Operator 1

Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to Intertain Group's Full Year 2016 Results Conference Call. Intertain is a subsidiary of Jackpotjoy plc. (Operator Instructions)

Please note that this call is being recorded today, Wednesday, March 29, 2017, at 1:00 p.m. London time. If you have not received a copy of Intertain's full year 2016 earnings release that was issued before market open today, you can find it under Intertain's profile on the SEDAR website or on the Jackpotjoy plc website at www.jackpotjoyplc.com.

Please be aware that we will be discussing some information about the business that is forward-looking and which is based on management assumptions and subject to a number of risks that could cause actual results to differ materially from current expectations. Our annual information form, dated March 29, 2017, and our management information circular dated August 19, 2016, which you can find on the SEDAR website under Intertain's profile, discuss many of these assumptions and risks. Intertain does not intend to publicly update any forward-looking information except as required by applicable securities laws.

Please note that we will also be discussing some non-IFRS measures on today's call. For the definitions and reconciliations of these non-IFRS measures, please refer to Pages 25 and 27 in the RNS we issued earlier today.

I will now turn the conference over to Mr. Neil Goulden, Chairman of The Intertain Group. Please go ahead.

Neil Geoffrey Goulden, Jackpotjoy plc - Chairman 2

Thank you very much, and good afternoon U.K. time to everyone joining the call. I'm Neil Goulden, the Chairman of the group; and with me here today in London are Andy McIver, Chief Executive; and Keith Laslop, our Chief Financial Officer. I don't intend to take up much of your time in the introduction. The bulk of the presentation will be from Andy and Keith, and then I'll chair a Q&A session at the end.

But a few words of introduction. 2016, which is the year that we are reporting on, was a momentous year for the company. And it's a company that, bear in mind, that is only 3 years old. In the first 2 years, the group acquired InterCasino, Mandalay Media, Vera&John and Jackpotjoy from Gamesys, so effectively grew the portfolio of brands that form the group today.

The year 2016 started with the aftermath of the Spruce Capital report and a short attack on the company's shares. And in March 2016, having clearly refuted the allegations in the Spruce report, the company announced a review of the strategic options facing the company. Key to the strategic outcome was to gain exposure to the more mature and liquid European equity markets. London was a natural home for the company. It has a large gambling presence and Jackpotjoy earns circa 70% of its earnings in sterling.

I joined the board in June 2016, along with Andy, and we announced our intention to list on the U.K. market. The Brexit vote, which is actually being confirmed to Europe by the British government as we speak, had a major impact on sterling. It took sterling down by 15% and unfortunately had an impact on our share price just after we announced our intention to list on the U.K. market.

Before relisting, we also, as a board, made the decision we needed to recapitalize the group so that we could pay the earnouts as they fell due. So we raised GBP 160 million loan in the U.K. market. And that was put in place in December 2016. That enabled us to make GBP 150 million early prepayment to Gamesys, led to a renegotiated operating platform agreements, which now take us out to April 2019 and beyond. On January 25, 2017, our U.K. listing was complete and 73.7 million shares are now listed on the LSE. And we have new U.K. nonexecutive directors who have joined the board.

Despite the upheaval, we retained our operational focus throughout 2016. And today, we're presenting a strong set of results for the year. Revenue up 15%; underlying EBITDA are up 19%; underlying net income up 17%; underlying net income per share up 19%; and record operating cash flow. You could say that's an excellent result in the circumstances of the change going through the company. We've also started 2017 strongly, and you'll hear more of this year's -- last year's results and Q1 from Andy and Keith in a while.

As Chairman, I feel that we now have strong brands and good growth prospects, a market-leading position in online bingo, a much stronger capital base, a stable management team, led by Andy and Keith, a strong free cash flow, which enable us to quickly deleverage the business and we've made a good start to the current financial year. So we are well positioned to deliver excellent results for our shareholders over the second 3 years of our existence as a publicly quoted company.

So after that introduction, I'm going to hand you over to Andy and Keith to go through the results in more detail.

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 3

Okay, so it's Andy speaking now. Thank you very much, Neil. I think, as Neil has pointed out, we can all agree that 2016 was quite a year. We moved our listing from Toronto to London, renegotiated our agreement with Gamesys, while securing important new debt refinancing, rebranded as Jackpotjoy plc and appointed a new board, including Neil, and I think we can all agree, crucially myself. In the midst of all these changes, our 3 brands, Jackpotjoy, Vera&John and Mandalay, all continued to perform well with all 3 reporting constant currency organic growth, ensuring that we achieve the high end of our market guidance on all measures, even with the strategic initiatives that were ongoing throughout the year.

The strong financial and operating performance was primarily due to the successful execution of our strategy as we look to develop our online gaming brands through 3 key offerings, namely innovative customer retention and acquisition initiatives, improved technology and gaming offerings that enhance the customer experience. This has resulted in the group generating significant organic growth opportunities across all business segments while also increasing our mobile penetration and benefiting from the overall growth in our industry. I'm aware that many of you on the call already know the business well, but I would still like to take this opportunity to briefly introduce Jackpotjoy. So let's begin with the business overview.

If we look at Slide 6, you can see that we are the #1 bingo-led operator globally, with the deepest liquidity and the leading portfolio of online gaming brands, delivering high customer retention rates. We currently, as we point out in the slide, have a highly cash-generative business with an 81% operating cash flow conversion. Now I say currently, because we anticipate that operating cash flow conversion to improve over coming years, as Keith will take you through. And as Neil pointed out, we rebranded ourselves as Jackpotjoy plc and listed on the London Stock Exchange on January 25.

Moving to Slide 7. You can see that the bulk of our revenues, 66%, come from the U.K., which is one of the reasons we chose to move our headquarters and reestablish the company here. Also noteworthy is that 77% of our revenue is generated from regulated markets, an unusually high and stable figure in the space. Finally, as you can see, bingo is our largest revenue component at 71%; with 22% from casino, which is largely Vera&John; and 7% from social, which is a Jackpotjoy social space.

On Slide 8, you can see our financial highlights, what we've done -- reported here in sterling. And from the beginning of this year, all reporting will be in sterling. And I hope you can see in the back of the press release that we have set up some sterling comps. Revenue increased 15% year-on-year, going from GBP 234.9 million to GBP 269 million in 2016. Adjusted EBITDA increased 19% to GBP 102.2 million. And adjusted net income increased by 17% to GBP 83.5 million. Similarly, earnings per share also experienced an increase of 19% year-on-year. Moving from -- finally, net debt increased by 5%, moving from GBP 387.5 million to GBP 408.1 million in 2016. And the reason for that increase is an IFRS one and a currency one.

Turning to Slide 9, operational highlights. You can see the 4 core KPIs that we track and focus on internally, looking back on a last 12-month basis, all of which experienced solid improvement year-on-year. Average active customers grew by 15%, total net gaming grew by 20% and average monthly gaming revenue grew to GBP 20.3 million, an increase of 20%. And finally, average monthly gaming revenue per active customer was GBP 86, an increase of 4% year-on-year. Now that's not a measure we typically try and grow because, obviously, we're very keen that the customer does not think or does not feel the experience that we are taking increasing amounts of their wallet.

Turning to the second section, our business overview on Slide 11. We outline our business model. And you can see why we believe our business is so attractive. We have a track record of growth, which we expect to continue, demonstrating in the year a 15% year-on-year underlying revenue growth and 19% year-on-year underlying EBITDA growth. High retention rates of 90%, thanks to our portfolio of leading brands. High and sustainable margins at just over 38%, accompanied by low CapEx. And 77% -- and as I said before, 77% of our earnings come from regulated markets. And as we also mentioned earlier, a highly cash-generative business with an 81% and increasing operating cash flow conversion.

I'll go through the next handful of slides quickly as they should be familiar to most of you. I do want to draw your attention to the chart on Slide 13, which demonstrates why liquidity matters and the virtuous circle this creates. This circle includes a high growth market. Slide 14 demonstrates how online bingo and casino contributes circa 28% of the total online gambling market, which is expected to hit $20 billion by 2018, and how U.K. market gross wins of circa 10% are expected to continue.

Slide 15 shows the power of focusing on a nontraditional demographic, well, nontraditional by the gaming space. Our flagship brand, Jackpotjoy, has 71% of its customers being female. And Costa is a close second at 68%. Vera&John is slightly less, being a more traditional casino-focused offering.

And finally on 16, we see the outcome of this virtuous circle and that demographic, which is extremely high customer retention.

Now for those that heard this presentation before in various guises, this is a perfect segue to Keith, who will speak in greater detail about the customer retention slide, given it's his favorite one, and I feel that it's not an area where I can stray into.

Keith Laslop, Jackpotjoy plc - CFO 4

Thanks, Andy. And I do like to talk about this slide because, in my mind, it's essentially the investment thesis, whether it's equity or debt for the company. It's a key slide for us. And it's the reason that Jackpotjoy plc is focused in bingo-led gaming. Bingo-led gaming exhibits higher customer retention than other gaming verticals. This slide shows the Jackpotjoy segment's real money revenue by cohort year; the revenue that specific cohort provided to the segment, and not only that year, but every year subsequently.

A few things to point out on the slide. Firstly, you can see that customers are still with us. That -- if a customer stays with us for 3 to 6 months, that customer tends to stay with us for a very long time. 90% of the Jackpotjoy segment's real money gaming business came from players that joined in 2015 or earlier. We still derive revenue from players that joined us in 2002 or 2003. Secondly, although the slope has flattened at various points in the past, revenue has never gone down in the segment, even during a very bad recession in 2008/2009. Thirdly, the last 2 years have exhibited the most stable retention across the history of the Jackpotjoy real money gaming business. This is largely due to mobile. In Q4 for Jackpotjoy U.K., a mobile player that also played on desktop was worth 2.7x the revenue of the desktop-only player. Mobile has been a great thing for our business.

Prior to going into financial results, I do want to spend a bit of time taking about the Gamesys agreement, which we outlined on Slides 17 and 18. To be clear, regarding the Jackpotjoy business unit, we own the brands, exclusive content, intellectual property, consumer data and the liquidity. We use a third party for the underlying platform as well as certain support services, which is common in the bingo-led sector. During any acquisition earnout, and certainly in the case of all of our acquisitions including Vera&John and Mandalay, the seller retains a certain element of control, of course within parameters, in order for them to be able to maximize their earnout. The main part of Gamesys' earnout will be calculated from this Friday, and we look forward to continuing our close relationship with Gamesys as our platform and services provider.

On Slide 18, it takes you through a bit of the other details of the agreement. Our agreement, which we revised in September 2016, includes the following characteristics: mainly, it's very long term. The operating agreement goes until 2030. Post termination of the operating agreement, we have a content agreement for an additional 10 years. Also it has key protections: B2C bingo non-compete in the U.K., Ireland, Sweden and Spain until April 2019; our ability to switch platform service provider from April 2019; and the concept of content and feature parity.

Now moving on to the financial results. I -- Andy and Neil mentioned some high-level figures, so I won't repeat them here, but what I will say are that we understand that adjusted measures do annoy some people. And unfortunately, due to the amortization of purchase price intangibles from our acquisitions, we will unfortunately continue to have some significant adjustments on our income statement going forward. However, straight from our cash flow statement, you can see that we generated GBP 83 million of operating cash flow in 2016, which equates to over GBP 1 per share of operating cash flow.

Slides 21 to 23 provide more detail on the underlying individual business segments. And please note that these are in their individual reporting currencies. For the Jackpotjoy business, 2016 revenues were GBP 188.2 million, which is 17% growth year-over-year, and adjusted net income of GBP 84.7 million, which is 34% growth year-over-year.

Now some highlights of the individual Jackpotjoy businesses for the quarter. With Jackpotjoy U.K. specifically, we experienced record revenue, deposits, wagers and actives in Q4 2016. The improved monetization of players through mobile has continued. As I mentioned, mobile revenues as a percentage of total revenues improved to 55% in Q4 from 52% in Q3. And as I mentioned, in Q4, a mobile player that also played on desktop provided 2.75 -- 2.7x the revenue of a desktop-only player, similar to Q3 and previous quarters.

For our Starspins brand, it grew over 100% in both top line and bottom line in 2016. Q4 is also a record quarter in terms of revenues, deposits, wagers, actives and first-time depositors. We had a record percentage of revenue from mobile. 63% of Starspins' GGR came from mobile versus 55% the previous quarter. For Jackpotjoy Sweden, Jackpotjoy Sweden had record deposits, wagers and actives in Q4. And Botemania, to round off the segments, is a great quarter for virtually all of the segments. Botemania grew 100% in both top line and bottom line in 2016. We had record revenues, deposits, wagers in Q4. As well, another record, percentage of revenue from mobile, 44% of gross gaming revenue came from mobile versus 35% the previous quarter.

Moving on to Vera&John. Revenues of EUR 69.7 million in 2016, which is 20% growth year-over-year, and adjusted net income of EUR 18.6 million, which is a 124% increase year-over-year. Vera&John remained our fastest-growing segment in 2016, although it is worth saying that it operates mainly in unregulated jurisdictions and therefore it will experience more volatility in its revenue and income stream than our other businesses.

Finally, onto Mandalay. Revenues of GBP 21.7 million, which is 1% growth year-over-year, and adjusted net income of GBP 6.6 million, which is negative 23% growth year-over-year. The decrease in profits relates to our historic plan of going on TV every second year with Mandalay. We went on TV in 2016, 2014 and 2012. Mandalay is our smallest segment, and we believe we will see benefits in 2017 as this will be the first year that we'll be able to cross-sell last [ph] players from Jackpotjoy into Mandalay.

Okay, moving onto cash flow, on the cash flow bridge, the next slide. We believe the strong cash flow generation is one of our company's strengths, and the following -- and this slide details our adjusted EBITDA to operating cash flow bridge, how cash flow is impacted by items we adjust out of EBITDA. We exhibited an operating cash flow conversion rate of over 80% in 2016. And it would have been higher outside of the exceptional items, such as severance and transaction-related fees around the U.K. listing. Although there will be significant transaction-related fees going through our cash flow statement in Q1 this year, we are very focused on keeping future exceptional items to a minimum as we plan to use our strong cash flow to pay earnouts and debt.

The final slide, which I'd like to touch on, is our leverage slide, which we've calculated a couple different ways. On the left, we have calculated leverage in line with our credit facilities, and that leverage ratio is calculated in U.S. dollars. On the right, we've added net earnout amounts to incorporate our Gamesys earnouts as debt, although they don't qualify as debt under our credit facilities; as well to show the amounts in sterling. It's important to note that we believe all earnouts and debt amounts due in the future will be able to be paid from internally generated cash flows. We do have higher leverage than our peer group in the U.K. However, our leverage is manageable given our robust cash flow generation, and worth repeating that we will be looking to reduce our leverage quickly in order to have a similar leverage ratio to our peer group in the future.

Lastly, just want to point out one item that is not in the presentation, but it was finalized yesterday. We renewed our U.S. dollar to sterling swap. In doing so, we realized a gain on the swap of USD 42.6 million in cash, which we can use in the future for Gamesys earnout payments or to pay down our debt. Going forward, we've matched our sterling revenue percentage of total revenue, which is roughly 2/3, to our sterling debt as a percentage of total debt, which post hedge is [ph] also now around 2/3. To do this, we've hedged 50% of our U.S. debt into sterling.

I will now pass the call back to Andy.

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 5

Thank you very much, Keith. Turning to strategy and opportunity on Slide 27. We see a number of opportunities, all of which we are pursuing. We are in large and growing markets, the U.K., Sweden and Spain being the main 3, and we will look to drive higher market share in these markets over the coming years.

We will also continue to focus on our core female demographic, which has high retention and where we believe there is further capacity for growth. Mobile remains a key growth area for us. And we will look to increase mobile penetration, and Keith has taken you through the current mobile penetration, across our brands through innovative new multichannel products. Finally, we see that users are increasingly moving across multiple platforms, so we would look to leverage best practices and optimize cross-selling of data and customers across the group.

Finally, Slide 28. I'll move ahead to this final slide before the appendix. And you can refer to this one at your leisure, and I'll just leave it there whilst I summarize. So we are very pleased that we've reported such good results today. We mentioned in the headlines of our release that our Q1 2017 revenue is forecast to be up 10% year-on-year. This result has been driven by growth across all our business units, clearly demonstrating the strength of our business model and the individual brands. I'm also particularly proud that we achieved the high end of our market guidance. I mention this again because I believe this provides further evidence of our ability to manage our business whilst also developing and growing our brands, and I would like to take this opportunity to thank all of our employees for their hard work and dedication during, as we said earlier, what has been quite a turbulent year.

Looking ahead, we are very excited about what 2017 holds for Jackpotjoy plc. Like Neil, I'm confident that our strong portfolio of brands will continue to deliver good and positive organic growth. We know our job is to keep producing quarters of consistent, impressive growth and to repay the debt as fast as we possibly can, and that's what we're setting out to do. So far, for our 3 months of the LSE to date, trading has been in line with our expectations. And we look forward to updating you all further on our progress against our objectives next year, and next time we see you will be a couple of months for our Q1 results.

I'm handing you back now to Neil.

Neil Geoffrey Goulden, Jackpotjoy plc - Chairman 6

Thank you, Andy. Let's move on to questions and answers. Operator, can you announce the first caller, please?

QUESTIONS AND ANSWERS

Operator 1

(Operator Instructions) The first question comes from Greg MacDonald from Macquarie in Toronto.

Gregory W. MacDonald, Macquarie Research - Head of Equity Research of Canada 2

Question is for Andy. So the press release references 1Q showing strong confidence in 10% growth. And seeing as we're pretty near the end of March, so the quarter is almost in the books, I suspect you're fairly confident on that comment. Andy, can you speak to sustainability of this growth rate, particularly in light of what are pretty strong 4Q exit growth rates out of Vera&John and Jackpotjoy, visibility, i.e., like the rest of '17 and perhaps into '18?

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 3

No, that's very fair. And you're right, we are confident. I'm as confident as can be, which is probably not as confident as I'm allowed to say on the press release, that we will achieve 10% for the quarter. Looking forward, I think you'll see that forecasts of our -- our external forecast for our growth for the year are around about that level. And I see no reason to disagree with them, certainly at this point in time. And we would definitely hope to achieve those. And looking forward into future years, again, and in our internal modeling, that is the sort of level we are running at. And in terms of the comps, you're right, we did finish on strong comps on Q4, which means that we were very pleased with the momentum that has carried on into this year.

Gregory W. MacDonald, Macquarie Research - Head of Equity Research of Canada 4

Can I ask a quick follow-on, Andy? Just indicators that I find interesting, average active customers at plus 15% for the year and average spend per customer at plus 4%. Can you tell us what the exit 4Q numbers were equivalent for those 2 metrics?

Keith Laslop, Jackpotjoy plc - CFO 5

I can tell you that they were higher. These are the last 12 months' figures. The -- and numbers will go up and down, but Q4 was a dynamite quarter in our business.

Gregory W. MacDonald, Macquarie Research - Head of Equity Research of Canada 6

And how does 1Q look to be shaping on those numbers?

Keith Laslop, Jackpotjoy plc - CFO 7

Good. I think positive with respect to our KPIs across the group, similar to our revenues. We aim to keep our -- we like to keep our ARPU per customer pretty stable, as Andy mentioned. And therefore, growth comes from more customers and more customers paying the same amount of money or wagering the same amount of money.

Gregory W. MacDonald, Macquarie Research - Head of Equity Research of Canada 8

Okay, so fair -- safe to say that the estimates or the guidance, so to speak, is fairly conservative?

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 9

I think at this point in time, our obligations are honestly [ph] correct. The numbers in the market, if we feel that they are too far away from where we believe we will end up, I think given that we're only 12 to 13 weeks into the year, we'd like to keep things where they are for the time being.

Operator 10

The next question is from Iljes Abduela [ph] from Red's Privater [ph] in London.

Unidentified Analyst 11

I had a question about the transaction-related costs. Obviously, we've seen them going down in 2016. I was wondering what part of that would you see still coming into Q1, and if you could provide a bit more of a breakdown. And I have one more follow-up question after that.

Keith Laslop, Jackpotjoy plc - CFO 12

So in Q1 of 2016, we've accrued from most of these costs on our income statement. But in terms of what will hit our cash flow statement, it would be success fees on the listing as well as, so,some consultancies, some tax and accounting fees as well as some legal. We would have accrued for most of that again in Q4, but it'll hit our cash flow statement in Q1. I can tell you that post Q1, you should see a very small amount of transaction-related costs going forward. There'll always be some transaction-related costs as we enter into new jurisdictions or as we enter into acquisition or disposal discussions, however, I think it will be a small fraction of what we've seen in 2016.

Unidentified Analyst 13

Okay. Actually, two more questions actually. One is about insider buying. Obviously, we've seen the stock trading where it is, and it's cheap on all metrics. I think we've seen the last insider buys last year. So I was wondering when management would come in and grab some more shares. Secondly, when do you see the path to a dividend, basically? When -- has your expectation there changed? And maybe if you can give an update on that.

Neil Geoffrey Goulden, Jackpotjoy plc - Chairman 14

Yes, this is Neil, I'll take both of those questions. Clearly, individual directors buying is a matter for them. I have a shareholding. Keith has a significant shareholding. I do know there are directors of the company who have been approved to trade today. So there are some directors buying some shares in the market today. And I think it's fair to say that both Andy and I have had discussions and we are likely to buy shares after the Q1 results, further shares after the Q1 results. So all of the directors are keen to have a shareholding in the company.

As to the dividend, I think that's a matter for the future, not for now. At the moment, we are concentrating on using our free cash flow to deleverage. We can pay a dividend once the leverage is below 2.75x. We may want to get a leverage lower before we get on to a dividend, because the absolute key to us is that we want any dividend that we pay to be sustainable and progressive. So we are keen to start paying a dividend. We are keen to pay a dividend as soon as possible. But we want to deleverage a bit before we go on to that path. But we want to do this as soon as possible.

Unidentified Analyst 15

Any timing indications for that? Like do you think it's 2 years? Or is it 3 years away?

Neil Geoffrey Goulden, Jackpotjoy plc - Chairman 16

I think that we will -- it really depends on how fast we can get the cash flow moving, the deleverage moving. I think it's something that we would look out into the back end of next year and more likely the year after.

Operator 17

Okay, I have a question now coming from the line of Eyal Ofir from Eight Capital in Toronto.

Eyal Ofir, Eight Capital, Research Division - VP and Senior Equity Research Analyst 18

Just a quick follow-up here on the last question. Is there a natural aggregate number you can attach to the one-time cost that will hit cash flows in Q1?

Keith Laslop, Jackpotjoy plc - CFO 19

Not off the top of my head, but it will be, I believe, sub-GBP 10 million. That's my best guesstimate right now. I apologize, I don't have that off the top of my head.

Eyal Ofir, Eight Capital, Research Division - VP and Senior Equity Research Analyst 20

Okay. And then just, Andy, I think for you and maybe even Neil, obviously you guys have gone through a long process here to get to where you are in today. The earnout with Gamesys about --

maybe the first tranche of it with JPJ U.K. is about to end here. What kind of milestone should we attach to kind of your goals in 2017 over the next kind of 3, 6 and 12 months in terms what you're going to do from an operation standpoint and also potentially international expansion?

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 21

Okay. I think the key thing -- well, obviously the key financial goal over all of that period will be to, as Neil has pointed out and I think now as we've all reiterated, is to repay the debt as fast as we possibly can.

I think in JPJ, you will see us continue to try and build upon our market share, to increase the mobile penetration and to carry on supporting the strong growth in Starspins and Botemania. And then if you look at Vera&John, I think we are hoping -- not we are hoping, we are planning to improve our growth rates in the Nordic region. The Nordic region has become highly competitive of late. In fact, we actually forward to when Sweden will legislate, because I think it will free up the marketing there a bit more in that region. The media space is very clogged and very expensive. But I think we've been a lackluster in that region.

We will also push ahead with our B2B offering in the Asian market. Asia has been performing strongly for us. And we will capitalize upon that by offering our platform and some in-house games and external games to new companies. In the Mandalay space, Mandalay, I think, will continue to have quite a tricky time. It's quite a bonus-led offering, which we've started to scale back already to see what impacts that will have or bonus tax might have; and the scaling back has not affected our profitability so far. I think that we need a bit more marketing and management focus in the area, but I do not suspect for a minute that Mandalay is going to go from a profitability circa GBP 6 million to GBP 60 million. But I think we would put Mandalay in the could-do-better camp.

Eyal Ofir, Eight Capital, Research Division - VP and Senior Equity Research Analyst 22

Okay. And then in terms of the JPJ and the Mandalay cross-sell, like how do you think that plays on over the year? How much resources are you putting towards that as well?

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 23

Well, yes, that's an interesting question. Once the earnout competes in this April, we will have the ability to use the JPJ database, subject to -- there's some legal work that needs to be done regarding data protection, et cetera. But that is being finessed as we speak. And we hope to apply that database to both Mandalay and Vera&John. And I think that would be very helpful in Mandalay's case, because obviously it's bingo-to-bingo. And Vera&John remains to be seen because obviously it's a bit more geographically dispersed as well. We are not quantifying it, because we do not know and will not know until we do it, but certainly, in terms of management resource, it is a focus of some people's year.

Eyal Ofir, Eight Capital, Research Division - VP and Senior Equity Research Analyst 24

Okay. And then on the Starspins side, does that also give the ability to kind of cross-sell some of the Starspins players into kind of Vera&John and other jurisdictions as well?

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 25

Yes. Yes. Yes. And obviously, Starspins has already been cross-sold, too, because it is within the Gamesys-JPJ stable. So it is already picking up players from the JPJ bingo side. We identified that there are some people that play in our space that seem to have a disproportionate appetite for casino. And that is why that brand is established. And it's proved to be very successful, so we were right.

Eyal Ofir, Eight Capital, Research Division - VP and Senior Equity Research Analyst 26

Yes. And I imagine there's probably some variant, like you could probably do a cross-sell from there with Vera&John as well?

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 27

Correct.

Operator 28

We have a question from Simon Davies from Canaccord in London.

Simon John Davies, Canaccord Genuity, Research Division – Head of European Research 29

Can I kick off with one about the competitive environment? Obviously, Jackpotjoy has been getting market share in the U.K. Can you talk a bit about the backdrop there? Is this due to disruption around various platform changes in the bingo markets? And do you see any scope for intensifying competition this year as Mecca and Sun move on to their new platforms?

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 30

That's a very fair question, Simon. I think where we are is, we would hope to be a beneficiary of people moving on to new platforms. I think the whole industry will be a beneficiary. I think we would hope to be a particular beneficiary of the Sun move, because the Sun is coming off of Gamesys and we are the only other person in the top 5 that is under Gamesys' platform. So we would hope to gain from that. And obviously, the point you made about Mecca are sorting themselves out as well, we would hope to pick up a bit from there. In terms of the competitive environment, it is as competitive as it's always been. I think people are getting more and more sophisticated, both customers and operators. And if I point you towards overseas as well, we have a very dominant position in Spain. And I think that it's gone unnoticed and we feel that people are beginning to get more interested in that space. And as we spoke about earlier, the Swedish space is particularly competitive at the moment, not just -- it's a very, very busy space. One of our directors quoted the other day that on TV4, which is the main commercial channel that you can advertise on, there were 32 gaming companies advertising in 1 commercial break.

Simon John Davies, Canaccord Genuity, Research Division – Head of European Research 31

Great. Secondly, just on the debt facilities, can you discuss when you would be in a position to look to renew those and in what space we might expect you to start to negotiate?

Keith Laslop, Jackpotjoy plc - CFO 32

I can say that we've been approached already with refi-ing some of our debt. We can refi our first lien debt after June of this year or after June 16 of this year. For us, it's really a mathematical exercise. Will the decrease of the interest rate cover the expense of refi-ing the debt? Especially since, in 2 years -- well, actually after 1 year, we'll be able to refi the second lien debt, which, of course, I'm very keen to do. As we delever, as Neil pointed out, we will be receiving credit rating increases. So a great time for us to refi the entire amount would be end of 2018 or potentially first quarter of 2019. So if we're going to do that in any case, to refi earlier, let's say, mid this year, does it make financial sense? And as I said, it's truly a mathematical exercise with respect to the return on investment of the transaction-related costs.

Simon John Davies, Canaccord Genuity, Research Division – Head of European Research 33

Great. And lastly for me, can you just update us on your thinking in terms of the impact of the change in computation of the U.K. point-of-consumption tax? How do you think that affects the business? And how do you expect the industry to respond in terms of a impact on bonusing (inaudible) activity?

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 34

Okay. And for those that aren't aware on the call, the point-of-consumption tax will now be covering bonuses, which I think everyone would accept, they probably should have done in the first place. But it will cover bonuses as well from August this year. I think for us and the industry as a whole, a lot of mitigation was done when the first point-of-consumption tax came out. So I think there's probably some scope but not big, massive scope to fully mitigate the next round of point-of-consumption tax, because most of that low-hanging fruit has been achieved. In particular for us, we like the fact that we have a 22% market share and we are the market leader. And a lot of other companies in the space rely upon bonusing far more than we do. So we would see it as cementing our position. In fact, actually we would hope to pick up a bit of market share as a result of the bonus tax. But I think what we have said is we expect it to have a 3 to 4 percentage point hit upon margin.

Keith Laslop, Jackpotjoy plc - CFO 35

Across our U.K. business, which is only 2/3 of our business, so take 2/3 of that and then the tax on bonuses comes in, in August this year. So you have to take a pro rata amount of that as well.

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 36

We're going to pay more, but it's not going to hurt us half as much as it's going to hurt others.

Operator 37

The next question is from the line of Victoria Pease from Edison.

Victoria Pease, Edison Investment Research Limited - Analyst 38

Just looking at your adjusted net debt, if you could help a little bit in how to reach that number and what we might expect for the end of the year in terms of grossing up the debt and what items are included in that would be the first question.

Keith Laslop, Jackpotjoy plc - CFO **39**

Well, if you look at Slide 25 of the presentation, on the right-hand side, this takes all earnouts into account, payments for the non-compete that we have agreed with Gamesys. It also takes into account our cash in our balance sheet as well. So you add all those factors up and you get to the adjusted net debt figure of GBP 408 million. I think what you'll find this year is that we'll be paying, as you can see, a pretty chunky earnout, well-deserved. And it means that we'll have acquired the Jackpotjoy business for well under 9x, which is great. And so the main use of cash this year will be to pay the earnout, although we do have amortization payments with the debt as well. So the debt level will come down.

Victoria Pease, Edison Investment Research Limited - Analyst **40**

Okay, great. And just if you could remind on the Botemania, on the earnout, how you see that going next year and when it's to be paid. Is it June 2018?

Keith Laslop, Jackpotjoy plc - CFO **41**

Yes, it'll be June 2018. Now we will have a payment for Botemania this year and it's incorporated in our financial statements. And there are current contingent consideration payable. What you see in our balance sheet under long-term contingency consideration payable, that's mainly what we'll be paying for Botemania going forward and in 2018. So a much smaller amount that you can see. Now that future contingent consideration also includes the GBP 5 million milestone payment earnouts that we have agreed with Gamesys for 2018, 2019 and 2020. So you have to take that into account as well. Now under our IFRS, we do need to take all of our contingent consideration and discount it back 2 ways: one is through a discount rate, we use 7%; the other is through probability factors. So as you can imagine, probability factors for our milestone payment that is not due until 2020 is probably pretty low at this point. But that probability factor for an earnout that's due in 3 days will be extremely high. So I think that you'll be able to see just from our balance sheet how much we're likely to pay in June 2018.

Victoria Pease, Edison Investment Research Limited - Analyst **42**

Okay, great. And just a small one on the swap and the P&L impact that you've just taken today. Is there any?

Keith Laslop, Jackpotjoy plc - CFO **43**

There will be a small P&L impact that we will adjust out, because it doesn't relate to operations. And that will just be in relation to the difference in exchange rates as of year-end versus when we finalized the swap yesterday. So that's purely a translation hit.

Operator **44**

(Operator Instructions) The next question comes from the line of Greg MacDonald from Macquarie in Toronto.

Gregory W. MacDonald, Macquarie Research - Head of Equity Research of Canada 45

So path to deleveraging is looking clearer, but from my calculations you're still kind of 2 years to hit that 2.75 leverage level. Some investors have been asking about the probability of an equity issue to accelerate that process. I suspect it would have to be higher up. But would you care to comment on that?

Neil Geoffrey Goulden, Jackpotjoy plc - Chairman 46

Not in any detail, no. I think that our key at the moment is to generate the maximum amount of free cash flow this year, which means working our brands, getting the business going, getting the operating profit going forward and to start to deleverage. Once we're into next year, we can really look at the calculation for refinancing of the capital structure. And yes, sometime next year or the year after, all sorts of options open up. But we want to consider that in the context of the strategy of the group, what markets we're going in to do, what are growth rates, have they been enhanced in the group? Because whatever we do, as we said, if we get on to a dividend or we do an equity issue, it is about what are the prospects of the group, where is the growth profile for the group going? So far too early to decide any of those things, but they'll be on the agenda as we get towards the end of this year into next year for a further look at -- we've got a view where we want to be in 3 years' time. We'll start to focus that down once we get into next year.

Operator 47

You have of question from Roland Keiper from Clearwater Capital in Toronto.

Roland Keiper, Clearwater Capital Management Inc. - President 48

Just as a follow-up to that last question, I think that is a genuine concern amongst a variety of investors -- potential investors. And obviously, you'd like to see a higher valuation, and all of the current shareholders would like to see a higher valuation. It is just -- the concern is an equity offering that accelerates your delevering and in particular one that would be done in the next quarter to assist you with your 2017 contingent payment obligations, and I think it's GBP 120 million in total of debt and contingent consideration that's due in '17. So that, in particular, is a genuine concern that's keeping people...

Keith Laslop, Jackpotjoy plc - CFO 49

Roland, just to make one correction. It's not GBP 120 million that's due in 2017. It's GBP 120 million that's on our balance sheet across 5 years. Now the majority...

Roland Keiper, Clearwater Capital Management Inc. - President 50

I said including debt. I think there's GBP 27 million of debt due in 2017. So I added both.

Keith Laslop, Jackpotjoy plc - CFO 51

Okay. I think we've reiterated in our financial statements and MD&A that we can pay all contingent consideration and all debt from internally generated cash flows. So we do not anticipate an equity offering to be able to pay contingent consideration or debt.

Neil Geoffrey Goulden, Jackpotjoy plc - Chairman 52

And it's Neil here. If I can just emphasize what Keith's saying, that we have a strong business plan for the current year and into next year that sees us deleverage the business. We can meet all of our obligations as they fall due from our existing resources and our cash flow. The board has not even considered, at this stage, any form of refinancing of the debt, any form of dividend, any form of equity issue. None of those things are on the agenda. People are asking me, "What are you going to do in 2 to 3 years out?" But none of that is under any consideration. This is go ahead with the deleveraging, push the business, make the earnout payments. And we can do that totally out of our cash flows. So you're not going to see anything like that in the year ahead.

Operator 53

And the next question is from Richard Stuber from Numis in London.

Richard Paul Stuber, Numis Securities Ltd., Research Division - Analyst 54

Just a quick question on possibly doing a sportsbook. I know you feel (inaudible) competitors who have more to casino and bingo-focused, have introduced one, had success in sort of cross-selling customers. I do appreciate you've got some more -- a larger female contingent than the others. Have you considered that? And what your thoughts on the sportsbook?

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 55

We have considered that, and I think our thoughts are as follows -- I mean, in fact, you virtually answered the question for me in that we have a very large female-facing demographic. And even Vera&John, which is a casino brand. is a bit more female-friendly than most. And they tend to be -- have a small propensity to use sportsbooks. And I think it's unlikely in the near to medium term that we'll be adding a sportsbook anywhere in the portfolio.

Operator 56

We have a question from Eyal Ofir from Eight Capital Toronto.

Eyal Ofir, Eight Capital, Research Division - VP and Senior Equity Research Analyst 57

Just to follow up on the question that was asked previously, I think it may be worthwhile just for you guys to give the time lines on when you need to make these payments. So I imagine the current portion of long-term debt spread across the year, and then the contingent liability is probably due early June or end of June. Is that how we should think about that?

Keith Laslop, Jackpotjoy plc - CFO 58

Yes. We make quarterly amortization payments that's due at the end of each quarter. And the contingent consideration for the main Jackpotjoy earnout, it will be calculated from March 31, but audits needs to be complete, documentation needs to be sent back and forth. So I think people should assume it gets paid sometime in June.

Eyal Ofir, Eight Capital, Research Division - VP and Senior Equity Research Analyst 59

Okay. So you'll have an extra 2 quarters' worth of cash flows to be able to fund that?

Keith Laslop, Jackpotjoy plc - CFO 60

Correct.

Eyal Ofir, Eight Capital, Research Division - VP and Senior Equity Research Analyst 61

And then on just the -- I know there's some advertising regulatory changes happening in the U.K. What are your thoughts going into that? Are you guys are going to be spending more money on advertising in advance of that with Mandalay and JPJ? Or should we just assume steady state as those new regulations hit?

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 62

The advertising space has yet to finalize any regulations. It is one of the things that is being debated by the government, amongst many other bits and pieces, in particular the use of gaming machines in the retail bookmakers. Our current -- and we are -- obviously have a watching brief. Our current plan is not to change our advertising on television from what we budgeted. And I don't think that we'll be accelerating any of it pre that either. Now let's see what happens actually with any change in the regulation. I mean, it would, a, have to be announced; and b, legally have to be enacted, et cetera, go through parliament and on agreed dates to when it would start. So I don't see it happening anytime in the near future.

Eyal Ofir, Eight Capital, Research Division - VP and Senior Equity Research Analyst 63

Okay. So it's something more likely a 2018 situation?

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 64

Possibly. If it's going to happen this year, I supposed towards the back end.

Eyal Ofir, Eight Capital, Research Division - VP and Senior Equity Research Analyst 65

Okay, that's good to know. And then sorry, last -- just to follow up on my prior question. Is there any new markets you guys are planning to enter in 2017 or 2018 that you've done some work on already?

Andrew Ross McIver, Jackpotjoy plc - CEO, President and Director 66

We're always looking at new markets. And we have a tentative foothold in Brazil. We're watching how that goes regulatory-wise. We have tentative foothold in Colombia. We're watching how that goes. We're reexamining Italy as Italy loosens the tax and some of the regulatory admin that goes around that. And I think we will have another look at Eastern Europe, as they have been finessing their regulatory environments as well. But I mean, one that we did allude to in the call earlier is that we will be looking to push B2B offering through Vera&John into the Asian space.

Operator 67

And we have no further questions, so I hand you back to your host to conclude today's call.

Neil Geoffrey Goulden, Jackpotjoy plc - Chairman 68

Thank you very much. Can I thank everyone for joining the call. Andy, Keith and I are available for follow-ups as necessary with shareholders and prospective shareholders. But thank you for joining the call. I hope you will agree with me that we put out a reassuring set of first numbers since we were relisted in the U.K. Hopefully, we have reassured us to progress in Q1 of this year. We look forward to putting out our Q1 results in the middle of May. And thank you for your attention, and look forward to speaking to you again in a couple of months' time. Thank you.

Operator 69

Ladies and gentlemen, thank you for joining today's call. You may now replace your handsets.