

WILLIAM HILL

2013 Q3 INTERIM MANAGEMENT STATEMENT CONFERENCE CALL

03 OCTOBER 2013

Operator

Ladies and gentlemen, welcome to the William Hill Q3 Interim Management Statement. My name is Dan and I'll be the operator for your call this morning. I would now like to hand over to your host, Ralph Topping, to begin today's call. Ralph, please go ahead.

Ralph Topping - Chief Executive

Thanks, Dan. Good morning, everybody. As ever, I have Neil with me. Thanks for joining us at short notice. Given the noise in the market in the last week or so we felt it was important to give you an update on trading as soon as we could after our period ended on Tuesday.

Neil is going to talk you through the Q3 numbers, but let me give you my overview first of all. Looking at quarter three specifically, I've said it before and I'll say it again now, results in this business will be what results will be. It's tempting to get bogged down in a short trading window, but what's really important is the underlying performance of the business. And right now at William Hill, that's strong, particularly in football.

We've got a step change in volumes since the start of this season. Online saw almost GBP70m worth of turnover in Sportsbook week just ended. That's equivalent to a Cheltenham week. That's higher than a Grand National week. And August and September, Sportsbook turnover was up 51% year on year.

New accounts in those two months were up 35% and average weekly active accounts were up 41%. With turnover and growth, you don't need to be Einstein, with turnover and growth like that you don't need to be Einstein to work out where that could take us when the results switch from punter to bookmaker-friendly.

If you're coming along to our analyst and investor presentation on Friday night you'll see how. It's about firing on all the cylinders, trading offers, marketing, mobile and customer engagement. It's big. It's complex. And it takes a long, long time to get it right. But I think we have it right. The fundamentals in this business are right.

We're seeing it on mobile as well. By mid July, GBP19m wagering turnover a week, and that increased to GBP25m a week on average during August and September. Now that's against the old target I set this business a while back of GBP15m a week. Mobile wagering turnover was up 115% against Q3 last year and it accounted for 41% of Sportsbook turnover in the period.

We're also making progress on mobile gaming. Is it fast enough? I'm never going to be happy, no. Andy knows that. I'm renowned for my patience. You know this. But it's heading in the right direction. 126% increase in net revenue in Q3. It's now 18% of total gaming net revenue, up from 14% the first half. So there's plenty more to come as we drop in more of the enablers, like a single sign-on, content management and payment methods.

Mobile, incidentally, is doing well in the US and then Australia too. That's particularly important in Australia, where smartphone penetration is higher than pretty much anywhere else in the world. In Sportingbet it's 32% of turnover and it grew 35% in Q3. We've been busy in Australia since we last updated you two months ago. I'm now a friend of the Emirates airline. Let me start by saying that I will -- I'm still very excited by the Australian business and I see lots of things going to happen down there over the course of the next two years.

I feel there's a wee bit of confusion about Australia after our half-year results presentation, so let me be clear. This is a very good business. It has excellent prospects. It's going to be a fantastic digital business and we're in the process of turning it from a good business into a great business. Part of that is we've brought a strong team, but we've made it stronger. And we've three new hires, a market guy, we've got a CTO and a head of digital operations.

We're also making strides in improving the market mix. You get what you buy and you get what you're given. But we've repositioned just over half of the budget from existing sponsorship contracts and are starting the process of using analytics to improve return on investment. And we'll introduce you to a lad called Matteo in the fullness of time.

We've also got the Tel Aviv team working on areas such as affiliates management. It will take us some months to refine, up to a year to unwind all the contracts we want to. But we're moving in the right direction. And you'll be able to see it in our CPA which Neil will just reference.

We're now into the key spring trading period, and most recent first-time deposits are up for the first time in our ownership period. Results are fine so far and we're happy with our full-year expectations. We've been improving risk management around lower-margin products and events which has increased margin. But you'll see turnover drop, but that's as expected. Even without Tom Waterhouse our net revenue was up 70% year over year in Q3.

The Waterhouse business is a good bolt-on. It's AUD34m with a AUD70m earn-out if he delivers in 2015. He's a young guy, Tom. There's been a lot of media hype about him. But actually he's one of the nicest guys I've met. And more than that, he's a very able person. He's a bookmaker at heart and he has a very strong vision of what a digital business should be. He's built a very good business in what has been a relatively short period of time.

75,000 mass market customers with limited crossover into our existing business is a positive black tick for us. And I think he'll do well as part of William Hill Australia, with better product, better technology and better operations to support his growth. That's a lot of activity in a short two-month window. There's a lot more to come.

But in the meantime I'm going to handover to Neil to talk through what that means for the numbers.

Neil Cooper - Group Finance Director

Thanks, Ralph. I'm going to focus briefly on the key numbers from the statement, or I'm going to briefly focus on the key numbers from the statement. Unless otherwise indicated any comparison will be to the comparable period in 2012.

The obvious feature of the quarter for us from a financial perspective has been a marked adverse swing in gross win margins in both retail and online. With the retail gross win percentage at 17.7%, 0.8 percentage points below the prior year, and online at 1.5 percentage points below the prior year and, at 6.3%, also below our normal expectation.

The main driver has been football results. And the damage was not just from results in the English Premier League. The gross win margins from other English and Welsh domestic football was also well down, as was Scottish football and internationals. And staking on the championship was actually lossmaking in online during the quarter. We've also seen some patchiness in horse racing margin, particularly in July.

Turning to retail, over-the-counter and fixed odds betting terminal gross win performance for the quarter were both weaker than that seen in the first half. But the damage was largely done in July. OTC wagering for the quarter was down 2%. But stripping out July, the remainder of the quarter was up 1%, benefiting from a strong performance in August.

Machines gross win declined 2% and gross win per machine per week was GBP848. Again, stripping out July, machines gross win was up 1%. The impact of a quiet July and a year-over-year margin swing has left total retail net revenue down 4% after adjusting for the impact in machine gaming duty, up 5% on a reported basis.

Operating costs were in line with expectation in the quarter, up 6%. Operating profit, showing the impact of the net revenue performance, was down 27%. On a year-to-date basis, retail is now 10% behind the prior year in operating profit.

There were 14 shop openings and four closures, with the closing shop count of 2,408 and the average estate grew by 1% over the quarter.

The standout feature of the quarter for William Hill online has been the acceleration in year-over-year wagering growth, up from 26% in H1 to 42% in Q3. In-play wagering grew circa 30% and in-play margins also grew. But the star performance came from pre-match wagering, which grew circa 50%. Football growth has been very strong, with wagering up 49%. Mobile wagering grew 115% in the quarter making up 41% of Sportsbook wagering.

Overall Sportsbook gross win margins were below both prior year and normalized expectations, falling 1.5 percentage points to 6.3%. As the in-play performance shows, this decline has largely been a feature of our pre-match category. That said, mobile wager in gross win margin continued to run above the blended Sportsbook average for the quarter at 7.4%. The combination of the strong wagering trends and increase in free bets driven by our successful focus on offers and the adverse gross win margin movement led to Sportsbook net revenue falling by 1%.

Gaming net revenue also fell by 3%. The category continues to be impacted by market closure last year, but we also got hit for around GBP2.5m by a large player during August. We estimate underlying performance in gaming at plus 5%, adjusting for these two factors.

Within this number, mobile net revenue grew strongly versus the prior year by 126% and now makes up 18% of total gaming net revenue. With net revenue falling, online operating profit also fell year-over-year by 28% as total operating costs grew 12%. The marketing-to-net-revenue ratio in the quarter was 26%. Despite this fall in Q3 operating profit, online remains marginally ahead of the prior year operating profit on a year-to-date basis.

As Ralph indicated, the development of our Australian operations continues apace. At the half year we highlighted first-time deposit rates and CPAs as metrics in which we would expect to see progress as the integration of Sportingbet Australia into the William Hill Group unfolded. Positively the quarter saw a narrowing of the rate of decline in first-time deposits, up from 41% down in the first half to only circa 18% down in the third quarter, with September the best period in the quarter.

When you overlay performance from the tomwaterhouse.com brand on top of this, William Hill Australia as a whole saw first-time deposits grow circa 10% in the quarter and by around 29% in September. The work going on to reduce CPAs is also progressing, with CPAs falling over the quarter. We are confident of good progress in this area by the end of the year.

Moving onto trading in Australia, Sportingbet Australia saw net revenues grow year on year by 17% in Australian dollar terms. And including Tom Waterhouse, William Hill Australia grew net revenue by circa 22% in Australian dollars. Sportingbet Australia contributed GBP2m of operating profit in what is a relatively quiet quarter for horse racing, and we remain confident in our expectations for the full year. We expect a modest circa GBP2m operating loss from Tom Waterhouse in 2013.

Wagering growth in William Hill US is 47% up, benefiting from a number of things, including growth in mobile accounts and expansion of in-play products. Operating profit conversion, however, was hit by a weaker margin.

Finally, please note a couple of exceptional -- a couple of additional exceptional items arising from the corporate activity completed in the period. Firstly there is an additional GBP4m of exceptional costs linked to the Tom Waterhouse deal, of which around half will crystalize this year. Secondly, we expect around GBP2m of exceptional integration costs linked to the Miapuesta option which we exercised in the quarter.

That's everything I wanted to cover. Now I'd like to hand back to Ralph.

Ralph Topping - Chief Executive

Thanks, Neil. Thanks, everybody, for your attention. Now I'd like to bring in Dan, the moderator, to handle the questions session.

Operator

Our first question today comes from the line of Gavin Kelleher from Goodbody Capital Markets. Gavin, please go ahead.

Gavin Kelleher - Goodbody Capital Markets

Hi, Ralph. Hi, guys. Just in terms of -- Neil, you mentioned free bets in Sportsbook. Can you just give us a feel for were free bets particularly high in the period and will that reduce as a percentage as we move into Q4?

In terms of gaming, can you just remind us when the market exits -- we lap the market exits and when we should -- they should stop being an impact on the gaming performance?

Neil Cooper - Group Finance Director

Okay. In terms of gaming, the major market closure that we're still rolling over took place in December last year. In terms of the free bet question, free bets have stepped up in quarter three. You can see that it is a part of a coherent strategy to drive sports betting volume. And you can see from the 42% wagering growth that we're seeing good traction there. So on a year-over-year basis it has stepped up.

I think, looking ahead, it's difficult to give you more detailed guidance at this stage on this because one of the factors that we need to think about is how this links with our more general marketing efforts. But I think that's something we'll give you. It will be within the existing shape of the business for the time being, but we'll talk about it in a bit more detail at the full year if we see it being something that needs to be guided into.

Ralph Topping - Chief Executive

Yes, I think that's right. I think the increase in free bets, part of it is down to the results as well, because largely on these results they've been driven by accumulator bets. The largest impact on football has been accumulator bets, which I'm pretty positive about because that's the mass of punters, that's the mass of small players winning, which shows it's a general results issue in the period.

And as part of our approach, our marketing approach on -- to keep punters onsite and with us, we have certain conditions attached to accumulator bets. Now if the results get better, the number of bets -- free bets should drop. I can't give you a number on that. But we like

free bets. It's part of our marketing approach and we see it as an important component of growing market share with an iron point-of-consumption ties. That's what we're aiming to do over the course of next year or two years. So they're here to stay and they are part of the marketing mix for us, and it is paying dividends.

Gavin Kelleher - Goodbody Capital Markets

Okay. Can I just ask one follow-up question? Should we -- if free bets increase, should we assume then percentage of net revenue -- marketing as a percentage of net revenue could decline?

Ralph Topping - Chief Executive

Yes, this is where I make my marketing director cry, because, for budget purposes, next year we'll be taking a bit of a chunk out of his marketing spend because the free bets we see as part of marketing. He's going to try and argue like that. But hypothetically speaking, because I'm not a violent man, he's going to get a slap. All right?

Gavin Kelleher - Goodbody Capital Markets

Okay. Thanks, Ralph.

Ralph Topping - Chief Executive

Okay.

Neil Cooper - Group Finance Director

Yes, just -- Gavin, just for the avoidance of doubt, we're not changing our guidance yet in general. But obviously the point is that we need to see free bets in the context of an overall marketing effort.

Ralph Topping - Chief Executive

Right.

Gavin Kelleher - Goodbody Capital Markets

Thanks, Neil.

Ralph Topping - Chief Executive

Cheers now, Gavin.

Operator

Our next question today comes from the line of Patrick Coffey from Barclays. Patrick, please go ahead.

Patrick Coffey - Barclays

Yes. Morning, guys. Nicely my question was actually going to be on the percentage of marketing as a percentage of net revenue, so clearly not going to give any guidance into next year. I suppose I was wondering if you've seen any changes from competitors here recently, and what kind of impact that might have going into next year, and just generally thoughts around the impact of the point-of-consumption tax on William Hill. Thanks.

Ralph Topping - Chief Executive

On the competitor side, I think you've heard now a number of competitors come out and saying -- well, some competitors and some people who profess to be competitors coming out and saying what they have been saying. I think we're very much focused on what's right for

William Hill and how we're going to approach things, because we're convinced we're going to grow market share over the course of the next couple of years. And I think if you look at the last two years then our market share has grown by about 2.5 percentage points.

I'm confident that point-of-consumption tax has a silver lining in it, and that is the growth of market share. But you've got to be committed to doing that in the short term and not doing anything stupid to absolutely skew your business by being overcautious. I think for a large organization with us, with upward momentum, I think we should do very well out of a point-of-consumption tax in the medium to long run.

So competitors will do what they want, do what they have to do. But as a large organization I think we're in as good a place as most. And our intention as we go through it is those who are struggling, we're going to shove a hosepipe down their throat and turn the tap on.

Patrick Coffey - Barclays

Brilliant. Thanks guys.

Operator

Our next question -- sorry.

Neil Cooper - Group Finance Director

For the avoidance of doubt, I think we've consistently said from a marketing ratio percentage of net revenue, we're looking to spend 28%. I know this quarter was a little bit low, but that was as much to do actually with the gaming performance as anything. And we've certainly not indicated that we see that changing for next year. Obviously into the point-of-consumption tax territory I think it's clearly much less certain. But certainly this year and next year that should be your thinking.

Patrick Coffey - Barclays

Okay. Thank you.

Operator

Our next question today comes from the line of Vaughan Lewis from Morgan Stanley. Vaughan, please go ahead.

Vaughan Lewis - Morgan Stanley

Morning.

Ralph Topping - Chief Executive

How're you doing, Vaughan? How're the horses running?

Vaughan Lewis - Morgan Stanley

Good, thanks. So on the Sportsbook staking levels, they obviously look very good. But can you give us a feel about how much of that is driven by free bets and how much of it is driven by recycling?

And on the recycling point, why didn't we really see that coming back into the casino and in the games? Is it something to do with mobile? Is it harder to cross-sell those winnings into the mobile when customers have won on the sports or is it something else?

And I've got a couple more, but --.

Neil Cooper - Group Finance Director

I think you're starting from a -- you're starting, if you don't mind me saying so, from a preconception that there has been lots of recycling, right?

Vaughan Lewis - Morgan Stanley

Has there been lots of recycling? That should be my first question.

Ralph Topping *Chief Executive*

Yes, I think your question is a good one. But I think you have to be clear about the football punter and what the football punter does. Football games end at, let's just say, on a Saturday night. There's a bit of recycling when the English games or the British games rather, got to be careful with my Scottish friends, when the British games end then you're into the European game matches go on. And that -- there is a bit of recycling goes on there or reinvestment. It's hard to have to -- or new investment. So we're offering a product which stretches across the day.

I think it's a bit harder to say there's recycling during the week with football, pure football punters, because what they do is they leave their money in their account and as football matches occur during the week that they're interested in, then they're using what's left in their account. Now is that reinvestment or is it not? Hard to say. But it's definitely not full-scale, head-on recycling.

I agree with the point on the gaming side of things and I'm confident that will turn. You'll be at the presentation tomorrow night and you can go into some detail on that. But our biggest priority has been getting mobile right across the piece and making sure that our software suppliers are developing mobile games and that we are able then to use what is an excellent Sportsbook to cross-sell into mobiles, to cross-sell into mobile gaming.

Now we're confident that will occur. It's just been a bit slow in happening. But we've got the benefit of having a couple of good analysts working for us and the numbers they're producing as indicators of where we're going are on the bullish side. And I'm confident that that will happen over a period of time. So I don't accept it's difficult to cross-sell mobile into mobile gaming. But there's been a lot of activity taking place which has slowed us down, and I'm putting my hands up to that.

Neil Cooper *Group Finance Director*

Just in regard to the free bet point, Vaughan, the first thing to say is we're not offering free bets in an unstructured way. They're typically linked to a specific program like, for example, Acca Insurance. And we are looking at these to make sure we're happy that they're washing their face. I'm sure there will be some that don't wash their face. We try them and if they don't work, we'll stop them. But those that we're happy with, and Acca Insurance is one, we will continue to do it.

And I think you've got to reflect on the sheer acceleration of our growth rate together with what's been an up-weighting in free bets. And you've got to look at those two together. You can't just look at the cost pool increasing without recognizing that the revenue base is also grown as a -- and in our view clearly as a result on a specific promotional offer basis.

Ralph Topping *Chief Executive*

And I go back to what I said earlier on, I can't remember who was, to Patrick, I think, it was on where the marketing spend directionally will go. Free bets -- free bets are part of the marketing mix. And as we look at our budget for next year we'll come up with some conclusions on what we're going to do with that.

Vaughan Lewis *Morgan Stanley*

Okay. Just to check on the cross-sell, so the very strong customer growth that you're seeing, you're confident that that will convert better into gaming growth as well then as you roll out those new products?

Ralph Topping *Chief Executive*

Well that would be my instinct. I don't see any reason not -- for that not to happen. And that's what my two brave analyst chums are telling me in Gibraltar.

Vaughan Lewis *Morgan Stanley*

Okay. And then can I have one on Australia as well? Can you just give us an update on what you're thinking on all the different brands and then all the different platforms?

Ralph Topping *Chief Executive*

Yes. We had a Board strategy day recently. There's a bit of work still to be done on -- with a further discussion with the Board yesterday. We will have a conclusion on this, I think, at the end of the year. And we'll be able to tell you in February, or you'll see in February where we're going. Actually we'll be very transparent about it.

You can't have a multiplicity of brands is our thinking. It's alighting on which brand we think we should get our marketing spend behind, because actually our market spend is slightly diluted by spending on two brands.

Now Tom Waterhouse is a walled garden for the earn-out purposes. So the Waterhouse brand will remain. But we're looking at it on the others. I will say this to you, I think the William Hill brand itself is going to -- there's a lot of work to be done on that, the William Hill organization, to get exposure in Australia. And I think we have to be very careful about how we do that.

Do I think we'll end up as William Hill over the fullness of time? Yes, I do. But in the meantime I don't think -- I think that it will be essentially down between Centretbet and Sportingbet. So that is me being very, very honest with you.

Vaughan Lewis - Morgan Stanley

And it's all going to be on the Sportingbet platform, not re-platformed to OpenBet?

Ralph Topping - Chief Executive

No, it's going to be on the Sportingbet platform, yes. You know Australia; it's a very, very simple product down there essentially. It's not as complicated in terms of product output that the Europe and the UK especially has. So the Sportingbet platform we're happy with. We can actually see the Sportingbet platform being used elsewhere over the fullness of time. So a straight answer for a change, Vaughan.

Vaughan Lewis - Morgan Stanley

Yes. Thank you.

Ralph Topping - Chief Executive

All right. Cheers.

Operator

Our next question today comes from the line of Ivor Jones from Numis. Ivor, please go ahead.

Ralph Topping - Chief Executive

Ivor. It's Ivor not Ivor, Dan. Ivor.

Ivor Jones - Numis

Thank you, Mr. Topping. You're in a very aggressive mood this morning with your slappings and your hose pipes.

Ralph Topping - Chief Executive

I've not got my -- I've not had my Cornflakes this morning.

Ivor Jones - Numis

I'll be very timid with my question. What's the next thing that you're going to say about machines? You've now got 200 plus in the estate. What's the revenue uplift that you're seeing?

Ralph Topping - Chief Executive

It's far too early to give you an indication, but I'm pleased with the numbers I'm seeing initially.

Neil Cooper - Group Finance Director

We're only -- that 200 is a sort of a phased rollout by week, so we've only had a fairly small group of machines in for any length of time, literally no more than three weeks. So I think, honestly, we've got to be realistic about how soon we can get sensible data to you on this.

Ivor Jones - Numis

Okay.

Ralph Topping - Chief Executive

We're not displeased with what we're seeing, but it's far too small a group to arrive at a conclusion on it.

Ivor Jones - Numis

Okay. But I guess you could have concluded there was a problem by now if there was one.

Neil Cooper - Group Finance Director

Well if you look at trade, as you can derive from the data we put forward, July was not great for machines or indeed any other retail offer. But August, September, the net run rate over those two periods was not actually out of kilter with what we saw in H1. So if you take nothing from it, we haven't done any big damage yet.

Ivor Jones - Numis

Okay.

Neil Cooper - Group Finance Director

All right? And we're still very early in the rollout.

Ivor Jones - Numis

And the GBP20m downgrade, so I've got GBP2.5m from a surprise payout on a slots game, I guess. Is the rest all down to margin? Or back to Vaughan's point, are you -- does some of it reflect disappointment by how much you made on gaming products online?

Neil Cooper - Group Finance Director

Well I think the first thing to say is the GBP20m shortfall was across the Group. There's a retail element to that, which is predominantly about a combination of weaker wagering and gaming machining come in July and a margin shortfall against prior year certainly in retail.

And then you can do the math on our wagering numbers, or certainly you can have a stab at doing the math on the wagering numbers times the margin shortfall from last year yourself as well. There's a little bit of shortfall on gaming, partly the 2.5% -- the GBP2.5m on a high roller. But in reality it's predominantly been a margin-led thing. I'd point you also just to -- its sod's law the US had a phenomenal wagering period, but also has had a disappointing margin in the quarter. So it is across the Group, the GBP20m, versus our expectation in Q3.

Ralph Topping - Chief Executive

You're as old as Methuselah, Ivor. You'll remember 2008 when bookmakers had a very bad run on the football. And we were -- we had a lot of very hard losing weeks on football. Again we've seen a similar experience. It's either 2008 or '09. It was '09.

Ivor Jones - Numis

When you get old, your memory starts to go.

Ralph Topping - Chief Executive

It does. It does, Ivor. And so I think it's been a bit of a -- it's an indication that this business isn't immune from bad results. And it is predominantly, in online, down to football results, but back down to the fact that it's accumulative debts more than anything, which is good news for the -- I think when the results do turn.

Ivor Jones - Numis

Within the results and the timing of the results, the concentration of --?

Ralph Topping - Chief Executive

Yes. If you look at a business, if you look at it over a year, if you look at it over 18 months, this is just -- this is an upward trend. So this is a blip. And unfortunately we work in quarters and we work in city accounting periods and therefore this looks -- you wouldn't want it to fall in quarter like that; you'd ideally like it to fall over two quarters or not at all actually.

Neil Cooper - Group Finance Director

And Ivor, just to give you a sense, we have had, as a Group, four loss-making weeks between the start of 2010 and the end of the first half of 2013. We've had two in the last quarter, plus another two weeks that were within GBP0.5m of being loss-making.

And bizarrely, this -- one of the worst weeks we've had was even before the English Premier League started, when -- with one of the early weeks of the Championship, where nine of the top 10 spots went to the favorite.

Ralph Topping - Chief Executive

We're not big fans of Barry Hearn.

Neil Cooper - Group Finance Director

It was a result there, yes, but anyway. So that's just to give you a sense of the volatility that we've seeing through the quarter.

Ivor Jones - Numis

That's helpful. Thank you. And just a last one, in the bit of the statement about online, you said that -- where are we? Operating costs were better than internal expectations. I can understand how revenues can be different from expectations, but since you're in charge of costs, how can they be different from your expectations?

Neil Cooper - Group Finance Director

Well you do things that mean they don't turn out to be as expensive as you want.

Ivor Jones - Numis

So less spending on affiliates?

Neil Cooper - Group Finance Director

No, no, that would sit in the marketing pot, not in the operating cost pot.

Ralph Topping - Chief Executive

We didn't have a bacon sandwich.

Ivor Jones - Numis

Sorry, what was that about bacon, Ralph?

Ralph Topping - Chief Executive

We didn't have a bacon sandwich.

Ivor Jones - Numis

Thank you very much.

Ralph Topping - Chief Executive

Bye-bye.

Ivor Jones - Numis

Bye.

Operator

Our next question today comes from the line of Edward Donohue from One Invest. Edward, please go ahead.

Edward Donohue - One Invest

Morning, gentlemen.

Ralph Topping - Chief Executive

How're you doing?

Edward Donohue - One Invest

Hi. A couple of questions, if I can. I just want a bit of clarification on the gaming side. In H1, Casino, Bingo and Poker didn't have great revenue performance. You'd put a lot of effort into that. Q3 performance looks underwhelming on the revenue compared to H1. I'm just trying to get an understanding of why is there a lack of traction and where is the effort not getting the result that you would be hoping?

Neil Cooper - Group Finance Director

Well I think the first thing to say, and I know I've said it but I'll restate it, the numbers are not quite as bad as they look. We have high roller in there, or a high roller which is atypical for us, and certainly the scale of the loss we saw from that one punter was highly unusual for us, in my experience, in our online gaming business. And secondly we've had a market closure at the backend of last year which we're still rolling over.

So we're making positive traction. We are growing underlying. And within that, Casino is doing better than Poker and Bingo. I think we've found Poker and Bingo both tough. And, as Ralph has already indicated, there's an awful lot of work going on on mobile gaming. The raw numbers look good. But they've still -- they haven't got to a scale yet, at only around 18% of the whole net revenue in the portfolio, that they're lifting off the whole lot or moving up the whole lot in a material way. But we're confident that the work will roll out as we foresee and that we'll start to see the benefit of that.

I don't think the trends were actually hugely different to those we saw in the first half, which is a bit disappointing given the amount of work that's gone in, but shouldn't be seen as too sinister off the back of what is a three-month period.

Edward Donohue - One Invest

Okay. And then just a bit more on the machine part. Again, okay, maybe I'm wrong in here and I've actually never been in a betting shop in my life, so I apologize for that. I'll have to start. But just looking at the sequential trend again, Q3 on H1 and the decline year on year in H1

year on year, and then looking at what's happening, as I said, sequentially, just looking at the gross win per machine and bearing in mind that you are starting to add the next generation, and I'm just again just trying to get a picture of what -- where the trends are developing here.

Neil Cooper - Group Finance Director

Well, listen, as I think the statement makes clear, we were up 1% in gross win in this category in the first half. And if you back out July, we were up 1% in August and September. And actually August as a single month was the best -- was the strongest month we've had all year in machines. Obviously September was less good to give you the blended 1%.

As regards technology upgrades, we have over 9,000 machines in the estate. We've refreshed something like 200, of which we've got about a couple of weeks' worth of trading in. So genuinely premature on that to be talking about the data or the upside from that. We hope that we'll see upside, of course. And history and other companies' experiences are that technology upgrades do lead to upside.

But I -- over the three to four years we've seen a slowdown as our mature -- as our technology has matured, for sure. But I certainly think this year we're not -- with the exception of July, which is -- which I think is due to factors that are not necessarily intrinsic to William Hill, the run rate is not dissimilar to the first half. So I'm not arguing with you; I'm just not sure I see it the way you do.

Edward Donohue - One Invest

Fair point. Okay. Thank you.

Ralph Topping - Chief Executive

If you give Lyndsay and Lili your home address we'll arrange a tour of a betting shop for you.

Edward Donohue - One Invest

I'm sitting in Switzerland.

Ralph Topping - Chief Executive

Are you? Well don't give us excuses.

Edward Donohue - One Invest

I will pay a visit, I promise.

Ralph Topping - Chief Executive

We'll get the red carpet out.

Edward Donohue - One Invest

Thank you.

Ralph Topping - William Hill PLC - Chief Executive

I'll have a bar of Toblerone waiting for you.

Edward Donohue - One Invest

A gold one, yes.

Ralph Topping - Chief Executive

Yes, I will do. All right.

Edward Donohue - *One Invest*

Thank you.

Ralph Topping - *Chief Executive*

Bye-bye.

Operator

Our next question today comes from the line of Ed Birkin from Credit Suisse. Ed, please go ahead.

Ralph Topping - *Chief Executive*

Ed Birkin, Ed Birkin.

Neil Cooper - *Group Finance Director*

Hi, Ed.

Ed Birkin - *Credit Suisse*

Morning.

Ralph Topping - *Chief Executive*

Good morning.

Ed Birkin - *Credit Suisse* -

(Inaudible) gaming machines, I have actually visited a couple, and what surprises me is your gross win per machine is down 4.5%, your net revenue down 2%. Now I'm assuming the difference there is due to the density of machines in shops.

Neil Cooper - *Group Finance Director*

Number of machines. Yes, it's a combination of the estate growth, which was 1%, and then I think if you recall from the half year we saw about a 2% increase in the number of machines across the estate.

Ed Birkin - *Credit Suisse*

Okay. But what surprised me is why aren't we seeing a bigger negative differential between them because of the introduction of the reward cards, so an increase in free --?

Neil Cooper - *Group Finance Director*

Well I think that's a question of the amount that you spend on marketing these things isn't it?

Ed Birkin - *Credit Suisse*

But surely, I know Paddy's was a bit of an exceptional one, where they have gross win down 3%, net revenue down 9%, because of the rewards card, but surely we'd expect year-on-year bonusing to be up because of the reward card.

Neil Cooper - *Group Finance Director*

It's not -- no, we do bonusing in machines all year round. And the extent to which we've repositioned some of that to support the Bonus Club Card, you can see the effect in the numbers. There's not some hidden pot of money elsewhere we're spending this on, Ed, if that's what you're alluding to.

Ed Birkin - Credit Suisse

No. I wasn't alluding to you hiding money. It's more are we seeing --?

Neil Cooper - Group Finance Director

Do you know what, I wish I had -- after this quarter I wish I had some money to hide.

Ralph Topping - Chief Executive

Neil Cooper hiding money, my god. He's wearing a lovely hair shirt and hair trousers at the moment.

Neil Cooper - Group Finance Director

No, I think on a -- summarizing on a serious note, the degree to which there is a difference between those two depends on the amount you're spending, which is stating the bleeding obvious, I appreciate, but we're not clearly spending as much as you think we are.

Ed Birkin - Credit Suisse

Okay. So we shouldn't expect a step up in free bets.

Neil Cooper - Group Finance Director

Not -- we've talked about the role of free bets in online wagering and the 42% rise in wagering. We haven't really discussed it in the context of machines because it's not a material change.

Ralph Topping - Chief Executive

No, you should expect it would be my view.

Ed Birkin - Credit Suisse

Okay. And then just on that, not wanting to labor the online marketing point, but if we took, let's say, this year's free bets plus 28% of net revenues marketing and then next year as a totality, increase that and then just maybe change the split a little.

Ralph Topping - Chief Executive

You'll get a fuller -- we'll do some more of the dance of the seven veils with you and we'll take about a couple more of the veils off at February or March. All right?

Ed Birkin - Credit Suisse

All right. Cheers, guys.

Ralph Topping - Chief Executive

Thank you very much, Ed.

Operator

(Operator Instructions).

Ralph Topping - Chief Executive

I've some very exciting news for you, Dan, there are two more questions.

Operator

Two more questions, the first of which comes from the line of Richard Carter from Deutsche Bank. Richard, please go ahead.

Richard Carter - Deutsche Bank

Good morning. A couple of questions. Firstly, can you just give us an update on where you are in terms of Italy and Spain on online? I know you've been investing in there. Is that continuing to trend positively?

Neil Cooper - Group Finance Director

Well I think we talked about this at some length at the half year, and given that this is only an interim management statement, we haven't got into the nuts and bolts of the part of the business. So what you see is what you're getting at the IMS. There's nothing materially changing in terms of the trends we've seen. But more than that, we haven't gone --.

Richard Carter - Deutsche Bank

They're still going positively because obviously the market data shows that the markets are actually going backwards?

Ralph Topping - Chief Executive

We've guided to a three-year approach on Spain and four years on Italy. We're still assuming breakeven for both those two businesses.

Richard Carter - Deutsche Bank

Okay. And then on Miapuesta, can you just give us some sort of directionally how that business has been performing? Has it slowed down significantly since the last time Sportingbet reported or is the business in line with where it was the last time they reported?

Ralph Topping - Chief Executive

I think it's -- you're going to get a standard answer, a bog standard answer here about it's too early how we'll do in the long term -- long run. But I guess their own internal plans are making good progress. We've certainly prioritized the more valuable punters and given them a lot of personal attention and decent offers. We're -- but we'll certainly substantially improve our position overall is my view.

Richard Carter - Deutsche Bank

Okay. And then just going back to the mobile, did you mention that you were looking to develop a single sign-in so you don't have to keep signing in and out when you go from sports to mobile gaming?

Ralph Topping - Chief Executive

Right, yes.

Richard Carter - Deutsche Bank

And are you going to do that -- are you developing a separate technology or is that going to be on the Mobenga platform?

Ralph Topping - Chief Executive

I'll tell you what to do is keep that question for tomorrow night when the guys are there and they'll give you a lock, stock and barrel answer to that.

Richard Carter - Deutsche Bank

Ralph, what do you thinking the timing is? Is that a 2014 or do you think you can get that in place by the end of the year?

Ralph Topping - Chief Executive

I think it's coming shortly, but I think it will be early '14, but I think it's well on its way.

Richard Carter - Deutsche Bank

And in terms of the mobile figure you gave, you gave 41% of Sportsbook wagering.

Neil Cooper - Group Finance Director

You said you were only going to ask two questions.

Richard Carter - Deutsche Bank

Okay, well I'm asking four. Sorry. I think it's the last one.

Ralph Topping - Chief Executive

Richard McCarter.

Richard Carter - Deutsche Bank

On the Sportsbook wagering, 41%. Could you say or do you have an idea of what it is at the weekend? So is that nearer 60% or 70%?

Ralph Topping - Chief Executive

From memory I think it's a much larger number at the weekend. But I've got a theory about this and I'm convinced about it, that as we're seeing the -- if you look at the UK high street, Richard, and you look at the -- there are four prominent brands on the high street. And no disrespect to Paddy Power, but they're not the most prominent brand on the UK high street. And I'm not being disparaging there because I've got a lot of respect for Mr. Kennedy and his team.

But if you look at the four brands on the UK high street, I think it would be safe to say that three of them are struggling with a digital offering. And I don't -- we aren't. And I think what we're -- I believe we're seeing a lot of customers who remain loyal to a brand, say in retail, switching over to William Hill for the online experience.

And I think that is a mixture of getting our pricing right, getting our offers right and they find our website is upwardly reliable and is easier to use than any of those other organizations. Now that's a theory. It's a viewpoint. But I think there's a bit of logic to that.

Richard Carter - Deutsche Bank

Okay. Cheers.

Ralph Topping - Chief Executive

Cheers. Bye.

Operator

Our final question today comes from the line of Jeffrey Harwood from Oriel Securities. Jeffrey, please go ahead.

Ralph Topping - Chief Executive

Jeffrey, you win the Toblerone of the day for the last question.

Jeffrey Harwood - Oriel Securities

Thank you.

Ralph Topping - Chief Executive

Lili will deliver it to you later on by courier. You sign for it and pay for it, would you?

Jeffrey Harwood - Oriel Securities

Okay. Thank you. Just a quick question on the US. Presumably the business was in loss in the third quarter. I don't know how seasonal it is or if we should expect that for the full year too.

Neil Cooper - Group Finance Director

Yes, we made a modest loss in Q3, which was a bit disappointing because we'd seen a very good wagering performance. But gross win margins were down.

The reality of the US sporting calendar is that the key trading period is really quarter four because that's where you get all of the NFL, the bulk of the NFL activity coming through. So our expectation is not that we're loss-making by the end of the year. We expect to be profitable by the end of the year. Obviously that will depend on results, like everything else in our business, but that is certainly our expectation.

Ralph Topping - Chief Executive

Some good trends in that business and especially about in-play, which we do have an NFL game in-play which we've seeing a significant uplift in our business levels as a result of that.

Jeffrey Harwood - Oriel Securities

Great. Okay. Thanks.

Ralph Topping - Chief Executive

Thank you very much. That's us, Dan. Thank you, everybody. I should just add that Lili, Lyndsay, Neil are going to be around all day if you've got any other questions. Thank you very much.

Operator

This concludes today's call, ladies and gentlemen. If you would like to hear any part of this conference again a recording will be available shortly. Thank you for joining. You may now replace your handsets.