

Desautels Capital Management

All in on The Stars Group (TSX: TSGI)

Consumers

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DESAUTELS Capital Management
Gestion de capitaux

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Why Online Gaming is an Attractive Industry

SECTION I

Casinos and Gaming

Casinos and Gaming Can Be Broken Down Into Land-Based and Online Gambling

(in \$ millions, unless noted)

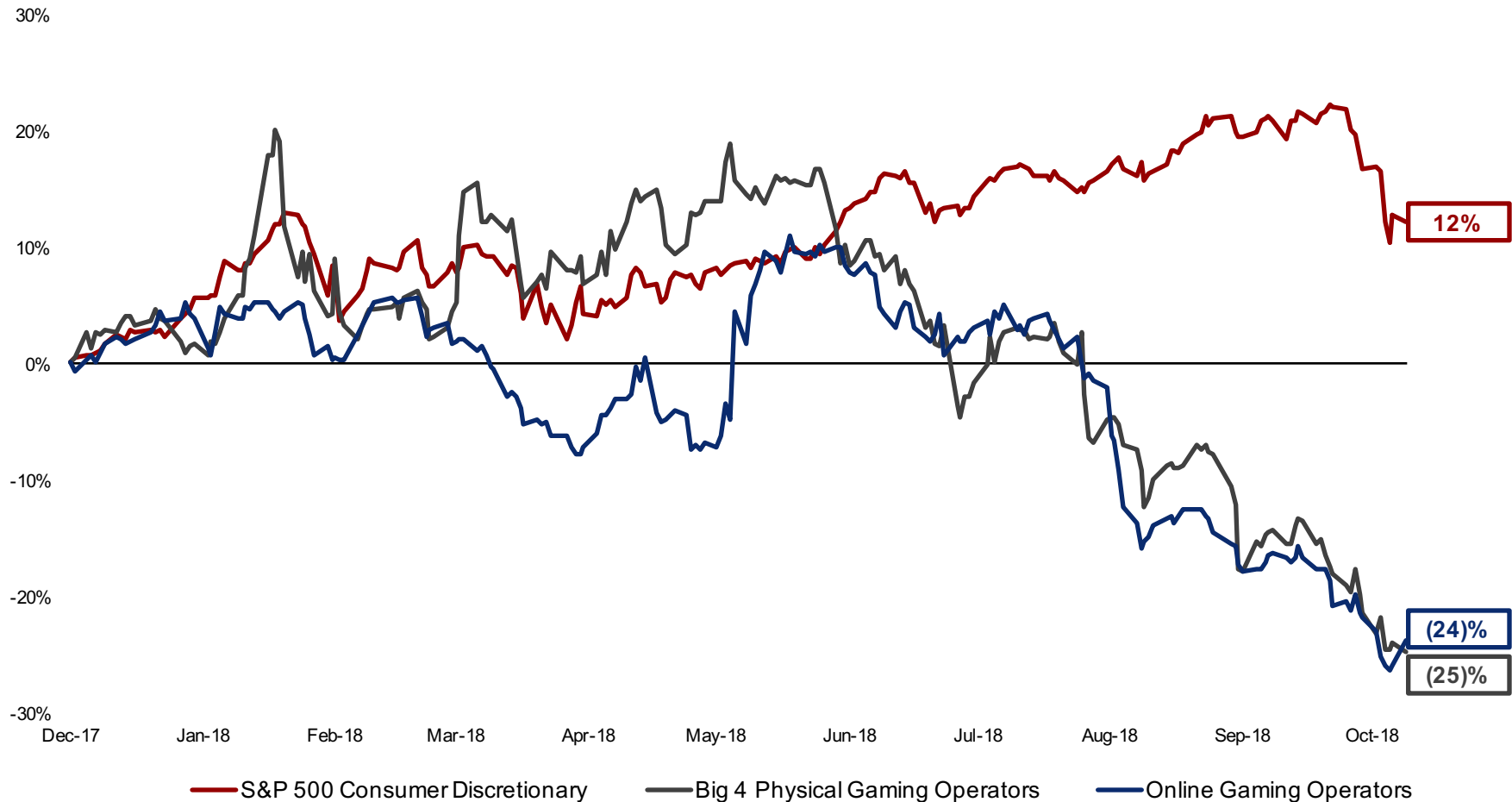


Casinos Underperformance

Casinos and Gaming Has Underperformed the Consumer Discretionary Sector Recently

(in \$ millions, unless noted)

Indexed Performance of Consumer Discretionary, Big 4 Physical Gaming Operators, and Online Gaming Operators



Note: Big 4 Physical Gaming Operators includes Caesar's, Las Vegas Sands, MGM Resorts and Wynn Resorts

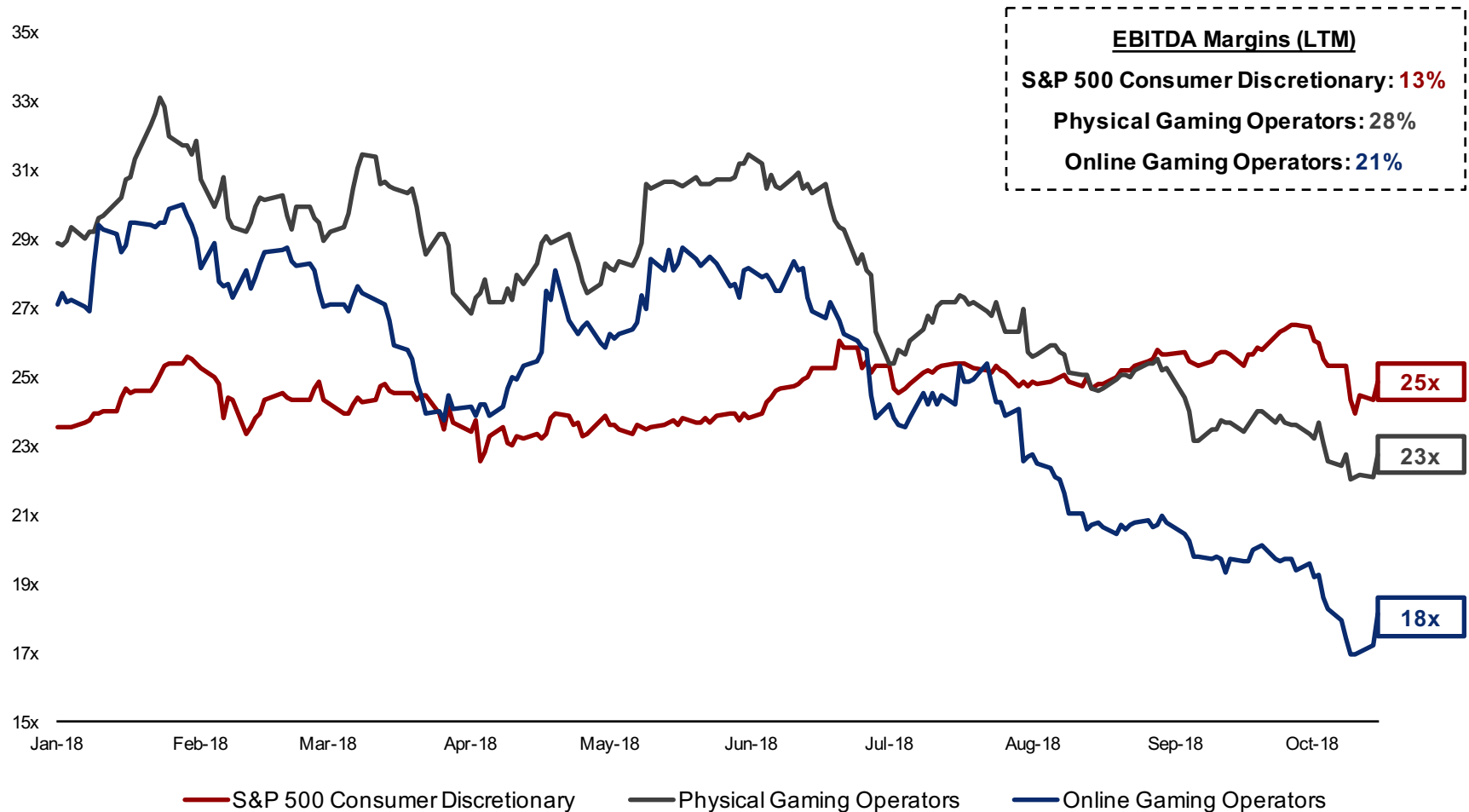
Source: Bloomberg

Why Online Gaming – It's Cheap(er)

Online Gaming Operators Trade at a Significant Discount to Physical Gaming Operators and the Broader Index

(in \$ millions, unless noted)

P/E Ratios of Consumer Discretionary, Physical Gaming Operators, and Online Gaming Operators



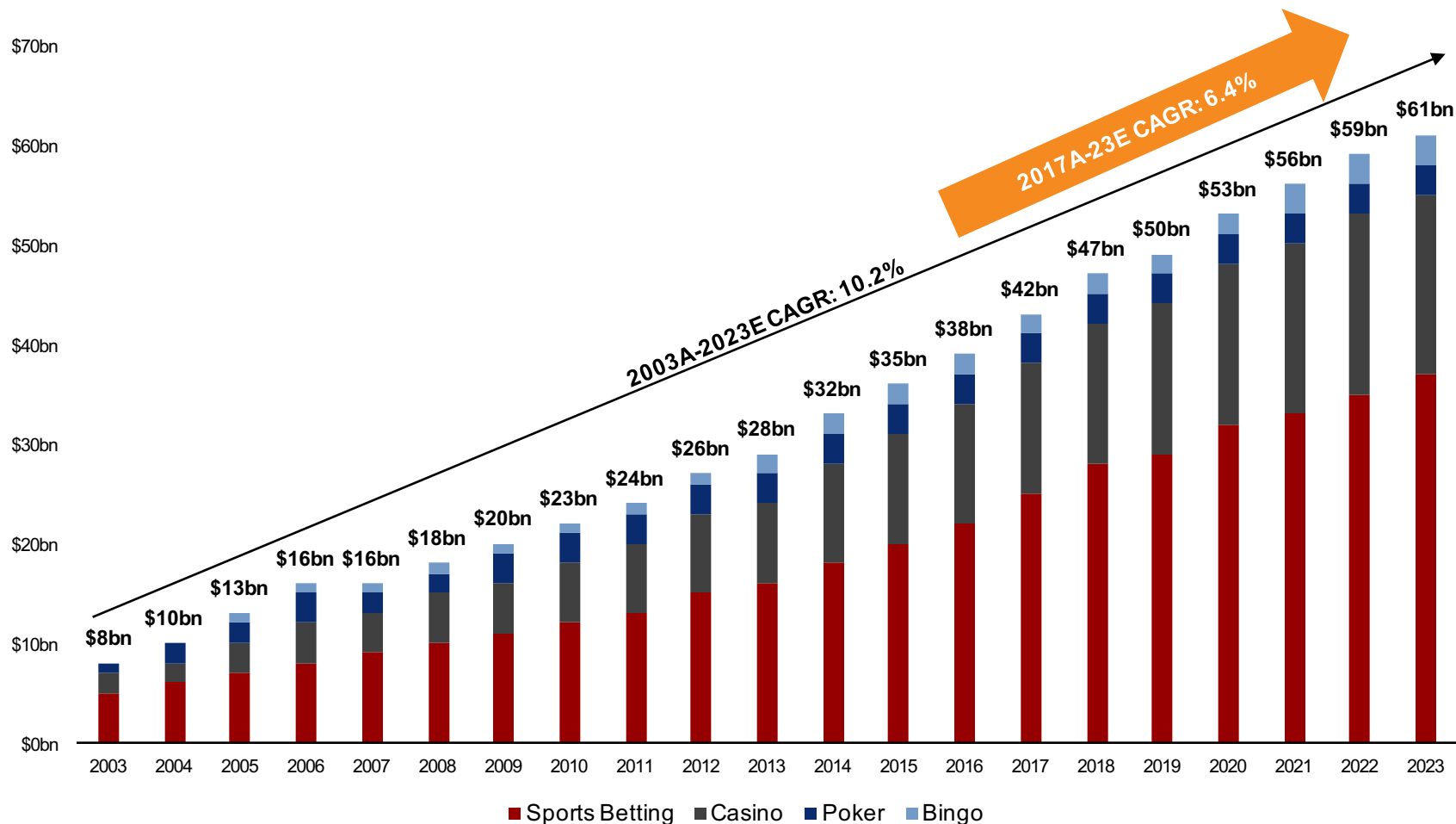
Source: Bloomberg

Why Online Gaming – It's Growing

Growth Historically Has Been Very Strong At 10% CAGR; Expected to Slow Slightly to 6% In Coming Years

(in \$ millions, unless noted)

Global Online Gambling Market Projected To Reach \$61 Billion USD by 2023



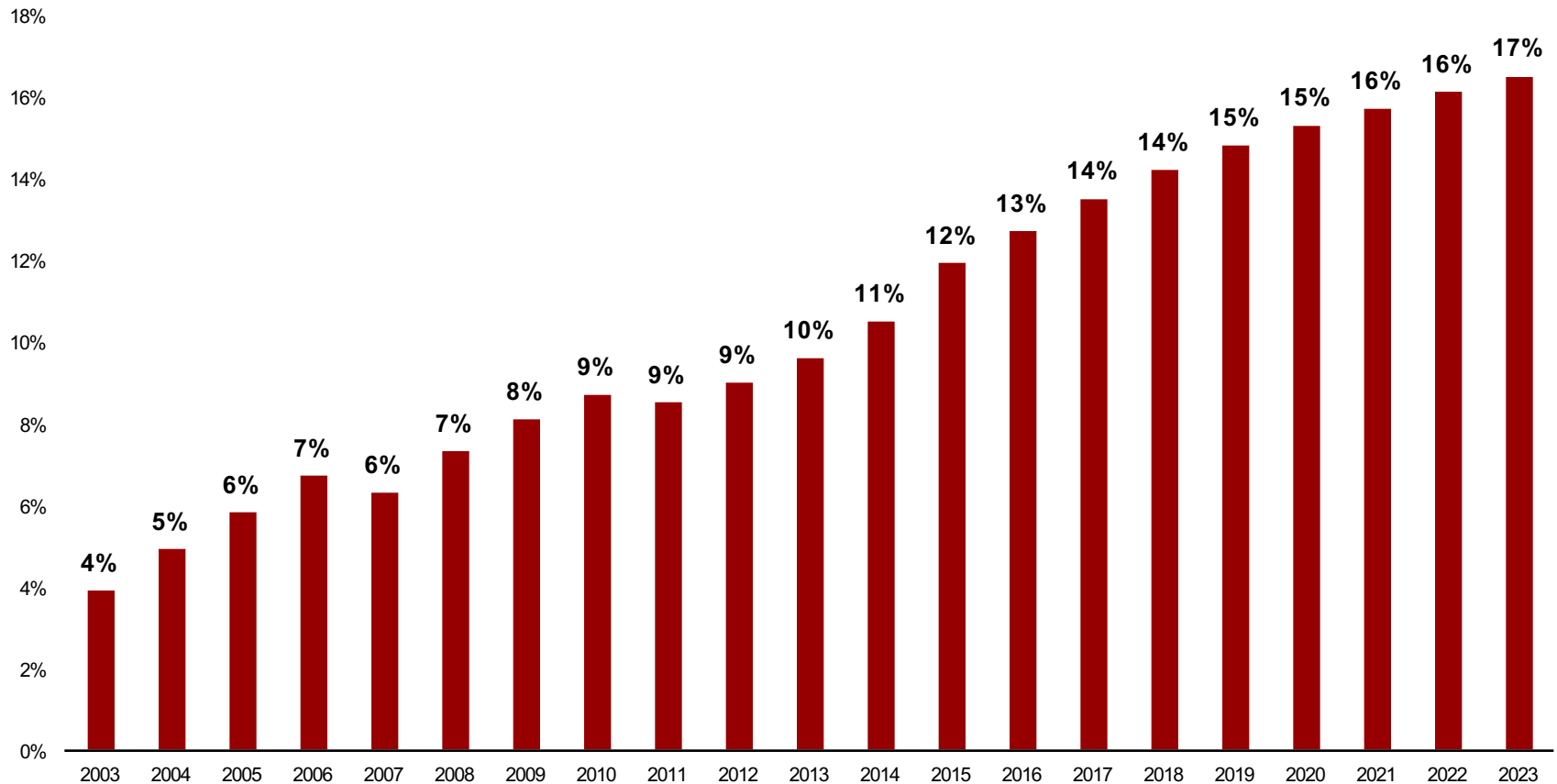
Source: Statista

Why Online Gaming – It's Growing

Online Gaming is Stealing Market Share from Land-Based Gaming

(in \$ millions, unless noted)

Online Gambling As A Share of Total Gambling Will Reach 17% by 2023



"If you want to enter a market, enter a growing market" – Ken Lester

Source: Statista

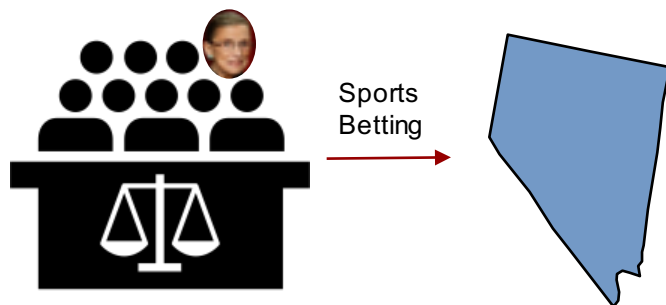
Why Online Gaming – Deregulation Makes it an Interesting Time to Invest

After the Legalization of Sports Betting in NJ, the US Market Is Expected to Open Up in the Near Future

PASPA Overview: Nevada Was the Place to Be



- PASPA (1992): Professional and Amateur Sports Protection Act
- Supreme court ruling barred state-authorized sports gambling in nearly every state
- Made Nevada the only state where a person could wager bet on the results of a single game



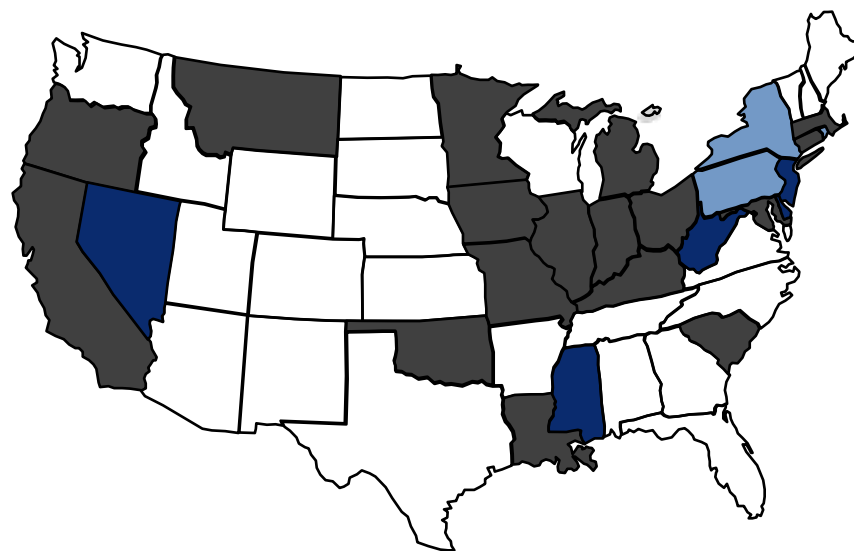
PASPA Struck Down in May 2018

- PASPA declared unconstitutional by 6:3 decision, enabling states to legalize sports betting
- New Jersey is first state to fully legalize sports betting

5 States with fully legalized sports betting

3 States about to fully legalize sports betting





19 States in the process of legalizing sports betting



Why We Chose The Stars Group

Through Our Criteria, The Stars Group Emerges as an Interesting Investment Opportunity to Explore

(in \$ millions, unless noted)

	Exposure to Online Gaming	Exposure to US Sports Betting	Exposure to E- Sports Gambling	Multi-facet Gaming Platform	Attractive Price EV / 2019E EBITDA
	✓	✓		✓	7.6x
	✓	✓			9.6x
	✓			✓	11.2x
	✓	✓	✓	✓	10.6x

TSG fits all qualitative criteria and trades relatively in-line with peers

Source: Company filings

The Stars Group (TSX: TSGI)

SECTION II

Executive Summary

Recommending a BUY with a Price Target of \$49

(in \$ millions, unless noted)

CAD \$8.3B Market Cap

Price Target: \$49

Trades above
75th Percentile
of Peer 2019E EV/EBITDA

TSG has lost over \$3B (~30%) in market value since late July due to a general gaming sell-off and the announcement of the MGM / GVC joint venture

1

Market is wrongly grouping in TSG with physical gambling companies which are underperforming due to industry headwinds

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Despite the MGM / GVC joint venture, Stars is poised to become a leader in the US gaming market due to

A

SBG's success in the UK can be easily transferred to the US due to the plug and play nature of its platform

B

The cross-selling opportunity to Stars' existing customer base within the United States

Recommend a BUY with a Price Target of \$49 (58% Upside)

Source: Bloomberg, DCM

Company Overview

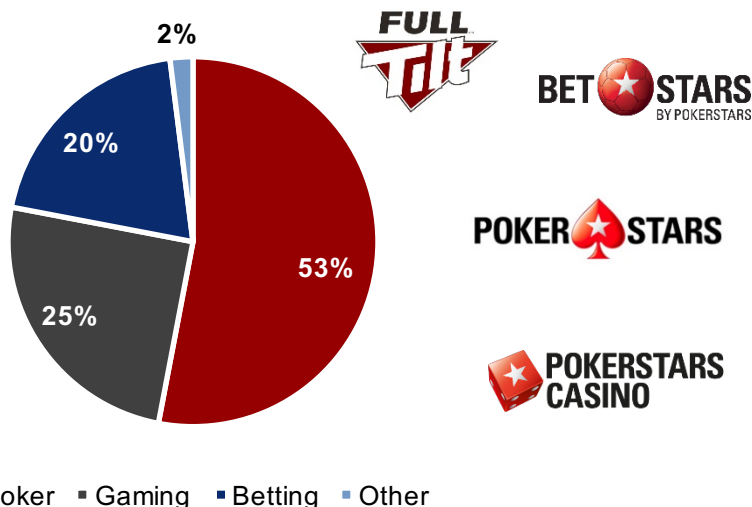
The Stars Group is the Leading Online Gaming Operator in the World

(in \$ millions, unless noted)

Business Description

- The Stars Group is a leading provider of online gaming products and brands that have millions of registered customers globally and are leaders in the online betting, poker, and casino markets
- One of the world's most licensed online gaming operators with its subsidiaries collectively holding licenses/approvals in 19 jurisdictions throughout the world, including in Europe, Australia, and the Americas
- Formerly known as Amaya and changed name to The Stars Group in August 2017
- Founded in 2004 and headquartered in Toronto, Canada

Revenue Breakdown by Product



Source: Company Filings

Public Market Overview

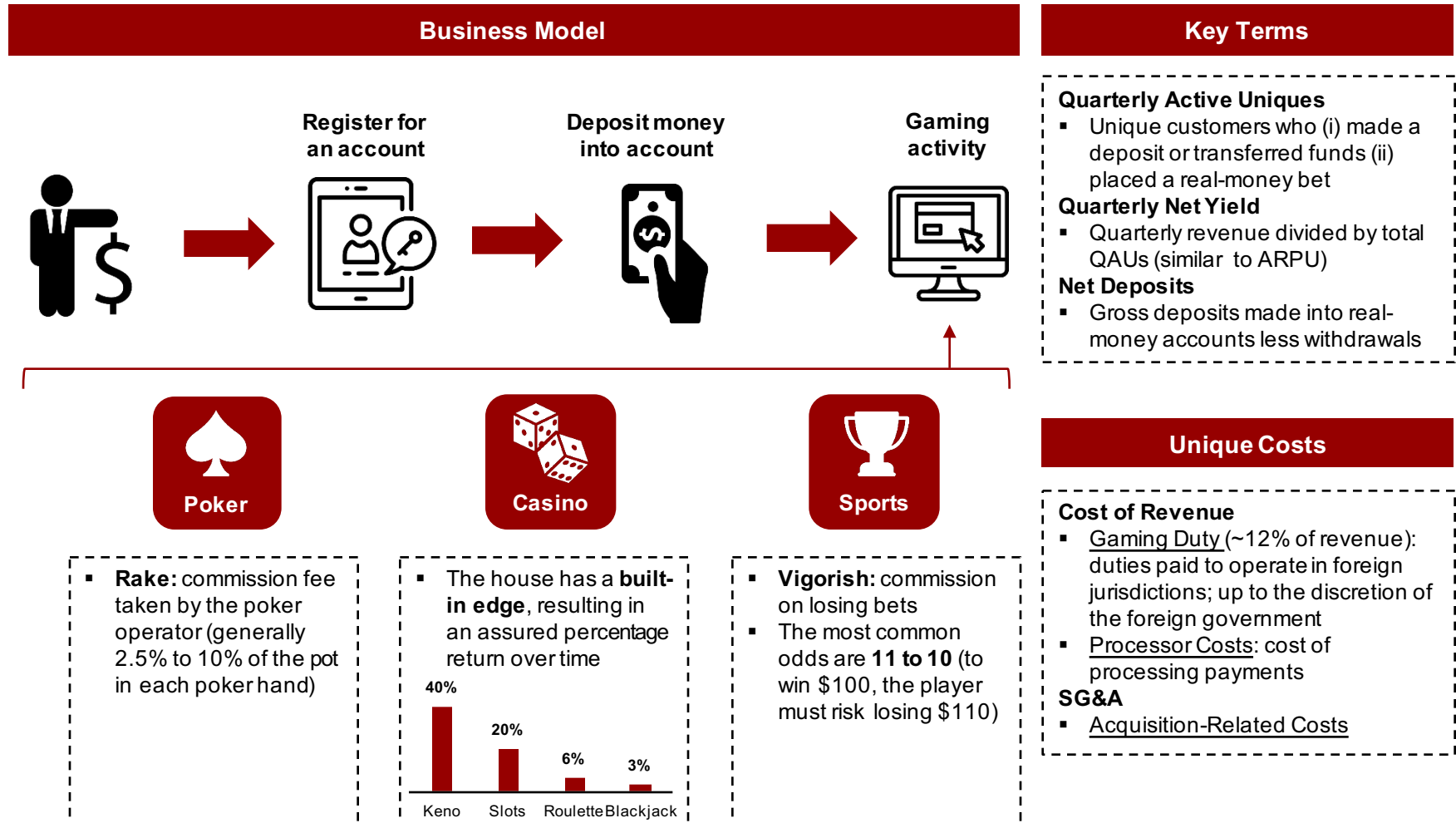
The Stars Group	
Current Share Price (CAD)	\$30.51
Current # of Shares Outstanding	272
USD / CAD Exchange Rate	0.78
Market Capitalization	\$6,435
Cash & Cash Equivalents	228
Preferred Shares	-
Minority Interest	57
Total Debt	5,629
Enterprise Value	\$11,893

Public Market Data (in \$ 000's)				
	2016A	2017A	2018E	2019E
Revenue	1,531	1,704	2,582	3,000
YOY Growth %		11%	52%	16%
EBITDA (mm)	643	748	962	1,118
YOY Growth %		16%	29%	16%
EV/Revenue			4.6x	4.0x
EV/EBITDA			12.4x	10.6x

Company Overview

TSG Primarily Generates Revenue as a Percentage of the Real-Money Users Deposit into the Platform

(in \$ millions, unless noted)



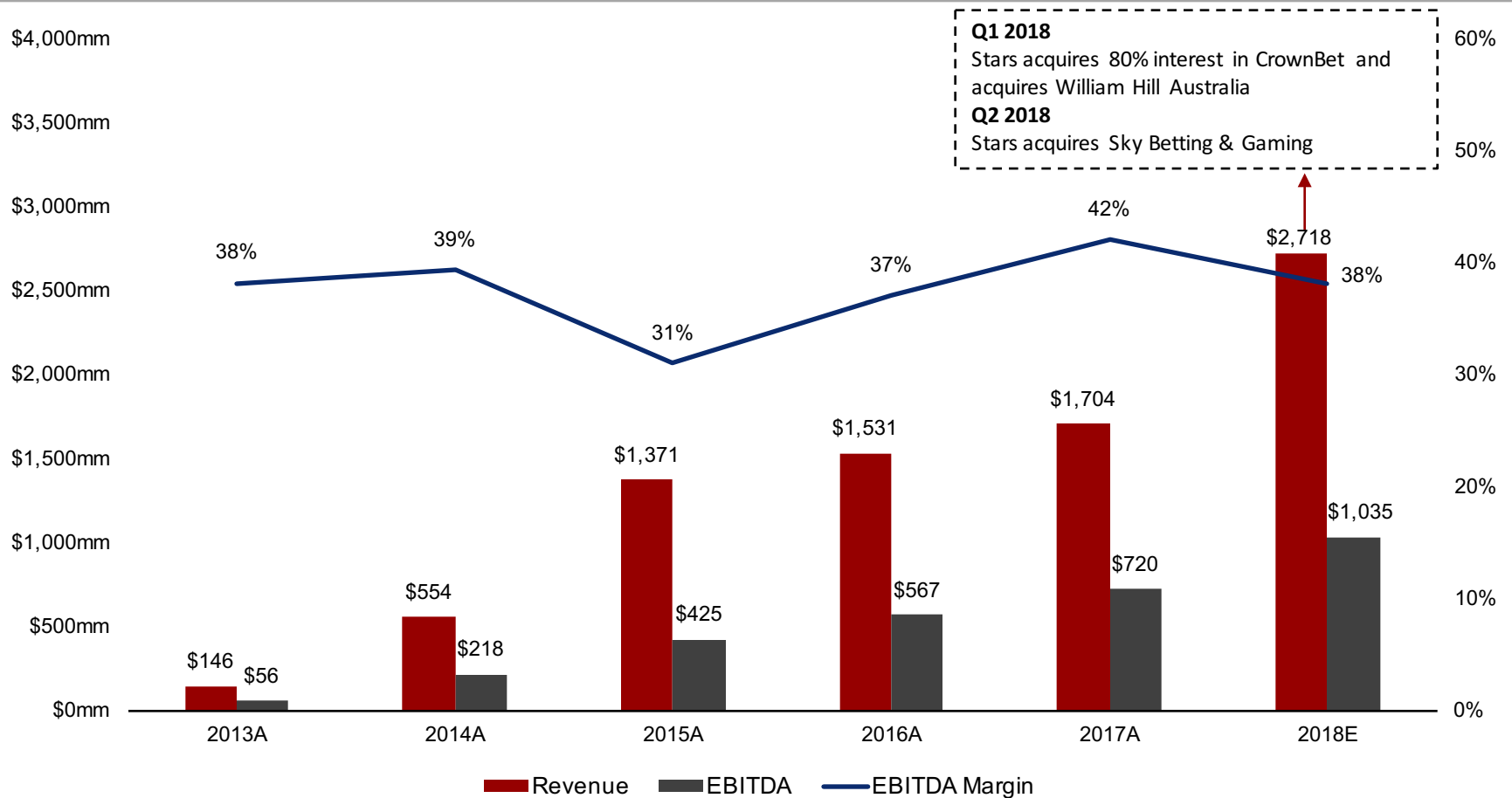
Source: Company Filings

Company Overview

Revenue and EBITDA Have Been Growing Steadily Over Time, Though Margins Fluctuated in 2015

(in \$ millions, unless noted)

Revenue and EBITDA (2013-18E)



Stars has steadily grown both its revenue and EBITDA over the last five years; Stars' 2018 acquisitions are expected to accelerate its growth

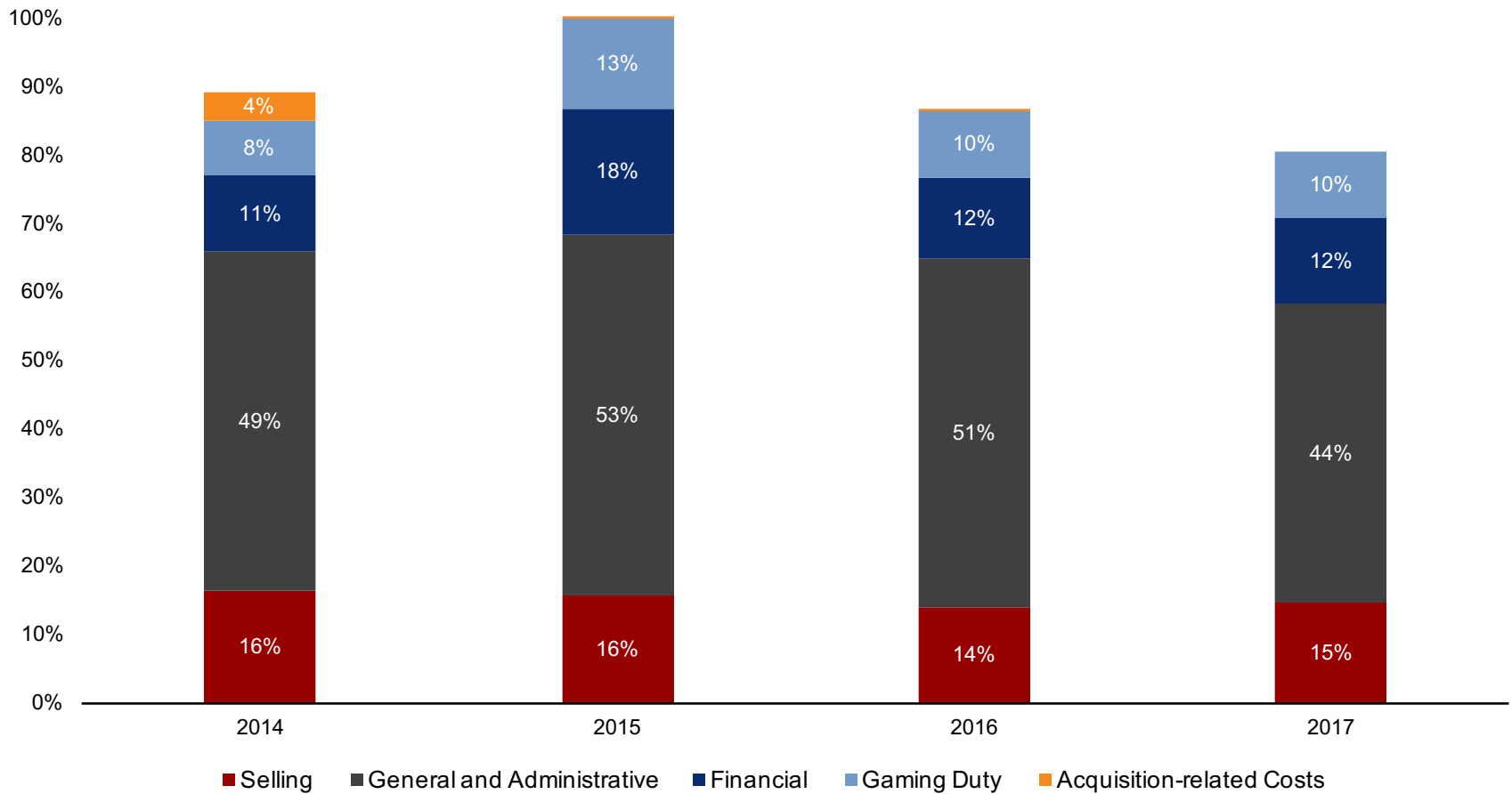
Source: Company Filings

Company Overview

Key Costs

(in \$ millions, unless noted)

Expenses as a Percentage of Revenue (2014-17A)



Selling (marketing) cost as a percentage of revenue has remained relatively stable while gaming duties as a percentage of revenue has increased

Source: Company Filings

Sky Betting & Gaming Acquisition

SECTION III



Company Overview

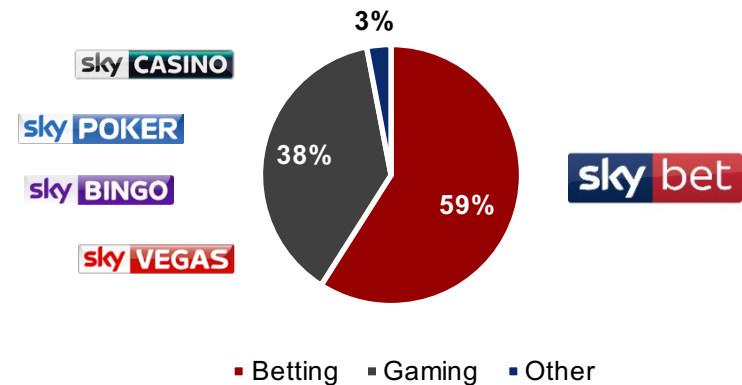
Sky Betting & Gaming is the Leading Online Gaming Operator in the UK

(in \$ millions, unless noted)

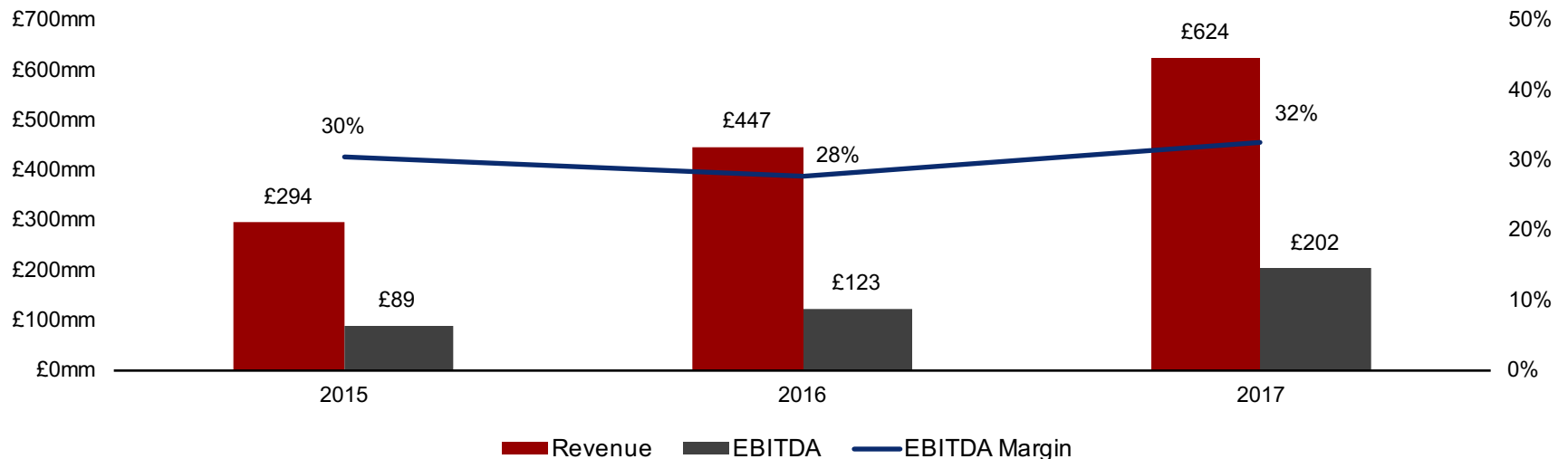
Business Description

- Sky Betting and Gaming is a leading provider of online sports betting services in the UK, while also offering online poker, bingo, and casino games
- 4th most valuable global sports brand and 6th most valuable brand in the UK
- 26.4 million customers → 16.3 million in Ireland and UK
- Founded in 2001 and based in Leeds, United Kingdom
- As of July 10, 2018, Sky Betting and Gaming operates as a subsidiary of The Stars Group

Revenue Breakdown by Product



Historical Revenue and EBITDA



Source: Company Filings

Acquisition Overview and Rationale

SBG Acquisition Allowed Stars Group to Acquire the Leading Operator in the UK

Stars Group Acquires Sky Betting & Gaming for \$4.7B (2018)



Acquisition Multiples / Financials

Transaction Multiples	
Enterprise Value	\$4.2 billion
EV/Revenue	5.4x
EV/EBITDA	16.6x

1

Synergies Between Online Gambling Types

2

Gain Sports Betting Competency Before Legalization

3

Quick integration due to technological superiority

4

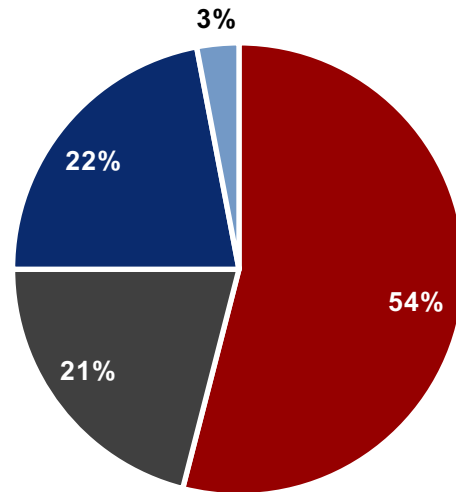
Diversification of revenue streams into larger and higher growth markets

Results of Acquisition

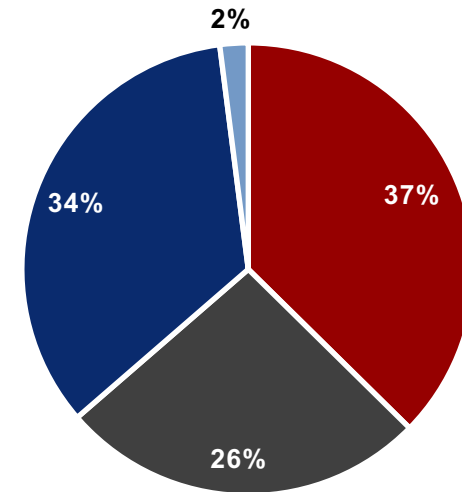
Revenue Diversification Achieved Through Sky Betting & Gaming Acquisition

(in \$ millions, unless noted)

Balanced Product Portfolio



■ Poker ■ Casino ■ Sportsbook ■ Other



■ Poker ■ Casino ■ Sportsbook ■ Other

A more balanced product portfolio allows TSG to diversify away from poker and capitalize on the high-growth casino and sportsbook markets

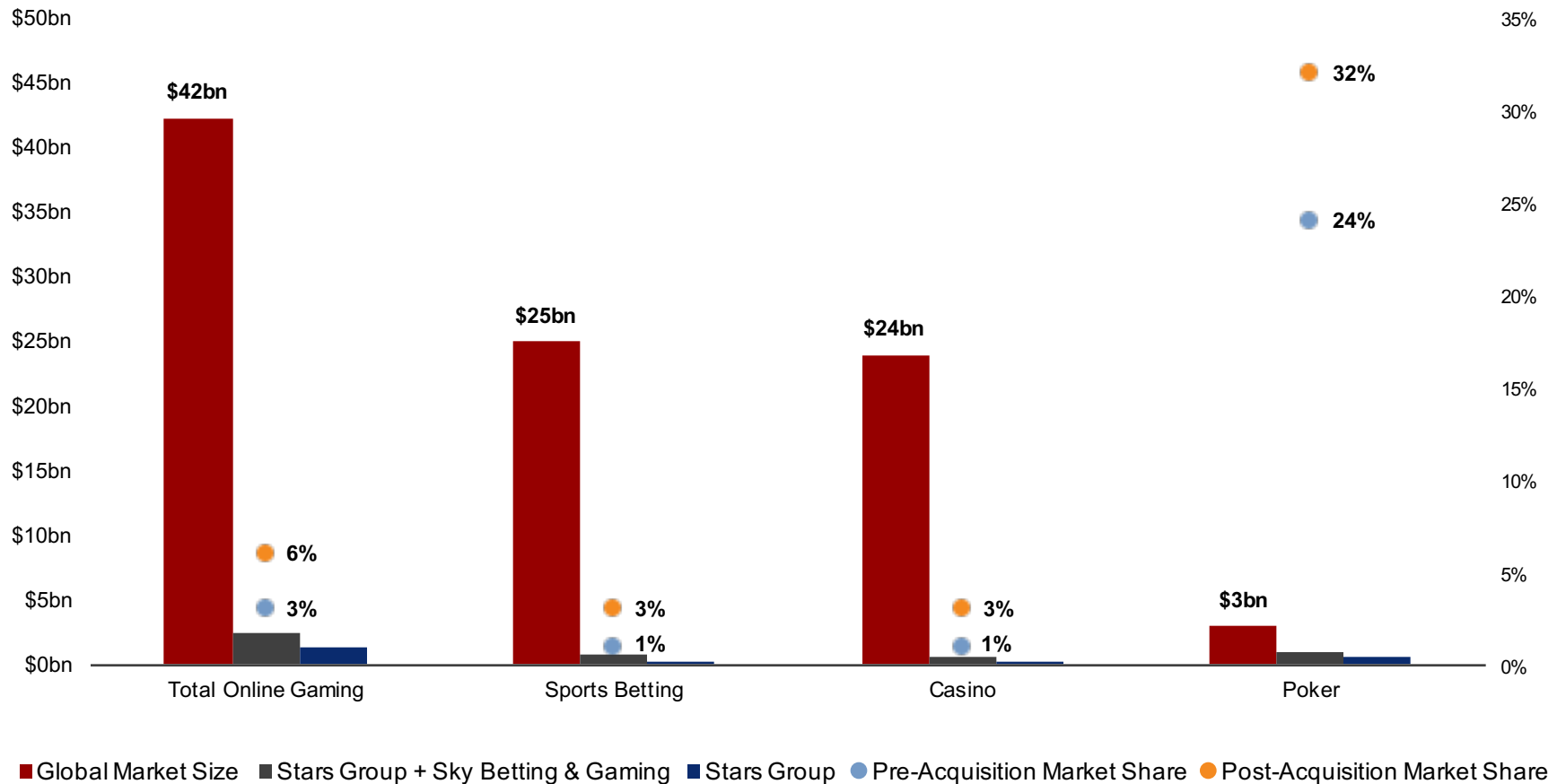
Source: Company Filings

Results of Acquisition

Market Share in All Segments Increased Significantly Post-Acquisition

(in \$ millions, unless noted)

TSG's Rising Market Share in Global Online Gaming Markets Post SBG Acquisition



With the acquisition of SBG, Stars has become the largest online gaming company in the world

Source: Company Filings, Statista

Investment Theses

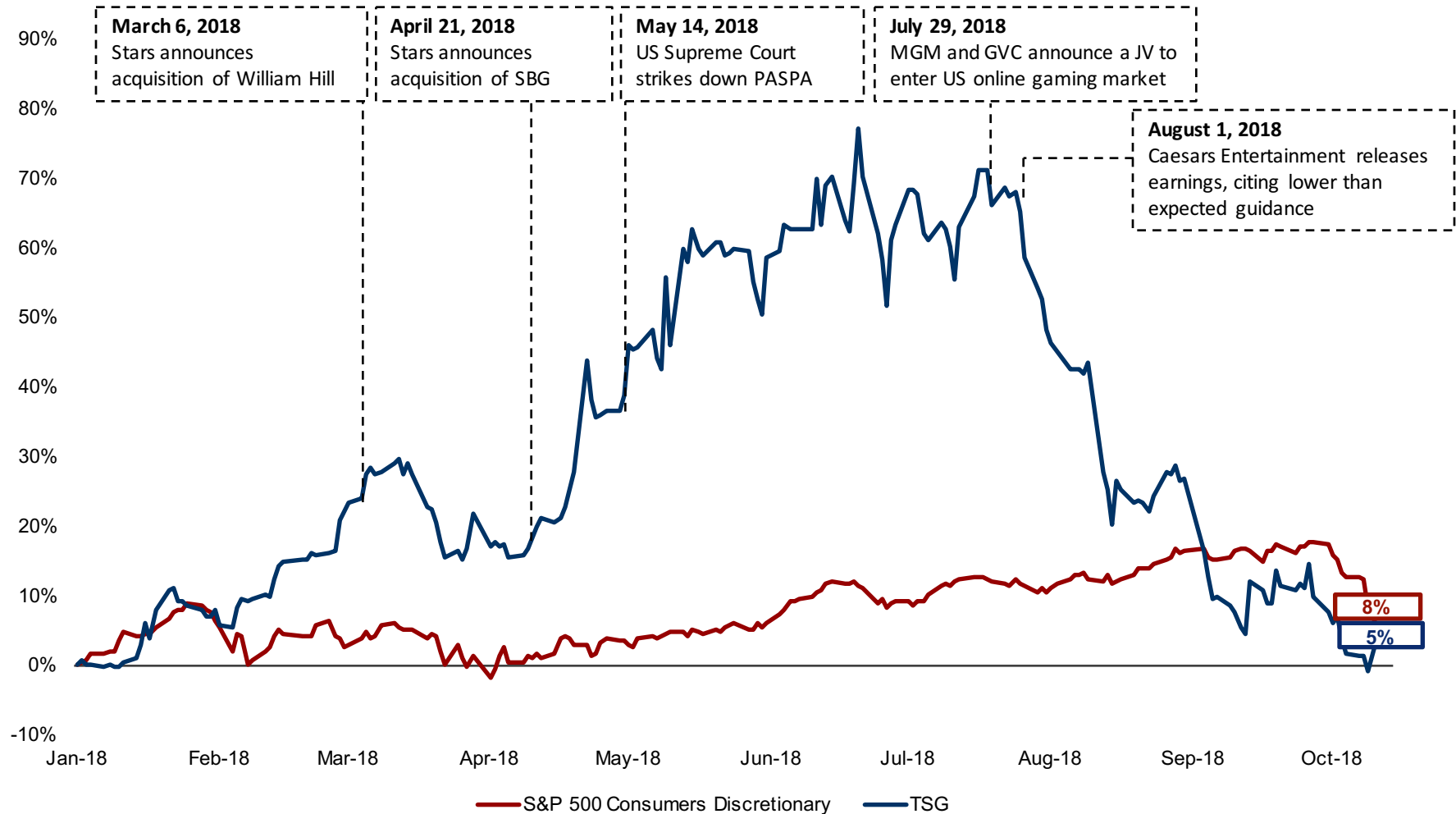
SECTION IV



Annotated Price Chart

Large Gain Earlier in the Year Was More than Wiped out by Events Later in the Summer

(in \$ millions, unless noted)

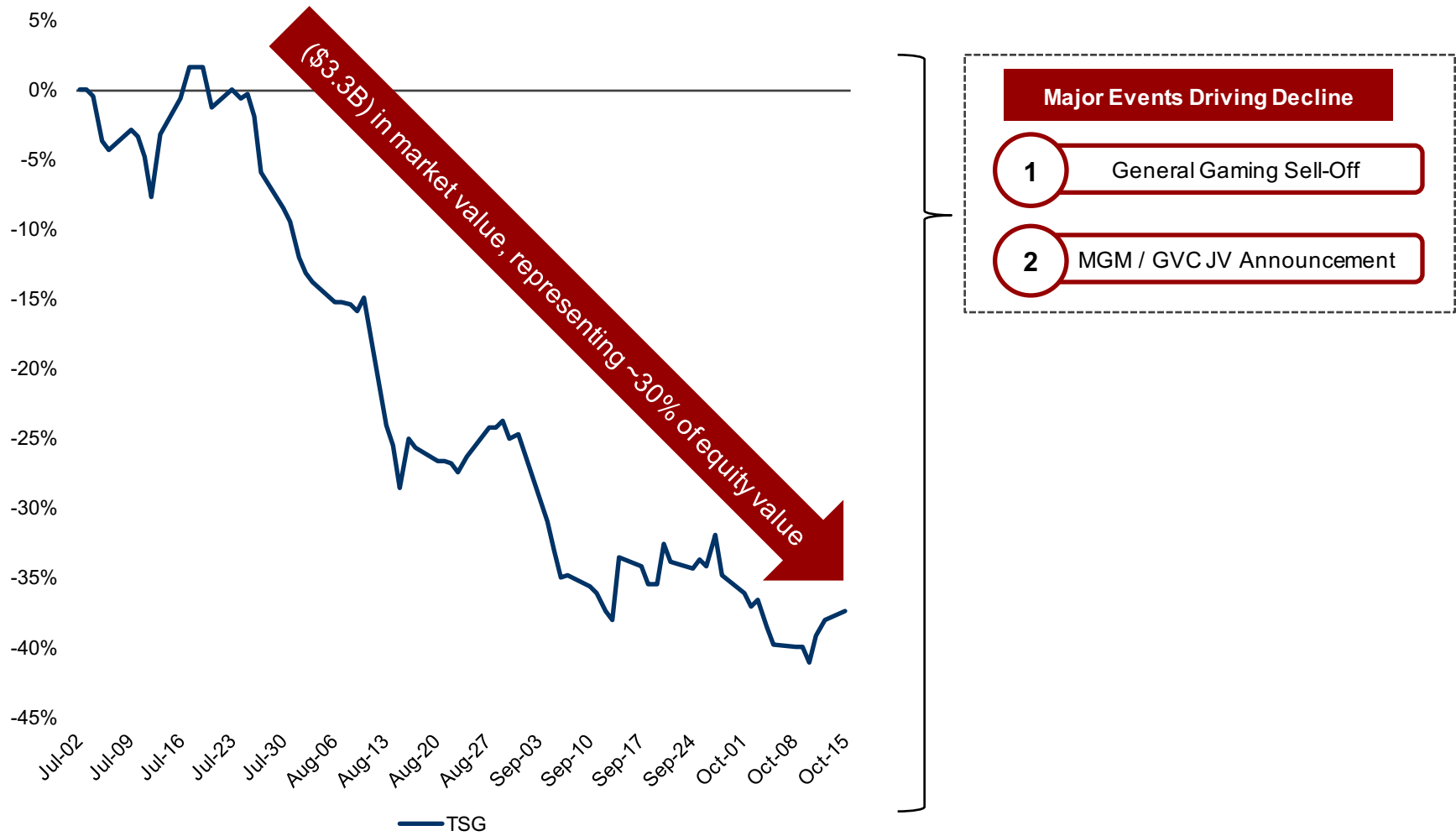


Source: Bloomberg

Price Chart Since July Shows TSG Has Lost Over \$3B in Market Value (~30%)

30% Loss in Equity Value Since July Can Be Attributed to Two Events – General Gaming Sell-Off and MGM / GVC JV

(in \$ millions, unless noted)



Source: Bloomberg

Investment Theses

TSG's Recent Sell-Off is Unwarranted

(in \$ millions, unless noted)

TSG has lost over \$3B (~30%) in market value since late July due to a general gaming sell-off and the announcement of the MGM / GVC joint venture

1

Market is wrongly grouping in TSG with physical gambling companies which are underperforming due to industry headwinds

2

Despite the MGM / GVC joint venture, Stars is poised to become a leader in the US gaming market due to

A

SBG's success in the UK can be easily transferred to the US due to the plug and play nature of its platform

B

The cross-selling opportunity to Stars' existing customer base within the United States

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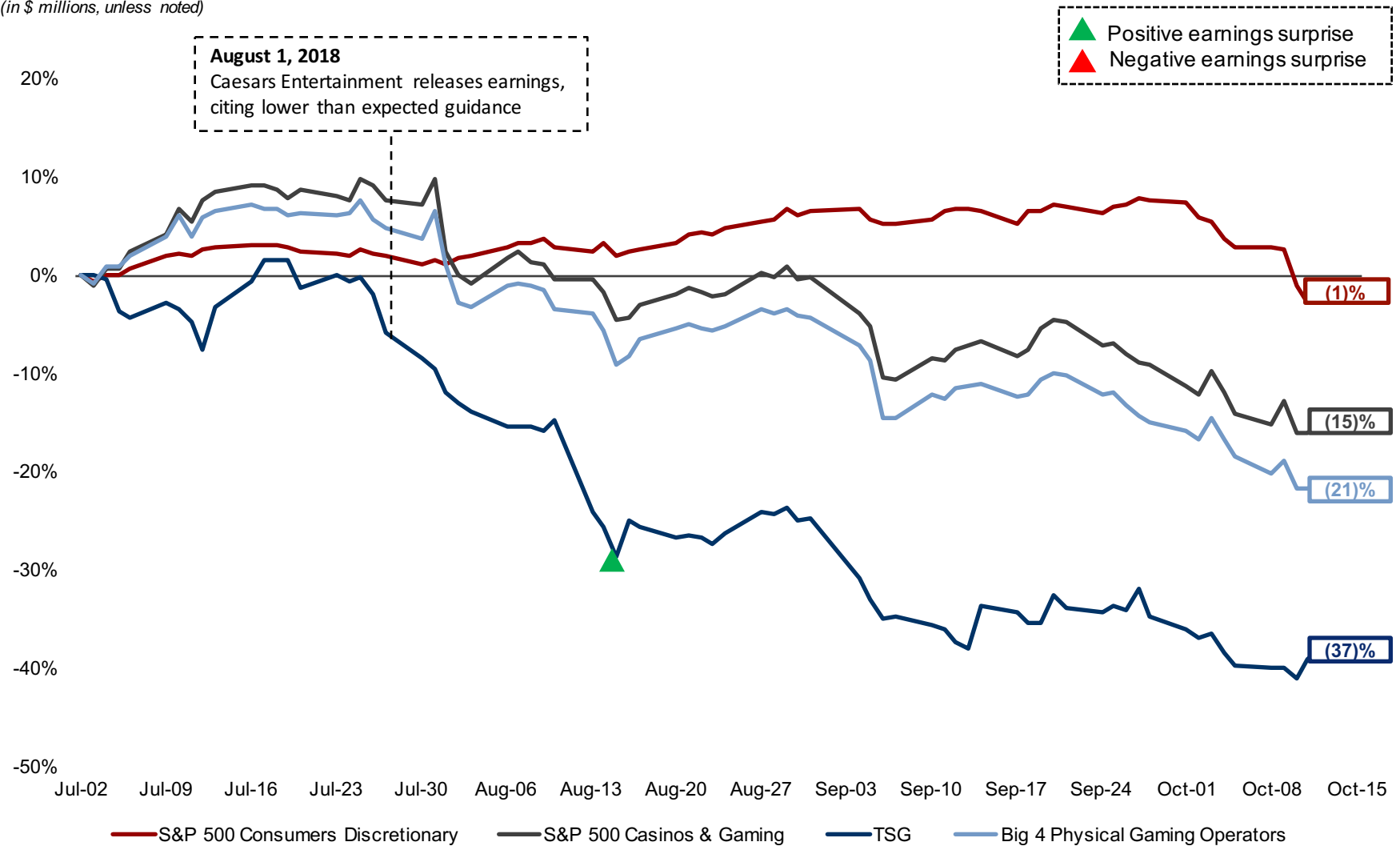
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Market is Wrongly Grouping in TSG with Physical Gambling Companies

Caesars Lowering Guidance and MGM / GVC Announcement Brought Down Entire Gaming Index

(in \$ millions, unless noted)



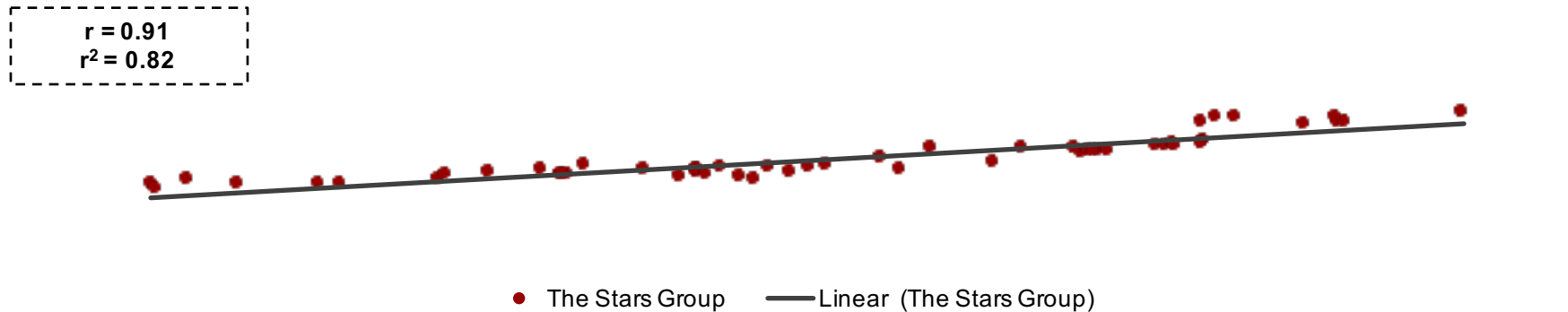
Source: Bloomberg

Market is Wrongly Grouping in TSG with Physical Gambling Companies

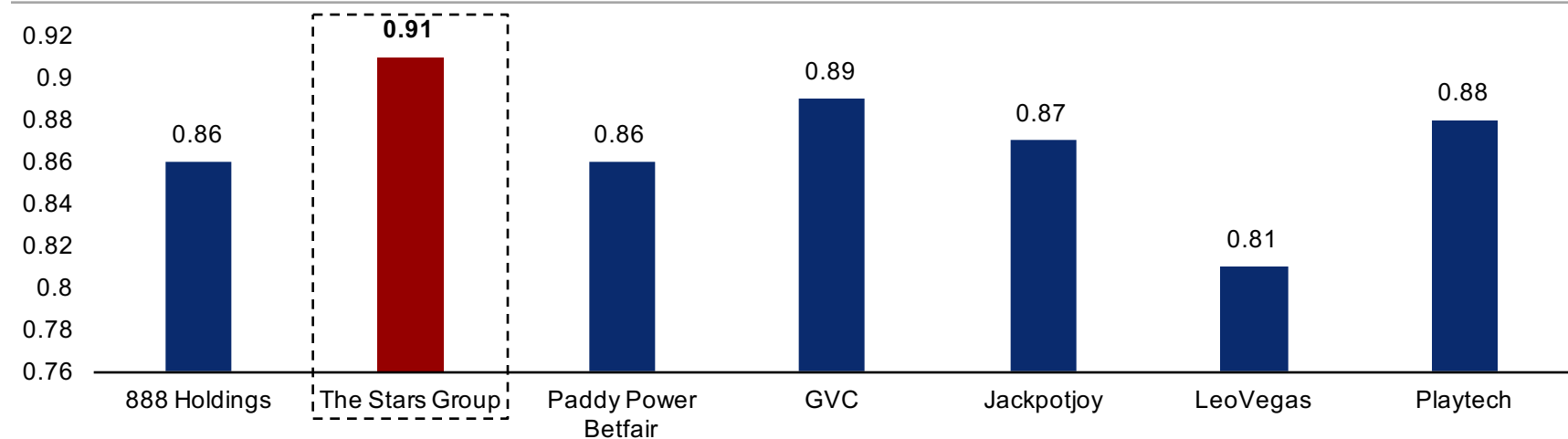
Extremely High Correlation Shows TSG Is Being Lumped in With Physical Gaming Operators

(in \$ millions, unless noted)

Correlation Between TSG Share Price and Big 4 Physical Gaming Operators Index (WYNN, LVS, MGM, CZR)



Correlation Coefficient of TSG to Big 4 Physical Gaming Operators Closer to Online Gaming Peers (r)



TSG stock price is being driven by physical operator woes, begging the question, is this warranted? (hint: no)

Source: Bloomberg, DCM

Market is Wrongly Grouping in TSG with Physical Gambling Companies

Several Headwinds Have Hit the Physical Gaming Industry, But None of Which Should Impact Online Operators

(in \$ millions, unless noted)

Disappointing Earnings: End of July - Beginning of August

Company	Earnings Miss
Wynn	<ul style="list-style-type: none"> Missed estimates by -29%
MGM	<ul style="list-style-type: none"> Missed estimates by -12% Bookings and room prices were lower than expected
Las Vegas Sands	<ul style="list-style-type: none"> Missed estimates by -7%

Macau Gaming Revenue Underperforms

- Macau gaming revenue rose 10% in July, missing consensus estimates for a 12% increase
- The overall Chinese economy is showing signs of slowing (trade concerns)
- VIP and premium segment growth underperformed

Caesar's Guidance Cut: Rate Pressure on Rooms Due to Weakened Outlook For Event Bookings Along the Las Vegas Strip

"When you look at everyone's events, all events for **all competitors**, you find out that it's **a lot weaker** than it was a year ago." – Caesar's CEO

Fewer Event Bookings



Fewer Las Vegas Visitors



Lower Room Rates To Attract People



Lower Revenues



Casino stocks bust on earnings misses, macau revenue underperformance, and Caesar's guidance cut due to weakened event booking outlook

Source: Bloomberg, CNBC

Market is Wrongly Grouping in TSG with Physical Gambling Companies

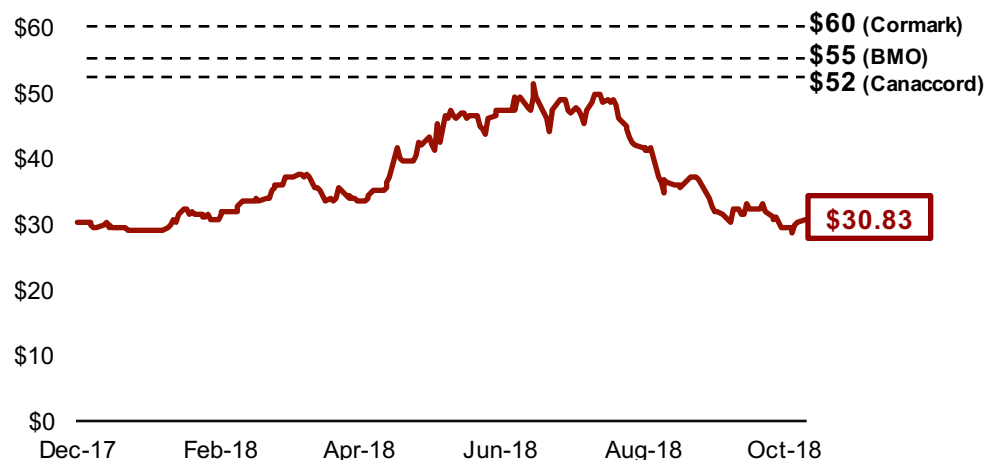
Stars Should Not Be Grouped With Physical Gaming Operators due to Fundamental Superiorities

(in \$ millions, unless noted)

No Exposure to Risks Affecting Casino Stocks

			Guidance	
			Previous 2018	Updated 2018
A	Disappointing Earnings	<ul style="list-style-type: none"> Beat Q1 estimates by 25% Beat Q2 estimates by 13% 	Invalid Concern	
B	Macau Revenue Underperformance	Not exposed to Macau; TSG is an online gaming operator	Invalid Concern	
C	Weakened Event Booking Outlook in Las Vegas	Not exposed to Las Vegas	Invalid Concern	
			Revenue (\$mm)	
			\$1,390 - \$1,470	\$1,995 - \$2,145
			Adjusted EBITDA (\$mm)	
			\$625 - \$650	\$755 - \$810

Equity Research Is Bullish On Stock But Market Is Selling – Possibly a Momentum-Based Sell-Off of Casino Stocks as a Whole



Tim Casey, BMO Capital Markets:

"We believe Stars is a unique large-cap GARP story in the Canadian consumer discretionary sector that offers investors an attractive combination of global online growth, solid cash flow generation and potential catalysts."

David McFadgen, Cormark Securities:

"We recommend TSGI given its FCF outlook and the opportunity to cross-sell from poker into casino and sports betting. We believe the company is well positioned to benefit from the trend of governments' regulating and licensing online gaming as they look for other sources of revenue to help balance their books."

Evidently, reasons for physical gaming sell-off do not apply to Stars, perhaps suggesting the decline in share price was ETF or momentum-based

Source: Bloomberg, Company filings, Equity research (BMO, Cormark, Canaccord)

Market is Wrongly Grouping in TSG with Physical Gambling Companies

Slump in Institutional Ownership in Early August May Reflect a Gaming ETF Sell-Off Which Drove Down Stars Price

(in \$ millions, unless noted)

Percentage of Shares Held by Institutions



Institutional ownership fell from ~70% in late July to ~57% in early August, likely a result of an ETF sell-off

Source: Bloomberg

Investment Theses

TSG's Recent Sell-Off is Unwarranted

(in \$ millions, unless noted)

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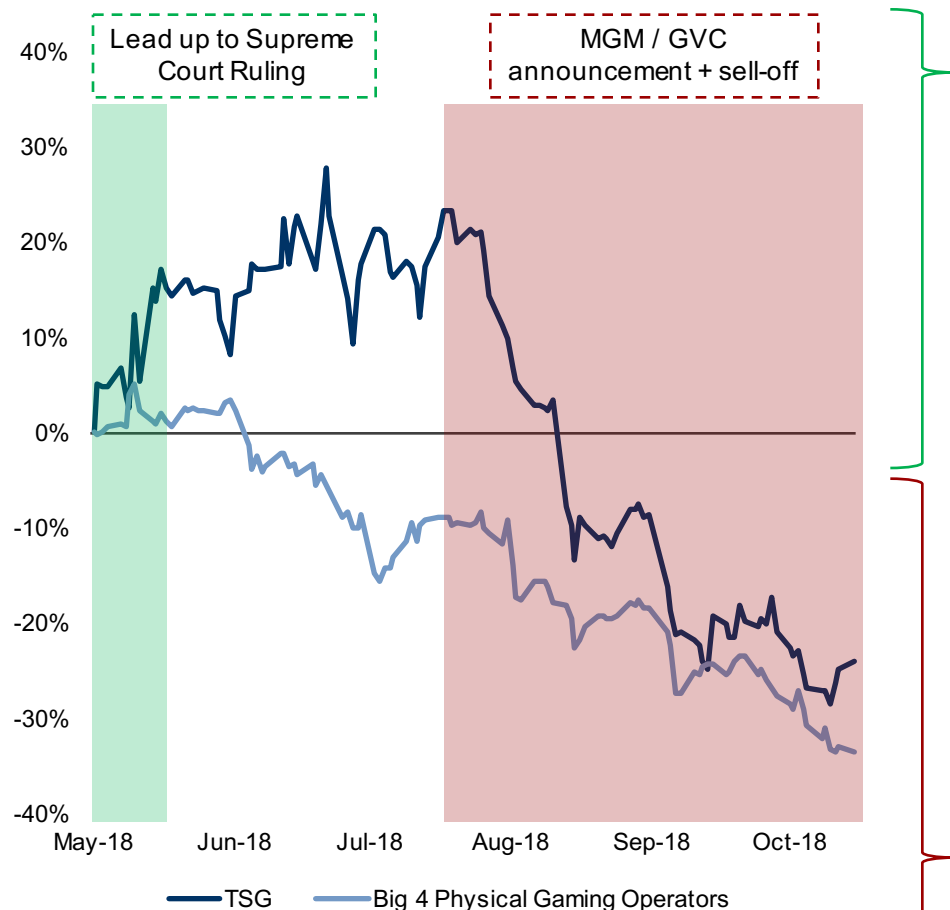
The cross-selling opportunity to Stars' existing customer base within the United States

Stars is Poised To Become A Leader in the US Gaming Market

Market Estimated Legalization of Sports Betting in US to be Worth ~\$1.6B to Stars Group

(in CAD \$ millions, unless noted)

Market Reaction to US Legalization Was Swift – TSG Was Set to Be a Leader in US Gaming Market – Until MGM / GVC and Sell-Off Hit



Nasdaq (May 14, 2018)

“Shares of online betting company The Stars Group Inc. jumped 14.3% in trading Monday after the Supreme Court of the United States struck down a law that banned sports betting in most of the country”

\$11.5B

Market capitalization on May 13th

×

14.3%

Gain upon Supreme Court Ruling

=

\$1.6B

Value attributed to TSG from US market legalization

\$(3.3B)

Market capitalization lost due to MGM / GVC and gaming sell-off

MGM / GVC announcement and the general gaming sell-off (which we argued was unwarranted) resulted in all of the value attributed to US legalization being wiped out. So, are MGM / GVC that much of a threat?

Stars is Poised To Become A Leader in the US Gaming Market

MGM and GVC Announced a JV in July to Enter US Online Gambling, Sending Ripples Through the Industry

Overview of MGM and GVC

- **MGM**
 - Global entertainment company with national and international locations
 - Land-based gambling operator primarily serving the Las Vegas market as well as Macau and Shanghai
 - No online gambling presence prior to JV
- **GVC**
 - Dual-platform online and physical gambling operator
 - Owns brands including Eurobet and partypoker
 - Primarily operates in the UK

Terms of Joint Venture



Rationale for Joint Venture

- 1 **Capitalize on US Supreme Court Ruling**
 - Combination allows the new company to capitalize on sports betting legalization immediately, and gain first-mover advantage
- 2 **Capex Synergies**
 - GVC saves money in market entry to US
 - MGM gains competency/customers in online sports betting
- 3 **Combining Core Competencies**
 - MGM has an unparalleled brand in US physical gambling
 - GVC has a strong online platform in the UK (largest online gambling market)
- 4 **Access to Large Addressable Customer Base**
 - JV can access both existing MGM M life Rewards Customers (~30M) and states Boyd Gaming serves through MGM's access agreement with them (addressable population of ~90M)

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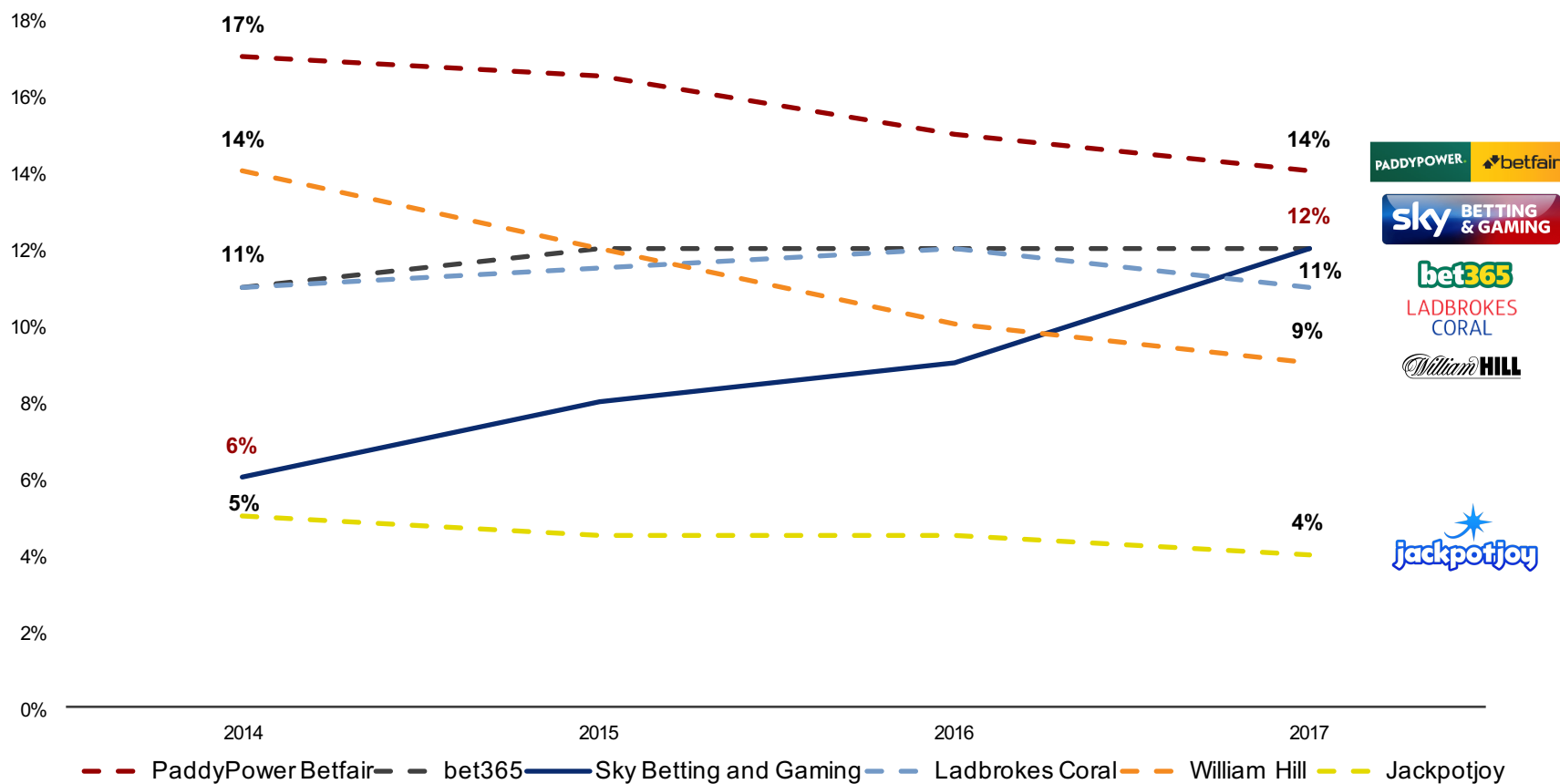
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SBG's Success in the UK Can Be Transferred to the US

SBG Has Developed a Leading Online Gambling Platform, As Evidenced By Its Growth in Market Share

(in \$ millions, unless noted)

Market Share of Online Gambling Operators in the United Kingdom



Acquisition of SBG provides TSG with the fastest growing established online gaming operator in the UK

Source: Company Filings

SBG's Success in the UK Can Be Transferred to the US

"Plug and Play" Nature of SBG Platform and Partnerships with Casinos Allow Stars to be the First-Mover in US Market

(in \$ millions, unless noted)

"Plug & Play" Nature of Acquisition = First-Mover Advantage

- SBG platform is technologically superior to all platforms in the US
- Since the platform already exists, adding US sports will be quick and easy
- **Stars Group should be able to enter newly regulated US states immediately after regulations are passed**



First Mover Advantage in Every US State



- **Once you join a gambling platform, you are unlikely to leave**
- **Stars Rewards program has shown to be very successful in retention**

Stars Needs One Gambling License in Each Market

RESORTS
Casino • Hotel



Mount Airy
CASINO • RESORT



- Stars Group has inked partnerships with Resorts Casino in NJ, and Mount Airy Casino in Pennsylvania
- **This provides gambling licenses necessary to offer Online Poker, Casino, and Sportsbook in NJ and PA IMMEDIATELY**



- Stars Group's ability to form partnerships quickly in newly regulated states provides the other piece to the first-mover puzzle, as they have a proven ability to form partnerships with existing players

Stars Will Be a First-Mover in Every US State, Which Will Cement Stars as a Leader in the Online Sports Betting Market

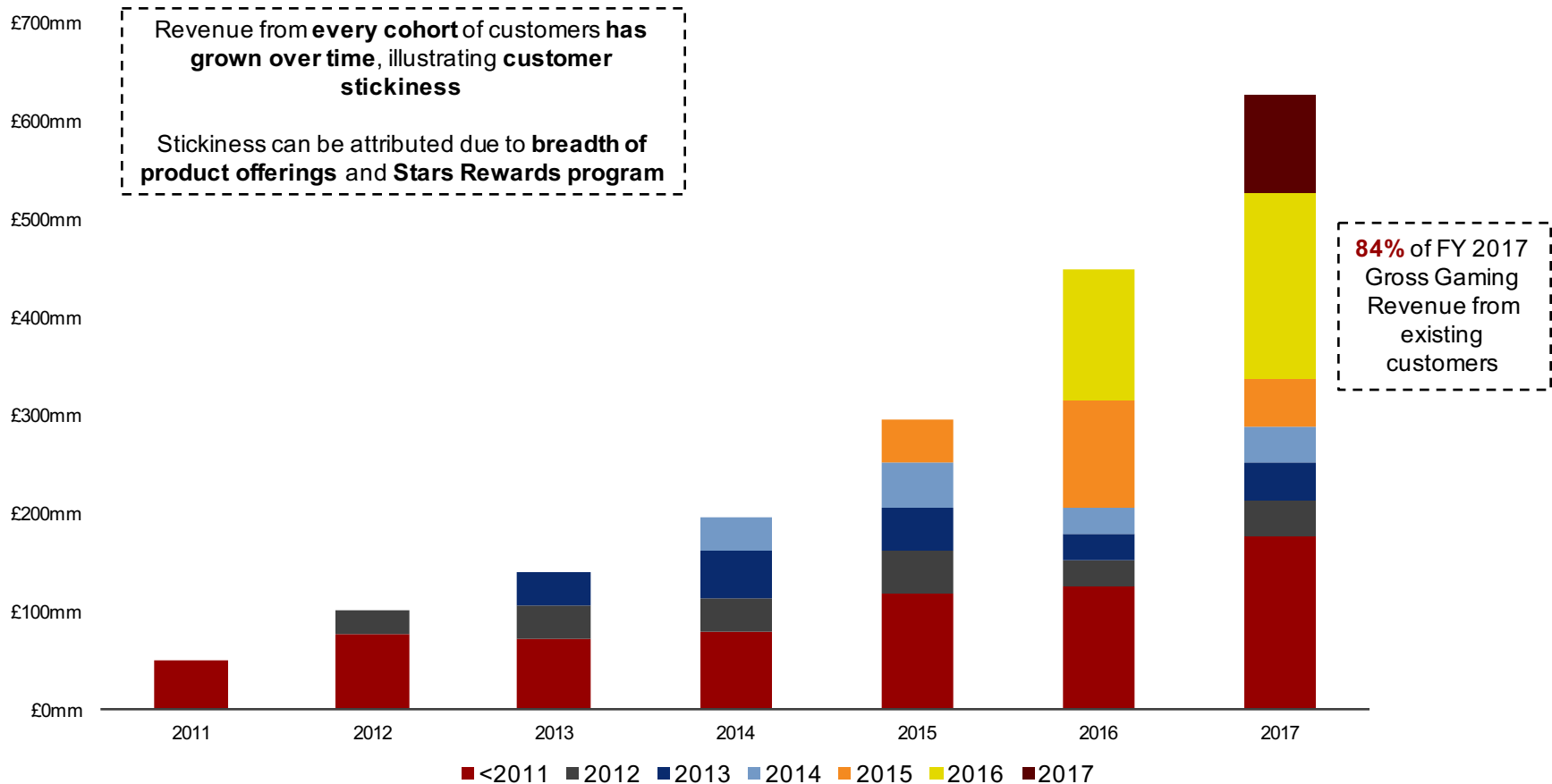
Source: Wall Street Research

SBG's Success in the UK Can Be Transferred to the US

First-Mover Advantage Amplified in Online Gaming Market due to Stickiness of Customers

(in \$ millions, unless noted)

SBG's Gross Gaming Revenue by Year of Customer Registration



Strong sustainable growth driven by high customer retention / loyalty

Source: Company Filings

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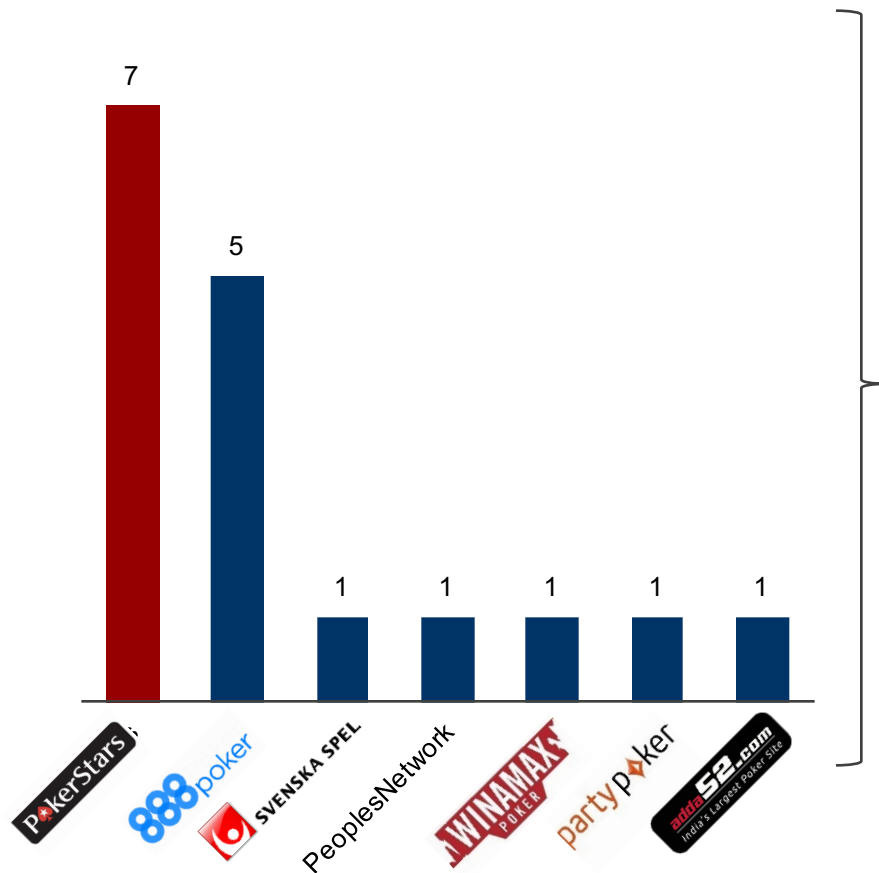
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Stars Has An Existing Online US Customer Base Which it Can Cross-Sell To

Stars' Current Positioning in Poker Can Be Leveraged to Attract Customers to Its US Sports Betting Platform

(in \$ millions, unless noted)

Number of Markets with Top 2 Position in Online Poker by Website



Dominance in Poker Reduces Risk of “Price War”

Risk of Price War by Segment	
Online Poker: Low	<ul style="list-style-type: none"> Network effects create customer stickiness since strength of platform depends on number of users Market leader in online poker creates scale meaning others are unlikely to start a price war with TSG Rake is standardized and often not a primary criteria when choosing a platform
Online Casinos: Low	<ul style="list-style-type: none"> Network effects also relevant here, creating stickiness Odds are near-standardized across all casinos so real “price” consideration Loyalty programs add to stickiness
Sports Betting: Low	<ul style="list-style-type: none"> Cross-selling reduces vigorish as a consideration for recreational bettors Vigorish is lower in the criteria compared to convenience of platform and availability of betting

Stars' positioning in online gaming creates an opportunity to cross-sell to customers and reduces the risk of a price war

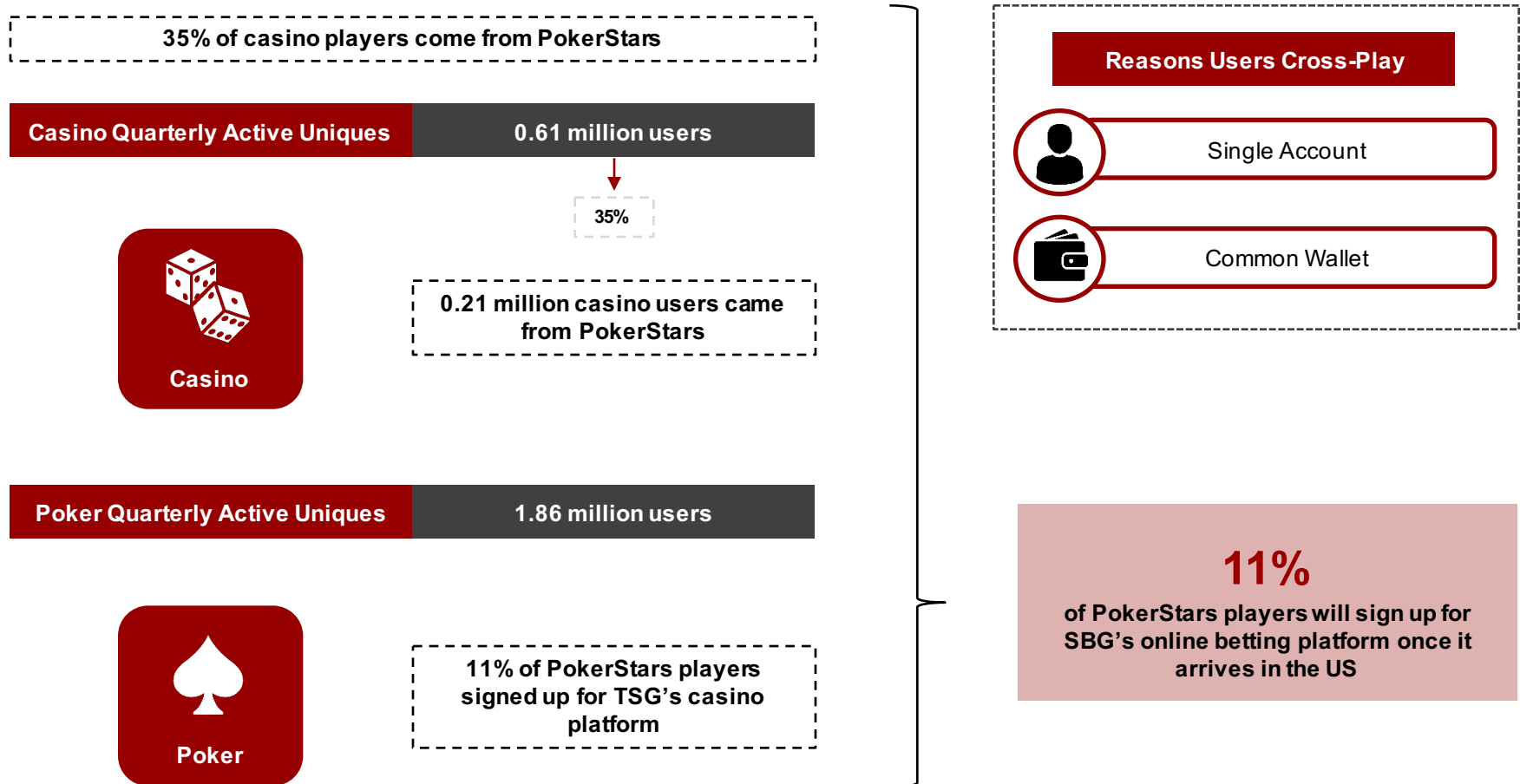
Source: PokerScout.com

Stars Has An Existing Online US Customer Base Which it Can Cross-Sell To

If Stars Cross-Sells Per Historical Standards, At Least 11% of US PokerStars Players Could Move to Online Betting

(in \$ millions, unless noted)

Cross Selling Opportunity in the US with Sky Betting & Gaming



Cross-selling will allow Stars to further establish itself as the leader in the US market and lower customer acquisition costs

Source: Company Filings

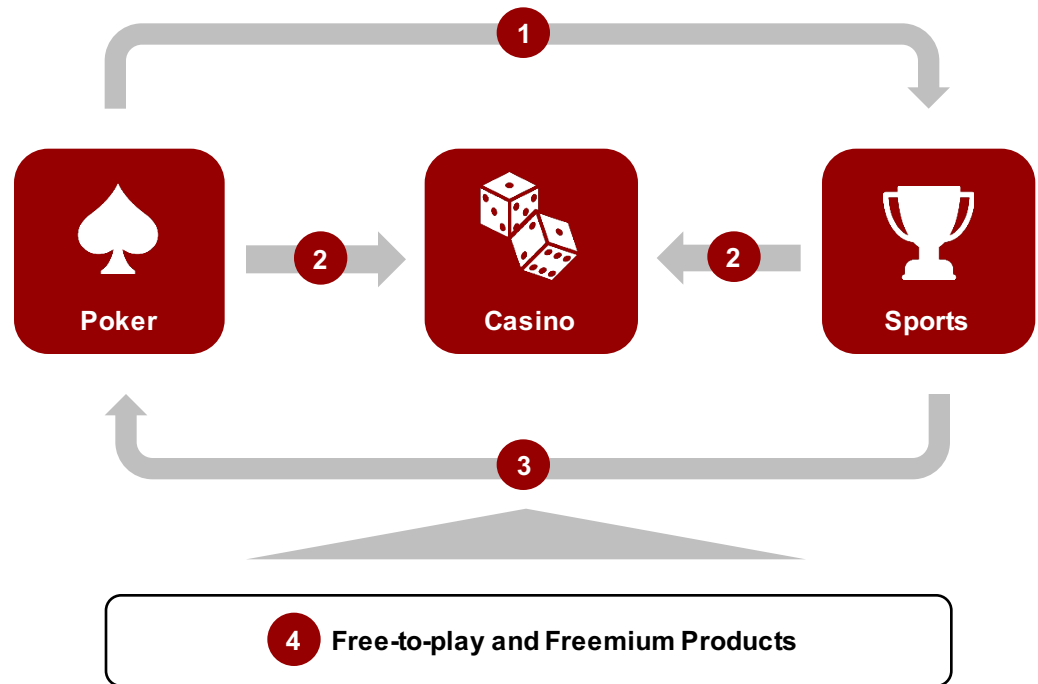
Stars Has An Existing Online US Customer Base Which it Can Cross-Sell To

Fly-Wheel Business Model Amplifies Effect of Cross-Selling

(in \$ millions, unless noted)

Fly-Wheel Model Results in Cross-Selling Through All Segments

- 1 **Poker to Sports:** TSG's poker base provides a significant cross-selling opportunity to SBG's leading sports products
- 2 **Poker and Sports to Casino:** Cross-selling a large and relatively low cost per acquisition customer base into high yielding casino products
- 3 **Sports to Poker:** Cross-sell from SBG to TSG's leading poker platform
- 4 TSG and SBG's **free-to-play and freemium products** have significant customer bases which can be cross sold into RM products worldwide



Due to Stars' fly-wheel business model, the market is not only overlooking the revenue opportunity from US Sports Betting, but also the added revenue new customers will bring to the Poker and Casinos segments

Source: Company Filings

Valuation

SECTION V

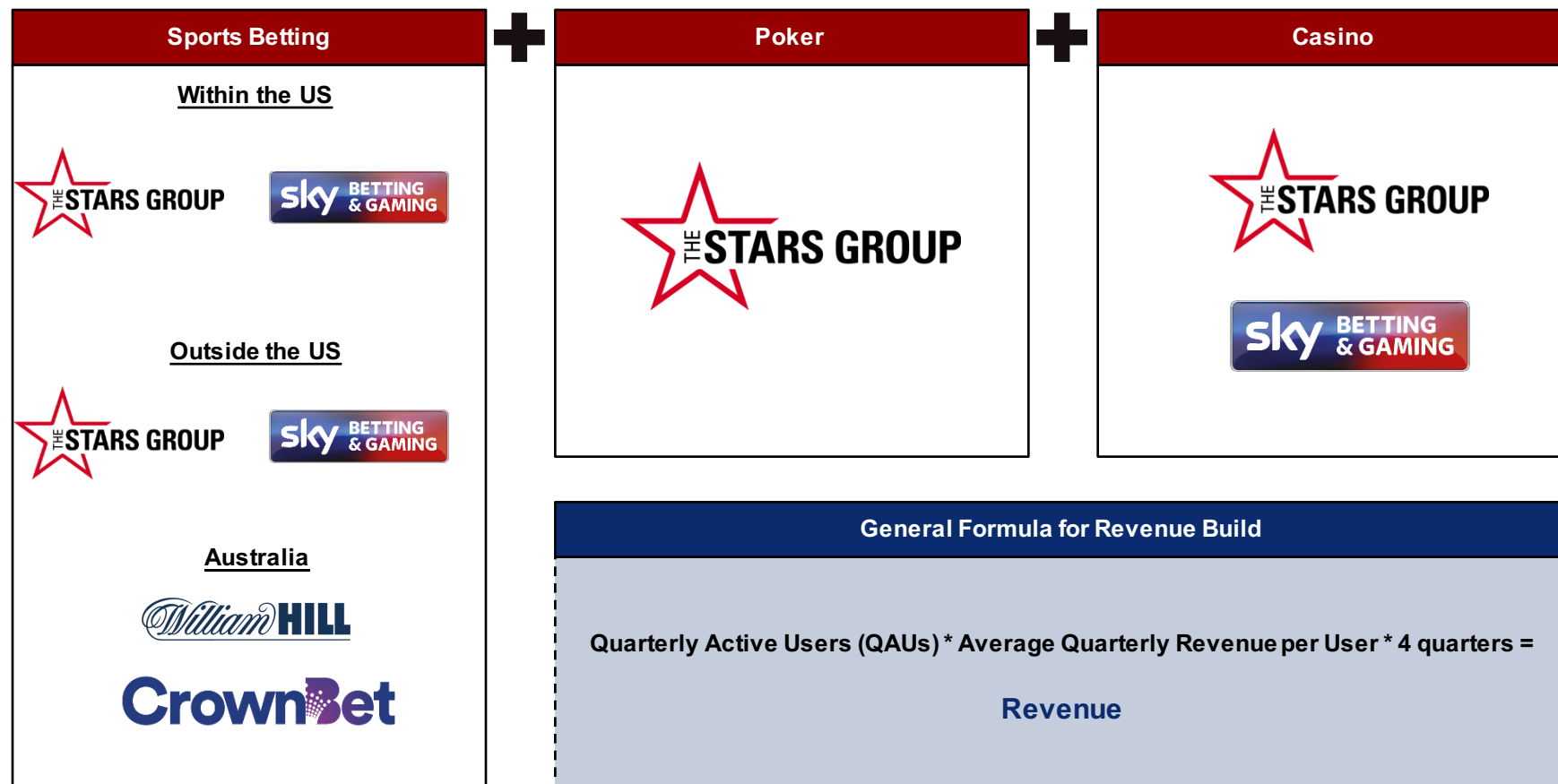


Valuation

Revenue Build – Summary

(in \$ millions, unless noted)

Revenue Projected for 3 Segments – Sports Betting, Poker, and Online Casino



US Sports Betting is the Greatest Area of Revenue Uncertainty

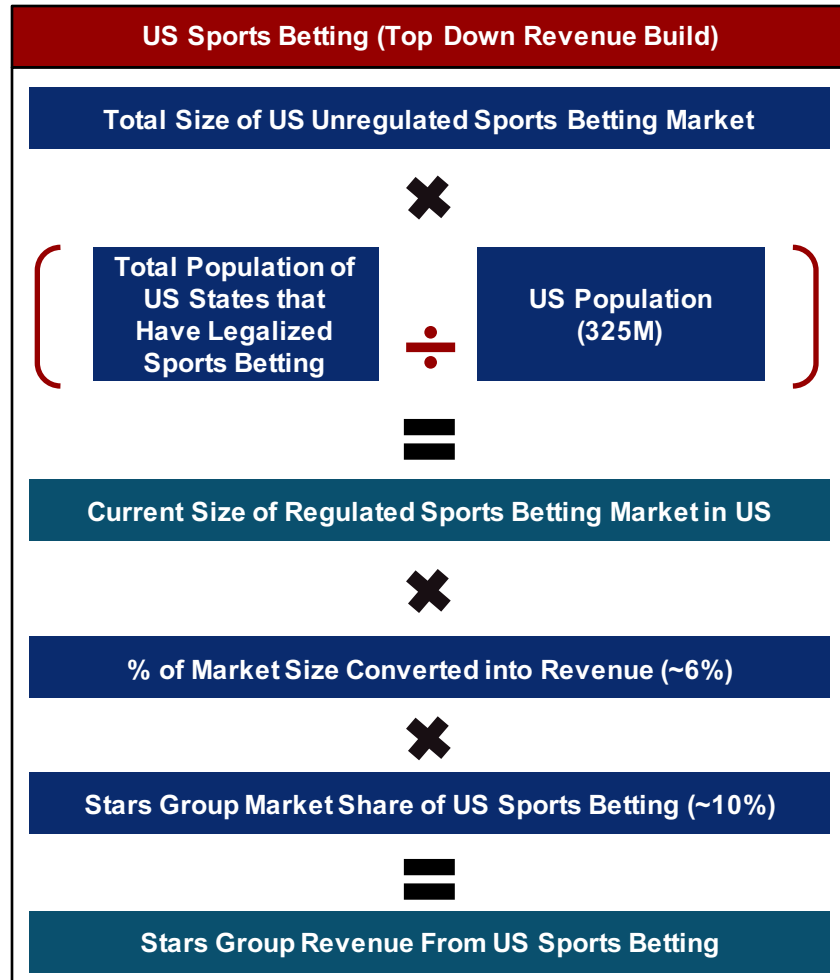
Source: Statista

Valuation

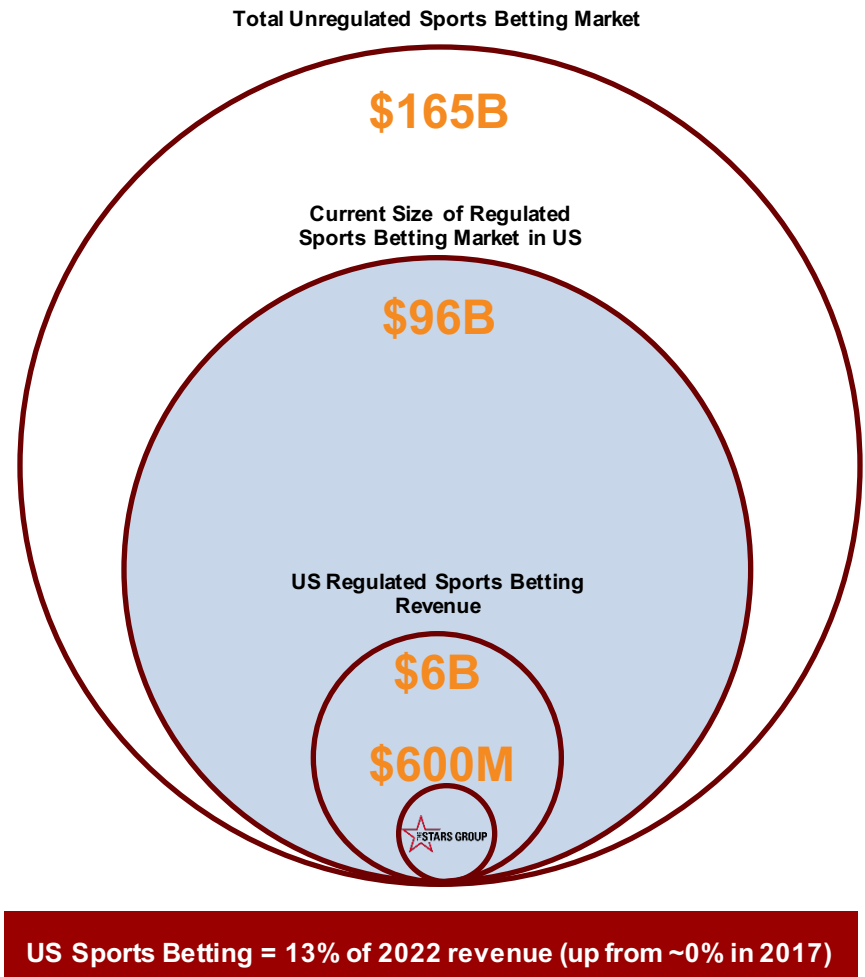
Revenue Build – US Sports Betting

(in \$ millions, unless noted)

US Sports Betting Revenue Build (Excluding Int'l Sports Betting)



US Sports (Using 2022 Numbers)



Valuation

DCF Model Assumptions

Driver of FCF	DCM Base Case Projections	Rationale
Regulation of Sports Betting	<ul style="list-style-type: none"> 5 states in 2018, 8 in 2019, 18 in 2020, 27 in 2021 and beyond 	<ul style="list-style-type: none"> Based on progress of sports betting legislation in all 50 states
Operating Costs	<ul style="list-style-type: none"> Slight premium to historical percentage of revenue 	<ul style="list-style-type: none"> Assuming costs will increase as mix shift to sports betting occurs
Tax Rate	<ul style="list-style-type: none"> 21% 	<ul style="list-style-type: none"> Consistent with equity research
EBITDA Margins	<ul style="list-style-type: none"> Maintain 37% EBITDA margin (down from 45% in 2017) 	<ul style="list-style-type: none"> Factors in integration costs and change in mix towards lower margin sports
Cap Ex	<ul style="list-style-type: none"> 34M in 2017 95M in 2018 130M in 2019 	<ul style="list-style-type: none"> Benchmarking with equity research
WACC	<ul style="list-style-type: none"> 9% 	<ul style="list-style-type: none"> Taken from Bloomberg Consistent with equity research
US Sports Betting Market Share	<ul style="list-style-type: none"> 10% base case market share 	<ul style="list-style-type: none"> In the UK, the top 5 players make up 42% of market share (~8% per player) Assume US has same dynamic, and that Stars Group is a top 3 player

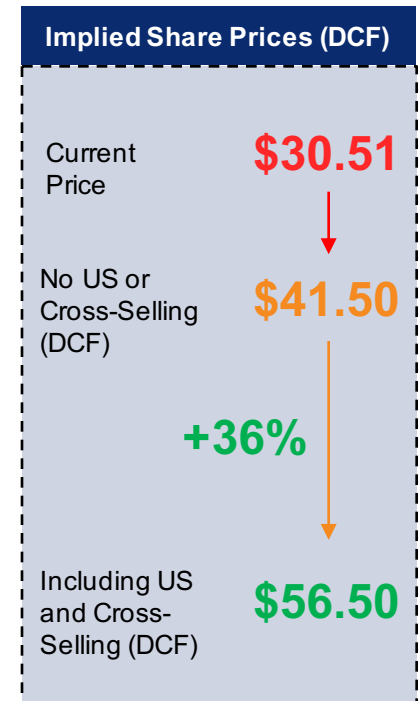
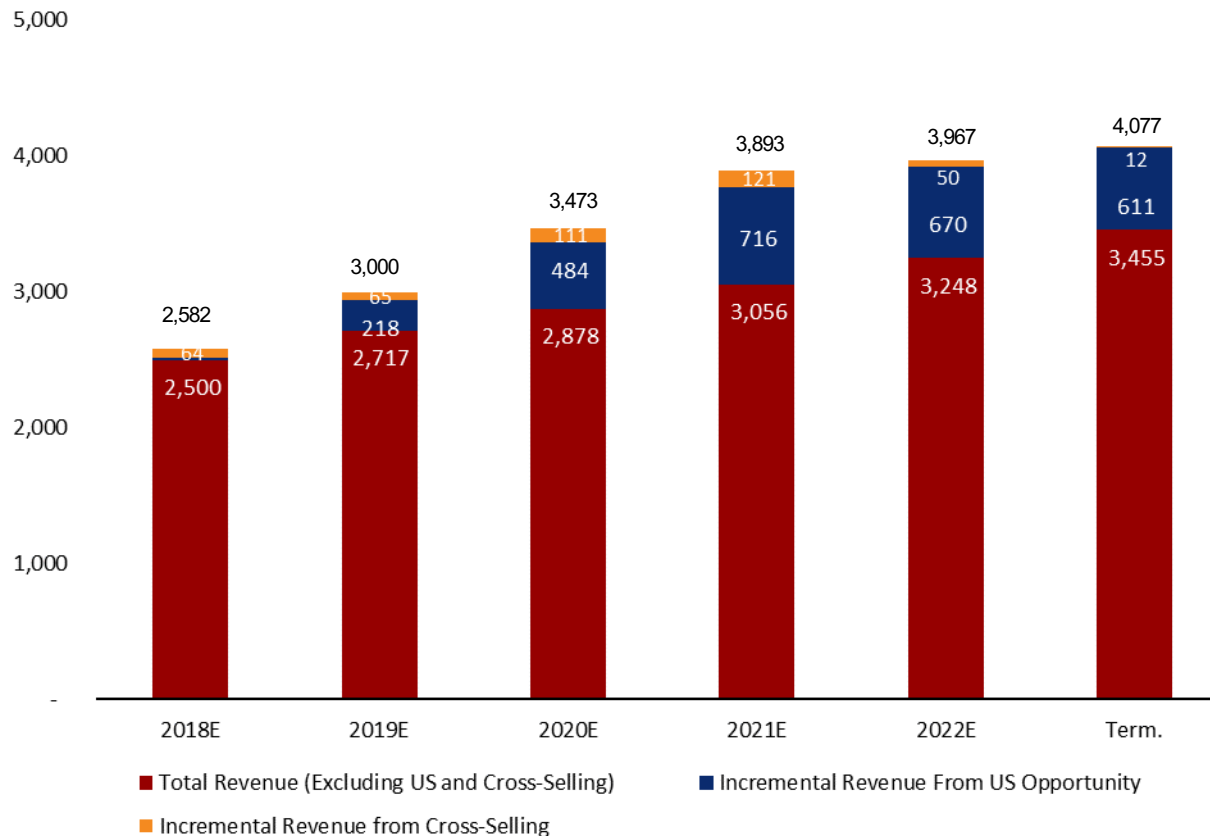
Source: Company Filings, Equity Research

Valuation

US Sports Betting Legalization and Cross-Selling Are Key Drivers of Value for Stars Group

(in \$ millions, unless noted)

Incremental Revenue From US Sports Betting and Cross-Selling



The Market Currently Isn't Attributing Much Value to the US and Cross-Selling → 36% Upside if Stars Obtains 10% Market Share in US

Source: DCM DCF

Valuation

Comparable Companies Analysis Shows Stars is Trading at a Premium, Likely Due to Greater Margins and Growth

(in \$ millions, unless noted)

Company	Market Cap.	EV (\$ mm)	EV/Sales		EV/EBITDA		EV/FCFF		Sales Growth	EBITDA Growth	EBITDA Margin
			LTM	2019E	LTM	2019E	LTM	2019E			
Online Gaming Operators											
888 Holdings Plc	925	782	1.4x	1.3x	7.3x	6.9x	12.8x	6%	6%	19%	
GVC Holdings Plc	5,441	7,819	3.9x	1.7x	18.8x	7.6x	NA	5%	146%	21%	
Jackpotjoy Plc	683	1,131	2.9x	2.6x	8.2x	7.9x	NA	5%	3%	21%	
LeoVegas AB	598	670	2.0x	1.4x	16.8x	9.6x	24.7x	25%	75%	12%	
Paddy Power Betfair Plc	7,037	6,841	2.8x	2.5x	11.4x	11.2x	7.0x	10%	2%	27%	
Playtech Plc	1,866	2,335	2.4x	1.2x	12.1x	5.0x	10.7x	32%	139%	20%	
Kindred Group Plc	2,359	2,508	2.2x	1.9x	9.0x	10.0x	13.32	11%	-11%	24%	
Mean	2,701	3,155	2.5x	1.8x	11.9x	8.3x	13.7x	13%	51%	20%	
Median	1,866	2,335	2.4x	1.7x	11.4x	7.9x	12.8x	10%	6%	21%	
75th			2.9x	2.2x	14.4x	9.8x	13.3x	18%	107%	22%	
Land-Based Gaming Operators											
Boyd Gaming Corporation	3,647	6,526	2.7x	1.9x	11.1x	7.5x	17.3x	27%	48%	24%	
Great Canadian Gaming Corporation	2,111	2,348	3.5x	2.2x	9.5x	6.6x	16.5x	17%	43%	37%	
Las Vegas Sands Corp.	44,995	52,772	3.9x	3.8x	10.4x	10.1x	NA	2%	3%	38%	
MGM Resorts International	14,830	31,150	2.8x	2.4x	11.4x	9.6x	NA	11%	19%	25%	
Wynn Resorts, Limited	12,799	19,713	3.0x	2.7x	10.8x	9.2x	NA	11%	18%	28%	
Mean	15,676	22,502	3.2x	2.6x	10.6x	8.6x	16.9x	14%	26%	30%	
Median	12,799	19,713	3.0x	2.4x	10.8x	9.2x	16.9x	11%	19%	28%	
The Stars Group Valuation											
The Stars Group, Inc.	6,435	11,893	8.0x	4.0x	18.8x	10.6x	9.8x	36%	77%	42%	
Discount (Premium) To Mean			217%	121%	58%	28%	-28%				

Premium is justified

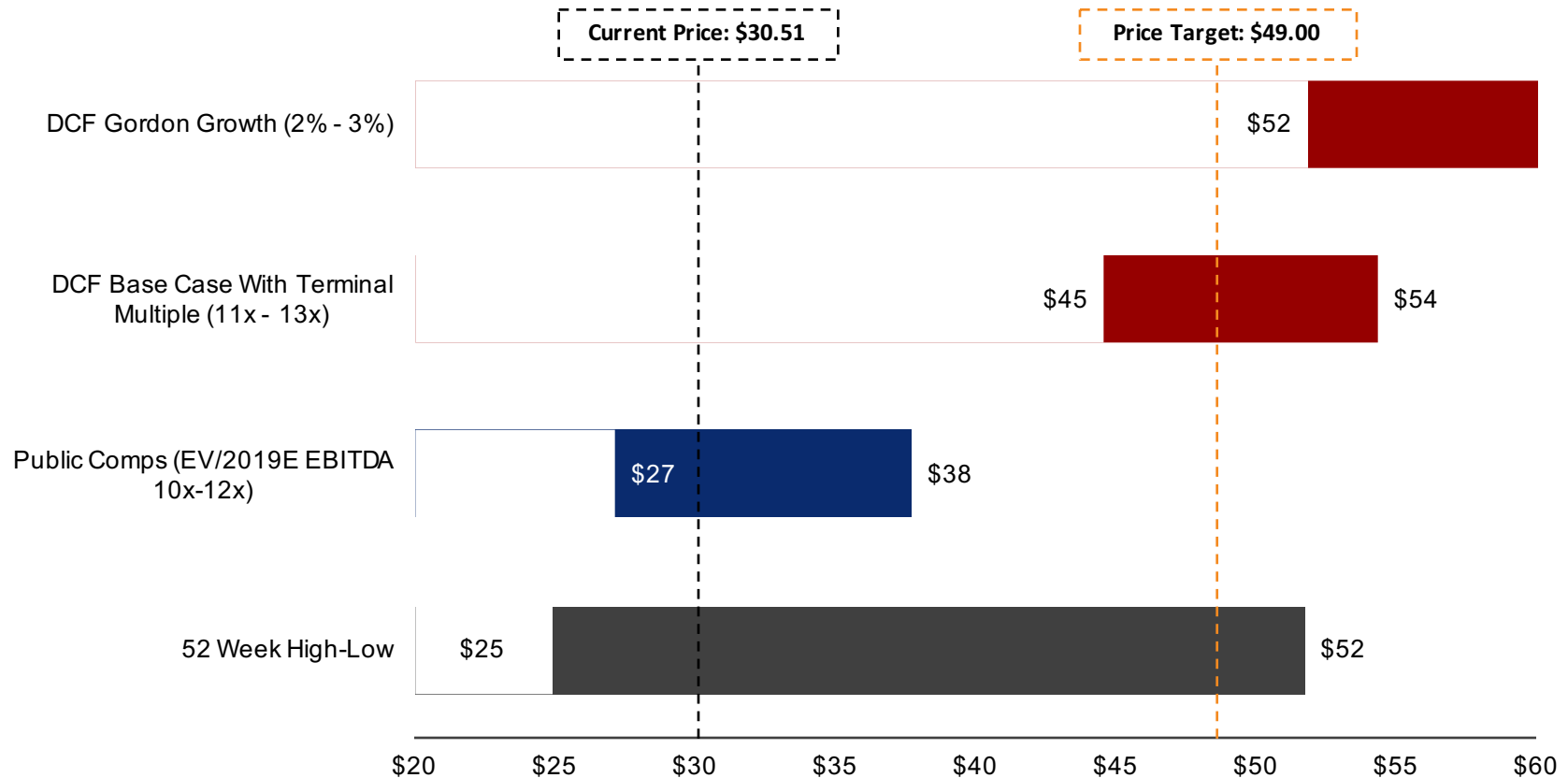
Source: Statista

Valuation

Football Field Gives Price Target of \$49

(in \$ millions, unless noted)

Public Comps Not As Valuable as DCF Due to Market Timing and Unwarranted Trading With “Peers”



Price target of \$49 represents an upside of 58% over the current share price of \$30.51

Risks, Catalysts and ESG

SECTION VI



Risks & Catalysts

Factors To Continue Monitoring Going Forward

Risks

Took on a lot of debt to acquire SBG (~6x NTM EBITDA)
Mitigant: Mitigated by strong free cash flow profile

Integration risk with SBG
Mitigant: Plug and Play nature of SBG technology

Known to issue equity to fund acquisitions which may dilute existing shareholders

Other online operators could form joint ventures with Las Vegas operators to enter the US market

Catalysts

Legalization of sports betting in more states

SBG has a strong E-sports betting platform which could drive value if it were to become popularized

Earnings releases to depict that Stars is not being affected by physical gambling woes

Partnerships with casinos in different states to enter various markets within the US

Environmental, Social, Governance (ESG)

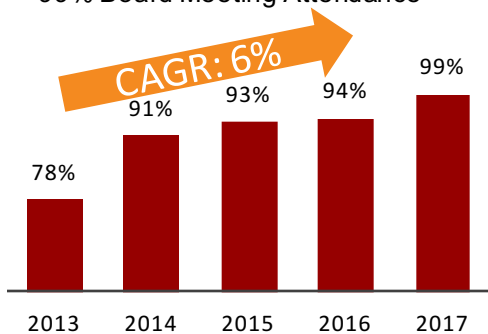
ESG Analysis

(in \$ millions, unless noted)

ESG Disclosure And Reporting

Governance

- Governance Disclosure score = **51.79**
- 99% Board Meeting Attendance



- 100% Independent Directors

Social

- Social Disclosure score = **19.30**
- **32% women in the workforce**



- TSG's company strategy is to use loyalty program to increase "net depositors," or players who lose the most money

Environmental

- Environmental Disclosure Score = **16.53**



Neutral

Worse

Neutral

ESG could be better, but all gambling companies will struggle in ESG (relative to consumer discretionary) due to the nature of the industry

Source: Bloomberg

Appendix

SECTION VII

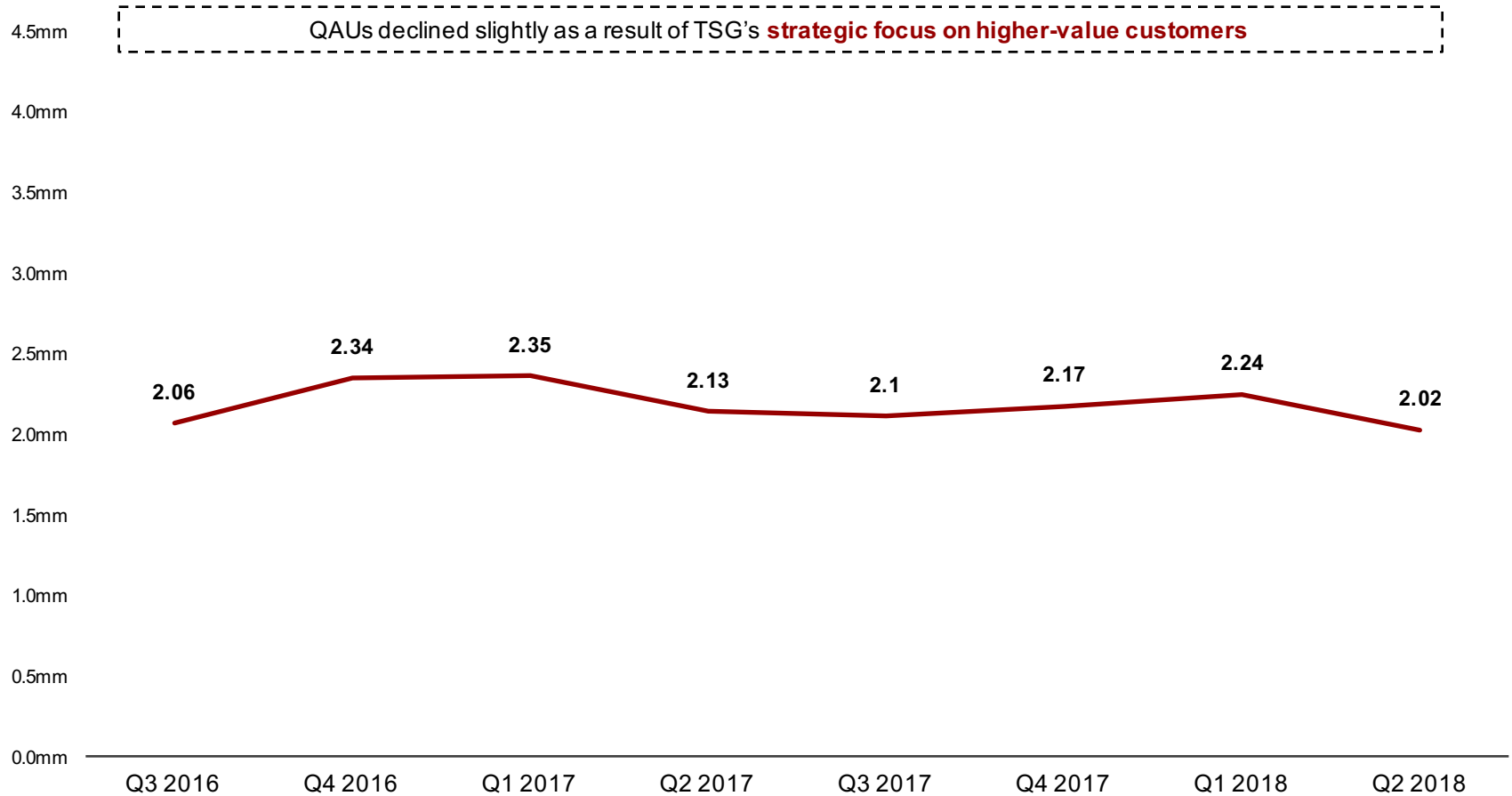


Company Overview

The Stars Group

(in \$ millions, unless noted)

Quarterly Active Uniques Over Time



Quarterly active uniques have generally been on a declining trend due to Star's focus on higher-value customers to generate higher net yields

Source: Company Filings

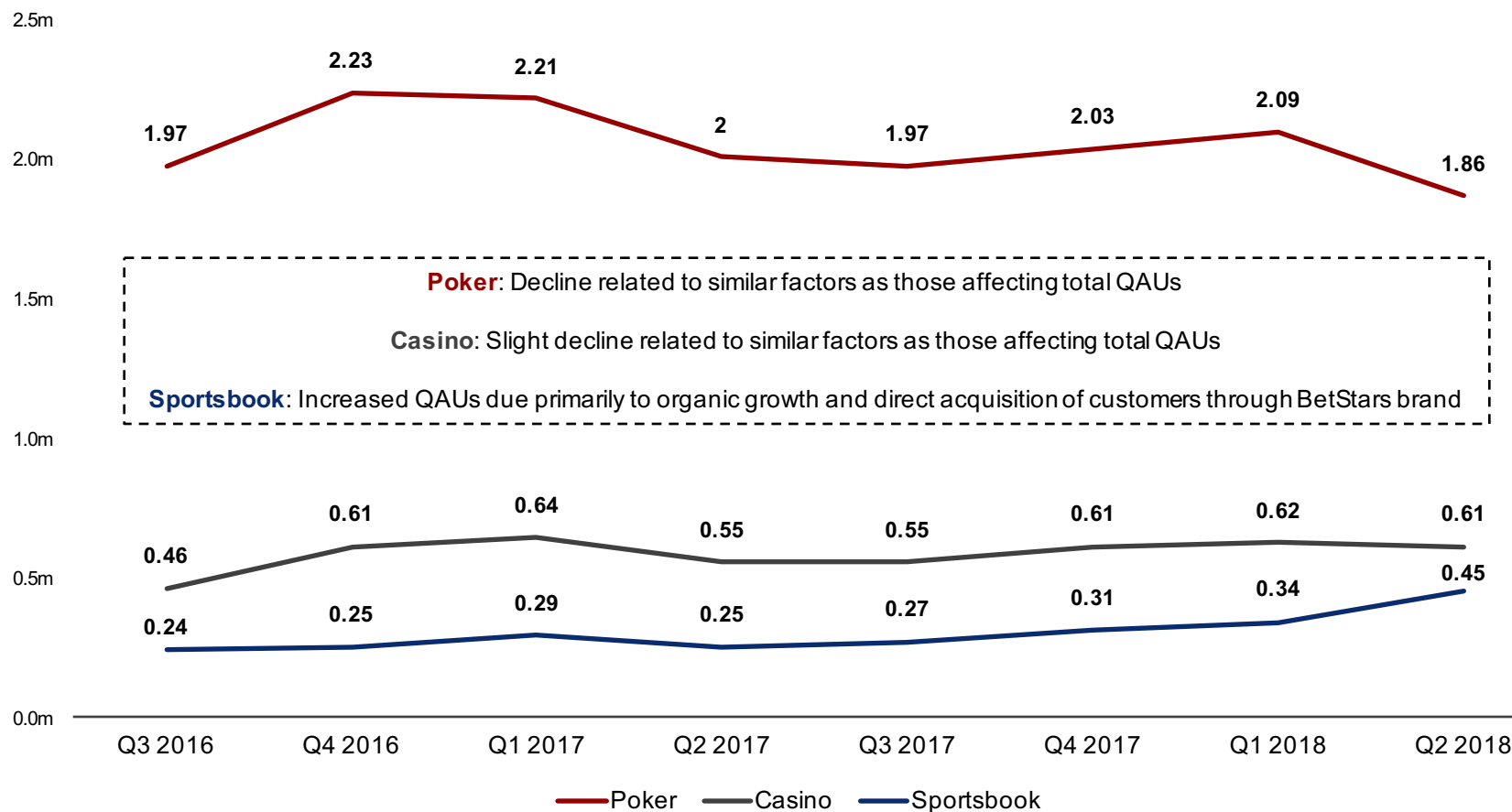
Company Overview



The Stars Group

(in \$ millions, unless noted)

Quarterly Active Uniques by Segment Over Time



Sportsbook's quarterly active uniques have been growing over time due to organic growth and strong product and brand offerings

Source: Company Filings

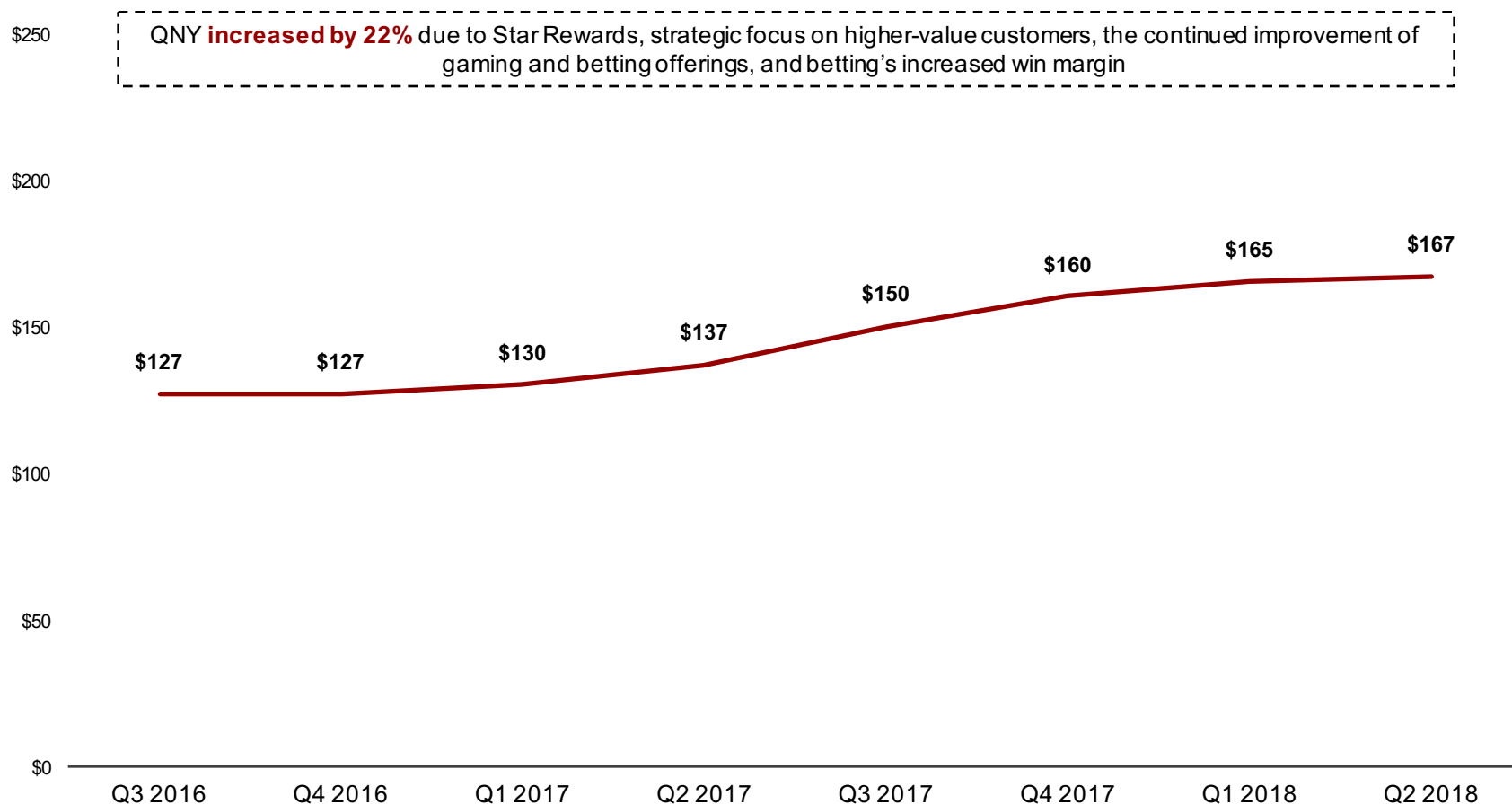
Company Overview



The Stars Group

(in \$ millions, unless noted)

Growing Quarterly Net Yields Over Time



Growing quarterly net yields reflect Star's focus on increasing revenue generated per customer

Source: Company Filings

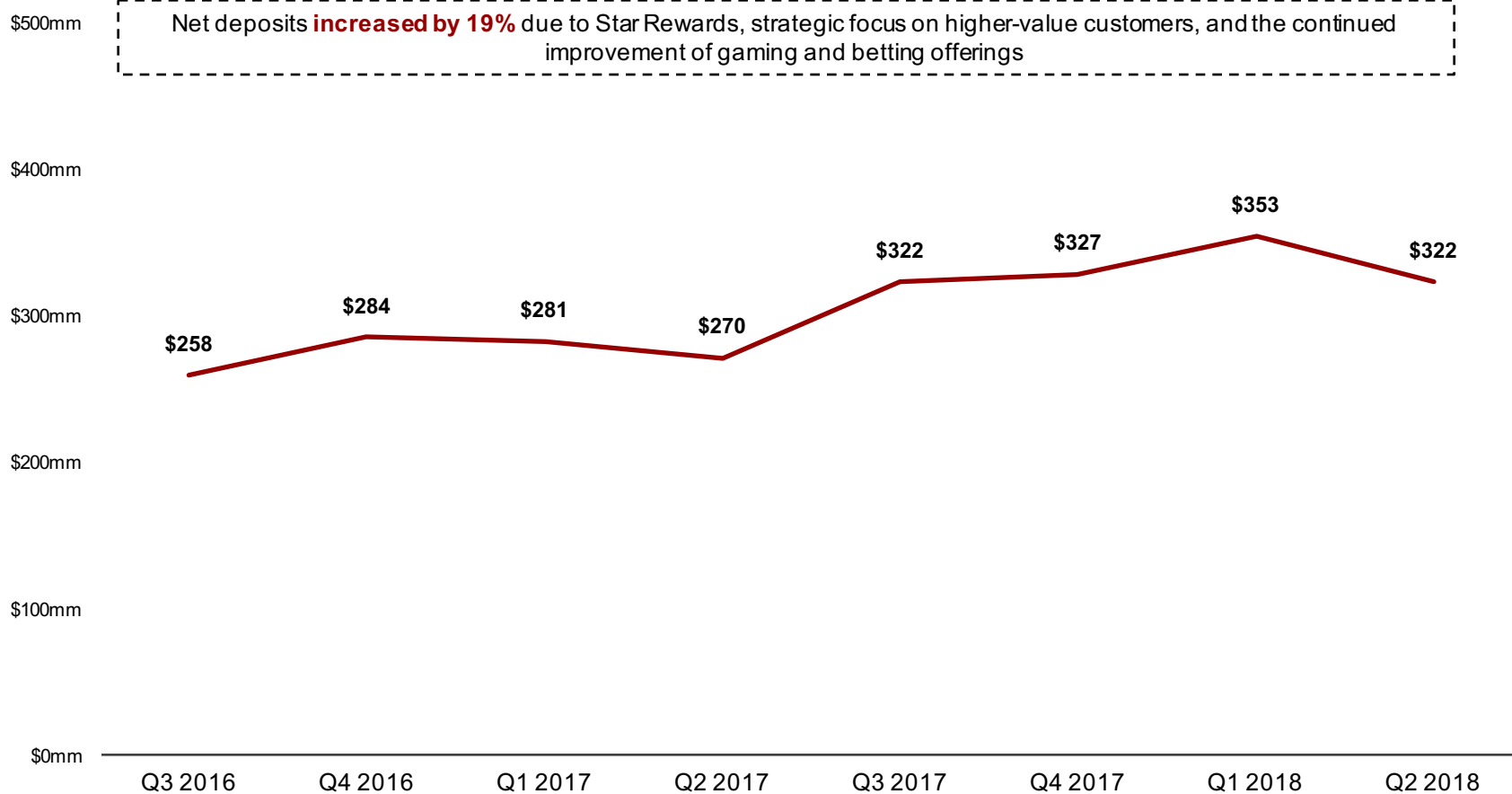
Company Overview



The Stars Group

(in \$ millions, unless noted)

Accelerating Net Deposits Over Time



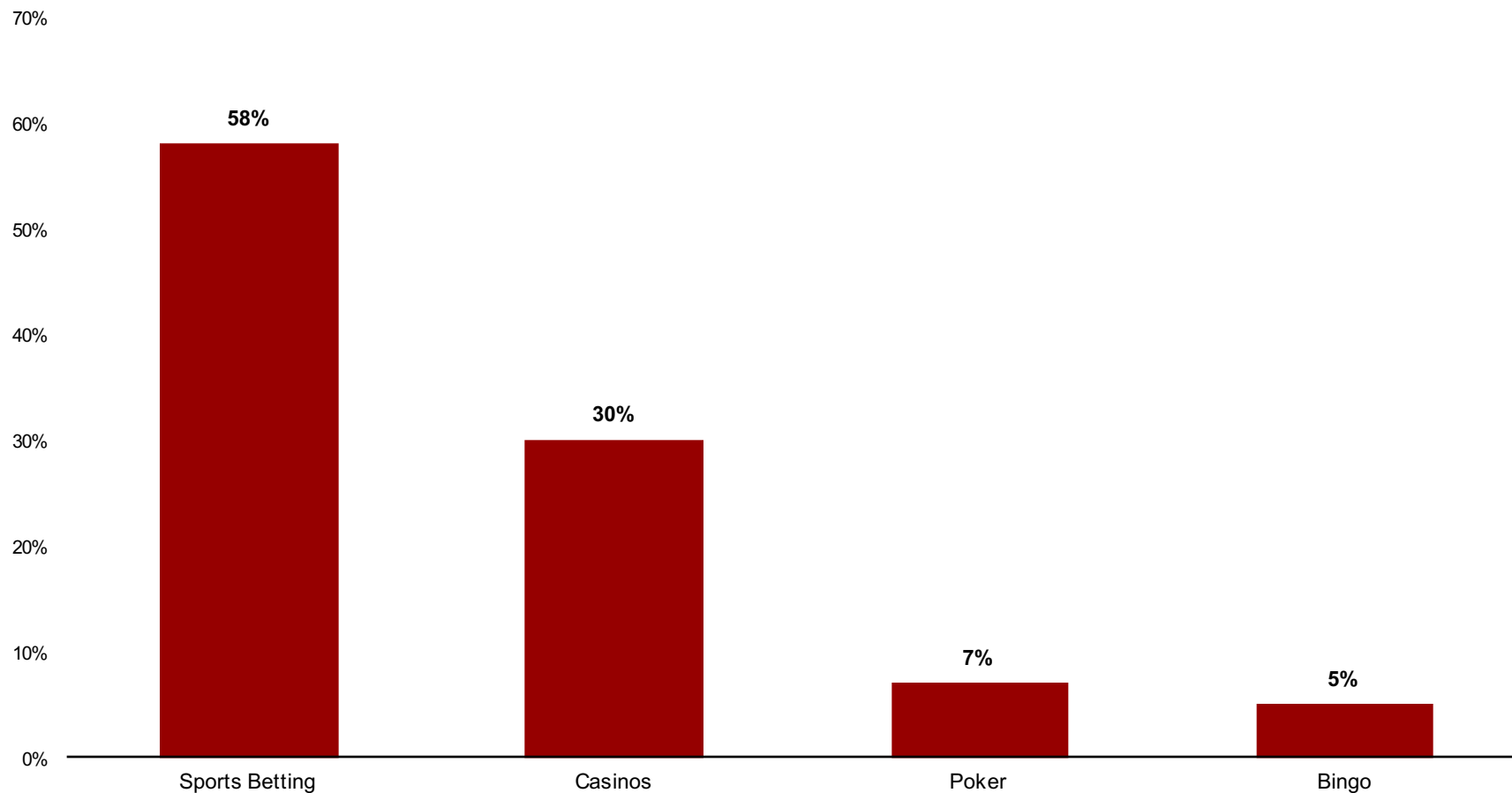
Accelerating net deposits bode well for revenue growth

Source: Company Filings

Overview

(in \$ millions, unless noted)

Breakdown of the Global Online Gambling Market by Product Category: Sports Betting Holds the Biggest Market Share



Sports betting represents 58% of global online gambling transactions

Source: Statista

Sports Betting

Legalization of Sports Betting

Catalysts Supporting Sports Betting Legalization

- 1 Sports gambling could result in a \$22.5bn increase to GDP

\$150B

Size of US unregulated sports betting market

\$22.5B

Incremental US GDP from legalized sports betting

- 2 Material shifts in acceptance of sports betting by leagues

Adam Silver, NBA Commissioner (2014):

"I believe we need a different approach (to betting on professional sports in the US)... Despite legal restrictions, sports betting is widespread... those who wish to bet resort to illicit bookmaking operations and shady offshore websites"

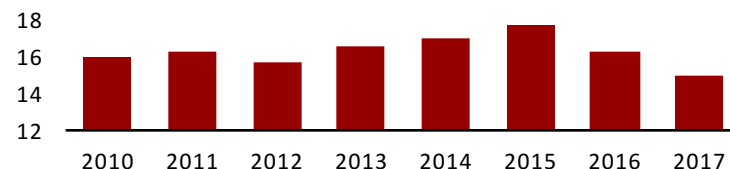
- 3 Growth in Daily Fantasy Sports



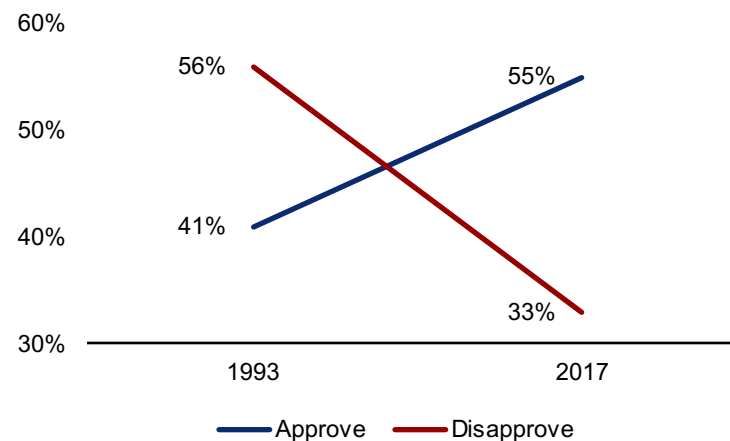
- 4 President Trump favors legalization



- 5 TV viewership of major sports is declining, and sports betting will provide a boost (see NFL viewership in millions below)



- 6 Consumer sentiment has shifted towards sports betting



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