

21 May 2015

bwin.party digital entertainment plc
(‘bwin.party’ or the ‘Company’)

AGM trading update and Q1 2015 key performance indicators

- Total revenue¹ up 6% versus the previous quarter but down 6% year-on-year to €155.3m (2014: €165.7m)
- Nationally regulated and/or taxed markets represented 62% of total revenue (2014: 56%); Mobile/touch represented 30% of gross gaming revenue (2014: 17%)
- Cost savings of €15m per annum on-track for 2015 following completion of our technology integration, the sale of non-core businesses and more efficient, product-led marketing spend
- Non-core asset disposal programme on-course to generate proceeds of between €30m and €50m² in 2015, in-line with previous guidance
- Full licence in New Jersey and access partner in Pennsylvania now secured
- Current trading³: revenue up 6%, driven by sports betting that is up 25% year-on-year; business remains on-target for full year
- Discussions with third parties now entering a further stage and the Board expects to reach a conclusion over the coming weeks

Commenting on today’s announcement, Norbert Teufelberger, CEO said:

“The Group has delivered solid growth since Q4 2014 on the back of continued mobile expansion. However, a lower than expected gross win margin in sports betting as experienced by other gaming operators and continued challenges in poker held back our year-on-year revenue performance during the first three months of 2015. Despite slightly lower revenue and additional taxes, continued careful management of our costs and further operational efficiencies have meant that Group Clean EBITDA margins for the first quarter are ahead of the Board’s expectations and also ahead of last year.

“In the United States, draft legislation is being considered in both California and Pennsylvania. On the back of the strength of our US platform and existing partnerships (that now includes a market access partner in Pennsylvania), we believe that we are well-placed to secure a leading position in each of these markets should a suitable regulatory and fiscal framework be introduced.

“We are making good progress in respect of our non-core asset disposals and remain on track to meet the €30-€50m target² for sale proceeds this year.”

“In the period since the end of March, net gaming revenues are up 6% year-on-year, driven by sports betting that is up 25% year-on-year. Given our expanding mobile footprint, increased focus on the core business and the associated programme of operational efficiencies, we remain on-track for the full year.”

¹ Includes net revenue from gaming operations together with revenue from network services, Kalixa, social gaming, software services, domain sales, World Poker Tour, Winners (retail) and InterTrader.com

² Excluding Kalixa

³ The period 1 April 2015 to 13 May 2015

Consolidated Key Performance Indicators (excluding Other Revenues)

Three months to 31 March	2015	%	%	2014
		change versus Q4 2014	change versus Q1 2014	
Active player days (m)	12.4	(3%)	(11%)	14.0
Daily average players (000)	137.8	(1%)	(11%)	155.6
Yield per active player day (€)	10.9	7%	(2%)	11.1
Yield per unique active player in the quarter (€)	137.8	4%	1%	135.9
Real money sign-ups (000)	194.6	14%	(11%)	219.0
Unique active players during the period (000)	982.6	0%	(14%)	1,143.5
Average net daily revenue (€000)	1,504.4	6%	(13%)	1,726.6

Average daily net revenue was down 13% year-on-year due to lower than expected gross win margins in sports betting, continued declines in poker and the introduction of VAT to certain gaming activities across the EU with effect from 1 January 2015. However, a strong performance from our non-core activities meant that total revenue overall was down 6% year-on-year but up 6% versus the previous quarter.

Sports betting

The amount wagered was up strongly with a 9% uplift year-on-year. However, as experienced elsewhere in the sector, unfavourable football results in the period meant that the gross win margin at 8.7% was 160 basis points lower than last year (2014: 10.3%) and as a result net revenue was down 10% to €58.0m (2014: €64.7m).

The steady stream of new product launches on mobile has meant that we have continued to see good growth in the take-up of our sports offer through this channel that represented 41% of total sports betting gross gaming revenue in the period (2014: 26%). While revenue growth through mobile and touch grew by 44% year-on-year, this was held back by the lower gross win margin versus last year.

Casino & other games

Amounts wagered grew by 1% to €1,723.0m (2014: €1,707.2m) with an increase from sports betting customers being offset by lower VIP activity and reduced cross-sell volumes from poker. The resultant change in mix of games being played coupled with the application of VAT in certain markets meant that the gross win margin fell to 3.4% (2014: 3.8%) impacting our revenue performance in the period with net revenue falling by 11% year-on-year and 6% versus the previous quarter to €46.8m (2013: €52.6m).

Our focus on mobile development has resulted in a significant increase in the proportion of gross gaming revenue now coming through this channel - it was 21% in the first quarter versus 9% a year ago. Our slider blackjack and slider roulette games are proving particularly popular for the bwin label and we are planning to roll-out similar games on certain of our other labels, where regulations permit, later in the year.

Poker

Our year-on-year performance for the first quarter confirms the challenging environment in European poker. Net revenue was down versus the previous quarter following a marketing promotion in the UK and a change to the player reward programme that has been well received but which meant that there was an increase in bonus costs during the period.

Whilst our alliance with Dusk Till Dawn in the UK and the launch of our new marketing campaign have helped to contribute to a recent improvement in player trends, we still expect to see the normal pattern as we enter the seasonally quiet period of the year.

Bingo

Our UK bingo business, led by Foxy Bingo has remained strong in the period with new player sign-ups up by 24% year-on-year, particularly through the mobile channel. This reflected the launch of a new marketing campaign in the UK that increased gross gaming revenue by 8% year-on-year. Declines in non-core labels, some of which are no longer supported by the Group, held back the growth in net revenue to 1%.

Other revenue

Other revenue almost doubled versus the prior year to €19.9m (2014: €10.3m) and was up by 26% versus the previous quarter. This was primarily due to a licensing deal in Asia signed by The World Poker Tour and strong growth at Kalixa that benefitted from the acquisition of PXP in May last year. InterTrader also continued to perform strongly, driven by growth in its own licensed business, InterTrader Direct.

Kalixa has built and is now testing an innovative social mobile wallet solution for a major UK bank that is expected to go live in the coming weeks. Together with other recent contract wins, Kalixa is continuing to establish its presence as a significant player in the digital payments arena.

Non-core assets

We are making solid progress in respect of our non-core asset disposals having realised our investment in NewGame Capital in February 2015 and completed the sale of our social gaming business in March 2015. We remain on course to meet the €30-€50m target⁴ for total sale proceeds this year.

Update on consolidation discussions

The Company is now entering a further stage of discussions regarding proposals received from third parties. The proposals contain a significant element of share consideration and the Board, together with its advisers, is in the process of assessing the comparative merits of these along with other elements of the proposals. Whilst there can be no guarantee that these discussions will result in any transaction being completed, the Board expects to reach a conclusion over the coming weeks when a further announcement will be made.

Conference call – Thursday 21 May 2015

For analysts and investors there will be an opportunity to put questions to Philip Yea, Chairman, Norbert Teufelberger, CEO, and Martin Weigold, CFO, following the Annual General Meeting by way of a conference call at 2.00pm (British Summer Time). The details of the call are as follows:

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⁴ Excluding Kalixa

Appendix Key Performance Indicators

Sports Betting

Three months to 31 March	2015	% change versus Q4 2014	% change versus Q1 2014	2014
Active player days (m)	7.9	(5%)	(14%)	9.2
Daily average players (000)	87.8	(3%)	(14%)	102.2
Yield per active player day (€)	7.3	24%	4%	7.0
Yield per unique active player in the quarter (€)	89.4	20%	1%	88.2
Real money sign-ups (000)	114.0	6%	(10%)	127.1
Unique active players during the period (000)	648.5	(1%)	(12%)	733.8
Total net revenue (€m)	58.0	18%	(10%)	64.7
Average net daily revenue (€000)	644.4	21%	(10%)	718.9
Bet amount (€m)	738.9	4%	9%	677.7
Gross win margin	8.7%	10%	(16%)	10.3%

Casino & Games

Three months to 31 March	2015	% change versus Q4 2014	% change versus Q1 2014	2014
Active player days (m)	1.8	(5%)	0%	1.8
Daily average players (000)	20.0	(3%)	0%	20.0
Yield per active player day (€)	26.0	(1%)	(11%)	29.2
Yield per unique active player in the quarter (€)	175.0	(12%)	(14%)	204.0
Real money sign-ups (000)	9.6	10%	(29%)	13.5
Unique active players during the period (000)	267.5	7%	4%	257.9
Total net revenue (€m)	46.8	(6%)	(11%)	52.6
Average net daily revenue (€000)	520.0	(4%)	(11%)	584.4
Bet amount (€m)	1,723.0	(5%)	1%	1,707.2
Gross win margin	3.4%	0%	(11%)	3.8%

Poker

Three months to 31 March	2015	% change versus Q4 2014	% change versus Q1 2014	2014
Active player days (m)	2.6	(4%)	(30%)	3.7
Daily average players (000)	28.9	(1%)	(30%)	41.1
Yield per active player day (€)	6.5	(6%)	(2%)	6.6
Yield per unique active player in the quarter (€)	75.4	1%	(1%)	76.5
Real money sign-ups (000)	27.3	(1%)	(37%)	43.2
Unique active players during the period (000)	222.7	(10%)	(30%)	318.8
Total net revenue (€m)	16.8	(9%)	(31%)	24.4
Average net daily revenue (€000)	186.7	(7%)	(31%)	271.1

Bingo

Three months to 31 March	2015	% change versus Q4 2014	% change versus Q1 2014	2014
Active player days (m)	1.3	0%	(13%)	1.5
Daily average players (000)	14.4	2%	(14%)	16.7
Yield per active player day (€)	10.6	6%	16%	9.1
Yield per unique active player in the quarter (€)	111.6	3%	29%	86.2
Real money sign-ups (000)	43.7	57%	24%	35.2
Unique active players during the period (000)	123.7	3%	(22%)	159.0
Total net revenue (€m)	13.8	6%	1%	13.7
Average net daily revenue (€000)	153.3	8%	1%	152.2