

FY13 INTERIM RESULTS

13 December 2012

BUSINESS REVIEW

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

HOW TO WIN

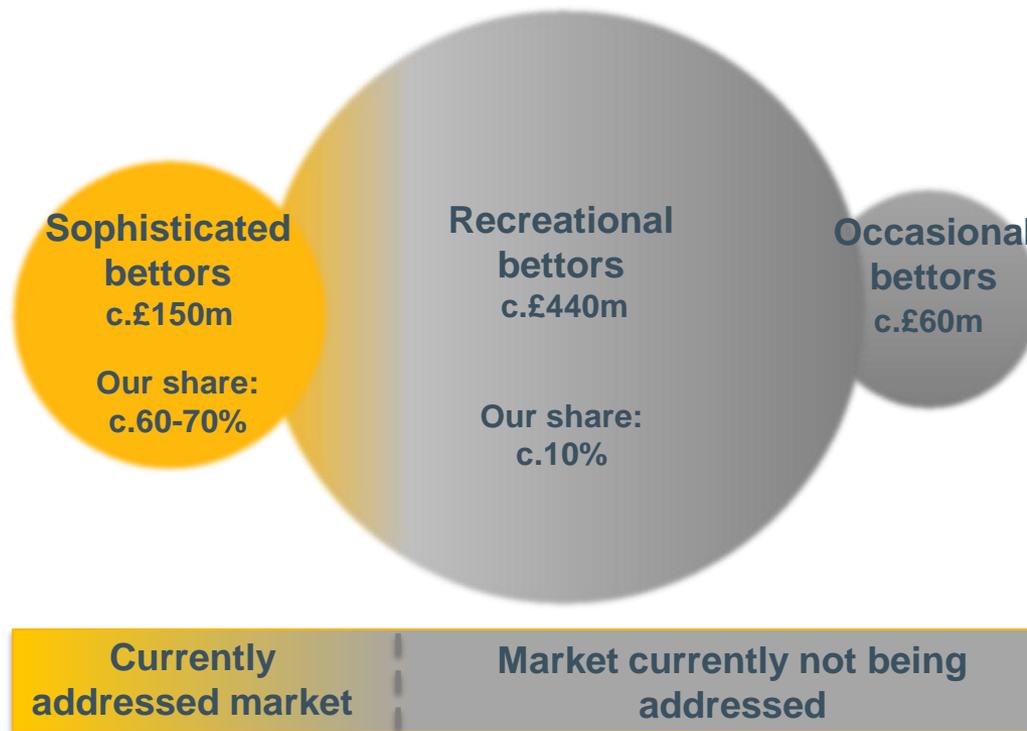
IMPORTANCE OF SCALE



Scale advantage is key to winning

ACHIEVING SCALE: ADDRESSABLE MARKET

UK online sports betting market: £650 million pa¹



Need to serve a greater proportion of the market

¹ 2011 NGR from *GamblingData*. Market segmentation based on Betfair estimates

OUR PLAN

OUR PLAN

1

Focus on sustainable revenues

2

Invest in our products and brand for growth

3

Introduce greater accountability & discipline

FOCUS ON SUSTAINABLE REVENUES

H1 revenue mix (by customer residence)¹



High risk: Revenue expected to be lost
(Greece, Germany, Cyprus)

Insufficient visibility: Ceasing direct investment; significant revenue decline expected
(includes Eastern Europe, Asia and the Americas)

Reasonable visibility: Maintaining current investment
(Italy, Sweden, Spain)

Licensed / good visibility: Increasing investment
(UK, US, Malta, Ireland, Denmark)

- ✓ Ceased investment in countries without satisfactory visibility
- ✓ Reduced the number of languages offered

Reducing exposure to markets with an uncertain regulatory future

¹ Excludes Betfair Australia and Timeform

2

PRODUCTS: FOCUS ON CUSTOMER NEEDS

Exchange

- Simplifying the customer interface

Sportsbook

- Building a competitive sportsbook to address:
 - Complexity
 - Liquidity
 - Promotional restrictions

Gaming

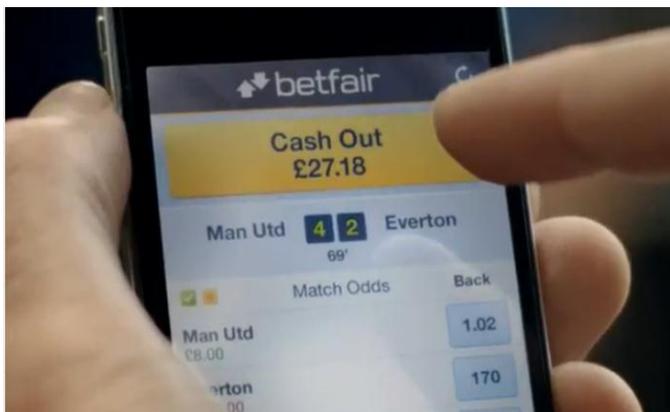
- Ensuring we close product gaps

We recognise the need to deliver products that meet customer needs

2

BRAND: REPOSITION AND INVEST

Messaging



Investment

- Increased investment in sustainable markets to address relative under-spend

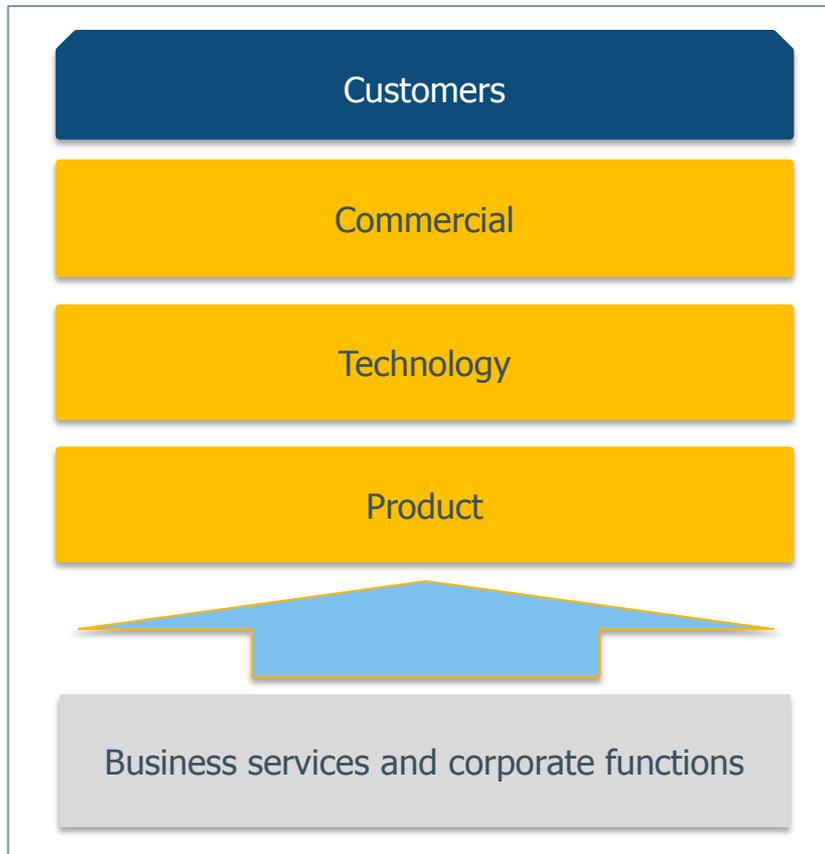
Becoming more inclusive to target an expanded demographic

3

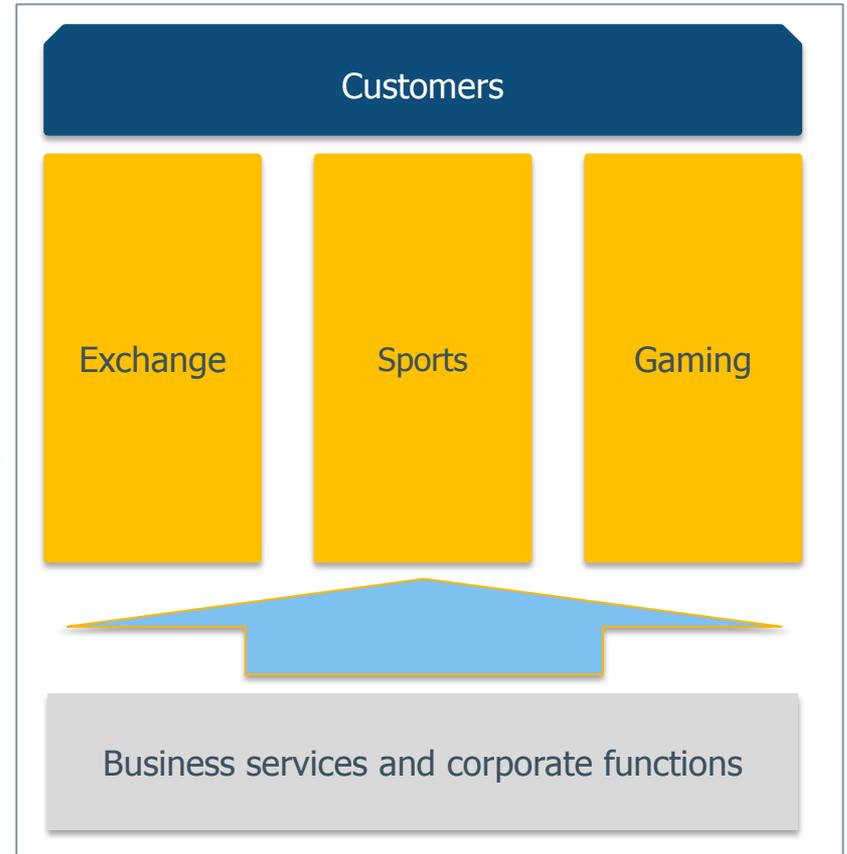
ACCOUNTABILITY & DISCIPLINE

NEW ORGANISATIONAL STRUCTURE IMPLEMENTED

Old structure



New structure



New org structure increases ownership & accountability

3

ACCOUNTABILITY & DISCIPLINE

NEW APPOINTMENTS / ROLES

Name	Role	Background	
Alex Gersh	CFO	International; growth; software industry	
John McElligott	MD Exchange	Strategy consulting; digital retailing; start-up	
Paul LaFontaine	MD Gaming	International; digital operations; business development; social gaming	
Mark Brooker	MD Sports	Capital markets; Betfair	
Mark Ody	Brand Director	Consumer; brand strategy; entrepreneurial	

Experienced management team is a good mix of old & new

ACCOUNTABILITY & DISCIPLINE

COST DISCIPLINE

- Detailed review of the cost base undertaken
- Identified c.£20 million of cost savings so far
 - Delivery expected within 2 years
 - Cost estimated at <1 times expected savings

Savings will fund strategic plans and increased process efficiency will speed up delivery

3

ACCOUNTABILITY & DISCIPLINE

INVESTMENT DISCIPLINE



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



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



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

Management & resources focused on our primary business

PROGRESS

1

Focus on sustainable revenues

KPI

Mix of sustainable revenue

Progress



- ✓ Stopped investment in countries with unclear regulatory outlook
- ✓ Turned off some language sites

2

Invest in products and brand

Revenue growth



- ✓ Re-prioritised product roadmap
- ✓ Appointed a new brand director

3

Greater accountability & discipline

Cost savings delivered/ margin enhancement¹



- ✓ Behaviour change underway
- ✓ New organisational structure / hires
- ✓ Identified and started to implement c. £20m of savings
- ✓ Disposal of stakes in LMAX and Kabam

¹ excluding gaming tax

Important progress made, but still a long way to go

FINANCIAL RESULTS

FINANCIAL REPORTING UPDATE

- **Improving quality of reported earnings**
 - Reporting focus will be Group performance, not Core
 - Share based payments will be included in EBITDA
 - Applying a more conservative approach to capitalisation of development expenditure
- **Balance sheet review**
 - Goodwill & other intangible assets written down

H1 SUMMARY

	Betfair Group	Core Betfair²	Betfair US
Revenue	£200.6m +5%	£180.2m +5%	£20.4m +9%
EBITDA ¹	£42.3m -2%	£40.8m -5%	£1.4m +360%
EPS ¹	17.4p -25%		
Dividend	4.0p +25%		

¹ Figures represent underlying results, which exclude, where relevant separately disclosed items and the associated tax effect of these adjustments.

² Includes Tradefair financial spread betting business (H1 FY13: revenue £1.3 million, EBITDA £1.0m; H1 FY12: revenue £2.1 million, EBITDA £1.9 million)

REVENUE GROWTH YOY%

		Q1 FY13	Q2 FY13	H1 FY13
Sports	Non-risk	£68.9m +16%	£63.3m -2%	£132.1m +6%
	Risk	£3.4m +952%	£4.7m -10%	£8.2m +47%
	Total	£72.3m 21%	£68.0m -3%	£140.2m +8%
Games ¹		£14.8m -4%	£14.6m 0%	£29.4m -2%
Poker		£5.1m -4%	£4.5m -18%	£9.6m -11%
Core²		£92.7m +14%	£87.5m -4%	£180.2m +5%
Betfair US		£11.2m +13%	£9.2m +5%	£20.4m +9%
Group revenue (reported)		£103.9m +14%	£96.8m -3%	£200.6m +5%
Betfair Australia (50% share)		£4.3m +22%	£4.3m +11%	£8.6m +16%
Pro-forma Group revenue		£108.2m +14%	£101.1m -2%	£209.3m +5%

¹ Includes Tradefair financial spread betting business

² Includes £0.9m of Revenue from management of customer funds

UNDERLYING GROUP P&L

£m	H1 FY13	H1 FY12	YoY
Revenue	200.6	191.2	5%
COS	(24.3)	(23.5)	(3%)
Gross profit	176.3	167.7	5%
Opex	(134.0)	(124.4)	(8%)
EBITDA	42.3	43.1	(2%)
D&A	(22.7)	(17.1)	(33%)
EBIT	19.6	26.0	(25%)
Net interest	0.5	0.6	(17%)
Profit before tax	21.0	27.0	(22%)
Tax	(3.3)	(3.2)	(3%)
Net income	17.6	23.8	(24%)
EPS	17.4	23.2	(25%)

¹ Figures represent underlying results, which exclude, where relevant: separately disclosed items (restructuring costs and impairments) and any associated tax effect of these adjustments.

SEPARATELY DISCLOSED ITEMS

	£m
Restructuring cost	3.8
Impairment of capitalised devex (Betfair US, old website, platform, international products)	40.8
Impairment of software licences	5.1
Impairment of goodwill (TVG, Timeform, Poker Champs, Betfair TV)	34.6
Total impairment	80.6

P&L IMPACT OF NEW PLAN

Financial reporting changes

- ➔ Underlying financials include share based payments
- ↓ Increase in proportion of devex that is expensed
- ↑ Reduced D&A

Focus on sustainable revenues

- ↓ Reduction in revenues and contribution from unsustainable markets

Invest in products & brand

- ↓ Brand investment
- ↑ Growth in sustainable markets

Greater accountability & discipline

- ↑ c.£20m of cost efficiencies
- ↑ LMAX exit

OUTLOOK

- Current trading in-line with expectations (Q3 to date +2%)
- Reflecting the strategic and reporting changes announced today, our FY13 guidance is:
 - Group revenues £370m to £385m
 - Underlying EBITDA £65m to £70m

DIVIDEND

- New dividend policy:
 - Principle: Progressive and sustainable
 - Targeting a medium term payout ratio of 40% of Group net income (from 20% of Core net income)
 - Reflects confidence in long term outlook and increased capital discipline
- Interim dividend of 4.0 pence per share (+25%)

SUMMARY

Focused

- Simplified product
- Sustainable revenue
- Disciplined investment approach

Leaner

- Greater accountability
- Increased operational efficiency

Faster

- Speedier decision making
- Better delivery

We have the potential to win...

...but first need to get fit to compete



Q&A

APPENDIX

REVENUE RECONCILIATION

H1 FY12 £m	Core	US	LMAX	Group
As previously reported	170.3	18.7	2.2	191.3
Discontinuation of LMAX	-	-	(0.1)	(0.1)
Reclassification of Tradefair	2.1	-	(2.1)	-
Reclassified revenues	172.4	18.7	-	191.2

**LMAX has been classified as discontinued and Tradefair
has been reclassified as Core**

CORE EBITDA RECONCILIATION

£m	H1 FY13	H1 FY12	YoY
Underlying EBITDA excl. Tradefair and share based payments	44.6	44.6	Flat
Tradefair	1.0	1.9	-48%
Underlying EBITDA excluding share based payments	45.6	46.4	-2%
Equity settled share-based payments	(4.7)	(3.7)	24%
Underlying EBITDA	40.8	42.8	-5%
Separately disclosed items	(3.4)	-	N/A
EBITDA	37.4	42.8	-13%

Focus has moved to Underlying EBITDA including share based payments

ADMIN EXPENSES RECONCILIATION

H1 FY12 £m	As previously Reported	Share based payments	Reclassified
Commercial & Marketing	38.9	(0.3)	39.2
Technology & Product	34.8	(0.9)	35.8
Operations	10.0	(0.2)	10.2
Corporate	23.9	(2.3)	26.1
Reclassified	107.6	(3.7)	111.3

Share based payments now included in admin expenses

REPORTED EBITDA RECONCILIATION

H1 FY13 £m	Old Core	Tradefair	US	Group
Core EBITDA excluding Share based payments	44.6	1.0	1.7	47.3
Share based payments	(4.7)	-	(0.3)	(5.0)
EBITDA including Share based payments	39.9	1.0	1.4	42.3
Exceptionals	-	-	-	(3.8)
Reported EBITDA				38.5