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HALF YEAR 2026 IG GROUP HOLDINGS PLC EARNINGS CALL

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- **Clifford Abrahams** *IG Group Holdings PLC - Chief Financial Officer, Executive Director*

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- **Operator**
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- **Hal Potter** *Bofa Merrill Lynch Asset Holdings Inc - Analyst*
- **Ian White** *Autonomous Research - Analyst*
- **Alexander Bowers** *Keefe Bruyette & Woods Inc - Equity Analyst*
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PRESENTATION

Breon Corcoran *IG Group Holdings PLC - Chief Executive Officer, Executive Director*

Good morning and thank you for joining us. I'm here with Clifford Abrahams, our CFO. You'll see the agenda we have on the screen. We will take questions at the end.

This has been a strong first half, broad-based growth and clear evidence that the strategy we set out in July 2024 is working. Starting with customer acquisition. We delivered the sixth consecutive quarter of sequential growth in active customers, the single best indicator of the health of the business. Organic active customers up 13%. Organic first trades up 74%.

Second, growth was broad-based across every product. Faster product velocity, disciplined marketing, and supportive market conditions resulted in organic total revenue up 17% and 20% organic net trading revenue growth. As set out in May, our upgraded outlook targets organic total revenue growth of at least 10% a year beyond 2026.

Third, we sustained strong margins. The first half EBITDA margin was 44% with continued investment in our propositions, higher marketing spend, and costs associated with the strategic review, partly offset by a lower cost to serve.

Fourth, Underdog transforms our future growth. The acquisition opens up the large, fast-growing US daily fantasy sports and prediction markets. It transforms our US footprint and accelerates standalone revenue and EPS growth.

Fifth, the strategic review we announced in March is now substantially complete. This month, we set out plans to redomicile to Jersey and a refreshed organizational model. We've also announced the acquisition of Underdog. Our listing venue will remain unchanged as a result of the strategic review.

We continue to explore future growth and efficiency initiatives, and we'll present a refreshed strategy and a strategy update on October 22. Let me hand over to Clifford for the financials.

Clifford Abrahams *IG Group Holdings PLC - Chief Financial Officer, Executive Director*

Thank you, Breon, and good morning. You've seen the headline numbers, growth across our key measures. The first half confirms that our investment in product, marketing, and people is translating into stronger financial performance. Growth was broad based. Marketing generated attractive returns and margins remained strong as we invested for growth and absorbed the cost of the strategic review.

Starting with the headlines. Total revenue was GBP643 million, up 18% and up 17% on an organic continuing operations basis. The EBITDA margin was 43.9% against 49.6% in the first half of '25, reflecting consolidation effects, strategic review costs, and a deliberate choice to keep investing behind growth. I'll come back to costs shortly. Adjusted EPS was up 21% and 22% organically, supported by share buybacks. In line with our progressive dividend policy, the Board has proposed an interim dividend of 14.46p per share, 30% of the prior year full-year dividend on the group's old May 31 year-end basis.

Turning now to customer metrics. Growth accelerated through the half. Organic first trades, our lead indicator of future growth, were up 74%. Active customers were up 13%, accelerating to 15% in the second quarter, the sixth consecutive quarter of sequential growth that Breon mentioned.

On a reported basis, growth is higher again, reflecting Freetrade and Independent Reserve. Next, on to platform assets under administration and flows, an increasingly important driver for the business. We're pleased to see that assets under administration on the IG platform reached GBP21.5 billion, up 34%, driven by sustained net inflows across our stock trading and investments proposition, including Freetrade.

The standout is our UK direct-to-consumer platform. First half net flows were equivalent to around half of our opening assets under administration, roughly 6 times the pace of the market, with IG now capturing an estimated 8% of UK market net inflows. We're building a genuine challenger position in UK investments. We've broadened the proposition. Customers are looking for better value than the incumbents offer, and we'll keep investing behind it.

Turning to the P&L. Net trading revenue was GBP589 million, up 21% with growth across every product line, reflecting both higher revenue per customer and a larger active customer base. This reflects the hard work of our teams delivering more product to more customers much faster.

Net interest income was down 10% as higher customer cash balances were more than offset by lower rates and greater pass-through to customers. Total revenue was GBP643 million, up 18%. Operating costs before depreciation and amortization were GBP362 million, up 30% reported and around 25% organically, reflecting higher marketing, continued investment in product technology, and non-recurring strategic review costs. EBITDA was GBP282 million, up 4% and up 7% on an organic continuing operations basis.

Below EBITDA, other net losses reflect two key items. First, a GBP19 million revaluation of the Payward stock received as part of the Small Exchange disposal last year. Second, an impairment relating to Independent Reserve, partially offset by a release of deferred consideration given more challenging cyclical conditions in digital asset markets. Adjusted EPS, which strips out nonrecurring and non-underlying items was up 21% to 68.9p.

Next, performance by product in the first half of 2026. Growth was broad-based across every product. That breadth matters. It shows our growth isn't reliant on any single product, and it reflects the work we've done to broaden our propositions, widen our appeal and deliver more consistent sustainable growth. It's the same picture by division. Organic revenue growth everywhere, which is really encouraging. UK and Ireland net trading revenue was up 22% organically. APAC and Middle East up 27%. The US was up 18% and Europe up 10%, a broad base of growth, not reliant on any single market.

Moving now to costs. Total operating costs increased 26% or 19% organically. Marketing was up 51% to GBP75 million, driving a 107% increase in first trades with paybacks under six months and lifetime value around 4 times acquisition costs.

Fixed remuneration was up 15%, driven by the consolidation of Freetrade and Independent Reserve and including GBP6 million of restructuring under our refreshed operating model alongside inflationary salary increases. On an organic basis, headcount was down 10% even as revenue grew 17%, reflecting our focus on a lower fixed cost to serve and on automation.

Legal and professional costs increased, reflecting the nonrecurring costs of the redomicile, restructuring associated with our refreshed organizational model, together with the strategic review and technology consulting to build our product engineering capability.

This slide breaks out the cost movements in more detail. Strip out acquisitions and non-recurring items and underlying costs were up 12%, well behind our revenue and active customer growth. The larger driver was marketing. We increased spend as planned, and we're seeing strong returns. The rest of our organic business as usual cost base grew 6%, mainly reflecting inflationary salary increases, continued investment in technology, and higher market data and revenue-related costs.

Beyond that, the remaining movement is acquisitions and strategic review costs, a full six months of Freetrade this year against three last year, Independent Reserve from the end of January, and nonrecurring costs, which I mentioned earlier.

On capital, our position remains strong. Solvency sinks comfortably above the top end of our long-term target range, and we expect to return within it by the end of 2026 pro forma for the Underdog acquisition. As Breon mentioned, on July 8, we announced plans to set up a new Jersey Incorporated holding company. Around two-thirds of group revenue is now generated outside the UK.

So a Jersey holding company better reflects our international footprint and gives us a simpler, more efficient structure with greater strategic and financial flexibility. Following completion, we keep our London listing, our eligibility for the FTSE UK indices and our UK tax residency.

There's no change for customers or employees and no change to our operations from the redomicile. The redomicile will be implemented by a scheme of arrangement subject to shareholder and regulatory approvals with completion targeted for the fourth quarter. The shareholder circular was published on the 16 of July and the EGM takes place on September 3.

With that, let me hand back to Breon to cover our strategic progress.

Breon Corcoran *IG Group Holdings PLC - Chief Executive Officer, Executive Director*

Thank you. Back in July 2024, we set out what we believed was needed to fix across product, culture, and efficiency. This is where we are now two years later. On product, we've closed the priority gaps across our markets, including stock trading and crypto and our unified proposition is on track to launch early in half two, starting in the UK market.

On culture, our refreshed organizational model reduces complexity and sharpens focus, and it's already delivered a step change in product velocity.

On efficiency, we've lowered our fixed cost to serve through digital servicing and lifted customer income retention. The outcome is in the metrics. Organic active customers up, revenue per customer up sharply, and cost to serve down materially versus two years ago.

Now to product velocity, which is critical in this industry. We've made good progress on competitiveness. In the first half alone, we brought almost as many new products and features to market as we did in the whole of 2025.

Here's what this looks like. I'm encouraged by the wide range of product enhancements delivered in the first half. In the UK, we materially upgraded our investing proposition, a much broader range of global stocks, ETFs, mutual funds, fixed income, tax wrappers plus fractional shares.

In crypto, spot trading is now live on our FCA-license platform with over 150 coins alongside perpetual futures, crypto swaps, transfers, and advanced charting. We also rolled out spot crypto trading in France and completed the acquisition of Independent Reserve in Asia Pacific. In the US, tastytrade recently launched prediction markets. Following the removal of the Pattern Day Trader Rule in June, it also saw an encouraging pickup in options activity from customers previously constrained by that rule.

Staying with product, the biggest unlock this year is our unified proposition, launching initially in the UK in the coming weeks. It brings trading, investing, and crypto together on a single platform and is built to allow the addition of new products quickly. It expands our addressable market, improves acquisition effectiveness, and speeds up product delivery. Multiproduct adoption in the UK is already up strongly year on year, and the unified proposition will put more of our products in front of more of our customers.

Turning next to culture. We streamlined from five divisions to three: IG Consumer; IG Securities, our platform technology institutional business; and IG North America, including tastytrade. Dedicated commercial, product, and compliance teams stay embedded in each division, so we keep our customer focus while taking out a layer of complexity that was slowing us down.

Turning now to efficiency. I'm pleased that we've made further progress on cost to serve with organic fixed cost to serve per funded account down a further 15% in the half. That's funded higher marketing spend at attractive returns. There's more to do, but these returns support continued investment.

This brings me to the strategic review we launched in March. It's now substantively complete and has delivered three key outcomes: the proposed redomicile, a refreshed organizational model, and the acquisition of Underdog. Together, these set the group's direction for the next phase of growth. We continue to explore incremental growth and efficiency initiatives, and we'll set out our refreshed strategy, guidance, and capital allocation framework at the strategic review on October 22.

Let me turn to Underdog. We launched our strategic review in March, which prioritized acquisitions aligned with our M&A framework. We've looked at very many opportunities, prioritizing growth and innovation and Underdog stood out.

We're clear-eyed about the risks, including the fast-moving regulatory environment. And Underdog's product and leadership team are well placed to win, and we've structured the transaction around performance. Underdog is a leading US prediction markets operator, spanning both daily fantasy sports and prediction markets. This is a landmark deal for IG. It establishes us as a leader in US prediction markets, one of the most significant opportunities across trading, investing, and entertainment.

It gives us entry into a high-growth adjacent category initially in sports and then later into financial markets, culture, and politics. Underdog brings nearly 1 million mobile-first monthly active users. It has strong brand equity in sport and a fully integrated license stack spanning brokerage, exchange, clearing and market making. This gives it full control over product economics and risk.

Underdog is growing rapidly with significant potential in a large and fast-growing market. Net revenues for the 12 months to June 2026 was $466 million, up 21%. That continues a strong trajectory from $9 million in 2021 to $440 million -- $441 million in 2025, growth of 63% in that final year. Monthly active users reached nearly 1 million, up 39%.

Daily fantasy sports has been the engine of Underdog's growth, but as a game of skill, it's limited to around a third of what customers want. Prediction markets change that, simple addressable format for customers used to sports gaming.

Prediction markets have grown very quickly with sports by far the largest and fastest-growing part with more than 50 million US sports bettors and daily fantasy players already comfortable with this style of risk taking. It's a pre-converted pool Underdog is well placed to capture.

Turning now to how Underdog fits with IG's strategy. This deal is firmly aligned with IG's strategic focus on product, culture and efficiency. On product, it closes a gap in a high-growth category and broadens our appeal to a younger demographic.

On culture, it brings a share obsession with customers and product velocity and a strong culture of ownership. On efficiency, it's a vertically integrated scalable platform with attractive marketing payback. Together, we unlock a large mobile-first user base. We can scale Underdog's product through tastytrade in the US and over time through IG's unified proposition globally. As one business, we can grow it faster and generate more value than either of us could alone.

With that, I'll hand over to Clifford.

Clifford Abrahams *IG Group Holdings PLC - Chief Financial Officer, Executive Director*

Thanks, Breon. The acquisition of Underdog doubles IG's US revenue and increases our US active customers more than tenfold. On a pro forma basis in 2025, the US would have accounted for around 40% of group revenue against around 22% stand-alone. The acquisition diversifies our growth drivers by product. Prediction markets and DFS would have represented around 25% of combined group revenue.

It also transforms our demographic profile. Over 60% of Underdog customers are under 30 and over 80% are under the age of 40, lowering IG's average customer age from around 42 to 34 on a pro forma basis. Strategically, Underdog delivers the vision from our strategic review, positioning IG at the center of the convergence across trading, investing and entertainment with a category leadership position in a structural growth market.

Financially, our standalone revenue guidance, which we upgraded in May, is unchanged, at least 10% organic total revenue growth a year and Underdog growing faster is expected to lift the combined group above that level. The deal is broadly neutral to adjusted EPS in year one and double-digit accretive by year three with return on invested capital exceeding our cost of capital by year three. We're maintaining our progressive dividend policy, and we intend to pause our current share buyback.

We expect to be in a position to consider resuming this in 2027 following completion of the redomicile and subject to share price performance and other demands on capital. The consideration aligns a meaningful share of value with future performance through the earn-out and the management incentive plan and Underdog will continue to operate as a commercially standalone business, mitigating integration risk.

With that, back to Breon for some concluding remarks.

Breon Corcoran *IG Group Holdings PLC - Chief Executive Officer, Executive Director*

Thank you, Clifford. We delivered strong first half results with growth across every key metric, revenue, customers and returns and momentum building through the period. The strategy we set out in July 2024 has delivered a step change in performance, including stronger customer acquisition, broad-based revenue growth, and sustained margins as we invest. And with Underdog, we've announced a transformational acquisition that will drive our revenue and earnings growth in the future.

The strategic review we announced in March is now substantially complete. We continue to explore incremental growth and efficiency initiatives across the group, and we look forward to presenting our refreshed strategy, capital allocation framework, and guidance and a strategic review on October 22.

Thank you. We'll now take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ben Bathurst, RBC.

Ben Bathurst *RBC Capital Markets Inc - Equity Analyst*

Hopefully you can hear me okay. Question in a couple of areas, if I may. Just starting on costs. I just wondered, do you have any visibility on the nonrecurring costs that you expect to incur in the second half of 2026? And if so, could you give a guide on what level that might be?

And then secondly, just moving on to Underdog. On the call last night, Breon, I think again earlier, you mentioned that you entered into the deal clear eyed as to the regulatory risk. Can you just share briefly what you see the key risks as being there and how you've gotten comfortable over those risks in doing the deal?

And then also on Underdog, you referenced 1 million Underdog users. I just wondered what proportion are currently using the prediction market product versus the daily fantasy sports product of that 1 million users? And what do you see as being the more important lever for growth in the short term? Is it increasing the prediction market penetration of that 1 million customers? Or is it about adding new customers altogether?

Clifford Abrahams *IG Group Holdings PLC - Chief Financial Officer, Executive Director*

So thanks, Ben. We highlighted the non-recurring costs on page 13 for the first half. I'm not going to guide the non-recurring costs for the second half. But as you know, today, we reconfirmed our guidance that we set out in early July in terms of growth, we're comfortable with consensus, and we've stuck with our guidance of mid-40s EBITDA margins.

Breon Corcoran *IG Group Holdings PLC - Chief Executive Officer, Executive Director*

Thanks, Clifford, and thank you, Ben. Clear eyed might be one of those phrases that I'll have to listen to for a while. If I point you to page 31 of the appendix on the Underdog deck, it kind of goes to some of the regulatory matters. But there's a shift from state-by-state licensing of daily fantasy, sports betting, gaming towards the federal CFTC licensing structure. That shift is well underway, and the CFTC has a clear mandate to regulate event contracts, prediction markets in particular.

Some of the states are defensive about their heritage in licensing and one might opine that, that could be about tax protection or that could be something as philosophical as a states' right matter in the United States. So there is regulatory uncertainty here. And with uncertainty, I guess, comes some risk.

When we say that we went into this clear eyed or open eyed about the outcomes, I think I'd ask investors to focus on the fact that today, we're buying 100% of a business that is a market-beating team. It's a product-led company. It has quickly and in a capital-efficient way, built a brand that resonates and is relevant to several million customers in a competitive market in the United States. And these customers on a daily basis, express opinions around sports and increasingly do that through CFTC prediction market rails.

Much of that is synergistic -- strategically synergistic and capability synergistic to what we do at tastytrade, where we have a deep expertise-led business that in truth has slightly struggled with relevance for a broader customer base.

So I think in the medium term, as we see more convergence of trading and betting or more convergence of people expressing opinions in high engagement markets, I think a team that's product-led that has built a contemporary dynamic brand fits very well with the expertise and competency and compliance capability that we have in Chicago at tasty. And that's kind of why we're excited about this deal irrespective of the regulatory end state.

To your question about the mix on prediction markets, and I think we talked a little bit about this on the call last night. We're expecting over time that what Underdog have done is they pivoted from the daily fantasy model, they skipped online sports betting and are now moving to prediction market rails.

They did that first with Kalshi with Crypto.com, but they're now moving to their own fully owned licensing stack. I'm sure we'll come into some of the detail on that later over the coming days. But on slide 30 of the Underdog deck from last night, there's an indication of the handle, so the volume going -- the notional volume going through the different models.

And whilst it's only a tiny amount now on their own prediction rails, I mean, that literally is -- now is the point of explosion and that is literally a traffic that has started to move through their rails in the last two weeks, and we're very, very excited about how that growth will explode from here on out.

But we're not giving guidance on customer numbers. We don't have that visibility as yet. But what I think we have here is a monetization mechanic for people who currently express opinions on sports. And I think in due course, will allow us to monetize how people express opinions on financial markets as well.

Operator

Hal Potter, Bank of America.

Hal Potter *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Just three from me. One of them is on marketing efficiency. So you've mentioned the six-month payback and LTV to CAC ratio at 4:1. That's the same as we had at 2025. I think they rounded figures. Can you give us any comfort around your marketing becoming more or less difficult in the face of heightened competition?

And then on capital allocation, what can we read into your shift from what I suppose is a dependable buyback into M&A in a relatively volatile space with that regulatory overhang? How are we supposed to think about capital allocation going forward? And then a little bit on capital allocation even further. Regarding the redomicile, are we expecting a bit of excess capital to be unlocked? And how would that feed into your policy going forward?

Breon Corcoran *IG Group Holdings PLC - Chief Executive Officer, Executive Director*

If you don't mind, take the redom and the capital questions.

On the marketing efficiency, I don't love these numbers in that they're rounded and very summary in nature. And at any point in time, we're using different levers, and we're using different levers in different geographies with different competitive dynamics. So there are times when product does more of the work, product releases does more of the work. And you've seen the progress we've made on that and just even in the UK over the last couple of years. But there are other times when marketing does more of the work.

And even within that, there's a mix between brand spend out of home, for example, and performance marketing online. So the number is there to give investors comfort that we're still in the same ballpark. Sometimes it feels a bit better, sometimes it feels a bit worse. But it is a very aggregate number. And I think in truth, going into much more detail and would not be helpful. And we call out -- and I think we stressed it appropriately. We call out the six sequential quarters of actives -- growth in actives. And I think that's the number that one should look at.

And in the round, we will spend -- we will increase marketing as we run the business more efficiently. We've said that we think we're underspending relative to a lot of the competition. We've increased marketing spend dramatically, but I think there's opportunity to spend more and to fund more spending from the business growth and from continuing to run the business more efficiently. But I think directionally that numbers give investors comfort that the story is largely intact rather than to encourage much more specificity around either geographies or a short sample of time.

I can't remember the question.

Clifford Abrahams *IG Group Holdings PLC - Chief Financial Officer, Executive Director*

Capital allocation. I'll pick that up.

Breon Corcoran *IG Group Holdings PLC - Chief Executive Officer, Executive Director*

No, sorry, it was about the buyback. Just on the buyback, look, some customers -- some shareholders have talked about the importance of the buyback in the investment model, and we understand that. And I think we bought back since the beginning of calendar '24, some GBP550 million worth of stock. So we and the Board have shown evidence commitment to buying back when the time is right.

But as stewards of this business in the long term, the relevance of this business and these brands for our customers in the long term matters as well. And the history of IG in recent years has been, as you know, to lose market share in a number of our territories. And the purpose behind this acquisition is to back a team that have grown their customer base in a capital-efficient way, largely through product-led growth. And I think as we can bring that DNA into more of the IG businesses, I hope that, that will be transformational in the years to come.

Clifford Abrahams *IG Group Holdings PLC - Chief Financial Officer, Executive Director*

Yes. So to build on that, in July last year, we set out our capital allocation framework. And M&A, inorganic was very clearly part of that. We talked about regulatory capital requirements. We have our target range, regular distributions, inorganic and then after that, additional distributions. We also set out our M&A framework and Underdog is very consistent within our capital allocation framework in terms of disciplined deployment of capital inorganically.

And it fits our M&A criteria. We set out in the pack, but in particular, we expect the acquisition to deliver the returns that are comfortably in our M&A criteria. So expect inorganic to be a continuing feature of how we grow the business. And as you know, we announced in March our strategic review and acquisitions was very much part of that. We're mindful of returns and buybacks, and we said today that we would expect to resume buybacks next year, subject to all the usual caveats.

We announced the proposed redomiciliation to Jersey, and we talked about capital flexibility. There are a number of other financials listed here and elsewhere that have such sort of topco structures. So by all means look at that. We have our strategic review update after the summer in October, and I'll be happy to give an update at that point.

Operator

Ian White, Autonomous Research.

Ian White *Autonomous Research - Analyst*

Three from my side, please. Firstly, how would you compare and contrast the Underdog acquisition with IG's previous acquisition of tastytrade. I'm wondering if there are perhaps some similarities in that you bought a, I guess, what I'd describe as a scale challenger in a fast-growing market, where I think the main part of the sort of value proposition here is access to an attractive market where organic entry would have taken too long or been too risky. But maybe you can just help us to think about how this deal is kind of similar and also different, please?

Secondly, what assumptions underpin your conviction in ROIC exceeding WACC by year three? I'm thinking revenues will probably need to double from 2025 levels at Underdog -- and I'm wondering if you see that being market growth, market share, cross-selling or greater wallet share with the group's existing client base. Can you just help us with some of the thinking around that, please? That's question two.

And just finally, what sort of investment might be needed to achieve your goals with Underdog over the coming years? Is there anything on technology that needs to be revised? And on marketing, how would you assess Underdog's capabilities? Can you just scale up marketing spend, for example? Or is there a period of kind of recalibration as you've had with IG? That's my final question.

Breon Corcoran *IG Group Holdings PLC - Chief Executive Officer, Executive Director*

Do you want to take another one? I guess there are some similarities to the tasty deal. It's a fast-growing US-based asset. I think we're -- I wasn't around at the time of the tasty deal. I think we're particularly excited here by the quality of the team, the evidence of progress they've made and the opportunity -- the nascent opportunity in the prediction market space in particular.

And I think as people have a chance to read more into Underdog, the fact that they're monetizing a few million customers already as effectively as they are already in a short period of time and by some definitions, third in the market after Kalshi and Robinhood is quite encouraging. The tasty business is one that I have a lot of time for, but is, unfortunately, a little bit more niche than we would like.

And as we focus our attention on growth and sustainability for this business in the medium term, I think backing a team, investing in a business that has more mass-market appeal is mobile first, is a younger customer base with high engagement is -- that's an attractive place to deploy capital.

I'll pass over to Clifford on the second question. But on your third question, Ian, the business has been capital -- the Underdog business has been capital efficient to date. I would expect that to continue to be the case. We're excited by the deal structure because effectively, aside from the relatively small earn-out on the -- at the end of this financial year, this calendar year, the team is very motivated to hit EBITDA targets in '28 and '29.

And they will do that through marketing spend. I would expect marketing spend to increase from where it is currently, but they will do that through product-led growth primarily, which is how they've grown this business so far.

And when -- it's not just that we've seen what they plan to do over -- it's not just that over the last few months, we've seen what they plan to do and their ambitions in product. This is a business I've known well for quite a while and that we've been talking about IG for probably over a year now.

So seeing how they've grown their business and how efficiently and quickly their product -- how impressive their product velocity is, I think that will continue to drive a lot of growth in the coming years as they attempt to maximize the value of that incentive plan.

Clifford Abrahams *IG Group Holdings PLC - Chief Financial Officer, Executive Director*

Thanks, Ian, for your question, which is really around sort of how we expect to deliver that guidance in terms of delivery of returns in excess of ROIC. I think there's a bunch of backup in the presentation of yesterday at the appendix, which will give you some of those drivers. We're not giving a guidance on revenue beyond saying sort of strong double digits. I think there are a few things that give us confidence about revenue and that revenue dropping to the bottom line.

So if you look historically, the business has delivered revenue through its position as number two in the daily fantasy sports business. So that's GBP0.5 billion of revenue, if you like, from the heritage business. As Breon said, the business has transitioned to prediction rails over the past year, but only just recently has been able to drive that volume through its own predictions exchange. And that will very much assist in monetization in terms of our ability to deliver gross margins from that flow.

We also see as the transition of the business model takes place from DFS to prediction models. There's a liberation for some number of the restrictions in terms of the format of propositions that Underdog offers its customers. And so that we believe will drive the handle or the sort of the dollars wagered significantly up for Underdog closer to some of the existing players in the market.

So all of that gives us confidence in revenue growth in the predictions market itself growing strongly but broadening the proposition and that dropping through in terms of gross margin monetization. And then finally, you've got the operating leverage of a scale business that has the infrastructure in place that's already spending quite a bit on marketing. But as the business grows strongly, we expect EBITDA margins to match that and pick up from here, and that will drop to the bottom line and give us that healthy ROIC that we've guided to.

Operator

(Operator Instructions) Alex Bowers, KBW.

Alexander Bowers *Keefe Bruyette & Woods Inc - Equity Analyst*

Just three from me, if I may. Just firstly, on the finance costs from the GBP950 million bridging facility. Can you just confirm how much that would be and also whether that will be included in your adjusted EPS metric?

Secondly, just on the buyback, I know a question has already been asked on this, but just in terms of being in a position to resume in 2027, can you just give a bit more clarity on that? Are you like intending to potentially reinstate a buyback at the '26 results for '27? Or is this something that will come later on in '27 once you've kind of been through the redomiciling process, et cetera?

And then thirdly, just on -- I'm actually you kind of mentioned in previous results, the OTC customer revenue retention metric, which I think was like 83% at FY25. Has there been any improvement on this in H1 '26? And is there any guidance you can give in terms of further revenue growth from this metric in H2 and in FY27?

Clifford Abrahams *IG Group Holdings PLC - Chief Financial Officer, Executive Director*

Yeah. So I'll pick up those questions. Look, we're not going to guide to finance costs in particular. What I'd note is that some, that GBP950 million you referred to is essentially a committed facility. So we wanted to announce the transaction with a facility to draw on to execute the transaction.

We have other opportunities to deliver that cash over time, to refinance that bridge facility, to move cash around the group. So we'll obviously seek to optimize that. The adjusted EPS would be after the cost of funding, which itself would depend on how much we needed for, for example, the earn-out. So we've got flexibility and our guidance that we've talked about reflects all of that.

In terms of buybacks, look, we're not going to give a commitment, as you'd expect, on timing of buybacks. We will update our thinking around capital at the October strategic review update and obviously, at the full year and ongoing as we do at every reported period.

What I'd note is we do expect the [redomiciling] to Jersey to take place around the end of the year, hopefully, during this calendar year, subject to regulatory approval, and we've guided to when we expect this transaction closing. So some of those elements will have been much clearer by the end of the calendar year.

I think around retention, look, we're comfortable with retention. It's volatile. So it's -- the team is delivering as expected, but we don't report quarter on quarter. I think in terms of the expectations for steady improvement there, we're encouraged by, in particular, our new Head of IG Securities, Andy Biggs, and he's building his team. He arrived during the period, and that itself sort of underpins our long-term confidence in this area.

Operator

Julian Roberts, Jefferies.

Julian Roberts *Jefferies LLC - Equity Analyst*

I've got a couple on the regulatory front. First, are you able to tell us what proportion of Underdog's customers or handle come from American states where sports betting is presently not allowed? And given that some states are challenging the rules around prediction markets, what do you think is the level of risk of that being referred to the Supreme Court and there being a negative outcome from Underdog's point of view?

Breon Corcoran *IG Group Holdings PLC - Chief Executive Officer, Executive Director*

So the inference behind the first question is correctly that there is specificity on a state basis. And some of the states where prediction markets have grown have not had a history of legalized sports betting or daily fantasy. We're not going to be drawn on individual state mix at this stage, partly because it changes. The point behind the second question, I think it's largely expected that there will be -- there's a growing expectation that this will go to the Supreme Court in the United States.

And commentators, there's quite a broad variance in when that might happen. But -- so I'm not going to -- I mean, my guess is no better than anyone else's actually less well informed than many. But I think this ultimately will go -- this may ultimately go to the Supreme Court in the United States for resolution. And for those that aren't as close to the detail, the decision will be whether this should be regulated, whether sports, in particular, should be regulated by individual states or whether the CFTC has the right on a federal basis to regulate contracts, event contracts, which currently are seen to include sports.

So I think in the long term, we will get clarity around that, possibly even in the medium term, we'll get clarity around that. And then at the end of this transaction, we will own a brand and a product that allows young -- a younger demographic of customers to express opinions on sports. That's kind of the core legacy of the Underdog brand, as Clifford mentioned earlier, some $400 million or $500 million in revenues a year.

We also own a full -- a relatively rare full stack, an FCM, a DCM and a DCO, which allows us to take regulated event contract bets through the CFTC rules on sports and other things. And we kind of have a bet now on prediction markets in sports and ultimately on prediction markets on other types of events as well. So the backstop here is the brand and the product and the team and the demand across all of the United States from customers to express opinions on sports.

The upside is the extreme upside is the CFTC federal regulation for all of these contracts that liberates customers from some of the limitations that previous state licensing held. That will play out over the coming years. I'm very confident that we have had a thoughtful investment in that space and that our deal structure protects our shareholders, rewards our colleagues very generously if they deliver the heroic growth expectations they've signed up to in '28 and '29, but protects our shareholders in the event of -- protect our shareholders given the regulatory uncertainty over the coming years.

Operator

There are no further questions. I will now hand back to Breon for closing remarks.

Breon Corcoran *IG Group Holdings PLC - Chief Executive Officer, Executive Director*

Thank you all for joining us this morning. We've delivered a strong first half, and we look forward to updating you on the next phase of growth at our strategy update in October. Martin, Clifford and I and the rest of the team are available to take questions over the coming days, and we look forward to chatting with many of you. Thank you again.

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