

# WILLIAM HILL

## 2012 Q3 INTERIM MANAGEMENT STATEMENT CONFERENCE CALL

19 OCTOBER 2012

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### Operator

Welcome to the William Hill Q3 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.

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### Ralph Topping - *Chief Executive*

Okay, thank you. Good morning, everybody. Thank you for joining us on this update call. By now, you'll all have seen the numbers. It's been a very interesting quarter, for a whole host of reasons.

We had the best bit of the Euros in the quarter, semi-finals and final; we had Boris Johnson driving everyone out of London for the Olympics, much appreciated for those who had to get around London at that time.

Unfortunately, we had the wettest summer on record, and we had sporting results which drove a high gross win margin. And in my view, it certainly affected turnover, all of which it made a volatile quarter, and it's had the number crunching team scratching their heads and unfortunately coming up with nothing but splinters.

But in spite of that, it's been a strong quarter in both revenue and profit terms. Group profit up 26% in the period, online growing at 42%, and Retail growing at 8%. By any measure, that's a good result.

Now my colleague, Neil Cooper, will take you through the numbers in a minute, but to avoid us thinking too much about the short term, let's just look at what we're doing to keep driving the business forward.

If you look at the product front, we've introduced priority prices; a nice piece of alliteration there, giving Retail and Online customers exclusive standout prices versus -- via text, Twitter and Facebook.

We had the first win on Camelot, which for anybody who doesn't know, that's a horse, not a National Lottery operator, in the St. Leger, and it sold out in eight minutes. It brought us over 30,000 additional Facebook followers, and 1,500 new customers have taken up priority prices.

And on Tuesday night, when we offered 5 to 1 on Rooney to score at any time, in the 1-1 draw England had against Poland, we had more bets placed by mobile than online for the very first time.

In Retail, we're putting more SSBTs in over the coming months, and we're working with our supplier inspired on a new cabinet, which we'll start trialing this quarter.

Online Sportsbook turnover is still storming ahead, despite the high margin impact in recycling, and the in-play growth rate has improved, just as we said it would.

Live Casino had its official launch in September, when we started TV advertising.

Mobile still growing strongly. Turnover was 27% of total Sportsbook turnover in the quarter, and averaged GBP11 million week.

Total downloads of the Mobile Sportsbook app are now in excess of 400,000, our Club Casino app is in the app store, and we've launched an android bingo App.

In the US, we completed the integration work, as planned. All the Sportsbooks have been rebranded. The new organization structure is in place, and we've started TV advertising. And we've seen a good improvement in win margins, so it's an encouraging start.

I'm now going to hand over to Neil to talk about the numbers. Then I'll come back to talk about some of the more strategic developments.

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### Neil Cooper - *Group Finance Director*

Thanks, Ralph. And turning to the key Q3 numbers for the Group as a whole, net revenue was up year over year by 9%, reflecting good gross win margin growth in both Retail, OTC and in Sportsbook, as well as continued growth in Machines gross win and Online Gaming net revenue.

Staking levels across the quarter have been inconsistent, however, with the continued strong growth in Sportsbook, but weakness in OTC.

In Sportsbook, overall staking, as Ralph said, grew by 27%, with in-play up 47%, and pre-match up 14%. In-play staking saw particularly strong growth from tennis, which was up 77%, with additional data feeds creating expanded betting opportunities.

Over-the-counter staking was impacted in July by fixture cancellations driven by the Great British summer, with around 15% of the fixtures in the month cancelled due to waterlogging. Staking levels during the Olympic and Paralympic periods were also weak, with August in particular bearing the brunt. In total, the quarter saw OTC staking fall by 6%.

Obviously, it's difficult to quantify exactly by how much the Olympics and Paralympics depressed our retail activity over the summer, but there's no doubt that a fortnight's delay to the Premier League didn't help either.

It is also fair to say that recycling levels would naturally be impacted by the strong gross win margin performance, with August gross win margins of 20.2%, up circa 5 percentage points on the prior year.

Overall OTC gross win margin for the period grew by 0.9 -- apologies, grew by 1.9 percentage points, from 16.6% last year to 18.5% in Q3 this year.

Football results fell our way, including those from the final week of Euro 2012. Horseracing margins also improved.

Sportsbook gross win margins also grew by 0.9 percentage points to 7.8% in Q3. Within the Sportsbook, pre-match margins improved by 2.7 percentage points to 10.8%, with this being partially offset by a 0.9% decline in in-play margins, falling to 4.1%. This in-play dilution was in part due to the growth in tennis staking, and partly through in-play results on football in the quarter.

Operating profit at Group level grew strongly, up 26% year over year, driven both by growth in net revenue and through operational gearing, caused by favorable timing on operating costs, in particular Online marketing costs, which were only 23% of Online net revenue in the period.

Online operating profit grew by 42% to GBP34.8 million, and the business saw net revenue growth of 18% against the comparable period, with Sportsbook net revenue benefiting from the combination of stake-in growth and margin growth, growing by 43%.

Gaming net revenue grew 5%, with Vegas in particular showing good growth.

The lower than expected marketing to revenue net ratio in the period contributed to a modest 6% operating cost growth and, therefore, a very strong operating profit performance.

Looking ahead into quarter 4, I expect that the marketing to net revenue ratio in the period will be sufficiently higher such that I do not expect any change in our full year guidance of 28% in this key investment metric.

Moving to Retail. Operating profit grew 8% versus the comparable period. Whilst OTC staking levels fell, this was more than offset by the favorable gross win margin improvement, with OTC net revenue growing by 5%.

Machine gross win growth was 2% for the period, slightly lower than the growth rate seen in the first half, and with August again proving to be the weakest month of the period in terms of year-over-year growth.

In total, Q3 Retail net revenue grew by 3% on the prior year period. Operating cost growth came in slightly lower than guidance at circa 2%.

In terms of other businesses, Telephone broke even for the period, benefiting from a strong gross win margin; and trading in the first three months of the US operation was in line with internal expectations.

Finally, on to the balance sheet. Our net debt for covenant purposes has reduced by GBP12 million since the half year, and now stands at GBP343 million. Whilst this included the US acquisition, it benefited from a working capital gain driven by the timing of salaries and wages at the end of September, which will reverse in quarter 4. Given this, and dividend and capital outgoings in the fourth quarter, I would expect that net debt will increase slightly before the year-end.

That's everything I wanted to cover, so I'll hand over back to Ralph.

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**Ralph Topping - Chief Executive**

Thank you very much, Neil. So in summary, quarter 3 was a strong quarter, Retail up 8% and Online continuing to thrive, driven by further exceptional Mobile growth. But it's not the moment to stand still, and there's plenty more going on.

Let's start with the management changes at Online.

As you know, we put full-year incentive packages in place for the management team when we created William Hill Online, and a number of people will be well rewarded for the outstanding growth they've delivered over the last four years, and that includes Henry Birch.

As you would expect, we've had discussions with all of them over the last year about their futures, and the good news is that many, or most, are keen to stay. In Henry's case, he felt this was the natural point for him to move on and to look at something different, and for us to put in place the management team for the next four years, led by Andy Lee.

Now we're going through that transition now, and Henry has been really helpful in getting Andy settled into Gibraltar. Andy Lee will, of course, be known to many of you already, and I'm sure there's a number of stories you may wish to phone and tell me about privately, but I'm convinced he's the very person to take William Hill Online into the next phase of its development because he gets our product, he gets the customer, and he's got good strategic and financial insight.

In the last four years, we've done a lot of work on the operations. We've done a lot of work on the product. Now it's time to focus even more on the customer. And around half of UK punters have an account with William Hill, while we're looking at around 18% market share on Sportsbook. That means we've got a lot to go for, with a strong customer focus. Andy gets that. So does Jamie Hart, and he'll be the key support for Andy, with a new role which has greater operational responsibility, that adds customer experience to his work in innovation. Jamie's heading up a team of moneymakers in the William Hill Online business who I think are the most important team at this point in William Hill's history, and certainly for the next few years.

[Mark Owen], James and [Stuart] are some of the guys in that team; but, however, Jamie and Andrew are going to be senior figures in this organization for years to come. I think the partnership will be one of the best in the betting industry. And taking over Andy's role in Mobile is Jurgen Reutter, a very sensible lad with extensive experience in the mobile field.

These are the key changes, but there are others behind the scenes as well that will strengthen the Online management team further.

I know you're also keen to know our view on the Playtech call option and wanted to get certainty sooner rather than later on that too, so we've confirmed to Playtech that we will be going through the valuation process when it kicks in at the end of November. Once we know what the valuation looks like, we'll make a decision on the call option, probably around the back end [in] the first quarter of next year.

And, of course, we're looking at Sportingbet. It's well known that we've been interested in Australia for a while, and this opportunity is bang in line with our strategy of regulated revenues, online expansion and international diversification. We think our joint approach with GVC is compelling. We're pleased to have reached agreement with the Sportingbet Board about our revised proposal, and we'll be going through due diligence over the next few weeks.

You'll appreciate there's a lot we can say on these areas, and -- but I'm sure you'll try anyway.

So let me hand over now to the operators for your questions. And I should remind everybody this is only an interim management statement, so this call and question time will be brief.

## **QUESTION AND ANSWER**

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**Operator**

Thank you. We will now begin the question and answer session. (Operator Instructions).

Matthew Gerard, Credit Suisse.

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**Matthew Gerard - Credit Suisse**

Three from me, if I could. Firstly, can you provide a bit of color on that phasing and marketing cost in Online? Is this Q3 into Q4 shift something that's always been planned, or has it suddenly been initiated? And perhaps you could tell us what it actually relates to, which line of marketing.

Secondly, given the corporate announcements you've made on debt and your facilities, are you happy with the size and maturity of your existing facilities; and/or could you confirm if you're planning to enter negotiations to increase the size of the GBP550 million RCF?

And then lastly on the new cabinet you're trialing. Could you share any new features of the cabinet, particularly on the -- I suppose on the bonus card side, and any early evidence from the results of the trials you've been conducting on that bonus card?

Thanks.

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**Ralph Topping - Chief Executive**

On the last one, Matt, we'll tell you where the machines are and you can go and have a look for yourself rather than just trying to describe it at the moment. It's better you get hands-on experience at walking into a betting shop.

I'll let Neil deal with the -- and I'm not going to give you any update on how we're doing with the bonus thing, and whatever else. That will come much later on, and it's more important that we wait until we get full outcome on those results.

So Neil, will you handle the --?

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**Neil Cooper - Group Finance Director**

Sure, yes. Matthew, in terms of the marketing, I think the first thing to say is whilst we're guiding to a full-year average at 28%, there will be some natural ebb and flow by quarter. Q3 is actually traditionally a lower spend quarter, certainly for offline marketing, because of the events that land.

Now, obviously, Euro 2012 was primarily expensing in the first half, and just by nature of the cut-off date, which was in early -- September 26, I think, September 25, a lot of the spend around the football season is going out the door in late September/early October.

So I think the majority of this is just literally timing and doesn't reflect an underlying change in strategy or plan. And as we said, we're expecting that we will spend more than 28% in Q4, as the guidance suggests, leaving the overall guidance at 28% for the year as a whole.

Your second question on debt facilities. Our current -- the first thing I'm going to say is that we're reviewing all of our options in regards to how we fund the transactions that are potentially ahead of us.

Now there's no certainty about either of these transactions at the moment. Obviously, we haven't as yet tabled a formal offer for Sportingbet, and all we're announcing today re Playtech is that we've kicked off the valuation process. And, clearly, we're interested in seeing the outcome, but there's no certainty to that as yet.

Now that all said, I think you will obviously have the idea from your own models of what that amounts to. You will know what the headroom on our facilities is, and you'll be able to work out quite quickly for yourself that there is a bit of work to do should we decide that both transactions are things that are going to go ahead. And as you'd expect, I'm not ruling anything out in terms of how we do that at the moment. But it's premature to talk about detail.

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**Matthew Gerard - Credit Suisse**

Just in your regular negotiations with banks, Neil, do you feel that there is appetite to lend to you at a broadly similar rate that you pay on your existing RCF?

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**Neil Cooper - Group Finance Director**

I honestly -- I'm not going to get drawn on that for one good reason; I don't know who else is on this call other than you, mate. (Laughter).

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**Ralph Topping - Chief Executive**

Thank you, Matt.

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**Matthew Gerard - Credit Suisse**

All right. Thanks, guys.

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**Operator**

Richard Carter, Deutsche Bank.

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**Richard Carter - Deutsche Bank**

A couple of questions. One, is it possible to get an idea of what the underlying Playtech Casino performance was if you strip out the closure of some of your markets, please?

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**Ralph Topping - Chief Executive**

Yes, about 14%.

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**Richard Carter - Deutsche Bank**

14%? Okay. And then on the machine side of the business, you're talking about trialing new machines. Can you just tell me where we are in terms of the replacement cycles of machines? And would there be [essential] exceptional charge if you were to accelerate the rollout of new machines?

And also, thirdly, on machines, is there new software in these machines or is it still the old software?

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**Ralph Topping - Chief Executive**

You can go down and have a wee look for yourself with Matt, I think, when we tell you where the machines are in. There's no plans to accelerate anything. We will do the trial and we will see where we get to at the end of the trial.

These new machines, as you know, earlier in the year we had a rollout of -- because we had Global Draw drop out of our supply arrangements, and we had a replacement machine going into our units. I'm delighted to say that performance in those units has been very good.

The new machine we're quite excited about, but we'd like to see what the outcome of the trial is, Richard. And the one thing I think we'll do is get to an answer a wee bit faster than probably we've done in previous trials. So rather than having a trial that goes on for three or four months, we might get a speedier conclusion on this trial.

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**Richard Carter - Deutsche Bank**

Could I ask you then a question just around in terms of we're getting near the end of the lifecycle of the majority of your machines, do you think that's one of the reasons why growth in the machines has slowed down over the last 12 months?

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**Ralph Topping - Chief Executive**

Well, I think if I'm going to be honest, I would say that we took a key strategic decision to change supplier. I think we would have -- if we hadn't done that, we'd have probably been looking at putting a new machine out sooner than just now. But I'm quite happy where we're at because I anticipate a tick-up in business on machines, as we've seen before, when you put a new kit out there. So I think that is something for next year and I look forward to it.

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**Richard Carter - Deutsche Bank**

And can you just tell us exactly when the cycle could begin?

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**Ralph Topping - Chief Executive**

If I could tell you that, if I could --. I could give you an indication. I think the cycle will --

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**Richard Carter - Deutsche Bank**

Is it going to be H2 next year, or is it going to be --?

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**Ralph Topping - Chief Executive**

I think it will be in H1, but again, that's sooner rather than later.

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**Richard Carter - Deutsche Bank**

Okay. And then just finally, the cost on UK Retail, why is there such little cost inflation there? Were there any one-offs? And where are we with employee cost wage negotiations?

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**Ralph Topping - Chief Executive**

Well, in terms of employees, for some front-end staff, not all, but for some front-end staff, they've had a 2% increase, and that has been effected. As regards other costs, Neil will come in there and give you an update on that.

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**Neil Cooper - Group Finance Director**

Yes, the cost base in Retail is obviously primarily direct retail plus cost plus some recharge. The underlying direct retail cost hasn't shifted quarter on quarter, but there has been a slight movement in the recharge because of the way that some of the movements in the Group costs that get recharged have gone.

So I think the underlying cost hasn't materially shifted. And I'd remind you that I think we averaged around 4%, and the number here is -- it's 2% in the statement, but it's actually something like 2.4% in actual terms.

So given that this is a quarterly release and you're not talking about many, many millions of pounds shifting to change these numbers, so I don't think it's anything that you should be concerned about. I'm currently still expecting that we'll hit our full-year guidance in terms of the 4% retail cost growth.

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**Richard Carter - Deutsche Bank**

Okay. Thank you.

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**Operator**

Vaughan Lewis, Morgan Stanley.

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**Vaughan Lewis - Morgan Stanley**

The first one on William Hill Online. The timing benefit looks like around GBP4 million to GBP5 million in the quarter. Just does that sound about right, firstly?

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**Ralph Topping - Chief Executive**

Yes.

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**Vaughan Lewis - Morgan Stanley**

Secondly, on the minority buyer, if we take consensus figures, the stock's trading at 13 times. So if we apply that to Playtech's stake, that's around GBP500 million. Is that a sensible starting point, do you think?

And then a third one on the machine investigation. Can you just comment on your lobbying efforts, what you're doing? And do you think that there's a risk that this is a smokescreen to increase the machine gaming duty rate potentially?

Thanks.

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**Ralph Topping - Chief Executive**

One thing you would think about in terms of valuations going forward, and I don't really want to say too much about it because it will be what it will be. It will be an independent valuation and let the independent valuer decide.

But I suppose people he would be looking at, I would think he would look at, or she will look at, the point of consumption tax and what's going to be happening in sectors like Germany and elsewhere.

But I don't really want to get into that at the moment because I think it's unfair on Playtech if we start saying what we think at this point. I'd rather we did that in private, and I don't want this to turn into some form of the Roman Coliseum. Is that the name of your horse, by the way? (Laughter).

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**Vaughan Lewis - Morgan Stanley**

Thanks for that.

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**Ralph Topping - Chief Executive**

And on the last point, Neil, do you want to --? Because I can't remember what he said.

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**Lyndsay Wright - Director of IR**

Gaming machines and Government review of stakes and prices.

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**Ralph Topping - Chief Executive**

Yes, is that a smokescreen for that, or is --?

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**Lyndsay Wright - Director of IR**

Smokescreen for increasing MGD.

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**Ralph Topping - Chief Executive**

No, it's not a smokescreen. Are you saying the Government's a smokescreen for increasing MGD?

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**Vaughan Lewis - Morgan Stanley**

I was just wondering what your lobbying efforts are, what you're currently saying to them, or whether that starts after the formal process starts.

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**Ralph Topping - Chief Executive**

Well, you know there's a number of new people in and around [DC, minister] and Treasury and the industry, and some [of my] people have meetings with them already. And I think it's fair to say that they take a view of life which is a little bit different from the previous incumbent and the Treasury, who's now been moved into Downing Street and was an HR lady who they put into the Treasury, and I hope they've learned a few lessons on that.

So I would wait and see on this. As with everything, Vaughan, it goes at a slow pace. Let's just wait and see what happens with the Treasury.

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**Vaughan Lewis - Morgan Stanley**

That's great. Thanks very much.

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**Ralph Topping - Chief Executive**

No problem. Good luck with the horse.

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**Vaughan Lewis - Morgan Stanley**

Thank you.

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**Ralph Topping - Chief Executive**

It has got a tail has it? Next question.

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**Operator**

Gavin Kelleher, Goodbody.

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**Gavin Kelleher - Goodbody Stockbrokers**

Just two from me. You note an improvement in margins on the back of horseracing margin trends improving. How significant was that? There was 190 basis points improvement in the margin.

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**Ralph Topping - Chief Executive**

It was above where we expected to be.

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**Neil Cooper - Group Finance Director**

Yes, sorry. Just give me a moment, Gavin.

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**Ralph Topping - Chief Executive**

We're just getting the numbers here.

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**Neil Cooper - Group Finance Director**

Just to pull up the answer. Why don't you ask your second question and we'll come back to you?

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**Gavin Kelleher - Goodbody Stockbrokers**

Yes, just on underlying trends in Retail since September, mid September, since the end of the Paralympics, how have they been in terms of machines, and also OTC wagering? Obviously, there's been an improvement. Can you quantify that?

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**Ralph Topping - Chief Executive**

I'm not going to quantify that. All I would say is that there's been an improvement. And a couple of the weeks, one of the weeks was flat, but we're pleased with trading at the moment. But it's too early, it's too short a time period. August was -- with the Olympics --

Basically, if you were in the South or East of England last -- in the summer, the party continued. You had the Diamond Jubilee and everybody got in the swing for that. And then you also went into the Olympics and the Paralympics was a fantastic show as well. People watched and didn't go into betting shops as much as we would have thought they would have during that period of time.

Great for the country; not knocking it. I think it was fantastic. It certainly brought a good feel factor for anybody who that in London. And great for the UK, but as far as business levels, when you've got a huge swathe of the population watching something on telly, it's going to have an impact.

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**Neil Cooper - Group Finance Director**

Gavin, sorry, just to come back to that other question. If our Retail margin grew 1.9 percentage points, football was the largest growth. It was about 0.6%, and UK horseracing was just slightly behind that in terms of --. That's not the margin increase by category, that's the net impact of that category movement on the overall Group margin. So those two items made up just over 1% of the 1.9% improvement.

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**Ralph Topping - Chief Executive**

I think when it rains, you get upsets in horseracing, and that's encouraging. And I'm sure once, now looking out the window and just checking the weather, I see we're going to have an upset at Cheltenham today.

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**Gavin Kelleher - Goodbody Stockbrokers**

All right. Thanks a million for that, guys.

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**Ralph Topping - Chief Executive**

Okay, thank you.

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**Operator**

Simon Davies, Canaccord.

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**Simon Davies - Canaccord Genuity**

Two from me, please. On self-service betting terminals, obviously, pleased with the initial trials, given that you're going for a wider rollout. Can you share with us any data in terms of performance through the trials?

And secondly, just on machines, obviously, a slightly softer performance in Q3, and you pointed to the impact of August within that. Can you give us a feel for run rates in July and September, just to get a feel for likely performance going into Q4?

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**Ralph Topping - Chief Executive**

On SSBTs, I can tell you that we're looking to have about 1,000 in the estate in the next year. So we're pleased with the performance there. We'll give some more detail on that at the big update in February, and on performance of the SSBTs. But the thing to bear in mind on SSBTs is that they're attracting a lot of good multiple business, and as you know, multiple business always is at a higher margin.

So there's a little bit of a clue as to what we're seeing there. And we're seeing it predominantly in sports like football which has got a good margin, but we're also seeing some good tennis betting as well. But we'll give you more details in -- we'll give you a wee bit more detail in -- February I think it is.

So as regards the other issues, Neil --?

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**Neil Cooper - Group Finance Director**

Yes, July was in line with the Q2 rate, and then August was actually almost flat in terms of year over year; and then we picked up a bit in September.

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**Simon Davies - Canaccord Genuity**

And do you think that rate carries through into October?

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**Neil Cooper - Group Finance Director**

We're not commenting on trading post Q3. Obviously, this is a Q3 IMS.

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**Simon Davies - Canaccord Genuity**

Okay, thank you very much.

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**Ralph Topping - Chief Executive**

No problem. Thank you.

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**Operator**

Jeffrey Harwood, Oriel.

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**Ralph Topping - Chief Executive**

Hi, Jeffrey, how many questions have you got?

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**Jeffrey Harwood - Oriel Services Limited**

Only two; probably one you won't answer. First of all --

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**Ralph Topping - Chief Executive**

Give us that one first; then we'll just go silent. (Laughter).

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**Jeffrey Harwood - Oriel Services Limited**

Just in terms of the shop opening program, do you see that there's scope to -- do you have an upper level of debt to EBITDA that you feel comfortable with? If you can give us any guidance to that, please.

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**Ralph Topping - Chief Executive**

Yes, we have a figure, but we're not telling you. All right?

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**Jeffrey Harwood - Oriel Services Limited**

Yes, okay.

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**Ralph Topping - Chief Executive**

So we answered the question. We didn't go silent.

And the other one was on --

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**Lyndsay Wright - Director of IR**

Shop openings.

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**Ralph Topping - Chief Executive**

Shop openings. Yes, we've -- I've read it elsewhere about people opening shops up at a fair clip. I think that is -- I'm not sure what's driven by that, whether it's machines interest, smaller units, whatever. But I think there is a need to be a little bit cautious about strongly focusing on just machines in our industry. I think you have to have a much more balanced approach.

We are happy with the number of openings that we've had in the last few years. I think this year is going to be round about the average. Next year looks a little bit better for us in terms of shop openings, but we've no plans to accelerate the number of shop openings we have because we do like to make sure that our shops make a profit and we're not just opening up shops because we've got hairy chests and gold medallions. All right?

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**Jeffrey Harwood - Oriel Services Limited**

Okay, that's great. Thank you.

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**Operator**

Nick Edelman, Goldman Sachs.

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**Nick Edelman - Goldman Sachs**

I just have one quick one, actually, an easy one, which is in terms of the in-play margin online, where does the product mix take that to in the medium term? Where do you see that trending?

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**Ralph Topping - Chief Executive**

The in-play margin, we've always said it will be between 4% and 5%; probably nearer the 5% level, but not quite at 5%. I think we've -- I no reason to change my view on that.

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**Nick Edelman - Goldman Sachs**

Okay. Thank you.

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**Operator**

Ed Birkin, Barclays.

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**Ed Birkin - Barclays Capital**

Just a quick one on can you give an idea of what's happened to your opening hours year on year, please?

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**Ralph Topping - Chief Executive**

Opening hours, it varies shop by shop. We don't have standard opening hours. We have core opening hours, but we have a number of shops which open earlier and a number of shops which maybe trade later in the evening.

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**Ed Birkin - Barclays Capital**

But there's been no substantial increase for --?

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**Ralph Topping - Chief Executive**

Recently, we've upped the number of shops which are opening later in the day, and -- but I don't have the precise numbers for you.

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**Ed Birkin - Barclays Capital**

Okay. So it's marginal rather than the 6%/7% that --

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**Neil Cooper - Group Finance Director**

Oh, yes. No, listen, it is -- it's low single digit, and we've been -- yes, it's nowhere near the numbers that other people are reporting.

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**Ralph Topping - Chief Executive**

And the other thing is --

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**Neil Cooper - Group Finance Director**

And to be fair, we've been looking at -- our process internally is a quarterly process which will review all of the options for late closing and earlier -- later closing and earlier opening. This is not a new process for us. We've been running at this pace for a number of years.

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**Ralph Topping - Chief Executive**

I'll tell you one thing that we did that -- some competitors go down the route of single manning in the evenings. Now we think that's a disaster waiting to happen at some point and we refuse to take the risks on that.

Probably, we could save as a business a strong single-digit number or a double-digit number on that, but as a Board, we've taken the view that we don't want to go down that route for evening trading. That means we will always attempt to have two people in a betting shop at night for -- and we've assured the staff that's the case.

Now you will have one or two places where through late callers, or whatever, that doesn't necessarily happen, but our line management, our district supervisors and security monitor those units.

So we're not going down the route of the other competitors, and I don't think many people realize that that's a policy some people have adopted, which I think and I repeat, I think is something that William Hill wouldn't adopt. And we've had a discussion on that several times at the Board and we're confident we're with it.

So you make money in this business, but you try and make money in ways which are fair on all stakeholders, and staff are stakeholders in this business.

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**Ed Birkin - Barclays Capital**

Okay, thanks. And then just one follow-up completely unrelated. In terms of the UK GPT, is it [true] from your comments earlier that you're now accepting that as inevitable and it's just a question of the rate that's now going to change potentially?

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**Ralph Topping - Chief Executive**

I think -- yes, I'm waiting for Gordo. I'm waiting for somebody to tell me definitely what's going to happen. I think there's going to be it; I think they're going to introduce it, and I don't know whether the number's going to be -- I'll repeat what I said previously.

When you've got as strong a business as we've got, and when you're as high profile as we are in the UK, then for every downside that you might get, now the big upside for us in terms of market share. I'd hate to be an underperforming digital business which needs to spend marketing money with a change in GPT coming because I don't know how you square the circle at that point, other than maybe go out and buy a white flag.

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**Ed Birkin - Barclays Capital**

And given, therefore, the uncertainty in both timing and rate and, therefore, any valuation of an online UK business, would it be fair to say that any valuation should have a claw-back or an out-clause in?

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**Neil Cooper - Group Finance Director**

Fair from who's perspective, Ed?

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**Ed Birkin - Barclays Capital**

Okay.

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**Ralph Topping - Chief Executive**

We're not commenting on that. I think it's -- I do want to be fair on our JV partners, so we're not going down that route. All right?

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**Ed Birkin - Barclays Capital**

Thank you, guys.

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**Operator**

Michael Campbell, Daniel Stewart.

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**Michael Campbell - Daniel Stewart**

My two questions relate to the Q3 trading, so I think I could ask those. The first one was related to the Online Sportsbook margin. Is that results or trading driven?

And then secondly, the online operating profit; that was up --

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**Ralph Topping - Chief Executive**

Results drive trading. We --

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**Michael Campbell - Daniel Stewart**

But I mean sports results. Yes, is that sports results driven, or is it --?

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**Ralph Topping - Chief Executive**

Yes.

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**Michael Campbell - Daniel Stewart**

Yes? And then the online operating profit was up 42% in the quarter year on year. What percentage of that was Mobile? Could you give us some flavor there?

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**Neil Cooper - Group Finance Director**

We've given some detail on mobile sports betting trends and, indeed, gaming trends, but that's all we're going to give at this IMS, I'm afraid.

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**Michael Campbell - Daniel Stewart**

Okay, that's fine. That's all from me. Thanks.

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**Ralph Topping - Chief Executive**

Thanks for amplifying on no, Neil.

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**Neil Cooper - Group Finance Director**

Just trying to be helpful, boss.

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**Michael Campbell - Daniel Stewart**

Thank you.

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**Operator**

Richard Stuber, Nomura.

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**Richard Stuber - Nomura**

A quick question on machines, please. I know, obviously, the gross win per machine fell from GBP890 year on year to GBP888. Is there also an element of increasing number of machines per shop in that as well which is driving down the gross win? So if you could give any indication in terms of where you are in terms of machines per shop and where you hope to get to and how much closer to 4% do you think you can get.

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**Neil Cooper - Group Finance Director**

I think the first answer is, look, you've got to look at the year-over-year gross win growth, because there is seasonality trending in machines. So whilst it's of interest to look at the absolute, the better gauge of progress is obviously the year over year which takes into account seasonality.

We haven't disclosed the average number of machines per shop this time, again largely because this is just an IMS. But if you look at the half year, we saw a modest uptick and there won't be any change to that sort of modest uptick trend in Q3.

We were -- we are around 3.86% at the moment, and that is pretty close to 4% from -- he says speaking as an accountant. That's a technical answer. So I think we're pretty close to --

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**Ralph Topping - Chief Executive**

Rounding, it's 3.9%.

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**Neil Cooper - Group Finance Director**

Round it up to 3.9%, there you go. So I think we're pretty close, as ever. You're never going to get exactly to 4%. We'll see.

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**Ralph Topping - Chief Executive**

The one point I'd emphasize, Richard, is that when you look at betting shops, square boxes, or odder shapes than a square, but everybody focuses on machines. You have to look at the overall performance of the betting shop because it's the same punters having the same -- same punters having over-the-counter stake bets and having machines bets. And we're interested in ultimately how much money they leave behind with us.

Naturally enough, we want to give them a good service, good offers, and we want them to enjoy their betting experience when they're with us. So when -- we get to a position where we're showing from all activity in the betting shop that punters are leaving 8% more behind this year than last year, then I'm delighted with that figure.

And I don't obsess just about machines. I don't -- it's about the overall experience for our punters when they come into our betting shops, and I think plus 8%, then I'm sure you're not one of these guys that talks about the demise of betting shops because they're becoming very unfashionable, and you're pretty fashionable [one of] those guys, Richard, because next thing, you'd be going out buying a horse if you were one of those guys.

But betting shops are still doing well, and they've had their knockers over the last three or four years, but some we've had a recent Damascene conversion by some analysts, and that's to be welcomed. I'm sure you'll be next.

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**Richard Stuber - Nomura**

Thank you.

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**Ralph Topping - Chief Executive**

That's it, guys. Thank you very much.

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**Operator**

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