Flutter's US focus grows further, but CEO says reasons to list there are 'not unique to us'

Paddy Power and Sky Bet owner Flutter's 2022 results showed why it aims to list in the US, as America became its largest market, but CEO Peter Jackson also spoke of wider structural reasons that have made New York more appealing than London.

The betting operator's revenue for the year grew by 27% to £7.69 billion, with the vast majority of growth coming in the US.

US revenue was up by 87% to £2.60 billion. Almost all of that came from the FanDuel business it acquired for $158 million in 2018, just before a Supreme Court ruling let US states legalise sports betting.

Marketing costs in the country remain high, as betting companies spend big on television ads and free bets to attract customers in states that have recently legalised sports betting, and have put profitability out of reach for now. But Flutter's £250 million US loss looks much better than its US-based competitors, with rival DraftKings losing more than £600 million.

Flutter said it still expects to be the only US operator to be full-year profitable in 2023.

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Last month, the betting behemoth announced plans to list its shares in the US – initially as a secondary listing but with an eye to an eventual primary listing – citing the rapid growth of FanDuel. However, CEO Peter Jackson noted that wider issues about London and US capital markets played a part too.

“There are several strategic and capital markets benefits to a US listing,” he said. “It would enhance our profile in the US. There is a very large retail component in the US, we think it helps to bring in US talent, there is no doubt that US capital markets are deeper.

“When we spoke to prospective US shareholders they said there is not enough trading in our shares and that is not unique to us.”

The retail component of a US listing may have been something Flutter felt it has missed out on so far. In early 2021, Nasdaq-listed DraftKings boasted a market cap of $27.8 billion – boosted by retail investors – more than the entire Flutter business. Though investor excitement around FanDuel’s chief US rival quickly cooled, it is still worth more than a third of Flutter.

The group as a whole made a £1.05 billion profit, with profit from the UK and Ireland coming to £654 million, up by 6%. In the UK, the acquisition of bingo site Tombola and the end of

Covid-19 restrictions helped offset the impact of affordability measures introduced in anticipation of the Government's long-delayed reform of UK gambling laws.

"I hope that at some point it comes out," Jackson said. "We've taken steps to enhance our affordability measures and we hope to see those adopted by the wider industry as well."

In Q4, Flutter said the World Cup boosted revenue, but high-scoring matches in its latter stages dulled the tournament's impact slightly as punters won more than Flutter expected. Overall, bettor-friendly results cost the business £40 million in the last three months of the year.

Jackson noted that management was still excited about the non-US arms of the business, which he said offered diversification for potential shareholders.

"Outside of the US we've grown by 8% which is impressive," he said. "We've got that really strong diversification. We've got the UK, we've got Australia and we've got some really strong growth markets.

"We're very focused on the whole of the business rather than just the US."

Flutter shares are down 4% this morning to 12,950p.