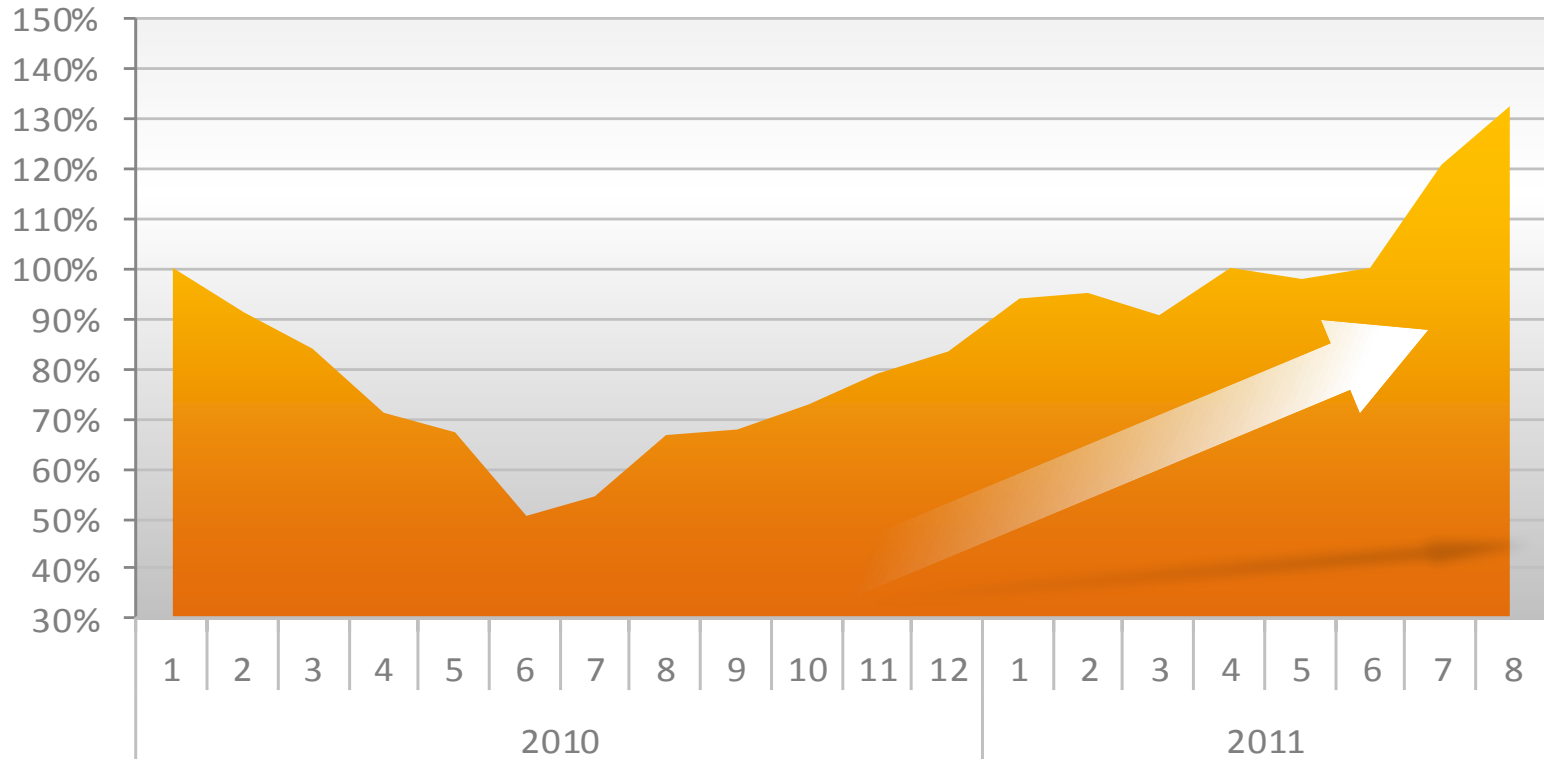


\* Revenue defined as Casino house profit – Bonus – Other adj.

# 888Poker Revenue Trend

- New Poker6 client launched in July 2010
- Aug 2011 Daily Average up **99%** compared to Aug 2010

888Poker Daily Revenue\*

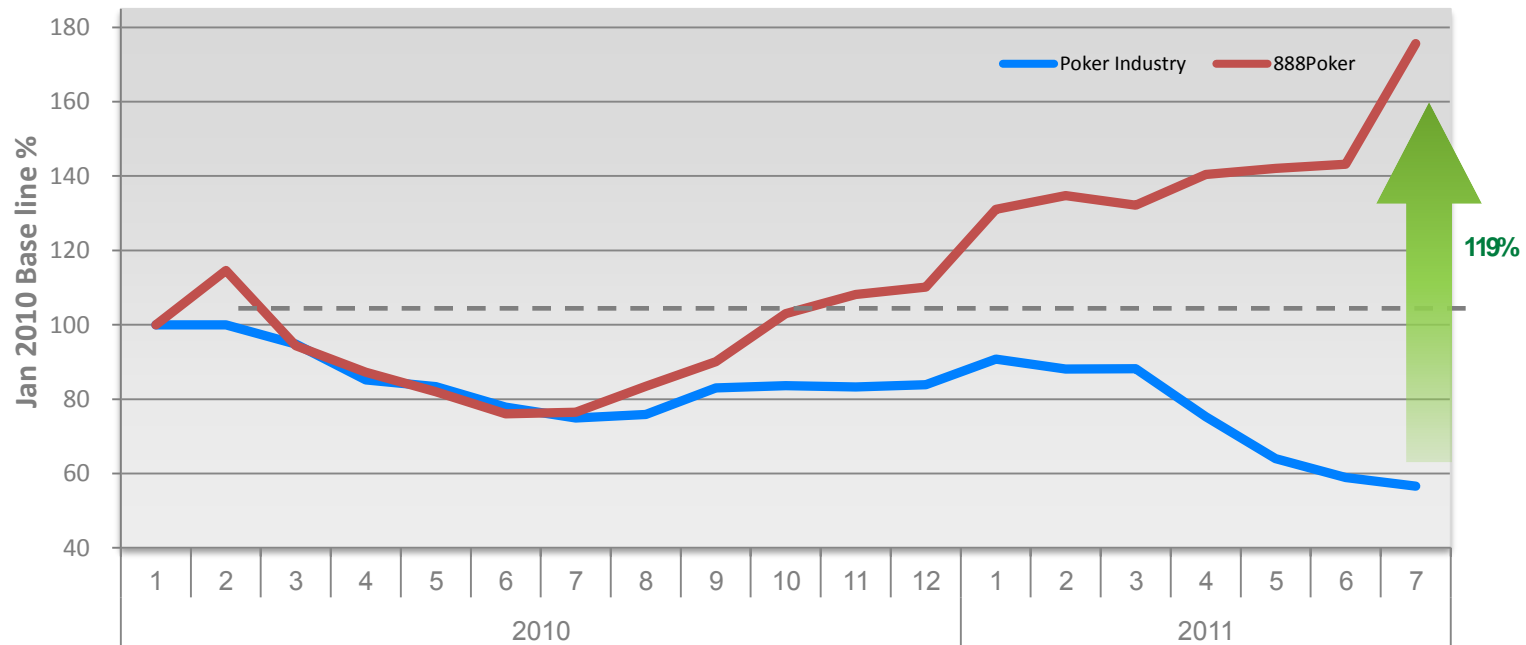


\* Revenue defined as Rake+Tour. fee + Casino in poker house profit – Bonus - Other adj.

# Poker Industry Liquidity – Cash Games

- Jul 2011 888Poker Liquidity up **75%** vs. Jan 2010
- Jul 2011 Poker rest of Industry Liquidity down **43%** vs. Jan 2010

Liquidity Trend Relative change % base on Jan 2010

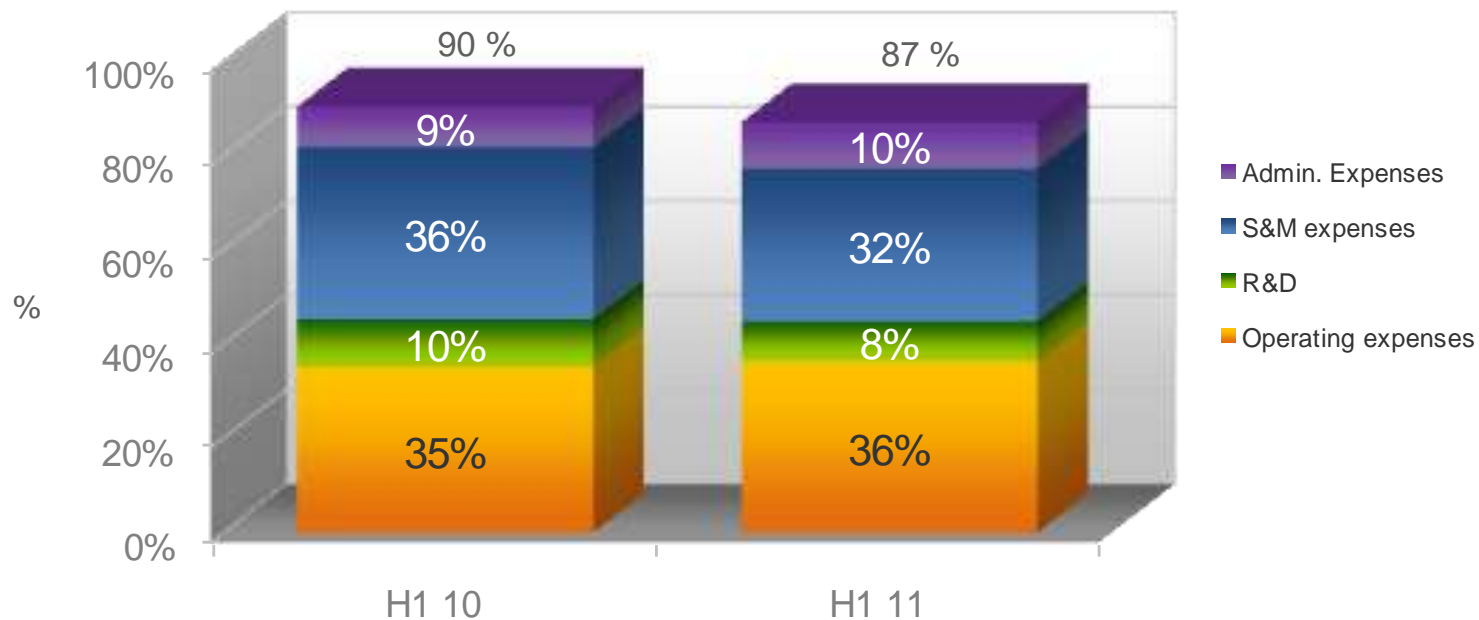


Source: 888 estimates based on publicly available information.

# Cost Structure

- Cost percentage down to **87%** (H1 10: 90%)
- Mostly due to Sales & Marketing efficiency

Cost as a % of Total Revenue H1 10 vs. H1 11

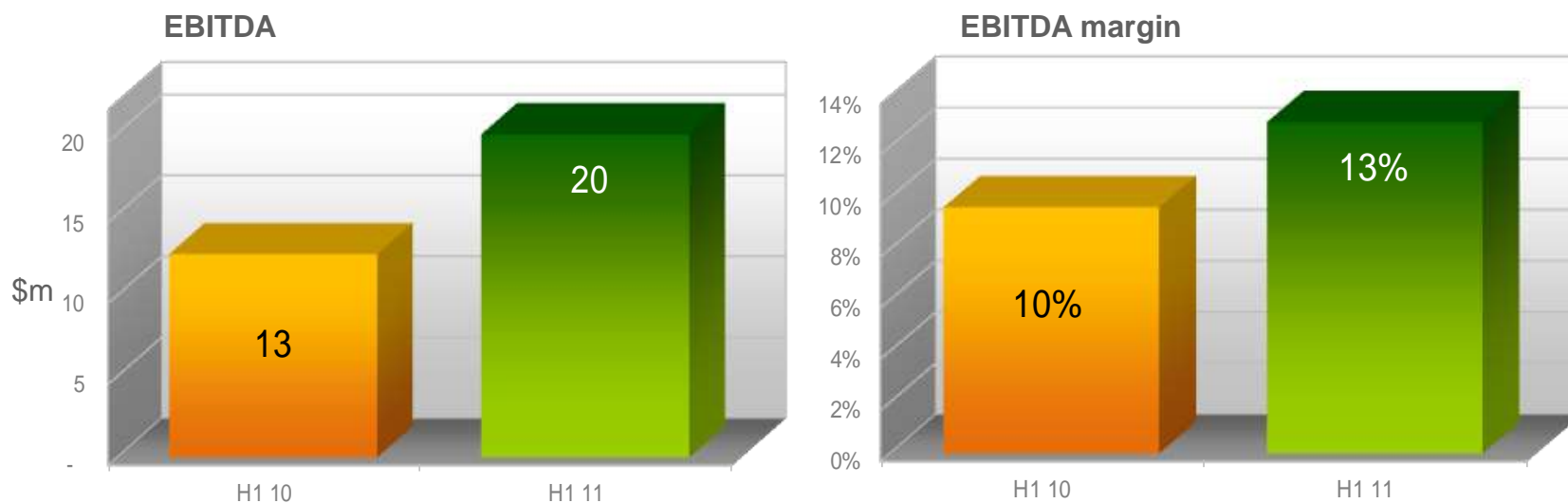


\* Excluding share benefit charges, depreciation amortisation, Forex and restructuring and goodwill write-off

# EBITDA and EBITDA margin

- EBITDA up **59%** to **\$20m** (H1 10: \$13m)
- EBITDA margin up to **13%** (H1 10: 10%)

EBITDA H1 10 vs. H1 11

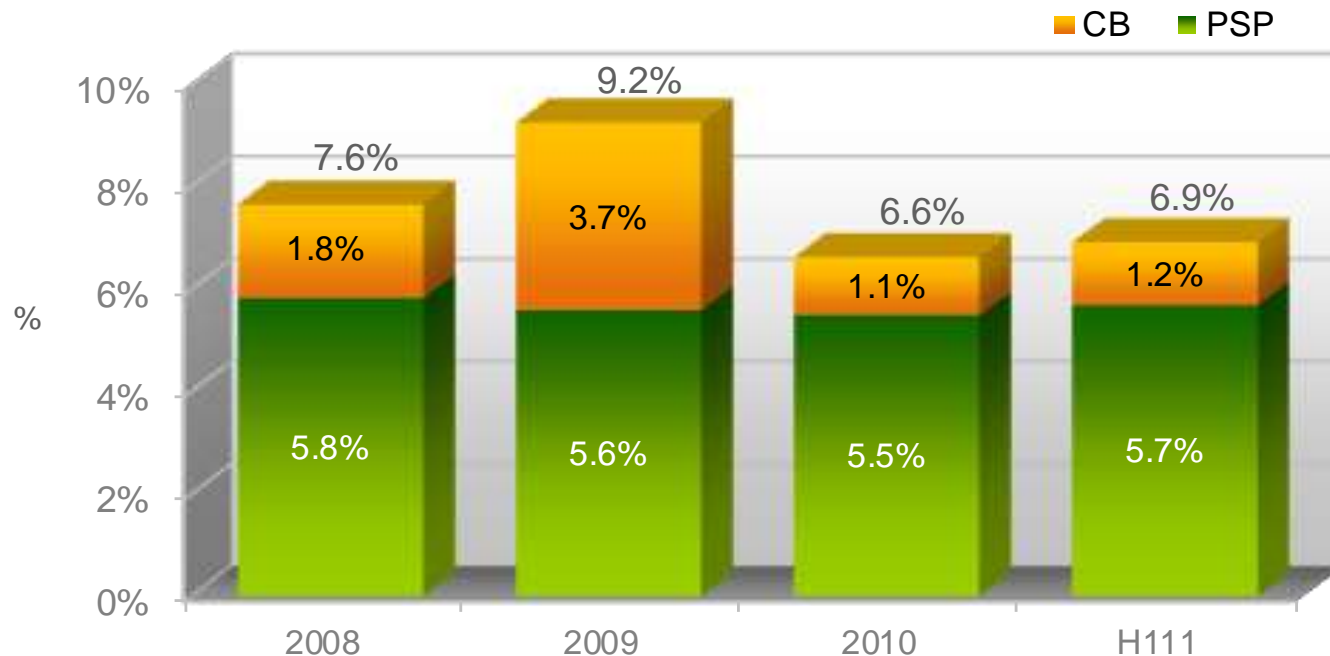


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# Chargebacks & PSP fees - Group

- CB & PSP at **6.9%** of Total Revenue (2010: 6.6%)
- Same level as of 2010

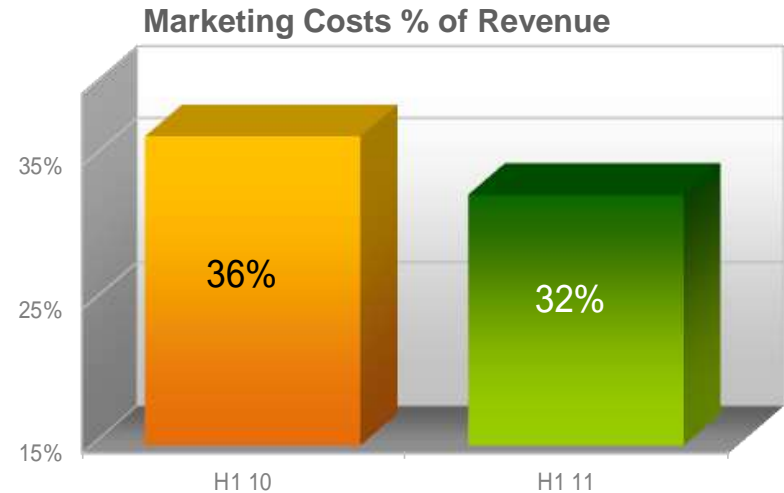
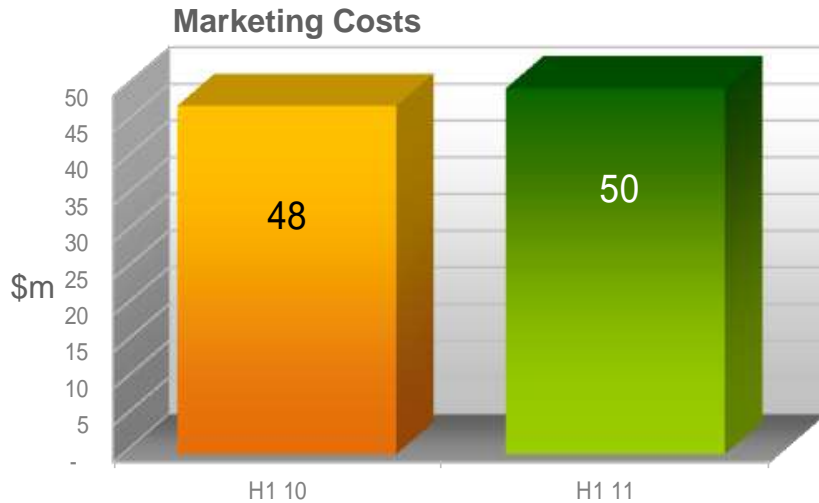
Chargebacks & PSP fees as % of Total Revenue



# Marketing Cost Ratio

- Marketing ratio to Revenue in H1 11 at **32%**, **4%** lower than H1 10
- H1 11 B2C Casino & Poker CPA lower than H1 10
- Efficiency target achieved

Marketing Costs H1 10 vs. H1 11

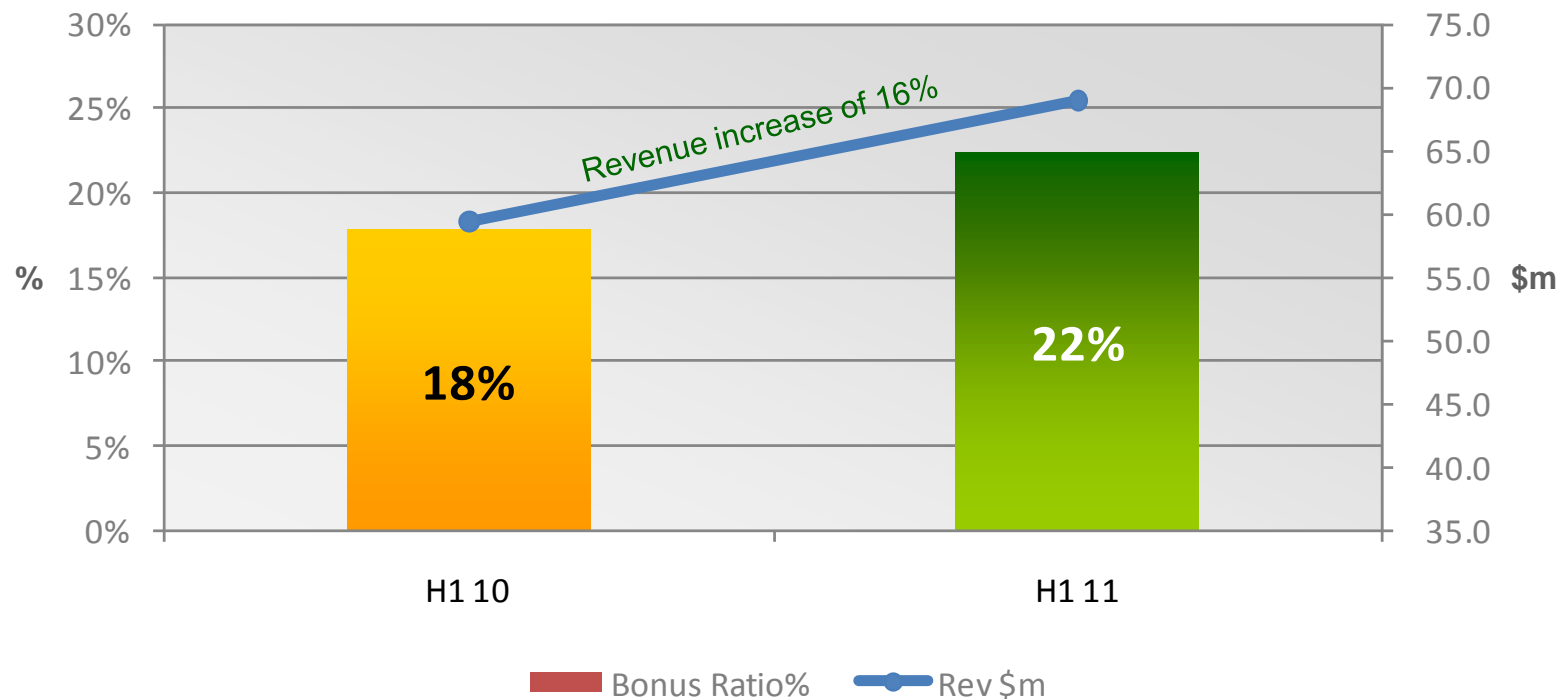


\* Excluding Revshare components

# Customer Bonuses<sup>1</sup> B2C Casino

- Casino Revenue Growth driven by optimal use of Bonuses and CRM efforts

Customer Bonuses as % of Revenue



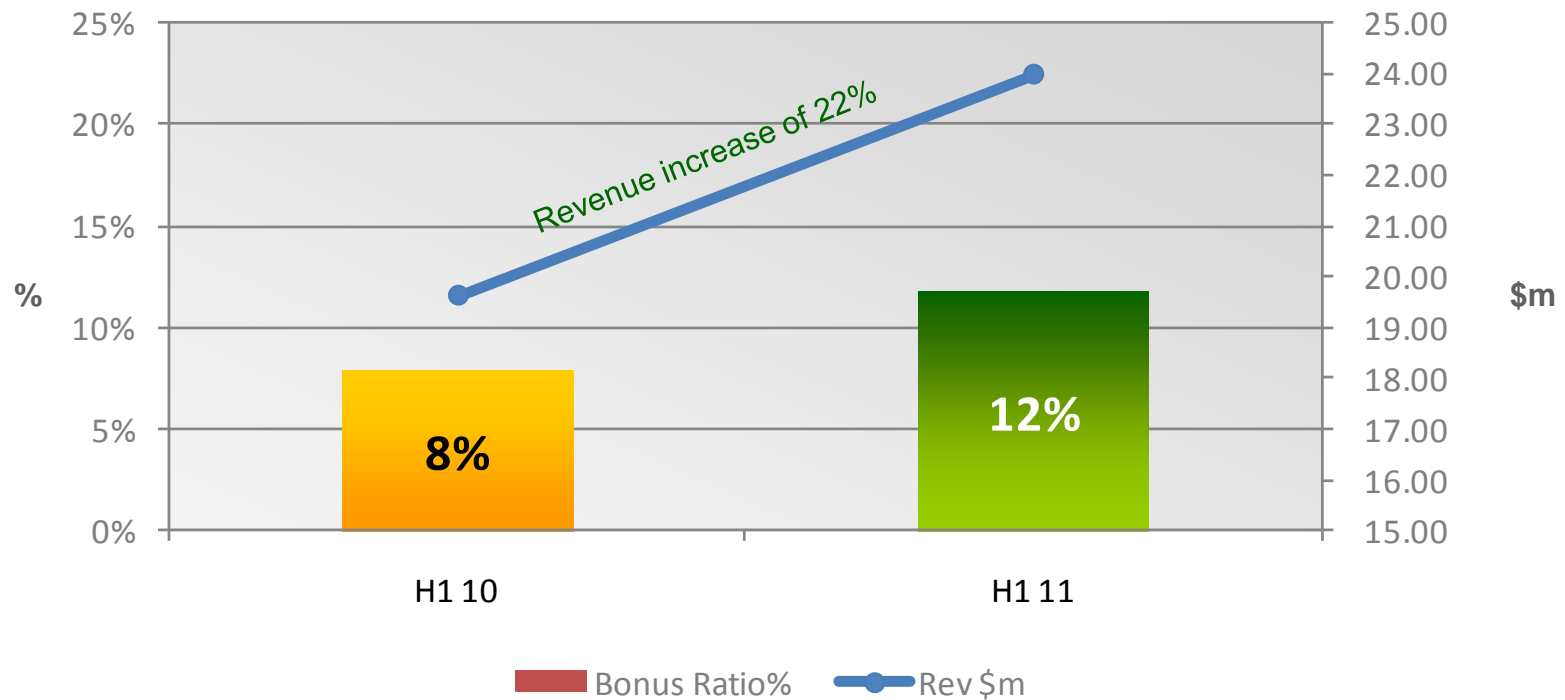
<sup>1</sup> Excluding converted loyalty points



# Customer Bonuses<sup>1</sup> B2C Poker

- Poker Revenue Growth driven by optimal use of Bonuses and CRM efforts

## Customer Bonuses as % of Revenue

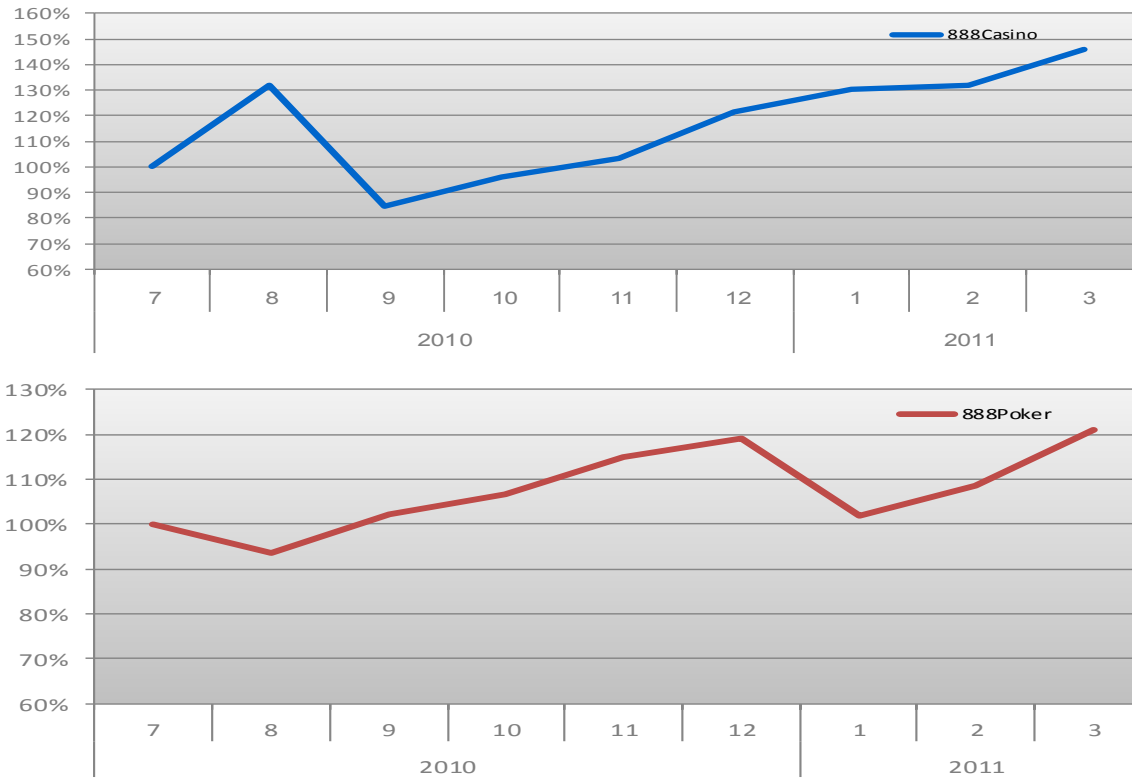


<sup>1</sup> Excluding converted loyalty points

# Players Value OverTime

- Average revenue generated by new players during first 3 months (an indicator of life time value) **increase** overtime (Jul 10 = 100)

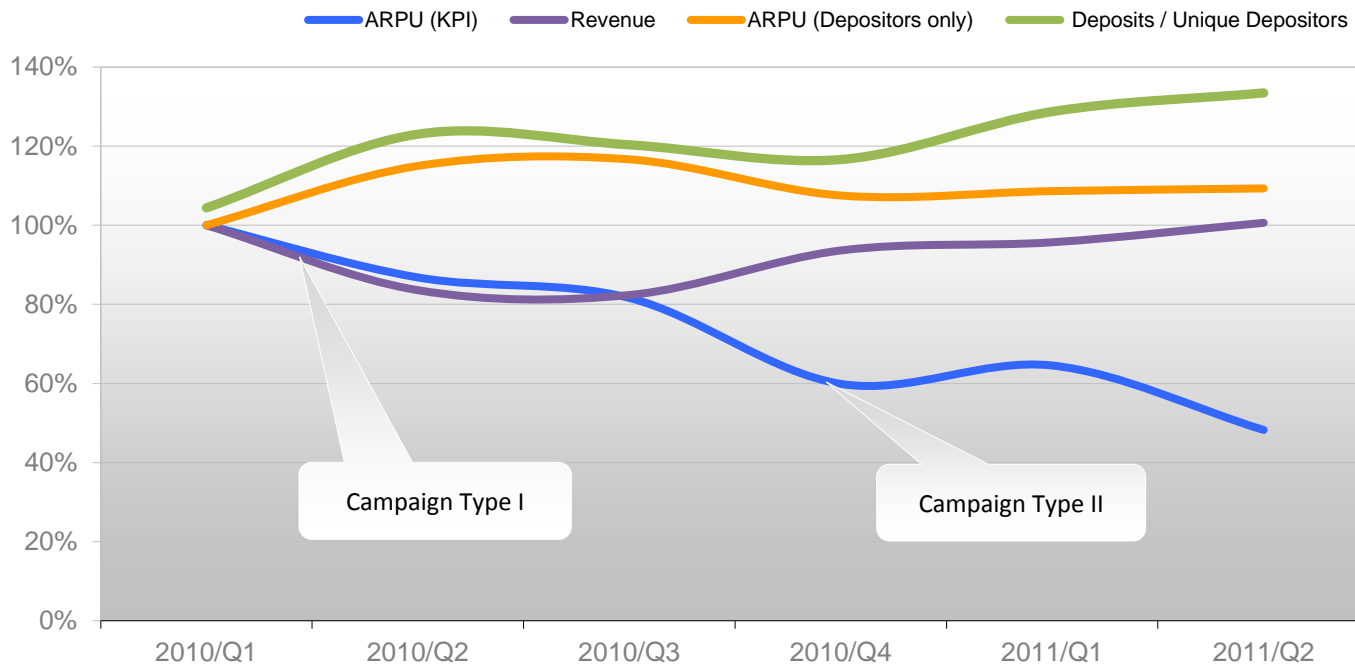
3 Month Ave. Revenue per player B2C Casino & Poker



# Players Value Over Time

- ARPU fluctuates with number of actives does not reflect underlying increase in deposits and LTV

888Casino ARPU Trend as of Q1 2010



# Balance Sheet at 30 June 2011

\$m	30-Jun-11	31-Dec-10
<b>Non-current assets</b>		
Intangible assets	142.9	162.3
Property, plant and equipment	19.6	21.5
Deferred tax & Financial assets	0.9	0.8
Investment in equity accounted joint ventures	1.3	1.3
	<u>164.6</u>	<u>185.9</u>
<b>Current assets</b>		
Cash and cash equivalents	60.9	61.5
Trade and other receivables	22.9	24.3
<b>Total Assets</b>	<u>248.3</u>	<u>271.8</u>
<b>Equity</b>		
Share capital	3.2	3.2
Retained earnings and reserves	92.4	113.7
<b>Total equity attributable to equity holders</b>	<u>95.6</u>	<u>117.0</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	58.6	37.8
Customer deposits	41.0	34.7
Contingent consideration	53.1	78.0
<b>Non-current liabilities</b>		
Contingent consideration	-	4.2
<b>Total equity and liabilities</b>	<u>248.3</u>	<u>271.8</u>

\* Rounded

# Cash Flow Statement

\$m Six month ended 30 June	H1 11	H1 10
<b>Cash flows from operating activities</b>		
Profit before tax	(22.1)	4.3
MyTopia Goodwill Write-off	20.2	
Notional interest (IAS 39)	6.9	
Share benefit charges	2.1	1.9
Profit before tax and Share benefit charges	<u>7.1</u>	<u>6.2</u>
Depreciation & amortisation	7.1	5.6
Interest and share of post tax profit in the JV	(0.1)	(0.1)
Change in current assets and liabilities	29.0	1.6
<b>Cash generated from operating activities</b>	<b>43.2</b>	<b>13.3</b>
Tax paid	(2.0)	(1.9)
<b>Net cash generated from operating activities</b>	<b>41.2</b>	<b>11.4</b>
Acquisitions of MyTopia & Wink	(36.0)	(12.3)
Purchase of property, plant and equipment	(2.8)	(4.2)
Rest of Investing Activity	(3.0)	(2.8)
<b>Net cash used in Investing Activities</b>	<b>(41.8)</b>	<b>(19.3)</b>
Dividends paid and share buy-back	-	(13.9)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(0.7)</b>	<b>(21.8)</b>
Cash and cash equivalents - beginning of year	61.5	87.5
<b>Cash and cash equivalents - end of period</b>	<b>60.9</b>	<b>65.7</b>

\* Rounded

# Operational Review



# Operational highlights

- Investment in our core platform
- B2C Launch in Italy
- Targeted/Result driven marketing
- Poker 6
- Dragonfish – Refocused

# Our core platform

- Rebuilt core functionality
- Moved to unified offering
- Automated protocols
- Created a state of the art eCRM system
  - Telco business practice
  - Improvements in all key KPI's
    - Churn
    - OTD
    - Newborn deposits
    - And more...
- Continues development in e-payments
  - Banks (*Spain, Italy*)
  - MFT's
  - Tools



# Our new poker

- Poker 6
  - Innovative software that addresses the needs of our target customers
- Very strong performance even before “Black Friday” and the closure of FullTilt
- Effective acquisition and CRM strategy leveraging a newly developed back-office tool
- Poker Room Management strategy that is aligned with the marketing strategy
- Ongoing optimisation using state-of-the-art analytic tools

# Our casino

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- The back office
- Allowed more aggressive marketing
- Additional CRM functionalities
- Numerous new tools to support increased LTV
- Italy
- More games (new deal with Warner Brothers)
- Slots factory

# Bingo

- Successful migration of Wink brands to B2C
- Modular Bingo platform
- More games
- Side bets
- New Invite-a-Friend, bad beat bonus and video over chat were launched
- Enhanced skins - dedicated language, rooms, customized lobby, dedicated chat, promotions
- Mobile and tablets
- New networks and skins - BingoCity, Bingo Street, Brits Bingo

# Sport

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- Contribution as the main target
- Restructured the team
- Cross between the 888 brands
- Upgrade to the new platform
- Targeted marketing activity

# Marketing highlights

## B2C

- Continue to dominate Casino and Poker brand exposure on Google both organic and PPC via our leading in house online marketing teams
- Significant increase in new customers via improved positions on industry leading affiliate sites
- Above the line activity in key markets

# B2C Highlights

## POKER

- Leverage our strong position in the market via aggressive player acquisition in all channels
- Enhanced partnerships with key market leaders
- Improved and innovative CRM campaigns using innovative back-office tools
- Focus on selected markets and player segments

# B2C Highlights

## CASINO

- CRM - focus on player segmentation and retention activities
- Automated protocol to support retention and LTV
- Increase player acquisition in key territories via new ATL Marketing campaign
- promoting our brand strategy- “Winning can happen any minute!” via innovative marketing campaigns

# B2C Performance Highlights

## BINGO

- Extracting value out of current assets (launched 3 networks last year)
- Cross sale between 6 bingo networks extending LTV
- Implementing B2C best practices and know-how to the newly acquired business: Data mining, CRM, games offers, value player management
- Launched a new network - Bingo Street



# Dragonfish

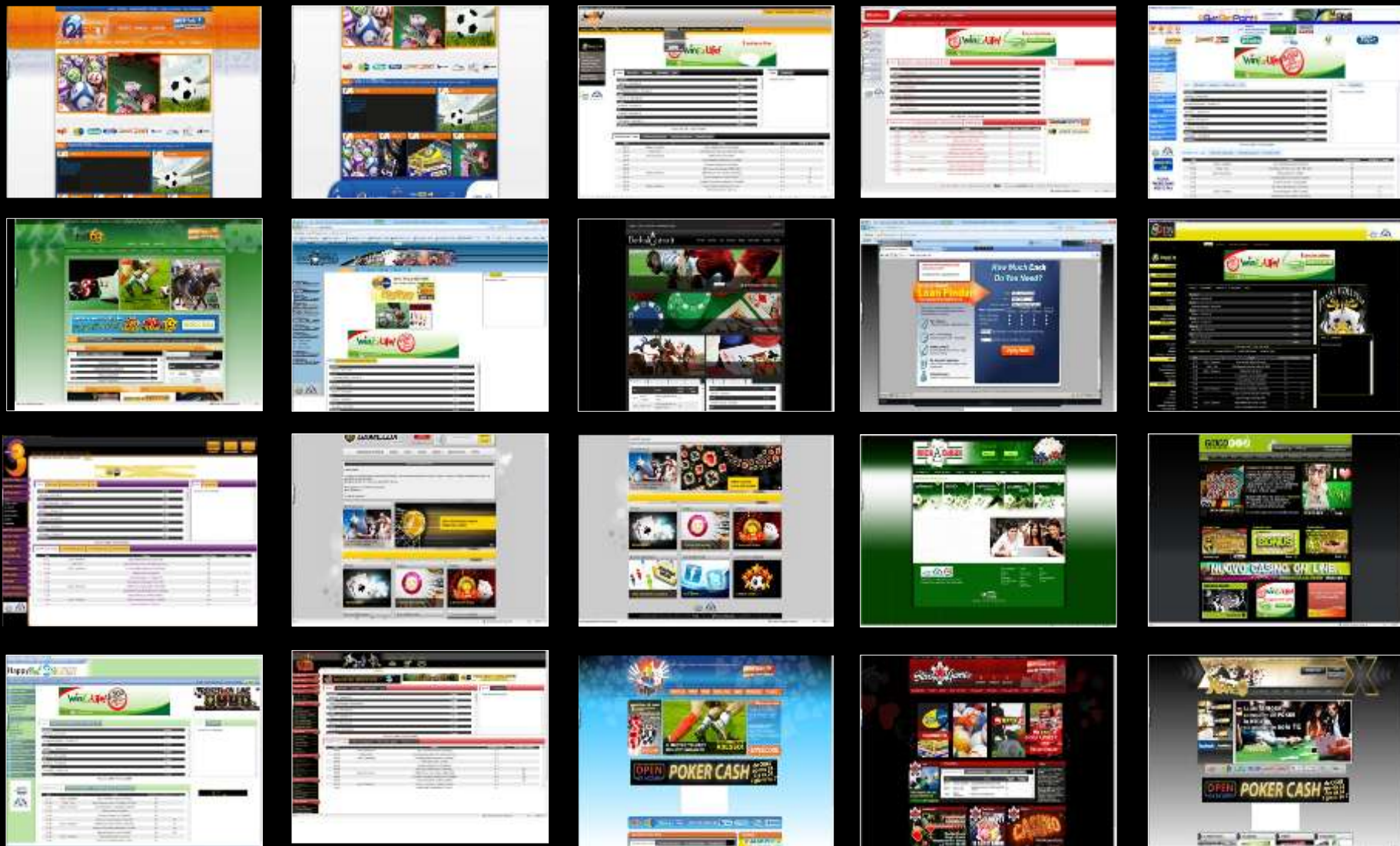
- Remain committed to profitable B2B
- Focus on core competency Casino modular, Bingo, significant opportunity in poker and casino
- Successful launch in Italy
- Focus our efforts
- Many opportunities out there...

# Multiple launches in Italy





# ...and more



# Our business in regulated markets

## Italy

- Launched B2C in Italy
- Dragonfish launched with Bwin and Microgame
- Significant potential for both lines of business
- New deal structure with Endemol

## France

- Difficult tax structure but continue to monitor

## Spain

- A new opportunity
- Working on the business and technical setup

## UK

- We have the right tools
- Actions are being taken to mitigate risk

## US

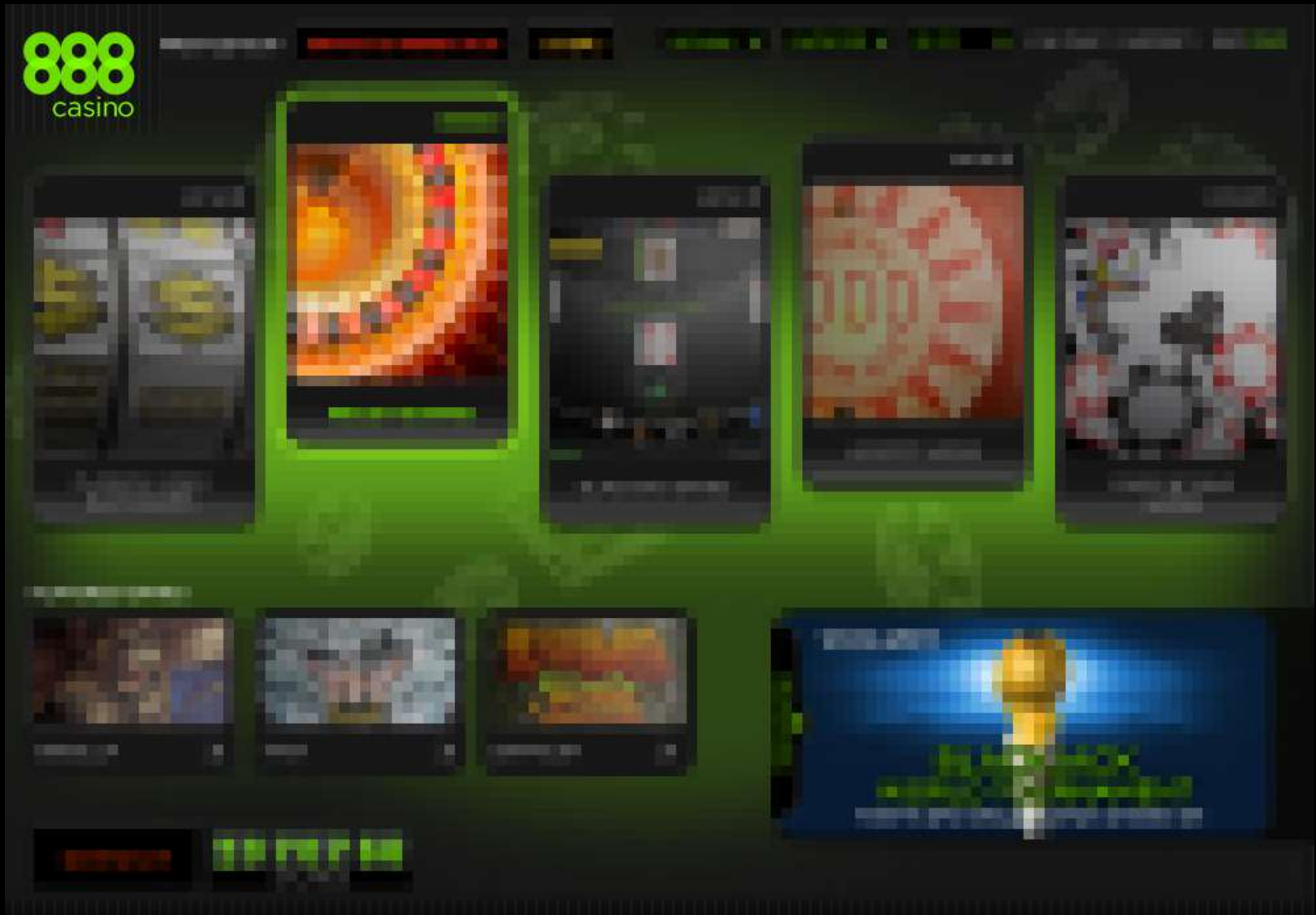
- A blue ocean...
- Nevada suitability
- Many opportunities

# What's next?

- Regulated markets - an opportunity
- Continue investment in our core platform
- New casino (Q1/12)
- Going mobile
- Create a stand alone gaming platform (GGP)
- Focus on our B2C marketing activities
- Real time events embedded in platform
- Dragonfish – create the right deals
- Maximise our US opportunity



# 888 new Casino



# What's next – B2C

- Poker - Leveraging our new software with unique features and fresh marketing/product approach
- ATL campaigns - Casino, bingo and poker
- Roulette vouchers for casino
- Bingo International
- Sports – preparing marketing activities for 2 major sporting events in 2012 Euro and London Olympics

# Summary and Outlook





# Summary and Outlook

- Strong results
  - Record activity
  - Improving margins
- Restructured and renewed strategic focus
- Trading in second half strong to date
- Investment in regulated markets in H2
- FY in line with market expectations

# Q&A



Thank  
You!!