William Hill H1 2017 Results

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Introduction

Philip Bowcock

Chief Executive Officer, William Hill PLC

Quarter overview

Good morning, everyone. Thank you for joining us. I will do a quick introduction first, and then hand over to Mark Summerfield for the numbers.

Overall, we have had a positive start to the year with waging growth across all four divisions. Group net revenue is up 3%, even though we are rolling over our best-ever EURO tournament and had tough football results in the first half. The trends for Online are very encouraging, Retail is outperforming its competitors, Australia is pushing hard on product innovations and the US is starting to look really quite interesting.

We are making good progress on our strategic priorities, and I will talk about the UK, international and the transformation project later. While adjusted operating profit was down slightly, thanks to a substantial hit from the gross win margins, we are feeling very good about the full year given the underlying performance.

In financial terms, the balance sheet remains strong at 1.7 times net debt-to-EBITDA, down from 1.8 times at the full year. Adjusted EPS was up 7% as interest costs are now lower. The board has increased the dividend to 4.26 pence, reflecting confidence in the progress we are making against our strategy.

As Ruth Prior, who is on the audience today, is joining us as CFO on the 2nd of October, this will be the last time Mark presents to you for William Hill. Let me just say a huge thank you Mark for your support and hard work as our interim CFO. I really appreciate what you have given to the business over the last 12 months.

Financial Review

Mark Summerfield

Chief Financial Officer, William Hill PLC

Group income statement

Has it really been 12 months since you said, 'Would you come and help out for two months?' You never were very good with numbers, were you? Good morning, everyone. We would start with the slide, starting with the group income statement. As Philip said, group net revenue was up 3% despite unfavourable football results. With cost of sales up 8%, reflecting more gambling duty on high UK revenue as well as the racing levies in Australia and online, and operating costs up 2%, adjusted operating profit declined 1%.

Although there have been significant Forex swings period-on-period, they are not material to the group's profit. On a constant-currency basis, the group's profit would have been about £1 million lower.

Net finance costs were significantly lower as a result of the bond refinancing we completed last year. As a reminder, net finance costs will be down by some £11 million in 2017. Our effective tax rate on adjusted profits was 13.7% in line with previous guidance. We continue to expect our full year effective rate to be around 14%. Exceptional items included £14.7

million of restructuring costs relating to the transformation programme. Full year exceptional costs are estimated to be some £32 million. Overall then, adjusted EPS was up 7% at 11.2 pence, and our proposed dividend is up 4% at 4.26 pence.

Good underlying performance excluding Euro 2016 period

Last year clearly benefited from our most successful ever EURO tournament. It is impossible to be definitive on what proportion of revenues were substituted from other events in 2016, but it is likely to have been substantial. I think it will therefore be meaningless to just adopt the entire EURO-related net revenue from a pro forma comparative.

To better show the improvement in performance, we have therefore excluded the three weeks of the EUROs from H1 2016 and then compared it to the same 23 weeks in 2017.

On that basis, in Online, the amounts wagered in the 23 weeks was up 13% against the plus 11% we reported for the whole period. Sportsbook net revenue grew 9% compared to the reported decrease of 1%.

You will recall that in our trading update in May, the first four months recorded wagering up 9%. You start to get a sense of the acceleration in wagering growth that we are seeing. Growth rates in Gaming also continued to improve, up 9% after 23 weeks and 10% in H1 as a whole. Retail suffered the brunt of the poor football results in Q2. As you can see from this, the margin was down 1.5 percentage points even before we rolled over EUROs. The wagering and net gaming revenue were positive, plus 4% – plus 3% and plus 4% respectively over the 23 weeks, as well as being up over the half.

Gross win margins hit by football results

Let us look at margins a bit more closely. As we have said, football results were weaker than expected in the period. Now I know we have said that a lot recently and I suspect you are just tired of hearing it as I am of saying it. We are constantly reviewing whether unusual margins are results-driven or something more structural.

What this chart shows is clearly that H1 is well behind prior years. Margins of 21.5% for Retail and 7.3% for Online Football are significantly below the averages over the previous five years. We were particularly hit in the later stages of the football season, not just by the UK and European results, but also by the numbers of goals scored and the number of games with both teams scoring.

In Online, while we reported 7.5% for the first four months of the year, May and June delivered a margin of only 5.8%.

Retail is a slightly more complex story. Retail over index is on football compared to our peers and so it is particularly impacted. However, we also need to balance margin with competitiveness. In Retail, what we did was we looked to cement the content advantage we had in H1 with a really competitive proposition on our SSBTs. Now going into H2, our SSBTs would have more content. We have now replicated our retail coupons and bet slips which are so popular. As such, we expect to finesse these margins through H2.

Online income statement

Turning to the divisions, Online saw an 11% growth in amounts waged on the back of some significant improvements that we made in both product and user experience. Within this, core markets grew 14%, with the UK up 13% and Italy and Spain up 9% in local currency, 20% in

reported terms. Other markets declined 6%, but were net revenue positive because of margin swings. Free bets during the period were the equivalent of 1.3% of the amounts wagered, and this is up from 1.1% last year. This is higher simply because, with greater confidence in our products, we are now backing them with strong campaigns. On a full year basis, however, we are likely to see that come back slightly closer to last year's level.

In Gaming, net revenue was up 10%, with 10% growth in both core and other markets and the UK up 9%. Cost of sales is higher given the increasing UK gaming revenues, attracting point of consumption tax and revenue share payments. We have also been paying the horse racing levy since April, that will cost Online some £6 million to £7 million on a full year basis.

As a reminder, from August, we will be charged point of consumption tax on gaming free bets, which is likely to cost us £3.5 million this year and around £8 million on a full year basis.

Operating costs

We turn now to operating costs. Employee costs were up 17% as we have increased headcount in key areas such as the customer experience and data teams. We spent a similar amount on marketing year-on-year, including redeploying the £8 million we invested in the EUROs in H1 of 2016.

Online KPIs

Moving on to the KPIs for Online, as we expected and signalled at the year end, our actives and new accounts are down, CPA is up and average revenue per user is up 9%. Now this very much reflects the changes we were making this time last year. Importantly, the trends are continuing to improve.

As you see from the graph, we have seen actives and new accounts grow in Q2 and the trend in H1 over the prior year is clear. This means ARPU returned to a more normal profile. CPA will improve over the next 6 to 12 months.

Retail income statement

Turning to Retail, Retail continues to grow well, with amounts wagered up 2% driven by our SSBTs and more horse racing fixtures, and Gaming up an encouraging 3%. As I have said, the Sportsbook win margin was hurt by football results, with the good Cheltenham festival and Royal Ascot helping to partially mitigate that.

Operating costs were up 2%. The rise in employee cost has been pared back to inflationary levels through the restructuring that took place last year. This means we are able to absorb National Living Wage increases, which otherwise will be driving around a 7% increase. Going forward, I would expect employee costs to increase by around 2% to 3% a year.

Content costs have obviously increased because of the increase in the number of horse racing fixtures. Looking at KPIs, gross win per machine per week is up 3% to £1,027, and that is net of free bets. B3 content accounted for 36% of gaming net revenue in the period.

William Hill Australia

Turning now to Australia, where the numbers are reported in local currency. This also applies to the US. Australia is a complex story. This time last year, in-play was driving a good proportion of our growth in Australia and accounting for about 10% of turnover. It is now

running at about half that level. H1 has therefore been about refocusing on horse racing. That focus has seen some success, with Australia growing amounts wagered by 28%.

Acquisition is up, but only by 2%, and this is where the lack of in-play is actually making it more difficult to attract new customers. The revenue per unique active is improving, which we would expect given our focus on product and rewards. However, gross win margin only came in at 8%. This is because we started to really establish the pricing-led Centrebet brand, but also horse racing results were poor for much of the period.

We therefore believe margin will improve in H2, but it will take a bit longer to return to our targeted range of 10% to 11%. Free bets were lower as these were inflated in 2016 as that was the first year of our sponsorship of the Australian Open. As the Australian Open is our only major above-the-line asset marketing costs are naturally skewed to the first half to support this event. We expect investment to be slightly lower in H2. We are also keeping a close eye on spend while we are waiting clarity on the regulatory changes, which Phillip will talk to.

The increase in other costs largely reflects our investment in additional streaming in support of racing. We now stream pictures from Racing Victoria and exclusively from Racing New South Wales. Just to remind you, South Australia's point of consumption tax came in, in July and will cost us $1 million to $2 million this year.

William Hill US

Turning to the US, the US continues to grow strongly, driven by mobile revenue growth. Mobile wagering grew 21% in the half and accounts for 56% of overall wagering. Operating costs increased as we increased headcount and saw an increase in our health care costs.

Cash flow and net debt

Just closing, therefore, with cash flow and net debt. Operating cash flows remain strong. We generated £115.3 million. With the significant product improvements in Online and Australia that happened last year, CapEx in H1 was slightly lower at £32 million, this is probably more business-as-usual levels. However, CapEx will ramp up again in H2.

In Retail, the BGT machines will be swapped out for our own SSBTs. We have a new data centre strategy that is being put in place, and the capital costs of our new property strategy will be incurred. That is it for me, back to Philip.

Strategy Update and Operating Review

Philip Bowcock

Chief Executive Officer, William Hill PLC

Triennial review

Thank you, Mark. Before I update on the strategy, let me touch on the triennial review. The Government has stated that they do not expect to make an announcement until October at the earliest. In the event of any changes to regulation, we would anticipate a consultation period and implementation period to follow after that. There has been a lot of speculation about outcomes from the review. As you would expect, we would not comment on this. I can assure you that we will communicate openly about any impacts as soon as we can, should any changes be announced by the government.

Three strategic priorities

Now let me update you on the good progress we have made against the 3 strategic priorities I set out in February. Those being to grow UK market share, to grow international revenues and to deliver the transformation and technology projects that enable both of those.

UK market share: Online

Starting with the UK, we saw signs of positive momentum from Online earlier in the year, and it is good to see that it is continuing to build. On the wagering, we have gone from minus 1% in the first half of 2016 to plus 11% when we updated you in May, to plus 13% in the first half. That will be 15% up to the point immediately before the EURO '16 comparator period, which we have shown in the numbers at the top of the slide.

In Gaming, we have gone from minus 8% in the first half of 2016 to plus 9% now. Within that, our 2 main verticals, the Vegas product suite and Playtech Casino, are up 12%. There is no one silver bullet here. It is about the combined benefit of what we have delivered. Those things include, further product improvements for both Sportsbook and Gaming; further UX enhancements that are increasing conversion rates and making marketing more efficient; growth in actives and new accounts, excluding the 2016 period.

UK market share: product improvements

Sportsbook

If we turn to Sportsbook, the growth was mainly driven by high turnover per active, which was up 19%, and that will include the benefit of recycling. Our actives started growing again in April. Android actives have grown steadily since we launched the new app in April, and we are eager to see what will happen now that the Google Play Store is opening up for gambling apps. We are in the first tranche of companies submitting their apps to Google today.

We continue to develop the iOS app as well. #YourOdds is proving very popular, attracting more than 2 million bets so far. You can now tweet directly from within the app, and we have added features like quickly building an acca from top bets. As you would expect, there is more to come as we get into the new football season. I am pleased with the direction Sportsbook is taking as we build on the positive first half performance.

Gaming

On Gaming, the growth is coming from increased actives and better cross sell, particularly following the launch of the single wallet in February. The average number of products being used by customers has increased from 1.4 to 1.7, with both more Sportsbook customers using gaming and more movement between gaming verticals. We are also encouraged to see new customers being more inclined to use both Sportsbook and Gaming.

What customers are getting is a much better experience. All the casino verticals have been redesigned, and bingo is next. We have delivered strong campaigns around marquee events like Cheltenham, and we have accelerated our new game schedule, including doubling the number of new Vegas releases.

Our original goal was to see Gaming achieve market growth rates by the year-end. We are clearly getting there sooner than planned.

UK market share: marketing improvements

In marketing, the benefit of the efficiencies work is coming through. Overall, we have driven efficiencies in our above-the-line marketing costs, optimised our acquisition funnel and renegotiated key sponsorships focusing more on direct response acquisition. I highlighted PPC improvements before. That is reduced spend by 12%, but we have still increased new accounts from PPC by 13%.

I said we would reinvest from the efficiencies to increase marketing towards £140 million level this year, that is approximately 15% year-on-year growth. We spent almost £70 million in the first half, a similar amount year-on-year even without the EUROs.

The second half is when the absolute increase kicks in, including obviously for the football season. We are changing the mix with less affiliate spend because we are spending smarter and more on large-scale social acquisition, and by making the digital acquisition funnel more efficient going forward. As a result, we can now invest more in PPC.

The quality of new customers is improving. I said cross-sell is higher, we are also seeing player values 29% ahead of this time last year. We are increasing our above-the-line spend with some new assets. You will have seen our ITV racing and the St Leger sponsorship. We have added deals with a number of media channels, including BT Sport and the red-top newspapers.

We are also adding around 50% more digital inventory through these packages, investing in more efficient acquisition channels and making our money work harder. We are building out our programmatic capability for the football season, and we have migrated CRM onto our proprietary UNO data platform, building on the benefit of a single customer view that this brings.

UK market share: Online customer/UX

User experience remains a focus area, helping retention, reactivation and acquisition by making the key customer journeys fast and easy. For instance, PPC's increased acquisition rate has been helped by better landing pages, and the success rate of a new sign-up apps getting through the age verification process is now 97%. That has helped us increase the conversion rate from visit to first deposit by 22%. Small tweaks delivering meaningful changes in a large-scale business.

For existing customers, we are also working through the pain points. I have talked about the single wallet. We have also fixed the journey if you have forgotten your login or password, and we have redesigned the cashier so it is much easier to see both your open or settled bets and to deposit and withdraw.

UK market share: omni roadmap

In Retail, we are also making good progress on joining up the digital and shop experiences. First, we are bringing our expanded product range to shop customers. In the SSBTs, we have added horse racing for Ascot and cricket for the first test, plus our customers' favourite football coupons and, of course, #YourOdds.

We are replacing the original 800 BGT units with our SSBTs right now, and rolling out around 270 more so every shop has at least one William Hill SSBT by the year-and. That supports the second part, bringing Online's most popular experiences to shop customers through the Plus

app and card. SSBT customers can track their bets, receive live score updates and cash in from their mobile.

We are now able to use push messaging to send offers to them, which have got very positive responses from our first campaigns. It's early days but more than 80,000 customers have already signed up to Plus, that is in just 6 weeks and in just 60% of the estate that currently have a William Hill SSBT.

Thirdly, we are joining Online and retailer with a single wallet. The first iteration will make it quicker and easier for existing online customers to deposit, withdraw and use their funds to bet in the shops and give a single view of transactions across shops and digital. We are on track to launch that in the second half of this year.

International revenues: Australia

Turning to international and Australia. As Tom presented in June, it is hard to compete at the highest levels with limited marketing assets. Our focus here is a product-led strategy using the fact that we are able to launch new features faster than our competitors as an advantage. We believe we have one of the best or perhaps even the best product in the market.

Price Pump is already being used by 2/3 of eligible customers. The Velocity Rewards Programme is driving better retention among the core customers and Refer-A-Friend is having a good level of acquisition.

We are also moving ahead with product diversification, given the popularity of gaming products in the market. We launched a secondary lottery product in June, and there is more to come in the second half. We continue to see Australia as an attractive market and an important arm of the business but the market is tough, both competitively and in terms of regulation.

The outcome on whether a point of consumption tax will be applied is unknown. Though the Government has indicated it plans to bring in a credit betting ban, the medium to long-term effects of that need to be worked through as customers migrate to other payment mechanisms. We should have more clarity over the next 6 months. For now, we are carefully monitoring our spend, including marketing, to ensure we are appropriately placed to respond directly to change.

International revenues: US

In the US, Joe gave you a timely update on the market in May. To follow-up on what he presented, we are still expanding. The Iowa race book for Caesars and the Riverside sports book in Nevada are open and going well, and mobile growth continues with new sign-ups are up 22% in the half. You have seen the news that the Supreme Court has decided to review the New Jersey PASPA case.

Right now, the key data point here is that in the past three years, the Supreme Court has, on average, overturned 70% of the cases it has reviewed. I am not going to go into all the permutations, whether legal or regulatory, federal or state, but suffice to say this is starting to look really quite interesting.

Transformation

Finally, the transformation programme is going well. We are on track to deliver £40 million of annualised efficiencies by the end of this year, with £25 million of benefit in 2017. The digital

marketing savings have been delivered, saving a significant amount from external spend having optimised our supply relationships and contracts. The plan is in place for reducing the number of data centres and will be rolled out over two years.

User experience changes we have made are reducing the volume of incoming queries for customer services. We are reducing the number of locations that service Online and the UK to become more efficient by co-locating key teams and to tap into the right talent pools to support our marketing and technology expansion.

Tel Aviv will close in quarter two next year. Krakow is being built out as our development centre, with an additional 87 heads already recruited there. We are bringing marketing and technology together in one London office over the next six months.

Let us be clear, the transformation programme is more than just focusing on costs. It is about ensuring that we are doing the right things in the right way across all areas of the business to deliver the best possible customer experience.

Summary

In summary, it has been a good first half. We are growing in the UK, both Online and Retail. We are reinvesting in our product, our marketing and our technology. We are carefully managing Australia and are fully engaged in the US opportunity, and we are delivering the efficiencies.

We are feeling confident about the full year and how these benefits will also flow-through into 2018, which is of course, a World Cup year. Overall, we are building a better business one that can go faster, spend more efficiently and work together more effectively than ever before. Thank you. We will now take questions. Mark will do the numbers.

Q&A

Patrick Coffey (Barclays): Good morning, three questions from me, please. Firstly, on Australia. Obviously, it is a potentially tough environment down there from a regulatory perspective. I am interested to see how do you think about capital allocation when regulation could lead to all your profits being eroded? I noticed that you cut CapEx year-on-year, so maybe you could just talk about how you think about that over the next six to nine months?

Secondly, there is obviously a lot of noise out there at the moment with regards to short-term trading trends. Stepping back, do you think William Hill can thrive as a global gambling firm without doing a big M&A deal to improve its scale?

Then finally, just in terms of the US, you seem sort of relatively confident about that opening up; is there anything particular that is driving that confidence? Thanks.

Philip Bowcock: If I take those in order. In Australia, I think we clearly spent a lot of time, effort and capital last year making sure the product was right. We believe we have got that product in a very good place at the moment, and we will continue to monitor the position. We do not need to spend excessive amounts of capital in Australia at the moment, and we will continue to monitor our position closely.

With regards to M&A, I think the business has done very well over the last six to 12 months on focusing on the basics and delivering the performance that we said we would. With regards

to the UK, we will continue to think – focus on the UK to make sure we achieve that market level and above market-level growth rates.

As and when M&A opportunities come around, we will obviously consider them. It is clear there is nothing in the pipeline at the moment. With regards to the US, I think it is just interesting. I think it is – the Supreme Court does not take many cases. The number I quoted, they tend to allow 70% of those cases that they do hear. As and when that will happen, they are likely to hear the case towards the end of this year, with an outcome sometime towards the middle of next year. We will just have to keep an eye open.

Edward Young (Morgan Stanley): Hi, just two questions, please. First of all, the £40 million in cost savings, I think it is a little bit vague where that is coming from. You have talked about some reinvestment there. Can you just maybe talk through where that is coming from, what proportion is invested and what gains you are seeing from that?

Then second of all, just on the margin. You seem to be saying this is all sort of sports-driven. Australia does look weaker than peers maybe on margin there. Can you talk if there is anything structural within that? Or if it is just sports and mix?

Philip Bowcock: I think on the margin, I think the very easy straightforward answer is we have not changed any of the margins we bet in, so there is no structural change. We have not changed anything we do. With regards to the £40 million, it is coming from all areas of the business.

I think when we spoke, when we had this session at the year-end, marketing and marketing efficiencies is clearly a large part around affiliates, pay-per-click and so on and so forth. On affiliates, to give you an example, moving from a revenue share basis from a just fixed amount, that is incentivizing people within the affiliates to do the right things in the right ways. We have taken money out of contracts, so we are going through all our major contracts and our major supplies. We have engaged with them. Also on our infrastructure, our IT infrastructure, Mark spoke about the data centres, the ability to move from six or seven data centres to two or three. It is a significant amount of money, that is all areas of the business.

Ivor Jones (Peel Hunt): Good morning. You talked about marketing with The Sun. Sun Bets just died. How will you sit alongside their own operation and other competitors there? Is that a material part of marketing?

Philip Bowcock: No, it is not a material part of marketing. We obviously have an interaction with them, not just The Sun but other media content. What they decided to do with Sun Bets is, as far as I am concerned, down to them.

Ivor Jones: They are not flagging that you can be a major betting partner to The Sun. When you are talking about Plus and the number of people who signed up for it in the shop, is that replacing something else? Is that migration for people who already signed up to the predecessor? I know there have been cards of various kinds that William Hill stopped for a while.

Philip Bowcock: There may be a degree of migration from one to the other. What I would say is that those 80,000 people are those who have voluntarily signed up and proactively signed up.

Ivor Jones: How many people have signed up to the predecessor things?

Philip Bowcock: I do not know the number. We can find out for you.

Ivor Jones: You talked about taking a prudent approach in the context of the risk of regulatory change, and I get that in relation to Australia. In relation to UK Retail, how does that manifest itself? I guess I am wondering if you are holding back on CapEx in Retail that will then need to be put back in when you know the future shape of the estate?

Philip Bowcock: No, I do not think we are deliberately holding back on capital. At the moment, we are investing in our SSBTs, which we see a very important and core to business going forward. I think we are just trying to operate as effectively and efficiently as we can, and I think the business has proven that by the delivery of results so far this year.

Ivor Jones: Okay. Last one, and at the risk of exposing my lack of accounting knowledge, there is a £5.9 million credit for the adjustment to the fair value of ante post bets in the cash flow note. I think, vaguely, that was the last time I saw it. It is usually a very small number. Does that imply very large? Why would that be such a substantial ante post bet hanging on the period?

Philip Bowcock: Joe, do you know? Do not know?

Mark Summerfield: It was the Boxing Day.

Joseph Asher: It was the Boxing Day results. I think it was the large movement at the end of the year, which flowed through to the 16% movement at that same period.

Ivor Jones: Does that clearly benefit the reported profit, does that mean artificially benefited?

Mark Summerfield: No, you are effectively deferring some part of the wagering for unsettled bets at the year-end, and those bets settled in our favour in H2, yes.

Philip Bowcock: We can take you through the detail later.

Ivor Jones: Okay. I guess it all balanced out?

Philip Bowcock: Right.

Ivor Jones: Thank you.

Simon Davies (Canaccord): Good morning. Three from me, please. You talked about improved cross-sell in Online; can you give us some stats around that? What percentage of your sports customers are now using Gaming?

Secondly, on SSBTs, can you give a rough percentage of OTC revenues coming from SSBTs? Are you actually seeing like-for-like growth there? Lastly, in terms of the lease estate, what is the average lease life within Retail? Roughly how many leases are expiring over the next year?

Philip Bowcock: The average lease life in the estate is about 3.3 years, where we can cut if we want to. I do not know the number that actually expires in the next 12 months. If you want, I am sure we can find something out on that. OTC revenue in the shops where we have SSBTs represent approximately 7% of OTC revenue. When it comes to cross-sell, I am not going to give you a number. Suffice to say that we are moving ahead of where we were this time last year, and we are encouraged by that.

Simon Davies: Sorry, is SSBT revenue growing on a like-for-like basis?

Philip Bowcock: Yes, it is.

Gavin Kelleher (Goodbody): Good morning, just two for me. On the free bets in Online and the increase that we saw on H1, you hint in the statement a part of that was because of the favourable results, part of that was because of competition. You have said that it is going to reduce in the second half. Can you give any sort of flavour of how much of the free bet increase was caused by the runner results?

Philip Bowcock: I think it was – I do not know the exact detail, but I would assume it is broadly similar between the two. I would expect the free bet number to move down slightly between the 1.1 we had last year and the 1.3 we had this year. We are going to be broadly, over the full year, in the middle of those two numbers.

Gavin Kelleher: Do you think FY2018 should be more in line with last year's number?

Philip Bowcock: 1.2 is probably not an unreasonable number to work to.

Gavin Kelleher: Okay. In terms of an overall question on Online, 5% net revenue growth, 32% operating profit growth. Obviously, the efficiency is helping out an awful lot in H1. Just to try and get some flavour of the operational gearing in that business, if we look into 2018, we can all make around assumptions on net revenue growth. Can you give us some sort of ballpark on where costs should be in that business, and we know what the tax increases are?

Philip Bowcock: I think costs will grow. They are not going to grow double digit. Clearly, we will have to look at marketing and what we do with marketing as we come into a World Cup year, so that will clearly be a major contributor towards that. We have not landed on exactly what our marketing strategy is going to be for the World Cup. We are clearly starting to look at it. I think if you look at the underlying costs growing sort of mid-single digits, that is probably not far off where we are.

Gavin Kelleher: Great, thanks.

Richard Stuber (Numis): Two questions, please. First is on OTC amounts wagered up of 3% for the first half. I guess a lot of that was due to the growth in horse racing because of your competitor unable to show content. Could you give an idea of the growth of horse racing in that versus football, within that plus 3%?

Philip Bowcock: No, I am not going to go into detail, but the horse racing growth was clearly helped with a number of additional races, so we had approximately 6% more races in horse racing this time versus last year, so that clearly helps. I think the other thing that clearly is able to help us is operational efficiency. We put a new operating structure in place. Nicola Frampton and the team are operating that business very well at the moment and I think the benefits of that are showing through. Apart from the fact we have had pictures and data.

Richard Stuber: Okay. Just the same question on CapEx, you said in the second half you expect that to go up with SSBTs and data centres. Could you just give guidance in terms of where you expect that to go to?

Mark Summerfield: At the end of the year, we said we are between £90 million to £110 million this year. I think we are now turning towards the bottom end of that range.

Richard Stuber: Thank you.

Jeffrey Harwood (Stifel): Looking at Australia, the market is clearly going to come under increasing pressure there. How important is that business to you strategically?

Philip Bowcock: I think Australia is an important market. We know the Australian sports betting per individual is higher than anywhere else in the world, and we continue to think of it as an important market. We will continue to work very hard. We know we have, as I said, one of the best products there. Tom and the team are doing a great job, and they have done a great job in pulling together over the last 3 years.

Jeffrey Harwood: Do you think there will be consolidation in that market?

Philip Bowcock: I think consolidation is always possible in any market when you can put two organisations together and take significant synergies, whether it is in our industry or any other industry.

Simon French (Cenkos): Good morning, two questions from me, please. Firstly, just on the SSBTs, can you confirm what the difference in take is between yours and the BGT machines, please?

Then secondly, a more general one. In Online, in terms of your approach to unregulated markets, so we have seen 6% revenue growth there for the first half. Has there been any change in your approach to unregulated markets? Will there be?

Philip Bowcock: There has been no change in our approach to unregulated markets as to where we will and we will not do business, and I cannot see that happening in the foreseeable future either. With regards to SSBTs, our take is improving. It is still slightly below BGTs, but we are heading in the right direction. I am sorry, I am not going to give you exact numbers.

Alistair Ross (Investec): Good morning. Just a couple from me. In terms of that £40 million efficiency H1-H2 split, just to work out how much you have actually saved in H1, do you know that number?

Philip Bowcock: We said that we will deliver £25 million in-year.

Alistair Ross: In-year?

Philip Bowcock: It is probably split roughly just under £10 million, with the balance in the second half.

Alistair Ross: £10 million, £15 million?

Philip Bowcock: Yes.

Alistair Ross: Then you talked about marketing; 15% up on your marketing slide, but yet in Online, when you look at the cost breakdown, you had marketing down, I think, 3%. Obviously, some of that is the efficiency coming through. I am just trying to unpick exactly how marketing is moving around.

Philip Bowcock: It is the £140 million over what we have spent last year, so it is the total year of the £140 million over last year. This year, we are saying we are going to spend nearly £140 million, close to £140 million. I think, last year, we spent £122 million or something.

Alistair Ross: Okay. Should we expect a significant increase in marketing in H2 then?

Philip Bowcock: Yes. We spent £67 million in the first half this year, so by default, it is going to be £140 million less £67 million.

Alistair Ross: When you last reported to the 25th of April, how did marketing move between the first 114 days of the first half and the last 66 days? Because it feels like marketing has just dropped off a cliff.

Philip Bowcock: Marketing is probably pretty evenly split up to the end of the football season across the piece. Clearly, there will be no any reduction in marketing spend during the season, for want of a better word. There has been no discernible decision to change strategy during the first half, we have our strategy.

Alistair Ross: Okay. I think I asked you the same question at the 25th of April, but in terms of constant currency group net revenue, have you got that figure?

Philip Bowcock: Not off the top of our head. We can give it to you.

Alistair Ross: Okay. Also, how does that transfer down the P&L? Is there a benefit? Is there a currency tailwind down the P&L? I suspect there is, but just how much it might be?

Mark Summerfield: It is 1% at the end of the day. I think we will look at the numbers. Actually, there was not a lot of curtailment to be honest. It is 1% consistently. Look, I will dig out the data.

Alistair Ross: Okay, sure. Philip, do you want to talk about the ARC deal just in terms of versus Ladbrokes? How you guys feel about their new deal?

Philip Bowcock: All I would say to that is if I had my time again, I would have done exactly the same deal at exactly the same time. I am very comfortable because we do have commercial protection in our contract.

Alistair Ross: Okay. I have not looked through it, but in terms of the cash flow statement, your net debt-to-EBITDA has gone down by 0.1 times. Why exactly are you not deleveraging over the first half? I have not looked at it and it might be a timing issue with dividends, et cetera, I am not sure.

Philip Bowcock: All I can do is I can reference the numbers and the numbers are all the numbers.

Alistair Ross: Yes, okay. I will look through it.

Philip Bowcock: If you have any questions later, I am sure Lyndsay will be able to help you.

Alistair Ross: I think that is it. Thanks.

Tal Grant (Credit Suisse): Good morning. Three questions, please. Firstly, I wonder if you could break down the gaming growth. What was driving that particularly or is it simply the fact that you got single wallet there now? Or within there, is anything like Live Casino performing particularly well?

Secondly, the gross win margin on #YourOdds, is that similar to the rest of Online or particularly better? Then finally, just wondering if you had any further ideas or plans to drive kind of multi-channel shifts or omnichannel usage in addition to the Plus cards.

Philip Bowcock: If we go in reverse order, no. I think Nicola's got a very clear strategy, which we have executed over the last 6 to 12 months around omnichannel. We are very pleased with the process we are going through, and we will continue along that vein. The gross win margin for #YourOdds is higher than the normal margin so it is margin-enhancing.

When it comes to gaming growth, there is no silver bullet here. I will repeat what I said, there is a number of things that we have done apart from the single wallet that you have called out. Cross-sell has improved. We have redesigned our gaming verticals and as I said, we have got bingo to come, we have a new operations team, a new person leading the Gaming division as well, and they are doing great work and sterling work in delivering the results we are seeing. They got a good pipeline for the future as well.

Tal Grant: Great, thanks. Can you give a rough idea of the #YourOdds gross win margin? No? Okay. Thanks.

David Jennings (Davy): Good morning. Just one question, please. Given the headwinds that the Australian business could face in the next six to 12 months, what scope is there to take further cost out of the business?

Philip Bowcock: We constantly look at efficiencies. I think we have the opportunity to take some of the learnings from the UK business where we have driven the efficiencies out across to Australia, which we will be doing towards the second half of this year. We also have the single technology platform. As we develop that, there is the opportunity to put Australia onto the platform as well. We are constantly looking at ways to make that business more efficient. I think the most important thing is that at the moment, they still have a great product and we think we have the best product in the market.

I think that is it, ladies and gentlemen. Thank you very much indeed, and see you again in February. Thank you.

[END OF TRANSCRIPT]