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IG GROUP HOLDINGS PLC ACQUISITION OF UNDERDOG

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CORPORATE PARTICIPANTS

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

PRESENTATION

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

Hello, and thank you for joining at such short notice. We launched our strategic review in March, which prioritized acquisitions aligned with our M&A framework. We 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 structured the transaction around performance.

Today, we're pleased to announce the acquisition of Underdog, a leading US prediction markets operator. It's a landmark deal that establishes IG as a leader in one of the most significant opportunities across trading, investing and entertainment and accelerates our growth in one of the world's largest and fastest-growing consumer finance markets.

I'll take you through why we're doing this, and then we'll take your questions. Underdog gives us an entry into a high-growth adjacent category, spanning both daily fantasy sports and prediction markets, initially in sport and then in time to come across financial markets, culture and politics. Prediction markets are growing fast. Notional volume traded in 2026 is expected to nearly triple on the prior year, with around 85% currently in sport.

Underdog is one of only three fully vertically integrated providers competing meaningfully in sport, and it brings nearly 1 million mobile-first monthly active users with strong brand equity. What's particularly valuable is the license stack. Underdog owns a fully integrated set of licenses and market infrastructure spanning brokerage, exchange, clearing and market making. This gives it full control over product, economics and risk across daily fantasy sports and prediction markets.

The transaction structure aligns a substantial share of value with delivery, split between an upfront payout and earn-out and a management incentive plan. We expect the acquisition to be broadly neutral to adjusted EPS in year one, double-digit percent accretive by year three and to deliver return on invested capital in excess of IG's weighted average cost of capital in year three.

Together with the proposed redomicile of IG's parent company to Jersey and our refreshed organizational model, the strategic review the Board launched in March is now substantially complete. We continue to work through incremental growth and efficiency initiatives, and we'll present IG's refreshed strategy, guidance and capital allocation framework at a strategy update on October 22.

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 revenues to $441 million in 2025, growth of 63% in that final year. Monthly active users reached nearly 1 million, up 39%.

Underdog is the second largest operator by revenue in its heritage product, daily fantasy sports. And since launching prediction markets in September 2025, it has traded the third highest US regulated notional flow in the US, including prediction and DFS combination trades behind only Kalshi and Robinhood. This shows how quickly its daily fantasy sports heritage and installed user base are moving on to prediction market rails.

Let's now look at the customer base. Underdog's strong revenue growth reflects a large and rapidly expanding customer base. Cumulative depositing customers have grown from just over 14,000 in 2021 to just under 5 million at the end of last year and active customers, those trading at least once in the year from 14,000 to 3.2 million. This base has been built efficiently through a differentiated product-first proposition and a strong brand.

And it's a young audience delivering that growth, with over 60% of monthly active users under 30 and over 80% are under 40 years of age. A mobile-first community comfortable with fast duration -- short duration risk taking and complementary to IG's existing customer base. Daily fantasy sports or DFS, has been the engine of Underdog's growth, so let me start there.

DFS is a skill-based contest format built on athlete statistics. In the US, it has long been treated as a game of skill, a status that predates and is distinct from state-regulated sports betting. But that format is also a constraint. It limits Underdog to around 1/3 of what its customers want. Prediction markets change that. Underdog now owns the full license stack across three critical functions, giving end-to-end control of product, economics and risk across both DFS and prediction markets.

It owns the FCM or the brokerage, which takes customer orders and the DCM, which is the CFTC licensed exchange that lists and trades event contracts. It also owns the DCO, which is the clearinghouse, which holds collateral and settles trades. Vertical integration across these three pieces of market infrastructure unlocks a complete sports offering delivered through event contracts in around 50 states under a single federal regulatory regime.

Turning next to what Underdog has achieved to date and how that's translating into a step change in growth. Underdog launched prediction markets in limited form in September 2025 and expanded to 30 states, including prediction market parlays in November.

In April, it integrated Kalshi into its FCM brokerage, giving customers access to a broader range of contracts. Uptake has been rapid. The next leg is Underdog's own exchange, which launched this month. As Underdog has given customers more, they've engaged more. In Q2 2026, average monthly handle per active customer was up over 50% year-on-year and monthly active users was up over 60%. This early progress is very encouraging.

Prediction markets offer a simple, intuitive format, highly accessible to novice and experienced traders and to customers used to sports gaming. Prediction markets are growing fast, and sports is the largest and fastest-growing part of this market. With more than 50 million US sports bettors and DFS players already comfortable with the style of risk taking, there's a huge pre-converted pool that Underdog is well placed to capture.

We recognize this is a competitive landscape, and we admire the companies on this slide. But Underdog has a clear right to win. It is built for sports. It has a large sports-first customer base. We're used to fast real-time risk taking. The wallets, the KYC, the brand are already in place. So moving into prediction markets is close to friction-free. That's what sets it apart from competitors, which are built for more sophisticated traders than for sports fans.

One of the keys to Underdog's success is its product engineering capability and product velocity. Its founder-led product-first culture has delivered a differentiated proposition in sport, driving exceptional growth and strong brand equity. And that's what we're acquiring here, not just the license stack and market infrastructure, but an exceptional team that ships category-leading product fast.

If sport is where Underdog has won, it's not where the opportunity ends. The infrastructure is category agnostic. The same licensing stack, exchange and clearing capability, the same intuitive product, none of this is specific to sport. A single outcome event contract works just as well on an economic data print, election or cultural moment as on an NFL game.

So the platform Underdog built for sport is a platform for trading events of any kind, and this is where IG comes in. Financial markets are our home turf, decades of expertise in pricing, risk and regulated trading. Underdog brings industry-leading product velocity and an engaged audience. We bring deep markets capability. Together, there's a genuine right to win as prediction markets expand into crypto, financial markets, politics and culture. Sports is the beachhead, but the prize is far bigger.

Turning now to Underdog's leadership team who are critical to drive the growth of the business. Underdog is a founder-led product-first franchise. Jeremy Levine, Co-Founder and CEO, previously founded DRAFT. That was a business I brought to Paddy Power Betfair as CEO in 2017.

Jeremy also founded StarStreet, which was acquired by DraftKings. Underdog's Co-Founder and Chief Product Officer, Brandon Stakenborg, was part of the early team at DRAFT. They're backed by a strong leadership team. I've known this business for many years and invested in Underdog as an early-stage investor well before I joined IG. I retain a small holding in the business, which I disclosed to the Board when this transaction began. That long association gives me strong conviction in the team and the opportunity ahead. I'm particularly looking forward to welcoming the Underdog leadership team to IG.

This deal is firmly aligned with IG's strategic focus on product, culture and efficiency. On product, Underdog closes the gap in the high-growth category and broadens our appeal to a younger demographic. On culture, it brings an unrelenting focus on customers and product velocity. On efficiency, Underdog is a highly scalable platform and attractive marketing paybacks.

Together, we unlock a large mobile-first user base, and we can scale Underdog's product through tastytrade in the United States. IG's compliance capability will help underdog move faster. As one business, we can grow faster and generate more value than either of us could alone.

You've seen a version of this slide before. Underdog materially broadens IG's addressable market alongside our existing exposure in OTC derivatives, futures and options, stock trading and crypto, prediction markets add a fast-growing and new fast-growing category. It meaningfully increases our combined TAM and our ability to accelerate top line growth further into double-digit territory.

With that, I'll hand over to Clifford to take you through the financial highlights.

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

Thanks, Breon. Underdog more than 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 total group revenue against around 22% stand-alone. It also diversifies our revenue by product. Combining Underdog's 2025 results with IG's, prediction markets and DFS would represent 25% of combined group revenue, reducing reliance on any single product line. It also transforms our demographic profile, lowering IG's average customer age from around 42 to 34 on a pro forma basis.

Let me walk you through the structure. The $1.1 billion upfront is fixed. The enterprise value for 100% of Underdog at closing are 2.4 times net revenue for the 12 months to June 30, 2026. On top of that, an earn-out contingent on 2026 revenue and positive EBITDA and capped. Separately, a management incentive plan that sits outside the purchase price, rewarding eligible employees for 2028 and 2029 EBITDA delivery and self-funded by Underdog's earnings.

On funding new IG equity alongside new debt, a bridge initially, then longer-term financing to pay the cash to sellers and refinance Underdog's existing borrowings. We remain committed to our investment-grade rating throughout. We expect pro forma gross leverage to be under 2 times EBITDA at the end of 2026, deleveraging from there with our solvency ratio within the 160% to 200% target range.

Next, lock-ups. The consideration structure is designed to retain and incentivize management. Underdog's founders receive around 2% of IG's enlarged share capital on completion under the longest lock-ups. Five institutional shareholders receive around 3% in aggregate released on a faster schedule. Smaller holders are largely unrestricted. The management incentive plan, or MIP, adds a further layer of alignment. Closing is expected in late 2026 or early 2027, subject to regulatory and antitrust clearance.

Now to how this deal meets our M&A criteria. Strategically, Underdog delivers the vision set out in our strategic review. Financially, the deal meets our M&A criteria on EPS accretion and returns. Finally, the transaction structure aligns a meaningful share of value with future performance and Underdog will operate as a commercially stand-alone business, mitigating execution risk.

Let me turn to what this means for our financials. Starting with revenue. Our stand-alone guidance is unchanged and Underdog adds to it. It's growing at a stronger double-digit rate. So once the deal completes, we expect the combined group to grow above our organic stand-alone level of 10%.

On earnings, as Breon set out, 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 that same point, fully in line with our M&A criteria.

On the balance sheet, we stay disciplined and remain committed to our investment-grade credit rating. On capital returns, our dividend policy is unchanged. We intend to pause the current buyback, expecting to consider resuming it in 2027 following completion of the redomicile and subject to share price performance and other demands on capital.

With that, I'll hand back to Breon.

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

Thank you. To conclude with this slide, which you've seen before, Underdog gives IG entry into a high-growth adjacent and prediction markets and diversifies our revenue growth drivers. It brings a complementary customer base and one already comfortable with short duration risk. And it comes with a valuable integrated license stack, which gives us full control of our product, economics and risk across DFS and prediction markets. And as Clifford has set out, the return profile is attractive.

Before we wrap up, a brief word on our H1 results, which we've also announced today. We'll cover these in full on another call, so I'll keep it to the headlines. It's been a strong first half. Our strategy has delivered a step change in growth, and Underdog will take that further.

Starting with customer acquisition, we delivered a sixth consecutive quarter of sequential growth in active customers, the best single indicator of the health of the business. Organic active customers is up 13%, organic first trades up 74%.

Second, growth was broad-based across every product. Faster product velocity, disciplined marketing spend and supportive market conditions resulted in organic total revenue up 17% and 20% organic net revenue -- net trading revenue growth. As we upgraded in May, our outlook targets organic total revenue growth of at least 10% a year beyond 2026 from our 2025 base of around $1.1 billion.

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

Fourth, Underdog transforms our future growth. As we set out, the acquisition opens up a large, fast-growing US daily fantasy sports and prediction markets. The acquisition transforms our US footprint and accelerates stand-alone revenues and EPS growth.

Finally, this month, we set out plans to redomicile and a refreshed organizational model. Together with the acquisition of Underdog, the strategic review we launched in March is now substantially complete. We continue to explore further growth and efficiency initiatives, and we'll present our refreshed strategy and a strategy update on October 22. In summary, these are a strong set of results and a strong platform from which to acquire Underdog.

Thank you for listening. We'll now take your questions.

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