




youbet.com[®]

**ICR Conference
Business Review
January 15, 2009**

Agenda

- Market Overview
- Company Overview
- New Management Update
- Financial Highlights
- Marketing Initiatives (core)
- Growth Initiatives
 - Core
 - International
 - New (Legislative)

Market Overview

- Horse Racing Wagering Market
 - \$14-18 Billion in handle wagered in North America every year since 2000
 - \$112 Billion in handle wagered worldwide in 2006
 - Major non-US markets include Japan (\$27B), UK (\$20B), France (\$11B), Australia (\$9B)
 - Large interest base - according to a 2006 NTRA poll, approximately 29 million fans among adults 18+ have wagered on races in the past two years
- Opportunity – only ~10-15% of wagering is done through ADWs
 - Handicappers shifting from tracks and OTBs to ADWs
 - Online services provide feature-rich products and services, most of which are not available offline (tracks / OTBs)
 - Wager Cancel
 - Batch Wagering (multiple transactions per minute)
 - Conditional Wagering
 - Key Information Services

Youbet.com

- Leading ADW platform in U.S.
- Established in 1995, accepted first wagers in 1998 and listed on NASDAQ in June of 1999
- Recognized technology leader
- Provides a comprehensive portfolio of content – 120 tracks running in 28 states and in 6 countries in Europe and Asia
- Recently added content
 - Gulfstream
 - Laurel Park
 - Oaklawn
 - Fair Grounds

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MEADOWLANDS

EXOTICS POOL TOTALS WILL PAYS

Race 1 \$2 Exacts Probables

Leg 1 > 1 2 3 4 5

WagerPadPro

Track Race

- Albuquerque
- Balmoral Park
- Belmont Park
- Fairplex Park
- Harrington Raceway
- Penn National
- Stockton
- Woodbine (T)

Youbet Advantage Total Points: 30, Points This Wag

Session Wagers Current Race

Session Wager Total: \$0.00

Seq Track

MY ROI

ROI SUMMARY BEST ROI

BEST ROI OF WAGERS PLACED IN THE LAST 6 MONTHS:

RANK	ROI	# of Bets	TRACK	BET TYPE	SURFACE	BREED	RACE TYPE	DISTANCE
1	1980%	+++++	Hollywood Park	EXA	Turf	Thoroughbred	Claiming	6 Furlongs
2	1163%	+++	Santa Anita P...	PK4	All	All	All	All
3	1027%	+++	Saratoga	EXA	Turf	Thoroughbred	Claiming	5 1/2 Furlongs
4	730%	++	Del Mar	WIN	All Weath...	Thoroughbred	Claiming	1 1/8 Miles
5	725%	++	Del Mar	PK4	All	All	All	All
6	501%	+	Keeneland	EXA	All Weath...	Thoroughbred	Allowance	1 1/16 Miles
7	361%	+	Del Mar	TRI	Turf	Thoroughbred	Allowance Opti...	1 1/16 Miles
8	296%		Del Mar	EXA	All Weath...	Thoroughbred	Claiming	1 Mile
9	134%		Hollywood Park	DD	All	All	All	All
10	33%		Del Mar	EXA	Turf	Thoroughbred	Allowance Opti...	1 1/16 Miles
11	15%		Woodbine (T)	WIP	All Weath...	Thoroughbred	Claiming	1 1/16 Miles

SUMMARY COMPARE EXPAND SUMMARY DETAIL EXPORT

Bets	Win	ROI	Wagered	Payout	Profit/Loss
0	0%	0%	\$0.00	\$0.00	\$0.00

SUMMARY DETAIL

Date	Track	Race	Bet Type	Total Wager Amount	Runner	Payout
05/30/08	Hollywood Park		7 Exacts	\$10.00	1 / 6	\$200.00

George N Casale, Brooklyn, NY; Nadi... Gary Finnigan

United Tote Overview

- Designs, manufactures, and operates wagering systems for more than 150 racing companies and numerous OTBs - globally
- Established in 1959 - purchased by Youbet.com in 2006
- Recognized technology leader in hardware and software
- United Tote has hosted the Kentucky Derby for fifteen years
- Systems process more than \$7bn/yr in global pari-mutuel handle
- Clients include Churchill, Belmont, Keeneland, Saratoga, etc.

2008 Management Hires

- CEO – Michael Brodsky (April 2008)
 - Away.com
- COO – David Goldberg (November 2008)
 - Ticketmaster; Sportvision
- CMO – Jeff Grosman (October 2008)
 - Network Solutions; MCI

Youbet Terms and Performance (Through Q3 '08)

- Handle – total dollar amount wagered

	<u>2007 Handle</u>	<u>2008 Handle</u>
YTD Sept 30	\$377.8 MM	\$330.9 MM

NOTE: Same-store sales outperformed the overall industry by over 5%

- Net Revenue – dollar amount Youbet keeps after paying track, horsemen, and other market fees

	<u>2007 Net Rev</u>	<u>2008 Net Rev</u>
YTD Sept 30	\$26.8 MM	\$26.8 MM

- Yield Percentage – net revenue ÷ handle

	<u>2007 Yield</u>	<u>2008 Yield</u>
YTD Sept 30	7.1 %	8.1%

Nine-month Period Ending Sept. 30

YoY Performance

Consol	2008 Actuals vs. 2007 Actuals			
	Q1-Q3 07	Q1-Q3 08	Difference fav / (unfav)	%
Handle	\$377,768	\$330,920	(\$46,848)	-12%
Net Revenue	\$26,848	\$26,751	(\$97)	0%
Gross Margin	\$32,538	\$32,451	(\$87)	0%
OpEx	\$30,891	\$24,227	\$6,664	22%
EBITDA	\$8,234	\$14,199	\$5,965	72%
Pre-Tax Income before Discontinued Ops	\$1,145	\$7,483	\$6,338	554%
Discontinued Ops	\$150	(\$743)	(\$893)	NA
Pre-Tax Income	\$1,295	\$6,740	\$5,445	420%
EPS	\$0.03	\$0.16	\$0.13	428%

Excludes one-time expenses totaling \$919k (former CEO severance and non-cash stock compensation adjustments)

Net income is pre-tax. 2008 actuals do not reflect estimated CA tax provision of \$162k.

Marketing: Inject a Mature Business with Current Online Subscription Best Practices

New Customer Acquisition: Move to ROI-based acquisition strategy

- Combination of CPA and lifetime profitability of customer
- Restructure broad CPM deals to CPA structures
- Leverage loyalists to deliver new customers
- Optimize site

Base: Increase 'Share of Wallet' from existing customers

- Deliver More Wagering Content:
 - Have most comprehensive schedule available
 - Increase international racing (volume and margins)
- Up-sell & Cross-sell Communication: Customer Lifecycle Marketing programs
 - "Cradle to grave" communication strategy
 - Targeted customer stimulation efforts
 - Over-deliver to 'top value' players

'Virtual OTB' to E-commerce Company

The opportunity exists to transform Youbet.com's 'Virtual OTB' into a true e-commerce company

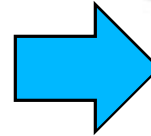
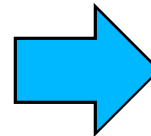
Leverage robust database to re-engage lapsed customers

- Multichannel communications approach – online, email, direct mail and OBTM
- Compelling new offers tailored to prior spend patterns and communicate new features
- Predictive Churn Modeling: Identify and save customers before they close accounts

Enhance the 'Best in Class' Wagering Platform with industry-leading features:

- Audio / Video Improvements
- Batch Wagering
- Conditional Wagering
- ROI Calculator
- Promotional Functionality
- Funding Options
- Deliver Web 2.0 community to a 1.0 target audience

Youbet's robust and scalable wagering platform can be extended for incremental business opportunities

A screenshot of the Youbet.com website. The page displays a horse racing betting interface with various race cards and betting options. The top navigation bar includes 'Home', 'My Account', 'My Profile', 'Help', 'Index', and 'Log Out'. The main content area shows a list of races with details such as race number, name, time, and odds. A blue arrow points from the slot machine to this screenshot.

Growth Initiatives - International

International Opportunities

Less regulated gambling environment overseas

- Domestic wagering on international content (races)
- International wagering on U.S. content - currently small
- International wagering on jurisdictionally relevant opportunities




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