

WILLIAM HILL

2013 Q1 INTERIM MANAGEMENT STATEMENT CONFERENCE CALL 19 APRIL 2013

Operator

Welcome to the William Hill Q1 Interim Management Statement conference call. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. Please note that this conference is being recorded.

I will now turn the call over to your host, Ralph Topping. Sir, you may begin.

Ralph Topping - *Chief Executive*

Thank you. Good morning. Neil's with me, and we're going to run through the numbers shortly. What can you say about the first quarter? Well, it's been a busy one. We've got a lot more to do, so we'll keep this brief, as usual.

I think the numbers speak for themselves. The transformation in William Hill continues. 45% of our profits came from the Online businesses in the quarter; that included two weeks of Sportingbet.

Sportsbook is still flying. Our stakes are up 30%; net revenue's up 47%. We're seeing mobile stakes up 145%, and mobile gaming net revenue is up almost 300%.

You've heard a wee bit of talk about it being a tough quarter. My response, I don't think so. What we're seeing in our business is the benefit of having two strong channels. That's a massive plus in the digital age, and it helps growth.

You really can't be a retail business nowadays without having a strong digital business. Your digital business will benefit much more from a strong retail presence. One plus one equals three. You've got to look at both businesses together to judge the health of our business, and I think we've got a good balance of a resilient retail business and good online growth.

Retail is resilient because we're benefitting from a balanced approach to both OTC and machines. You can clearly see the value of looking at our retail punters as that; they're retail, not OTC or machines. In fact, over three-quarters of machine customers also bet OTC.

In our view, the high gross win margin in the quarter is affecting recycling both over the counter and then gaming. But we're still delivering revenue growth overall.

Question, no doubt, is machines' growth finished? Not in my view. In fact, we continue to focus on developing the machines. We've further strengthened our machines team. We have a number of activities in April on our bonus club, and are looking to roll out an upgraded cabinet later in the year. That will be around September.

No doubt, there are already questions put into Moleskine notebooks saying, ask him how was Cheltenham. Well, you know what, let me respond by saying that, when you talk about a week that includes Cheltenham and you make GBP9 million profit, you really can't say you've had a bad Cheltenham.

We made GBP9 million profit in that week; way ahead of our weekly average. So was Cheltenham bad? No. Was it spectacular? No, but we made GBP9 million profit.

And further down that Moleskine page there'll be a question about the Grand National. Well, in simple terms, three words; the best ever. Over GBP16 million across the Group on that race; over GBP46 million in net revenue across the week.

Both these meetings are important, but it's really only the Grand National that can cause the massive swings when the once-a-year punters come out to play. But a warning, these meetings aren't as fundamental to our overall performance as they used to be, because we're becoming more diversified, are in gaming, and certainly across our digital platform.

Making a loss in Cheltenham week? Unless the results are atrocious, it really shouldn't happen.

What these events are now is important customer recruitment opportunities, especially for new platforms, new businesses, like mobile. We beat the competition hands down on downloads for both Cheltenham and the Grand National. I'm not ashamed to say it, but that's the power of having a high quality app and the most trusted betting brand. That's why we've already beaten two of our targets, and we're well on our way to a third.

Sportsbook, right now, at this time of the year, is officially bigger than OTC in staking terms, and that's in 14 out of the last 15 weeks. Now, you really have to think about that. It's a business with around 1,200 people in it, it's not a lot of people, and the vast majority of those are customer facing. We're delivering more sports betting turnover than our entire retail estate.

In week 14, when we had the Grand National, online Sportsbook turned over more than GBP66 million. I wish it had been GBP66.6 million, because that would be the sign of the devil, but it didn't.

In the week that featured the Cheltenham Festival, turnover was almost GBP75 million, which, when I said two years ago that this business was heading for those numbers, there were people who didn't believe me.

We're a year earlier in delivering those numbers than I thought we would be, but the underlying principle here is that, when we give you targets, we hit them. And we're getting to these levels, remember, 12 to 18 months ahead of when we thought we would.

Mobile Sportsbook is consistently turning over more than its target of GBP15 million a week. It delivered 35% of Sportsbook's stakes across the quarter as a whole, and we're on track to make it 40% before the end of the year. In Grand National week, it hit 39%.

So what's happening next? Well, we've clearly taken on a lot, but I haven't lost my appetite for this business, and I'm still demanding a lot from my team, in Retail and Online, in Mobile in the US, and now in Australia.

We're still going for more UK online market share, which I think is there, and very importantly, we're making significant investments for the future, in marketing, in technology, and in people, to achieve that.

I said I expect us to be a GBP5 billion business in three to five years. I never say those kind of things lightly. Right now, we're around GBP3.4 billion, and some of you may have noticed we're second reserve for the FTSE 100. But I don't spend all day in my office, in lovely Wood Green, worrying about that. If we deliver, we will be a FTSE 100 company.

I think we've got two cracking businesses. One that's delivering off a high gross win margin, one that's driving growth off a lower base. Overall, we're a business with ambition, and now is the time for us to drive ahead.

I strongly believe in the future of this business, and I strongly believe there's a lot more to be achieved. At William Hill, we start early, we work our socks off, we go home late at night, and we have fun along the way. And talking of fun, here's Neil with the numbers. I'll be back for the Q&A.

Neil Cooper - *Group Finance Director*

Thanks, Ralph. Before I move on to the numbers, you should be aware that there are some complexities in this period that affect comparison. Firstly, we've got the changeover to machine games duty. We've sent out to you a spreadsheet, showing how the different line items are affected by this change.

Secondly, we've got the bonus discount effect of the rights issue, and you should also have received a model working that through. If you're missing either of those, let the IR team know, and we'll get them across to you.

And of course, we've got around, as Ralph has said, a couple of weeks of Sportingbet numbers in the quarter, but those are material to the period, so we're not splitting them out for this IMS, but obviously, we will talk about them at the interims.

Moving on to the salient financial points of this morning's statement, and unless otherwise indicated, any financial comparison will be to the comparable period in 2012.

The performance of sports betting across all channels in 2013 so far, has been good. Net revenue in Retail over the counter grew 3%, despite a decline in OTC wagering, as gross win margin was 1.3 percentage points higher at a very strong 20.7%.

The main driver of this percentage margin swing was favorable football results, although non-major meeting horseracing, in both the UK and Ireland, also contributed.

OTC wagering levels fell by 4%, partly impacted by the bad weather, which led to 2% fewer horseracing fixtures than in the corresponding period last year, as well as by the impact on recycling of the positive margin swing.

Retail horseracing performance was less strong in the quarter, as a result of factors which include fixture cancellations, and a weaker Cheltenham result in OTC, with that festival seeing wagering down double digit and margins lower, too.

Online sports betting saw wagering grow 30%, and margin grow by 1.2 percentage points, to 10%. Combined, this led to a 47% increase in net revenue in the quarter.

I should note, at this point, that it's not unusual for Q1 win margins to be the high point of the year, given the sporting calendar. So our normalized margin guidance remains in place.

Returning to Retail, machines gross win grew 1%, subdued by the strong OTC margin growth, given that over 75% of machine players also bet over the counter. Gross win per machine per week was GBP904, slightly below the prior year comparable of GBP918. But machine density grew by 2%, more than offsetting this.

Retail net revenue grew 8%, albeit this was flattered by the impact of the changes in machines' taxation. And underlying metric adjusting the prior year to be comparable, would be 2% up.

Cost of sales grew 37%, following this change in taxation, and operating costs grew 5% on the same basis. You'll recall that we guided to around 6% ex development growth, on our operating cost line, so this reflects good cost control, particularly in staff costs, as well as the impact of a circa GBP2 million prior year provision release.

Operating profit for Retail fell 3%. In terms of the estate, we opened four shops in the first quarter, closing five, for a minimal net movement.

Benefiting from strong growth in Sportsbook, William Hill Online saw operating profit grow 13%. Net revenue grew 21%, with Sportsbook up 47%, and gaming in total up 2%. Whilst gaming net revenue has slowed, I would remind you that we guided for the closure of a number of markets in the second half of last year, which has reduced growth by around 6 percentage points.

Mobile growth is now starting to come through strongly in gaming, and mobile net revenue now makes up 13% of total gaming net revenue in the period, up 298% on the prior year.

Online marketing costs were up 39%, and reflected 29% of net revenue. We continue to expect 28% of the target for this ratio, for the full year.

Other operating costs were broadly in line with our expectations, up 17%. The main drivers of this other cost increase were in headcount, and in costs relating to the continued operational expansion of the business. These include trading and content costs, IT and depreciation.

As previously mentioned, it's too early to comment on Australian trading, but I would just note that we expect to see around circa GBP7 million of non-cash amortization of intangibles in 2013, associated with the Sportingbet acquisition, rising to around GBP10 million in 2014.

These will not impact cash flow, operating profit or adjusted earnings per share, but will obviously impact your headline PBT and basic EPS in your models.

We guided to around GBP16 million of exceptional items linked to Sportingbet, and this remains our view. Between 2012 and the first quarter of this year, we have recorded just over GBP14 million of those costs.

We also expect to incur an additional GBP3 million of costs related to the William Hill Online minority interest acquisition, largely advisory and valuation fees. Most of those will come in the second quarter, and all of them will be charged directly to reserves, rather than taken through the face of the P&L.

In relation to our equity raise, we had over 98% take up, which obviously included take up from all of the Directors.

On the balance sheet, our net debt number for covenant purposes has increased, since the end of the year, to GBP742 million at the period end. Rolling forward from there, I'd just remind you that we have the proceeds of the rights issue, which were GBP373 million net, and we've also paid Playtech GBP424 million for the William Hill Online stake.

And finally, moving to taxation matters, I said we would update you on tax for 2013 and '14 once we'd got clarity on the various moving parts, including the Chancellor's recent changes, as well as the impact of the Sportingbet acquisition, and the change at William Hill Online.

We now expect that the effective income statement rate for 2013 will be 12%, with the cash tax rate being 20%. For 2014, this is expected to be 17% and 19% respectively. The move from our previous 2013 guidance has been largely driven by the Chancellor's recent announcement that the corporation tax rate will drop to 20%, and reflects deferred tax credits.

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

Ralph Topping - Chief Executive

Thanks, Neil. Thanks, everybody, for your Trappist-like attention. I'd like to hand over to the moderator for some questions. Bear in mind, this is just the first quarter's results, so we'll keep this very short and sweet.

QUESTION AND ANSWER

Vaughan Lewis - Morgan Stanley

Gross win per machine is down a little bit. You said it hasn't matured, but can you just give us a bit more details about when the new products will be introduced, both software, any exclusive games, and the hardware?

Ralph Topping - Chief Executive

Sure. Well, I think we're active on a number of areas right now, Vaughan. For instance, in April we're working on bonus cards for machines; I should stress that's just for machines. We're not fond of, or fans of reward cards as they apply to over-the-counter betting, so it's just for machines.

Later in the year, round about September, we're going to be rolling out the enhanced cabinet. We had a trial; the trial was to test the technical aspects of those enhancements, not the revenue potential. As we promised before, we'll give you more insight at the interims. But we're going to have a new machine; we're going to have a new menu. New machines will include additional screens, lighting, speakers, and an updated menu to ensure it is viewed as cutting-edge.

And [offer] management we've a couple of pieces of functionality due. I don't want to go into too much detail about them, but let's just call them Cash Code and Future Fortunes. And essentially, what you'll be able to get is a free bet on the machine. This could be via getting a code, for instance, could be getting via a text message, from a scratch card, newspaper ad, etc. And the Cash Code, I think, [with all of these] it's to acquire customers outside the retail and take some market share there.

Future Fortune -- I don't know where they get these names, by the way -- but Future Fortune, I'm not a big fan of alliteration, because I seem to trip up on alliteration -- is a player-retention tool, it rewards a player. I know players -- a lot of players wish to remain anonymous; rewards are based on his play; meeting a defined criteria and gives them a ticket offer.

For instance, if a player had, over the course of play, staked a GBP100 on roulette, he could print a ticket for a free bet for GBP5. So all that kind of activity that we've had on this is coming to fruition.

That's why I say I don't believe the growth of machines has abated. I do think it will move forward. I don't think we'll ever see, for a wee while, the double-digit kind of growth that we're looking for, but we'll see significant single-figure growth. Does that help you, Vaughan?

Vaughan Lewis - Morgan Stanley

Yes, very helpful. Then Online, if I can; you said Australia contributed for two weeks. Was that within Online, or within Other at the Group?

And then, when do you think you'll take the Spanish business and -- ?

Neil Cooper - Group Finance Director

Within Other at the Group; for the time being, what you see reported as Online will be the existing William Hill Online business.

Ralph Topping - Chief Executive

You were -- sorry -- ?

Vaughan Lewis - Morgan Stanley

And then when do you think you'll take the Spanish business, and what sort of synergies will you get from that?

Neil Cooper - Group Finance Director

Well, we got a six-month option period before which we can't exercise. And obviously, we're working through our options. As yet, we haven't made a final decision, and we will let you know at an appropriate point when we've made a decision there, together with any associated costs that may be involved.

Vaughan Lewis - Morgan Stanley

Great. Thank you.

Gavin Kelleher - Goodbody Stockbrokers

Just the first one from me, just on gaming growth in Online, the 2%; you noted that market exits, if they weren't there, would have taken -- it would've been 8%. Is that not still quite a low rate, just given the growth in Sportsbook, that there wasn't a stronger cross-sell? And how would you expect gaming to perform throughout the rest of the year?

Ralph Topping - Chief Executive

I think, on that one, I would say that we put a lot of activity into mobile sports betting, and our attention in the first quarter, the second half of last year -- last quarter, last year, first quarter this year has been on developing our mobile gaming. And we're beginning to see some traction in those numbers.

I did say at an analyst presentation earlier this -- not an analyst presentation, a sales desk presentation earlier this week, that when we come to August, and Neil and I are going round bringing everybody up to date with half-year results, we'll come out with a number for mobile gaming, and I believe it will be a number of significance.

So a lot of our attention has been on the mobile, development of mobile gaming, which I think has got an upside worth talking about in August, and, actually, I think worth demonstrating in August as well.

So the cross-sell, I think the cross-sell has to be onto -- what we're looking for is more cross-sell onto mobile. And I think that is an area which, in our market research, we're currently seeing that there is a demand for.

So the number, when you consider the countries that we've lost and the development work on mobile gaming, I think there's a rationale to it. We also, in the first part of the year, we had some impact from some larger players -- I never call them high-rollers -- some larger players. But, all in all, in the wash, we're making progress there, and lots more progress to come.

Neil Cooper - Group Finance Director

I think it's also fair to say that the period in the quarter that saw the strongest margin performance was P1, as you'll no doubt have recognized from the first seven weeks' trading update. And actually, that was arguably when we saw the largest divergence of performance between the Playtech Casino and the Vegas product, which is predominantly a cross-sell from sports betting.

So it's possible that we saw a bit of impact from the very strong margin in P1, with players just not winning less relative to last year, and therefore, having less ability to cross-sell. So that's a possibility as well.

Ralph Topping - Chief Executive

The number, going forward, on mobile gaming will be given in August, all right?

Gavin Kelleher - Goodbody Stockbrokers

Okay. And just one question, one follow-up; can you give any guide on the declines in bingo and poker, what sort of levels they were?

Neil Cooper - Group Finance Director

We haven't commented on that in the statement. We'll obviously talk about that at the interims.

Gavin Kelleher - Goodbody Stockbrokers

No worry. Thanks guys.

James Ainley - Citi

When we look at the 10% gross win margin in sports Online, to what extent do you think that's purely sporting results driven, and to what extent do you think there is an underlying structural improvement in the margin, as you move more towards mobile?

Ralph Topping - Chief Executive

I think the last time we spoke on this, I did say that it's too early to say whether it's a structural improvement or not. We've had good results, which always helps in this business, but we've also, I think, seen a bigger uptake in mobile betting.

Now all I would say is, patience darling, as we do some analysis and all this. And we'll give you -- any insights we get on it we'll share. But if I was looking at it from a gut feel, I do think you've seen an improvement. More personally, I think you've seen an improvement in margins as a result in mobile.

But, as ever, in my old days I've been convinced not to rely so much on gut feel, but to listen to rational people every now and again, and do the analysis. So this is one of the cases where I'm going to do the analysis, and I am going to -- we will communicate the result of that analysis as and when we can draw conclusions from it.

James Ainley - Citi

Okay, fair enough. Thank you.

Simon Davies - Canaccord Genuity

Just on Australia, I know it's early days and you don't want to talk about operational trends; can you just talk a bit about the trading backdrop within the Australian market, and your expectations in terms of when the Government may make a decision on trials of in-play?

Ralph Topping - Chief Executive

I think you're very right, it's early days, and we don't really want to talk about it. So you're absolutely spot on there.

Simon Davies - Canaccord Genuity

Can you talk about trends in the overall Australian gaming market in terms of what you're seeing from other operators or anything?

Ralph Topping - Chief Executive

There's no gaming market in Australia that we're involved in; there is a gambling market we're involved in. I've been to Australia recently; I think there's a bit of buoyancy in the country; I think you'll see that reflected in performance of online businesses, like our own, down there.

The business we've bought, I can say I'm hugely impressed by the Australian workforce that we've acquired and I'm going to be working with. We've made quite a detailed analysis of the people that we're working with, and they're well led, well managed, the enthusiasm's fantastic. There's a bit of work to be done on digital there, they recognize that; that's a massive benefit that there's a recognition by the team.

The team's heavily incentivized; my management team has incentivized around delivering on Australia, and in other parts of the world. A lot of focus on it. Do I expect to see improvements in Australia? Yes I do. Do I expect to see them over the course of the next 18 to 24 months? Yes. Will the Australian business be much more significant as a digital business? Yes. So if that answers your question from a chief executive using gut instinct, then the fact that I've been doing it for two weeks, endured the heat of Darwin, suffering for the cause of William Hill, I'm sure you can take out the answer what you want, but I think the indications are good for us.

Neil Cooper - Group Finance Director

Just to build on that in terms of the regulatory perspective, we have put a comment in the statement on the latest developments on regulation. You may be aware that a government sponsored review has suggested some liberalization, but (inaudible) responded by saying that it wants to see progress in effect on regulation to protect vulnerable gamblers on a state-by-state basis before it addresses those recommendations. So I think still all to play for. There's obviously a federal election coming up in September in Australia which may alter matters as well.

Ralph Topping - Chief Executive

Yes, I think that'll slow any talk down on anything happening. I think there's a bit of focus on politicians and elections at the moment so --

Simon Davies - Canaccord Genuity

So there's no set timeframe for that review?

Neil Cooper - Group Finance Director

No.

Simon Davies - Canaccord Genuity

Okay. Thanks.

Richard Stuber - Nomura International Plc

Just a couple of questions. First of all, now that you've completed the William Hill Online with Playtech's minority stake and Sportingbet Australia, can you see any cost synergies, or any synergies between the two platforms now?

And the second question is, and I know you haven't really mentioned too much about how your US businesses are going, if we could have an update there and where you see recent regulatory changes coming?

Ralph Topping - Chief Executive

First of all, it's a wee bit too early to talk about synergies. As I said, Richard, we've got teams over in Australia, some of which now comprise the online guys. So we've had some online guys over in Australia this week, which is the first week we're allowed to do that under the agreement, [old agreement], and we've had some people going to the USA as well.

As far as the US is concerned, I think we're pleased with the performance in Nevada in the first quarter. It's never -- the US businesses, where most of the income comes is during the football season and the run up to the football season, so we're going to go through a quiet time at the moment. But we've certainly put a lot of work and activity into the organization of the businesses over there.

On business development in the US, we've also employed, I think it's around about three people to work on business development. We're paying them a lot of money; they have an upside for delivery. I'm flying over to the US week after next for some meetings on the East coast. I think you're familiar with your geography, so you'll work out which States are on the East coast and who I might be talking to.

So there's a lot going on. Unfortunately, we can never say at any precise moment in time that this is what's happening, this is what's going to happen, but you can understand, I think, the direction of travel we're on. And we'll wait and see. As a business, we haven't entered the USA lightly; I think we've entered it quite cleverly, in fact.

We've got licenses in Nevada; we'll no doubt apply for licenses elsewhere, as and when the opportunity comes up. But we believe taking a three to five year view on this, we will have a significant business in the US in one shape or another, and getting the right opportunities, identifying the right opportunities. And they may not always be the obvious ones to analysts; that's all I will say.

Richard Stuber - Nomura International Plc

Thank you.

Nick Edelman - Goldman Sachs

I just have one quick question on Retail, please. I guess, if you look at the quarter overall, net revenue growth was a couple of percent, so sub-inflationary. And I just wondered, what do you think's driving that? Is it cancellations, do you think you need to start to look at the business more in the round with the Online included as well, or is it just the machines, there's some improvements, and once those are running you'll be back up to normal growth?

Ralph Topping - Chief Executive

I think a couple of things. I think you've got to keep the racing fixtures in perspective. There were 2% fewer racing fixtures than in 2012 which, again, if you look at 2012, and you need a long memory in this business, 2012 was also affected by weather. That means there were 277 in 2013 and 5 more than that in 2012.

So what happens with racing fixtures? Headline yes, a lot of the racing fixture cancellation. No headlines saying a lot of replacement racing fixtures took place; they did. Sometimes that's tough; racing gets switched to all-weather. It is not wholly disastrous for any organization, for any company that racing fixtures get canceled, because there is mitigation inasmuch as new fixtures come in to replace them.

If it's turf fixtures, of course you take more money on a turf fixture than you do on an all-weather fixture, but to rush off and blame the weather nowadays is fatuous nonsense, to be honest with you. So I think our position on it is that I can't speak any plainer than that.

You have to look at a business nowadays as in the whole; you really have to look at it in the whole. It is absolutely no good to have a presence on the high street if you cannot offer the client a first class experience when they want. When they leave the betting shop and are out and about on their delivery van and fancy a bet in the 3.30, they have to have a good mobile service they can go and use.

They have to have good online service if they're sitting in the house and the football comes on, and they're desperate for a bet on St. Mirren versus Ross County, you have to offer them a good mobile service or a good online service.

You have to look at businesses in the whole now. And I think those businesses which -- strangely enough, I think businesses, strangely enough for some of you guys, because you haven't quite got your heads around it, is that if you've got a strong retail business and a strong online business, then it isn't pick which baby to throw overboard. You need the two on the rowing boat.

And that's what we've got at William Hill. And that's what other successful businesses have, but we're not seeing too many of them in our high street competitors. Thank you very much.

Nick Edelman - Goldman Sachs

Thanks.

Ivor Jones - Numis Securities

Now you've got strategic control of William Hill Online, what are you going to do with it?

And, secondly, on point of consumption tax, I was just interested in what your lobbying stance would be. What do you think Government might be flexible about, not flexible about? Thank you.

Ralph Topping - Chief Executive

Well, I went to see Lord Feldman this week. You'll know who Lord Feldman is; probably quite a few people there do. He's Chairman of the Conservative Party, a 47-year-old guy. We had a good, sensible chat about point of consumption tax. I'm not in the camp that says it's not coming; I think it is coming.

I'm still in the camp that says there could, but it might not necessarily be the 15%. But, you know what, that's no more than some instincts. If I was to price it up, I would say no offers on both at the moment; I've not got enough information. But the fact is that Government are still looking at this.

And when I'm told that by the Economic Secretary of the Treasury that they're still looking and haven't firmed up on a number, then, in some respects, I believe him. I do think, and I think [in a way] it's 15%.

As to what we're going to do with the business, Ivor, wait and see. I'd be daft if I told you over this phone, because there're quite a few people listening in.

Ivor Jones - *Numis Securities*

Are there changes coming, from what you've told us before, to justify the acquisition of the stake?

Ralph Topping - *Chief Executive*

I think what we'll see is that there's more freedom for ourselves to go and do things. Now, I'm going to make a wee statement here and say that the relationship with Playtech remains positive; has been really positive for 1.5 years. And I've had meetings with Playtech people several times in the last month, all of which were forward-looking and extremely positive.

And so I'm not going to sit here and say now that they -- or refer to handcuffs. All I'm going to say is that we've got more flexibility to use our online people elsewhere in the business, whether that be in retail, whether that be in the US, or whether that be in Australia. And we welcome that, and there are we will see some benefits of that over the next wee while.

Neil Cooper - *Group Finance Director*

Just one other specific thing, which is already in place, which is that our expectation for capital for Online in 2013 is substantially higher than the hard cap that was in place. So you can see that the keys to getting on and developing our strategy are now enabled in a way that they weren't prior to this.

Ivor Jones - *Numis Securities*

Thank you.

Nigel Hicks - *Agency Partners*

Can you talk through what sort of turnover you will have lost from what you've exited online, either out of the GBP240 million of gaming or GBP407 million of --

Neil Cooper - *Group Finance Director*

Nigel, to be fair, the only market with any real Sportsbook exposure we [shot] was German Sportsbook. And, frankly, that was not a material market. We don't disclose the equivalent of wagering levels for gaming. We just talk about net revenue because it's kind of a slippery concept. So I think we've given you the data that I think you need, which is both the net revenue impact and, frankly, the operating profit impact of those closures.

Nigel Hicks - Agency Partners

Okay. I just wondered what the -- the second part to that was the Online EBIT increase underlying; you've given 8%. Would it be higher, or depending on the margin you've got?

Neil Cooper - Group Finance Director

We've actually said an impact of GBP2 million operating profit. Now, obviously, that isn't the same thing as net revenue. You'll have to ratchet that back up.

Nigel Hicks - Agency Partners

Okay, fine. Am I right -- because you haven't given a number for quarterly EBIT, but if Ladbroke's has done [GBP50 million], going to [GBP37 million], you'd be in the ballpark of [GBP92 million], going to [GBP100 million], type of thing?

Neil Cooper - Group Finance Director

Well, you're the analyst.

Nigel Hicks - Agency Partners

I'm working with lots and lots of [bits].

Ralph Topping - Chief Executive

Those numbers wouldn't make us blink.

Nigel Hicks - Agency Partners

Okay. I've seen, coming up, things like flash bets offers on the mobile; these are the odds for 15 minutes, and stuff. Is this -- ?

Neil Cooper - Group Finance Director

From us, you mean?

Nigel Hicks - Agency Partners

Yes. That's a new development, driving very instant usage, isn't it? How has that gone down?

Ralph Topping - Chief Executive

What it does is drive stickability. People register with you and stick with you because we're making good trading-led offers. A lot of what we do, and where a lot of our success is, is at the point where trading meets marketing meets operations. And we're lucky in this business, because we've still got a lot of people who understand betting, have a history in bookmaking, know other punters, and [only] employing a whole range of pitiful consultants to tell them what a betting shop should look like or what a betting business is all about.

Thankfully, we've retained a lot of those people, and we've brought in talent from other parts of the world which fundamentally understands betting not waffle. So we're lucky in that respect that, and that's part of the benefit I think we're seeing in terms of growth in customer numbers.

You can't forget that this business is all about betting and it's all about customer demand and stimulating that demand. We offer -- we have a price-led strategy and a trading-led strategy delivered by marketing and delivered by operations. You can't have one without the other.

Nigel Hicks - Agency Partners

Yes.

Neil Cooper - Group Finance Director

Just one other general comment, we talked at the end of the year about we've been very successful in investing in product development in William Hill Online. But some of the areas where we were likely to expand our investment were areas like CRM, going out to the customer, because I think we'd say we're not the people will regard as the best in the sector in some of these areas, and they're areas of improvement. Those are good examples of the sorts of things we hope that you'll see more of as a William Hill customer.

Nigel Hicks - Agency Partners

That was helpful.

Ralph Topping - Chief Executive

I think it's wrong, actually. I don't know where that came from. We'll put a vicar's collar on there. (laughter) We've got a great trading team; we've got a great marketing team --

Neil Cooper - Group Finance Director

No, I'm not talking about trading, sorry, CRM in particular.

Ralph Topping - Chief Executive

Oh, in CRM, we've got a lot of improvement to get one with and we're doing it, but we're going about it quietly. It's sometimes better to be number two than number one in some things, because it gives you a hell of a lot to go for.

Nigel Hicks - Agency Partners

Has the Cash in Bet been working in terms of driving recycling and --?

Ralph Topping - Chief Executive

Yes.

Nigel Hicks - Agency Partners

Can you give any sort of numbers since you started doing it to just give some idea of --?

Ralph Topping - Chief Executive

No.

Nigel Hicks - Agency Partners

Okay.

Ralph Topping - Chief Executive

I can tell you direction of travel's very good. I'll give you some numbers perhaps later in the year, early next year, when I'm feeling particularly generous and humble, in January, all right.

Nigel Hicks - Agency Partners

Finally, if you were asking for a third party to give you help in terms of driving your business --?

Ralph Topping - Chief Executive

It wouldn't be the Samaritans.

Neil Cooper - Group Finance Director

To help us shape an answer here, what sort of third party did you have in mind?

Nigel Hicks - Agency Partners

Well, say you had an Aston Martin with a fantastic engine but you couldn't actually drive it.

Nigel Hicks - Agency Partners

If you employed a driver, would you take that as a P&L charge?

Ralph Topping - Chief Executive

I haven't got the foggiest idea what you're talking about. Neil's --

Neil Cooper - Group Finance Director

If you want the technical answer, it depends on the basis on which you've employed him. If you've employed him on an operational contract, yes you would. If you've employed him on something equivalent of finance lease, no you wouldn't; you'd treat him as a capital investment. It depends. If he's on payroll, if it's a short-term contract, whether you're buying his uniform for him --?

Ralph Topping - Chief Executive

This is the reason we got rid of the drinks cabinet out of the Boardroom.

Nigel Hicks - Agency Partners

Thank you.

Neil Cooper - Group Finance Director

I think, to be fair, it's far too general a question to give you a very specific answer.

Ralph Topping - Chief Executive

Yes, definitely; we're not into general questions.

Killian Murphy - CIMB Australia

Just wanted your views on the advertising restrictions here in Australia, and how likely it might be that some of the restrictions that were released in 2008 may be imposed again.

Ralph Topping - Chief Executive

I think there's a bit of debate at the moment, a wee bit of excitement about what is happening with Tom Waterhouse and going on the football program, NRL. Let's be clear, I think that the whole industry in Australia is against what Tom is doing. I think the Association's against it. We're not particularly comfortable with it; I've said publicly when I was out there, I don't like it.

Do I think we'll see some restrictions being imposed? No, I don't because I think common sense will prevail here. For anybody else listening in, we've got some [day], Tom Waterhouse from Waterhouse Company going on the NRL programs right through the program talking about betting odds. It happens to be the feature NRL game of the week, and a lot of kids and families watch it, and actually it spoils the program so I think you've seen the reaction to that. Have you seen it yourself?

Killian Murphy - CIMB Australia

Yes, I have indeed. Yes, I have.

Ralph Topping - Chief Executive

Yes, I think that's what you're seeing. In these circumstances, I think common sense always prevails and I think we'll see some of that applied. If the Association's against it, and other people are against it as well, I think it's inevitable that common sense will apply. And where that will apply is with the broadcasters because they shouldn't, in my view, have sanctioned this. There's nothing wrong with advertising before a game or after a game, but actually, even at the break, but during the game, I'm a little bit uncomfortable with that; I don't like it at all.

Killian Murphy - CIMB Australia

Okay, brilliant (multiple speakers). Thank you.

Ralph Topping - Chief Executive

Okay, then. Thank you very much. Thank you, operator; we're now finished.

Operator

Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating, you may now disconnect.

