

# FY12 PRELIMINARY RESULTS

29 June 2012

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# INTRODUCTION

Gerald Corbett – Chairman

# FINANCIAL RESULTS

Niall Dore - Finance Director

# FINANCIAL SUMMARY Y/E 30 APRIL 2012

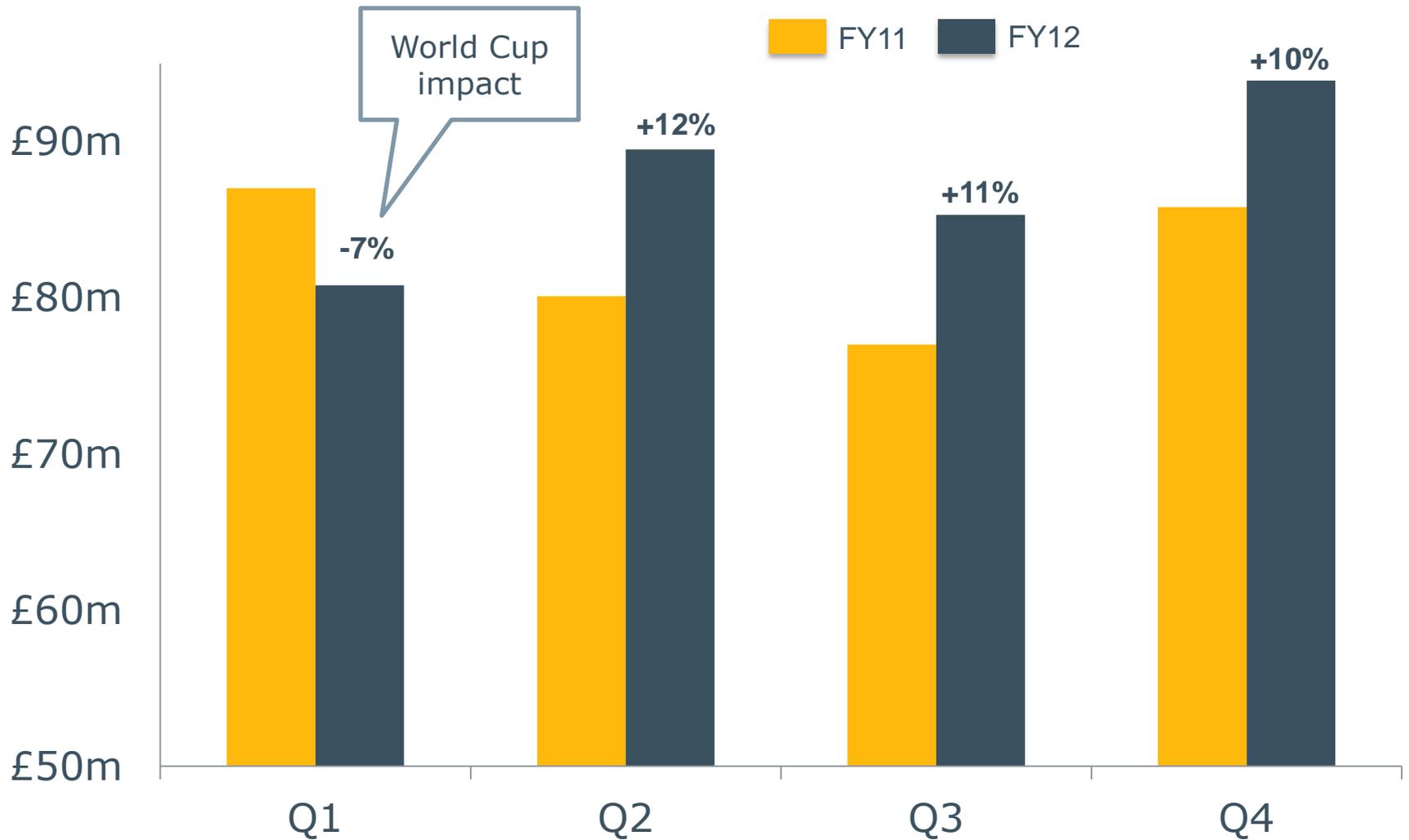
	Core	Other investments	Group
Revenue	£350m +6%	£40m +4%	£390m +6%
EBITDA	£92m +15%	(£6m) +9%	£86m +17%
EPS	51.6p +16%	(10.5p) +2%	41.1p +21%
Dividend			10.2p

Figures represent underlying results, which exclude, where relevant: the revenue and EBITDA from the High rollers segment; exceptional items; equity settled share-based payments; and the associated tax effect of these adjustments.

# CORE BETFAIR: Q4 REVENUE

		Q4	YoY%
Sports	Non-risk	£66m	+12%
	Risk	£7m	+4%
	Total	£73m	+12%
Games		£15m	+3%
Poker		£5m	+6%
<b>Total net gaming revenue</b>		<b>£93m</b>	<b>+10%</b>
Revenue from mgt. of client funds		£1m	-43%
<b>Core revenue</b>		<b>£94m</b>	<b>+9%</b>

# CORE BETFAIR: QUARTERLY NGR GROWTH



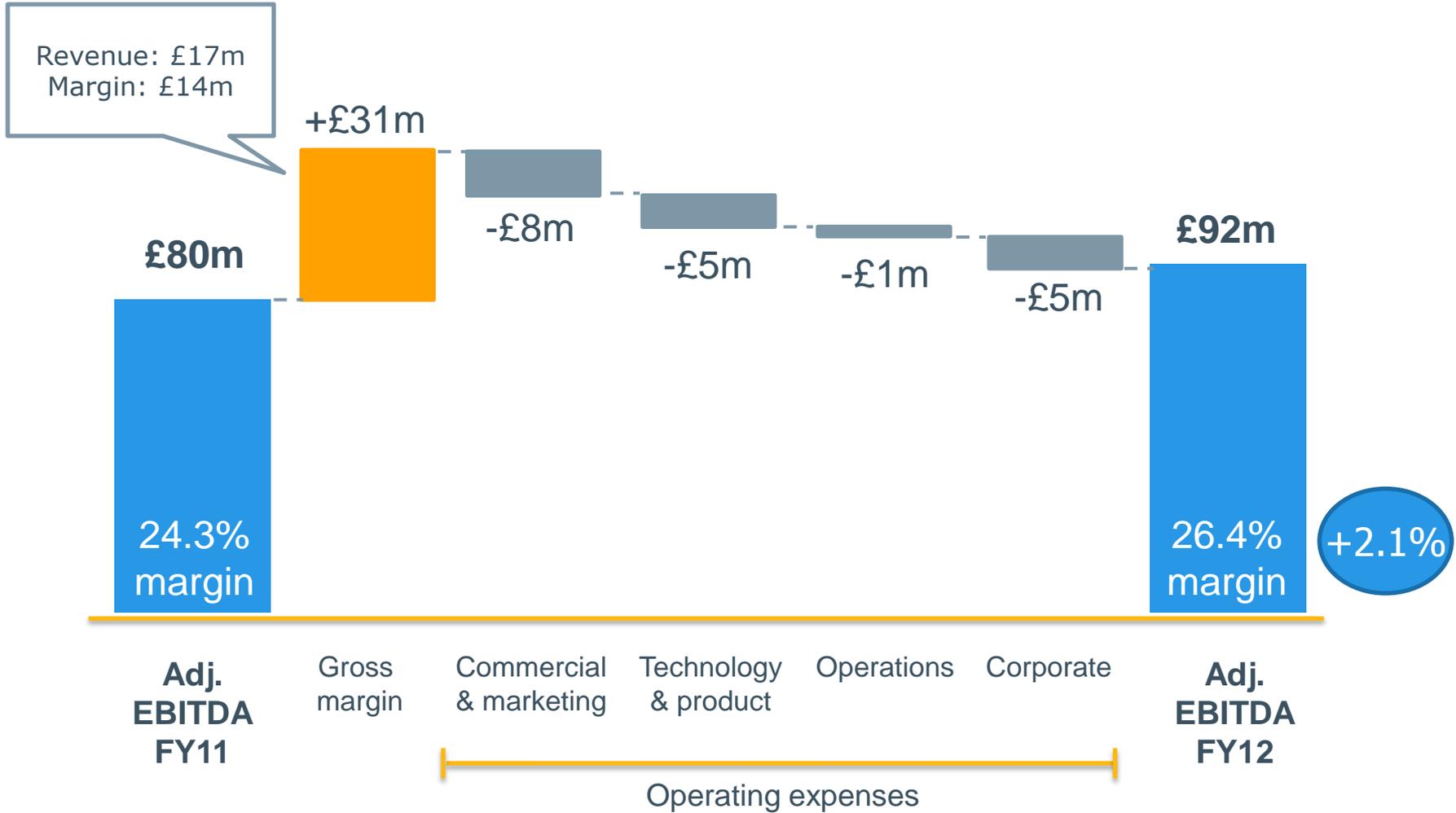
# CORE BETFAIR: FY12 REVENUE

		FY12	YoY%
Sports	Non-risk	£250m	+11%
	Risk	£18m	-13%
	Total	£268m	+9%
Games		£56m	-5%
Poker		£22m	+2%
<b>Total net gaming revenue</b>		<b>£347m</b>	<b>+6%</b>
Revenue from mgt. of client funds		£3m	-10%
<b>Core revenue</b>		<b>£350m</b>	<b>+6%</b>

# CORE BETFAIR: ITALY

	FY12	FY11	Change
Sports	£14m	£16m	-£2m
Games & Poker	£1m	£6m	-£5m
<b>Total net gaming revenue</b>	<b>£15m</b>	<b>£22m</b>	<b>-£7m</b>

# CORE BETFAIR: EBITDA BRIDGE



Excluding exceptional items and equity settled share-based payments

# OTHER INVESTMENTS: BETFAIR US

	FY12	FY11	Change %
Revenue (\$m)	\$57.7m	\$55.0m	+5%
EBITDA <sup>(1)</sup>	£(0.4)m	£(1.2)m	+67%

- TVG handle increased 7% compared to an overall market decline of 2%
- Original TVG business now EBITDA positive – offset by investment in new products and business development

(1) Figures represent underlying results, which exclude equity settled share-based payments

# OTHER INVESTMENTS: LMAX

	FY12	FY11	Change
Revenue	£4.0m	£3.5m	+14%
EBITDA	£(6.0)m	£(5.8)m	-3%

- Strong volume growth: Volumes up 850% to \$85bn
- Represents outperformance against new management team's business plan

# BETFAIR AUSTRALIA

	FY12	FY11	Change %
Revenue (AUD \$m) <sup>1</sup>	A\$48.8m	A\$40.3m	+21%
Betfair share of EBIT (£m) <sup>2</sup>	£2.4m	(£0.9m)	N/A

- Revenue driven by strong horse racing performance and improved monetisation of Exchange activity

<sup>1</sup> JV revenue

<sup>2</sup> Excludes one-off £1.9m net benefit from GST tax refund and High Court appeal legal costs

# CAPEX AND DEPRECIATION

	FY12 (£m)			FY11 (£m)		
	Core	Other	Total	Core	Other	Total
External capex	31.0	2.2	33.2	39.1	1.8	40.9
Internal devex	20.1	9.2	29.3	17.5	7.4	25.0
<b>Total capex</b>	<b>51.1</b>	<b>11.4</b>	<b>62.5</b>	<b>56.6</b>	<b>9.2</b>	<b>65.9</b>
<b>Depn. &amp; amortisation</b>	<b>34.4</b>	<b>6.8</b>	<b>41.2</b>	<b>25.0</b>	<b>6.4</b>	<b>31.4</b>

- Capex and D&A in line with full year expectations
- FY13 guidance:
  - Capex of c.£43m (Core: c.£35m; Other Investments: c.£8m)
  - D&A of c.£50m (Core: c.£40m; Other Investments: c.£10m)

# CASH FLOW

	FY12 (£m)	FY11 (£m)
<b>Core Betfair</b>		
Operating cash flow	103	75
Cash paid for Capex / Devex	(48)	(53)
Tax	(4)	(3)
<b>Core Betfair free cash flow</b>	<b>51</b>	<b>19</b>
<b>Other Investments</b>		
Operating cash flow	(1)	(7)
Cash paid for Capex / Devex	(11)	(9)
<b>Other Investments free cash flow</b>	<b>(12)</b>	<b>(16)</b>
Share buy back	(50)	-
Dividends paid	(10)	-
Other	2	1
<b>Group net cash flow</b>	<b>(19)</b>	<b>4</b>
FX translation effect	(1)	-
<b>Change in cash</b>	<b>(20)</b>	<b>4</b>
<b>Cash and cash equivalents <sup>1</sup></b>	<b>135</b>	<b>155</b>

<sup>1</sup> Excludes £288m of customer deposits held in separate ring-fenced accounts

# RETURNS TO SHAREHOLDERS

- **£50 million buyback completed**
  - 6.5 million shares purchased and cancelled
- **Dividend**
  - Interim dividend of 3.2 pence per share paid in January
  - Proposed final dividend of 7.0 pence per share
  - Full year dividend of 10.2 pence per share is 20% of Core eps

# FINANCIAL SUMMARY

**1 Improve revenue growth**

- 3 quarters of double digit NGR growth

**2 Improve margins**

- Core EBITDA margin up 2.1pp

**3 Return cash to shareholders**

- Returned £60m cash

**Solid progress against our objectives**

# BUSINESS REVIEW

Stephen Morana – Interim CEO

# OPERATIONAL HIGHLIGHTS

1

Customer



- Customer loyalty remains high
- Continue to offer best value

2

Product



- Re-architecture completed
- Launch of Next Generation sports product

3

Mobile



- Mobile product leadership
- Strong growth in usage

4

Geographies



- Licences in Denmark, Germany & Spain
- Decree issued in Italy

5

Other investments



- Australia: Strong revenue growth
- US: Progress at TVG
- LMAX: Strong volume growth

# CUSTOMER

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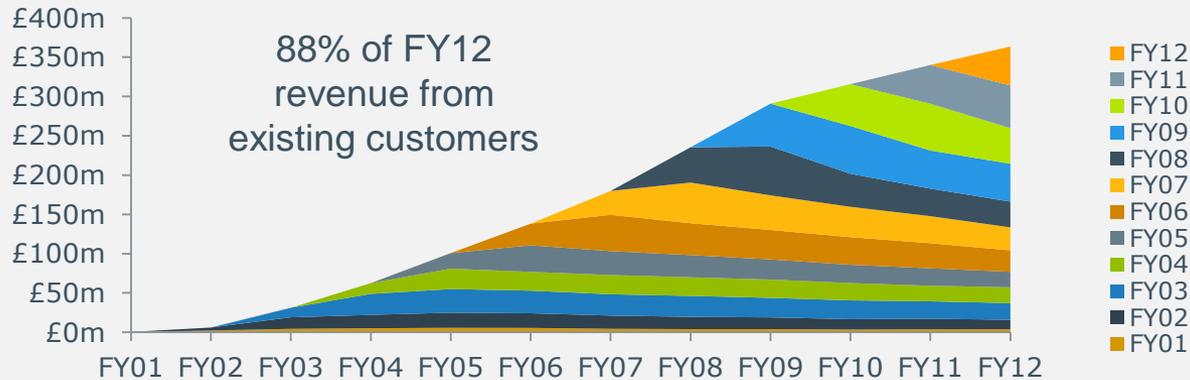


- Australia: Strong revenue growth
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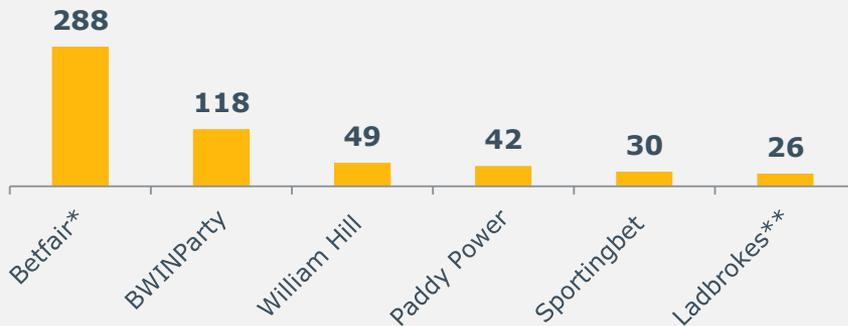


# CUSTOMER LOYALTY

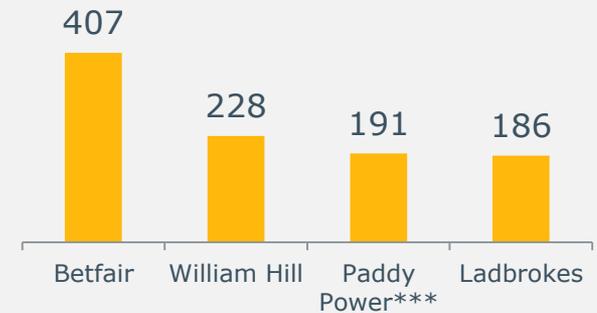
## Revenue by cohort



## Customer funds under management (£m)



## ARPU (£)



Data per most recent interim / prelim results

\*Core Betfair client funds held in a ring fenced trust account

\*\* Total cash on balance sheet; customer funds not disclosed

\*\*\* Online (ex. Australia)

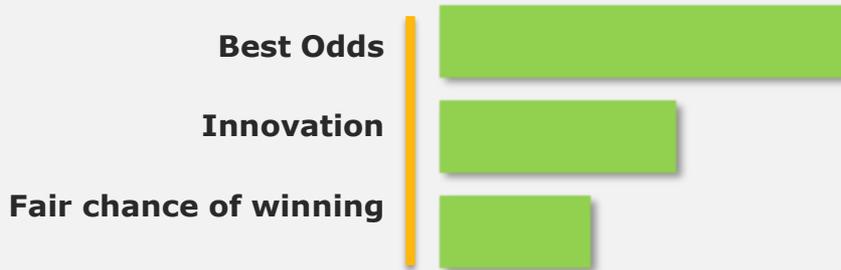
**Betfair's customers exhibit high levels of loyalty**



# CUSTOMER FEEDBACK: PROS & CONS

## Betfair vs Peers

### Top 3 areas of outperformance



### Bottom 3 areas of underperformance



- Obtained feedback from over 70,000 customers in FY12
- Customers directly shaping marketing & product roadmap

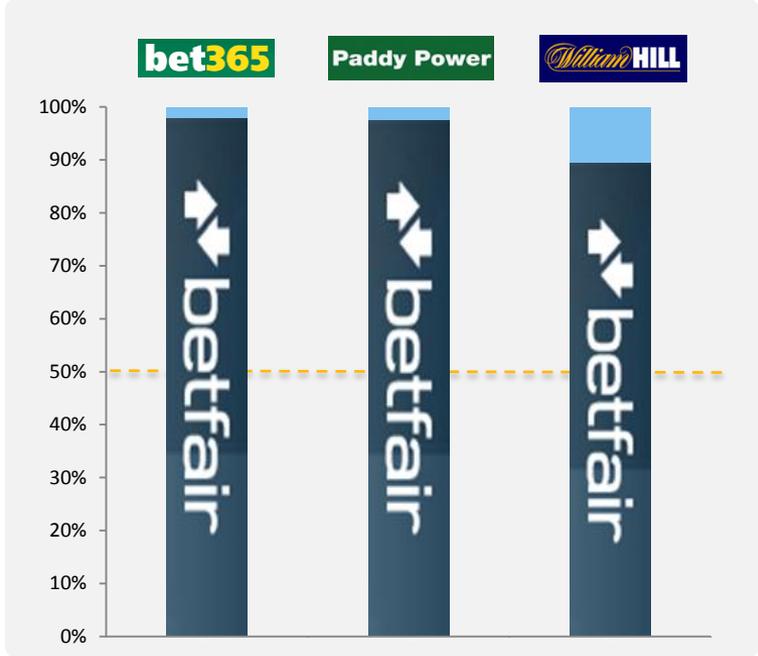


# CUSTOMER VALUE

2011/12 football season  
% of times Betfair best priced after 5% commission

Match odds

Correct score



Source: Grand Parade  
Data covers up to 1,744 results on winning outcomes across Premier League, La Liga, Serie A, Budesliga, Champions League & Europa League for 2011/2012 season (data not always available for every match for each operator)

**Betfair remains best value**



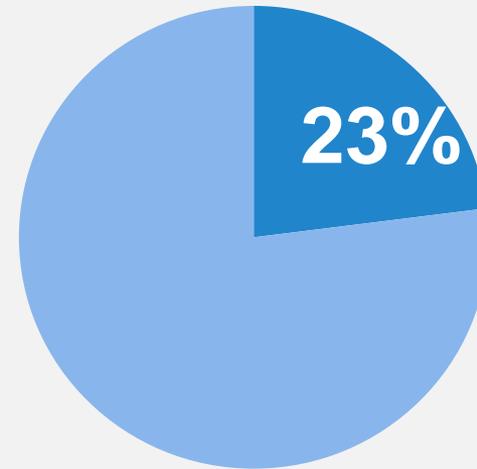
# EXCHANGE OFFERS A CHANCE OF WINNING

Best value

+

Winners  
welcome on the  
Exchange

% of customers who were  
net winners in FY12



Bettors wanting to maximise the chance of winning should bet  
with Betfair



# CUSTOMER MESSAGING FOCUSED ON VALUE

## BEST PRICED RUNNERS AT THE 2011 ROYAL ASCOT MEETING



**DON'T SETTLE FOR LESS**

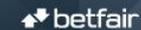


Based on all of the races at the 2011 Royal Ascot meeting. Betfair SP v Bookies' SP at the off. 5% commission has been deducted from the Betfair prices. For verification see [betchecker.betfair.com](http://betchecker.betfair.com). Other charges may apply. See [Betfair.com/aboutUs/BetfairCharges](http://Betfair.com/aboutUs/BetfairCharges).  
18+ Please gamble responsibly. [www.gambleaware.co.uk](http://www.gambleaware.co.uk)

## BEST PRICED WINNING MATCH ODDS SO FAR THIS SEASON IN THE CHAMPIONS LEAGUE



**DON'T SETTLE FOR LESS**

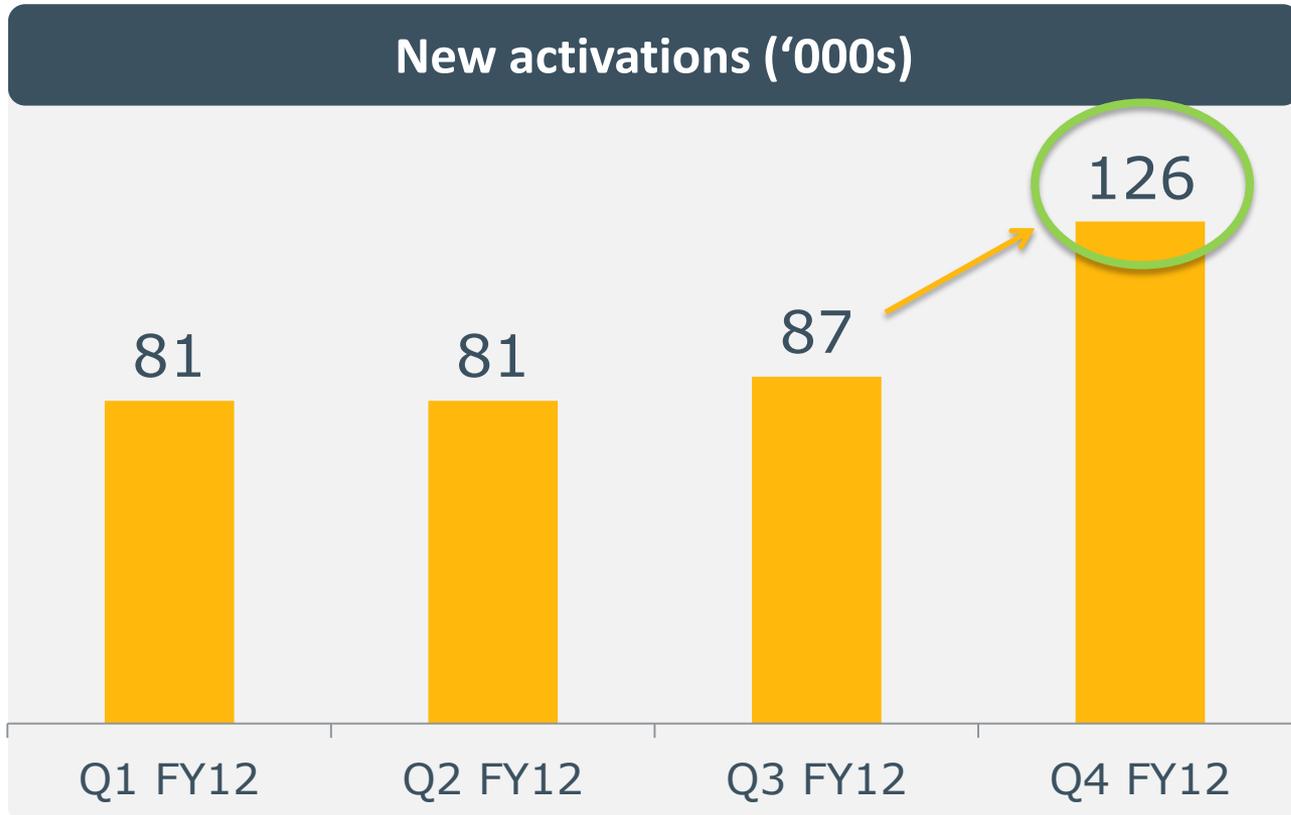


Information correct as of 02/04/12. Prices captured just before kick-off. 5% commission has been deducted from Betfair prices. Other charges may apply. See [Betfair.com/aboutUs/BetfairCharges](http://Betfair.com/aboutUs/BetfairCharges). For verification see [betchecker.betfair.com/football](http://betchecker.betfair.com/football). 18+ Please gamble responsibly. [www.gambleaware.co.uk](http://www.gambleaware.co.uk)

## Reminding customers of our value



# CUSTOMER ACQUISITION



Strong Q4 activations suggest value message is working



# PRODUCT

1

Customer



- Customer loyalty remains high
- Continue to offer best value

2

Product



- Re-architecture completed
- Launch of new risk sports products

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Mobile



- Mobile product leadership
- Strong growth in usage

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Geographies



- Licences in Denmark, Germany & Spain
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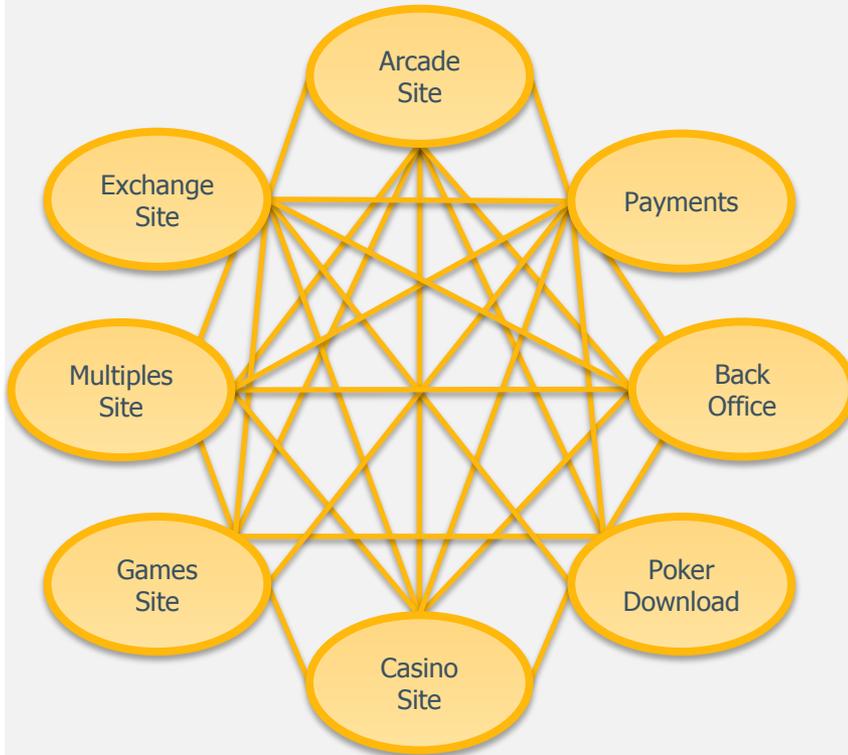


- Australia: Strong revenue growth
- US: Progress at TVG
- LMAX: Strong volume growth



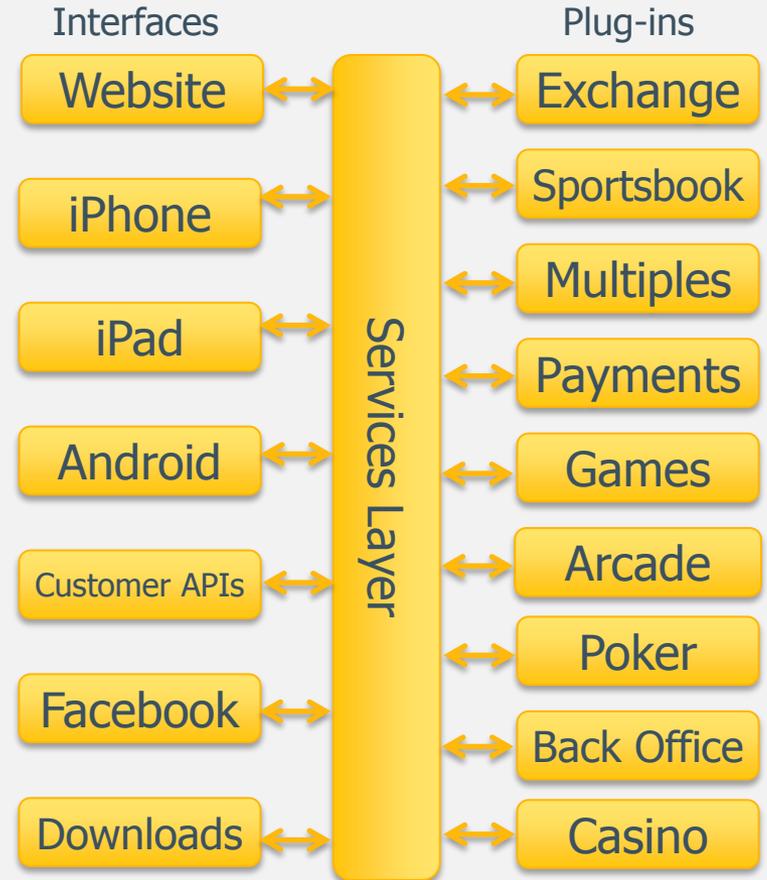
# RE-ARCHITECTURE: DRIVING SIMPLICITY

## Before: 'Interdependent'



**High degree of interdependence. Change projects move at pace of slowest element**

## After: 'Components'

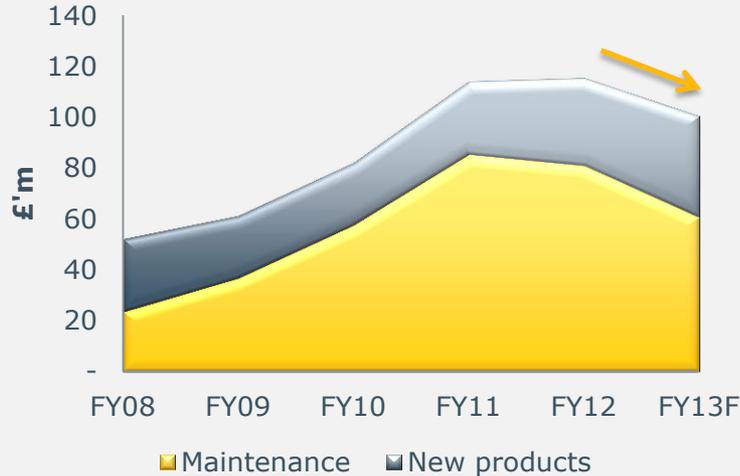


**Projects independent. Change of one component does not affect others**

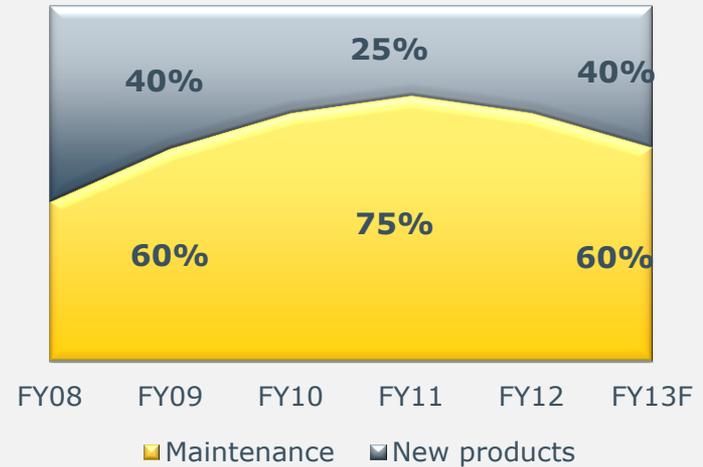


# RE-ARCHITECTURE: OPERATIONAL BENEFITS

## Technology opex + capex £m



## Technology spend mix



- Complexity resulted in sharply increased level of maintenance spend
- Allows reduction in overall technology spend and increased focus on new products



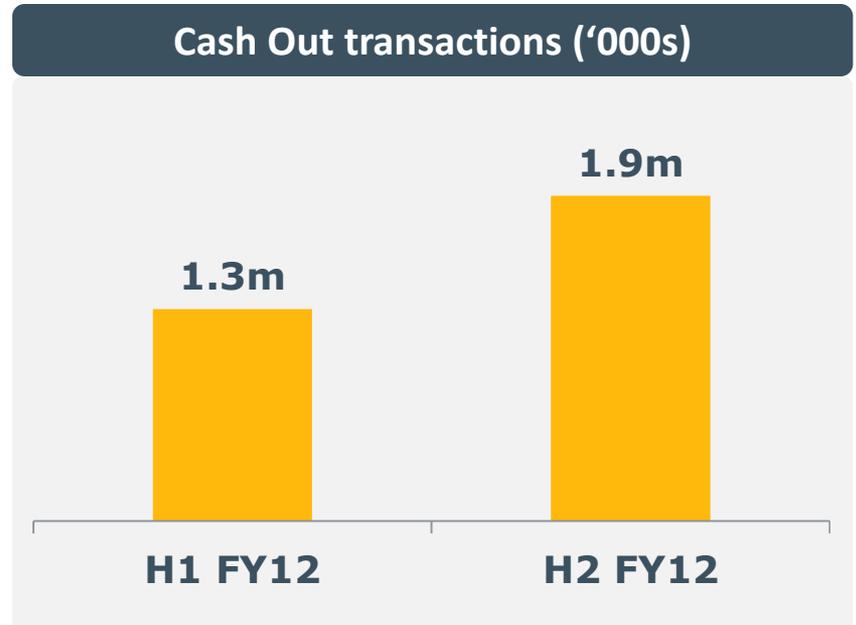
# PRODUCT: CASH OUT

**Match Odds** ⓘ 🟡 ✅ 🔄 ^

Cash Out ? Take £174.98

Your current liability £140.00 | Profit/Loss £34.98

	Back	Lay
Poland £38.60	1.13	1.14
Greece £-140.00	50	55
The Draw £38.60	9.6	9.8



**40%**  
of Cash-Out users  
previously placed  
'back-only' bets

**34%**  
increase in 'green  
books'

**10%**  
improvement in  
retention <sup>1</sup>

**19%**  
increase in average  
bet size

<sup>1</sup> customers still active after 6 months if cash out used



# PRODUCT: EVOLUTION

## 1 Multiples

- Often too many possible combinations for exchange
- Introduced in 2007
- Delivered £77m of revenue to date

## 2 Tote / pool style bets

- Too many possible combinations for exchange
- Introduced in 2009
- Largest third party agent for the UK Tote

## 3 Early prices

- Exchange liquidity may not be formed
- Traditional bookmakers successfully operated 'Best Odds Guaranteed'

## 4 Breadth & depth of in-play markets

- Exchange liquidity cannot form quickly enough for some markets
- Traditional bookmakers have significantly improved their products

**Removing the need for customers to bet elsewhere**



# RISK SPORTS: 'FIXED ODDS'



- 'Fixed odds' prices offered to fill any liquidity gaps
- Multiples now integrated into bet slip

**Ensures customers can always have a bet**



# GAMING

- Strengthening the gaming team
- Product refreshed in FY12
  - Website redesign
  - 55 new games
  - Live dealer
- Mobile casino launched
  - 15% of gaming revenues
- Bingo to be launched in FY13



**LIVE DEALER  
CASINO**

# MOBILE

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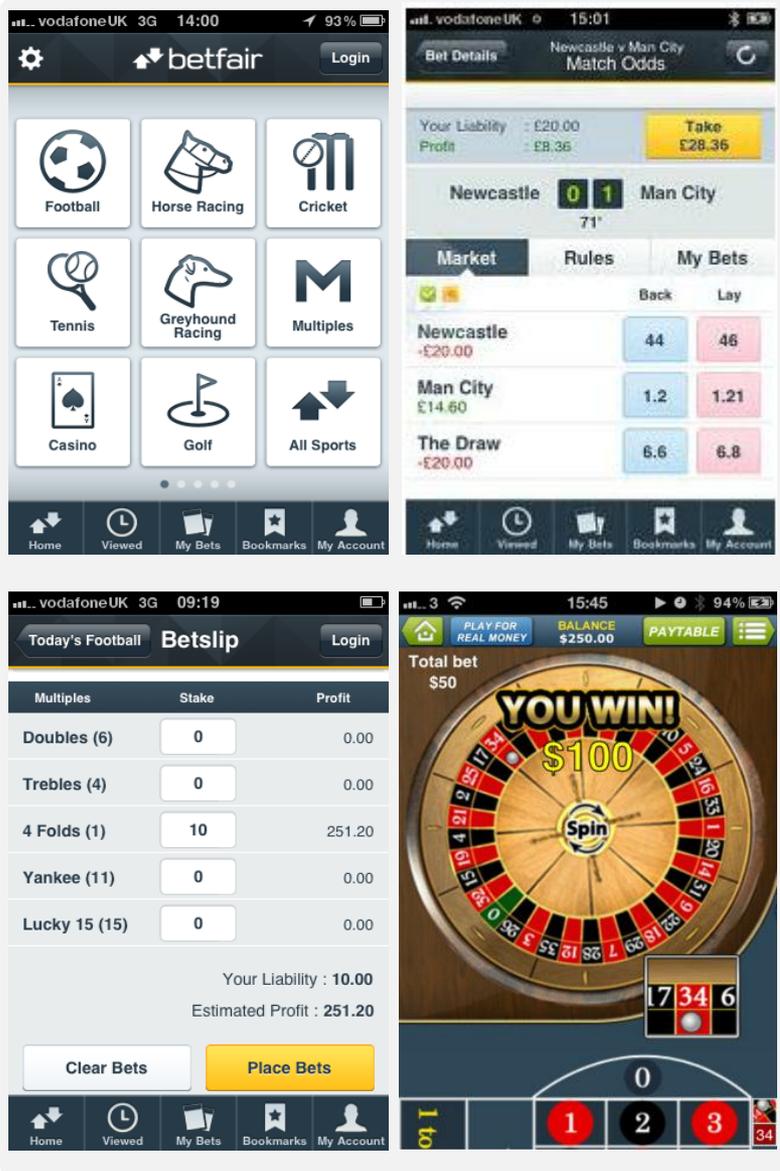
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# MOBILE: PRODUCT

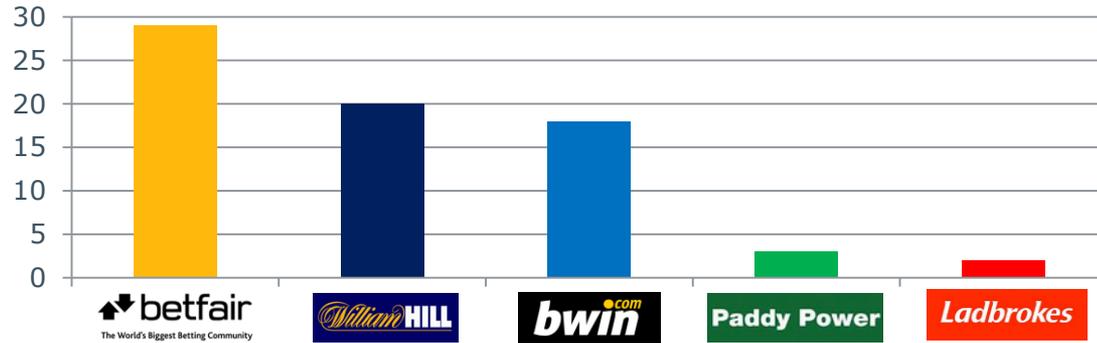


- In-house team of 50 mobile developers and product specialists
- Regular upgrade cycle with 3-4 major releases per year
- Major new mobile product enhancements:
  - Cash-out on mobile
  - Mobile registration and account management
  - Tailored apps for specific events, e.g. Euro 2012 app
  - Multiples
  - Mobile Casino

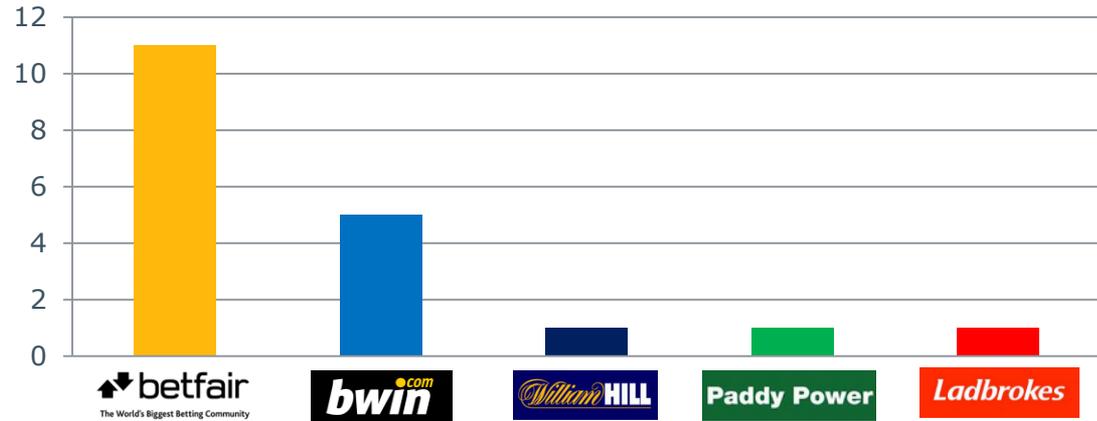


# MOBILE: INTERNATIONALISATION

## Availability in international app stores

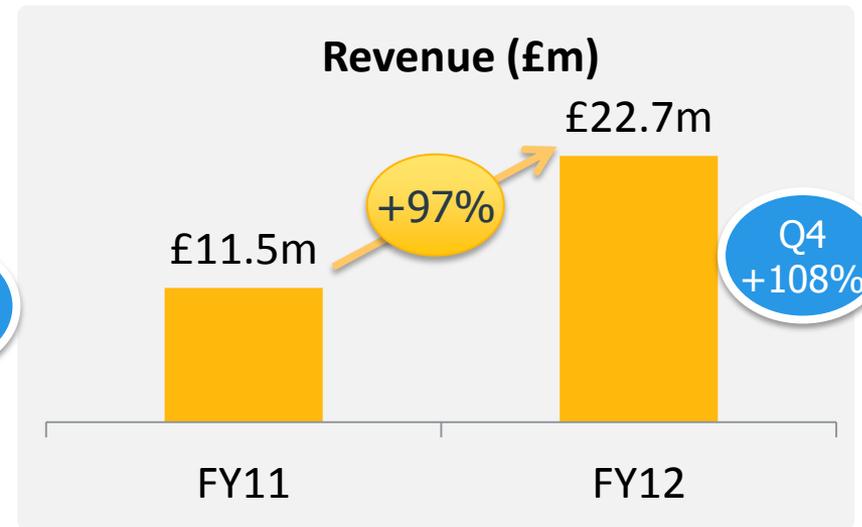
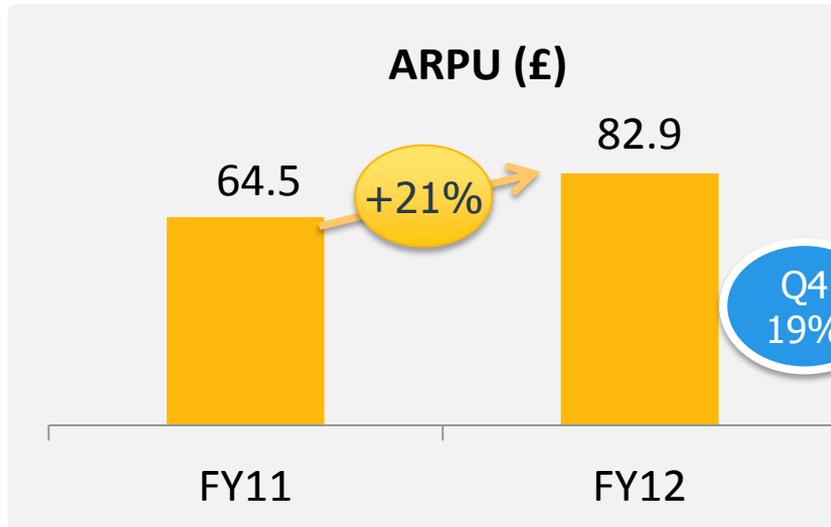
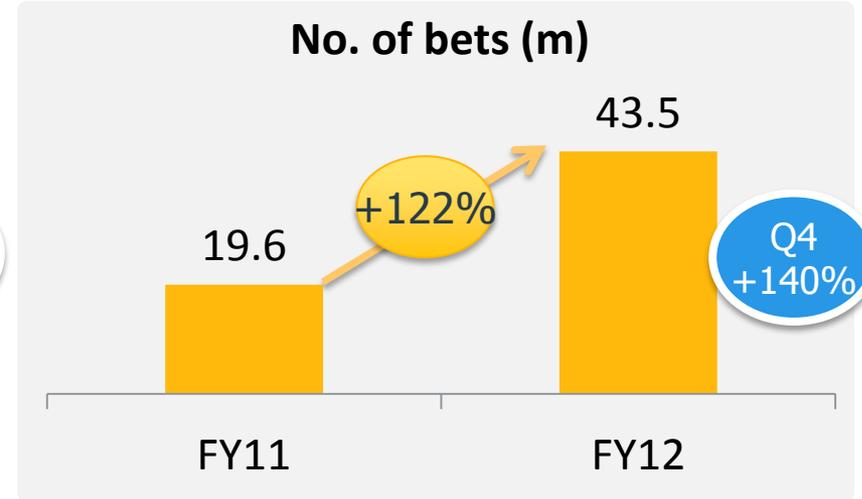
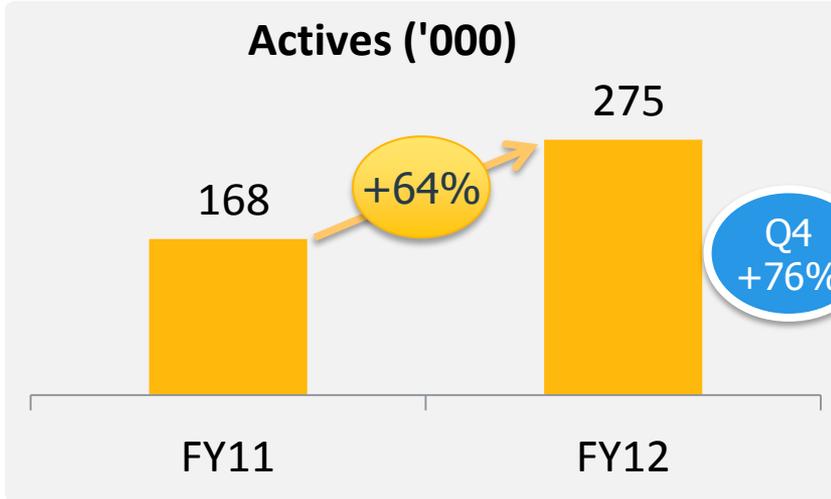


## Languages supported by mobile apps





# MOBILE: KPIs



**Accelerating mobile growth**

# GEOGRAPHIES

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# REGULATION UPDATE



- Consultation underway on 15% GPT from December 2014 on a point of consumption basis



- Exchange licence expected in FY13
- Tax at 20% GGR



- Licence to operate sportsbook, roulette and blackjack
- Exchange licensing expected in FY13
- Tax at 25% GGR



- Awarded licence in Schleswig-Holstein
- Tax at 20% GGR
- Engaging with relevant authorities on Federal tax

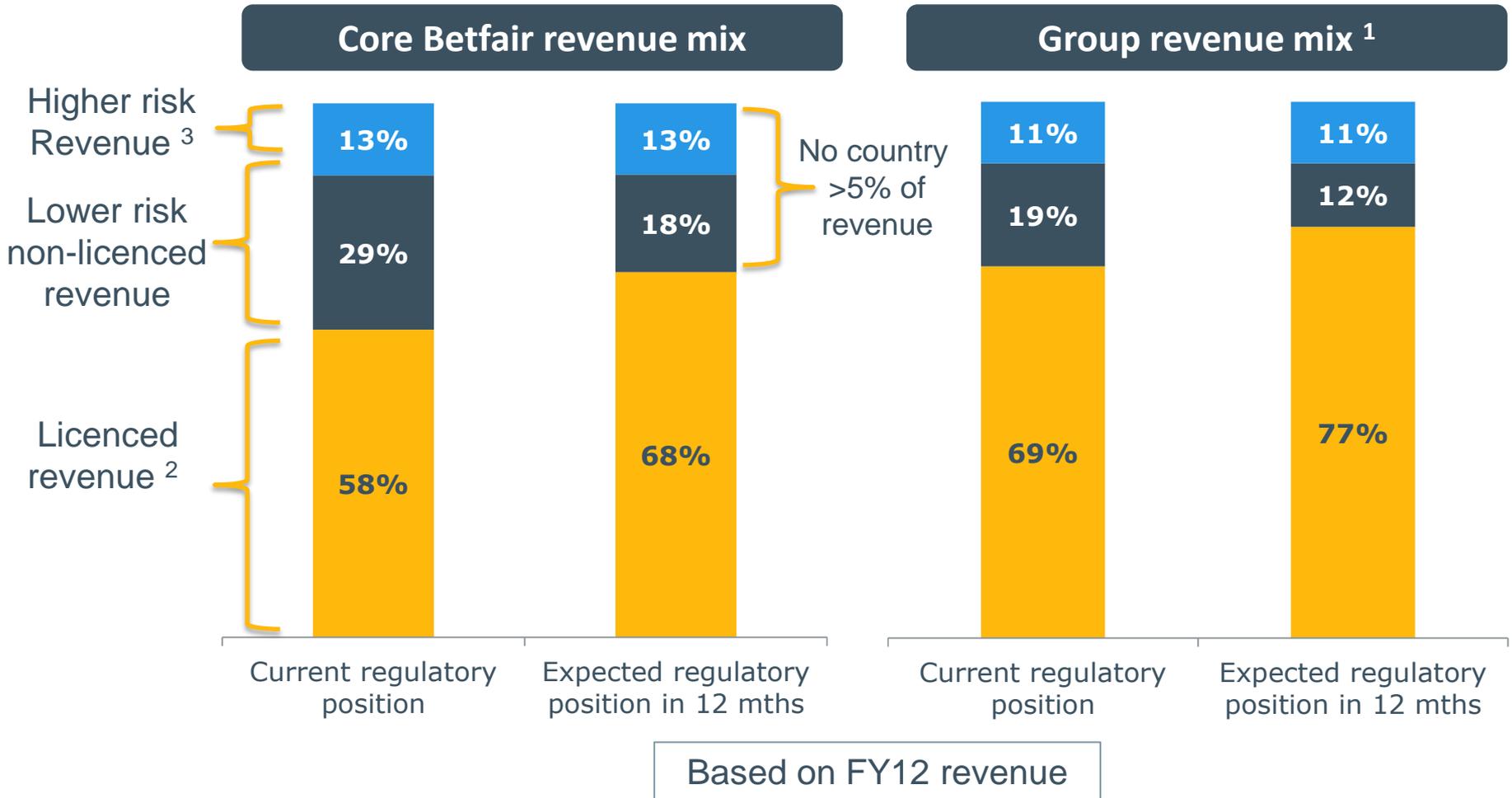


- Awarded licence to operate all products
- Tax at 20% GGR



- Industry trade associations launched complaints with the European Commission on legality of proposed regulation / tax regime

# REGULATED MIX



<sup>1</sup> Inc. 50% revenue from Australian JV

<sup>2</sup> Current: UK, Denmark, Malta, Spain sportsbook & casino, Australia, US  
Expected: Above, plus Italy, Ireland, Spain exchange & poker

<sup>3</sup> Higher risk: Germany, Greece, Cyprus

# OTHER INVESTMENTS

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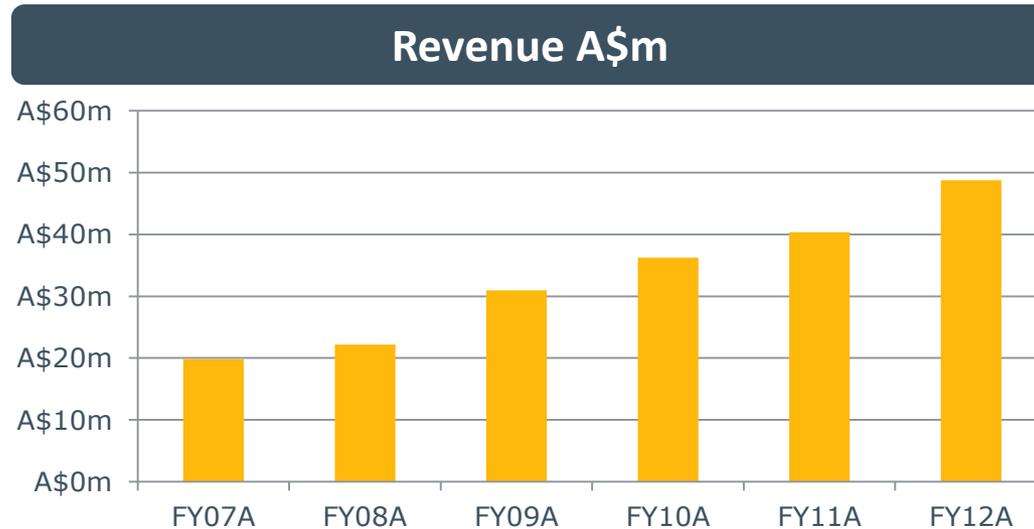
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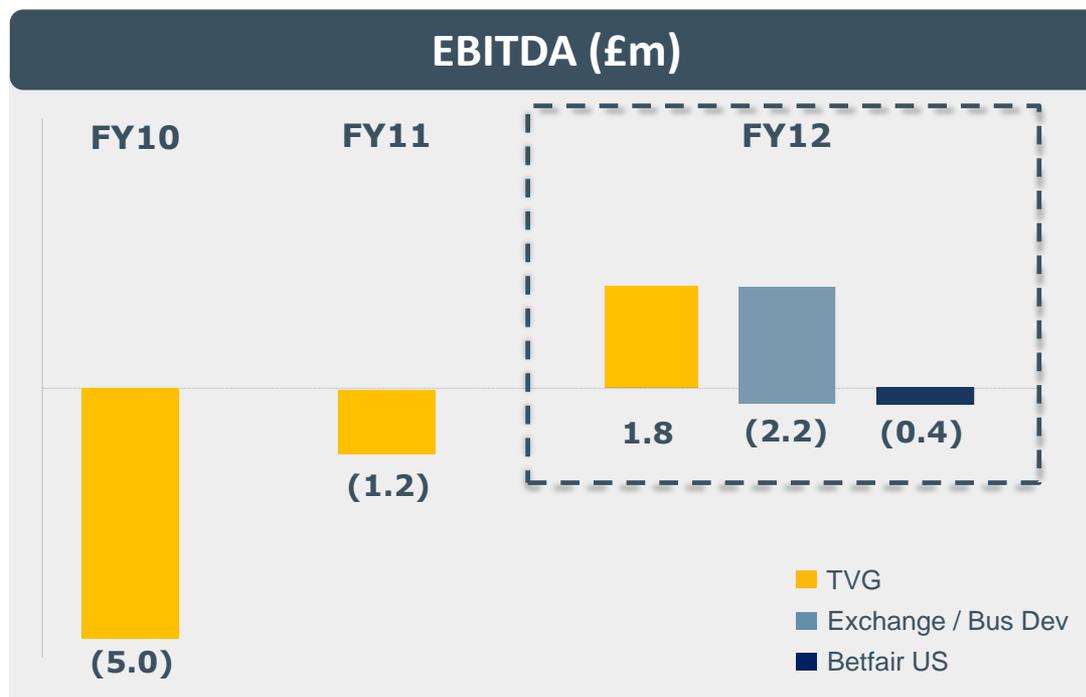
# BETFAIR AUSTRALIA



- Strong revenue growth: up 21% in local currency
- Disappointing High Court decision
  - Increased base rate of commission from 5% to 6.5%
  - Considering further commercial response
- Introduced Tote Extra and multiples risk products
- Localised mobile product offers Australian focused content and products



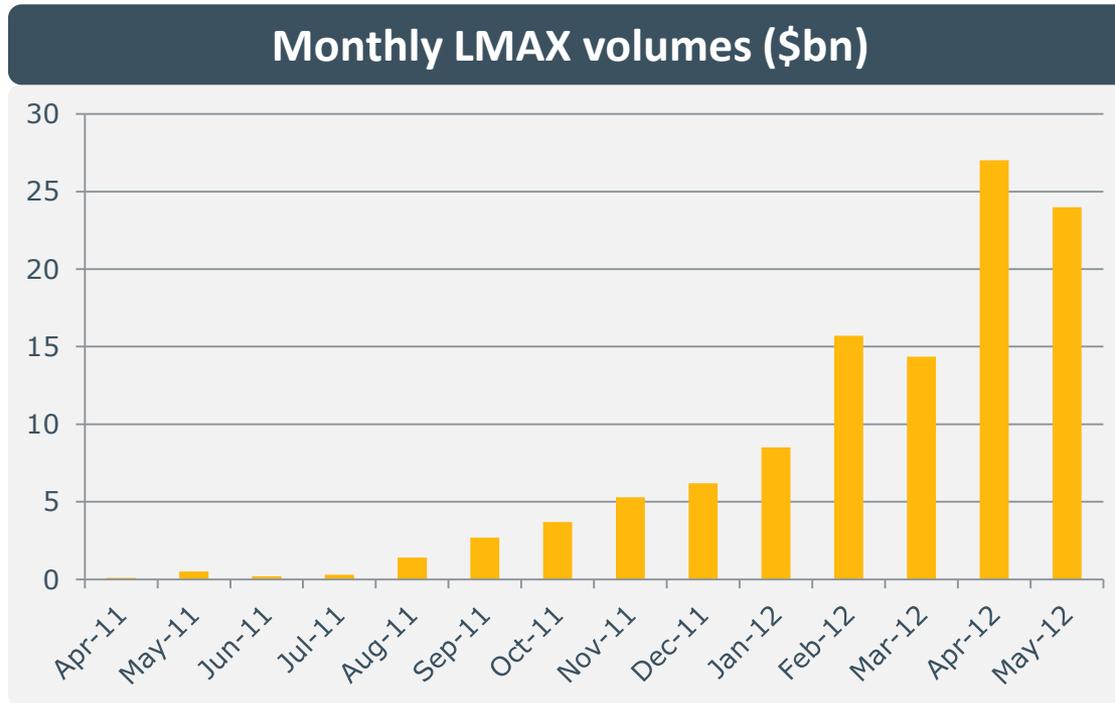
# BETFAIR US



- Standalone TVG achieved profitability
- Slower than expected Exchange progress in California



**LMAX**



- Proved exchange concept works in retail financial products
- Top 30 Global retail FX provider one year on from re-launch
- FY13 focus on conversion of sales leads to continue volume growth

# CURRENT TRADING AND OUTLOOK

- **Current Trading**

- Core Betfair revenue up 18% driven by:
  - Euro 2012
  - return to historical risk margin levels
  - mobile growth; and
  - continued success of our marketing campaign

- **Outlook**

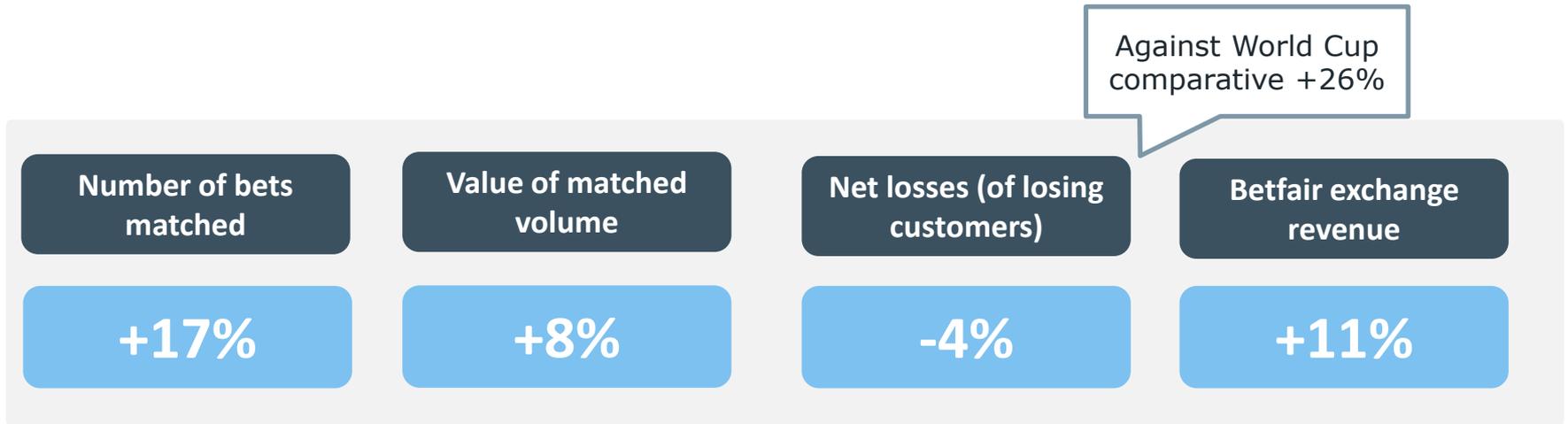
- New products provide foundation for further growth
- While regulation brings increased tax costs, licensing provides greater certainty and opportunity to build scale

# SUMMARY

- Improved growth rates
- Increased focus on customer facing product
- Important new products launched
- Mobile continues to deliver strong growth
- Model remains highly cash generative

# Q&A

# EXCHANGE PERFORMANCE



**Strong exchange activity**



**Improved monetisation through education & pricing**

# UNDERLYING GROUP INCOME STATEMENT

£m (unless specified)	FY12			FY11		
	Core	Other	Group	Core	Other	Group
Revenue	349.5	40.1	389.7	330.0	38.6	368.6
Underlying Adjusted EBITDA	92.1	(6.4)	85.7	80.2	(7.0)	73.2
Depreciation and Amortisation	(34.4)	(6.8)	(41.2)	(25.0)	(6.4)	(31.4)
Underlying operating profit	57.7	(13.2)	44.5	55.2	(13.4)	41.8
Finance Income	1.8	(0.6)	1.2	1.8	(0.3)	1.5
Share of equity accounted investments	-	2.4	2.4	-	(0.9)	(0.9)
Underlying profit before tax	59.6	(11.4)	48.2	57.0	(14.6)	42.4
Basic EPS	51.6p	(10.5p)	41.1p	44.6p	(10.7p)	33.9p

Underlying figures are stated after making a number of adjustments in order to aid comparability between periods. These adjustments involve the exclusion, where relevant, of: the revenue and EBITDA from the High rollers segment; exceptional items; equity settled share-based payments; profit on sale of financial asset; and the associated tax effect of these adjustments.

# RECONCILIATION OF ADJUSTMENTS

Year ended 30 April 2012	Revenue	EBITDA	Operating profit	Profit before tax	Profit after tax
	£m	£m	£m	£m	£m
Reported	389.7	75.1	33.9	41.6	33.9
Adjustments for:					
- High rollers	-	(3.9)	(3.9)	(3.9)	(3.9)
- Exceptional items (**)	-	6.4	6.4	4.5	4.5
- Equity settled share-based payments	-	8.1	8.1	8.1	8.1
- Net foreign exchange gain (*)	-	-	-	(2.1)	(2.1)
- Tax effect of adjustments	-	-	-	-	1.6
<b>Underlying</b>	389.7	85.7	44.5	48.2	42.1
Basic earnings per share (underlying)					41.1 p
Diluted earnings per share (underlying)					40.2 p

(\*) Net foreign exchange gain is primarily on the intercompany balances in the Group

(\*\*) £1.9 m gain included in the exceptional items for profit before tax and profit after tax is related to exceptional items in Group's share of income from joint venture-Betfair Australia

Year ended 30 April 2011	Revenue	EBITDA	Operating profit	Profit before tax	Profit after tax
	£m	£m	£m	£m	£m
Reported	393.3	56.3	24.8	26.6	23.0
Adjustments for:					
- High rollers	(24.7)	(6.5)	(6.5)	(6.5)	(6.5)
- Exceptional items	-	17.0	17.0	17.0	17.0
- Equity settled share-based payments	-	6.4	6.4	6.4	6.4
- Profit on disposal of financial asset	-	-	-	(1.2)	(1.2)
- Tax effect of adjustments	-	-	-	-	(3.7)
<b>Underlying</b>	368.6	73.2	41.8	42.4	35.1
Basic earnings per share (underlying)					33.9 p
Diluted earnings per share (underlying)					33.0 p

# RECONCILIATION OF EARNINGS PER SHARE

Pence per share	FY12		FY11	
	Core	Group	Core	Group
<b>Reported eps</b>	<b>39.4</b>	<b>33.1</b>	<b>25.0</b>	<b>22.6</b>
Exceptional items <sup>1</sup>	6.0	6.0	14.7	12.6
Betfair Australia one-offs <sup>2</sup>	-	(1.8)	-	-
High rollers <sup>3</sup>	-	(3.0)	-	(6.5)
Intercompany FX	(0.7)	(0.7)	-	-
Share based payments	6.9	7.4	4.9	5.2
<b>Underlying eps <sup>4</sup></b>	<b>51.6</b>	<b>41.1</b>	<b>44.6</b>	<b>33.9</b>

<sup>1</sup> FY12: Spanish back tax; FY11: Primarily IPO costs and profit on disposal

<sup>2</sup> Net of GST refund and legal costs

<sup>3</sup> Provision release in relation to prior year revenue

<sup>4</sup> Underlying, adjusted eps