

FY13 TRADING & STRATEGY UPDATE

MOMENTUM BUILDING FROM EARLY SUCCESS

7 May 2013

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HIGHLIGHTS

Stronger than expected FY13

- Results above top end of guidance range

Excellent Progress on delivery

- Cost savings increased to £30m, with full impact in FY14
- Regulated revenue mix up to 75%
- Recent performance indicates product & marketing investment is working
- Cultural shift is underway
- Focused on mitigating upcoming tax impact

Accelerating growth

- Sustainable international expansion
- Balance sheet flexibility / M&A opportunities

Momentum building from early success

FY13 UPDATE

FY13 TRADING UPDATE

	FY13	FY12	YoY %
Revenue	c.£387m	£388m	Flat
Underlying EBITDA ¹	c.£73m	£86m	-c.15%
Free cash flow ²	£37m	£44m	-16%
Cash balance	£168m	£118m	+42%
Year end headcount	1,832	2,286	-20%

¹ Figures represent underlying results, which exclude, where relevant, separately disclosed items, including redundancy costs. FY13 underlying EBITDA is an estimate.

² Free cash flow represents cash flow from operations less cash flow associated with capital expenditure and taxes

. Results are from continuing operations excluding LMAX

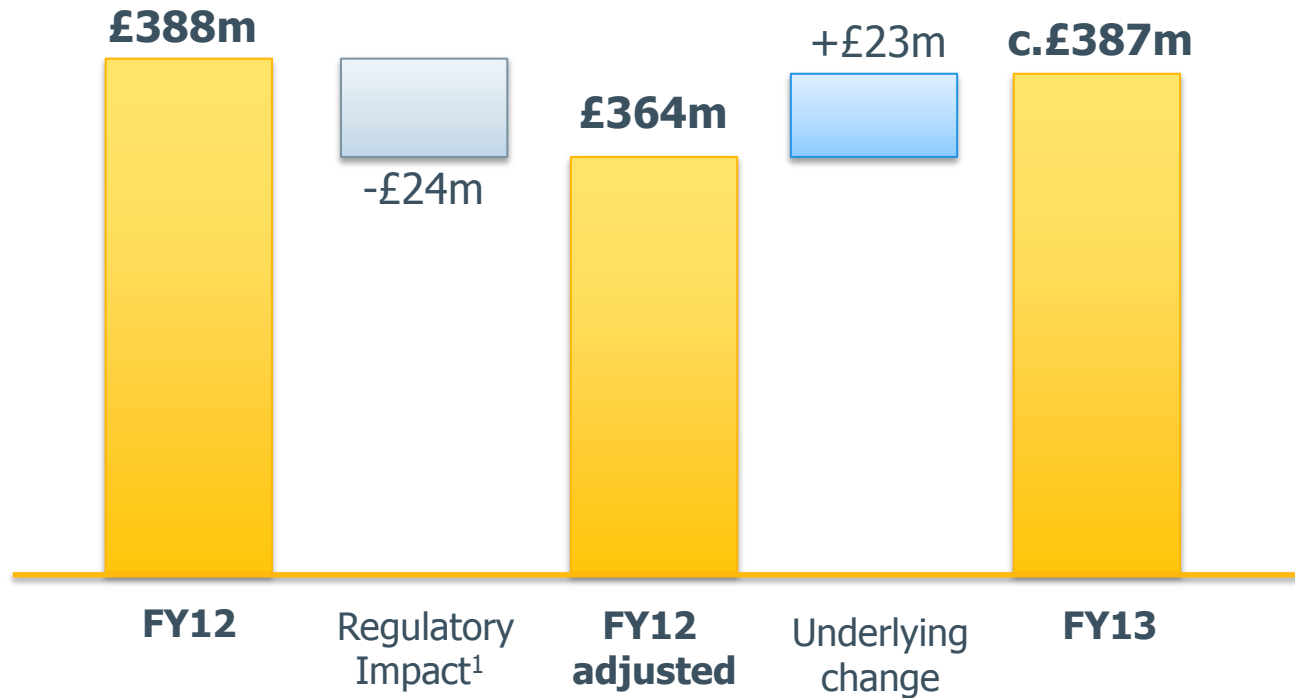
FY13 RESULTS ABOVE GUIDANCE

	FY13	Guidance	Drivers
Revenue	c.£387m	£370m to £385m	<ul style="list-style-type: none">• Better than expected sportsbook performance (acquisition & margin)
Underlying EBITDA ¹	c.£73m	£65m to £70m	<ul style="list-style-type: none">• International revenues resilient despite ceasing investment

Beat our guidance due to revenue outperformance

¹ Figures represent underlying results, which exclude, where relevant, separately disclosed items, including redundancy costs. FY13 underlying EBITDA is an estimate.

FY13 UNDERLYING REVENUE GROWTH OF 6%

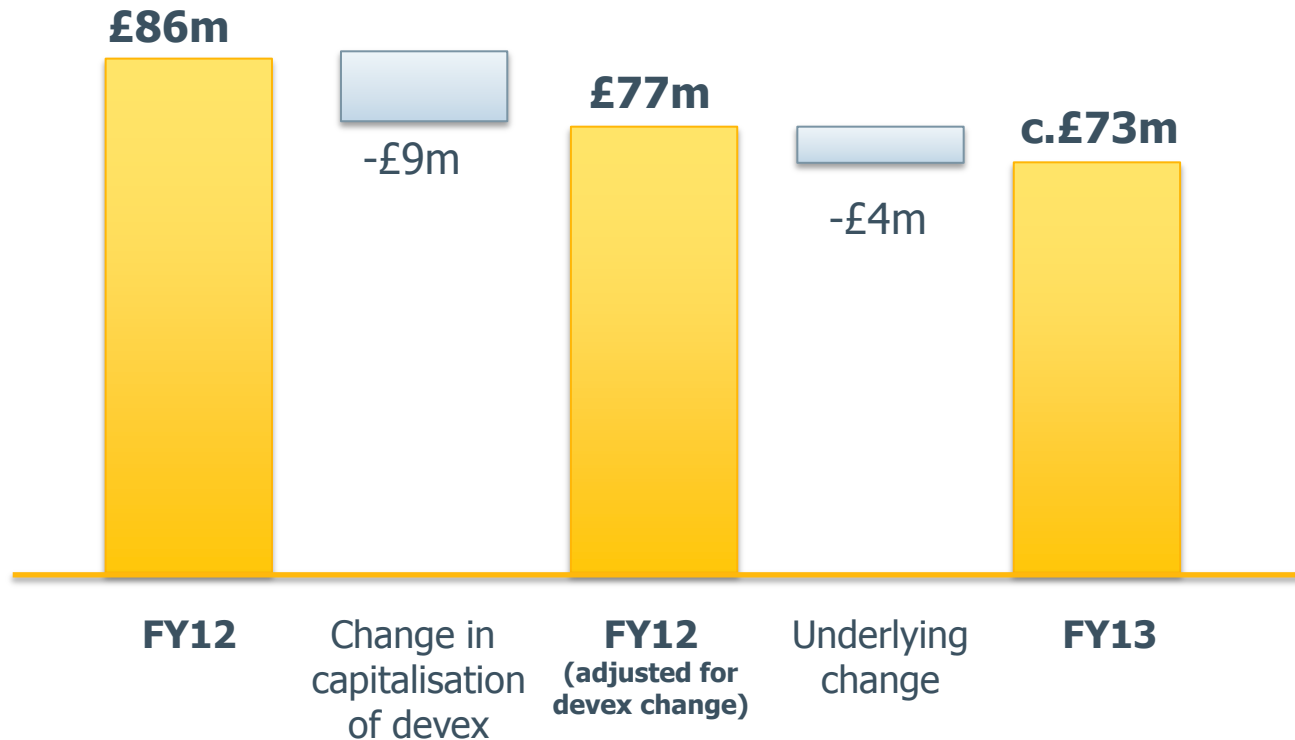


Broadly flat revenues achieved despite regulatory impact

¹ Year on year decline in revenues from Greece, Germany, Cyprus and Spain Exchange

Results are from continuing operations excluding LMAX

FY13 UNDERLYING EBITDA CHANGE



Underlying EBITDA affected by regulatory change partially offset by growth in sustainable jurisdictions

Underlying EBITDA excludes separately disclosed items, including redundancy costs. FY13 underlying EBITDA is an estimate.

Results are from continuing operations excluding LMAX

FY14 COST SAVINGS INCREASED TO £30M

Employment costs	c.£23m	<ul style="list-style-type: none"> Entered FY14 with c.500 fewer employees than FY13 average Majority of development activity shifted to near shore locations (Romania, Portugal)
External costs	c.£7m	<ul style="list-style-type: none"> Professional services Facilities Travel & entertainment Telecom & data services
TOTAL	c.£30m	

	<u>December</u>	<u>Now</u>
Estimated savings	c.£20m	c.£30m
Timing of savings	Over 2 years	Full impact in FY14
Action required	Underway	Completed
Cost to deliver	c.£20m	c.£20m

Cost savings higher and earlier than expected; re-investing in customer facing product & marketing (c.£10m)

OUTLOOK

Revenue

- Expect to grow UK revenues in-line with the market
- International revenues more resilient than expected
- Opportunity to exploit international optionality
- Balance sheet flexibility creates acquisition opportunities

Profitability

- Full impact of c.£30m cost savings in FY14
- Re-investing c.£10m in product & marketing
- Focused on mitigating upcoming tax impact
- Scale can drive margin expansion

OUR PLAN

WHAT WE SAID IN DECEMBER (1)

BETFAIR STRENGTHS

- Unique product offering
- Market leading exchange position
- Brand affinity
- Clear value proposition
- Strong customer retention
- Scale in the UK

REGULATION, PRODUCT & BRAND

Unregulated revenues are risky

- Almost 30% of revenues are not regulated
- Recent experience in Spain, Cyprus, Germany and Greece highlights risk

Product issues limit addressable market

- Complexity
- Liquidity (in some markets)
- Promotional capability

Weakening brand positioning

- Non-inclusive brand messaging
- Under investment in the UK

Losing market share

CULTURE, STRUCTURE & COST BASE

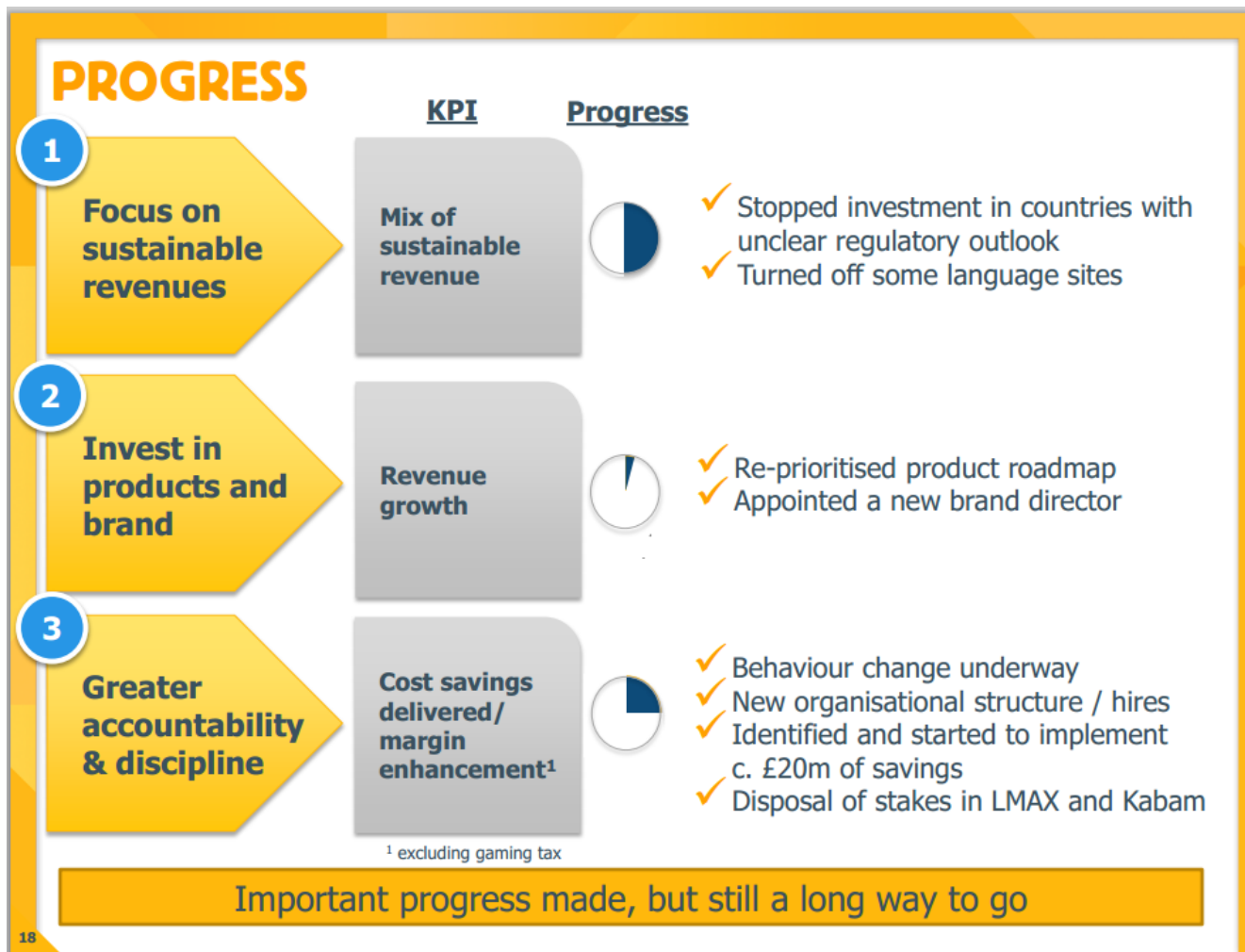
People, culture & structure

- Current organisational structure does not engender ownership and accountability
- Excess focus on innovation, insufficient focus on execution

High cost base

- Some fat and considerable inefficiencies exist

WHAT WE SAID IN DECEMBER (2)



OUR PLAN

1

Focus on sustainable revenues

2

Invest in our products and brand for growth

3

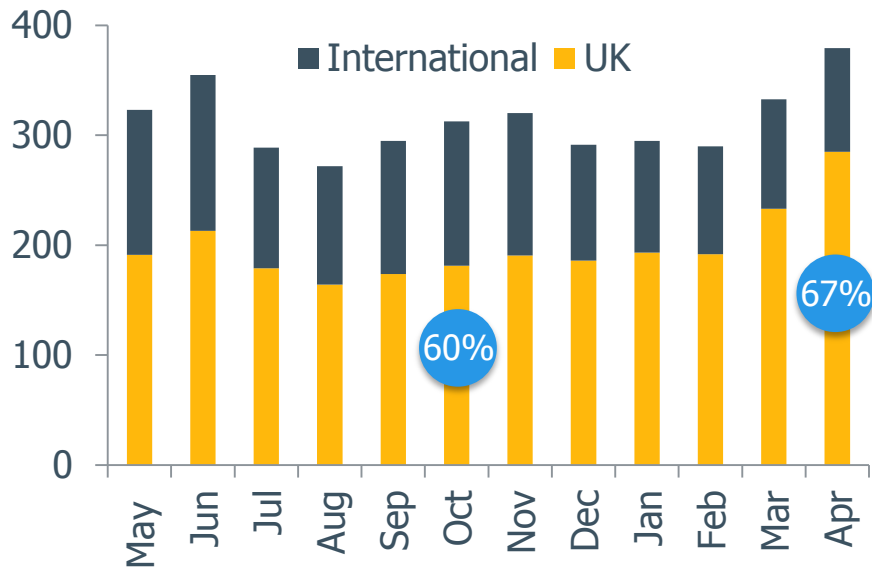
Introduce greater accountability & discipline

4

Accelerate growth through sustainable international expansion and disciplined M&A

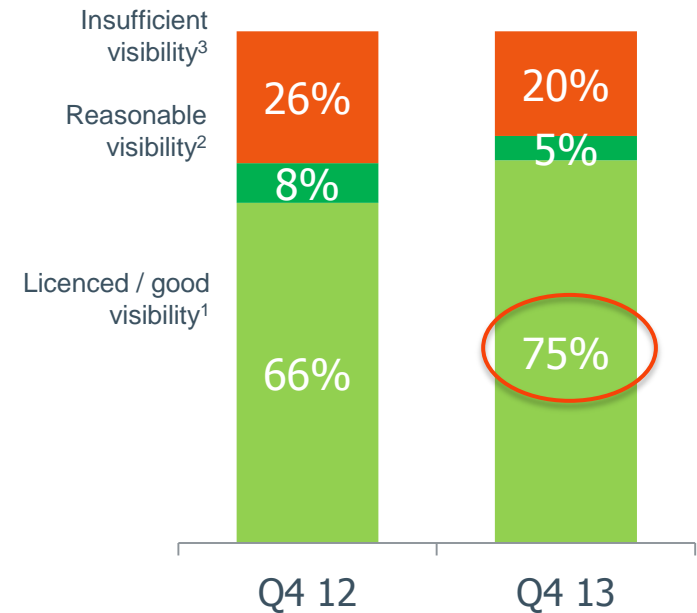
REGULATORY MIX IS IMPROVING

FY13 Monthly Core active customers ('000)



% UK actives % of total

Group Revenue mix



Shift in marketing focus to UK & Ireland driving favourable change in mix towards regulated jurisdictions

¹ UK, Ireland, US, Denmark, and Malta

² Italy, Spain and Sweden

³ All other countries

SPORTSBOOK SUCCESSFULLY LAUNCHED

The screenshot shows the Betfair website interface. At the top, there's a navigation bar with 'Go to Exchange', 'Help', and 'Responsible Gambling'. The main menu includes 'Sports', 'Promotions', 'Casino', 'Live Casino', 'Poker', 'Ex Games', 'Arcade', 'Vegas Slots', 'Bingo', and 'Mobile'. Below this, there are tabs for 'Home', 'In-Play', 'Football', 'Snooker', 'Horse Racing', 'Tennis', and 'Cricket'. The main content area features several promotional banners: '2ND PLACE CASHBACK SPECIAL' for horse racing, 'CASH OUT' for horse racing, 'FREE BET FRIDAY!' for football, and 'BETFAIR WORLD SNOOKER CHAMPIONSHIP'. A 'Sport Highlights' table is visible, showing odds for various football matches. On the right, there's a 'Next Race' section for horse racing and an 'Instant Games' section for arcade games.

The screenshot shows the Betfair mobile app interface. At the top, there's a 'Log Out' button. Below that, there's a 'sportsngtest1 | Main £61.56' section. The main content area shows a list of races with columns for 'Football', 'Next 5 Races', 'Tennis', and 'Casino'. The 'Next 5 Races' section is expanded, showing a list of races with columns for 'Cracking Choice', 'Antonio Gramsci', 'Rangooned', 'Secret Advice', 'Salvatore Fury', and 'Someones Darling'. Each race has a corresponding odds value.

BEST ODDS GUARANTEED ON SPORTSBOOK

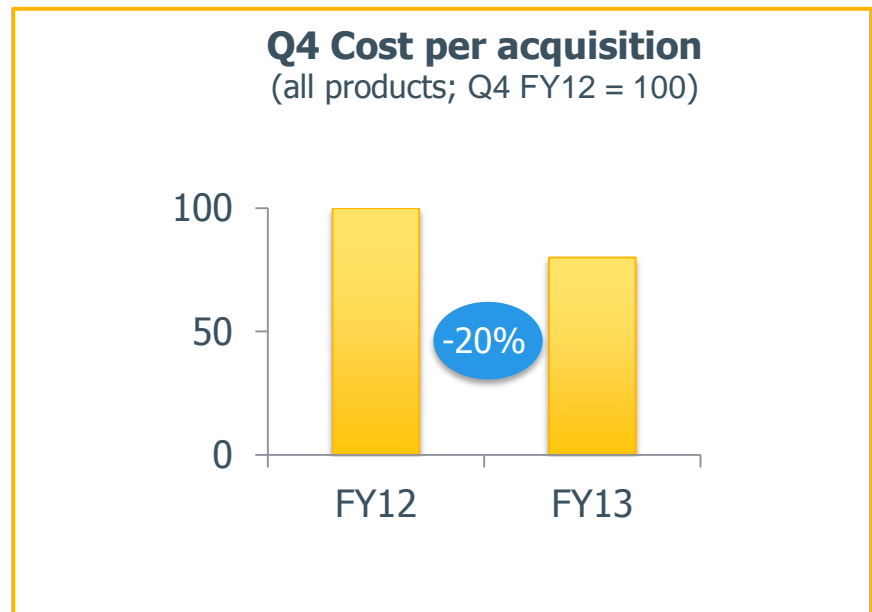
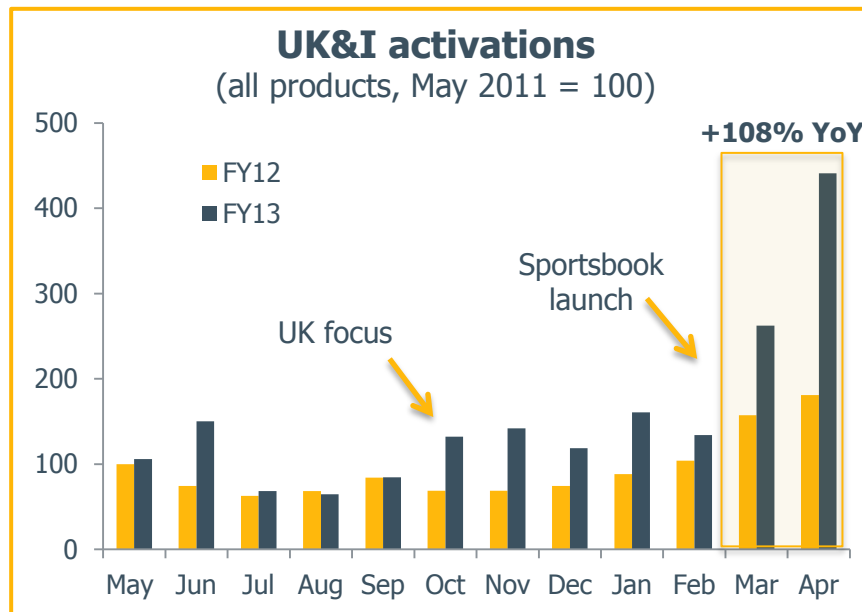
2ND PLACE CASHBACK
ON ALL RACES ON DAY 2 OF THE CHELTENHAM FESTIVAL

Go to Betfair.com/Cheltenham2013 for all Ts & Cs. 18+ gambleaware.co.uk

BEST ODDS GUARANTEED

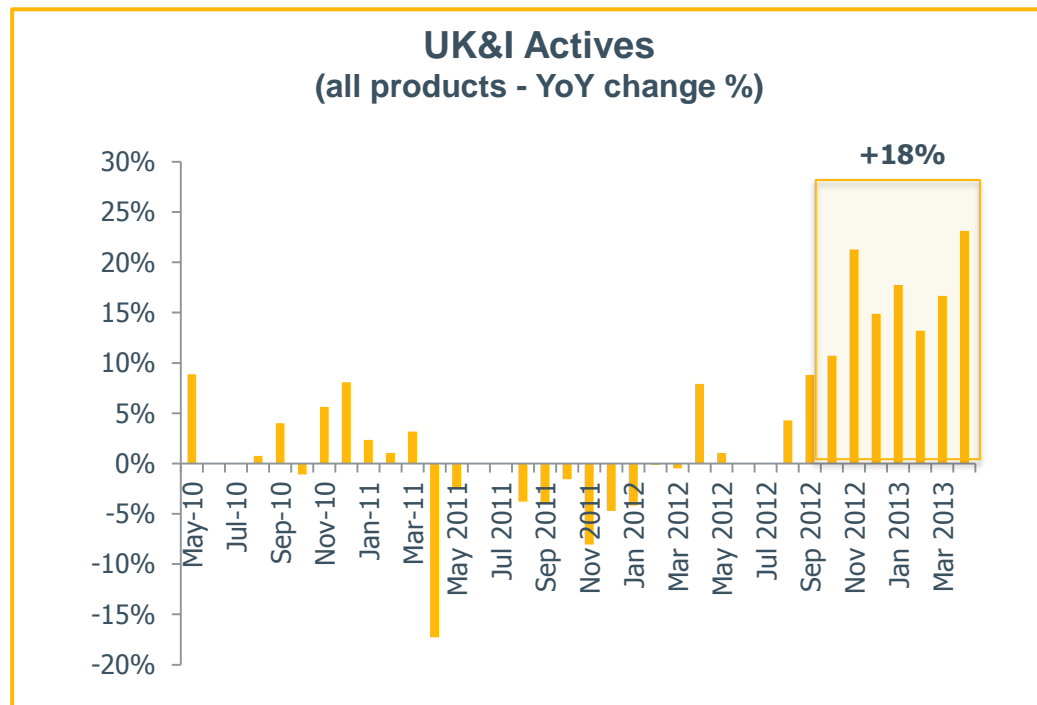
- First 'each way' bet taken in December 2012 (via Exchange toggle)
 - Approximately 70% of horseracing customers have placed each way bets
- Sportsbook launched in February 2013
- 'Best odds guaranteed' was introduced in March 2013

SPORTSBOOK DRIVING ACQUISITION



Sportsbook combines with UK focus to drive efficient customer acquisition

UK CUSTOMER BASE RETURNS TO GROWTH



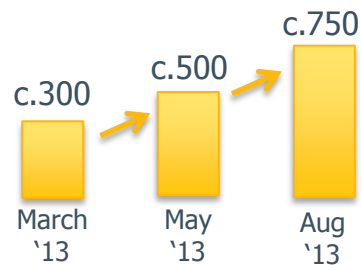
- Sportsbook combines with UK focus to drive customer acquisition and retention

UK customer base up by 18% YoY in last six months

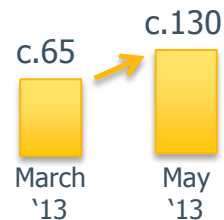
THE FUTURE OF SPORTSBOOK

**Aiming for
competitive
parity**

**No. of in-play football
matches / week**



**No. of in-play
markets¹**



**Broadening in-play sports
coverage:**

- Rugby Union
- Rugby League
- Cricket
- Golf
- Basketball
- NFL
- +5 others

**Competitive
advantage:
Exchange
based features**

- Fixed odds 'cash out' (via the Exchange)
- Best price execution (via the Exchange)
- More to follow...

**With the 'Exchange + Sportsbook'
we can achieve a real and sustainable competitive advantage**

¹ Top-tier matches, including Premier League

EXCHANGE REMAINS BETFAIR'S USP

Product

- Focused on reducing complexity
- Ongoing trial to incentivise customers to seed illiquid markets

Efficiency

- Marketing spend focused on retention of high value customers
- Making technology investment work harder

Cross-sell

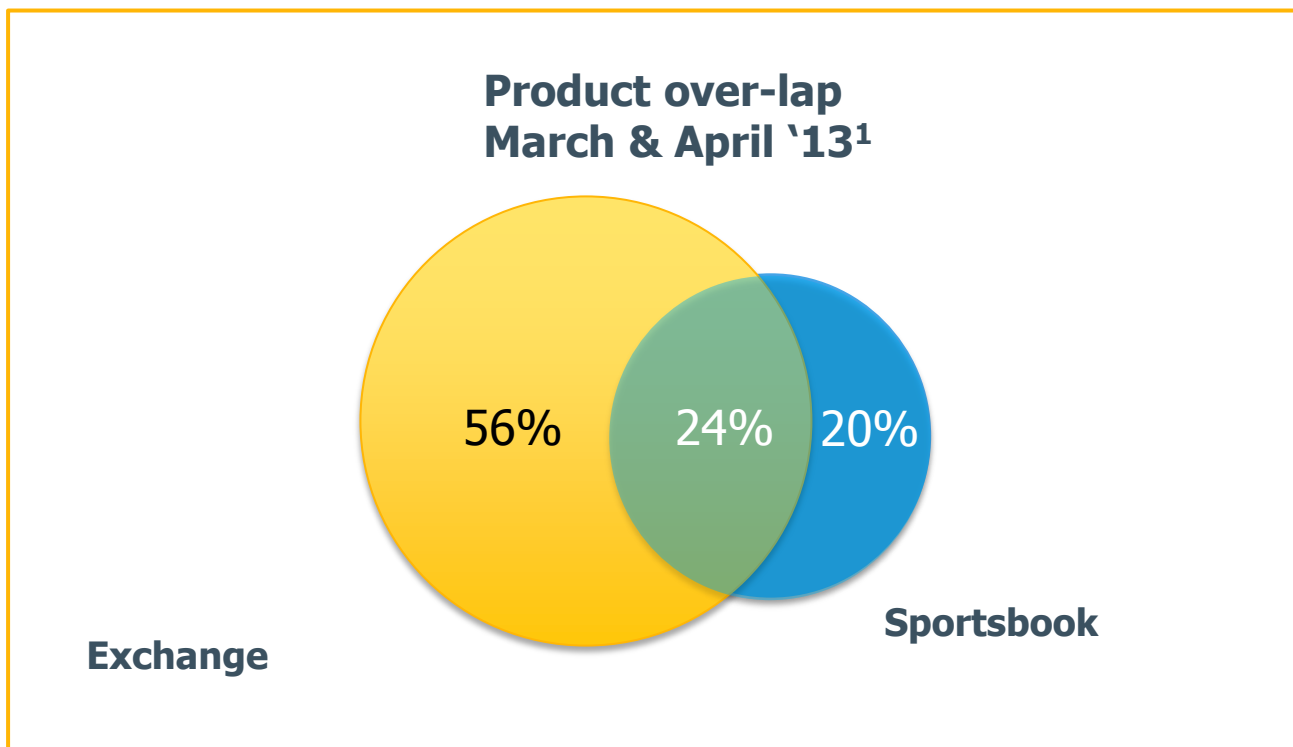
- Growing evidence that cross-sell works

Monetisation

- Experience in Australia implies a revenue opportunity
- Currently testing price elasticity in five countries

Focusing on profitability and cost efficient growth

EXCHANGE-SPORTS MIX IS WORKING



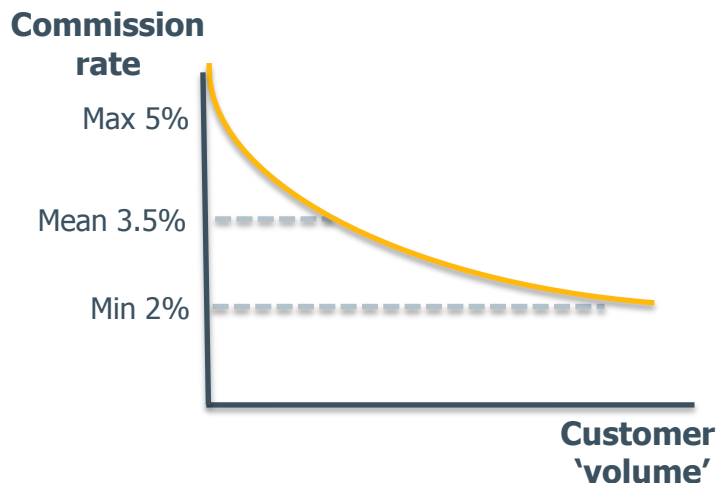
¹ % of UK football customers placing a bet on each / both products in March & April 2013. Relative sizes of circles is indicative of number of customers

Customers are moving between exchange & sportsbook

PRICING

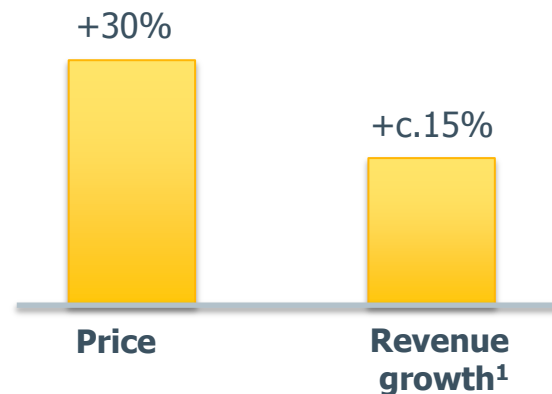
Historical pricing model

- Commission structure:
 - 5% base rate
 - Reduces to 2% via volume based discounts
- Unlikely to be optimal pricing structure for all markets, sports & geographies



Betfair Australia case study

- Base rate changed from 5% to 6.5% in response to significant cost inflation
- Volume change implies some price elasticity



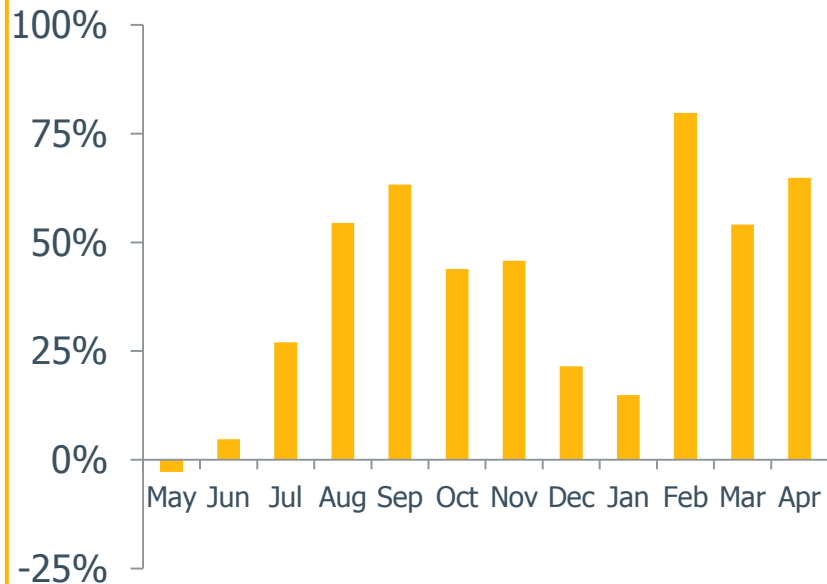
¹ Change in horseracing revenue growth in the six months post the commission change compared to the growth in the prior 6 months

Price is a potential lever: Testing elasticity in five markets

GAMING

Acquisition

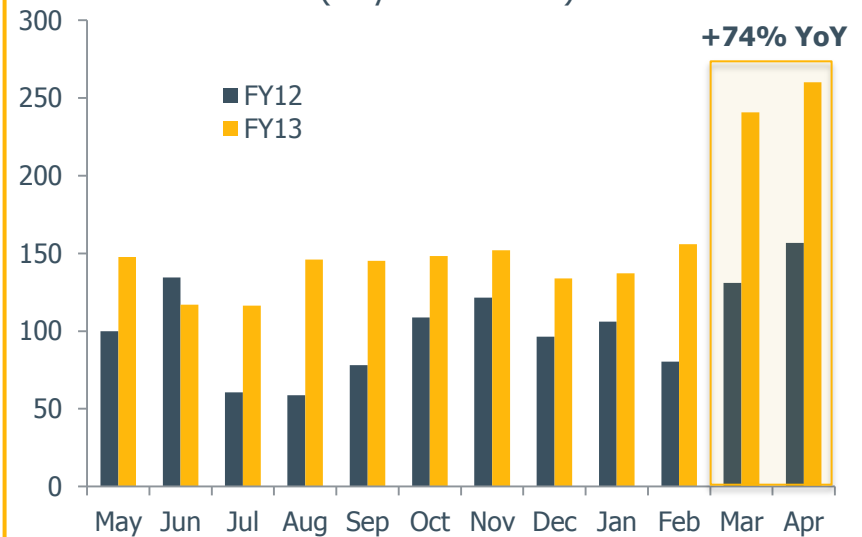
Games direct activations
(YoY growth %)



- Marketing focus driving customer acquisition (+37% YoY)

Cross-sell

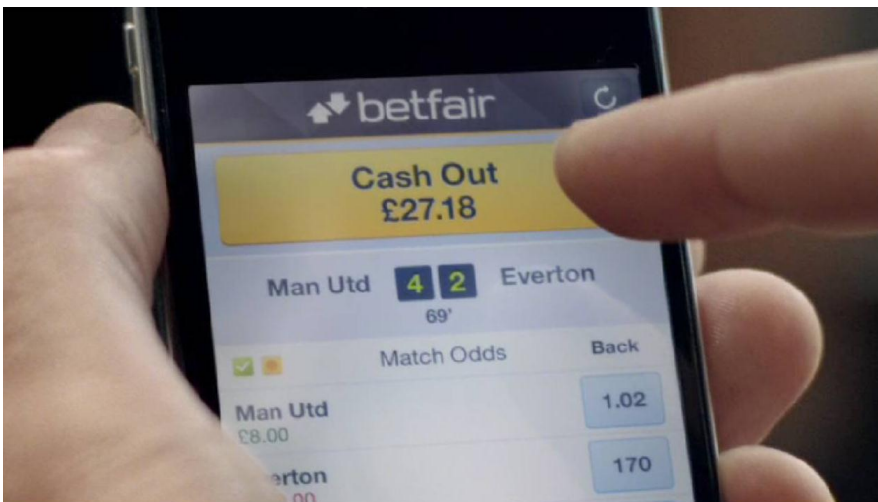
Cross-sell to Games
(May 2011 = 100)



- Evidence of successful cross-sell from sportsbook

Games can contribute profitable growth

BRAND



Mr.Clobber Lover @Liam_Cryer95
Cash out or not? #Betfair pic.twitter.com/J7OAEurH3R
Expand

Liverpool v... Liverpool v Everton
Everton Clean Sheet?

L.Cryer123 | Main £0.00

Your Liability : £10.00
Profit : £13.07

Take £23.07

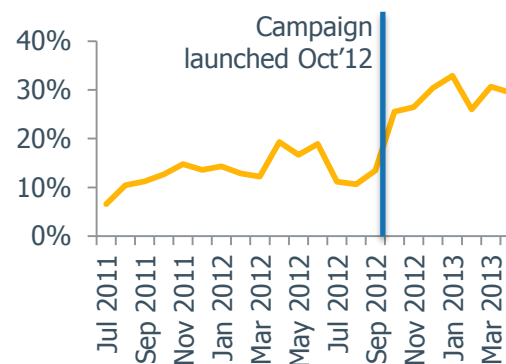
Market Rules My Bets

Yes £50.00 Back 2.34 Lay 2.6

No -£10.00 Back 1.62 Lay 1.74

Match Notifications ON

Growth in Cash Out Usage (% of all exchange customers)



Advertising initiatives successfully taking our product to a wider customer base

BETFAIR US / TVG

3 ACCOUNTABILITY & DISCIPLINE
INVESTMENT DISCIPLINE

LMAX™

- Business reviewed and decision taken to exit
- Agreed sale of majority stake



- Completed sale of our stake for US\$30m

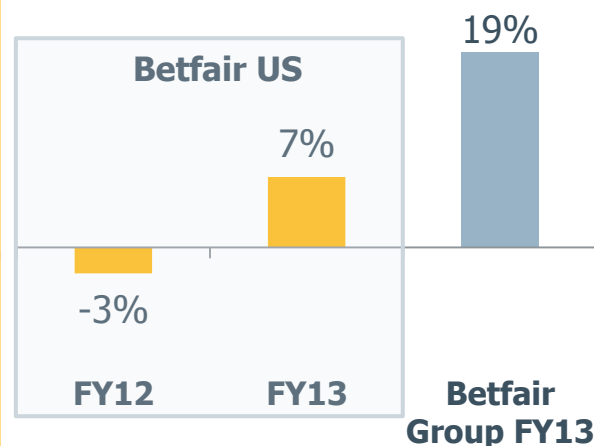


betfair US

- Cost base addressed
- Exchange investment on-hold pending licensing clarity
- Positive EBITDA expected

Management & resources focused on our primary business

EBITDA margin%



- Opportunity to grow TVG margins through:
 - Operational gearing from revenue growth (e.g. NJ)
 - Cost discipline

TVG can achieve margins consistent with rest of group and preserves optionality on the US market

TECHNOLOGY EFFICIENCY

New management

- New CIO and CTO

People

- Technology headcount reduced by more than 100 ¹
- Near shoring providing productivity gains

Infrastructure

- New cloud based development & testing environment driving efficiency gains & reducing site down time

Customer focus

- Development activity focused on customer facing product
- Better use of data for customer retention & monetisation

Speed to market

- Reduced development times
(sportsbook: 13 weeks; Blue Square integration: <4weeks)

Increased focus on customers and efficiency

MARKETING EFFICIENCY

UK focus

- Scale drives lower costs and improves access to prime media properties

Acquisition efficiency

- Sportsbook promotions more efficient and widening our market
- Cost per acquisition is falling

Mobile

- Mobile is now front of mind in all communications
- c.50% of all activations in mobile area

Retention

- Better monetisation of existing base (bonuses, key account management and cross-sell)

Agencies

- Consolidating agencies (from 20+ to 2) and eliminating ineffective spend

**Stronger brand appeal, expansion of our market
& growing mobile**

PROGRESS

KPI

Progress

1

Focus on sustainable revenues

Mix of sustainable revenue

Dec



Today



- ✓ Stopped investment in countries with unclear regulatory outlook
- ✓ >75% of marketing spend focused on UK (from <50%)
- ✓ Sustainable revenue mix up to 75%

2

Invest in products and brand

Revenue growth



- ✓ Successfully launched sportsbook
- ✓ Intending to increase brand & product spend

3

Greater accountability & discipline

Cost savings delivered/ margin enhancement¹



- ✓ Management team in place
- ✓ Restructure completed; c.500 FTEs exited
- ✓ Action to achieve c.£30m of savings done
- ✓ Disposal of stakes in LMAX and Kabam
- ✓ Culture change underway

¹ excluding gaming tax

Significant progress and momentum, with a lot more still to go for

4 ACCELERATE GROWTH

International opportunities

Balance sheet flexibility / disciplined M&A

INTERNATIONAL OPPORTUNITY



Progress

- Relevant Decree signed by MoF

- Regulator announced intention to regulate exchanges

- Exchange licences expected in New Jersey and California
- iGaming developments on a state-by-state basis

Market size
(online sports &
casino)¹

- Total sports c.€1.1bn
- Online sports c.€0.2bn
- Online gaming c.€0.7bn

- Total sports c.€0.5bn
- Online sports c.€0.2bn
- Online gaming c.€0.2bn

- Nascent

Betfair
positioning

- Stopped accepting new customers in Nov 2010
- Latent awareness of exchange product
- Proven demand for value led offer

- Blocked access to the exchange in June 2012
- Strong brand awareness, but market share now <1%

- 2nd largest ADW operator
- Exclusive agreement to run ADW in NJ until 2018
- Technology & marketing capability attractive to partners

**Italy & Spain are an attractive source of growth;
potentially exciting US opportunity**

¹ Italy and Spain market data from H2GC

IMPORTANCE OF SCALE



Scale advantage is key to winning

BALANCE SHEET FLEXIBILITY

Key Drivers of M&A in the Gaming Sector

Scale is key

- Cost, marketing and brand economies of scale

Regulatory change

- Upcoming POC tax means greater opportunities

Our strategy for Value Creation

- Target acquisitions to create value
 - Provide domestic scale
 - Achieving geographic expansion
 - Closing product and capability gaps
- Disciplined acquisition approach to achieve returns significantly ahead of cost of capital
- First mover advantage – need to retain flexibility

Pursuit of value creation while maintaining balance sheet discipline

EXCELLENT PROGRESS AND MOMENTUM

Beat expectations for 2013

✓ EBITDA of £73m

Additional cost savings

✓ £30m delivered - full impact in FY14

Regulatory mix is improving

✓ 75% of revenue from regulated markets

Unregulated revenues more resilient

✓ Fourth quarter revenue down just 14% on Q2¹

Growing UK customer base

✓ 18% growth in last 6 months

Cross sell is improving

✓ 74% increase in sports to games in March / April

Improving exchange monetisation

✓ Australia suggests opportunity; 5 pricing trials underway

TVG margins moving towards Group average

✓ Current margin of 7% (£40m of revenue) versus Group of 19%

Flexibility to create value through M&A

✓ Disciplined acquisition approach to achieve returns significantly ahead of cost of capital

Still a long way to go

¹ Excluding 'exited' markets in Greece, Germany and Cyprus

SUMMARY

Stronger than expected FY13

- Results above top end of guidance range

Excellent Progress on delivery

- Cost savings increased to c.£30m, with full impact in FY14
- Regulated revenue mix up to 75%
- Recent performance indicates product & marketing investment is working
- Cultural shift is underway
- Focused on mitigating upcoming tax impact

Accelerating growth

- Sustainable international expansion
- Balance sheet flexibility / M&A opportunities

Momentum building from early success

APPENDIX

BETFAIR PROFIT ESTIMATE

The statements in this presentation that Group revenue for FY13 was approximately £387 million and that estimated underlying Group EBITDA for FY13 was approximately £73 million (the "Betfair Profit Estimate") constitute a profit forecast for the purposes of Rule 28 of the City Code on Takeovers and Mergers (the "Code"). As such it is a requirement under the Code that the Betfair Profit Estimate is reported on by Betfair's reporting accountants and financial advisers. The bases and assumptions behind the Betfair Profit Estimate and the reports of KPMG Audit plc and Goldman Sachs International and Morgan Stanley & Co. International plc are set out in the RNS Announcement published by Betfair on the date of this presentation, which is available at: <http://corporate.betfair.com/investor-relations/results-and-presentations/results-centre.aspx>. KPMG Audit plc and Goldman Sachs International and Morgan Stanley & Co. International plc have given and not withdrawn their consent to publication of their reports in the form and context in which they are included in such RNS Announcement. Other than the Betfair Profit Estimate, no statement in this presentation is intended as a profit forecast and no statement in this presentation should be interpreted to mean that earnings per Betfair share for the current or future financial years would necessarily match or exceed the historical published earnings per Betfair share.