

BEST ODDS ON ENGLISH FOOTBALL, MEN'S TENNIS & RUGBY UNION

Betfair Sportsbook vs leading UK bookmakers. Match odds bets Feb-May 2017, data from TXOdds and Oddschecker, T&Cs apply

Paddy Power Betfair plc
2017 Interim Results

24 UP, YOU WIN!

IF YOUR TEAM GOES 24 POINTS UP, WE'LL PAY OUT H2H BETS STRAIGHT AWAY

ALL AFL MATCHES THIS WEEK

2 UP - YOU WIN!

WE'LL PAY YOU OUT IMMEDIATELY IF THE TEAM YOU BACK GOES 2 GOALS UP

ALL PREMIER LEAGUE, LA LIGA, CHAMPIONS LEAGUE, & EUROPA LEAGUE MATCHES

PADDYPOWER YOU BEAUTY!

Win/Draw/Win market only. Your bet will be paid out if your team leads by 2 goals at any stage. Max payout £5,000. T&Cs apply.

POWER PLAY

Power up your odds with Sportsbet Power Play

Available Balance: \$30.00

Bet Slip

Singles

0. Palentino Caulfield R7

14.00
31.00

Power your odds! You have 1 Power Play today

Powered!

Win | Fixed

Bonus Bet

\$20.00

Est. Returns: \$100.00

Power Play button and watch your odds get bigger!

sportsbet.com.au

VIPP CLUB

GET A £10 FREE BET EVERY WEEK

WHEN YOU PLACE 5 BETS OF £10+ ANY SPORT, MONDAY - SUNDAY

Promotion requires opt in. Free bet will be credited the following Monday. Qualifying bet odds must be 1/5 or greater. Does not apply to cashed out bets, multiple bets on the same selection, or tote bets. Free bet available until the following Sunday after being credited. One free bet per customer per week. Full T&Cs apply.

18+ gambleaware.co.uk

Ready? betfair

ROYAL ASCOT BEST ODDS ON 93% OF 2016 ROYAL ASCOT HORSES

Betfair Exchange prices, based on pre-race odds. 8% commission has been deducted, other charges may apply. T&C's apply.

Financial &
Operating Review



Financial highlights

£m	H1 2017	Proforma ¹		
		H1 2016	YOY %	YOY % CC ²
Revenue	827	759	+9%	+3%
Cost of sales	(189)	(175)	+8%	+2%
Gross profit	638	584	+9%	+4%
Operating costs	(419)	(403)	+4%	-3%
Underlying EBITDA	220	181	+21%	+20%
<i>EBITDA margin %</i>	26.6%	23.8%	+2.8%	+3.7%
Depreciation & amortisation	(40)	(33)	+20%	+10%
Underlying operating profit	180	148	+22%	+22%
Separately disclosed items	(75)	(195)	n/a	n/a
Operating profit/(loss)	104	(48)	n/a	n/a
Underlying earnings per share	181.1p	147.0p	+23%	
Interim dividends per share	65p	52p	+25%	
Net cash at end of period	£87m	£2m		

- 3% revenue growth in CC (Q1 +15%, Q2 -6%):
 - Q2 net revenue margin 1.5% lower than prior year (adverse sports results and investment in pricing & promotions)
 - Euro 2016 contributed £22m revenue to Q2 2016
- Operating costs down 3% in CC:
 - Sales & marketing flat (ex-Euro 2016 +10%)
 - Other costs down 5%, due to merger synergies
- Operating leverage led to 21% increase in EBITDA vs 9% revenue growth
- Effective tax rate: 14.4% (H12016: 16.0%)

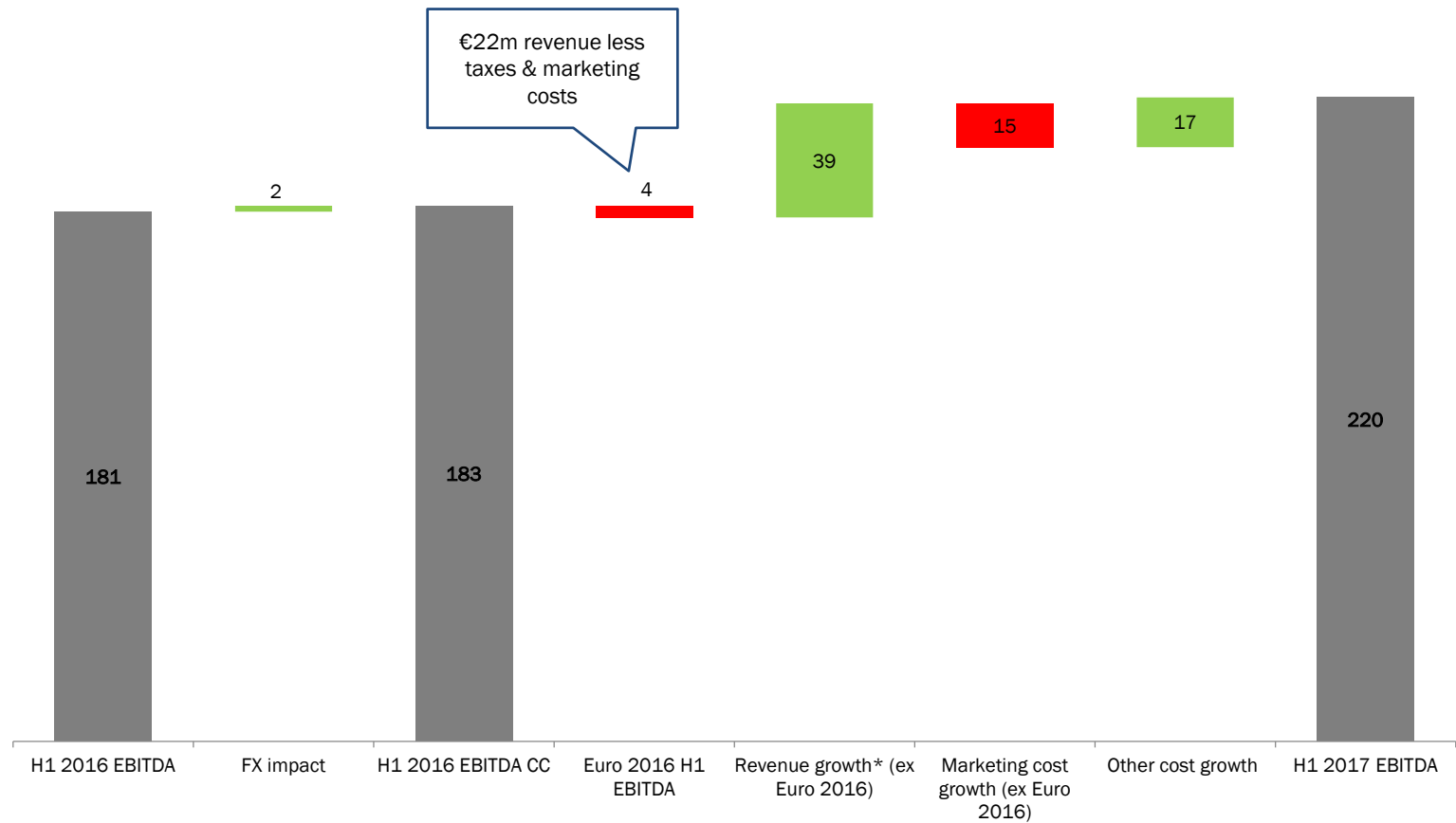
¹ Note throughout this presentation the H1 2016 comparatives and year-on-year (“YoY”) growth rates are shown on a “Proforma” basis for the Group as if the merger completed on 1 January 2016

² Constant currency (“cc”) growth throughout this presentation is calculated by retranslating non-sterling denominated component of H1 2016 at H1 2017 exchange rates

Group EBITDA bridge

EBITDA +£39m / +21%

£'m



* EBITDA impact of revenue growth estimated using average H1 2017 cost of sales %

Online

£m	H1 2017	Proforma	
		H1 2016	YOY %
Online sportsbook stakes	2,780	2,481	+12%
Dial-a-bet sportsbook stakes	182	219	-17%
Total sportsbook stakes	2,962	2,700	+10%
<i>Sportsbook net revenue %</i>	6.2%	6.7%	-0.5%
Sports revenue	318	316	+1%
Gaming revenue	120	124	-3%
Total revenue	439	440	Flat
Cost of sales	(97)	(100)	-4%
Gross profit	342	339	+1%
Sales & marketing	(113)	(108)	+4%
Product & technology	(46)	(58)	-20%
Operations	(35)	(33)	+6%
Total operating costs	(194)	(199)	-2%
Underlying EBITDA	148	140	+6%

Online division includes the UK/Ireland telephone ('Dial-a-bet') business

- Total sportsbook stakes up 10%, or 15% excluding Euro 2016
- Sportsbook revenue -1% due to lower net revenue margin
- Exchange & B2B revenue +3%
- Operating costs down 2%, reflecting:
 - the annualisation of merger synergies
 - continued operating efficiencies

	FX Impact	CC change %
Revenue	+£7m	-2%
EBITDA	-£5m	+9%

Australia

£m	H1 2017	H1 2016	YOY %	A\$ YOY %
Sportsbook stakes	1,699	1,259	+35%	+16%
<i>Sportsbook net revenue %</i>	<i>10.2%</i>	<i>10.3%</i>	<i>-0.1%</i>	<i>-0.1%</i>
Revenue	173	129	+34%	+15%
Cost of sales	(46)	(32)	+43%	+23%
Gross Profit	127	97	+31%	+13%
Sales & marketing	(38)	(34)	+10%	-5%
Product & technology	(13)	(12)	+5%	-9%
Operations	(23)	(20)	+15%	-2%
Total operating costs	(73)	(66)	+11%	-5%
Underlying EBITDA	54	30	+77%	+52%

- Top-line growth notwithstanding a reduced contribution from in-play betting
 - In-play contributed 8% of stakes & 3% of revenues in H1 2017, versus 15% & 8% in H1 2016 when 'Bet Live' was available
- Continued cost discipline maintained ahead of potential regulatory & tax changes

Retail

£m	H1 2017	H1 2016	YOY %
Sportsbook stakes	934	851	+10%
<i>Sportsbook net revenue %</i>	<i>11.6%</i>	<i>11.6%</i>	<i>Flat</i>
Sportsbook revenue	108	100	+9%
Machine gaming revenue	52	47	+10%
Total revenue	160	147	+9%
Cost of sales	(34)	(32)	+5%
Gross Profit	126	115	+10%
Operating costs	(89)	(84)	+6%
Underlying EBITDA	37	31	+20%
Shops at period end	620	603	+3%

- Good revenue growth in both estates:
 - UK +6%
 - Ireland +14% (+3% in constant currency)
- Like-for-like KPIs in constant currency:
 - Sportsbook stakes +2%
 - Sportsbook revenue +2%
 - Machine gaming revenue +7%
 - Total revenue +3%
 - Opex +1%
- 7 new shops opened in H1 2017 (5 in the UK & 2 in Ireland)

	FX Impact	CC change %
Revenue	+£6m	+5%
EBITDA	+£2m	+15%

US

£m	H1 2017	Proforma		
		H1 2016	YOY %	US\$ YOY %
Sports revenue	46	38	+21%	+6%
Gaming revenue	9	5	+66%	+46%
Total revenue	55	43	+26%	+11%
Cost of sales	(12)	(10)	+22%	+7%
Gross profit	43	33	+28%	+12%
Operating costs	(35)	(27)	+34%	+19%
Underlying EBITDA	7.2	6.9	+5%	-11%

- TVG revenues increased by 6%
- New Jersey casino now operating at breakeven EBITDA
- DRAFT incurred an EBITDA loss of £1m in H1 2017

Cash flow

£m	Proforma		
	H1 2017	H1 2016	YOY %
Underlying EBITDA	220	181	+21%
Capex	(50)	(34)	+47%
Working capital	25	14	+79%
Corporation tax paid	(22)	(21)	+5%
Underlying free cash flow	172	140	+23%
Cash flow from separately disclosed items	(8)	(63)	n/a
Free cash flow	164	77	+113%
Dividends paid	(95)	(145)	-34%
DRAFT acquisition	(14)	-	n/a
Interest	(0)	(1)	-47%
Issue of shares	2	1	+175%
Net increase/(decrease) in cash	57	(69)	n/a
Net cash at start of period	36	84	-57%
FX translation impact	(6)	(13)	n/a
Net cash at end of period	87	2	

- Underlying free cash flow represented 113% of profit after tax

Financial guidance & regulatory update

Financial guidance

Full Year 2017 Profits	<ul style="list-style-type: none"> Full year 2017 underlying EBITDA expected to be between £445m and £465m, including the impact of DRAFT acquisition (EBITDA losses of US\$20m forecast)
Capex	<ul style="list-style-type: none"> Full-year 2017 capex now expected to be approximately £90m
Effective tax rate	<ul style="list-style-type: none"> Full-year 2017 underlying effective tax rate expected to be between 13% and 15%
FX	<ul style="list-style-type: none"> At current spot rates FX impact on H2 2017 EBITDA not material Excluding Australia & US, the rest of the Group's EBITDA is c.90% GBP denominated

Regulatory update

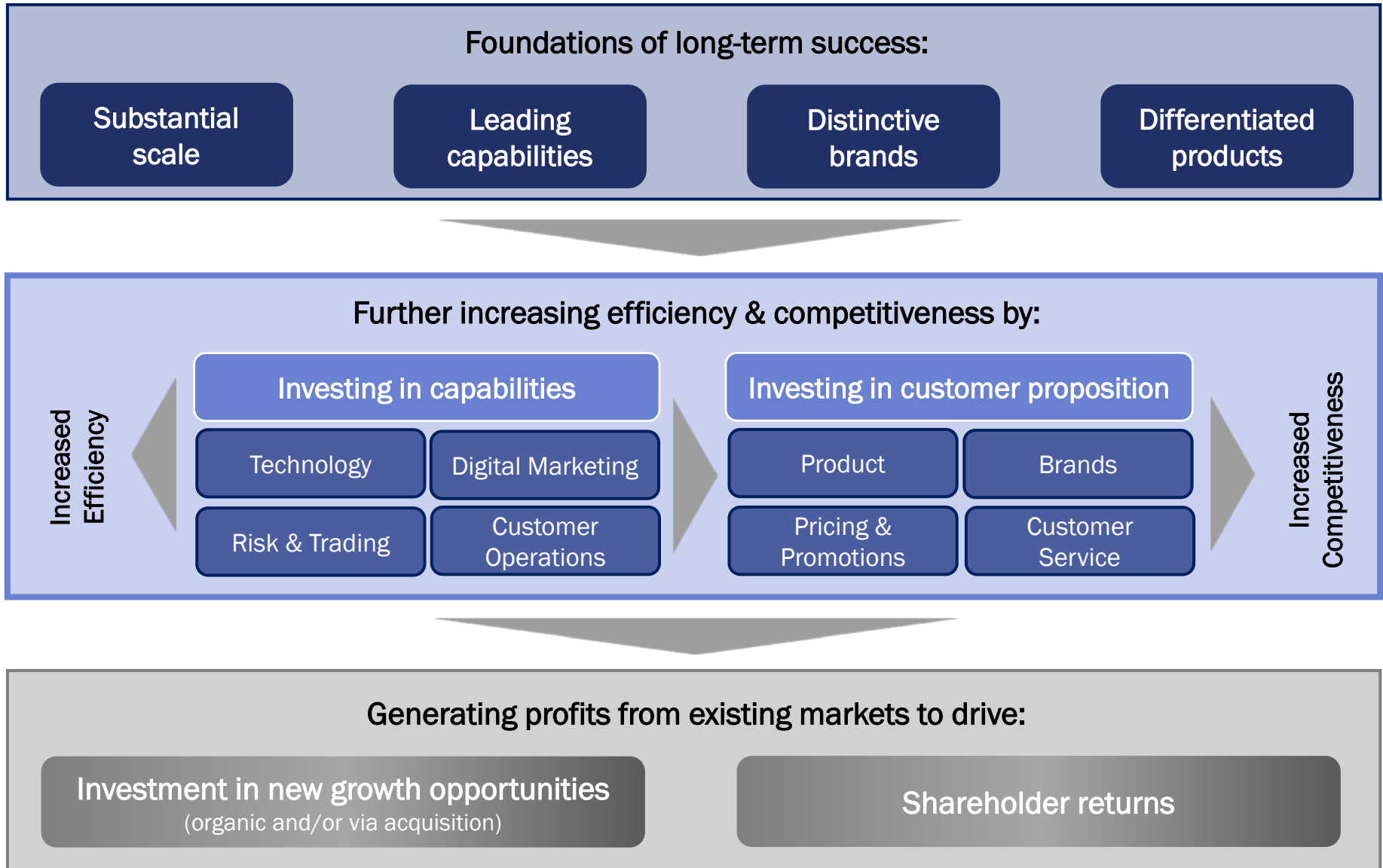
UK	<ul style="list-style-type: none"> Horse Betting Levy extension to online from 25 April 2017 (c. £10m annual impact) Online gaming POCT change effective from 1 August 2017 (c.£6m annual impact) Government's Review of Gaming Machines & Social Responsibility Measures ongoing
Australia	<ul style="list-style-type: none"> 15% South Australian POCT effective from July 2017 (impacts 7% of Australian revenues) Federal POCT under review TV advertising restrictions to apply from March 2018 Government's credit betting ban & series of consumer protection measures to be implemented (impact on PPB not expected to be material)

Business

Review



Strong foundations, compounded by investment, drives growth & returns



Integrated European online platform on track for Q4 completion

Improves efficiency

- Build once for deployment across multiple brands / channels / jurisdictions
- Increased in-house spend % lowers cost of development
- Harmonises operational tools & processes across operations
- Materially reduced effort to add new brands / enter new markets

Facilitates investment in customer proposition

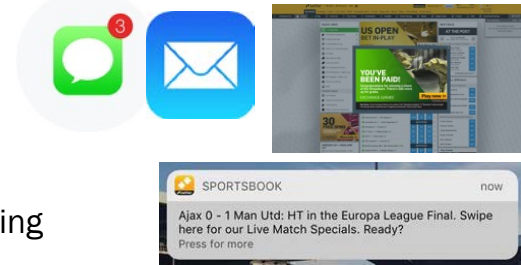
- Higher ROI allows more development resources to be employed
- Increases pace of product releases
- Facilitates differentiation, with IP retained

Digital Marketing: innovation delivering efficiency, reach & relevance

- Global marketing technology stack
 - Shared development & expertise across all divisions
 - 200+ marketing professionals globally
- New proprietary Data Management Platform & marketing automation engine:
 - Automated, customised CRM can now be delivered across 8 channels instead of existing 4 channels
 - Enables a material increase in digital reach to our customer base
 - Ownership of data/platform retains IP & enhances data integrity while maximising relevance & increasing reach

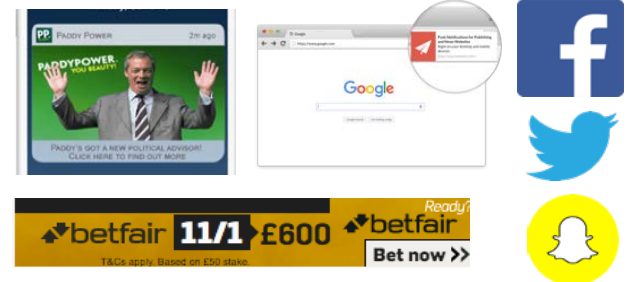
Existing CRM channels

- SMS
- Email
- Push
- Web messaging



Additional media channels now integrated

- Browser push
- Display
- Social (x3)
- Rich push



Driving incremental activity

+5%

Increase in activity from reactivated Betfair customers through use of new proprietary tools for Cheltenham '17 reactivation campaigns

Digital Marketing: innovation delivering efficiency, reach & relevance

Example 1: automated best price messaging

Display

USPGA CHAMPIONSHIP | WINNER | SPIETH, J

PADDYPOWER	CORAL	WILLIAM HILL
12/1	10/1	10/1

BET NOW

A. MURRAY TO WIN WIMBLEDO...

betfair	13/2	£130
Coral	4/1	£80
William Hill	9/2	£90
bet365	9/2	£90

Based on £20 stake. T&Cs Apply

betfair **Bet now >>**

Email

Arsenal v Chelsea
Back ARSENAL to WIN

betfair EXCHANGE	Bet365
4.80	4.50

*Betfair Exchange price above has had 5% deducted to reflect commission

Social

Betfair (Default) Sponsored · Like Page

Are you ready for UEFA Champions League Final?
Do you believe that Juventus will beat Real Madrid?

BEST PRICE ON UEFA Champions League

Juventus

betfair	2/1	£150
bet365	19/20	£142
Sportingbet	39/20	£147

Join Betfair & bet with the best odds. *Sports Betting. *Horse Betting. *Football betting. *New Customers. Bet £20 & Get £50 in free bets. T&Cs Apply.

BETFAIR.COM [Learn More](#)

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Google

wimbledon odds

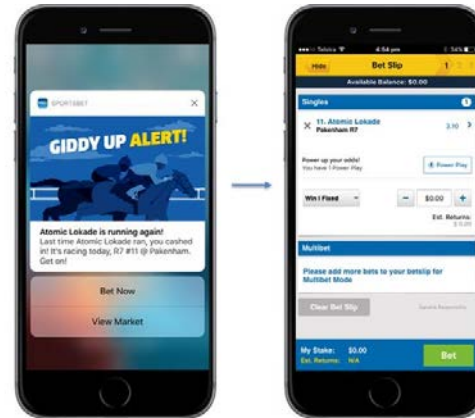
ALL NEWS IMAGES VIDEOS MAPS

Bet On Wimbledon 2017 - Best Odds On Djokovic @ 3/1 - paddypower.com

www.paddypower.com/welcome-offer/t&cs-ap...

Example 2: automated personalised messaging

Sportsbet



Betfair

Ready? betfair

GOLDEN HORSES
NEVER MISS A WINNER AGAIN

5 of your previous winning horses are running again today...

Bet now >>

13:30 CHELT	DEFI DU SEUIL >>
15:30 CHELT	CUE CARD >>
15:30 CHELT	NATIVE RIVER >>
17:30 CHELT	LE PREZIAN >>
19:45 WOLV	BROUGHTONS FANCY >>

Risk & Trading: investment improving performance & efficiency

Benefits of proprietary pricing/trading algorithms

Enhances customer experience

- Greater range of markets
- Reduced in-play market suspension
- Reduced bet delay times
- Lower bet failure rates
- Faster bet settlement

Improves efficiency

- Better pricing accuracy
- Traders can cover more events simultaneously

Risk management models improve efficiency & pricing

- Use of machine learning to automate customer profiling
- Risk management models automatically feed into pricing algorithms (racing in operation, football & tennis in development)

Substantial historical & current investment in algorithms

- 19** Sports priced via in-house models
- 6** New models under development

E.g. 1: New football model improving in-play betting experience

- 90%** Reduction in the average market suspension time versus previous model to <1 minute per match
- 97%** Reduction in the average bet failure rate versus previous model to less than 0.1% of in-play bets

E.g.2: New NBA model driving incremental staking at Sportsbet

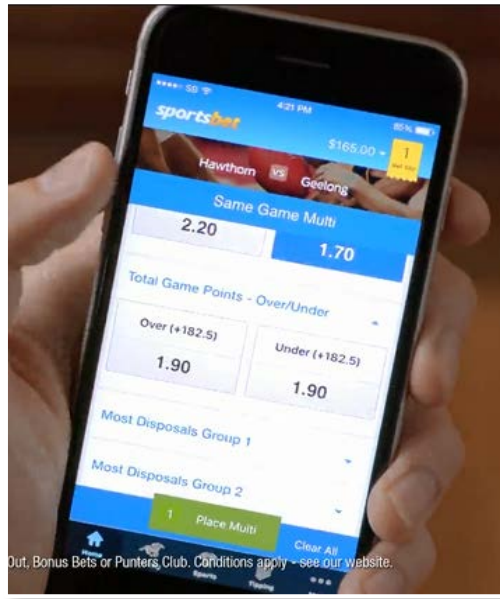
- 193%** Increase in the no. of pre-match betting markets
- 29%** Of active customers at the NBA finals staked on the additional markets
- >10%** Of NBA finals stakes from new markets

Risk & Trading: proprietary algorithms facilitating innovation

Automating Bet Requests

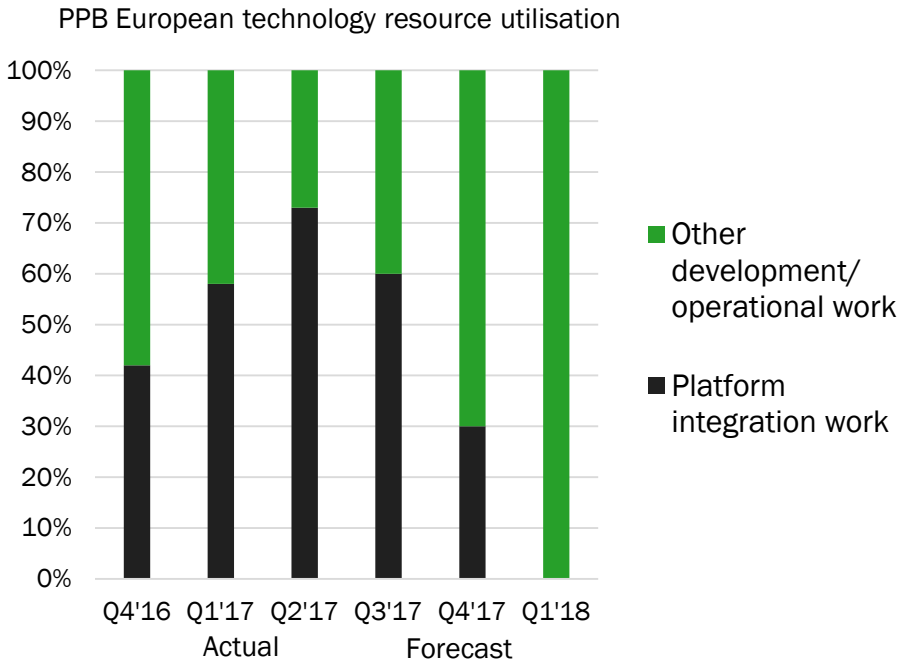


Automating Same-Game Multiples



Product: impact of technology integration

2017 - focus has been on platform integration



Short-term impact of the platform focus

- Limited new product features & updates
- Gaming products dated and behind competition
- Restricted Betfair's ability to target some international growth opportunities which required incremental, jurisdiction specific, development work

Some immediate benefits from platform work



Available now to customers

- Greater range of sports, events & markets
- Access to better pricing models
- Proprietary gaming content



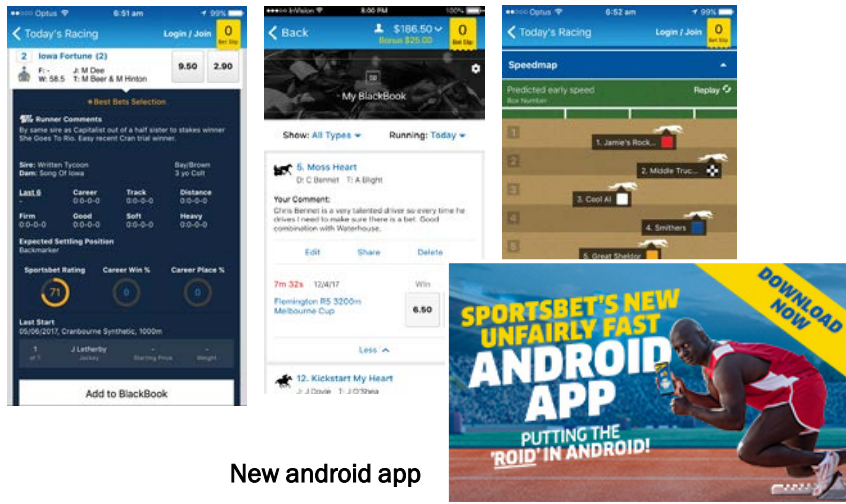
Available on migration to platform

- Faster sports app
- New enhanced gaming apps
- Enhanced cash-out
- Enhanced/refreshed desktop
- Greater promotional flexibility

Product: recent updates

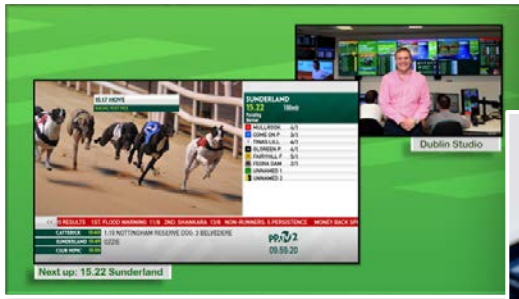
Sportsbet

Significant enhancements to racing content



New android app

Retail



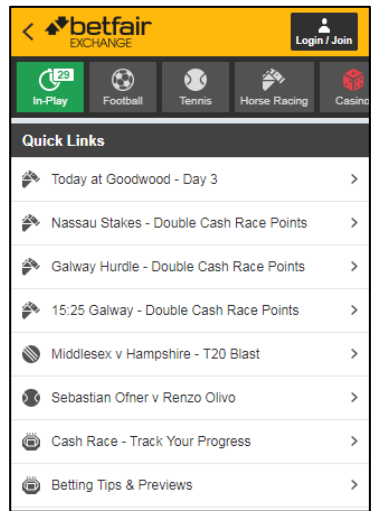
Betfair customers can now deposit cash in store

YOU CAN NOW DEPOSIT IN TO BOTH
PADDYPOWER AND **betfair**
 ONLINE ACCOUNTS
 IN THIS SHOP

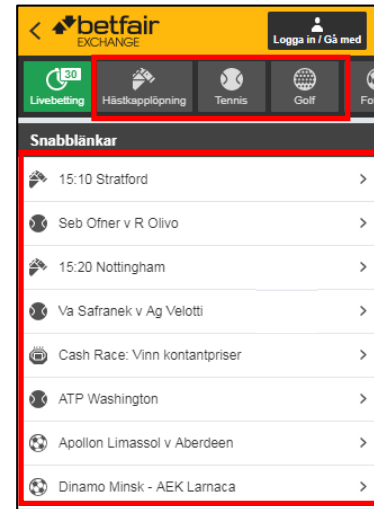
In-house TV stations to control & showcase our leading content

Betfair Exchange – mobile personalisation

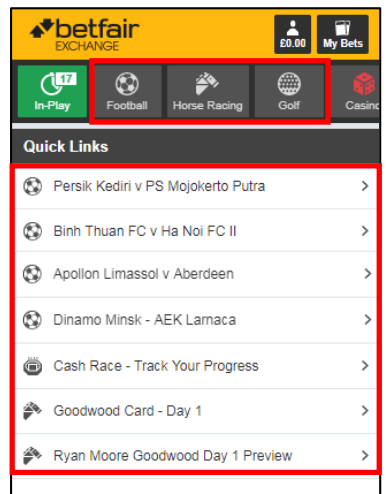
1. Default content



2. Geo-location driven content (e.g. customer accessing site from Scandinavia)



3. Customer account driven content (e.g. cohort primarily interested in football)



Pricing & Promotions: c.£30m of extra value in H1

Betfair investing in pricing

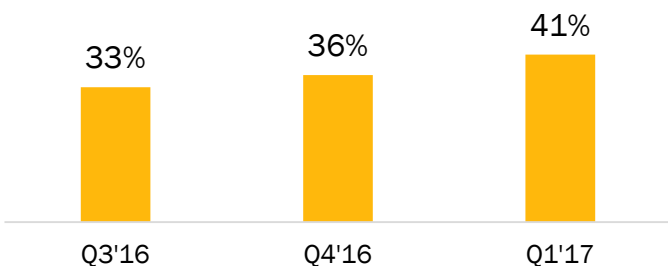
Ready?
betfair

BEST ODDS ON ALL ENGLISH FOOTBALL

ALL TOP ENGLISH LEAGUES
SO WHEN YOU WIN, YOU WIN BIGGER.

Lowest overrounds and most top/joint prices for pre-match match odds on top 4 English divisions between 1/12/16-18/3/17. Betfair Sportsbook vs leading UK bookmakers. See full terms for details.

Football bettors increasingly associate Betfair as offering very attractive odds



% of Betfair brand considers that associate Betfair with "Offering very attractive odds"
Source: Hall & Partners, Usage and Attitudes Tracker

Extra value through headline offers

2 UP - YOU WIN!
WE'LL PAY YOU AS A WINNER STRAIGHT AWAY IF YOUR SELECTION GOES 2 SETS UP
WIMBLEDON MEN'S SINGLES

Applies to all Wimbledon Men's Main Draw singles matches from Monday 2nd July until Sunday 10th July. Applies to pre-match betting only. Applies to all Centre, Outside, Retire and Walk back. Applies to all other in £100,000. T&C's apply.

24 UP PAYOUT!
WE'VE PAID OUT OVER
\$3,870,000
ON TEAMS THAT WENT ON TO LOSE

3 BIG TRACKS | FIRST 4 RACES
CAULFIELD, ROSEHILL & SUNSHINE COAST
IF YOUR HORSE RUNS 2ND OR 3RD
\$50 BACK IN BONUS BETS

QUEEN ANNE RESULT
2.30 ASCOT

1ST	RIBCHESTER	11/10F
2ND	MUTAKAYYEF	5/1
3RD	DEAUVILLE	12/1
4TH	SPECTRE	50/1

REFUNDING STAKES ON 2ND, 3RD AND 4TH AS A FREE BET

Rewarding customer loyalty

POWER PLAY
Power up your odds with Sportsbet Power Play

Win! £14.00
Lose! £3.00

Just hit the Power Play button and watch your odds get bigger!

sportsbet

VIPP CLUB

GET A £10 FREE BET EVERY WEEK
WHEN YOU PLACE 5 BETS OF £10+ ANY SPORT, MONDAY - SUNDAY

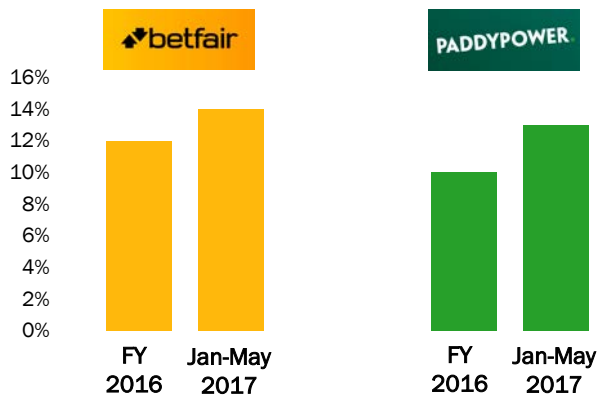
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Brand: investing in TV & digital channels

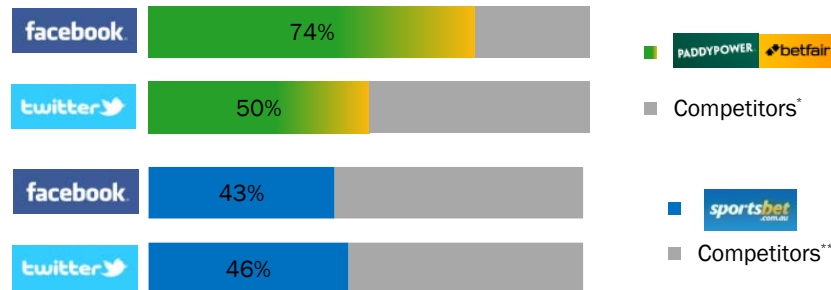
Increased share of voice on UK TV

% of UK betting TVRs¹



Leveraging social & digital channels

Share of Engagement vs Competitors (H1'17)

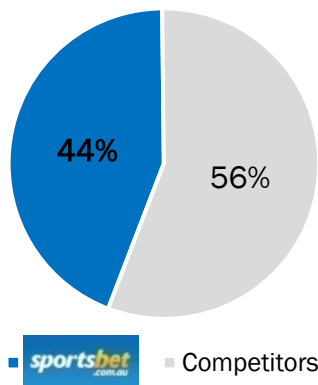


Investing in our leading Australian brand

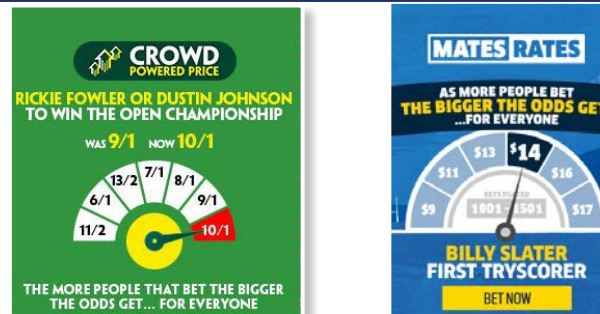
Key marketing assets across all major sports



% of TV betting TVRs²



Socially driven pricing



¹ TVRs = Television viewer rating; excludes sponsorship

² Metro TV, TVRs for Men 18-54

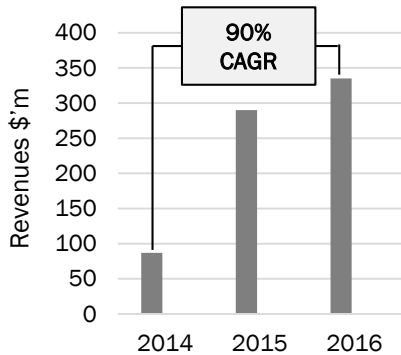
³ Bet365, Ladbrokes, Coral, SkyBet, & William Hill

⁴ Tabcorp, Crownbet, UBET, Ladbrokes, William Hill

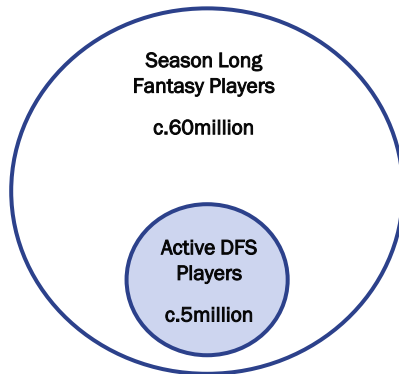
DRAFT acquisition

Attractive market

Estimated market size



Market opportunity



Key competitors



Regulating positively

New York	Colorado
Virginia	Mississippi
Massachusetts	Arkansas
Indiana	Kansas
Tennessee	Vermont
Missouri	New Hampshire
Maryland	Delaware

Differentiated product



- Snake draft mechanic, not salary cap
- Snake draft familiar to season long fantasy players
- Game play more favourable for recreational players
- Natively mobile & social experience

Transaction details

- Acquired 100% of equity
- Initial cash consideration of \$19m
- Further cash consideration of up to \$29m depending on performance
- Consolidated from 10 May; c.\$20m EBITDA loss expected in 2017 due to marketing investment

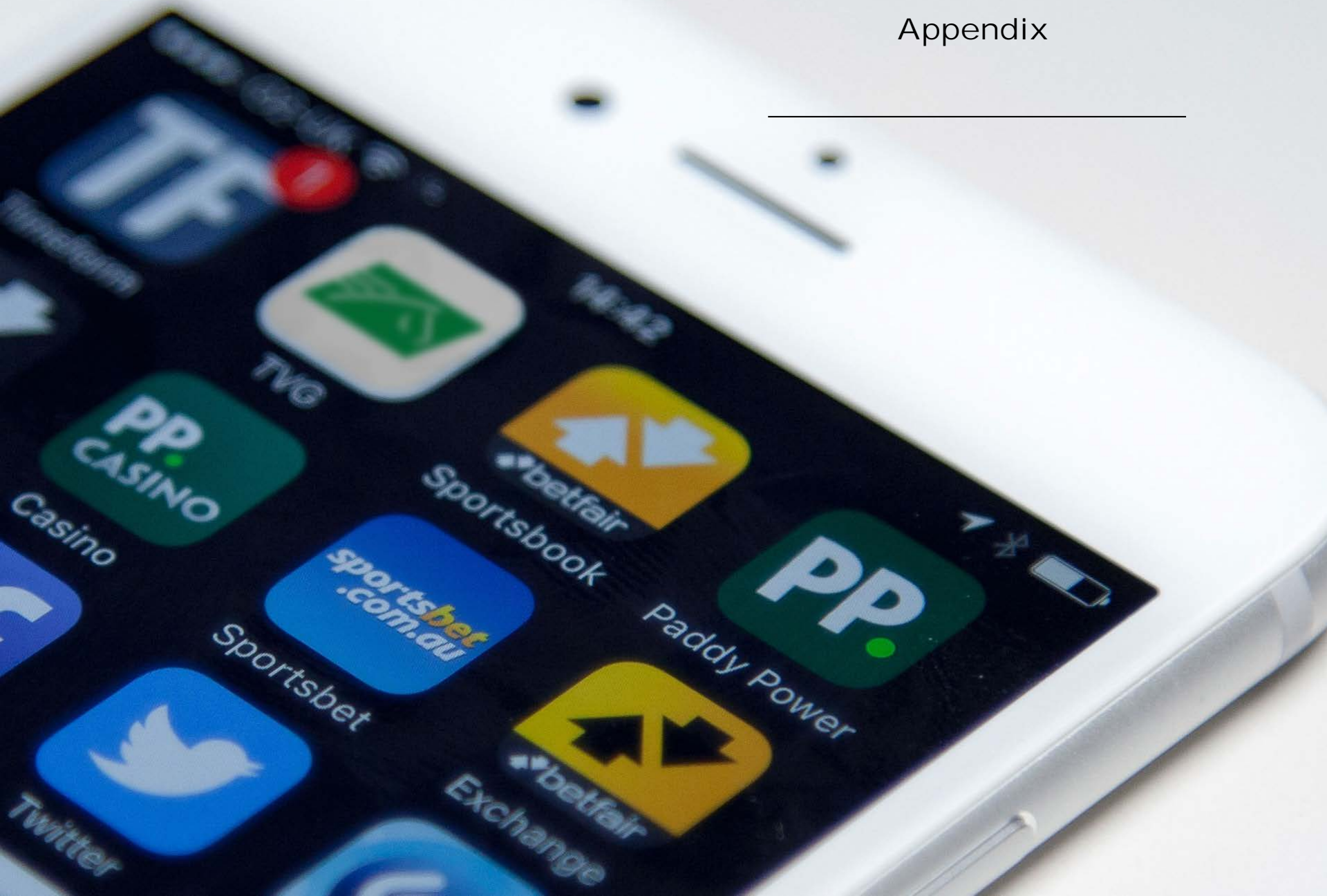
Well positioned for sustainable, profitable growth

- Investing substantially to entrench long term structural advantages
- Short term impact from technology integration, but significant benefits to come in 2018 and beyond
- Sports leadership – technology, risk & trading, exchange, and brands
- Cost advantage from scale – increasing share of profit pool in major markets
- Sharing efficiency gains with customers to enhance competitive position
- Opportunity from regulatory and fiscal changes

Q & A



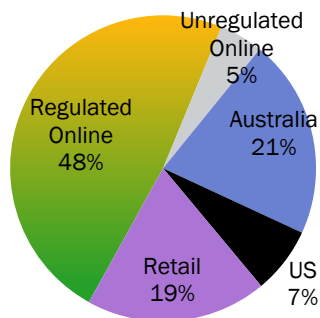
Appendix



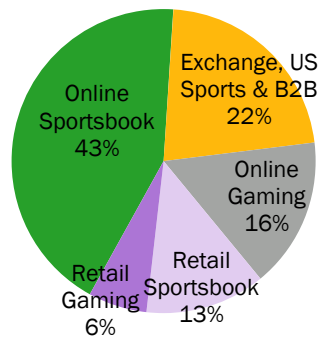
Divisional overview

£m, Underlying	ONLINE		AUSTRALIA		RETAIL		US		GROUP ¹	
	H1 2017	YOY % ²	H1 2017	YOY %	H1 2017	YOY %	H1 2017	YOY % ²	H1 2017	YOY % ²
Sportsbook stakes	2,962	+10%	1,699	+35%	934	+10%	-	-	5,594	+16%
Sportsbook net rev %	6.2%	-0.5%	10.2%	-0.1%	11.6%	Flat	-	-	8.3%	-0.2%
Sports revenue	318	+1%	173	+34%	108	+9%	46	+21%	646	+11%
Gaming revenue	120	-3%	-	-	52	+10%	9	+66%	181	+2%
Total revenue	439	Flat	173	+34%	160	+9%	55	+26%	827	+9%
EBITDA	148	+6%	54	+77%	37	+20%	7	+5%	220	+21%
Operating profit	129	+5%	46	+78%	28	+23%	3	-13%	180	+22%

H1 2017 Net Revenue

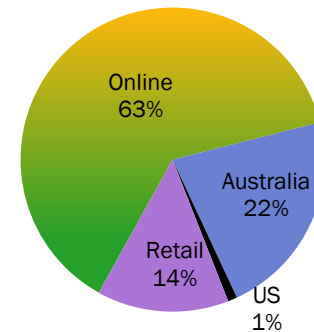


By Market



By Product

H1 2017 Operating Profit



By division³

¹ Group EBITDA and operating profit includes unallocated central costs

² Proforma growth rate

³ Before unallocated central costs of £27m

Separately disclosed items

£m	H1 2017	Proforma H1 2016	
Merger deal expenses	-	50	Includes stamp duty & advisor fees
Merger integration costs	-	49	One-off costs to achieve the cost synergy savings
Non-cash merger related items:			
Business combination intangible asset amortisation	70	79	IFRS3 acquisition accounting
Fair value adjustment for share-based payments	5	13	Revaluation of existing plans
Impairment of assets	-	4	Obsolete assets resulting from the merger
Total separately disclosed items	75	195	

- All items result from the merger with only non-cash items impacting H1 2017