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Paddy Power Betfair plc
2016 Interim Results

Overview

H1 Results¹

- Revenue up 18%, with good performances across all divisions
- Underlying EBITDA up 31% to £181m
- Underlying operating profit up 39% to £148m

Merger Integration

- Integration progressing ahead of schedule
- Now expect cost synergy benefit of £65m vs £50m initial expectation
- Majority of integration actions already completed – full benefit to land in 2017

Outlook

- Full year 2016 underlying EBITDA expected to be between £365m and £385m
- Scale, market positions and leading capabilities; well placed for sustainable, profitable growth

¹ Note throughout this presentation results are shown prepared on a “Proforma” basis for the Group as if the merger completed on 1 January 2015.



**Financial &
Operating Review**

Financial highlights

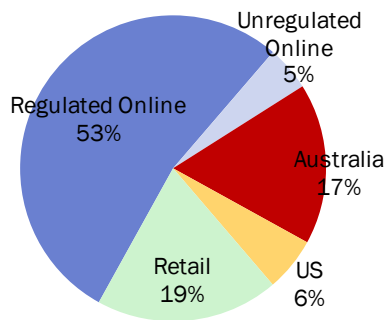
£m, Proforma	H1 2016	H1 2015	YOY %
Net revenue	759	642	+18%
Cost of sales	(175)	(149)	+17%
Gross profit	584	493	+19%
Operating costs	(403)	(355)	+14%
EBITDA	181	138	+31%
<i>EBITDA margin %</i>	23.8%	21.5%	+2.3%
Depreciation & amortisation	(33)	(32)	+6%
Underlying operating profit	148	106	+39%
Separately disclosed items	(195)	-	n/a
Operating (loss)/profit	(48)	106	n/a
Underlying earnings per share	147.0p	107.7p	+36%
Interim dividends per share	52p	n/a	
Net cash at end of period	£2m	£12m	

- 18% revenue growth (Q1 +16%, Q2 +20%)
- Euro 2016 contributed £22m revenues to H1 (£38m for full tournament)
- Operating costs up 14%:
 - 31% increase in sales & marketing
 - 5% increase in other costs
- Excluding FX impact, net revenue up 16% and EBITDA up 30%

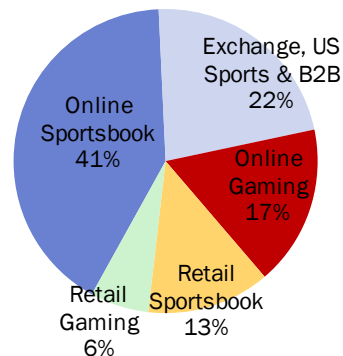
Divisional overview

£m, Proforma Underlying	ONLINE		AUSTRALIA		RETAIL		US		GROUP ¹	
	H1'16	YOY %	H1'16	YOY %	H1'16	YOY %	H1'16	YOY %	H1'16	YOY %
Sportsbook stakes	2,700	+20%	1,259	+29%	851	+10%	-	-	4,810	+21%
Sportsbook net rev %	6.7%	+0.6%	10.3%	-1.1%	11.6%	+0.1%	-	-	8.5%	+0.1%
Sports net revenue	316	+21%	129	+17%	100	+12%	38	+23%	582	+18%
Gaming net revenue	124	+20%	-	-	47	+11%	5	+23%	177	+17%
Total net revenue	440	+20%	129	+17%	147	+12%	43	+23%	759	+18%
EBITDA	140	+34%	30	-10%	31	+16%	7	+65%	181	+31%
Operating profit	123	+40%	26	-12%	23	+21%	3	+153%	148	+39%

H1 2016 Net Revenue

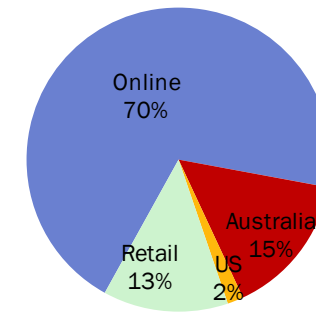


By Market



By Product

H1 2016 Operating Profit



By division²

¹ Group EBITDA and operating profit includes unallocated central costs

² Before unallocated central costs of £28m

Online

£m, Proforma	H1 2016	H1 2015	YOY %
Sportsbook stakes	2,700	2,242	+20%
<i>Sportsbook net revenue %</i>	6.7%	6.1%	+0.6%
Sports net revenue	316	262	+21%
Gaming net revenue	124	103	+20%
Total net revenue	440	365	+20%
Cost of sales	(100)	(87)	+16%
Gross Profit	339	278	+22%
Sales & marketing	(108)	(82)	+32%
Product & technology	(58)	(56)	+2%
Operations	(33)	(35)	-6%
Total operating costs	(199)	(174)	+14%
Underlying EBITDA	140	104	+34%
Depreciation & amortisation	(17)	(17)	+3%
Underlying operating profit	123	88	+40%
Active customers (000's)*	3,061	2,614	+17%

- Sportsbook stakes growth driven by mobile (76% of revenues)
- Exchange & B2B revenue +3%
- Gaming revenues driven by strong cross-sell and mobile revenue growth
- Regulated revenues up 25% with unregulated -13%, primarily due to exiting Portugal in July 2015
- Sales & marketing costs increase includes continued asset inflation and Euro 2016

Online division includes the UK/Ireland telephone business

* Active customers throughout are defined as those who have deposited real money and have bet in the reporting period, excluding indirect B2B customers. Note that the active customer numbers have not been adjusted for customers who were active on both the Paddy Power and Betfair brands.

Australia

£m, Proforma	H1 2016	H1 2015	YOY %
Sportsbook stakes	1,259	973	+29%
<i>Sportsbook net revenue %</i>	<i>10.3%</i>	<i>11.4%</i>	<i>-1.1%</i>
Net revenue	129	111	+17%
Cost of sales	(32)	(26)	+25%
Gross Profit	97	85	+14%
Sales & marketing	(34)	(26)	+35%
Product & technology	(12)	(9)	+27%
Operations	(20)	(16)	+25%
Total operating costs	(66)	(51)	+30%
Underlying EBITDA	30.3	33.8	-10%
Depreciation & amortisation	(4.2)	(4.1)	+3%
Underlying operating profit	26.1	29.8	-12%
Active customers (000's)	610	465	+31%

- Revenue growth impacted by adverse horseracing results
- In-play betting contributed 15% of stakes & 8% of revenues in H1 2016, versus 8% & 4% in FY 2015 prior to launch of 'Bet Live'
- Sales & marketing cost growth reflects substantial investment in media assets and cost inflation
- Other cost growth reflects significant new hires in H2 2015; expected to moderate from H2 2016

Note YoY impact of movement in FX rates was immaterial in H1 (A\$ YoY movement disclosed in the Interim statement).

Retail

£m, Proforma	H1 2016	H1 2015	YOY %
Sportsbook stakes	851	773	+10%
<i>Sportsbook net revenue %</i>	<i>11.6%</i>	<i>11.5%</i>	<i>+0.1%</i>
Sportsbook net revenue	100	89	+12%
Machine gaming net revenue	47	43	+11%
Total net revenue	147	132	+12%
Cost of sales	(32)	(29)	+11%
Gross Profit	115	103	+12%
Operating costs	(84)	(76)	+10%
Underlying EBITDA	31.1	26.9	+16%
Depreciation & amortisation	(8.2)	(7.9)	+4%
Underlying operating profit	23.0	19.0	+21%
Shops at period end	603	584	+3%

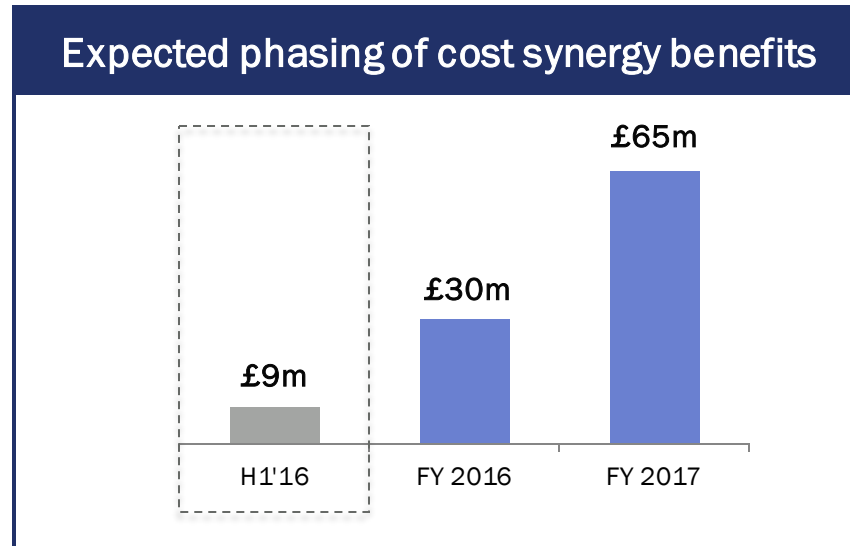
- Good revenue growth in both estates:
 - UK +11%
 - Ireland +13% (+6% in constant currency)
- Like-for-like KPIs in constant currency:
 - Sportsbook stakes +2%
 - Sportsbook revenues +4%
 - Machine gaming revenues +5%
 - Total net revenue +4%
 - Opex +3%
- Excluding FX impact, operating profit increased 14%
- 6 new shops opened in H1 2016 (3 in Ireland & 3 in the UK) & 1 UK closure

US

£m, Proforma	H1 2016	H1 2015	YOY %	US\$ YOY %
Sports net revenue	38	31	+23%	+16%
Gaming net revenue	5	4	+23%	+16%
Total net revenue	43	35	+23%	+16%
Cost of sales	(10)	(8)	+19%	+12%
Gross Profit	33	27	+25%	+17%
Operating costs	(27)	(23)	+17%	+11%
Underlying EBITDA	6.9	4.2	+65%	+50%
Depreciation & amortisation	(4.0)	(3.0)	+31%	+23%
Underlying operating profit	2.9	1.2	+153%	+110%
Active customers (000's)	118	114	+4%	

- Sports revenue driven by 17% growth (constant currency) in TVG handle
- New Jersey casino market share maintained at >10%
- Horseracing exchange launched in New Jersey in May

Cost synergies



- Now expect £65m annualised cost synergies
 - Increased from £50m and delivered a year earlier than previously expected
- One-off cash implementation costs still expected to be less than £65m
- Key actions:
 - Restructuring of management teams
 - Rationalisation of duplicated roles
 - Offshoring of technology roles
 - Closure of four offices
 - Consolidation of data centres
 - Procurement savings
 - Reduced use of third-party suppliers

Separately disclosed items

£m, Proforma	H1 2016	
Merger deal costs	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	79	IFRS3 acquisition accounting
Fair value adjustment for share-based payments	13	Revaluation of existing plans
Impairment of assets	4	Obsolete assets resulting from the merger
Total separately disclosed items	195	

- All items result from the merger
- Further details included in the Appendix

Cash flow

£m, Proforma	H1 2016	H1 2015	YOY %
Underlying EBITDA	181	138	+31%
Capex (incl. retail & HRTV acquisitions)	(34)	(53)	-36%
Working capital & tax	(7)	15	n/a
Underlying free cash flow	140	100	+39%
Cash flow from separately disclosed items	(63)	-	n/a
Free cash flow	77	100	-24%
Dividends paid	(145)	(46)	+219%
Return of capital (incl. fees)	-	(482)	n/a
Interest & other borrowing costs	(1)	(1)	Flat
Other	1	(5)	n/a
Net decrease in cash	(69)	(433)	n/a
Net cash at start of period	84	453	-81%
FX translation impact	(13)	(8)	n/a
Net cash at end of period	2	12	-81%

Financial guidance

Full Year 2016 Profits	<ul style="list-style-type: none"> Proforma 2016 full year underlying EBITDA expected to be between £365m and £385m (2015: £296m)
Cost synergies	<ul style="list-style-type: none"> £65m benefit from 2017 (c.£30m benefit in 2016) One-off cash costs to achieve synergies expected to be less than £65m (£49m incurred)
Marketing	<ul style="list-style-type: none"> Full-year 2016 sales & marketing costs up c.30% year-on-year
Capex	<ul style="list-style-type: none"> Full-year 2016 capex expected to be between £70m and £80m
Effective tax rate	<ul style="list-style-type: none"> Full-year 2016 underlying effective tax rate of approximately 16%
FX	<ul style="list-style-type: none"> c.75% of Group EBITDA is GBP denominated with c.35% AUD, USD & other currencies offset by net EUR losses of c.10%
Regulatory	<ul style="list-style-type: none"> UK: eGaming POCT change from Aug 2017 (c.£6m annual impact); potential levy extension to online; AML; responsible gambling Australia: In-play; credit betting; South Australian POCT; NSW greyhounds; product fees



Business Review

URINE LUCK

MONEY BACK

AS A FREE BET
ON ANY TEAM GB
OR IRELAND ATHLETE
IF THEY FINISH
2ND TO A RUSSIAN

#PPDOPEINSURANCE



PADDYPOWER
YOU'RE WELCOME!

MOBILE | ONLINE | SHOPS | 08000 565 26

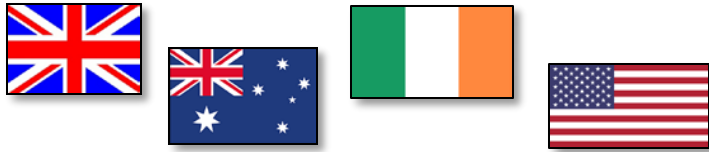
WHEN THE **FUN** STOPS **STOP**

gambler.com

Merger created global Group with leading positions...

Global presence

- No. 1 online operator in key regulated markets



- With exposure to a large number of international markets



Products

- Leading sportsbook
- No.1 global betting exchange
- eGaming
- B2B

Distinctive & complementary brands



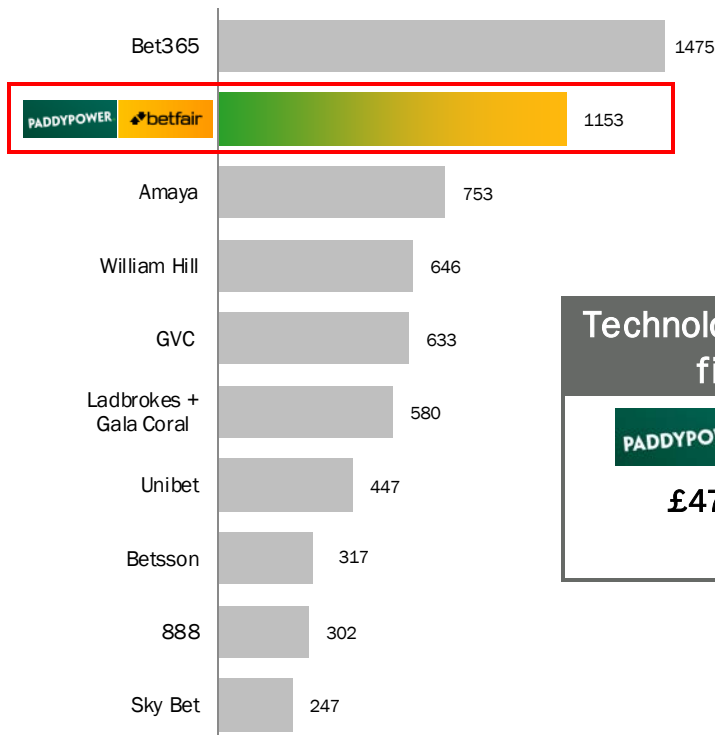
Leading capabilities

- Scalable proprietary technology platforms
- In-house product development
- Digital marketing expertise
- Risk & trading

...and substantial scale.

Global online scale

Online Revenues¹ £m

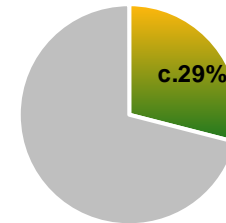


Technology & marketing firepower

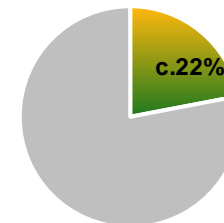


Local online scale

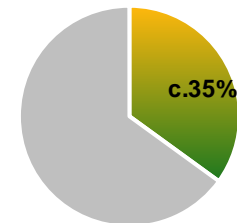
UK&I sports



Australia



US horseracing



= Estimated PPB Market Share³

No.1 operator in all of these markets

¹ Most recently reported 12 month period. Source: Public filings. Paddy Power Betfair is proforma for year ended 30 Jun 2016. Bet365 is the year ended 31 Mar 2015, Sky Bet is the year ended 30 Jun 2015, Gala Coral is the year ended 9 Apr 2016; GVC is proforma for the year ended 30 Jun 2016; 888 is for the year ended 31 Dec 2015; all others are year ended 30 Jun 2016. Paddy Power Betfair and William Hill include telephone, which are reported within online divisions. For companies whose reporting currency is not GBP, revenues have been converted to GBP at the average spot rate in the applicable period.

² Proforma spend for the twelve months ended 30 June 2016. Technology spend includes capital expenditure.

³ Management estimates

Clear strategic focus

Prioritise investment in the fastest growing markets and segments

Priorities	Rationale	Our position ¹
Online-led	<ul style="list-style-type: none"> • Fastest growing market • Structural migration from retail to online 	Online mix: <ul style="list-style-type: none"> ▪ 80% of revenue ▪ 87% of profits
Sports-led	<ul style="list-style-type: none"> • Fastest growing online segment • Higher barriers to entry • Better customer retention 	<ul style="list-style-type: none"> ▪ 79% of online revenue ▪ 73% of gaming activations via cross-sell
Mobile-led	<ul style="list-style-type: none"> • Largest & fastest growing online segment 	Mobile revenue mix: <ul style="list-style-type: none"> ▪ 76% of sportsbook
Regulated markets	<ul style="list-style-type: none"> • Greater certainty of returns 	PPB regulated mix: <ul style="list-style-type: none"> ▪ 95% of revenue

Sustainable
profitable
growth

Invest in product, marketing,
technology & talent

Operate efficiently at scale

Key priorities

1

Combining the best assets and capabilities of each legacy business

2

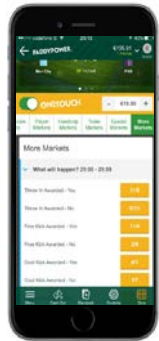
Optimising our brand positioning in the UK & Ireland

3

Capitalising on our enhanced scale

Product

Paddy Power football product enhanced

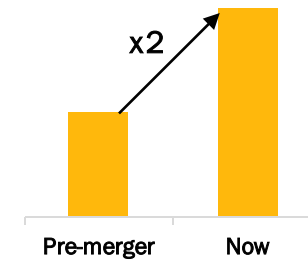


Paddy Power Sportsbook
Euro 2016 In-play betting

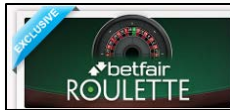


Betfair tennis product enhanced

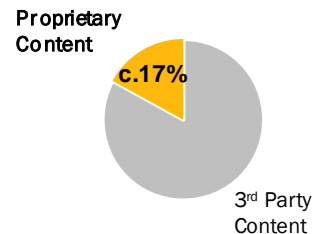
Betfair Sportsbook
No. of tennis matches available in-play



Proprietary gaming content on Betfair



Betfair Arcade handle (Jul '16)

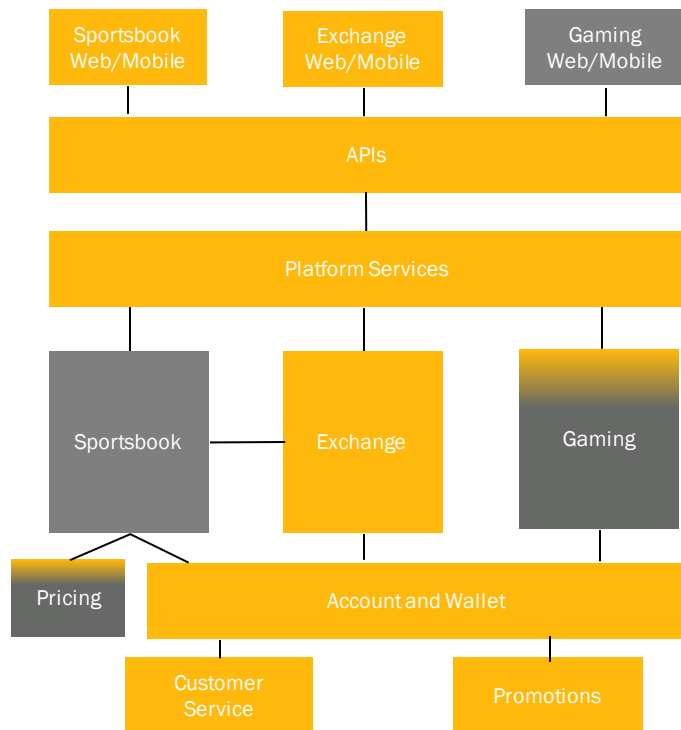


- Sharing existing products where practical with current technology architecture
- Full sharing of product once brands operating on a common platform

Technology & product development

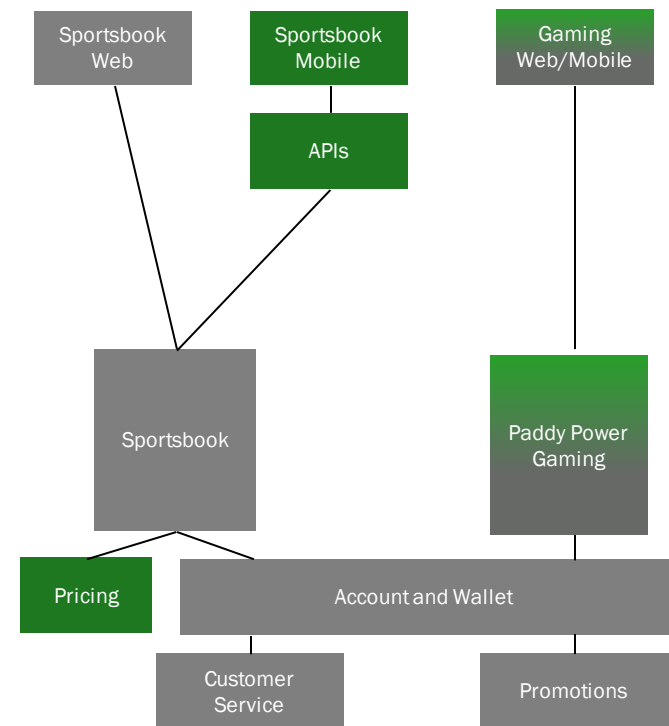
Technology Platform: Legacy Position

Betfair Platform



- Predominantly proprietary systems, including Account & Wallet and Promotional tools
- Modular architecture provides high level of scalability

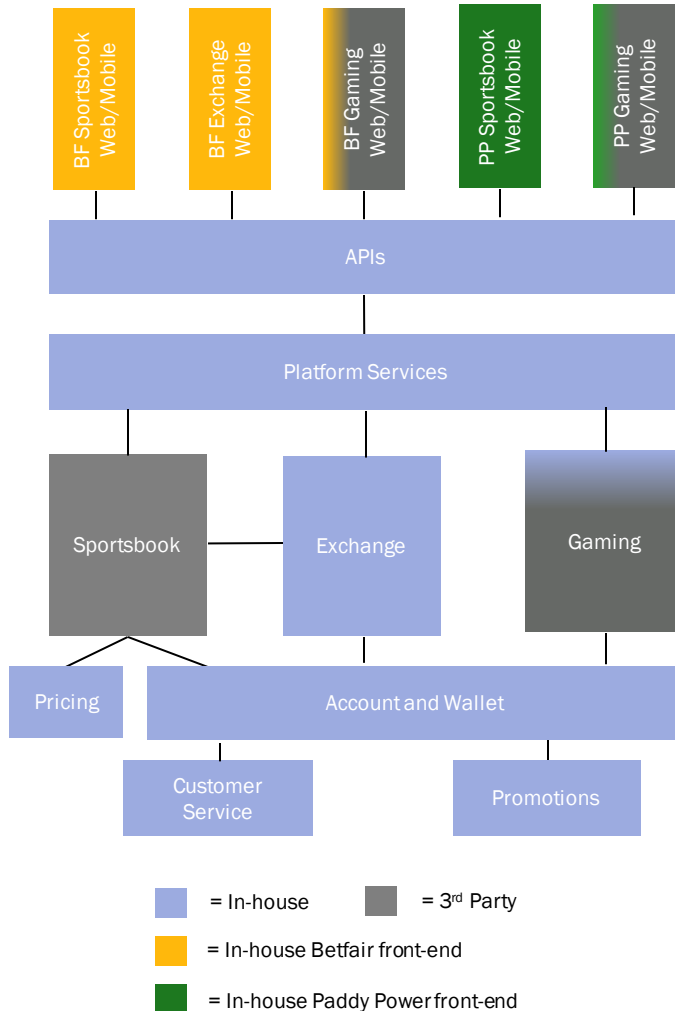
Paddy Power Platform



- Proprietary front-ends for mobile sportsbook apps
- Proprietary sportsbook pricing & risk management tools
- Proprietary gaming content
- Reliance on disparate 3rd Party back end systems

Technology & product development

Technology Platform: Combination of key features of existing systems



Efficient, scalable, flexible, controllable platform that supports multiple brands, channels and geographies

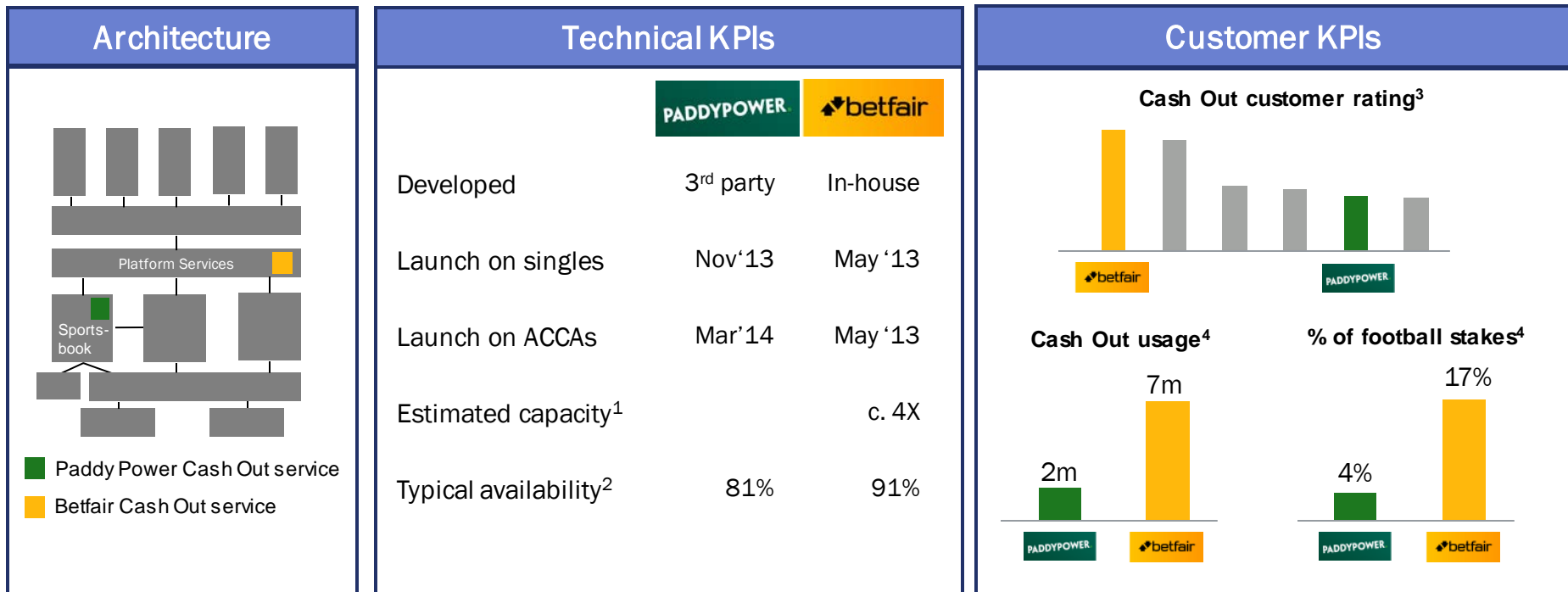
- Based on Betfair's predominantly in-house architecture
- Incorporates Paddy Power's pricing & risk management tools and proprietary gaming content

Key benefits

- Key functionality located in proprietary platform layers (e.g. Platform Services, Account, Promotions) allows:
 - Improved pace of development
 - Retention of IP / knowledge
 - Customisation of bonuses & promotions
 - Lower cost of development
- Improved speed & cost to roll out across multiple brands, channels and geographies
- Highly scalable

Technology & product development

Technology Platform: Sportsbook Cash Out case study



- Advantages of modular architecture and in-house development are illustrated by Cash Out KPIs
- Common architecture will allow shared Cash Out capability

¹ Based on estimated maximum number of requests for Cash Out quotes per second

² Based on % of time a Cash Out offer is available in-play for a typical 4-leg football accumulator

³ % of each brand's existing customers ranking the brand as "No.1 for Cash Out", customer surveys undertaken Q2'15 to Q1'16

⁴ FY2015

Marketing & operations

Marketing

- Shared marketing technology (PPC, ad server, CRM)
- Sharing of customer analytics data, models and practices
- Co-ordinated bidding for assets
- Optimisation of media assets

Risk & trading

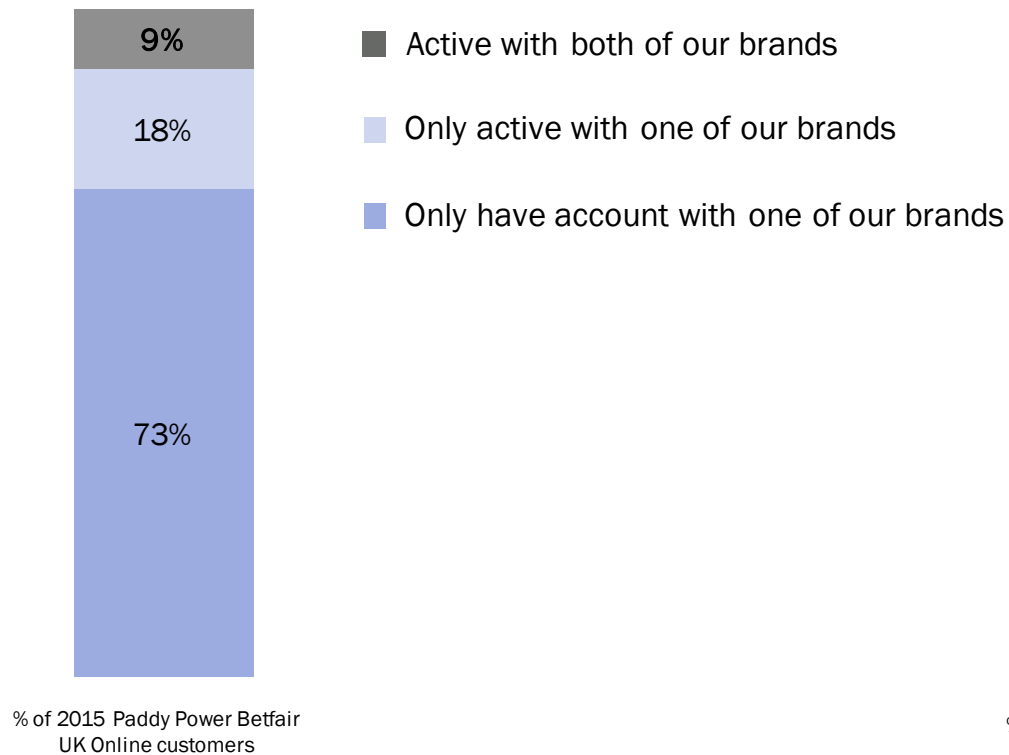
- Sharing of proprietary models & greater liquidity improves pricing capability
- Pricing strategy informed by observing impact of different price positions of two brands
- Exchange pricing used to enhance sportsbook (e.g. less bet suspension time & more markets)
- Enhanced risk management capability from pooled data, models & processes

Customer operations

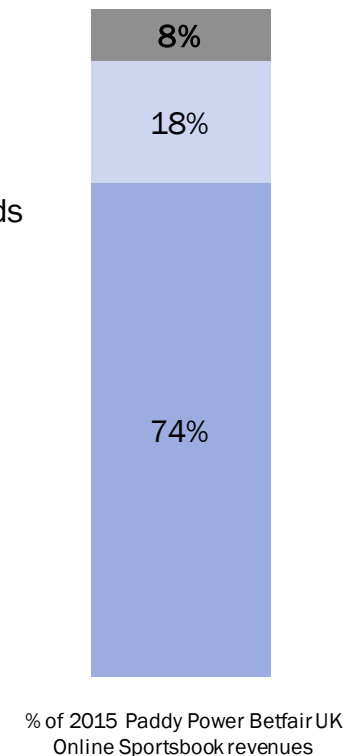
- Pooled customer services resources
- Improved customer verification journey
- More responsive fraud management
- Aligning responsible gambling tools

Limited customer overlap

Customer overlap

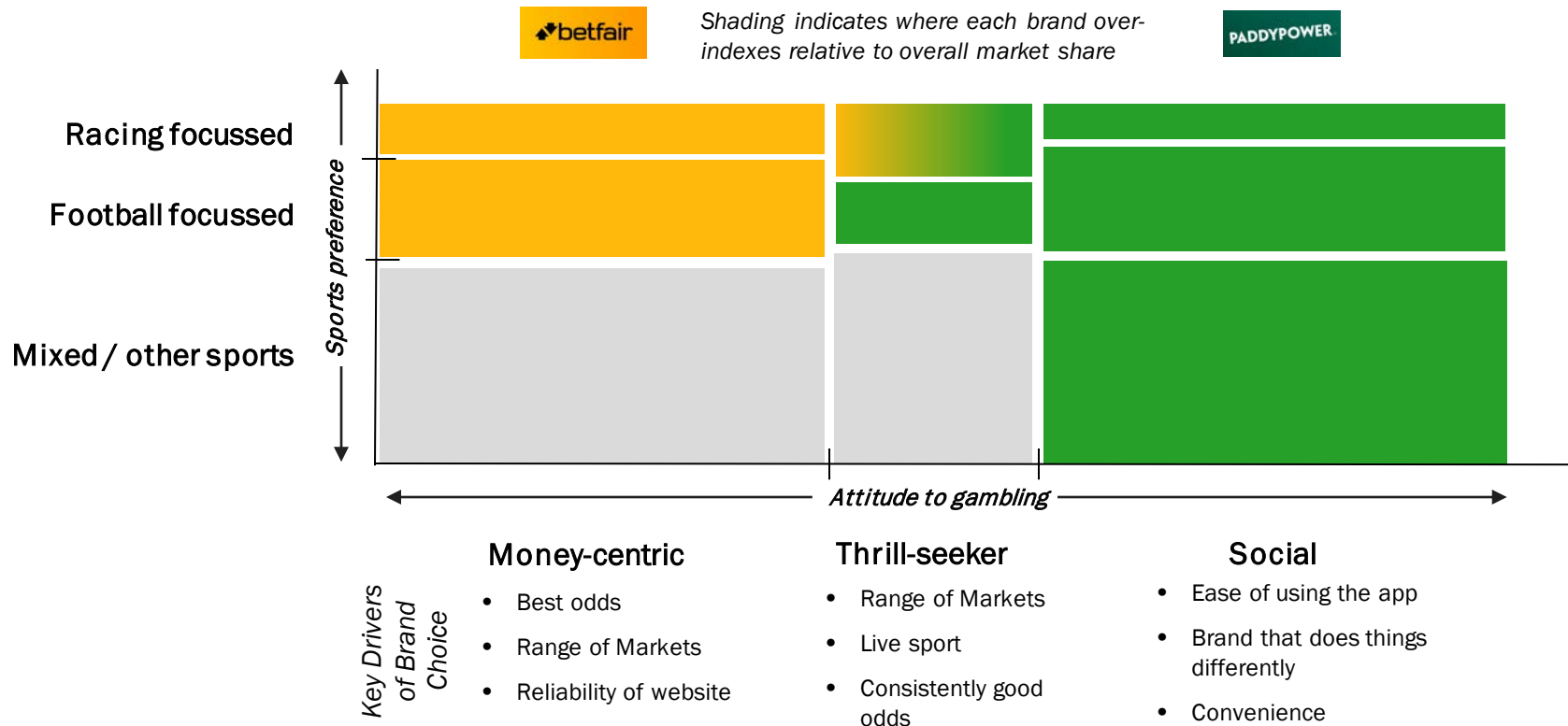


Sportsbook revenue split



Our current brand positioning


Our two brands are strong in distinct market segments



Note: size of box indicates proportion of the total market represented by each segment

Our brand approach



Primary target segment	Money-centric	Social
Brand persona	 Smart, Spirited, Straight-forward	 Sharp-witted, Brave, Fun
Brand proposition	Best Value on Exchange & Sportsbook	The Most Entertaining Experience
Key enablers	Market leading Risk Management & Pricing Digital Marketing expertise In-house Product Development	Best-in-class Brand Marketing

Marketing

Access to the best assets

Top TV packages for 2016/17 football season



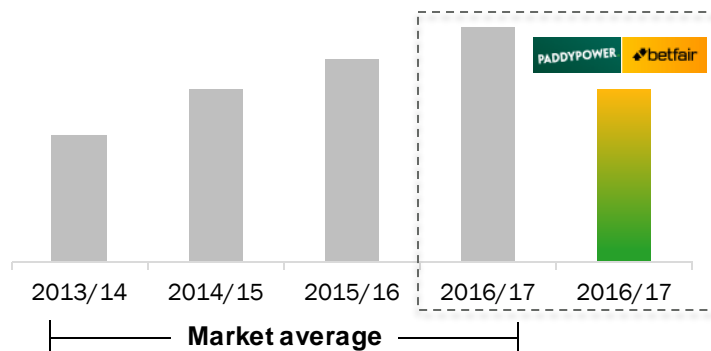
FC Barcelona
3 year global partner

5-year NRL
sponsorship



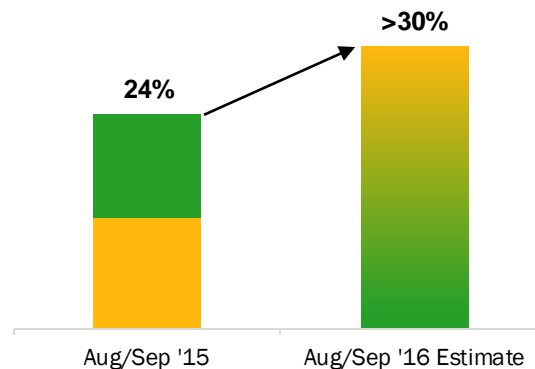
Improved efficiency

Estimated unit cost of key TV assets



Increased share of voice

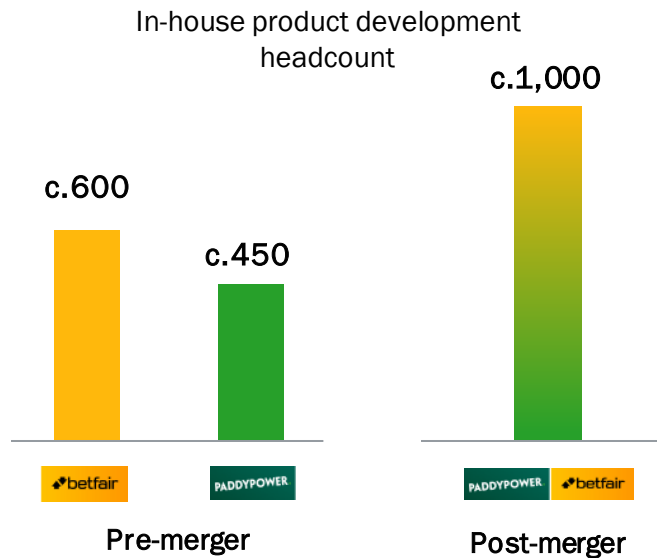
UK Share of gambling category TVRs¹ for Paddy Power and Betfair



¹ Targeted view rating for Male 18-44 ABC1

Product development

Substantial development resources



- Each brand has access to greater resources
- Higher returns possible as products can be offered to both customer bases

Summary

H1 progress

- Good trading momentum maintained
- Merger integration delivered ahead of schedule
- Additional cost synergies identified

Strategic focus

- Prioritise investment in the fastest growing markets and segments
- Invest in product, marketing, technology and talent
- Operate efficiently at scale

Key priorities

- Combining the best assets and capabilities of each legacy business
- Optimising our brand positioning in the UK & Ireland
- Capitalising on our enhanced scale

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Q&A



Appendices

Separately disclosed items

MERGER ACQUISITION ACCOUNTING		£m					
Consideration	4,314	Market value at completion of shares issued plus fair value of replacement share options issued					
<i>Less:</i>							
Betfair net assets on completion	39	Net of fair value adjustments					
Amortised to income statement over useful lives of up to 8 years:							
Identified intangible assets (comprising brands, customer relationships, technology & licences)	628	H116	FY16	FY17	FY18	FY19	FY20 – FY23
		79	173	132	83	67	43 p.a.
Deferred tax on identified intangible assets	(95)	(10)	(21)	(18)	(12)	(10)	(8) p.a.
Equals Goodwill	3,742	Not amortised, reviewed annually for impairment					

OTHER FAIR VALUE ADJUSTMENTS		£m				
Revaluation of existing plans required on completion, additional charge to income statement over vesting period reflecting increased market value of shares:						
Fair value adjustment for share-based payments		H116	FY16	FY17	FY18	Total P&L impact
		13	22	11	2	35

Proforma Income Statement

£m, Proforma	H1 2016	H1 2015	H2 2015	FY 2015
Revenue	759	642	676	1,318
Cost of sales	(175)	(149)	(162)	(311)
Gross profit	584	493	514	1,007
Operating costs	(403)	(355)	(356)	(711)
Underlying EBITDA	181	138	158	296
Depreciation & amortisation	(33)	(32)	(36)	(67)
Underlying operating profit	148	106	122	229
Net interest expense	(2)	(0)	(2)	(2)
Underlying profit before tax	146	106	120	226
Underlying taxation	(23)	(17)	(19)	(35)
Underlying profit for the period	122	90	102	191
Underlying basic earnings per share	147.0p	107.7p	122.1p	229.8p
Underlying operating profit	148	106	122	229
Separately disclosed items	(195)	-	(9)	(9)
Operating (loss)/profit	(47)	106	113	219
Net interest expense	(2)	(0)	(2)	(2)
(Loss) / profit before tax	(49)	106	111	217
Taxation	(8)	(17)	(15)	(32)
(Loss) / profit for the period	(57)	90	96	185
Basic (loss) / earnings per share	(68.3)p	107.7p	115.3p	223.0p

2015 Proforma Cash flow

£m, Proforma	H1 2015	H2 2015	FY 2015
Underlying EBITDA	138	158	296
Capex (incl. retail & HRTV acquisitions)	(53)	(39)	(92)
Working capital & tax	15	17	32
Underlying free cash flow	100	135	236
Cash flow from separately disclosed items	-	(9)	(9)
Free cash flow	100	126	227
Dividends paid	(46)	(42)	(88)
Return of capital (incl. fees)	(482)	(2)	(484)
Interest & other borrowing costs	(1)	(1)	(1)
Other	(5)	(6)	(11)
Net (decrease)/ increase in cash	(433)	76	(357)
Net cash at start of period	453	12	453
FX translation impact	(8)	(4)	(12)
Net cash at end of period	12	84	84