MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED
DECEMBER 31, 2019

February 27, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (this "MD&A") provides a review of the results of operations, financial condition and cash flows for The Stars Group Inc. on a consolidated basis for the three months and year ended December 31, 2019. References to "The Stars Group" or the "Corporation" in this MD&A refer to The Stars Group Inc. and its subsidiaries or any one or more of them, unless the context requires otherwise. This document should be read in conjunction with the information contained in the Corporation's audited consolidated financial statements and related notes for the year ended December 31, 2019 (the "2019 Annual Financial Statements") and the Corporation's annual information form for the year ended December 31, 2019 (the "2019 Annual Information Form" and together with this MD&A and the 2019 Annual Financial Statements, the "2019 Annual Reports"). These documents and additional information regarding the business of the Corporation are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com, the Electronic Data Gathering, Analysis, and Retrieval system ("EDGAR") at www.sec.gov, and the Corporation's website at www.starsgroup.com.

For reporting purposes, the Corporation prepared the 2019 Annual Financial Statements in U.S. dollars and, unless otherwise indicated, in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial information contained in this MD&A was derived from the 2019 Annual Financial Statements. The results of operations for the three months and year ended December 31, 2019 were prepared following the Corporation's adoption of IFRS 16, Leases ("IFRS 16") and consistent with the transition method it chose, comparative information has not been restated. See notes 2 and 4 of the 2019 Annual Financial Statements. Unless otherwise indicated, all references to "USD" and "$" are to U.S. dollars, "EUR" or "€" are to European Euros, "GBP" or "£" are to British pound sterling, "CDN" or "CDN $" are to Canadian dollars and "AUD" or "AUD $" are to Australian dollars. All percent (%) changes are calculated as the current period amount minus the prior period amount and then divided by the prior period amount and use rounded figures except for gross profit margin, Adjusted EBITDA Margin, QAU, QNY, Net Deposits, Betting Net Win Margin (each as defined below) and per share amounts, which are calculated using unrounded figures. Unless otherwise indicated, all references to a specific "note" refer to the notes to the 2019 Annual Financial Statements.

As at December 31, 2019, the Corporation had three reporting segments, "International", "United Kingdom" and "Australia", each with certain major lines of operations, and a "Corporate" cost center, all as further described below. The International segment currently includes the business operations of Stars Interactive Group (i.e., PokerStars, PokerStars Casino, BetStars, Full Tilt and their related brands) and FOX Bet and its related brands, the United Kingdom segment currently includes the business operations of Sky Betting & Gaming (i.e., Sky Bet, Sky Vegas, Sky Casino, Sky Bingo, Sky Poker, Oddschecker and their related brands) and the Australia segment currently includes the business operations of BetEasy (each as defined below). See"Segment Results of Operations" below and note 7 of the 2019 Annual Financial Statements for additional information on the Corporation's reporting segments.

As at December 31, 2019, the Corporation had up to four major lines of operations within each of its reporting segments, as applicable: real-money online poker ("Poker"), real-money online betting ("Betting"), real-money online casino and, where applicable, bingo (collectively, "Gaming"), and other gaming-related revenue, including, without limitation, revenue from social and play-money gaming, live poker events, branded poker rooms, Oddschecker and other nominal sources of revenue, as applicable (collectively, "Other"). As it relates to these lines of operation, online revenue includes revenue generated through the Corporation's online, mobile and desktop client platforms, as applicable.

For purposes of this MD&A: (i) the term "gaming license" refers collectively to all the different licenses, consents, permits, authorizations, and other regulatory approvals that are necessary to be obtained in order for the recipient to lawfully conduct (or be associated with) gaming in a particular jurisdiction; and (ii) unless the context requires otherwise or otherwise defined (particularly as it relates to the Gaming line of operation as used in this MD&A and the 2019 Annual Financial Statements, which currently only includes real-money online casino and, where applicable, bingo revenue), all references in this MD&A to "gaming" include all online gaming (e.g., poker, casino and bingo) and betting.

Unless otherwise stated, in preparing this MD&A the Corporation has considered information available to it up to February 27, 2020, the date the Corporation's board of directors (the "Board") approved the 2019 Annual Reports, including this MD&A.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The 2019 Annual Reports, including this MD&A, contain certain information that may constitute forward-looking information and statements (collectively, "forward-looking statements") within the meaning of the Private Securities Litigation Reform Act of 1995 and applicable securities laws, including financial and operational expectations and projections, such as certain future operational and growth plans and strategies. These statements, other than statements of historical fact, are based on management's current expectations and are subject to a number of risks, uncertainties and assumptions, including market and economic conditions, business prospects or opportunities, future plans and strategies, projections, technological developments, anticipated events and trends and regulatory changes that affect the Corporation and its customers, partners, suppliers and industries in which it operates or may operate in the future. Although the Corporation and management believe the expectations reflected in such forward-looking statements are reasonable and are based on reasonable assumptions and estimates as at the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate. Forward-looking statements are inherently subject to significant business, regulatory, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "would", "should", "believe", "objective", "ongoing", "imply" or the negative of these words or other variations or synonyms of these words or comparable terminology and similar expressions. For example, see "Non-IFRS Measures, Key Metrics and Other Data", "Overview and Outlook", "Liquidity and Capital Resources" and "Recent Accounting Pronouncements".

Specific factors and assumptions include the following: customer and operator preferences and changes in the economy; reputation and brand growth; competition and the competitive environment within addressable markets and industries; macroeconomic conditions and trends in the gaming industry; ability to predict fluctuations in financial results from quarter to quarter; ability to mitigate tax risks and adverse tax consequences, including changes in tax laws or administrative policies relating to tax and the imposition of new or additional taxes, such as value-added taxes ("VAT"), other point of consumption taxes, corporate tax, and gaming duties; the Corporation's exposure to greater than anticipated tax liability; the Corporation's substantial indebtedness requires that it use a significant portion of its cash flow to make debt service payments; impact of inability to complete future or announced acquisitions, dispositions, mergers or other business combinations, such as the Combination (as defined below) with Flutter Entertainment plc ("Flutter"), or to integrate businesses successfully, including Sky Betting & Gaming and BetEasy; the risk that the Combination may not complete on the anticipated terms and timing, if at all, or a condition to completing the Combination may not be satisfied; the ability to obtain the required regulatory approvals with respect to the Combination, or the potential imposition by applicable regulators of conditions to obtain such regulatory approvals that adversely affect the anticipated benefits from the Combination or cause the Corporation or Flutter to abandon the same; potential litigation relating to the Combination that could be instituted against the Corporation and/or its directors; contractual relationships of The Stars Group with FOX Corporation ("FOX") and Sky plc and/or their respective subsidiaries; an ability to realize all or any of the Corporation's estimated synergies and cost savings in connection with acquisitions, including the Acquisitions (as defined below); bookmaking risks; an ability to realize projected financial increases attributable to acquisitions and the Corporation's business strategies; ability to mitigate foreign exchange and currency risks; potential changes to the gaming regulatory framework, including without limitation, those that may impact the Corporation's ability to access and operate in certain jurisdictions, whether directly or through arrangements with locally based operators; the heavily regulated industry in which the Corporation carries on its business; risks associated with interactive entertainment and online and mobile gaming generally; ability to obtain, maintain and comply with all applicable and required licenses, permits and certifications to offer, operate and market its product offerings, including difficulties or delays in the same; significant barriers to entry; current and future laws or regulations and new interpretations of existing laws or regulations, or potential prohibitions, with respect to interactive entertainment or online gaming or activities related to or necessary for the operation and offering of online gaming; legal and regulatory requirements; risks of foreign operations generally, and in particular in light of "Brexit"; risks associated with advancements in technology, including artificial intelligence; ability to develop and enhance existing product offerings and new commercially viable product offerings; ability of technology infrastructure to meet applicable demand and reliance on online and mobile telecommunications operators; systems, networks, telecommunications or service disruptions or failures or cyber-attacks and failure to protect customer data, including personal and financial information; regulations and laws that may be adopted with respect to the Internet and electronic commerce or that may otherwise impact the Corporation in the jurisdictions where it is currently doing business or intends to do business, particularly those related to online gaming or that could impact the ability to provide online product offerings, including as it relates to payment processing; ability to obtain additional financing or to complete any refinancing on reasonable terms or at all; the Corporation's secured credit facilities contain covenants and other restrictions that may limit its flexibility in operating its business; ability to recruit and retain management and other qualified personnel, including key technical, sales and marketing personnel; defects in product offerings; losses due to fraudulent activities; management of growth; contract awards; potential financial opportunities in addressable markets and with respect to individual contracts; dependency on customers' acceptance of its product offerings; consolidation within the gaming industry; litigation costs and outcomes; expansion within existing and into new markets; relationships with vendors and distributors; counterparty risks; failure of systems and controls of the Corporation to restrict access to its products; reliance on scheduling and live broadcasting of major sporting events; and natural events. These factors are not intended to represent a complete list of the factors that could affect the Corporation; however, these factors, as well as those risk factors presented under the heading "Risk Factors and Uncertainties" in the 2019 Annual Information Form, elsewhere in this MD&A and the 2019 Annual Reports and in other filings that The Stars Group has made and may make in the future with applicable securities authorities, should be considered carefully.

The foregoing list of important factors and assumptions may not contain all the material factors and assumptions that are important to shareholders and investors. Shareholders and investors should not place undue reliance on forward-looking statements as the plans, assumptions, intentions or expectations upon which they are based might not occur. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Unless otherwise indicated by the Corporation, forward-looking statements in this MD&A describe the Corporation's expectations as at February 27, 2020, and, accordingly, are subject to change after such date. The Corporation does not undertake to update or revise any forward-looking statements to reflect events and circumstances after the date hereof or to reflect the occurrence of unanticipated events, except in accordance with applicable securities laws.

RISK FACTORS AND UNCERTAINTIES

Certain factors may have a material adverse effect on the Corporation's business, financial condition and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in this MD&A, the 2019 Annual Reports, particularly under the heading "Risk Factors and Uncertainties" in the 2019 Annual Information Form, and in other filings that the Corporation has made and may make in the future with applicable securities authorities, including those available on SEDAR at www.sedar.com, EDGAR at www.sec.gov or The Stars Group's website at www.starsgroup.com. The risks and uncertainties described herein and therein are not the only ones the Corporation may face. Additional risks and uncertainties that the Corporation is unaware of, or that the Corporation currently believes are not material, may also become important factors that could adversely affect the Corporation's business. If any of such risks actually occur, the Corporation's business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of the common shares of the Corporation (the "Common Shares") (or the value of any other securities of the Corporation) could decline, and the Corporation's securityholders could lose part or all of their investment.

NON-IFRS MEASURES, KEY METRICS AND OTHER DATA

This MD&A references non-IFRS financial measures and key metric operational performance measures, including those under the headings "Consolidated Results of Operations and Cash Flows", "Segment Results of Operations" and "Reconciliations" below. The Corporation believes these measures and metrics will provide investors with useful supplemental information about the financial and operational performance of its business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating its business, identifying and evaluating trends, and making decisions. The Corporation believes that such non-IFRS financial measures provide useful information about its underlying, core operating results and trends, enhance the overall understanding of its past performance and future prospects and allow for greater transparency with respect to metrics and measures used by management in its financial and operational decision-making.

Although management believes these non-IFRS financial measures and key metrics are important in evaluating the Corporation, they are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with IFRS. They are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. These measures may be different from non-IFRS financial measures and key metrics used by other companies and may not be comparable to similar meanings prescribed by other companies, limiting their usefulness for comparison purposes. Moreover, presentation of certain of these measures is provided for period-over-period comparison purposes, and investors should be cautioned that the effect of the adjustments thereto provided herein have an actual effect on the Corporation's operating results.

Non-IFRS Measures

The Corporation presents the following non-IFRS measures in this MD&A, reconciliations of which to their nearest IFRS measures are provided, as applicable, under "Reconciliations" below:

Adjusted EBITDA

The Corporation defines Adjusted EBITDA as net earnings before financial expenses, income tax expense (recovery), depreciation and amortization, stock-based compensation, restructuring, net earnings (loss) on associate and certain other items as set out in the reconciliation tables under "Reconciliations" below.

The Corporation believes Adjusted EBITDA is a useful performance measure as it provides information regarding the Corporation's ongoing core operating activities and trends in underlying performance and growth, and is used by management primarily to forecast and budget the allocation of applicable resources, particularly in light of its current strategic initiatives, including its geographic and product expansion strategy.

Adjusted EBITDA Margin

The Corporation defines Adjusted EBITDA Margin as Adjusted EBITDA as a proportion of total revenue.

The Corporation believes Adjusted EBITDA Margin is a useful performance measure as it is representative of the Corporation's ongoing core business activities and assists management in monitoring the impact of any significant change in revenue generation (e.g., as a result of geographic or product changes, sporting results or seasonality) or costs (e.g., a change in gaming duty rates or gaming regulatory fees or costs) on the Corporation's operating performance.

Adjusted Net Earnings

The Corporation defines Adjusted Net Earnings as net earnings before interest accretion, amortization of intangible assets resulting from purchase price allocations following acquisitions, stock-based compensation, restructuring, the re-measurement of contingent consideration, the re-measurement of embedded derivatives, ineffectiveness on cash flow hedges, certain non-recurring tax adjustments and settlements, net earnings (loss) on associate, and certain other items as set out in the reconciliation tables under "Reconciliations" below. Each adjustment to net earnings is then adjusted for the tax impact, where applicable, in the respective jurisdiction to which the adjustment relates.

The Corporation believes Adjusted Net Earnings is also a useful performance measure as, similar to Adjusted EBITDA, it provides meaningful information relating to the Corporation's trends in underlying performance and growth, but it also takes into account the Corporation's current capital structure, the impact of its geographic diversity on taxes and its historical investments in technology.

Adjusted Diluted Net Earnings per Share

The Corporation defines Adjusted Diluted Net Earnings per Share as Adjusted Net Earnings attributable to the Shareholders of The Stars Group Inc. divided by Diluted Shares. Diluted Shares means the weighted average number of Common Shares on a fully diluted basis, including options, other equity-based awards such as warrants and any convertible preferred shares of the Corporation (the "Preferred Shares") then outstanding. The effects of anti-dilutive potential Common Shares are ignored in calculating Diluted Shares. Diluted Shares used in the calculation of diluted earnings per share may differ from diluted shares used in the calculation of Adjusted Diluted Net Earnings per Share where the dilutive effects of the potential Common Shares differ. See note 10 in the 2019 Annual Financial Statements. For the three months and year ended December 31, 2019, Diluted Shares used for the calculation of Adjusted Diluted Net Earnings per Share equaled 291,102,048 and 284,478,637, respectively, compared with 273,294,532 and 242,768,766 for the prior year periods, respectively.

The Corporation believes Adjusted Diluted Net Earnings per Share is a useful measure for the same reasons as Adjusted Net Earnings as well as providing a per share measure that factors in the dilutive effect of the Corporation's outstanding equity and equity-based awards and instruments.

Constant Currency Revenue

The Corporation defines Constant Currency Revenue as IFRS reported revenue for the relevant period calculated using the applicable prior year period's monthly average exchange rates for its local currencies other than the U.S. dollar. Currently, the Corporation provides Constant Currency Revenue for the International segment and its applicable lines of operations for the three months and year ended December 31, 2019, and for the United Kingdom and Australia segments and their applicable lines of operations for the three months ended December 31, 2019. However, it does not currently provide Constant Currency Revenue for the United Kingdom and Australia segments for the year ended December 31, 2019 because the Corporation does not yet have full reported comparative periods for these segments as a result of the respective acquisition dates of Sky Betting & Gaming and BetEasy, and with respect to BetEasy, as of June 30, 2018, the Corporation had not yet completed the previously announced migration of the customers of what was formerly the William Hill Australia business onto the BetEasy platform.

The Corporation believes providing Constant Currency Revenue is useful because it helps show the foreign exchange impact due to currency translation resulting from the preparation of the financial statements and it facilitates comparison to its historical performance. Solely in respect of the International segment, Constant Currency Revenue is also useful in showing the foreign exchange impact on customer purchasing power, mainly because the U.S. dollar is the primary currency of gameplay on the International segment's product offerings and the majority of the segment's customers are from European Union jurisdictions and primarily make deposits in Euros. The Corporation is also exposed to foreign exchange risk as a result of the Acquisitions, primarily when translating the functional currencies of the United Kingdom segment (i.e., GBP) and Australia segment (i.e., AUD) into U.S. dollars for financial reporting purposes.

Free Cash Flow

The Corporation defines Free Cash Flow as net cash flows from operating activities after adding back customer deposit liability movements and after capital expenditures and debt servicing cash flows (excluding voluntary prepayments).

The Corporation believes that Free Cash Flow is a useful liquidity measure because it believes that removing movements in customer deposit liabilities provides a meaningful understanding of its underlying cash flows as customer deposits are not available funds that the Corporation can use for financial or operational purposes, and removing capital expenditures and debt servicing costs shows cash potentially available for voluntary debt repayments and other financial or operational purposes including to pursue strategic initiatives.

Key Metrics and Other Data

The Corporation currently considers the below noted key metrics in this MD&A for its reporting segments, as applicable. The Corporation does not currently provide consolidated key metrics because management analyzes these metrics primarily on a segment-by-segment basis due to differences in the nature of the applicable segment's market, customer base and product offerings. Notwithstanding and unless the context otherwise requires, the Corporation believes that readers should consider the applicable metrics together for each segment (but not on a consolidated basis) as customer growth and monetization trends reflected in such metrics are key factors that affect the Corporation's revenue for the applicable segment.

While management may have provided other non-IFRS financial measures and key metrics in the past, it continues to review and assess the importance, completeness and accuracy of such measures as it relates to its evaluation of the Corporation's business, performance and trends affecting the same. This includes customer engagement, gameplay, staking or betting levels, depositing activity and various other customer trends, particularly following the introduction of certain customer acquisition initiatives, and the Corporation's expansion in real-money online casino and sportsbook and the introduction of certain ongoing improvements in the poker ecosystem. As such, management may determine that particular measures that it may have presented in the past are no longer helpful or relevant to understanding the Corporation's current and future business, performance or trends affecting the same, and as a result it may remove or redefine any such measures, or introduce new or alternative measures. In addition, the Corporation is also continuing to integrate the Acquisitions, as applicable, and once complete, the Corporation may revise or remove currently presented key metrics or report certain additional or other measures in the future. For each applicable period, management intends to provide such metrics and measures that it believes may be the most helpful and relevant to an understanding of the Corporation's business and performance, including on a consolidated and segmental basis and normalized measures of the same, and trends affecting the foregoing.

Quarterly Real-Money Active Uniques (QAUs)

The Corporation defines QAUs for the International and Australia reporting segments as active unique customers (online, mobile and desktop client) who (i) made a deposit or transferred funds into their real-money account with the Corporation at any time, and (ii) generated real-money online rake or placed a real-money online bet or wager during the applicable quarterly period. The Corporation defines "active unique customer" as a customer who played or used one of its real-money offerings at least once during the period, and excludes duplicate counting, even if that customer is active across multiple lines of operation (Poker, Gaming and/or Betting, as applicable) within the applicable reporting segment. The definition of QAUs excludes customer activity from certain low-stakes, non-raked real-money poker games, but includes real-money activity by customers using funds (cash and cash equivalents) deposited by the Corporation into such customers' previously funded accounts as promotions to increase their lifetime value.

The Corporation currently defines QAUs for the United Kingdom reporting segment (which currently includes the SBG (as defined below) business operations only) as active unique customers (online and mobile) who have settled a Stake (as defined below) or made a wager on any betting or gaming product within the applicable quarterly period. The Corporation defines "active unique customer" for the United Kingdom reporting segment as a customer who played at least once on one of its real-money offerings during the period, and excludes duplicate counting, even if that customer is active across more than one line of operation. For the three months ended September 30, 2018, QAUs for the United Kingdom reporting segment also include the applicable pre-acquisition period of July 1, 2018 through July 9, 2018.

QAUs are a measure of the player liquidity on the Corporation's real-money poker product offerings and level of usage on all its real-money product offerings, collectively. Trends in QAUs affect revenue and financial results by influencing the volume of activity, the Corporation's product offerings, and its expenses and capital expenditures.

The Corporation has faced and may continue to face challenges in increasing the size of its active customer base within one or more of its reporting segments due to, among other things, competition from alternative products and services for all verticals, as well as regulatory changes, payment processing or other restrictions or macro-economic factors that may impact customer acquisition or the ability of customers to make a deposit or play certain products, high-volume, net-withdrawing customers who detract from the overall poker ecosystem and discourage recreational customers, the use of certain sophisticated technology that may provide an artificial competitive advantage for certain online poker customers over others, and past and potential future weakness in certain global currencies against the U.S. dollar, which decreases the purchasing power of the Corporation's customer base as the U.S. dollar is the primary currency of gameplay on many of its International segment product offerings. Notwithstanding, the Corporation intends to retain and grow its reporting segments' customer bases and reactivate dormant users by, as applicable, continuing to improve the poker ecosystem to benefit recreational players, continuing to introduce new and innovative product offerings, features and enhancements for all verticals, improving the user interfaces, platforms and user experience across its lines of operations, investing in customer relationship management ("CRM") initiatives, improving the effectiveness of its marketing and promotional efforts, and expanding the availability of its offerings geographically, including through potential acquisitions and strategic transactions, among other things. To the extent the growth of the customer base of a reporting segment of the Corporation continues to decline, that segment's revenue growth will become increasingly dependent on its ability to increase levels of customer engagement and monetization.

Quarterly Net Yield (QNY)

The Corporation defines QNY as combined revenue for its lines of operation (i.e., Poker, Gaming and/or Betting, as applicable) for each reporting segment, excluding Other revenue, as reported during the applicable quarterly period (or as adjusted to the extent any accounting reallocations are made in later periods) divided by the total QAUs during the same period. For the three months ended September 30, 2018, QNY for the United Kingdom reporting segment also includes the applicable pre-acquisition period of July 1, 2018 through July 9, 2018. The numerator of QNY is a non-IFRS measure.

Trends in QNY are a measure of growth as the Corporation continues to expand its applicable core real-money online product offerings. In addition, the trends in the Corporation's ability to generate revenue on a per customer basis across its real-money online product offerings are reflected in QNY and are key factors that affect the Corporation's revenue. The Corporation also provides QNY using Constant Currency Revenue for its reporting segments.

Many variables can impact a reporting segment's QNY, including, as applicable, the rake and fees charged in real-money online poker, the applicable margin of online casino games, Stakes and Betting Net Win Margin, the amount of time customers play on its product offerings, offsets to gross revenue for loyalty program rebates, rewards, bonuses, and promotions, VAT and similar taxes in certain jurisdictions, and the amount the applicable reporting segment spends on advertising and other similar expenses. The Corporation currently intends to increase QNY for its reporting segments in future periods by, among other things, and as applicable, (i) continuing to introduce new and innovative product offerings and other initiatives to enhance the customer experience and increase customer engagement, including through CRM initiatives to attract and retain high-value customers, (ii) capitalizing on its existing online poker platforms and offerings, which provides customers with the highest level of player liquidity globally, (iii) cross-selling its online offerings to both existing and new customers, and (iv) continuing to expand and improve its online gaming offerings.

Net Deposits

The Corporation defines Net Deposits for the International segment as the aggregate of gross deposits or transfer of funds made by customers into their real-money online accounts less withdrawals or transfer of funds by such customers from such accounts, in each case during the applicable quarterly period. Gross deposits exclude (i) any deposits, transfers or other payments made by such customers into the Corporation's play-money and social gaming offerings, and (ii) any real-money funds (cash and cash equivalents) deposited by the Corporation into such customers' previously funded accounts as promotions to increase their lifetime value.

Net Deposits are representative of the money the Corporation's customers hold in their accounts to potentially play with, both online and at certain live events. Net Deposits are correlated to the International segment's reported revenue, as some, all or none of such deposits may eventually be used and become revenue. Trends in Net Deposits are used by management to gauge expected revenue performance across the International segment's applicable lines of operations and are considered by management when making decisions with respect to applicable product offering changes, including the recent and continuing changes to the Corporation's online poker ecosystem to benefit and attract high-value, net-depositing customers (primarily recreational players).

Net Deposits are not, and should not be considered, representative of revenue bookings or deferred revenue. Many variables impact the International segment's Net Deposits, most of which are substantially similar to those noted above impacting the monetization of a product offering as evidenced through QNY. In addition, certain factors have impacted, and may in the future impact, Net Deposits that are not indicative of the performance or underlying health of that segment's business. For example, as it relates to online poker and following the implementation of certain previously disclosed changes to the poker ecosystem, the movement in customer real-money account balances (i.e., customer deposits) by high-volume, net-withdrawing customers has reduced, and may in the future reduce, Net Deposits as a result of increased withdrawals by such customers, but the Corporation believes that such movements will ultimately create a more attractive environment and experience for recreational players, which in turn may lead to increased Net Deposits. The Corporation believes that the funds in the accounts of the high-volume, net-withdrawing customers are generally not additive to the overall poker ecosystem or to the Corporation's revenue as such customers generally use only a small portion of them to bet or wager. As the Corporation continues to adjust and improve its product offerings, it expects that such customers may continue to withdraw at greater rates and amounts immediately following such adjustments and improvements, which would impact Net Deposits accordingly.

Stakes and Betting Net Win Margin

The Corporation defines Stakes as betting amounts wagered on the Corporation's applicable online betting product offerings, and it is also an industry term that represents the aggregate amount of funds wagered by customers within the Betting line of operation for the period specified. Betting Net Win Margin is calculated as Betting revenue as a proportion of Stakes. The Corporation uses Stakes and Betting Net Win Margin as measures of the scale of its operations, the engagement of its customers and the performance of its operations across its product offerings and geographic regions. Trends in Stakes are a measure of growth in the Corporation's Betting line of operations as the Corporation continues to expand its applicable core real-money online betting offerings. Trends in Betting Net Win Margin are primarily a measure of the favorability of the outcomes of sporting and other events and the impact of promotional offerings related to the Corporation's betting offerings.

Many variables impact a reporting segment's Stakes, including, as applicable, its QAUs, the seasonality of sporting events throughout the year (such as timing of European football (or soccer) including English Premier League, horse races, rugby seasons, tennis, and others) and major tournaments, such as the FIFA World Cup ("World Cup") and UEFA European Championships. For example, the World Cup and other major sporting events provide a unique opportunity to drive both customer acquisition and engagement. Furthermore, the amount of external marketing and CRM promotions including free bets and offers and the Corporation's pricing strategy can lead to positive or negative "recycling of winnings". Similarly, betting outcomes can also lead to positive or negative "recycling of winnings". Recycling of winnings refers to customer winnings earned from prior bets that are subsequently used to place additional bets or play other products. The mix of products and markets is also an important driver of total Stakes.

Like Stakes, many variables also impact a reporting segment's Betting Net Win Margin, including client management and bet limits, sporting results, the mix of Stakes and bet types, and the use of offers, promotions and pricing strategy. For example, the International segment's Betting Net Win Margin is less exposed to the English Premier League and UK horse racing, and as such, is generally not impacted to the same extent by those particular sporting results as is the United Kingdom segment. Betting Net Win Margin can vary significantly from quarter to quarter depending on the variables noted above; however, over the long term, the Corporation believes these margins tend to become more predictable.

Limitations of Non-IFRS Measures, Key Metrics and Other Data

There are a number of limitations related to the use of such non-IFRS measures as opposed to their nearest IFRS equivalent. Some of these limitations are:

- these non-IFRS financial measures exclude or are otherwise adjusted for the applicable items listed in the reconciliation tables under "Reconciliations" below and as set forth in the definitions of such measures; and

- the income or expenses that the Corporation excludes in its calculation of these non-IFRS financial measures may differ from the income or expenses that its peer companies may exclude from similarly-titled non-IFRS measures that they report. In addition, although certain excluded income or expenses may have been incurred in the past or may be expected to recur in the future, management believes it is appropriate to exclude such income or expenses at this time as it does not consider them as on-going core operating income or expenses of the Corporation. Moreover, certain integration and related costs of the Acquisitions and the Combination are or will be excluded as being more similar to acquisition-related costs rather than on-going core operating expenses. Management currently believes that, subject to unanticipated events or impacts of anticipated events, over time it should have fewer adjustments or the amounts of such adjustments should decrease, except for acquisition-related, market access or integration costs, which the Corporation may incur in the future based on the Corporation's strategic initiatives.

The numbers for the Corporation's key metrics and related information are calculated using internal company data based on the activity of customer accounts. While these numbers are based on what the Corporation believes to be reasonable judgments and estimates of its customer base for the applicable period of measurement, there are certain challenges and limitations in measuring the usage of its product offerings across its customer base. Such challenges and limitations may also affect the Corporation's understanding of certain details of its business. In addition, the Corporation's key metrics and related estimates, including the definitions and calculations of the same, may differ among reporting segments, from estimates published by third parties or from similarly-titled metrics of its competitors due to differences in operations, product offerings, methodology and access to information.

For example, the methodologies used to measure the Corporation's customer metrics may be susceptible to algorithm, calculation or other technical or human errors, including how certain metrics may be defined (and the assumptions and considerations made and included in, or excluded from, such definitions) and how certain data may be, among other things, integrated, analyzed and reported after the Corporation completes an acquisition or strategic transaction. Moreover, the Corporation's business intelligence tools may experience glitches or fail on a particular data backup or upload, which could lead to certain customer activity not being properly included in the calculation of a particular key metrics. Another challenge with respect to certain key metrics is that customers could create multiple real-money accounts with the Corporation (in nearly all instances such account creation would violate the Corporation's applicable terms and conditions of use), and customers could take advantage of certain customer acquisition incentives to register and interact with the Corporation's product offerings without actually depositing or transferring funds into their real-money accounts. Furthermore, customers may have more than one account across the Corporation's brands that currently do not have common or shared account structure, which could lead to such customers being counted more than once for a particular key metric. Although the Corporation typically addresses and corrects any such failures, duplications and inaccuracies relatively quickly, its metrics are still susceptible to the same and its estimations of such metrics may be lower or higher than the actual numbers.

The Corporation regularly reviews its processes for calculating and defining these metrics, and from time to time it may make adjustments to improve their accuracy that may result in the recalculation or replacement of historical metrics or introduction of new metrics. These changes may also include adjustments to underlying data, such as changes to historical figures as a result of accounting adjustments and revisions to definitions in an effort to provide what management believes may be the most helpful and relevant data. These changes may arise as a result of, among other things, the Corporation implementing new technology, software or accounting methods, engaging third-party advisors or consultants, or acquiring or integrating new assets, businesses or business units. The Corporation also continuously seeks to improve its ability to identify irregularities and inaccuracies (and suspend any customer accounts that violate its terms and conditions of use and limit or eliminate promotional incentives that are susceptible to abuse), and its key metrics or estimates of key metrics may change due to improvements or changes in its methodology. Notwithstanding, the Corporation believes that any such irregularities, inaccuracies or adjustments are immaterial unless otherwise stated.

OVERVIEW AND OUTLOOK

Business Overview and Background

The Stars Group is a global leader in the online and mobile gaming and interactive entertainment industries, entertaining millions of customers across its online real- and play-money poker, gaming and betting product offerings, which are delivered through mobile, web and desktop applications. The Stars Group offers these products directly or indirectly under several ultimately owned or licensed gaming and related consumer businesses and brands, including, among others, *PokerStars*, *PokerStars Casino*, *BetStars*, *Full Tilt*, *FOX Bet, BetEasy, Sky Bet*, *Sky Vegas*, *Sky Casino*, *Sky Bingo, Sky Poker,* and *Oddschecker,* as well as live poker tour and events brands, including the *PokerStars Players No Limit Hold'em Championship*, *European Poker Tour* and *Asia Pacific Poker Tour*. The Stars Group is one of the world's most licensed online gaming operators with its subsidiaries collectively holding licenses or approvals in 22 jurisdictions throughout the world, including in Europe, Australia and the Americas. The Stars Group's vision is to become the world's favorite iGaming destination and its mission is to provide its customers with winning moments.

The Stars Group's primary business and source of revenue is its online gaming and betting businesses. These currently consist of the operations of Stars Interactive Holdings (IOM) Limited and its subsidiaries and affiliates (collectively, "Stars Interactive Group"), which it acquired in August 2014, the operations of Cyan Blue Topco Limited and its subsidiaries and affiliates (collectively, "Sky Betting & Gaming" or "SBG"), which it acquired in July 2018 (the "SBG Acquisition"), and the operations of TSG Australia Pty Ltd and its subsidiaries and affiliates (collectively, "BetEasy"), which it acquired an 80% equity interest in between February 2018 and April 2018, and announced in December 2019 that it has agreed to acquire the remaining 20% equity interest (BetEasy acquired what was formally the William Hill Australia business in April 2018) (collectively, the "Australian Acquisitions" and together with the SBG Acquisition, the "Acquisitions"). Stars Interactive Group is headquartered in the Isle of Man and Malta and operates globally; SBG is headquartered in and primarily operates in the United Kingdom; and BetEasy is headquartered in and primarily operates in Australia.

For additional information about The Stars Group, including a detailed overview of the business, current strategies and a discussion of the competitive landscape affecting The Stars Group, see the disclosure and discussion elsewhere in this MD&A and the 2019 Annual Information Form. For risks and uncertainties relating to, among other things, The Stars Group, its business, its customers, its regulatory and tax environment and the industries and geographies in which it operates or where its customers are located, see "Risk Factors and Uncertainties" above and in the 2019 Annual Information Form as well as the risks and uncertainties contained elsewhere herein, the 2019 Annual Reports and in other filings that The Stars Group has made and may make in the future with applicable securities authorities. Except as noted herein, for information about The Stars Group's outlook, see the 2019 Annual Reports, particularly in the 2019 Annual Information Form, including under the headings "Business of the Corporation—Business Strategy of the Corporation" and "—Markets and Customers".

Recent Corporate and Other Developments

Below is a general summary of certain recent corporate and other developments from the beginning of the fourth quarter of 2019 through the date hereof. For additional corporate and other developments and highlights, see the 2019 Annual Reports, particularly the 2019 Annual Information Form, and “Further Information” below.

FOX Bet and FOX Sports Super 6

In September 2019, the Corporation successfully executed on the initial stages of its U.S. strategy, with the launch of FOX Bet in New Jersey and Pennsylvania, and FOX Sports Super 6 nationwide (excluding Washington state). The FOX Bet products in New Jersey and Pennsylvania offer fans the opportunity to legally and responsibly place real money wagers on the outcome of a wide range of live sports and special events, including football, basketball, baseball, hockey, motor sports, golf, tennis and soccer. In November 2019, the Corporation successfully launched PokerStars and PokerStars Casino in Pennsylvania, with PokerStars being the first online poker product to launch in the state.

Combination with Flutter

On October 2, 2019, the Corporation and Flutter announced they had entered into an arrangement agreement (the “Arrangement Agreement”) providing for an all-share combination to be implemented through an acquisition of the Corporation by Flutter pursuant to a plan of arrangement under the Business Corporations Act (Ontario) (the “Combination”). Under the terms of the Combination, shareholders of the Corporation would be entitled to receive 0.2253 ordinary shares of Flutter in exchange for each Common Share of the Corporation. Immediately following completion of the Combination, shareholders of Flutter would own approximately 54.64 percent and shareholders of the Corporation would own approximately 45.36 percent of the share capital of the combined business (based on the fully diluted share capital of Flutter and the fully diluted share capital of the Corporation excluding any out of the money options, in each case, as at October 2, 2019).

Completion of the Combination is intended to occur during the second or third quarter of 2020. The Combination is conditional upon, among other things, certain approvals by each of Flutter’s and the Corporation’s shareholders, Ontario court approval of the plan of arrangement, certain approvals from the United Kingdom Financial Conduct Authority, London Stock Exchange and Euronext Dublin, and relevant merger control, foreign investment and gaming related approvals.

As previously disclosed, in addition to Mr. Gadhia, the Corporation’s current Executive Chairman, and Mr. Ashkenazi, the Corporation’s current Chief Executive Officer, the Corporation is entitled under the Arrangement Agreement to nominate three additional non-executive directors to serve on the combined group’s board of directors post-completion of the Combination. Accordingly, the Corporation has nominated Messrs. Alfred F. Hurley Jr. and David Lazzarato and Ms. Mary Turner to also serve as directors on the combined group’s board of directors.

For additional information, see the press release issued by the Corporation on October 2, 2019, and the Form 6-K, material change report and Arrangement Agreement, each as filed or furnished by the Corporation on October 11, 2019 and are available on or through SEDAR at www.sedar.com and on EDGAR at www.sec.gov, and the Corporation’s website at www.starsgroup.com.

Prepayment of First Lien Term Loans

On October 15, 2019, the Corporation prepaid $100.0 million of its USD First Lien Term Loan (as defined below) and, subsequent to the end of the quarter on February 21, 2020, prepaid an additional $100.0 million, in each case using available cash on hand. Both prepayments included accrued and unpaid interest. For additional information, see “Liquidity and Capital Resources” below.

Quebec Class Action

On November 25, 2019, the Corporation entered into a settlement agreement with respect to the previously reported Quebec class action lawsuit, which is subject to court approval and will be funded entirely by the Corporation’s insurance carriers. For additional information regarding the Quebec class action, see “Legal Proceedings and Regulatory Actions-Quebec Class Action” in the 2019 Annual Information Form and note 22 in the 2019 Annual Financial Statements.

BetEasy acquisition of non-controlling interests and settlement of deferred contingent payment

On December 3, 2019, the Corporation announced that it agreed with the minority shareholders of BetEasy, its Australian-based sports betting business, to acquire the remaining 20% interest in the company for AUD$151 million following the earlier of the release of the Corporation’s full-year 2020 financial results or the completion of its combination with Flutter (the “BetEasy Minority Acquisition”). As part of this agreement, the Corporation also agreed to pay AUD$100 million to settle the previously disclosed deferred contingent payment under the agreements for its 2018 acquisition of the initial 80% interest, which were subject to certain performance conditions primarily related to BetEasy's EBITDA and could have reached AUD$232 million, and to repay AUD$56.9 million of outstanding BetEasy minority shareholder loans.

US Market Access Update

On January 6, 2020, the Corporation announced it entered into an agreement with the Little Traverse Bay Bands of Odawa Indians Gaming Authority ("Odawa") that grants the Corporation an option to operate and brand real-money online betting, poker and casino in Michigan on a first skin basis, subject to license availability, state law and regulatory approvals. Under the terms of the agreement, Odawa will receive a revenue share from the operation of the applicable online offerings by the Corporation.

As of the date hereof, the Corporation now has combined access to up to 20 states under its applicable market access agreements, subject to license availability, state law and regulatory approvals.

SELECTED FINANCIAL INFORMATION

Selected financial information of the Corporation for the three months ended December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018 and 2017 is set forth below.

In thousands of U.S. Dollars, except per share amounts	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Revenue	687,962	652,852	2,528,448	2,029,238	1,312,315
Net earnings (loss)	81,290	(38,173)	61,862	(108,906)	259,285
Basic net earnings (loss) per Common Share	$ 0.28	$ (0.14)	$ 0.22	$ (0.49)	$ 1.77
Diluted net earnings (loss) per Common Share	$ 0.28	$ (0.14)	$ 0.22	$ (0.49)	$ 1.27
Total assets (as at)	11,275,782	11,265,538	11,275,782	11,265,538	5,415,126
Total long-term liabilities (as at)	5,605,445	6,100,164	5,605,445	6,100,164	2,509,221

Revenue increased in the three months and year ended December 31, 2019 as compared to the applicable prior year periods, primarily as a result of organic growth in the United Kingdom and Australia segments, and as compared to the year ended December 31, 2017, primarily as a result of the Acquisitions. For additional variance analysis on revenue for the three months and year ended 2019 compared to the prior year periods, see “Consolidated Results of Operations and Cash Flows” and “Segment Results of Operations” below.

The Corporation’s total assets as at December 31, 2019 were relatively flat compared to December 31, 2018 despite some increases and decreases in the individual balances. The decrease in the Corporation’s outstanding long-term liabilities as at December 31, 2019 compared to December 31, 2018 was primarily the result of a decrease in long-term debt due to principal repayments made on the USD First Lien Term Loan during 2019, including $450 million in voluntary prepayments as previously disclosed. The increase in the Corporation’s outstanding long-term liabilities compared to December 31, 2017 was primarily the result of financing activities related to the SBG Acquisition in July 2018, in particular the incurrence of $4.567 billion in First Lien Term Loans and the issuance of $1.00 billion in Senior Notes (each as defined below), which was partially offset by the Corporation’s repayment of its previous first lien term loans and SBG’s then-existing long-term debt. For additional details see note 17 of the 2019 Annual Financial Statements. For additional variance analysis on total assets and non-current liabilities as at December 31, 2019 compared to December 31, 2018, see “Consolidated Results of Operations and Cash Flows” below.

CONSOLIDATED RESULTS OF OPERATIONS AND CASH FLOWS

Summary consolidated results of the Corporation's operations, cash flows and certain other items for the three months and years ended December 31, 2019 and 2018, and as at December 31, 2019 and 2018, as applicable, are set forth below.

	Three Months Ended December 31,			Year Ended December 31,		
In thousands of U.S. Dollars (except otherwise noted)	2019	2018	% Change	2019	2018	% Change
Revenue						
Poker	189,018	213,985	(11.7)%	793,284	892,557	(11.1)%
Gaming	211,640	196,275	7.8 %	792,299	585,846	35.2 %
Betting	269,159	224,040	20.1 %	870,938	491,139	77.3 %
Other	18,145	18,552	(2.2)%	71,927	59,696	20.5 %
Total revenue	**687,962**	**652,852**	**5.4 %**	**2,528,448**	**2,029,238**	**24.6 %**
Gross profit (excluding depreciation and amortization)	497,471	486,815	2.2 %	1,835,386	1,570,074	16.9 %
Gross profit margin (%)	72.3 %	74.6 %	(3.0)%	72.6 %	77.4 %	(6.2)%
Operating expenses						
General and administrative	284,166	305,736	(7.1)%	1,155,440	976,992	18.3 %
Sales and marketing	105,014	96,115	9.3 %	360,662	292,963	23.1 %
Research and development	15,918	10,972	45.1 %	55,085	39,995	37.7 %
Operating income	**92,373**	**73,992**	**24.8 %**	**264,199**	**260,124**	**1.6 %**
Net financing charges	29,048	97,715	(70.3)%	202,534	371,086	(45.4)%
Net earnings from associates	—	—	— %	—	(1,068)	100.0 %
Income tax recovery	(17,965)	14,450	(224.3)%	(197)	(988)	80.1 %
Net earnings (loss)	**81,290**	**(38,173)**	**313.0 %**	**61,862**	**(108,906)**	**156.8 %**
Adjusted Net Earnings[1]	**144,816**	**144,663**	**0.1 %**	**533,225**	**533,948**	**(0.1)%**
Adjusted EBITDA[1]	**249,112**	**239,404**	**4.1 %**	**921,125**	**780,949**	**17.9 %**
Adjusted EBITDA Margin[1]	**36.2%**	**36.7%**	**(1.3)%**	**36.4%**	**38.5%**	**(5.4)%**
Earnings (loss) per share						
Basic ($/Share)	0.28	(0.14)	299.5 %	0.22	(0.49)	145.1 %
Diluted ($/Share)	0.28	(0.14)	297.6 %	0.22	(0.49)	144.9 %
Adjusted Diluted Net Earnings per Share ($/Share)[1]	**0.49**	**0.52**	**(5.7)%**	**1.86**	**2.19**	**(15.1)%**
Net cash inflows from operating activities	190,149	190,537	(0.2)%	670,634	559,844	19.8 %
Net cash outflows from investing activities	(41,252)	(54,703)	24.6 %	(139,784)	(1,934,173)	92.8 %
Net cash (outflows) inflows from financing activities	(262,263)	(166,214)	(57.8)%	(636,885)	1,592,579	(140.0)%
Free Cash Flow[1]	**98,932**	**82,558**	**19.8 %**	**216,390**	**222,950**	**(2.9)%**

[1] Non-IFRS measure. A reconciliation to its nearest IFRS measure is provided under "Reconciliations" below.

As at	December 31, 2019	December 31, 2018	% Change
Total assets	11,275,782	11,265,538	0.1 %
Total non-current liabilities	5,605,445	6,100,164	(8.1)%

The Corporation made certain reclassifications to the comparative balances presented in this MD&A for the three months and year ended December 31, 2019. These reclassifications include, but are not limited to, a reclassification of foreign exchange gains and losses related to financing activities previously reported within general and administrative expenses in each segment to net financing charges included within the Corporate cost center. See note 2 of the 2019 Annual Financial Statements for additional information. The reclassifications did not have a material impact the Corporation's consolidated and segmental results of operations or its non-IFRS measures, including Adjusted EBITDA.

The discussion below sets forth a summary of the results, trends and variances of the Corporation on a consolidated basis. For further discussion and detail of the individual segment results, trends and variances, including details of separate trends in revenue by individual line of operation for each segment, as applicable, and the Corporate cost center, see "Segment Results of Operations" below.

Revenue

Revenue for the three months ended December 31, 2019 increased $35.1 million, or 5.4%, compared to the prior year period. The increase was primarily driven by organic revenue growth in the United Kingdom and Australia segments, partially offset by a decrease in revenue in the International segment.

Revenue for the year ended December 31, 2019 increased $499.2 million, or 24.6%, compared to the prior year period. The increase was primarily driven by the Acquisitions (completed during 2018) as well as organic growth in the United Kingdom and Australia segments, which was partially offset by a decrease in revenue in the International segment.

Revenue movements with respect to the individual segments were primarily the result of the factors set forth under "Segment Results of Operations" below.

With respect to Canada, the jurisdiction where its registered office is located, and based solely on calculations derived from internal records, the Corporation estimates that revenue derived from customers in Canada, which currently relates only to peer-to-peer Poker, represented less than 2.0% of its total consolidated revenue for each of the three months and year ended December 31, 2019 and less than 3.0% for each of the prior year periods. These estimations are neither itemized nor otherwise separated from the revenue the Corporation reports under IFRS or otherwise, and as such, they cannot be reconciled to a reported IFRS measure.

Foreign Exchange Impact on Revenue

The U.S. dollar was stronger against certain foreign currencies for the three months ended December 31, 2019 compared to the prior year period, which had a negative impact on each of the reporting segments' revenue and across all lines of operations. Using Constant Currency Revenue for the consolidated results of operations for the three months ended December 31, 2019, revenue would have been $697.5 million, which is $9.5 million higher than actual IFRS revenues, and would have increased by 6.8%, as opposed to 5.4%, compared to the prior year period.

The U.S. dollar was stronger against certain foreign currencies for the year ended December 31, 2019, compared to the prior year period, which had a negative impact on the International segment's revenue across all lines of operations. Using Constant Currency Revenue for the International segment in the consolidated results of operations for the year ended December 31, 2019, revenue would have been $2,599.1 million, which is $70.7 million higher than actual IFRS revenues, and would have increased by 28.1%, as opposed to 24.6%, compared to the prior year period.

For a discussion of Constant Currency Revenue for each segment, see the discussion under "Segment Results of Operations".

Gross Profit (Excluding Depreciation and Amortization) and Gross Profit Margin

Gross profit (excluding depreciation and amortization) for the three months ended December 31, 2019 increased $10.7 million, or 2.2%, compared to the prior year period. This increase was primarily driven by organic revenue growth and its impact on gross profit within the United Kingdom and Australia segments for the three month period. This was partially offset by a decrease in revenue and its impact on gross profit in the International segment. Gross profit margin for the three months ended December 31, 2019 was 72.3%, a decrease of 3.0% compared to the prior year period. This decrease was primarily driven by the change in revenue mix among and across geographies and lines of operations and increased gaming duties. See "Segment Results of Operations" below for additional information. For example, revenue in locally regulated or taxed geographies, which generally impose higher tax rates, gaming duties, levies and fees, represented approximately 81% of revenue in the three months ended December 31, 2019, compared to approximately 76% of revenue in the prior year period. In addition, Betting and Gaming revenue, which generally have lower gross profit margins than Poker, represented 69.9% of revenue in the three months ended December 31, 2019, compared to 64.4% of revenue in the prior year period.

Gross profit (excluding depreciation and amortization) for the year ended December 31, 2019 increased $265.3 million, or 16.9%, compared to the prior year period. This increase was primarily driven by the Acquisitions, which contributed $412.7 million to gross profit (excluding depreciation and amortization) for the year. This was partially offset by the decrease in revenue and its impact on gross profit within the International segment as described in "Segmental Results of Operations—International". Gross profit margin for the year ended December 31, 2019 was 72.6%, a decrease of 6.2% compared to the prior year period. This decrease was primarily driven by the same or substantially similar factors impacting the three-month period noted above.

Operating Expenses

General and Administrative

General and administrative expenses for the three months ended December 31, 2019 decreased $21.6 million, or 7.1%, compared to the prior year period. This decrease was primarily driven by (i) the realization of cost savings as a result of the operational excellence program announced earlier in the year, (ii) realized cost synergies relating to the SBG Acquisition, (iii) reduced integration costs relating to the Acquisitions as compared to the prior year period, and (iv) up-front payments and professional fees incurred in the prior year period in relation to transactions for obtaining potential market access to jurisdictions within the United States in which the Corporation currently does not operate. This was partially offset by (i) acquisition-related costs of $17.0 million incurred in connection with the Combination and the BetEasy Minority Acquisition, (ii) increased depreciation and amortization expense primarily related to the adoption of IFRS 16, and (iii) increased up-front expenses, including termination payments, associated with the above noted operational excellence program. For additional details with respect to the operational excellence program, see "Reconciliations" below.

General and administrative expenses for the year ended December 31, 2019 increased $178.4 million, or 18.3%, compared to the prior year period. This increase was primarily driven by (i) the SBG Acquisition, which added $231.8 million to general and administrative expenses for the year, (ii) a legal settlement during the period of $32.5 million as described in the 2019 AIF under "Legal Proceedings and Regulatory Actions" and note 8 of 2019 Annual Financial Statements, and (iii) an increase in legal and professional fees related to, among other matters, the previously announced partnership with FOX Sports ("FOX Sports"), a unit of FOX, related to FOX Bet and certain other matters, including the AMF and foreign payments matters, as described in the 2019 AIF under "Legal Proceedings and Regulatory Actions". This was partially offset by (i) a decrease in acquisition-related costs and deal contingent forward expenses of $88.4 million relating to the Acquisitions, the Combination, and the BetEasy Minority Acquisition, (ii) a decrease in integration costs relating to the Acquisitions compared to the prior year period, and (iii) the above noted realization of cost synergies relating to the SBG Acquisition.

Sales and Marketing

Sales and marketing expenses for the three months ended December 31, 2019 increased $8.9 million, or 9.3%, compared to the prior year period. This increase was primarily driven by investment in the U.S. following the launch of FOX Bet, which was partially offset by an increased focus on marketing efficiency. Movements in sales and marketing expenses with respect to the individual segments were primarily the result of the factors set forth under "Segment Results of Operations".

Sales and marketing expenses for the year ended December 31, 2019 increased $67.7 million, or 23.1%, compared to the prior year period. This increase was primarily driven by the Acquisitions, which added $62.6 million to sales and marketing expenses for the year.

Research and Development

Research and development expenses for the three months ended December 31, 2019 increased $4.9 million, or 45.1%, compared to the prior year period. This increase was primarily driven by continued investment in online gaming product offerings and the development of new content and technology platforms, including the previously announced global sports and trading platform.

Research and development expenses for the year ended December 31, 2019 increased $15.1 million, or 37.7%, compared to the prior year period. This increase was primarily driven by (i) the Acquisitions, which added $8.3 million to research and development expenses for the year, and (ii) the same or substantially similar factors impacting the three-month period noted above.

Foreign Exchange Impact on Operating Expenses

The Corporation's expenses are impacted by currency fluctuations. Almost all of its expenses are incurred in either the Euro, British pound sterling, U.S. dollar, Canadian dollar or Australian dollar. There are some natural hedges as a result of customer deposits and revenue made in such currencies; however, the Corporation also enters into certain economic hedges to mitigate the impact of foreign currency fluctuations as it deems necessary. See "Liquidity and Capital Resources—Market Risk—Foreign Currency Exchange Risk" for further information on foreign currency risk.

Net Financing Charges

Net financing charges for the three months ended December 31, 2019 decreased $68.7 million, or 70.3%, compared to the prior year period. The decrease was primarily driven by (i) a gain of $48.1 million related to the re-measurement of an embedded derivative recognized in respect of the Senior Notes compared to a loss of $17.4 million recognized in the prior period, and (ii) a reduction in interest with respect to the Corporation's long-term debt as a result of the Corporation's previously disclosed $450 million in voluntary prepayments during 2019. This was partially offset by a $14.4 million increase compared to prior year period resulting from the periodic re-measurement of the deferred contingent consideration with respect to the acquisition of an additional 18% equity interest in BetEasy during the second quarter of 2018.

Net financing charges for the year ended December 31, 2019 decreased $168.6 million, or 45.4%, compared to the prior year period. The decrease was primarily driven by (i) the $147.0 million loss on the extinguishment of debt recorded in the prior year period following the previously disclosed April 6, 2018 amendment, extension and upsizing of the Corporation's previous first lien term loans and credit facility, the early repayment of the Corporation's previous first lien term loans and the repayment of SBG's previously existing long-term debt, (ii) an increase of $104.4 million to the gain related to the re-measurement of the embedded derivative noted above, and (iii) a $7.0 million reduction resulting from the downward re-measurement of the deferred contingent consideration noted above. This was partially offset by (i) increased interest of $66.9 million with respect to the Corporation's long-term debt primarily related to the First Lien Term Loans and Senior Notes after the effects of hedging activities, and (ii) a $23.0 million increase related to the ineffectiveness on cash flow hedges.

Income Taxes

The income tax recovery for the three months ended December 31, 2019 was $18.0 million, compared to an income tax expense of $14.5 million in the prior year period, which resulted in effective tax rates of (28.4)% and (60.9)%, respectively for such periods. Income taxes for the three months ended December 31, 2019 includes an income tax recovery of $12.3 million in relation to the income tax recovery associated with the amortization expense of acquired intangible assets from the Acquisitions as compared to $12.9 million for the prior year period.

The income tax recovery for the year ended December 31, 2019 was $0.2 million, compared to an income tax recovery of $1.0 million in the prior year period, which resulted in effective tax rates of (0.3)% and 0.9%, respectively. The income taxes for the year ended December 31, 2019 include (i) an income tax recovery of $47.5 million in relation to the income tax recovery associated with the amortization expense of acquired intangible assets from the Acquisitions as compared to $27.3 million for the prior year period, and (ii) an income tax expense of $26.1 million, which relates to the tax effect of foreign exchange gains with respect to the Corporation's hedging activities. However, the Corporation recognized a corresponding tax recovery of $26.1 million in relation to the same in the foreign currency translation reserve within Other comprehensive income.

In addition to the impacts described above, the Corporation's income taxes for the three months and year ended December 31, 2019 were impacted by the mix of taxable earnings among and across geographies, with an increase in taxable earnings following the Acquisitions in geographies with higher statutory corporate tax rates. The effective tax rate for the year was also impacted by the recognition of a net deferred tax liability as a result of the transfer of customer intangible rights from the Isle of Man to Malta in connection with an internal corporate restructuring, and an Australian business continuity tax law change during 2019.

The Corporation's income tax expense impacting Adjusted Net Earnings for the three months and year ended December 31, 2019 was $14.2 million (2018 - $11.8 million) and $44.7 million (2018 - $22.2 million) respectively. The effective tax rates on Adjusted Net Earnings were 8.9% (2018 - 7.5%) and 7.7% (2018 - 4.0%), respectively, reflecting the mix of taxable earnings among and across geographies and, solely with respect to the year ended December 31, 2019, the timing of the Acquisitions, each which resulted in an increase to the effective tax rates compared to the respective prior year periods.

The Corporation expects the mix of taxable earnings to continue to impact income tax expense in future periods as the Corporation's International segment continues to operate primarily in the Isle of Man and Malta, but its Sky Betting & Gaming and BetEasy businesses operate primarily in the United Kingdom and Australia, respectively, where statutory corporate income tax rates are higher than those in the Isle of Man and Malta.

Net Earnings

Net earnings for the three months ended December 31, 2019 was $81.3 million, an increase of 313.0%, compared to net loss of $38.2 million in the prior year period. The increase was primarily driven by the decrease in net financing charges and the income tax recovery in the three-month period, each as noted above.

Net earnings for the year ended December 31, 2019 was $61.9 million, an increase of 156.8%, compared to net loss of $108.9 million in the prior year period. The increase was primarily driven by (i) increased revenue and gross profit driven primarily by the Acquisitions, (ii) the $147.0 million loss on the extinguishment of debt in the prior year period as noted above, and (iii) the decrease of $88.4 million of acquisition-related costs and deal contingent forward expenses incurred compared to the prior year period. Acquisition-related costs and deal contingent forward expenses in the prior year period were incurred in connection with the Acquisitions and acquisition-related costs in the current year period were incurred in connection with the Combination, and the BetEasy Minority Acquisition, respectively.

This was partially offset by (i) a $105.3 million increase in the amortization of acquired intangibles from the Acquisitions, and (ii) a legal settlement during the period of $32.5 million, each as noted above.

Basic and Diluted Net Earnings (Loss) per Share

Basic net earnings per share for the three months ended December 31, 2019 was $0.28, an increase of 299.5%, compared to basic net loss per share of $0.14 for the prior year period, based on weighted average Common Shares outstanding of 288,289,664 and 272,636,266, respectively. Diluted net earnings per share for the three months ended December 31, 2019 was $0.28, an increase of 297.6%, compared to diluted net loss per share of $0.14 for the prior year period, based on weighted average Common Shares outstanding of 291,102,048 and 273,294,532, respectively. The increases were both primarily driven by the increase in net earnings as noted above. This was partially offset by the increases in the weighted average Common Shares outstanding, which were primarily the result of the Corporation's issuance of Common Shares in connection with the FOX Sports partnership. Diluted net loss per share for the prior year period was also impacted as all potentially dilutive securities of the Corporation (i.e., securities exercisable or convertible into Common Shares or equity-based awards that can be settled into Common Shares) were not included in the weighted average Common Share amount above used to calculate diluted earnings per share because the exercise, conversion or settlement of such securities would be anti-dilutive.

Basic net earnings per share for the year ended December 31, 2019 was $0.22, an increase of 145.1%, compared to basic net loss per share of $0.49 for the prior year period, based on weighted average Common Shares outstanding of 282,884,929 and 208,269,905, respectively. Diluted net earnings per share for the year ended December 31, 2019 was $0.22, an increase of 144.9%, compared to diluted net loss per share of $0.49 for the prior year period, based on weighted average Common Shares outstanding of 284,478,637 and 208,269,905, respectively. The increases were both primarily driven by the increase in net earnings as noted above. This was partially offset by the increases in the weighted average Common Shares outstanding, which were primarily the result of the Corporation's issuance of Common Shares in connection with the mandatory conversion of its Preferred Shares, the SBG Acquisition, U.S. market access arrangements during the second half of 2018, and the FOX Sports partnership. Diluted net loss per share for the prior year period was also impacted by the exclusion of potentially dilutive securities from the weighted average Common Share amount above used to calculate diluted earnings per share as a result of the exercise, conversion or settlement of such securities being anti-dilutive.

Adjusted EBITDA, Adjusted Net Earnings, and Adjusted Diluted Net Earnings per Share

The primary adjustment from operating income to Adjusted EBITDA for the three months and year ended December 31, 2019, was depreciation and amortization, which increased by $14.6 million and $155.8 million, respectively, compared to the prior year periods, primarily as a result of the Acquisitions. In addition to depreciation and amortization, total adjustments and reconciling items collectively decreased by $23.3 million and $19.7 million, for the three months and year ended December 31, 2019, respectively, compared to the prior year periods. The decrease in the three-month period was primarily driven by a decrease of $35.2 million in Other costs (as described in more detail below under the heading "Reconciliations"), largely due to costs incurred in the prior year period in relation to (i) transactions for obtaining potential access to jurisdictions within the United States in which the Corporation currently does not operate, and (ii) integration costs relating to the Acquisitions, each as noted above. This was partially offset by an increase to acquisition-related costs as noted above. The decrease in the year was primarily driven by a decrease in acquisition-related costs and deal contingent forward expenses as noted above. This was partially offset by an increase of $69.1 million in Other costs, primarily as a result of (i) a legal settlement during the period of $32.5 million as noted above, and (ii) increased expenses, including termination payments, associated with an operational excellence program announced earlier in the year. For additional details with respect to the operational excellence program, see "Reconciliations" below.

As it relates to Adjusted Net Earnings and Adjusted Diluted Net Earnings per Share for the three months and year ended December 31, 2019, the primary adjustments from net earnings (loss) and diluted net earnings (loss) per share were (i) the amortization of acquisition intangibles, which decreased by $1.6 million and increased by $105.3 million, respectively, compared to the prior year periods, primarily as driven by the Acquisitions, (ii) gains and losses recorded due to the re-measurement of an embedded derivative recognized in respect of the Senior Notes and of deferred contingent consideration with respect to the acquisition of an additional 18% equity interest in BetEasy during the second quarter of 2018, and (iii) acquisition-related costs and deal contingent forward expenses, all as noted above. The prior year periods also included an adjustment for a loss on the extinguishment of long-term debt, as noted above. Diluted Shares used in the calculation of Adjusted Diluted Net Earnings per Share for the current year periods are consistent with the weighted average Common Shares outstanding used for diluted earnings (loss) per share. Diluted Shares used in the prior year periods include the impact of all potentially dilutive securities, including those that were excluded from the weighted average Common Shares outstanding used to calculate diluted earnings (loss) per share as a result of such securities being anti-dilutive for diluted earnings (loss) per share purposes.

For additional information regarding Adjusted EBITDA, Adjusted Net Earnings and Adjusted Diluted Net Earnings per Share, including applicable definitions and explanations of the relative usefulness of such measures, see "Non-IFRS Measures, Key Metrics and Other Data—Non-IFRS Measures" above. For quantitative reconciliations of such measures to their nearest IFRS measures, see "Reconciliations" below.

Cash Flows by Activity

Cash inflows from Operating Activities

Cash inflows from operating activities for the year ended December 31, 2019 increased $110.8 million, or 19.8%, compared to the prior year period. This increase was primarily driven by (i) the increase in revenue and gross profit generated from the Corporation's underlying operations, including the impacts of the Acquisitions, each as noted above, and (ii) $34.1 million of cash inflows in relation to non-cash working capital movements compared to outflows of $9.4 million in the prior year period. This was partially offset by (i) an increase of $37.2 million in cash income taxes paid by the Corporation as a result of corporate tax payments in the year as well as the settlement of certain tax matters in Australia, and (ii) movements in customer deposit liabilities relative to the prior year period.

Cash outflows from Investing Activities

The Corporation's cash outflows from investing activities during the year ended December 31, 2019 were primarily driven by the capital expenditures relating to deferred development costs from (i) investments in online gaming product offerings, including the development of new content and technology platforms, and (ii) maintenance investments in existing product offerings and their supporting technology platforms.

Cash outflows from Financing Activities

During the year ended December 31, 2019, the Corporation's cash outflows from financing activities were primarily driven by (i) interest and principal payments (including voluntary prepayments totaling $450 million) on the First Lien Term Loans, and the first two semi-annual interest payments totaling $71.0 million on the Senior Notes, (ii) the repayment of the AUD$56.9 million loan payable to the holders of the non-controlling interest in BetEasy, and (iii) principal payments of $17.5 million and interest on the Corporation's lease liabilities, which, following the adoption of IFRS 16, are now reported as financing activities as opposed to operating activities. On December 5, 2019, the Corporation also settled the deferred contingent payment in respect of the previously disclosed 18% acquisition of BetEasy for AUD$100 million. These outflows were partially offset by the proceeds from the issuance of Common Shares to FOX as previously disclosed. For additional information see "Liquidity and Capital Resources—Long-Term Debt" below and note 17 to the 2019 Annual Financial Statements.

Free Cash Flow

Free Cash Flow for the year ended December 31, 2019 decreased $6.6 million, or 2.9%, compared to the prior year period. This decrease was primarily driven by (i) increased cash interest and non-voluntary principal payments, including the first two semi-annual interest payments on the Senior Notes noted above, and (ii) increased capital expenditures as the Corporation continued to invest in future product improvements and market expansion. This was partially offset by the increase in cash inflows from operating activities and movements in customer deposit liabilities relative to the prior year period, each as noted above.

For additional information regarding Free Cash Flow, including an applicable definition and explanation of the relative usefulness of this measure, see "Non-IFRS Measures, Key Metrics and Other Data—Non-IFRS Measures" above. For a quantitative reconciliation of this measure to its nearest IFRS measure, see "Reconciliations" below.

Total Assets

Total assets as at December 31, 2019 were relatively flat compared to December 31, 2018. Despite this, there were notable increases in (i) derivative assets, including the Swap Agreements (as defined below) and the embedded derivative as described above, (ii) goodwill primarily due to foreign exchange movements, and (iii) property, plant and equipment following the adoption of IFRS 16, which resulted in the recognition of right-of-use assets of $57.3 million as at January 1, 2019. This was partially offset by a decrease to intangible assets due to amortization.

Total Non-Current Liabilities

Total non-current liabilities as at December 31, 2019 decreased by $494.7 million, or 8.1%, from December 31, 2018. This decrease was primarily driven by (i) a decrease in long-term debt primarily as a result of principal repayments made on the USD First Lien Term Loan in the year including $450 million in voluntary prepayments as previously disclosed, and (ii) the payment of the deferred contingent payment of AUD$100 million in relation to the 18% acquisition of BetEasy as noted above. This was partially offset by increases in (i) derivative liabilities primarily in relation to the Swap Agreements, and (ii) the recognition of lease liabilities of $35.7 million as at December 31, 2019 in relation to the adoption of IFRS 16.

SEGMENT RESULTS OF OPERATIONS

The Corporation currently has three reporting segments, International, United Kingdom and Australia, each with certain major lines of operations, including Poker, Gaming, Betting and Other, as applicable, and a Corporate cost center. See above under "Management's Discussion and Analysis" and notes 2 and 7 of the 2019 Annual Financial Statements.

International

As at December 31, 2019, the International reporting segment included the Stars Interactive Group business, which operates across all lines of operations and in various jurisdictions around the world, including in the United Kingdom.

	Three Months Ended December 31,			Year Ended December 31,		
In thousands of U.S. Dollars (except otherwise noted)	2019	2018	% Change	2019	2018	% Change
Stakes	*301,434*	*261,055*	*15.5 %*	*1,054,220*	*966,306*	*9.1 %*
Betting Net Win Margin (%)	*5.3 %*	*8.3 %*	*(36.0)%*	*6.9 %*	*8.2 %*	*(15.9)%*
Revenue						
Poker	186,226	210,940	(11.7)%	781,637	886,628	(11.8)%
Gaming	114,770	112,111	2.4 %	427,316	428,364	(0.2)%
Betting	16,089	21,766	(26.1)%	72,561	79,117	(8.3)%
Other	7,327	10,913	(32.9)%	30,851	46,068	(33.0)%
Total revenue	**324,412**	**355,730**	**(8.8)%**	**1,312,365**	**1,440,177**	**(8.9)%**
Gross profit (excluding depreciation and amortization)	**249,594**	**286,167**	**(12.8)%**	**1,015,244**	**1,159,611**	**(12.4)%**
Gross profit margin (%)	76.9 %	80.4 %	(4.4)%	77.4 %	80.5 %	(3.9)%
General and administrative	116,606	143,734	(18.9)%	441,683	468,238	(5.7)%
Sales and marketing[1]	47,297	45,464	4.0 %	165,588	164,600	0.6 %
Research and development	8,148	4,880	67.0 %	32,185	27,865	15.5 %
Operating income	**77,543**	**92,089**	**(15.8)%**	**375,788**	**498,908**	**(24.7)%**
Adjusted EBITDA[2]	**135,066**	**168,177**	**(19.7)%**	**604,851**	**703,342**	**(14.0)%**
Adjusted EBITDA Margin (%)[2]	**41.6%**	**47.3%**	**(11.9)%**	**46.1%**	**48.8%**	**(5.6)%**

1 Sales and marketing includes $1.2 million and $5.0 million for the three months and year ended December 31, 2019, respectively, that the Corporation excluded from its consolidated results as it related to certain non-gaming related transactions with the United Kingdom segment. A corresponding exclusion in the consolidated results is recorded to Other revenue for amounts included in the United Kingdom segment in respect of these transactions. Other revenue includes $1.0 million and $2.0 million for the three months and year ended December 31, 2018, respectively, that the Corporation excluded from its consolidated results as it related to certain non-gaming related transactions with the United Kingdom segment. A corresponding exclusion in the consolidated results for those periods is recorded to Sales and marketing expense for amounts included in the United Kingdom segment in respect of these transactions.

2 Non-IFRS measure. A reconciliation to its nearest IFRS measure is provided under "Reconciliations" below.

Revenue

a) Poker

Poker revenue for the three months ended December 31, 2019 decreased $24.7 million, or 11.7%, compared to the prior year period. Constant Currency Revenue for Poker for the three months ended December 31, 2019 was $188.9 million, which is $2.7 million greater than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the three months ended December 31, 2019 would have decreased by 10.4%. This decrease was primarily driven by the cessation of operations in certain markets, including Switzerland from July 1, 2019, together with continued headwinds in certain markets, including reduced customer deposits as a result of local restrictions on some methods of payment processing and on certain methods of downloading The Stars Group's poker applications. Revenue was also negatively impacted by the level of jackpots paid out in the period relating to "Spin 'n Go" tournaments. The decrease was partially offset by organic growth in certain jurisdictions.

Poker revenue for the year ended December 31, 2019 decreased $105.0 million, or 11.8%, compared to the prior year period. Constant Currency Revenue for Poker for the year ended December 31, 2019 was $821.3 million, which is $39.7 million greater than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the year ended December 31, 2019 would have decreased by 7.4%. This decrease was primarily driven by the same or substantially similar factors as listed above for the three-month period.

b) Gaming

Gaming revenue for the three months ended December 31, 2019 increased $2.7 million, or 2.4%, compared to the prior year period. Constant Currency Revenue for Gaming for the three months ended December 31, 2019 was $118.2 million, which is $3.4 million greater than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the three months ended December 31, 2019 would have increased by 5.4%. This increase was primarily driven by product and content improvements to the Corporation's real-money online casino offerings, including 141 new games in the period, which continued to drive increased customer activity, and cross-selling from other lines of operations driven by targeted marketing campaigns across the International segment's customer base. The increase was partially offset by the cessation of operations in certain markets for gaming products, notably Switzerland and Slovakia, and continued headwinds in certain markets including reduced customer deposits as a result of local restrictions on some methods of payment processing as noted in "Poker" above.

Gaming revenue for the year ended December 31, 2019 decreased $1.0 million, or 0.2%, compared to the prior year period. Constant Currency Revenue for Gaming for the year ended December 31, 2019 was $450.8 million, which is $23.4 million greater than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the year ended December 31, 2019 would have increased by 5.2%. This increase was primarily driven by the same or substantially similar factors as listed above for the three-month period.

c) Betting

Betting revenue for the three months ended December 31, 2019 decreased $5.7 million, or 26.1%, compared to the prior year period. Constant Currency Revenue for Betting for the three months ended December 31, 2019 was $16.4 million, which is $0.3 million greater than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the three months ended December 31, 2019 would have decreased by 24.7%. This decrease was primarily driven by a lower Betting Net Win Margin due to both planned investment in customer acquisition following the launch of FOX Bet and operator-unfavorable sporting results, together with the cessation of betting operations in certain markets, notably Switzerland and Slovakia. The decrease was partially offset by an increase in Stakes and wagering activity, primarily driven by growth in new markets, including the United States. See "Key Metrics—International Segment Stakes and Betting Net Win Margin" below for further details on certain of the factors impacting Betting revenue.

Betting revenue for the year ended December 31, 2019 decreased $6.6 million, or 8.3%, compared to the prior year period. Constant Currency Revenue for Betting for the year ended December 31, 2019 was $75.9 million, which is $3.3 million greater than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the year ended December 31, 2019 would have decreased by 4.1%. This decrease was primarily the result of the same or substantially similar factors as listed above for the three-month period. See "Key Metrics—International Segment Stakes and Betting Net Win Margin" below for further details on certain of the factors impacting Betting revenue.

Gross Profit (Excluding Depreciation and Amortization) and Gross Profit Margin

Gross profit (excluding depreciation and amortization) for the three months ended December 31, 2019 decreased $36.6 million, or 12.8%, compared to the prior year period. This was primarily driven by the decrease in revenue as described above and a reduction in gross profit margin. Gross profit margin for the three months ended December 31, 2019 was 76.9%, a decrease of 4.4% compared to the prior year period. This was primarily driven by the impact of additional gaming duties and taxes as a result of regulatory changes and mix of revenue by geography as well as the relative growth in the casino vertical, which typically generates a lower gross profit margin than poker.

Gross profit (excluding depreciation and amortization) for the year ended December 31, 2019 decreased $144.4 million, or 12.4%, compared to the prior year period. Gross profit margin for the year ended December 31, 2019 was 77.4%, a decrease of 3.9% compared to the prior year period. These decreases were primarily driven by the same or substantially similar factors as listed above for the three-month period.

Operating Expenses

General and Administrative

General and administrative expenses for the three months ended December 31, 2019 decreased $27.1 million, or 18.9%, compared to the prior year period. This was primarily driven by (i) a reduction in the segment's fixed cost base as a result of both the operational excellence program announced earlier in the year and the realization of cost synergies relating to the SBG Acquisition, (ii) reduced integration costs relating to the Acquisitions compared to the prior year period, and (iii) up-front payments and professional fees incurred in the prior year period in relation to transactions for obtaining potential market access to jurisdictions within the United States . This was partially offset by (i) increased depreciation and amortization primarily relating to the adoption of IFRS 16, and (ii) increased up front expenses, including termination payments, associated with the above noted operational excellence program. For additional details with respect to the operational excellence program, see "Reconciliations" below.

General and administrative expenses for the year ended December 31, 2019 decreased $26.6 million, or 5.7%, compared to the prior year period. This was primarily driven by the same or substantially similar factors as listed above for the three-month period.

Sales and Marketing

Sales and marketing expenses for the three months ended December 31, 2019 increased $1.8 million, or 4.0%, compared to the prior year period. This was primarily driven by increased marketing spend in connection with the initial stages of the Corporation's U.S. strategy, including the launch of FOX Bet in New Jersey and Pennsylvania, and FOX Sports Super 6 nationwide. This was partially offset by a focus on optimizing return on marketing investment in other jurisdictions.

Sales and marketing expenses for the year ended December 31, 2019 increased $1.0 million, or 0.6%, compared to the prior year period. This was primarily driven by marketing spend in connection with the initial stages of the Corporation's U.S. strategy as noted above, which was partially offset by investment in marketing for the World Cup in the prior year period.

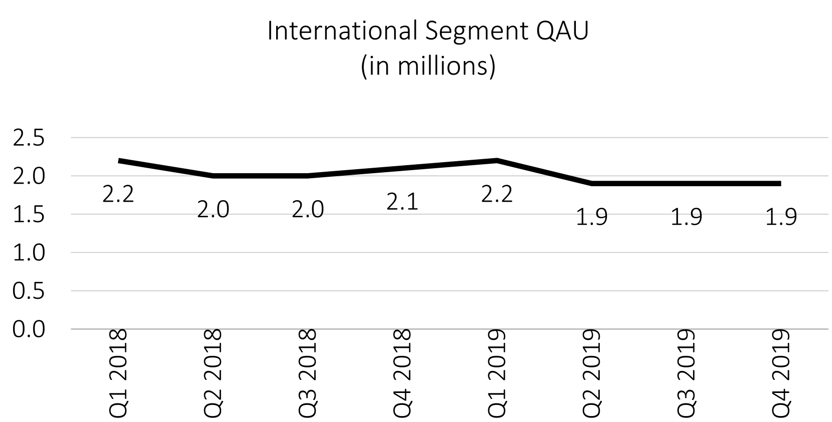
Research and Development

Research and development expenses for the three months ended December 31, 2019 increased $3.3 million, or 67.0%, compared to the prior year period as the Corporation continued to invest in online gaming product offerings, and the development of new content and technology platforms including the previously announced global sports and trading platform.

Research and development expenses for the year ended December 31, 2019 increased $4.3 million, or 15.5%, compared to the prior year period. This was primarily driven by the same or substantially similar factors as listed above for the three-month period.

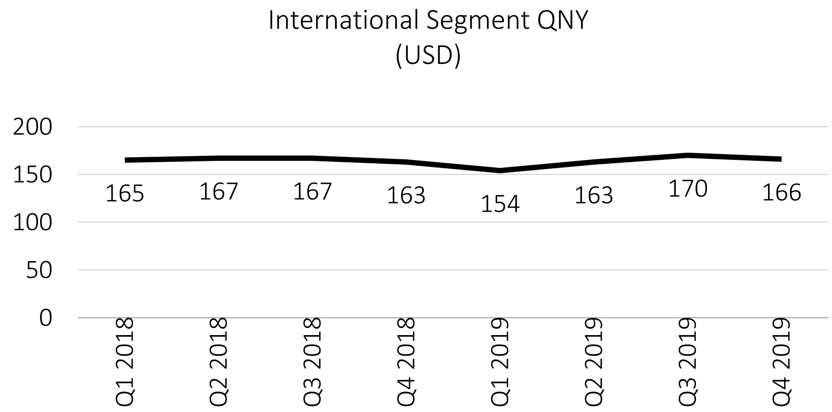
Key Metrics

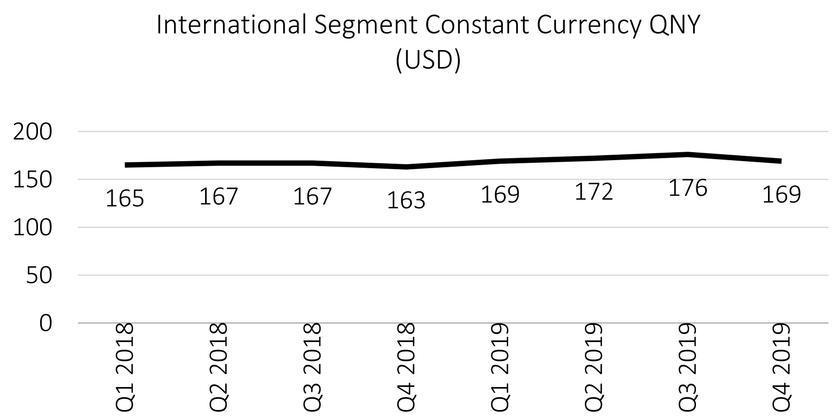
International Segment QAUs



The segment's combined QAUs for the three months ended December 31, 2019 was 1.9 million, a decrease of 9.5% compared to the prior year period. The Corporation believes that this was primarily driven by (i) reduced activity in certain markets as a result of local restrictions on some methods of payment processing and on certain methods of downloading The Stars Group's poker applications, (ii) the cessation of operations in certain markets, notably Switzerland and Slovakia, and (iii) its continued strategy of focusing on positive return CRM initiatives to attract high-value, net depositing customers (primarily recreational players), which has resulted, and may continue to result, in a decrease in certain lower value customers. Notwithstanding, the Corporation's QAUs for this segment were positively impacted by growth in new markets, including the United States and underlying growth and expansion of its real-money online casino product offerings. For a description of certain variables and other factors that can impact QAUs, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

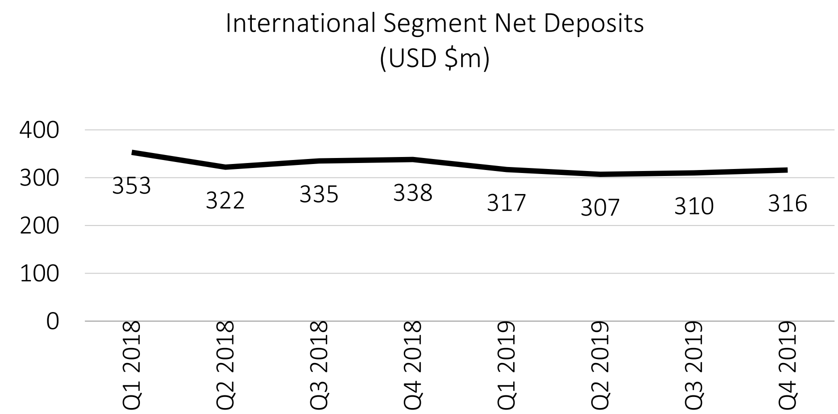
International Segment QNY





The segment's QNY for the three months ended December 31, 2019 was $166, an increase of 1.8% compared to the prior year period primarily due to the same or substantially similar factors impacting revenue and QAUs as described above. The segment's QNY calculated using Constant Currency Revenue for the three months ended December 31, 2019 was $169, an increase of 3.8% over the prior year period, which reflects growth across the Corporation's online gaming product offerings within the segment, primarily driven by increased cross-selling of poker customers to those offerings. This cross-selling is driven in part by the Corporation's strategy of focusing on higher value recreational players, with the Stars Rewards loyalty program encouraging gameplay across all products and lines of operations. For a description of certain variables and other factors that can impact QNY, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

International Segment Net Deposits



The segment's Net Deposits for the three months ended December 31, 2019 were $316.0 million, a decrease of 6.4%, compared to the prior year period. The Corporation believes that this was primarily driven by the negative impacts from foreign exchange fluctuations, reduced customer deposits from markets impacted by local restrictions on select methods of payment processing and on certain methods of downloading The Stars Group's poker applications as noted above, and the cessation of real-money operations in certain markets, notably Switzerland and Slovakia. This was partially offset by growth on a constant currency basis in certain other countries. For a description of certain variables and other factors that can impact Net Deposits, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

International Segment Stakes and Betting Net Win Margin

The segment's Stakes for the three months ended December 31, 2019 were $301.4 million, an increase of 15.5% compared to the prior year period. This was primarily driven by growth in new markets, including the United States and the re-branding of BetStars to Sky Bet in Italy and Germany. This was partially offset by the negative impact of the cessation of operations in certain markets as noted above.

Stakes for the year ended December 31, 2019 were $1,054.2 million, an increase of 9.1% compared to the prior year period. The increase was primarily driven by an increase in wagering activity on a per customer basis on the International segment's sports betting offerings, as a result of an improved product offering as well as the same or substantially similar factors as listed above for the three-month period.

The segment's Betting Net Win Margin for the three months ended December 31, 2019 was 5.3%, a decrease of 3.0 percentage points, compared to the prior year period. The decrease was primarily driven by planned investment in customer acquisition following the launch of FOX Bet and operator-unfavorable sporting results in the period.

The segment's Betting Net Win Margin for the year ended December 31, 2019 was 6.9%, a decrease of 1.3 percentage points, compared to the prior year period. The decrease was primarily driven by the same or substantially similar factors as listed above for the three-month period.

For a description of certain variables and other factors that can impact Stakes and Betting Net Win Margin, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

United Kingdom

As at December 31, 2019, the United Kingdom reporting segment consisted of the SBG business. The Corporation acquired SBG on July 10, 2018.

In thousands of U.S. Dollars (except otherwise noted)	Three Months Ended December 31, 2019	2018	% Change	Year Ended December 31, 2019	2018	% Change
Stakes	*1,460,111*	*1,289,374*	*13.2 %*	*5,848,641*	*2,511,228*	*132.9 %*
Betting Net Win Margin (%)	*12.1 %*	*10.1 %*	*20.1 %*	*9.0 %*	*8.6 %*	*5.0 %*
Revenue						
Poker	2,792	3,045	(8.3)%	11,647	5,929	96.4 %
Gaming	96,870	84,164	15.1 %	364,983	157,482	131.8 %
Betting	177,150	130,732	35.5 %	528,110	215,921	144.6 %
Other[1]	10,935	7,810	40.0 %	41,939	14,799	183.4 %
Total revenue	**287,747**	**225,751**	**27.5 %**	**946,679**	**394,131**	**140.2 %**
Gross profit (excluding depreciation and amortization)	**199,056**	**153,880**	**29.4 %**	**655,087**	**275,106**	**138.1 %**
Gross profit margin (%)	69.2 %	68.2 %	1.4 %	69.2 %	69.8 %	(0.9)%
General and administrative	111,645	96,089	16.2 %	432,354	200,576	115.6 %
Sales and marketing	38,637	35,413	9.1 %	138,275	75,637	82.8 %
Research and development	7,168	5,660	26.6 %	18,882	10,600	78.1 %
Operating income (loss)	**41,606**	**16,718**	**148.9 %**	**65,576**	**(11,707)**	**660.1 %**
Adjusted EBITDA[2]	**104,344**	**73,954**	**41.1 %**	**324,633**	**102,107**	**217.9 %**
Adjusted EBITDA Margin (%)[2]	**36.3%**	**32.8%**	**10.7 %**	**34.3%**	**25.9%**	**32.4 %**

[1] Other revenue includes $1.2 million and $5.0 million for the three months and year ended December 31, 2019, respectively, that the Corporation excluded from its consolidated results as it related to certain non-gaming related transactions with the International segment. A corresponding exclusion in the consolidated results is recorded to sales and marketing for amounts included in the International segment in respect of these transactions. Sales and marketing includes $1.0 million and $2.0 million for the three months and year ended December 31, 2018, respectively, that the Corporation excluded from its consolidated results as it related to certain non-gaming related transactions with the International segment. A corresponding exclusion in the consolidated results for those periods is recorded to Other revenue for amounts included in the International segment in respect of these transactions.

[2] Non-IFRS measure. A reconciliation to its nearest IFRS measure is provided under “Reconciliations” below.

Revenue

a) Gaming

Gaming revenue for the three months ended December 31, 2019 increased $12.7 million, or 15.1%, compared to the prior year period. Constant Currency Revenue for Gaming for the three months ended December 31, 2019 was $96.6 million, which is $0.3 million less than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the three months ended December 31, 2019 would have increased by 14.8%. This increase was primarily driven by underlying growth benefiting from increased levels of new customer acquisitions, continued improvements in customer cross-sell to and from the United Kingdom segment’s gaming and betting products, as well as the continued roll-out of new and innovative content.

Gaming revenue for the year ended December 31, 2019 increased $207.5 million, or 131.8%, compared to the prior year period. This increase was primarily driven by the timing of the SBG Acquisition, together with the same or substantially similar factors as listed above for the three-month period.

b) Betting

Betting revenue for the three months ended December 31, 2019 increased $46.4 million, or 35.5%, compared to the prior year period. Constant Currency Revenue for Betting for the three months ended December 31, 2019 was $176.5 million, which is $0.7 million less than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the three months ended December 31, 2019 would have increased by 35.0%. This increase was primarily driven by both a year-over-year increase in Stakes and Betting Net Win Margin. See "United Kingdom Segment Stakes and Betting Net Win Margin" below for further details on certain of the factors impacting Betting revenue, Stakes and Betting Net Win Margin.

Betting revenue for the year ended December 31, 2019 increased $312.2 million, or 144.6%, compared to the prior year period. This increase was primarily driven by timing of the SBG Acquisition, together with the same or substantially similar factors as listed above for the three-month period.

Gross Profit (Excluding Depreciation and Amortization) and Gross Profit Margin

Gross profit (excluding depreciation and amortization) for the three months ended December 31, 2019 increased $45.2 million, or 29.4%, compared to prior year period. The increase was primarily driven by the increased revenues noted above along with an increase in gross profit margin. Gross profit margin for the three months ended December 31, 2019 was 69.2%, an increase of 1.4% compared to the prior year period. This increase was primarily driven by the increase in proportion of Betting revenue to overall revenue, which typically has a higher gross profit margin due to lower gaming duty rates, together with certain savings resulting from a reduction in third-party revenue share costs in connection with certain casino games. This was partially offset by increased gaming duties as a result of an increase in the rate of remote gaming duty applied to the Poker and Gaming lines of operation in the United Kingdom from April 1, 2019.

Gross profit (excluding depreciation and amortization) for the year ended December 31, 2019 increased $380.0 million, or 138.1%, compared to prior year period. The increase was primarily driven by the timing of the SBG Acquisition, together with the same or substantially similar factors as listed above for the three-month period. Gross profit margin for the year ended December 31, 2019 was 69.2%, a decrease of 0.9% compared to the prior year period. This decrease was primarily driven by the increase in the rate of remote gaming duty as noted above.

Operating Expenses

General and Administrative

General and administrative expenses for the three months ended December 31, 2019 increased $15.6 million, or 16.2%, compared to prior year period. This increase was primarily driven by (i) the internal reorganization of certain activities across the Corporation from the International segment to the United Kingdom segment, and (ii) an increase in staff costs primarily due to an increase in the Corporation's provision for annual staff bonuses for 2019 performance.

General and administrative expenses for the year ended December 31, 2019 increased $231.8 million, or 115.6%, compared to prior year period. This increase was primarily driven by the timing of the SBG Acquisition and the same or substantially similar factors as listed above for the three-month period.

Sales and Marketing

Sales and marketing expenses for the three months ended December 31, 2019 increased $3.2 million, or 9.1%, compared to prior year period. This increase was primarily driven by additional targeted marketing spend around the sporting calendar to support increased revenue growth.

Sales and marketing expenses for the year ended December 31, 2019 increased $62.6 million, or 82.8%, compared to prior year period. This increase was primarily driven by the timing of the SBG Acquisition which was partially offset by a continued focus on the efficiency of marketing investment as discussed above.

Research and Development

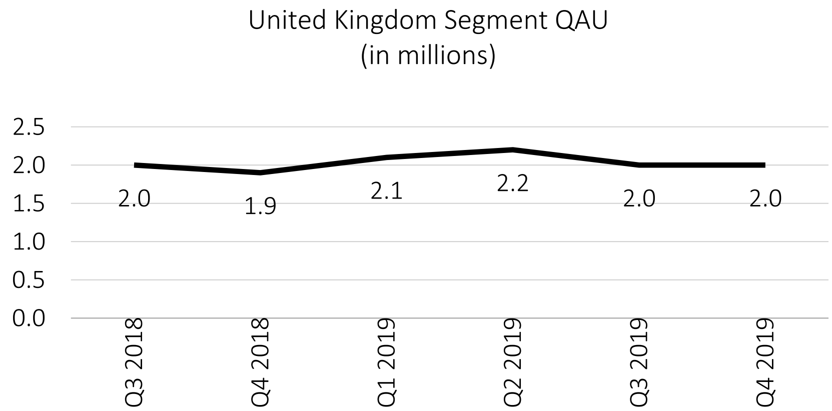
Research and development expenses for the three months ended December 31, 2019 increased $1.5 million, or 26.6% compared to prior year period. This increase was primarily driven by additional costs as a result of the internal reorganization of certain activities across the Corporation from the International segment to the United Kingdom segment, together with an increase in expenses related to the creation of the previously announced global sports trading platform and the Corporation's U.K. customer ecosystem.

Research and development expenses for the year ended December 31, 2019 increased $8.3 million, or 78.1% compared to prior year period. This increase was primarily driven by the timing of the SBG Acquisition and the same or substantially similar factors as listed above for the three-month period.

For a description of certain seasonal trends and other factors impacting this segment's results, see "Summary of Quarterly Results" below.

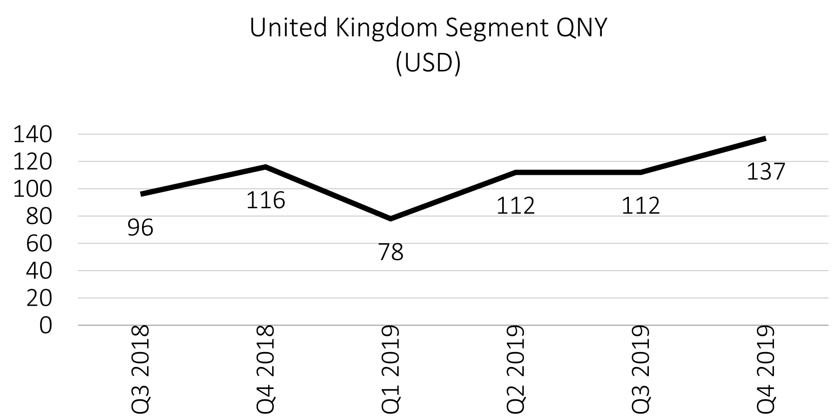
Key Metrics

United Kingdom Segment QAUs



The segment's combined QAUs for the three months ended December 31, 2019 was 2.0 million, an increase of 8.0% compared to the prior year period. The increase was primarily driven by the positive impact of continued improvements in products and promotions, and in particular the successful retention of customers following the promotional activity around the start of the English Premier League season during the previous quarter, combined with a successful "Season of Giving" promotion period in December 2019. For a description of certain variables and other factors that can impact QAUs, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

United Kingdom Segment QNY



The segment's QNY for the three months ended December 31, 2019 was $137, an increase of 17.6% compared to the prior year period. The segment's QNY calculated using Constant Currency Revenue for the three months ended December 31, 2019 was $136, an increase of 17.2% over the prior year period. The increases were primarily driven by the factors impacting revenue in the quarter as discussed above. For a description of certain variables and other factors that can impact QNY, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

United Kingdom Segment Stakes and Betting Net Win Margin

The segment's Stakes for the three months ended December 31, 2019 were $1.46 billion, an increase of 13.2% compared to the prior year period driven by ongoing positive trends in customer acquisition, engagement and wagering activity.

Stakes for the year ended December 31, 2019 were $5.85 billion, an increase of 132.9% compared to the prior year period, largely due to the timing of the SBG Acquisition and also due to the factors listed above for the three-month period.

The segment's Betting Net Win Margin for the three months ended December 31, 2019 was 12.1%, an increase of 2.0 percentage points compared to the prior year period, due to a combination of the mix of Stakes across sports and bet types, more strategic use of free bets, and operator-favorable sporting results compared to the prior year period.

The segment's Betting Net Win Margin for the year ended December 31, 2019 was 9.0%, an increase of 0.4 percentage points compared to the prior year period, which was impacted by operator-unfavorable sporting results in the third quarter of 2018 following the completion of the SBG Acquisition.

For a description of certain variables and other factors that can impact Stakes and Betting Net Win Margin, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

Australia

As at December 31, 2019, the Australia reporting segment consisted of the BetEasy business, in which the Corporation held an 80% equity interest. The Corporation acquired a 62% equity interest in BetEasy on February 27, 2018 and a further 18% interest on April 24, 2018, with BetEasy acquiring what was formerly the William Hill Australia business on the same day.

	Three Months Ended December 31,			**Year Ended December 31,**		
In thousands of U.S. Dollars (except otherwise noted)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
Stakes	*794,603*	*877,338*	*(9.4)%*	*3,018,705*	*2,570,502*	*17.4 %*
Betting Net Win Margin (%)	*9.6%*	*8.2%*	*16.5 %*	*9.0%*	*7.6%*	*17.8 %*
Revenue						
Betting	75,920	71,542	6.1 %	270,267	196,101	37.8 %
Other	1,093	829	31.8 %	4,147	829	400.2 %
Total revenue	**77,013**	**72,371**	**6.4 %**	**274,414**	**196,930**	**39.3 %**
Gross profit (excluding depreciation and amortization)	**50,031**	**47,768**	**4.7 %**	**170,065**	**137,357**	**23.8 %**
Gross profit margin (%)	65.0%	66.0%	(1.6)%	62.0%	69.7%	(11.1)%
General and administrative	30,190	31,762	(4.9)%	110,135	116,323	(5.3)%
Sales and marketing	20,085	15,862	26.6 %	60,983	53,385	14.2 %
Research and development	602	432	39.4 %	4,018	1,530	162.6 %
Operating loss	**(846)**	**(288)**	**(193.8)%**	**(5,071)**	**(33,881)**	**85.0 %**
Adjusted EBITDA [1]	**19,881**	**13,683**	**45.3 %**	**44,358**	**21,571**	**105.6 %**
Adjusted EBITDA Margin (%) [1]	**25.8%**	**18.9%**	**36.5 %**	**16.2%**	**11.0%**	**47.6 %**

[1] Non-IFRS measure. A reconciliation to its nearest IFRS measure is provided under "Reconciliations" below.

Revenue

Betting revenue for the three months ended December 31, 2019 increased $4.4 million, or 6.1%, compared to the prior year period. Constant Currency Revenue for Betting for the three months ended December 31, 2019 was $79.7 million, which is $3.7 million greater than actual IFRS revenue. Excluding the impact of year-over-year changes in foreign exchange rates, such revenue for the three months ended December 31, 2019 would have increased by 11.3%. This increase was primarily driven by an increased Betting Net Win Margin year-over-year. This was partially offset by a decrease in Stakes year-over year. See "Key Metrics-Australia Segment Stakes and Betting Net Win Margin" below for further details on certain of the factors impacting Stakes and Betting Net Win Margin.

Betting revenue for the year ended December 31, 2019 increased $74.2 million, or 37.8%, compared to the prior year period. This increase was primarily driven by the timing of the Australian Acquisitions as well as the same or substantially similar factors as listed above for the three-month period.

Gross Profit (Excluding Depreciation and Amortization) and Gross Profit Margin

Gross profit (excluding depreciation and amortization) for the three months ended December 31, 2019 increased $2.3 million, or 4.7%, compared to the prior year period. The increase was primarily driven by the increased revenue noted above. This was partially offset by a reduction in gross profit margin as described below. Gross profit margin for the three months ended December 31, 2019 was 65.0%, a decrease of 1.6% compared to the prior year. This decrease was primarily driven by new point of consumption taxes introduced in the majority of Australian jurisdictions towards the end of 2018 and into early 2019.

Gross profit (excluding depreciation and amortization) for the year ended December 31, 2019 increased $32.7 million, or 23.8%, compared to the prior year period. The increase was primarily driven by the timing of the Australian Acquisitions. This was partially offset by the new point of consumption taxes as noted above. Gross profit margin for the year ended December 31, 2019 was 62.0%, a decrease of 11.1%, compared to the prior year period. The decrease was primarily driven by the impact of the new point of consumption taxes as noted above.

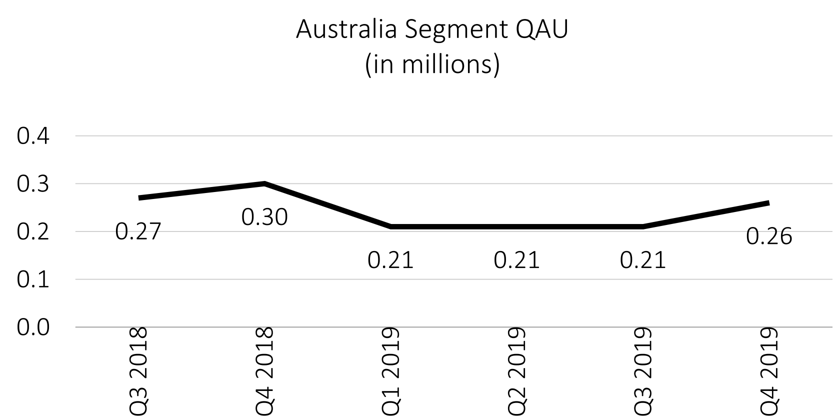
Operating Expenses

Operating expenses for the three months ended December 31, 2019 increased $2.8 million, or 5.9%, compared to the prior year period. The increase was primarily driven by additional targeted marketing spend around the sporting calendar. This was partially offset by the realization of synergies following the Australian Acquisitions and reduction of general and administrative costs.

Operating expenses for the year ended December 31, 2019 increased $3.9 million, or 2.3%, compared to the prior year. The increase was primarily driven the timing of the Australian Acquisitions and the same or substantially similar factors as listed above for the three-month period.

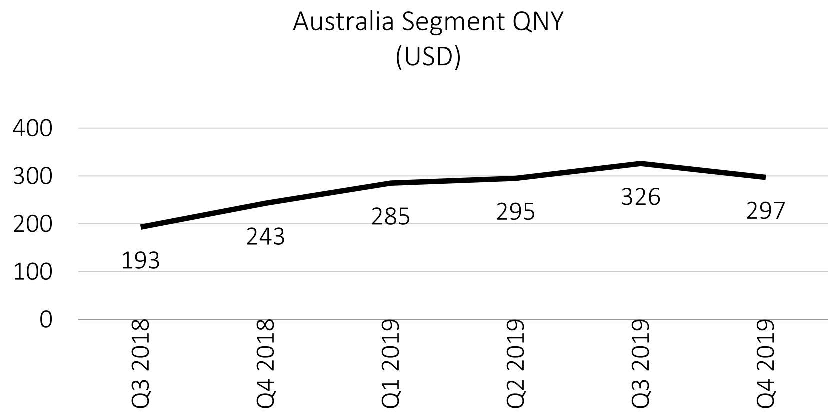
Key Metrics

Australia Segment QAUs



The segment's QAUs for the three months ended December 31, 2019 was 0.26 million, a decrease of 13.9% compared to the prior year period. This was primarily driven by the increased promotional activity in the lead up and to support the migration of former William Hill Australia customers onto the BetEasy platform in August 2018, which positively impacted the prior year period, as well as a focus on high-value, recreational customers with the continued roll-out of MyRewards which allows for targeted, personalized promotions and an optimization of the customer base. For a description of certain variables and other factors that can impact QAUs, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

Australia Segment QNY



The segment's QNY for the three months ended December 31, 2019 was $297, an increase of 21.9% compared to the prior year period. The segment's QNY calculated using Constant Currency Revenue for the three months ended December 31, 2019 was $311, an increase of 27.9% compared to the prior year period. The increases were primarily driven by a lower Betting Net Win Margin in the prior year period driven by increased promotional investment and operator-unfavorable sporting results, together with an increased focus on high value, recreational customers, primarily through improving the customer experience as noted above. For a description of certain variables and other factors that can impact QNY, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

Australia Segment Stakes and Betting Net Win Margin

The segment's Stakes for the three months ended December 31, 2019 were $794.6 million, a decrease of 9.4%, compared to the prior year period. The decrease was primarily driven by the positive impact on Stakes in the prior year period as a result of the increased promotional spend, including special bonuses to help mitigate the potential loss of customers during the migration of former William Hill Australia customers onto the BetEasy platform and re-branding to BetEasy and the recycling of winnings as a result of operator unfavorable results. In addition, Stakes were negatively impacted by decreased QAUs during the quarter as the segment continued its focus on high-value recreational customers through the continued refinement of MyRewards allowing for targeted, personalized promotions and an optimization of the customer base.

Stakes for the year ended December 31, 2019 were $3,018.7 million, an increase of 17.4%, compared to the prior year period. The increase was primarily driven by the timing of the Australian Acquisitions. This was partially offset by the negative impact of an increased focus on high-value, recreational customers on QAUs as discussed above.

The segment's Betting Net Win Margin for the three months ended December 31, 2019 was 9.6%, an increase of 1.4 percentage points, compared to the prior year period. The segment's Betting Net Win Margin for the year ended December 31, 2019 was 9.0%, an increase of 1.4 percentage points compared to the prior year period. The increase in both periods was primarily driven by the increased levels of promotional spend in the prior year primarily around the migration of customers and re-branding to BetEasy, combined with a more personalized approach to promotions leading to reduced, but more effective promotional spend, resulting in a higher Betting Net Win Margin in the current periods.

For a description of certain variables and other factors that can impact Stakes and Betting Net Win Margin, see "Non-IFRS Measures, Key Metrics and Other Data—Key Metrics and Other Data" above.

Corporate Cost Center

The Corporate cost center includes certain general and administrative expenses, including corporate head office expenses, acquisition-related costs and various corporate governance and regulatory costs, as well as the cost to manage the centralized corporate tax and the debt servicing functions. These Corporate cost center expenses are not allocated to the reporting segments as they do not directly relate to the operations of those segments.

In thousands of U.S. Dollars (except otherwise noted)	Three Months Ended December 31, 2019	2018	% Change	Year Ended December 31, 2019	2018	% Change
Operating expenses	25,930	34,527	(24.9)%	172,094	193,196	(10.9)%
Operating loss	**(25,930)**	**(34,527)**	**(24.9)%**	**(172,094)**	**(193,196)**	**(10.9)%**
Net financing charges	29,048	97,715	(70.3)%	202,534	371,086	(45.4)%
Income tax expense (recovery)	(17,965)	14,450	(224.3)%	(197)	(988)	80.1 %
Net loss	**(37,013)**	**(146,692)**	**(74.8)%**	**(374,431)**	**(563,294)**	**(33.5)%**
Adjusted EBITDA [1]	**(10,179)**	**(16,410)**	**38.0 %**	**(52,717)**	**(46,071)**	**(14.4)%**

[1] Non-IFRS measure. A reconciliation to its nearest IFRS measure is provided under "Reconciliations" below.

Operating Expenses

Operating expenses for the three months ended December 31, 2019 decreased $8.6 million, or 24.9%, compared to the prior year period. This was primarily driven by a decrease to (i) legal and professional fees unrelated to core activities, and (ii) foreign exchange impacts. This was partially offset by costs incurred in connection with the Combination in the current year period.

Operating expenses for the year ended December 31, 2019 decreased $21.1 million, or 10.9%, compared to the prior year period. The decrease for the year was primarily driven by a decrease of $100.2 million in acquisition-related costs and deal contingent forward expenses in relation to the Acquisitions and the Combination, respectively, compared to the prior year period. This was partially offset by (i) a legal settlement during the period of $32.5 million as noted above, (ii) increases to stock-based compensation expense following the continued implementation of a long-term incentive plan, and (iii) increases in professional fees unrelated to core activities, including the previously announced partnership with FOX Sports and transactions in connection with obtaining potential access to jurisdictions within the United States in which the Corporation currently does not operate, and certain investigation-related professional fees.

Net Financing Charges and Income Taxes

Net financing charges and income taxes are only recorded in the Corporate cost center and as a result the variances and trends are as discussed above under "Consolidated Results of Operations and Cash Flows".

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

The Corporation's principal sources of liquidity are its cash generated from operations, the Revolving Facility (as defined below) and certain other currently available funds. Currently available funds consist primarily of cash on deposit with banks and investments, which are comprised primarily of certain highly liquid, short-term investments, including money market funds. The Corporation's working capital requirements are generally minimal during the year as its current gaming business requires customers to deposit funds prior to playing or participating in its real-money product offerings. The Corporation believes that such deposits are typically converted to revenue efficiently and on a timely basis such that operating expenditures are sufficiently covered. Management also believes that investing is a key element necessary for the continued growth of the Corporation's customer base and the future development of new and innovative product offerings. Based on the Corporation's currently available funds, borrowing capacity available from the Revolving Facility and its ability to access the debt and equity capital markets, if necessary, management believes that the Corporation will have the cash resources necessary to satisfy current obligations and working capital needs, and fund currently planned development and integration activities and other capital expenditures, including those with respect to the continued launch and operation of its U.S. business, as well as strategic transactions, if any, for at least the next 12 months. Notwithstanding, the state of capital markets and the Corporation's ability to access them on favorable terms, if at all; micro and macro-economic downturns; and fluctuations of the Corporation's operations, among other things, may influence its ability to secure the capital resources required to satisfy current or future obligations and fund future projects, strategic initiatives and support growth. For a description of the factors and risks that could affect the Corporation's ability to generate sufficient amounts of cash and access the capital markets to maintain the Corporation's capacity to meet its obligations and expected growth or fund development activities, see "Risk Factors and Uncertainties" above and in the 2019 Annual Information Form, including, in particular, under the headings "Risk Factors and Uncertainties—The Stars Group's substantial indebtedness requires and will continue to require that it use a significant portion of its cash flow to make debt servicing payments, and it may not generate sufficient cash flows to meet its debt servicing obligations, which could have significant adverse consequences on it and its business" and "Credit Ratings".

Following the SBG Acquisition and related financing, the Corporation has improved and intends to continue to improve its financial condition, including by reducing its long-term debt, through its strong cash flow generation and liquidity, including as a result of continuing to introduce new and innovative product offerings, and potentially strategically gaining global market share. For additional information regarding the Corporation's repayment of debt, including its prepayments of portions of its USD First Lien Term Loan, see above under "Overview and Outlook—Recent Corporate and Other Developments—Prepayment of First Lien Term Loans" and note 17 in the 2019 Annual Financial Statements.

For additional information regarding the Corporation's liquidity and capital resources, see the descriptions of the Corporation's debt as set forth below under "Long-Term Debt" and "Revolving Facility" and the notes to the 2019 Annual Financial Statements, as well as the 2019 Annual Information Form. See also "Risk Factors and Uncertainties" above and in the 2019 Annual Information Form, particularly under the heading "Risk Factors and Uncertainties—Risks Related to the Business".

Market Risk

The Corporation is exposed to market risks, including changes to foreign currency exchange rates and interest rates. For additional information regarding these and other risks, including risks related to Brexit, the potential impact of which continues to be uncertain, and other risk categories, see the 2019 Annual Information Form, including under the heading "Risk Factors and Uncertainties".

Foreign Currency Exchange Risk

The Corporation is exposed to foreign currency risk, which includes risks related to its revenue and operating expenses denominated in currencies other than USD. In general, the Corporation is a net receiver of currencies other than USD, primarily the EUR, GBP and AUD, which are the primary depositing currencies of the Corporation's customers. Accordingly, changes in exchange rates, and in particular a strengthening of the USD, which is the primary currency of game play on certain of the Corporation's product offerings within the International segment, have in the past reduced, and may in the future reduce, the purchasing power of the Corporation's customers, thereby potentially negatively affecting the Corporation's revenue and other operating results.

The Corporation has also experienced and will continue to experience fluctuations in its net earnings as a result of translation gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. Management monitors movements in foreign exchange rates and uses derivative financial instruments for risk management purposes and anticipates that such instruments will mitigate some of its foreign currency risk. As such, any change in cash flows associated with derivative instruments is expected to be offset by changes in cash flows related to the hedged position. However, it is difficult to predict the effect hedging activities could have on the Corporation's results of operations and there can be no assurance that any foreign currency exchange risks will be so mitigated or that such instruments will not result in a loss. The Corporation recorded foreign currency losses of $4.3 million and $9.5 million in the three-month periods ended December 31, 2019 and 2018, respectively, and foreign currency losses of $12.8 million and $68.4 million in the years ended December 31, 2019 and 2018, respectively. For additional information on derivatives, see also notes 2 and 19 in the 2019 Annual Financial Statements. The Corporation may in the future enter into additional derivatives or other financial instruments in an attempt to further hedge its foreign currency exchange risk.

Interest Rate Risk

The Corporation's exposure to changes in interest rates relates primarily to interest paid on its long-term indebtedness, as well as the interest earned on and market value of its cash, money market funds and debt instruments held at fair value through other comprehensive income. The Corporation is also exposed to fair value interest rate risk on its fixed rate Senior Notes. The Corporation attempts to mitigate cashflow interest rate risk on the First Lien Term Loans through the Swap Agreements but remains exposed to cash flow interest rate risk on the unhedged elements of the First Lien Term Loans, which have variable interest rates.

As at December 31, 2019, the USD First Lien Term Loan and EUR First Lien Term Loan (as defined below) have LIBOR and EURIBOR floors, respectively, of 0% and as such, the interest rate cannot decrease below the applicable margins of 3.50% or 3.75%, respectively. Management monitors movements in the interest rates by frequently reviewing EURIBOR and LIBOR. Including the impact of the Swap Agreements, the annualized impact on earnings before taxes of a 100 basis points strengthening or weakening in the LIBOR rate would result in a decrease or increase of $1.8 million, respectively. EURIBOR is currently negative; however, if it were to turn positive by 100 basis points the annualized impact on earnings before taxes would be a decrease of $9.5 million.

The Corporation's cash consists primarily of cash on deposit with banks and its investments consist primarily of certain highly liquid, short-term instruments, including corporate bonds, government bonds and money market funds. The Stars Group's investment policy and strategy is focused on preservation of capital and supporting its liquidity requirements, not on generating trading profits. Changes in interest rates affect the interest earned on the Corporation's cash and investments and the market value of those investments. However, any realized gains or losses resulting from such interest rate changes would occur only if it sold the investments prior to maturity.

In July 2017, the Financial Conduct Authority ("FCA"), which regulates LIBOR, announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee ("ARRC"), which identified the Secured Overnight Financing Rate as its preferred alternative rate for USD LIBOR in derivatives and other financial contracts. Other benchmark rates including EURIBOR are also impacted by this reform and the European Central Bank has identified the Euro Short Term Rate as its preferred alternative rate for EURIBOR in derivatives and other financial contracts. The Corporation is not able to predict when USD-LIBOR or EURIBOR will cease to be available or when there will be sufficient liquidity in the alternative markets. Any changes adopted by the FCA or other governing bodies in the method used for determining USD-LIBOR and EURIBOR may result in a sudden or prolonged increase or decrease in reported USD-LIBOR and EURIBOR. If that were to occur, the Corporation's interest payments could change. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if USD-LIBOR and EURIBOR were to remain available in their current form. For additional details refer to "Recent Accounting Pronouncements" below.

Liquidity Risk

The Corporation is also exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Corporation manages liquidity risk by continuously monitoring its forecasted and actual cash flows, and matching maturity profiles of financial assets and liabilities. The Corporation's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through its lenders. The Corporation's policy is to seek to ensure adequate funding is available from operations, established lending facilities and other sources, including the debt and equity capital markets, as required. Notwithstanding, the Corporation's ability to secure the capital resources required to satisfy its current or future obligations could be impacted by, among other things, the state of capital markets, micro and macro-economic downturns, and fluctuations of the Corporation's operations.

Contractual Obligations

The following is a summary of the Corporation's contractual obligations as at December 31, 2019:

	Payments due by period			
In thousands of U.S. Dollars	**Total**	**Less than 1 year**	**2 to 5 years**	**After 5 years**
Provisions	67,813	64,928	2,885	—
Long-term debt *	6,504,281	298,463	1,236,756	4,969,062
Lease obligations	62,258	19,633	37,150	5,475
Purchase obligations	774,747	112,983	236,568	425,196
Total contractual obligations	**7,409,099**	**496,007**	**1,513,359**	**5,399,733**

* Includes principal and interest after the impact of the Corporation's hedging activities.

Long-Term Debt

The following is a summary of long-term debt outstanding as at December 31, 2019 and December 31, 2018

In thousands of U.S. Dollars (except as noted)	Contractual interest rate	December 31, 2019 Principal outstanding balance in currency of borrowing	December 31, 2019 Carrying amount in USD	December 31, 2018 Principal outstanding balance in currency of borrowing	December 31, 2018 Carrying amount in USD
USD First Lien Term Loan	5.60%	3,071,375	3,014,409	3,557,125	3,479,823
EUR First Lien Term Loan	3.75%	850,000	934,733	850,000	951,980
Senior Notes	7.00%	1,000,000	982,033	1,000,000	980,008
Loan payable to non-controlling interests	0.00%	—	—	49,936	35,147
Total long-term debt			**4,931,175**		**5,446,958**
Current portion			35,750		35,750
Non-current portion			4,895,425		5,411,208

The decrease in outstanding long-term debt from December 31, 2018 to December 31, 2019 was primarily the result of principal repayments on the USD First Lien Term Loan, including voluntary prepayments of $450.0 million during the year. On December 5, 2019, the Corporation repaid AUD$56.9 million of outstanding shareholder loans payable to the non-controlling interests of BetEasy using available cash on hand. For additional information regarding the Corporation's outstanding long-term debt, see the 2019 Annual Financial Statements.

The contractual principal repayments over the next five years of the Corporation's long-term debt outstanding as at December 31, 2019, amount to the following:

In thousands of U.S. Dollars	<1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	>5 Years
USD First Lien Term Loan	35,750	35,750	35,750	35,750	35,750	2,892,625
EUR First Lien Term Loan	—	—	—	—	—	953,187
Senior Notes	—	—	—	—	—	1,000,000
Total	**35,750**	**35,750**	**35,750**	**35,750**	**35,750**	**4,845,812**

As at December 31, 2019, the Corporation's outstanding long-term debt consisted of: (i) a first lien revolving facility (the "Revolving Facility"); (ii) a USD first lien term loan (the "USD First Lien Term Loan"); (iii) a EUR first lien term loan (the "EUR First Lien Term Loan" and, together with the USD First Lien Term Loan, the "First Lien Term Loans"); (iv) 7.00% Senior Notes (the "Senior Notes"); and (v) a loan payable to the holders of the non-controlling interest of BetEasy.

The credit agreement governing the Revolving Facility and First Lien Term Loans contains customary restrictive covenants and also provides for customary mandatory prepayments, including an excess cash flow sweep. See note 17 in the 2019 Annual Financial Statements for further information in respect of the restrictive covenants. As at December 31, 2019, the Corporation was in compliance with all covenants under the credit agreement.

The indenture governing the Senior Notes (the "Indenture") provides the holders of the Senior Notes with customary rights, including the right to require Stars Group Holdings B.V. to offer to repurchase the Senior Notes in limited circumstances and it also provides the Issuers (as defined below) with the right to redeem some or all of the Senior Notes at defined redemption prices based on when the redemption occurs. The Senior Notes include, among other terms and conditions, certain customary limitations on the Issuers' ability to take certain actions or engage in certain activities. See note 17 in the 2019 Annual Financial Statements for further information in respect of the terms and conditions of the Indenture and Senior Notes.

Revolving Facility

Maturing on July 10, 2023, the Revolving Facility is for $700 million and has a margin of 3.25% above the applicable LIBOR rate. The margin for the Revolving Facility is subject to leverage-based step-downs. The commitment fee on the Revolving Facility varies based on first lien leverage and ranges from 0.250% to 0.375%. Borrowings under the Revolving Facility are subject to the satisfaction of customary conditions, including the absence of a default and compliance with certain representations and warranties. To the extent the Corporation's aggregate drawings on and certain letters of credit against the Revolving Facility exceed 35% of the Revolving Facility, the Corporation must comply on a quarterly basis with a maximum net first lien senior secured leverage ratio of 6.75 to 1.00.

The Revolving Facility can be used for working capital needs and for general corporate purposes. As at December 31, 2019, the Corporation had no funds drawn under the Revolving Facility, but had $74.0 million of letters of credit issued but undrawn thereunder relating to, among other things, the Kentucky bond collateral (as described in the 2018 Annual Financial Statements). Availability under the Revolving Facility as at the date hereof is $625.9 million.

First Lien Term Loans

The First Lien Term Loans consist of a $3.07 billion USD First Lien Term Loan priced at LIBOR plus 3.50% and a €$850 million EUR First Lien Term Loan priced at EURIBOR plus 3.75%, each with a maturity date of July 10, 2025 and a floor of 0%. The USD First Lien Term Loan requires scheduled quarterly payments in amounts equal to 0.25% of the initial principal amount of $3.58 billion, with the balance due at maturity. There is no amortization on the EUR First Lien Term Loan. During the year ended December 31, 2019, the Corporation prepaid $450.0 million, including accrued and unpaid interest, of its USD First Lien Term Loan, using proceeds from the issuance of Common Shares to FOX and available cash on hand. On February 21, 2020 the Corporation prepaid and additional $100.0 million, including accrued and unpaid interest, of its USD First Lien Term Loan, using available cash on hand.

7.00% Senior Notes

On July 10, 2018, two of the Corporation's subsidiaries, Stars Group Holdings B.V. and Stars Group (US) Co-Borrower, LLC (the "Issuers"), issued the 7.00% Senior Notes due 2026 at par in an aggregate principal amount of $1.00 billion. The Senior Notes mature on July 15, 2026. Interest on the Senior Notes is payable semi-annually on January 15 and July 15 of each year. The Senior Notes are guaranteed by each of the Issuers' restricted subsidiaries that guarantees the Revolving Facility. The Senior Notes are the Issuers' senior unsecured obligations and rank equally in right of payment with all of the Issuers' existing and future senior indebtedness. As at December 31, 2019, the aggregate principal amount of outstanding Senior Notes is $1.00 billion.

Loan Payable to Non-Controlling Interest

On December 5, 2019, the Corporation repaid AUD$56.9 million of outstanding shareholder loans payable to the non-controlling interests of BetEasy using available cash on hand.

Hedging Activities

As part of managing the Corporation's exposure to foreign exchange risk and interest rate risk, during the year ended December 31, 2018, the Corporation entered into cross-currency interest rate swap and interest rate swap agreements (collectively, the "Swap Agreements"), each as described below.

The Corporation has USD-EUR cross-currency interest rate swap agreements with an initial notional amount of €1.99 billion ($2.33 billion), which fix the USD to EUR exchange rate at 1.167 and fix the Euro interest payments at an average interest rate of 3.6%, as well as EUR-GBP cross-currency interest rate swap agreements with an initial notional amount of £1.00 billion (€1.12 billion), which fix the EUR to GBP exchange rate at 0.889 and fix the GBP interest payments at an average interest rate of 5.4%. The cross-currency interest rate swaps have a profile that amortizes in line with the USD First Lien Term Loan and each are set to mature in July 2023. The Corporation also has an amortizing USD interest rate swap agreement with an initial notional amount of $700 million, which is set to mature in July 2023, and swaps USD three-month LIBOR to a fixed interest rate of 2.82%.

The USD-EUR cross-currency interest rate swap agreements and the USD interest rate swap agreements are designated as cash flow hedges. The effective portion of the Corporation's cash flow hedges is recognized in the consolidated statements of comprehensive income (loss) until reclassified into the consolidated statements of earnings in the same period the hedged transaction affects earnings.

The EUR-GBP cross-currency interest rate swap agreements are designated as a net investment hedge of the Corporation's GBP functional currency subsidiaries. Accordingly, the portion of the translation impact arising from the translation of the GBP-denominated liabilities that was determined to be an effective hedge during the period was recognized in the consolidated statements of comprehensive income (loss), counterbalancing a portion of the translation impact arising from translation of the Corporation's net investment in its GBP foreign operations.

The Corporation has also designated a portion of the carrying amount of the USD First Lien Term Loan and the carrying amount of the Senior Notes as a net investment hedge in the Corporation's USD functional currency subsidiaries. Accordingly, the portion of the translation impact arising from the translation of the USD-denominated liabilities that was determined to be an effective hedge during the period was recognized in the consolidated statements of comprehensive income (loss), counterbalancing a portion of the translation impact arising from translation of the Corporation's net investment in its USD foreign operations.

The Corporation evaluates the effectiveness of its cash flow and net investment hedges for each reporting period. In respect of its cash flow hedges, in the three months ended December 31, 2019, and 2018, the Corporation recorded $(2.2) million and $(3.0) million of ineffectiveness, respectively, and $8.1 million and $(14.9) million of ineffectiveness in the year ended December 31, 2019, and 2018, respectively. In respect of its net investment hedges, no ineffectiveness was recorded for those same periods.

See note 19 in the 2019 Annual Financial Statements for further information regarding the Corporation's hedging activities.

RECONCILIATIONS

To supplement its 2019 Annual Financial Statements presented in accordance with IFRS, the Corporation considers certain financial measures that are not prepared in accordance with IFRS, including those set forth below. See "Non-IFRS Measures, Key Metrics and Other Data" above. The tables below present reconciliations of Adjusted EBITDA, Adjusted Net Earnings, Adjusted Diluted Net Earnings per Share, and Free Cash Flow, each as presented in this MD&A. The Corporation does not provide a reconciliation for the numerator of QNY as the revenue components thereof (i.e., Poker, Gaming and Betting, as applicable) and Other revenue are set forth in "Segment Results of Operations" above.

Adjusted EBITDA

	Three Months Ended December 31, 2019				
In thousands of U.S. Dollars	International	United Kingdom	Australia	Corporate	Consolidated
Net earnings (loss)	77,543	41,606	(846)	(37,013)	81,290
Income tax recovery	—	—	—	17,965	17,965
Net financing charges	—	—	—	(29,048)	(29,048)
Operating income (loss)	77,543	41,606	(846)	(25,930)	92,373
Depreciation and amortization	44,224	61,179	9,080	178	114,661
Add (deduct) the impact of the following:					
Acquisition-related costs and other certain costs related to the Combination[1]	—	—	11,780	5,246	17,026
Stock-based compensation[2]	—	—	—	5,331	5,331
(Gains) losses from investments	(1,975)	33	—	—	(1,942)
Impairment of intangible and other assets	1,059	85	—	—	1,144
Other costs (income)	14,215	1,441	(133)	4,996	20,519
Total adjusting items	**13,299**	**1,559**	**11,647**	**15,573**	**42,078**
Adjusted EBITDA	**135,066**	**104,344**	**19,881**	**(10,179)**	**249,112**

	Year Ended December 31, 2019				
In thousands of U.S. Dollars	International	United Kingdom	Australia	Corporate	Consolidated
Net earnings (loss)	375,788	65,576	(5,071)	(374,431)	61,862
Income tax recovery	—	—	—	197	197
Net financing charges	—	—	—	(202,534)	(202,534)
Operating income (loss)	375,788	65,576	(5,071)	(172,094)	264,199
Depreciation and amortization	159,895	241,283	36,703	745	438,626
Add (deduct) the impact of the following:					
Acquisition-related costs and other certain costs related to the Combination[1]	—	—	11,780	15,385	27,165
Stock-based compensation[2]	—	—	—	18,842	18,842
(Gains) losses from investments	(2,690)	77	—	93	(2,520)
Impairment of intangible and other assets	1,071	2,860	—	—	3,931
Other costs	70,787	14,837	946	84,312	170,882
Total adjusting items	**69,168**	**17,774**	**12,726**	**118,632**	**218,300**
Adjusted EBITDA	**604,851**	**324,633**	**44,358**	**(52,717)**	**921,125**

	Three Months Ended December 31, 2018				
In thousands of U.S. Dollars	International	United Kingdom	Australia	Corporate	Consolidated
Net earnings (loss)	92,089	16,718	(288)	(146,692)	(38,173)
Income tax expense	—	—	—	(14,450)	(14,450)
Net financing charges	—	—	—	(97,715)	(97,715)
Operating income (loss)	92,089	16,718	(288)	(34,527)	73,992
Depreciation and amortization	35,950	55,237	8,753	85	100,025
Add (deduct) the impact of the following:					
Acquisition-related costs[1]	—	—	—	3,084	3,084
Stock-based compensation[2]	—	—	—	4,004	4,004
Loss from investments and associates	1,297	—	—	—	1,297
Impairment of intangible and other assets	678	602	—	—	1,280
Other costs	38,163	1,397	5,218	10,944	55,722
Total adjusting items	**40,138**	**1,999**	**5,218**	**18,032**	**65,387**
Adjusted EBITDA	**168,177**	**73,954**	**13,683**	**(16,410)**	**239,404**

In thousands of U.S. Dollars	Year Ended December 31, 2018 International	United Kingdom	Australia	Corporate	Consolidated
Net earnings (loss)	499,976	(11,707)	(33,881)	(563,294)	(108,906)
Income tax recovery	—	—	—	988	988
Net financing charges	—	—	—	(371,086)	(371,086)
Net earnings from associates	1,068	—	—	—	1,068
Operating income (loss)	498,908	(11,707)	(33,881)	(193,196)	260,124
Depreciation and amortization	144,304	108,879	29,476	147	282,806
Add (deduct) the impact of the following:					
Acquisition-related costs and deal contingent forward expenses[1]	—	—	—	115,569	115,569
Stock-based compensation[2]	—	—	—	12,806	12,806
Loss from investments and associates	1,667	—	—	—	1,667
Impairment of intangible and other assets	5,621	602	—	—	6,223
Other costs	52,842	4,333	25,976	18,603	101,754
Total adjusting items	**60,130**	**4,935**	**25,976**	**146,978**	**238,019**
Adjusted EBITDA	**703,342**	**102,107**	**21,571**	**(46,071)**	**780,949**

Adjusted Net Earnings and Adjusted Diluted Net Earnings per Share

In thousands of U.S. Dollars (except per share amounts)	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Net earnings (loss)	**81,290**	**(38,173)**	**61,862**	**(108,906)**
Income tax (recovery) expense	(17,965)	14,450	(197)	(988)
Earnings (loss) before income taxes	**63,325**	**(23,723)**	**61,665**	**(109,894)**
Add (deduct) the impact of the following:				
Interest accretion[3]	9,336	12,367	37,267	42,431
Loss on debt extinguishment	—	3,453	—	146,950
Loss (gain) on re-measurement of deferred contingent payment[3]	5,342	(9,095)	(7,371)	(342)
(Gain) loss on re-measurement of embedded derivative[3]	(48,100)	17,400	(98,300)	6,100
Unrealized foreign exchange loss on financial instruments associated with financing activities	4,169	6,902	11,320	7,202
Ineffectiveness on cash flow hedges[3]	(2,196)	(2,960)	8,052	(14,909)
Acquisition-related costs, deal contingent forward expenses and certain other costs related to the Combination[1]	17,026	3,084	27,165	115,569
Amortization of acquisition intangibles[3]	85,066	86,686	346,946	241,651
Stock-based compensation[2]	5,331	4,004	18,842	12,806
(Gain) loss from investments and earnings from associates	(1,942)	1,297	(2,520)	599
Impairment of intangible and other assets	1,144	1,280	3,931	6,223
Other costs	20,519	55,722	170,882	101,754
Adjust for income tax expense	(14,204)	(11,754)	(44,654)	(22,192)
Adjusted Net Earnings	**144,816**	**144,663**	**533,225**	**533,948**
Adjusted Net Earnings attributable to				
Shareholders of The Stars Group Inc.	142,331	141,738	528,510	531,168
Non-controlling interest	2,485	2,925	4,715	2,780
Adjusted Net Earnings	**144,816**	**144,663**	**533,225**	**533,948**
Diluted Shares	291,102,048	273,294,532	284,478,637	242,768,766
Adjusted Diluted Net Earnings per Share	0.49	0.52	1.86	2.19

The table below presents certain items comprising “Other costs” in the Adjusted EBITDA, Adjusted Net Earnings and Adjusted Diluted Net Earnings per Share reconciliation tables above:

In thousands of U.S. Dollars	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Integration costs of acquired businesses	2,556	17,042	19,753	45,597
Financial expenses	144	3,645	1,733	446
Restructuring expenses[4]	8,941	2,283	37,474	8,827
AMF, foreign payments and other investigation and related professional fees[5]	2,873	2,902	18,896	6,673
Lobbying (US and Non-US) and other legal expenses[6]	2,768	6,276	14,909	16,194
Professional fees in connection with non-core activities[7]	3,019	2,602	21,889	4,578
Austria gaming duty	—	—	—	(3,679)
Acquisition of option rights for market access	—	20,661	22,500	20,661
Legal settlement[8]	—	—	32,500	—
Other	218	311	1,228	2,457
Other costs	**20,519**	**55,722**	**170,882**	**101,754**

Free Cash Flow

In thousands of U.S. Dollars	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2018
Net cash inflows from operating activities	190,149	190,537	670,634	559,844
Customer deposit liability movement	13,122	4,712	13,884	(7,637)
	203,271	195,249	684,518	552,207
Capital expenditure:				
Additions to deferred development costs	(23,535)	(18,888)	(82,751)	(51,574)
Additions to property and equipment	(11,672)	(15,161)	(27,523)	(33,952)
Additions to intangible assets	(3,967)	(11,934)	(25,288)	(28,202)
Interest paid	(50,971)	(57,771)	(279,284)	(186,162)
Debt servicing cash flows (excluding voluntary prepayments)	(14,194)	(8,937)	(53,282)	(29,367)
Free Cash Flow	**98,932**	**82,558**	**216,390**	**222,950**

United Kingdom Segment QNY

The table below presents proforma revenue for the United Kingdom segment for the three months ended September 30, 2018, which includes revenue earned by SBG prior to the SBG Acquisition from July 1, 2018 through July 9, 2018, for use in the calculation of the numerator of QNY for the United Kingdom segment for the applicable period:

In thousands of U.S. Dollars	$
Revenue as reported for the three months ended September 30, 2018	
Poker	2,884
Gaming	73,318
Betting	85,189
Total	161,391
Add: pre-acquisition revenue	28,018
Revenue as adjusted for QNY	189,409

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[1] Acquisition-related costs, deal contingent forward expenses and certain other costs related to the Combination are excluded from Adjusted EBITDA as management believes these expenses are not representative of the underlying operations for the following reasons:
- Acquisition-related costs include legal and professional fees incurred in connection with the Acquisitions.
- Costs associated with the BetEasy Minority Acquisition include costs incurred in connection with employee retention programs implemented by management to manage certain personnel-related risks associated with the BetEasy Minority Acquisition, and a contractual payment to a third-party supplier of pricing services to BetEasy due upon the completion of the BetEasy Minority Acquisition.
- Deal contingent forward expenses include costs associated with forward contracts that were entered into to hedge foreign exchange risk associated with the purchase price of the Acquisitions.
- Other costs related to the Combination include legal and professional fees and costs incurred in connection with employee retention programs implemented by management to manage certain personnel-related risks associated with the same.

[2] Stock-based compensation expense excluded from Adjusted EBITDA primarily due to its discretionary nature.

[3] Interest accretion, gains or losses on the re-measurement of contingent consideration and an embedded derivative recognized in respect of the Senior Notes, ineffectiveness on cash flow hedges, and amortization of intangible assets resulting from purchase price allocations following acquisitions are excluded from Adjusted Net Earnings as these are accounting adjustments that are not representative of underlying cash operating activities or expenses of the Corporation.

[4] Restructuring expenses relate to certain operational and staff restructuring programs implemented following the Acquisitions, and certain of the Corporation's recent strategic cost savings initiatives (i.e., referred to by the Corporation as "operational excellence" or "operational efficiency" programs). Management does not consider such expenses to be part of its ongoing core operating activities or expenses. Following and as a result of the restructuring programs and efforts to achieve expected cost synergies related to the Acquisitions in the United Kingdom and Australia segments, during the three months and year ended December 31, 2019, the Corporation reassessed its fixed-cost base within the International segment and Corporate cost center and implemented an operational excellence program to optimize the same, including a reduction in headcount and the relocation of certain roles across and within applicable geographies. As a result, costs related to this program that are excluded from Adjusted EBITDA for the three months and year ended December 31, 2019 include (i) $4.4 million and $23.9 million, respectively, of accrued termination payments recognized under IAS 37, *Provisions, contingent liabilities and contingent assets* and IAS 19, *Employee benefits,* and (ii) $4.6 million and $13.6 million, respectively, for salaries and associated compensation relating to roles that are either being made redundant or that are expected to be

relocated (for relocations, to the extent that such salaries and associated compensation exceeds or will exceed the same in the new location for the respective relocated roles). The Corporation expects to continue excluding such costs from Adjusted EBITDA through the respective termination or relocation dates of the impacted personnel.

[5] Legal and professional fees related to the previously disclosed Autorité des marchés financiers ("AMF"), foreign payments and other investigation matters described in this MD&A and the 2019 Annual Information Form under the heading “Legal Proceedings and Regulatory Actions”. On June 6, 2019, the AMF advised the Corporation that it had closed its investigation and no charges will be laid against the Corporation or any of its current directors or officers in connection with the previously reported AMF investigation and related matters.

[6] The Corporation excludes certain lobbying and legal expenses in jurisdictions where it is actively seeking licensure or similar approval because management believes that the Corporation’s incremental cost of these lobbying and legal expenses in such jurisdictions is generally higher than its peers given liabilities and related issues primarily stemming from periods prior to the acquisition of the Stars Interactive Group in 2014 or from matters not directly involving the Corporation or its current business.

[7] Professional fees in connection with non-core activities are excluded from Adjusted EBITDA as management believes these expenses are not representative of the underlying operations. Such professional fees include those related to litigation matters, incremental accounting and audit fees incurred in connection with the integration of the Acquisitions, including as it relates to internal controls with respect to the same, and the previously announced partnership with FOX Sports and transactions in connection with obtaining and securing potential market access to certain U.S. states in which the Corporation currently does not operate.

[8] For additional information see below under the heading “Legal Proceedings and Regulatory Actions” and note 8 of the 2019 Annual Financial Statements.

SUMMARY OF QUARTERLY RESULTS

The following financial data for each of the eight most recently completed quarters has been prepared in accordance with IFRS. The presentation currency for each period presented below was and remains the U.S. dollar.

	For the three months ended							
In thousands of U.S. Dollars (except per share amounts)	**Mar. 31, 2018**	**Jun. 30, 2018**	**Sept. 30, 2018**	**Dec. 31, 2018**	**Mar. 31, 2019**	**Jun. 30, 2019**	**Sept. 30, 2019**	**Dec. 31, 2019**
Revenue	392,891	411,512	571,983	652,852	580,384	637,618	622,484	687,962
Gross profit	312,627	327,875	442,757	486,815	417,748	463,708	456,459	497,471
Operating income	113,866	1,064	71,201	73,992	61,537	93,955	16,334	92,373
Net earnings (loss)	74,361	(154,824)	9,730	(38,173)	27,658	4,629	(51,715)	81,290
Basic net earnings (loss) per Common Share	$ 0.51	$ (1.01)	$ 0.06	$ (0.14)	$ 0.10	$ 0.02	$ (0.18)	$ 0.28
Diluted net earnings (loss) per Common Share	$ 0.36	$ (1.01)	$ 0.06	$ (0.14)	$ 0.10	$ 0.02	$ (0.18)	$ 0.28

Over the past eight quarters, the Corporation's quarterly revenue has generally increased quarter-over-quarter. Revenue decreased for the three months ended March 31, 2019 compared to the immediately preceding quarter primarily as a result of the negative impact of a lower than the long-term historical average Betting Net Win Margin. Revenue decreased for the three months ended September 30, 2019 compared to the immediately preceding quarter primarily as a result of a decrease in revenue in the International segment as discussed above under "Segment Results of Operations". The growth shown above was primarily driven by the positive impact of the Acquisitions.

For a discussion of results, trends and variances, including the impact of foreign currency fluctuations, over the three-month periods and years ended December 31, 2019 and 2018, see "Consolidated Results of Operations and Cash Flows", "Segment Results of Operations" and "Liquidity and Capital Resources" contained in this MD&A.

The Corporation's consolidated and segmental results of operations can fluctuate due to seasonal trends and other factors. The Corporation believes that the climate and weather in geographies where its customers reside tend to impact, among other things, revenue from operations, key metrics and customer activity, and as such, historically those have been generally higher in the first and fourth quarters than in the second and third quarters. The Betting operations (and thus the financial performance) of the Corporation are also subject to the seasonal variations dictated by various sports calendars. A significant portion of the Corporation's Betting revenue is and will continue to be generated from bets placed on European football, which has an off-season in the summer that can cause a corresponding temporary decrease in its Betting revenue, and betting on horse racing. The Australian Football League and the National Rugby League comprises a large portion of Betting revenue in the Australia segment. In addition, the Corporation currently expects a growing portion of its Betting revenues to be derived from sporting events and leagues based in emerging markets, such as the United States, which have different sports calendars than those in other established markets, such as Europe and Australia. The Corporation's revenue may also be affected by the scheduling of major sporting events that do not occur annually, such as the World Cup and the UEFA European Championships and other major sporting events globally. In addition, certain individuals or teams advancing or failing to advance and their scores and other results within specific tournaments, games or events may have adverse consequences on the Corporation's financial performance. Also, the cancellation of sporting events and races could negatively impact Stakes and revenue.

With respect to online Betting, revenue generally fluctuates in line with Betting Net Win Margin. However, the impact on revenue may be mitigated by the impact of Betting Net Win Margin on Stakes, which can fluctuate inversely with such margins. As a result, prolonged periods of high Betting Net Win Margin can negatively impact customer experience, enjoyment and engagement levels, thus resulting in lower customer betting and/or gaming activity levels. Conversely, while periods of low Betting Net Win Margin tend to negatively impact revenue, this may be partially mitigated by increased customer wagering volume (generally referred to as recycling of winnings) due to the positive impact of customer-favorable results on customer experience, enjoyment and engagement. Further, changes to the Corporation's use of various offsets to revenue including free bets, bonuses and promotions, and/or loyalty program rewards impact reported revenue, which could also cause fluctuations. As such, results for any quarter are not necessarily indicative of the results that may be achieved in another quarter or for the full fiscal year. There can be no assurance that the seasonal trends and other factors that have impacted the Corporation's historical results will repeat in future periods as the Corporation cannot influence or forecast many of these factors. For other factors that may cause its results to fluctuate, including market risks, such as foreign exchange risks, see "Overview and Outlook" above, "Risk Factors and Uncertainties" above, and the 2019 Annual Information Form, including under the headings "Risk Factors and Uncertainties" and "Business of the Corporation—Seasonality and Other Factors Impacting the Business" therein.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For a description of the Corporation's significant accounting policies, critical accounting estimates and judgments, and related information, see notes 2 and 3 to the 2019 Annual Financial Statements. Below are the Corporation's new significant accounting policies and its critical accounting estimates or judgments during the three months and year ended December 31, 2019.

IFRS 16, *Leases*

The Corporation adopted IFRS 16 effective January 1, 2019. See note 4 to the 2019 Annual Financial Statements. In preparation for the first-time application of IFRS 16, the Corporation carried out an implementation project, which has shown that the new definition in IFRS 16 did not significantly change the scope of the Corporation's contracts that meet the definition of a lease.

IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease requirements and adding a requirement to recognize a right-of-use asset and a lease liability at the commencement of all leases except short-term leases and leases of low-value assets for which the election to recognize a lease expense on a straight-line basis has been applied. The requirements for lessor accounting have remained substantially unchanged. The Corporation applied IFRS 16 using the modified retrospective approach, with right-of-use assets being measured at an amount equal to the lease liability, adjusted for any amount of applicable prepaid or accrued lease payments recognized on the statement of financial position as at December 31, 2018. As a result, there was no restatement of the comparative period. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for applicable consideration.

The Corporation applied the following transitional-related elections available upon transition to IFRS 16:

- Hindsight in the determination of right-of-use assets and lease liabilities on transition;
- Reliance on the assessment of whether leases are onerous by applying IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review;
- Exclusion of initial direct costs from the measurement of right-of-use assets on transition; and
- No recognition of right-of-use assets and lease liabilities for leases expiring within 12 months of adoption of IFRS 16.

The Corporation as a Lessee

The Corporation assesses whether a contract is or contains a lease at the inception of the applicable contract. IFRS 16 changes how the Corporation accounts for leases that it otherwise would have previously classified as operating leases under IAS 17, *Leases* ("IAS 17"). Under IFRS 16, for all leases except as noted above, the Corporation:

a) Recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position, initially measured at the present value of future lease payments;
b) Recognizes depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss as part of general and administrative expense and other interest expense within net financing charges, respectively; and
c) Separates the total amount of cash payments in relation to lease liabilities into a principal portion and interest (each presented within financing activities) in the consolidated statement of cash flows.

Lease incentives are recognized as part of the measurement of right-of-use assets and as part of lease liabilities, except if received prior to lease commencement, while under IAS 17 they resulted in the recognition of a lease incentive liability and were amortized as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets* ("IAS 36"), which replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, such as personal computers and office furniture, the Corporation has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

The lease liability is initially measured at the present value of the future lease payments, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Corporation uses its incremental borrowing rate at the lease commencement date. The Corporation subsequently measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

Lease payments included in the measurement of the lease liability include:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate initially measured using the index or rate at the commencement date;
- Amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease includes an option to terminate the lease.

The Corporation remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement of the lease, and any initial costs. They are then subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability or right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers such payments occurs.

As a practical expedient, IFRS 16 permits a lessee to account for any lease and associated non-lease components as a single arrangement instead of separating the non-lease components. The Corporation has applied this practical expedient.

The Corporation as a Lessor

The Corporation does not currently have any material contracts where the Corporation acts as a lessor.

IFRIC 23, *Uncertainty over Income Tax Treatments*

The Corporation adopted IFRIC 23 effective January 1, 2019. See note 4 to the 2019 Annual Financial Statements. Where uncertain tax treatments exist, the Corporation assesses whether it is probable that a tax authority will accept the uncertain tax treatment applied or proposed to be applied in its income tax filings. The Corporation assesses for each uncertain tax treatment whether it should be considered independently or whether some tax treatments should be considered together based on what the Corporation believes provides a better prediction of the resolution of the uncertainty. The Corporation considers whether it is probable that the relevant authority will accept each uncertain tax treatment, or group of uncertain tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The adoption of the interpretation did not have a material impact on the 2019 Annual Financial Statements.

IFRS 2, *Share-based Payment* ("IFRS 2")

For share-based payment transactions that may be settled in cash on the occurrence of a contingent event which is in the control of neither the Corporation nor the counterparty to the payment ("contingently cash-settled share-based payments"), the Corporation applies the "probable" approach. Under this approach, the share-based payment is classified as either cash-settled or equity-settled in its entirety depending on which outcome is probable at each reporting date. Any change in the probable method of settlement is treated as a change in accounting estimate, with the cumulative expense updated to reflect the appropriate charge for the method of settlement now considered probable.

Key sources of estimation uncertainty

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. The following discussion sets forth key sources of estimation uncertainty at the end of the reporting period that management believes have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Goodwill impairment

At least annually, the Corporation tests whether goodwill is subject to any impairment in accordance with the applicable accounting policy set forth in note 2 of the 2019 Annual Financial Statements. The Corporation completed its annual goodwill impairment testing as at December 31, 2019.

Estimation uncertainty exists in the determination of goodwill impairment, which is based on the recoverable amount for any cash generating units ("CGUs") or group of CGUs. The recoverable amount for any CGU or group of CGUs is determined based on the higher of (i) fair value less costs to sell and (ii) value in use. Both valuation approaches require management to make estimates about the future. Goodwill impairment exists when the carrying value of a CGU or group of CGUs exceeds its recoverable amount. Estimates used in determining the recoverable amount include but are not limited to expected cash flows, growth rates, capital expenditures and discount rates. If in the next financial year there is a significant decline in the performance of a CGU or group of CGUs, a significant change in regulation impacting the Corporation's operations, or a combination of changes to the key assumptions disclosed in note 11 of the 2019 Annual Financial Statements, this could result in an impairment loss.

Uncertain tax treatments

Determining the Corporation's income tax and its provisions for income taxes involves a significant degree of estimation and judgment, particularly in respect of open tax returns relating to prior years where the liabilities remain to be agreed with the local tax authorities. The Corporation is also subject to tax audits and has a number of open tax inquiries covering corporate tax matters. As a result, it has recognized a number of provisions against uncertain tax positions that are recognized based on management's best estimate of the outcome after taking into consideration all available evidence, and where appropriate, after taking external advice. This includes the reassessment from the Canadian tax authorities relating to transfer pricing, where a provision for the full amount of the reassessments received was booked during the year ended December 31, 2017 and discussions with the Canadian tax authorities are continuing to date through the usual appeals process. See note 9 of the 2019 Annual Financial Statements. The tax provisions recorded in the Corporation's 2019 Annual Financial Statements in respect of prior years relate to intercompany trading and financing arrangements entered into in the normal course of business and tax audits that are currently in progress with fiscal authorities. Due to the uncertainty associated with such tax items it is possible that at a future date, on resolution of the open tax matters, the final outcome may vary significantly and there is the potential for a material adjustment to the carrying amounts of the liability recorded as a result of this estimation uncertainty.

Valuation of embedded derivatives

The Senior Notes include certain embedded features allowing the Corporation to redeem the Senior Notes or allowing the holders to require a redemption of the Senior Notes. As previously disclosed, these features were bifurcated from the carrying value of the Senior Notes. Management used estimates, including an implied credit spread of 1.9% as at December 31, 2019 (December 31, 2018 - 4.6%), in determining the fair value of the embedded derivative. The implied credit spread represents management's estimate of the Corporation's creditworthiness as implied by the market value of the Senior Notes. See notes 17, 19 and 26 to the 2019 Annual Financial Statements. During the year end December 31, 2019, a gain of $98.3 million was recorded through Net financing charges in relation to the re-measurement of the embedded derivative, of which $48.1 million of the gain was recorded in the fourth quarter of 2019.

Critical accounting judgments

The preparation of the Corporation's 2019 Annual Financial Statements requires management to exercise its judgment in applying the Corporation's accounting policies. Judgments are continuously evaluated and are based on historical experience, general economic conditions, and trends and other factors, including expectations of future events.

The following discussion sets forth for the three months and year ended December 31, 2019 what management believes to be the most significant judgments in applying the Corporation's accounting policies.

Contingent liabilities

The Corporation reviews its legal proceedings following developments in the same at each balance sheet date, considering, among other things: the nature of the litigation, claim or assessment; the legal processes and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought; the progress of the case (including progress after the date of the 2019 Annual Financial Statements but before those statements are issued); the opinions or views of legal counsel and other advisors; experience of similar cases; and any decision of the Corporation's management as to how it will respond to the litigation, claim or assessment. The Corporation assesses the probability of an outflow of resources to settle the alleged obligation as well as if the outflow can be reliably measured. If these conditions are not met, no provision will be recorded and the relevant facts will be disclosed as a contingent liability. To the extent that the Corporation's assessments at any time do not reflect subsequent developments or the eventual outcome of any claim, its future consolidated financial statements may be materially affected, with a favorable or adverse impact on the Corporation's business, financial condition or results of operations See note 28 to the 2019 Annual Financial Statements.

Determination of lease term

The Corporation's lease portfolio includes contracts with extension and termination options. These terms are used to maximize operational flexibility with respect to managing such contracts.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Corporation reviews the applicable assessment if a significant event or a significant change in circumstances occurs which affects the assessment and that is within the control of the lessee. If the Corporation exercises an extension option (or elects not to exercise a termination option) that was not included in the lease term, this would result in an increase to the right of use asset and lease liability. As at December 31, 2019, the weighted average remaining life of the Corporation's leases is 4.2 years.

FOX equity option

On May 8, 2019, the Corporation and FOX Sports, announced plans to launch FOX Bet, the first-of-its kind national media and sports wagering partnership in the United States and entered into a commercial agreement of up to 25 years. As part of the transaction, FOX Sports will receive certain brand license, integration and affiliate fees. In addition, during the term of the commercial agreement, the Corporation has agreed to a minimum annual advertising commitment on certain FOX media assets. Prior to the tenth anniversary of the commercial agreement, and subject to certain conditions and applicable gaming regulatory approvals, FOX Sports has the right to acquire up to a 50% equity stake in the Corporation's U.S. business. In accordance with IFRS 2, based on the judgment of the Corporation's management, this right granted to FOX Sports is considered a contingently cash-settled share-based payment because FOX Sports, subject to receiving regulatory approvals and meeting certain other conditions, has discretion to exercise the right During the year ended December 31, 2019, the Corporation recorded \$0.1 million to cost of sales and \$7.6 million to sales and marketing expense, respectively, in the 2019 Annual Financial Statements in relation to the commercial agreement.

Management has made certain judgments in the recognition and measurement of liabilities in relation to this commercial agreement and associated right of FOX Sports to acquire equity, including its judgment as to the probable method of settlement. The right has been valued using a discounted cash flow model and as it represents a contingently cash-settled share-based payment, will be recorded at fair value each reporting period.

Combination with Flutter Entertainment Plc

On October 2, 2019, the Corporation reached an agreement on the terms of an all-share combination recommended by the Board to be implemented through an acquisition of The Stars Group by Flutter pursuant to a plan of arrangement under the OBCA. For additional details, see note 31 of the 2019 Annual Financial Statements. Management has prepared its consolidated financial statements without giving effect to the potential impacts a combination with Flutter would have on the Corporation's existing accounting treatments. This includes, but is not limited to, such judgments related to (i) the forecasted cash flows associated with the Corporation's long-term debt and the related impact on its hedge accounting conclusions, and (ii) the expected period of vesting and change in control implications in relation to the Corporation's long-term incentive program.

RECENT ACCOUNTING PRONOUNCEMENTS

Amendments to IFRS 9, *Financial Instruments*, IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures*

In September 2019, the IASB issued amendments to IFRS 9, IAS 39, and IFRS 7 in order to provide relief in respect of the potential impacts to hedge accounting following the uncertainties arising from the impact of the Interbank offered rate ("IBOR") reform on the timing and amount of designated future cash flows. For additional information on IBOR reform refer above under "Liquidity and Capital Resources—Market Risk". The amendments provide exceptions to the requirements of hedge accounting during this period of uncertainty with the impact being that existing and new hedge accounting designations will be unaffected by the above noted uncertainties. The amendments are effective for annual reporting periods beginning on or after January 1, 2020, but the Corporation chose to early apply the amendments for the reporting period ending December 31, 2019. Adopting these amendments allows the Corporation to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

Cash flow hedge accounting under IAS 39 requires the future hedged cash flows to be 'highly probable'. The relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Hence, where the hedged cash flows may change as a result of the IBOR reform this will not cause the 'highly probable' test to fail. IAS 39 requires a forward-looking prospective assessment whereby the hedge must be expected to be highly effective in order to hedge accounting. Under the amendments, an entity assumes that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based is not altered by IBOR reform. The uncertainties described above in the context of prospective assessments could also affect IAS 39's retrospective effectiveness requirement. IAS 39 has further been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this required 80–125% range.

The Corporation's USD First Lien Term Loan, certain of its cross-currency interest rate swaps and its interest rate swap are indexed to USD-LIBOR and the Corporation's EUR First Lien Term Loan is indexed to EURIBOR. The Corporation is monitoring and evaluating the related risks, which include interest payments on the First Lien Term Loans, and amounts received on certain of its cross-currency interest rate swaps and the interest rate swap. These risks arise in connection with transitioning contracts to an alternative rate, including any resulting value transfer that may occur. The fair value of the financial instruments tied to USD-LIBOR and EURIBOR could also be impacted if USD-LIBOR and EURIBOR are limited or discontinued. Additional risk exists as the method of transitioning to an alternative reference rate may be challenging and requires agreement with the respective counterparty about how to make the transition.

If the Corporation's contracts are not transitioned to alternative reference rates and USD-LIBOR and EURIBOR are discontinued, the impact on our indexed financial instruments is likely to vary by contract. If USD-LIBOR and EURIBOR are discontinued or if the methods of calculating USD-LIBOR and EURIBOR change from their current form, interest rates on our current or future indebtedness may be adversely affected.

While the Corporation expects USD-LIBOR and EURIBOR to be available in substantially their current form until the end of 2021, it is possible that USD-LIBOR and EURIBOR will become unavailable prior to that point. This could result, for example, if sufficient banks decline to make submissions to the USD-LIBOR and EURIBOR administrators. In that case, the risks associated with the transition to an alternative reference rates will be accelerated and magnified.

The Corporation will continue to apply the amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Corporation is exposed ends. The Corporation has assumed that this uncertainty will not end until the Corporation's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment.

IFRIC agenda decision

In November 2019, the IFRIC discussed a question about how to determine the lease term for cancellable or renewable leases. Entities may enter into cancellable or renewable leases that do not specify a particular term, but which continue indefinitely until one party gives notice to terminate. The request asked how the lease term should be determined and whether the useful life of any related non-removable leasehold improvements is limited to the lease term determined applying IFRS 16. The IFRIC clarified that determining the lease term will depend on both the termination penalties in the contract and the broader economics of the contract. Further an entity must apply IAS 16 *Property, Plant and Equipment* ("IAS 16) in determining the useful life of non-removable leasehold improvements and may often conclude that it will use and benefit from leasehold improvements only for as long as it uses the underlying leased asset.

The IFRIC concluded that the principles and requirements in IFRS 16 provide an adequate basis for an entity to determine the lease term of cancellable and renewable leases and those in IAS 16 and IFRS 16 provide an adequate basis for an entity to determine the useful life of any non-removable leasehold improvements relating to such a lease. Therefore, the IFRIC decided not to add these items to its agenda. Agenda decisions issued by the IFRIC do not have an application date. Sufficient time is entity specific and depends on the relevant facts and circumstances, but agenda decisions are expected to be implemented as soon and as quickly as possible. The IASB expects this to be months rather than years. The Corporation is currently assessing the impact of the agenda decision and does not expect a material impact to the consolidated financial statements. The Corporation expects to have completed its assessment in the first quarter of 2020.

OFF BALANCE SHEET ARRANGEMENTS AND RELATED PARTY TRANSACTIONS

Off Balance Sheet Arrangements

As at December 31, 2019, the Corporation had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Corporation's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Related Party Transactions

The Corporation's key management have authority and responsibility for overseeing, planning, directing and controlling its activities and consist of the members of the Board, the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Corporate Development Officer, Executive Vice-President and Chief Legal Officer, Chief Technology Officer, and certain other senior members of management. Total compensation expense for such key management was $23.7 million in 2019, as compared to $17.9 million in 2018. The increase in compensation expense for such key management was primarily the result of increased stock-based compensation following the continued implementation of a long-term incentive plan. For additional information, see note 30 of the 2019 Annual Financial Statements and the Corporation's most recent management information circular for its annual meeting of shareholders.

OUTSTANDING SHARE DATA

	As at February 25, 2020
Common Shares issued and outstanding	288,624,892
Common Shares issuable upon exercise of options	2,992,322
Common Shares issuable upon settlement of other equity-based awards	4,633,880
Total Common Shares on a fully-diluted basis	**296,251,094**

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

For information regarding the Corporation's material legal proceedings and regulatory actions, and material changes or updates thereto, see the 2019 Annual Information Form, particularly under the heading "Legal Proceedings and Regulatory Actions" and note 28 to the 2019 Annual Financial Statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The applicable rules of the U.S. Securities and Exchange Commission and the Canadian Securities Administrators require The Stars Group's certifying officers, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), to establish and maintain disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in such rules. In compliance with these rules, the Corporation has filed applicable certifications signed by the CEO and the CFO that, among other things, report on the design of each of DC&P and ICFR.

Disclosure Controls and Procedures

The CEO and CFO have designed DC&P, or have caused them to be designed under their supervision, to provide reasonable assurance that:

- material information relating to the Corporation is made known to them by others, particularly during the period in which the annual and interim filings are being prepared; and
- information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's DC&P at the financial year end December 31, 2019. Based on that evaluation, the CEO and CFO concluded that, because of material weaknesses in the Corporation's ICFR discussed below, the Corporation's DC&P were not effective as of December 31, 2019. Notwithstanding these material weaknesses, the Corporation's management, including the CEO and CFO, have concluded that the 2019 Annual Financial Statements present fairly, in all material respects, the Corporation's financial position, results of operations and cash flows for the periods presented in conformity with IFRS.

Management's Annual Report on Internal Control Over Financial Reporting

The CEO and CFO have designed ICFR, or have caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Corporation's accounting and reporting standards.

The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's ICFR at the financial year end December 31, 2019, based on the criteria set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO Framework"). The first time that the CEO and CFO were required to evaluate the effectiveness of internal controls at SBG and BetEasy following their acquisitions was December 31, 2019. Based on that evaluation, the CEO and CFO concluded that the Corporation's ICFR was not effective as of December 31, 2019, due to the fact that there were material weaknesses in the same. A material weakness is a deficiency, or a combination of deficiencies, in ICFR, such that there is a reasonable possibility that a material misstatement of the Corporation's annual or interim financial statements or report will not be prevented or detected on a timely basis.

Management identified the internal control deficiencies within the Corporation's ICFR described below, which management concluded that as of December 31, 2019, represent material weaknesses within the Corporation's ICFR. This led management to conclude that the Corporation's ICFR as of such date were not effective. There were no restatements or other adjusting entries (except as noted below) required in the 2019 Annual Financial Statements or otherwise as a result of these material weaknesses.

Information Technology and Business Process Controls at BetEasy

As the Corporation experienced significant expansion of operations and processes following the Acquisitions, it invested significant resources to improve its overall internal control environment, particularly at BetEasy. As part of its improvement efforts, during the fourth quarter of 2019, management assessed information derived from BetEasy's betting engine and general ledger system and, based on such information, identified deficiencies related to the design of the controls over user access to BetEasy's information technology ("IT") systems related to its betting engine and the general ledger system. As a result of these deficiencies, the related process-level manual and automated application controls that rely on information generated from the affected IT systems were deemed ineffective. Additionally, management also identified a deficiency in the operation of relevant business process controls in that such controls were put in place towards the end of 2019 and as such, there were insufficient instances of the controls operating effectively for management to determine that such controls were effective as at December 31, 2019.

The deficiencies management identified in BetEasy's IT controls relate to the information, communication and control activities components of the COSO Framework, and resulted in the insufficient design, implementation, and monitoring of BetEasy's general IT controls and of its business process controls intended to sufficiently mitigate risks of a material misstatement in its financial statements. As of the date hereof, management is continuing to review, evaluate and assess these identified deficiencies and is in the process of implementing remedial measures with respect to the same.

Recording of an arrangement for the provision of pricing services at BetEasy

During the fourth quarter of 2019, management identified a deficiency related to the design of a control over the timely identification and evaluation of a third-party arrangement for the provision of pricing services to assess the arrangement's impact on the Corporation's financial reporting with respect to BetEasy. The deficiency identified resulted in an immaterial adjustment to sales and marketing expense in the consolidated statements of earnings (loss) for the fourth quarter of 2019. As of the date hereof, management is continuing to review, evaluate and assess this identified deficiency and is beginning to implement certain remedial measures with respect to the same.

Management's Conclusion on its Internal Control Over Financial Reporting

Management has concluded that as of December 31, 2019, the control deficiencies noted above represent material weaknesses within the Corporation's ICFR, and as such, the Corporation's ICFR as of such date were not effective. Management is currently implementing certain measures designed to improve its ICFR environment and remediate the control deficiencies that led to the material weaknesses.

Changes to Internal Control Over Financial Reporting

Other than as described below, there has been no change in the Corporation's ICFR that occurred during the three months ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

Remediation Efforts to Address Identified Material Weaknesses

The following steps are among the measures that have been implemented or that the Corporation intends to implement after the date of this MD&A to address its material weaknesses as of December 31, 2019:

The Corporation has taken and will continue to take a number of actions to remediate these material weaknesses. The Corporation is currently implementing measures designed to improve its ICFR environment and remediate the control deficiencies that led to the material weaknesses, including but not limited to (i) evaluating IT policies and procedures, (ii) implementing controls, including additional manual controls, to detect and prevent unauthorized access to BetEasy's betting engine and general ledger system, and implementing additional business controls to address IT and certain other risks on a regular basis, (iii) reinforcing the requirements for timely execution of control activities, and (iv) increasing the requirement for key executive involvement and confirmation in the identification of potential significant and unusual transactions.

The Corporation plans to use outside resources to enhance the business process documentation and help with management's self-assessment and testing of internal controls at BetEasy.

Although the Corporation can give no assurance that these actions will remediate these material weaknesses in internal controls or that additional material weaknesses in our ICFR will not be identified in the future, management believes the foregoing efforts will effectively remediate the identified material weakness. Management will take additional remedial actions as necessary as they continue to evaluate and work to improve the Corporation's ICFR environment.

Limitations on Effectiveness of DC&P and ICFR

In designing and evaluating DC&P and ICFR, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of DC&P and ICFR must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. See also "Risk Factors and Uncertainties—Risks Related to the Business—If The Stars Group's internal controls are ineffective, its operating results and market confidence in its reported financial information could be adversely affected" in the 2019 Annual Information Form.

The effectiveness of the Corporation's ICFR has been audited by its independent external auditor, Deloitte, LLP, London, United Kingdom ("Deloitte"), the registered public accounting firm that also audited the 2019 Annual Financial Statements. Deloitte's attestation report on the Corporation's ICFR as of December 31, 2019 is included in the 2019 Annual Financial Statements.

FURTHER INFORMATION

Additional information relating to The Stars Group and its business, including the 2019 Annual Reports and other filings that The Stars Group has made and may make in the future with applicable securities authorities, may be found on or through SEDAR at www.sedar.com, EDGAR at www.sec.gov or The Stars Group's website at www.starsgroup.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of The Stars Group securities and securities authorized for issuance under equity compensation plans, is also contained in the Corporation's most recent management information circular for the most recent annual meeting of shareholders of the Corporation.

In addition to press releases, securities filings and public conference calls and webcasts, The Stars Group intends to use its investor relations page on its website as a means of disclosing material information to its investors and others and for complying with its disclosure obligations under applicable securities laws. Accordingly, investors and others should monitor the website in addition to following The Stars Group's press releases, securities filings, and public conference calls and webcasts. This list may be updated from time to time.

Toronto, Ontario
February 27, 2020

(Signed) *"Brian Kyle"*

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Brian Kyle
Chief Financial Officer

THE STARS GROUP