William Hill Analyst and Investor Day

25th November 2009 – 11.30am

Ralph Topping: I'm going to introduce the guys on the platform in a minute, but we've got some key members of the Management Team in audience who you've never met before, so I'm going to embarrass them by asking them to stand up and just introduce themselves visually rather than a speaking part. I've got…I was at my daughter's wedding recently as father of the bride and I had to thank people who had travelled a long distance to be with us today, so I'm going to thank some people who've come a long distance to be with us today. From Israel can I introduce you to Eyal Sanoff, who looks after our business there; and Henry [Cortia] who is his right hand man out there as well? All the way fro Australia can I introduce you to Terry [Pattinson]. Terry is helping develop our betting and running the model and he's an interesting guy to talk to if you're interested in the subject. He made a Board presentation yesterday and we had to bring in smelling salts to get the Board woken up after it, because they'd zonked them out. We've also got a guy called James Henderson, who has a relatively short hop today from Gibraltar, so James, stands up with the shocking pink tie at the back there.

Today we want to open our business right up to take you inside the different elements of it and to show you how we are developing it for the future. It's definitely a chance to see and hear from our Senior Management Team, the guys who are working with me to develop this business. On that front incidentally, I want to tell you in a minute about some exciting new appointments, new brains that will be coming on board in the next few weeks, but here today we've got Ian Chuter, who is our Group Director of Operations. Ian is going to tell you the story of our Retail operations. David Steele is our Corporate Services Director, who's going to discuss the regulatory regime under which our industry operations.

[Today of] William Hill Online we've got Henry Birch and Jamie Hart. Henry, some of you will have met before, is the Chief Executive of William Hill Online. Jamie though is our Sportsbook and Trading Director and he's based in Gibraltar. If I can just a little bit about Jamie, he's a Cambridge law graduate who has gravitated into gambling, so he's a bit of a reprobate in one sense, but he is incidentally one of the best sports gambling brains in the UK – one of the best. He worked in Australia online and he helped start the William Hill Online business with myself ten years ago. These guys will get into all the detail you want and if anything's not clear by the end of the session, please tell us and we'll endeavour to make it so.

They're going to do most of the talking today, which is a great relief to myself, because I've got a bit of a sore throat, but before they start, I'm going to give you a broad brush overview of the whole business and the strategy I've put in place as Chief Executive. I'm also going to say a few words about our culture, that's CULTURE, not the way Ian pronounces it, KULCHUR.

First of all, context; William Hill, the UK's leading betting and gaming company, 2008, just under 1 billion of revenues and 279 million of pre-exceptional operating profits. The graph to the bottom right of the screen tells the story of revenue and profit rise. We've around 60,000 employees across operations in the UK, Ireland, Gibraltar, Israel and Bulgaria. We've got three operating businesses; Retail, which is money spent either over the counter or through machines in our betting shop, Retail accounts for 80% of the Group's revenues and profits; Online where we take money from our Sportsbook and from Gaming and Poker, Bingo and Casino, 17% of revenue; and our Telephone business which is 3% of revenue. 51% of our business is betting; 49% is gaming either through machines or online games.

I show this slide there to emphasise the importance of these three operating businesses – Retail, Online and Telephone. Developing them as distinct elements is key to our strategy. We're very clear how we wish to evolve each of them, so let's have a look at them one by one.

As I said, we're the UK market leader on the High Street. We've got a clear, strong, much respected brand and a quarter of the UK's 8,500 betting shops are William Hills'. It's a mature market, a stable market; however, our growth does come from developing our estate and broadening our product range. We also exercise very strong cost control, which is rooted in our DNA. You may think of this as a traditional territory, but actually we've seen fundamental changes not only in our liberalisation of the framework of regulation, but also in the way that people bet. There's certainly been a strong growth in machines; there's been substantial growth in virtual racing and in betting on football. Modern customers, I think increasingly want easy to use products that offer quick results and payouts.

Retail is very much our underpinning business and whenever we meet you ask me question – especially analysts in the audience – how solid a bedrock is this. I'm getting used after two years before questions I believe are based on fundamental misconceptions. Is this a market in decline; is there any more growth in the machines business; can we sustain our gross margin; and are we investing enough in our shops? We're going to take those questions head on today, at least Ian is, and I'm confident Ian will put them to bed when he gives us more detail on Retail in a few minutes.

Ian will also discuss the other big issue that comes up all the time: how is the economy going to affect this? As you will hear, there's more still to come from Retail, but here in Online is that we see the real opportunity for growth in our business. This is where we can take advantage of increased consumer leisure spending together with gambling becoming much more socially acceptable, the increasing accessibility of previously closed market for online gambling, product and technical innovation and increased internet broadband penetration.

I established with a small group of select people that I selected, I established our online business back in the 1990s before moving back to look after Retail. When I became Chief Executive 18 months ago I made it a priority to win back our lead. We made a lot of progress in the last 18 months. On a pro forma basis we believe William Hill Online is now jointly the most profitable online gambling operation amongst our peer group, but we've a long way to go before I'll be happy with what we're achieving – a long way to go. We do offer a full range of online gambling and gaming products with Sports Betting, Casino, Poker, Bingo and Skill Games. We definitely upped our game with our joint venture with Playtech.

We have expanded our geographical footprint and we've improved our customer acquisition and retention capability. We've also gained access to a larger affiliate network. Our products and increasingly our people are best in class. We've developed real online marketing expertise and international reach. We've got an experienced management team with a lot still to come, as Henry will explain this afternoon. He will also answer the questions that come up regularly in this territory as well. What's the Online growth opportunity; how can William Hill Online compete; how do you balance profit and investment; and will you participate in consolidation?

William Hill started life as a postal business who very quickly developed as the leading telephone bookmaker back in the 1930s. Today it's only about 3% of our business and Telephone customers tend to be older but much more sophisticated punters in lots of ways. They place higher average bets, around £60 a slip, compared with an average of £8 over the counter; and the median over-the-counter bet, incidentally in our betting shop, is between £3 and £4. There's no doubt that we've been hit by offshore competitors who have a more beneficial tax regime than we have here in the UK and as a result we've seen declining revenues and profits over the last few years.

We are striving to improve the position by reactivating customers targeting marketing. But more importantly I think we are looking at the cost base and also where this business should be located. I anticipate more of that in the New Year.

Yes, for the avoidance of doubt, the business is 75 years old, not the presenter at the moment. So let's start looking to the next 75 years. I'm in my 40th year of working in the betting industry, and in my 40 years of service in the industry have certainly given me a very good understanding of the strengths of William Hill; of the values that go to creating a trusted brand like William Hill.

But being on the inside for those years, also taught me about our weaknesses. Those can be classified as this. We have a tendency, or had a tendency to think we knew best. We also had our culture of complacency; and we had a real reluctance to learn from the way the world was changing. We had a determination to keep the doors bolted and not come out and discuss the business with anyone.

Put simply, the old ways were definitely not always the best ways. I guess the mood was symbolised by our relationship with Ladbrokes. As long as we were beating them – hey, the world was fine. No matter that other companies were coming up with new ideas, new ways to bet, new punters, new territories, etcetera. We were a rough, bluff, masculine business. We didn't like outsiders and if you didn't mind being shouted at from time-to-time you could go far in this business.

I always knew when the shouting and the rollicking was coming by the way. I'd go into see one of my earlier Chief Executives and he'd be sitting there with his jacket off, showing off his latest cartoon braces. Mind you, he never threw anything more dangerous than a sandwich at any one and though they were particularly heavy sandwiches in those days. It was before we learned about healthy eating as well.

I've always wanted to take the best things about our brand and about our culture; a brand that was and is highly trusted; a culture that understood hard work and graft and put them together with some complementary strengths, and those were new brands and talent, greater knowledge skills, different skills in other directions.

So in a remarkably short time, we've begun and I hasten to add, we've begun to change the management profile. We've worked hard to create a younger, more energetic, more can-do culture about William Hill; the kind of culture that actually responds to new ideas, with why not rather than why. The kind of culture where people take responsibility and one that encourages challenge rather than shouts it down; the kind of culture that believes with a passion in being the best bar none. That doesn't mean there's no shouting any more. I'm a great believer in what you might call tough love. I don't think people have shown enough imagination player intelligence ambition, I can definitely shout with the best of them. If people don't perform we're definitely not sentimental now these days about retaining them. If the numbers are poor, they show no signs of changing, they're not asked to hang around.

What I'm saying now is a good mix of experience that bring the best, not only from gambling and gaming, but also from other industries. A real focus on delivery and the beginning, the beginning of a truly entrepreneurial culture that will bring, I think, substantial rewards to those whose performance merits it. It is of course a continuing process and I have my eye on some more new brains. I definitely want to keep these boys and girls in the business on their toes.

Just yesterday we announced two new arrivals. Neil Cooper is joining us in the New Year as Group Finance Director. Neil has got a lot of experience first as a consultant with Price Waterhouse, but we forgive him for that, then with Whitbread and Bovis Homes. In welcoming Neil, I'd really like to thank Simon Lane for all the work he's done for us in the role. It's been a busy year, been a busy four years with the time I've worked with Simon. But this year in particular, Simon has led a successful refinancing and bond issue. With those achievements under his belt, he'd ready for a new challenge and he'll be with us until the end of the year and beyond to ensure a smooth transition and Neil arriving. It's a really good time to say how much I've enjoyed working with Simon and I sincerely mean that.

The second newcomer is Kristof Fahy whose arrival exemplifies all I've been saying about getting new skills and attitudes into this business. Kristof, would you stand up, they're probably expecting a guy with long hair Kristof, which I…so there you go, shock a Ronny, he's got a nice special back and sides there. Kristof is going to be a Brand and Marketing Director and he brings skills that he has, which were proved at Yahoo, Blackberry and at forums. So you're more than welcome to call Kristof later on. This is the new William Hill. There's a real buzz about his arrival at William Hill and he's one of the brains I've been looking for.

Any talk of new culture and new management style would be empty talk if there were not tangible examples of change. Happily the last 18 months have been about deeds and not so much about words, and these are some of the things we've done.

I believe and I've been pleased to see that many of you believe they address some of the concerns that were around when I stepped up in February 2008. Back and front on line – tick.

Sportsbook improved beyond recognition, and Poker and Casino to new standards – tick. Out of an international business that wasn't working for us – tick. Our debt refinance – tick. A new culture and a new mood around the business – tick.

Let me go back to those three businesses. In retail, we planned to increase earnings and cash flows while [hanging tough] on thoughts. Growth will largely be incremental and organic. We will see a continuing rise in football betting. We expect the interest in machines will see revenue from gaming account for more than half of our retail revenues. It's more of a gaming company than a betting company.

On line we expect the Sportsbook turnover to rise further. Within Play Betting developed by Terry [Pattinson] and Jamie Hart accounting for as much as half of the Sportsbook turnover. In Play Betting is that important to us. Going forward in the future, we look forward to Terry and Jamie explaining where they're going to be taking in Play Betting at a future date.

We're going to see our UK share of the market rise, we'll also see more international revenues, organically and by acquisition, where the right opportunity presents itself, only where the right opportunity presents itself.
As for telephone. It's in the short time, a story of managing costs. In the short to medium term, of moving base.

I believe all I've said in this brief introduction is evidence of a compelling investment proposition. This is a real cash generating business in the right shape for growth. The opportunities and the competencies you see here are clear. Rather than say any more I want to let members of my senior management team give you the detail you want about their own sectors. So first up, let me welcome Ian Chuter, who is our Group Director of Operations.

Ian Chuter: Thanks Ralph. Good morning ladies and gentlemen. As Group Director of Operations, I head up our retail and telephone divisions. I'm here to give you the inside story on retail.

I've been in betting and gaming for 26 years, the last nine with William Hill. I joined to run the gaming machines business and gaming is an area that I know especially well.

Ralph raised four questions that keep being asked about our retail operation. Here's the first one. I should say I don't see these as questions so much as myths. But in the interests of keeping the peace with your guys this morning I'll use the analyst term, investment debates.

The truth is I believe there are some basic facts that have been missed or misunderstood. My goal this morning is to show you why.

Ralph raised four things. The retail customer base, the over-the-counter margin, machines growth and investment in the estate.

When I've finished with those I'll throw in a fifth. We'll discuss something that really is a question, the effects of the recession.

First, to understand a little bit more about our customers, let's look at a snapshot of the key trends in our industry in recent years. These two charts show gross win across the industry, the over-the-counter and gaming machines. They've both been growing well throughout this decade.

What's changing, is the product mix and customer requirements. Our customers now demand constant availability of products from 8.00am to 10.00pm. This means being able to walk in to any of our shops and bet on a live event within two minutes of coming in.

In the last few years we've seen barrier to entry increase considerably because of regulatory costs, technology costs, content costs and shop fit costs. If you took the full range of sporting content offered by Turf TV, SIS and Sky, it would cost more than £20,000 a year for each shop. Then you have to had on up to £11,000 for local authority and machine licences. Add another 50,000 for shop technology, that's before you start paying rent, rates, utilities, wages and finally start establishing your brand.

All of this is leading to consolidation within the industry as small independents elect to ply their trade on the various online betting exchanges. Despite the demand criteria being withdrawn, there are no more licences being operated now than in 2003. This gives businesses with scale a serious advantage. It is one of the reasons we see our retail business as a high quality revenue stream.

Now let's look at the customer. We're told they're either about to die of old age or move on online. It's not true. You can see that far from fading away, 40% of our customers are under the age of 45. In fact in the last decade, 18-24 year olds have gone from being 4% of our customer base to 11%. As for moving online, our retail customer base is fundamentally different from our online one. Our retail customers tend to come from working class backgrounds. Products such as football, virtual and gaming machines are very popular with the 18-34 group. Horseracing and dogs remain popular with the over-45s. Our job is to provide a range of content that will appeal to all age groups, hence the changing product mix.

So why does a customer go into a shop instead of online? Well I'd ask you, why do you go into Sainsbury's instead of shopping online. It's a fundamentally different experience. In our betting shops, it's about cash, community and betting anonymously. It's about the bragging rights of collecting your cash winnings in front of your mates. We never underestimate the power of cash. We even have online customers who use our shops to collect their winnings, because they want to feel folding notes. As you would expect, we also allow them to deposit cash into their online accounts as well.

In choosing a shop, what does a customer look for? These two charts show how key drivers of change from 2006 to 2009. The information comes from our regular customer services surveys, which we've been running for 20 years. They give us a good understanding of what customers want from a betting shop. For 20 years it was all about location. Our customers are creatures of habit. The closer the shop is to their home or place of work, the more likely they are to use it.

But for the first time in 20 years, location has been knocked off the top spot by customer service. Interestingly, price doesn't even feature in the top five reasons to bet with us. It's become a given of what you might call a hygiene factor. We need to be competitive on price. But the reasons that customers shift their business are breadth of product, location and customer service.

These factors drive how we run our business. Four years ago, we launched CBS, our Competition Beating Service strategy, throughout the estate; changes in technology that fundamentally change the role of our staff. Before ethos, the ability to settle bets quickly and accurately by the shop manager was key. We believe that we settle quicker than any of our competitors. Technology levels that playing field and we had to find a way of delivering something different. That's when our focus shifted to friendly service and expertise. We believe the focus we've put on customer service has driven that to the top of the table. Customers recognise it and appreciate it.

So that's the customer. The second question. Why is our over-the-counter margin higher than some of our competitors? Behind this question is a fear that we're heading for trouble by being greedy. It's not true and I'll tell you why. There are four factors that influence the overall over-the-counter margin; product mix, sporting results, concessions or free bets and pricing policy which covers everything from the theoretical book margin, price creation to risk management.

Over the last five years, we've seen a gradual improvement in our margin, which means our normal trading range and the one that we use for planning purposes, is between 17% and 18%. That's where we expect to be when sporting results average out over time.

This chart shows that of our key products, margins are relatively stable for horses, greyhound and virtual. Football has a wider range and would normally average out at between 20-25%. Most importantly, you can see that our growth products, football and virtual, are higher average margins than horseracing, which used to be our dominant product. The reason why football margins are that much higher is the popularity of multiple bets, which offer a lottery style, low ticket, big win opportunity. It's also why you'll here Ralph and I groaning on a Saturday afternoon when the big four win.

Alongside these margin differences, you need to factor in how each product is contributing to our overall gross win. The foot and mouth outbreak in 2001 was a tough lesson for the betting industry, because we were too reliant on horses and dogs to generate our gross win. Since then, we've changed our product mix considerably, introducing numbers betting in the shape of 49's and Irish Lotto; virtual dog, some virtual horses. More sports betting on football, tennis, golf, cricket, rugby, reality TV. And most importantly, gaming machines.

Much of this has coincided with the availability of more live sports via terrestrial TV, making the product available in pubs, hotels, homes and yes, even some betting shops. The migration of the product mix is continuing. Gaming now represents 40% of our gross win. Football and virtual are our fastest growing over-the-counter products. We offered 27 pre-match markets and 3 in-running markets for football and retail. This will be extended following some excellent work from our trading and IS teams. I don't intend to steal Jamie Hart's thunder now, because he will be talking more about this, this afternoon. Sufficient to say, there will be many, many more markets available.

The virtual product range that now includes Speedway, Grand Prix and Football and we have got more products planned for the New Year. Of course the single biggest influence on our gross win margin is sporting results. You hear us time and time again say that results normalise over time. When you look at our financial results, the best advice I can offer is to normalise the margin when it is high and when it is low. You have also heard us complain about results this year, and given that our gross win margin in the first half is over 18% you might wonder why, so let me show you what it has been like.

In January and February horserace cancellations lead to higher margins as people switched to other higher margin products. Cheltenham was a punters' dream but we have got our own back with Mon Mome in the Grand National. With football we made our first ever loss in the month of May and 25 of the 26 Big 4 matches all went to [four], and then we all know what happened in August and September with only six draws in the first six weeks and the Big 4 winning consistently. We have been all over scrutinising numbers in the recession, trying to do that when the results have been this way has made it even more complicated. But I have been in this business for 26 years and Ralph considerably longer, and we have never known a year like it for results, but it will always revert to the mean overtime. The only thing I can't promise you is that it will be in time for a financial year-end.

Finally margins are also affected by the amount of concessions or giveaways you offer over and above your price. For example bonuses with certain type of bets, or just giving free bets away. If you take total stakes, you go to the payouts and the offers you end up with gross win or what I call it 'what you can take to the bank'. The more offers, the lower the gross win, unless your offers can drive increased turnover. Typically if you give away a Pound you need to generate an additional 7 to £8 just to standstill. Concessions are part of the service that we offer and can be given in many ways.

In our view and this has been backed up by numerous surveys that we have conducted with customers, price is more important than gimmicks or free bets, but price is still a [height in] factor. So it is about reassuring customers that they're not being ripped off. For years our mantra has been 'if we're not best price then we match the established competition'. Don't forget with up to 50% of horseracing betting retail placed at SP it is the on course market that dictates the price. What we have failed to do is to tell customers that is what we were doing. So since last summer we have consistently advertised our prices in comparison with our competitors under the heading 'best price facts'. We use Pricewise from the Racing Post to demonstrate that our prices are both equal and on many occasions better. We couple that with a maximum payout policy that enables our customers to win up to £2 million on football, compared to the typically independent payout of 100,000 and most of the medium sized companies at 750,000. For the record our payout limits are the best in the industry across every single event type.

So you will understand we are comfortable that our pricing policy is a strength. But please don't think that we're Ebenezer Scrooge, Ralph is a Scotsman, it is understandable that you would think that. We give away up to 20 million a year in offers; it is an important part of the business but one that in our experience can easily lead to just giving your profit away. We focus our national efforts on key festivals and tournaments and treat everything else at a local shop-by-shop level. Why give away margin where shops have no competition within 400 yards? Our margin is not under pressure and it makes no sense to put it under pressure ourselves.

Now onto one of my favourite subjects: machines, how can we grow our machines now that we're at maximum density? It is a fair question. I believe we have led the industry in terms of innovation which is the key growth driver and it is something that we will continue to do. Until 2007 some of our growth came from increasing the number of machines in our estate, but since then we have been at maximum density; which is an average of 3.8 per shop; it is not increased machine numbers that have driven the growth in the last two years; it is how we have been managing that business. Given the current utilisation that you can see in the two charts here, if we have sufficient capacity to continue to grow, it means you don't need to worry about us needing more machines for a good while yet.

Now for those of you that know me well I have been extremely reluctant to say how our growth has been achieved. Lindsay has had all sorts of threats imposed upon me and I am having to stand here and now come clean. I don't like telling competition what we're doing, so you will forgive me if I don't go into micro detail, but I will give you a flavour of what makes us strong in this area.

I wanted to make this the seven Ps but my wordsmith gave up when we got to five. We have Product; we have agreements with 20 different game developers of which five of them supply exclusive content to us. This year we have tested 32 different games and launched 21 of them. There are no passengers when it comes to quality content. Through market research and internal expertise we know which games are popular with our customers and help developers design exactly what we want in terms of exclusive content. This has led to customers starting to play games other than Roulette, including playing B3 content at higher margins.

People; we recognise that with over 13,000 frontline staff we had to ensure that they understood the product. Machines to many of us are a mystery and if we wanted customers to embrace them we had to help them. This year we have carried out nearly 2 million one-to-one customer demonstrations. This is achieved by regular training of our staff and promotions. Machines were embraced by the management team very early on, from district managers to the operations director. The consequence is a team that is driven to excelling at delivering great service when it comes to machines.

Promotions; I mentioned earlier about staff demos and promotions, and we have enhanced that service this summer when we launched promotional software that enabled us to give free bets linked to over the counter offers. So for instance, a customer placing a £5 Scorecast Bet gets a £2 free bet on the latest new game on this machine. Cross selling and education suddenly becomes very easy. These can be used to target new content and we have extended this and advertised in national newspapers offering free bets on the gaming machines. All of these activities help demystify the machines. In Global Draw and Inspired Gaming we have the two best supply partners in the UK par none. Having worked in the gaming industry for 26 years, I feel qualified to make that statement without hesitation. Our partners are rewarded for good performance and as they have a stake in the cash box they drive us hard to produce the best results. Ralph likes to refer to it as supplier tension.

Passion; as a company we are passionate about gaming, sometimes bordering on obsessive but always wanting to be first and never settling for second place. This has led to us constantly looking at new ways in improving the product and our service which ultimately increases the revenue. Availability; machines occasionally break down but not often. Our fault rate is less than 2%, and on average we have them fixed in under 100 minutes. This has been achieved through technology changes, staff training and our supply partner's excellence in service delivery. Innovation; we were the first to produce dual screens five years ago with our Rainmaker cabinets. We were the first with 22'' high definition cabinets in the guise of Storm. All of the above have meant that we have excelled in terms of performance and I have no doubt that we will continue to push the boundaries.

You will see here a list of all the range of innovations that we have introduced over the last three to four years. Innovation is the critical factor here and we have consistently been the first to introduce new ideas. Demonstration mode; I referred to it earlier. It is quite simply software that allows us to put credit on the machine to allow a customer to play the machine for free, to get the experience and understanding of how the machine works, to get the feel of how you can win, but at no cost, no free bets, no concessions, not at the expense of the margin. Category C content ; in June of this year the regulation changed that allow the machines that you typically find in pubs, bingo halls and arcades, the payout went from 35 to £70. Because we have the ability to do this, we put Category C content on our shops. Within four weeks we had that available across our estate; the pubs, the arcades, the bingo halls, were still trying to deliver their old analogue style machines. So it was an opportunity to try and capture new market share.

Happy hour; you have seen the utilisation chart and you can see the bell curve there. So in the morning and in the evenings we have capacity, so we introduce happy hours. What this is, is automated software that allows us to reduce the price of play at quiet times of the day, so on Roulette instead of charging, we can charge 5p. At the end of the day I can get people in early in the morning to play the machine, I am making the best use of latent capacity. Top screen AVI, nothing is more simple than just a video clip that allows you to promote whatever it is that you're promoting there; whether it be the monthly promotion, a new piece of content, a new feature within the machine, all of this can be done.

Slottolette is a game where simply what we did is we felt that Roulette was becoming a bit tired, so we created a game where actually you could play a Fruit machine and a Roulette at the same time. We had to seek permission from the Gambling Commission, they accept that it was within the rules and we put it out. It is a product that we have trademarked and it is doing very well. I could go on and on and on, I won't, I think I have kept my promise Lindsay, so we will move on.

So finally the fourth myth: a longstanding misconception perhaps fuelled by our competitors or perhaps dating back to our private equity days, but we have not invested in our shops and that they are an imperial environment for our customers. So let us start with a snapshot of our estate today. It is now geographically diverse, having bolted together the William Hill estate that was strong in the South West through to the North East with the Stanley estate that was strong in the North West and Scotland. This gives us a broad reach as you will expect from the market leader, and which is critical given the importance of location in capturing customers.

The second chart here shows the split of the estate by deciles of both gross win and more importantly trading profit. First you can see that we're not reliant on a small number of shops for the majority of our profit. In fact you have to get to 50% of the way through the estate before you get to 80% of our retail profit.

Second; we manage the tail very effectively which is done at a micro level shop-by-shop. Within the 230 shops in the bottom decile there will be multiple factors we take into account in deciding whether to change or close this shop. Has there been a big customer win? Has the local high street or competition changed? Is it still covering the same costs of the shop lease? Can we re-site it; redevelop it? These can be very good candidates for investment. All told that is why you will see only around five to ten shops closed a year.

So how do we manage our capital investment? We have four targets; new licenses, refurbishments, re-sites and extensions. Historically we focused on re-sites, refurbs and extensions with less than seven new licenses a year. Since 2005 we have opened around 40-45 a year. All the sites of investment have hurdle rates and can drive incremental value. The mix we use at any given time depends on the value of the opportunities. So between 2005 and 2008 we opened 164 new licenses, increasing the estate by about 7%. We have targeted another 40-45 this year and expect to be ahead of that. with four LBOs a week going out of business at the bottom end of the industry; that means we're incrementally increasing our market share. Over that period though, the spend per shop hasn't changed significantly as our property team gets ever more effective in their negotiation skills.

At the same time as developing new sites, we're continuously improving the quality of the existing estate. Being a good Scotsman, Ralph describes this as 'Painting the Forth Bridge'. We run an 18-year refurbishment cycle with tart-ups at year six and year 12. Our shops are modular, so a refurb doesn't have to mean a full refurb. Our designs use practical and durable materials ensuring the shops are hard wearing and the advent of the smoking ban has been a positive step because the fit-out doesn't get discoloured like it used to. This year we have cut back on this area a bit and focused our spend on the higher return activities. It was the right thing to do while our balance sheet was constrained. With the uncertainties of the economic climate we will be back Painting the Forth Bridge again next year. So that is the four myths.

One more subject before I finish; looking towards 2010, everyone is wondering what is in store with the economic climate being what it is. Everyone is wondering because no two economies agree, and we have no helpful precedent to help with our calculations. What we can tell you is that we have seen so far and what characteristics in our business might be helpful. If you look at the first six months our number of slips over the counter was down about 3%, and the average pence per slip was down about 5. However machine transactions were up 40%, largely due to the popularity of B3. To us it looks like customers are being a bit more careful and are spreading their money around. This has been a consistent trend since august 2008, so it is not that we're seeing things shift significantly as unemployment levels move.

Overall we have a lower average number of runners per race and tightening of the on-course margins through competitions for punters, both of which are giving us overall margin weakness in horseracing. But there are factors in our favour; we're a low ticket, high volume business. Most customers are betting between two and three pounds per bet. For most that is loose change. It is also there bit of low cost entertainment; it is a long way down the list of what is chucked when money is tight. Structurally, we are also better placed as a business than in previous recession with the broader product mix drawing in a broader range of customers and less exposure to any particular region of the country. At the same time we are not standing still and whether it be through new virtual products, our live broadcast capability, self service terminals, exclusive gaming content, new storm cabinets, more football markets available in the shop, to name but a few of our initiatives.

Rationally, you would expect unemployment to be an issue for us, yet there are factors that are supported of resilience and we are probably better placed in this recession than in any other previously.

So I will leave with you our view of things. We have got a broad customer base, attracted by a broad product mix, our margin is structurally sound, our machines are continuing to grow and our estate is well invested. We believe this is a fundamentally, robust business, very well placed competitively, and we are continue in appeal to customers.

I am going to preface my last thought with a rider which is where are we in the economy and when are we coming out of recession, otherwise I believe that the strong cost control we can expect to see single digit growth that stands us in very good stead for the future. Before I wrap up, please take your time to look at the machine and the video clips next door, because often a picture tells a story more graphically. I would like to thank you very much for your time, I will happily take questions shortly, but first I would like to hand over to David Steele.

David Steele: Thank you Ian. Good afternoon ladies and gentlemen. Ralph has asked that today I provide you with an insight into some of the current regulatory and tax related issues that face land-based businesses within the betting industry, and also to give you an idea of the direction we are heading in terms of our government lobby.

The agenda for this slot is to provide you with some background and context on the High Street sector, explore some of the key regulatory and tax risks, focus on current gaming machine consultation and then finally wrap up with some key messages for government. However, just before I start I think it is very important to recognise the fact that regulation and taxation are not new to this industry. As an industry we are mature and engagement with government is nothing new. Yes, we now have a regulator, but most of the topics on the agenda are things that we are very familiar with, have process in place to deal with, and is very much part of our operational day-to-day routine. In truth, arguably there is less substance on the political agenda now than there has been for some time, but the run up to a general election has also provided an opportunity to engage with new opinion formers and politicians, many of whom have a more business focused view of regulation. So, let's take a look at the UK's High Street operation.

We have seen earlier that the five major High Street operators William Hill being the largest as you can see between them these five operators account for over 80% of the total market of over 8,500 shops. William Hill and Ladbrokes have similar numbers, eventually working down to the total we have around 500 shops. Beyond this, no operator has as many as 100 shops, but a very few medium sized players were between 15 and 50 shops and after that there are a small number of independents around 200 of which are single shop operators. There has been considerable consolidation over recent years. The industry is a direct employer of nearly 60,000 people and is particularly suited to the requirements of a flexible, diverse and part time workforce. In financial terms, we are a high turnover, low margin retailer, total estimated EBIT of 760 million, which generally sits on the fringes of the High Street, but we are very much woven into the fabric of many local communities.

In terms of contribution, we make payments of near a billion Pounds in tax including gambling, corporates and local taxes, just over £60 million to horseracing via the levy and a voluntary contribution of around 30 million to the Greyhound industry. What does all this mean?

We are major contributor the UK economy, paying more than 400 million in tax than an equivalent non-gambling sector and equally we are a significant employer. This is why we have a voice with government, particularly at a time when unemployment is a significant concern. We heard earlier about the importance of gaming machines to our business model, but let's not forget the significance is in no way related to any desire on the part of William Hill nor the industry not to have a solid working relationship with the horseracing industry; it will be madness to think otherwise.

We have faced an increase in our cost base, widely due to the increase in picture costs and this is something, but in the longer term it is simply not sustainable in a low margin business. We cannot make statutory payments to racing as well as meeting increasing media costs. There is a symbiotic relationship between the industry and horseracing, and whether they appreciate or not, horseracing's success is wholly dependent upon the health of this industry. We are not diluting racing's products, we are simply responding to differing customer preference.

Finally, on this slide I want to return to the importance of the small shop, which for ease of reference probably represents around 30% of the High Street sector. These are the shops and they exist in all the major estates, as well as the independent sector that are susceptible to a relatively small change in their cost base, but more candidly these are the shops that are in danger of closing if increasing costs are not offset by equivalent incremental revenue. The result is that more than 10,000 jobs are probably at risk in the event that the government significantly increase the tax burden.

I would now like to look at some of the current issues facing our gaming machine business. As I am sure you are aware, there are two concurrent consultations on gaming machines; high stakes, high prizes, and the proposed move from AMLD and VAT to GPT.

Firstly, I would like to look at high stakes and high prizes, and I think at the starting point it is helpful to give this matter some context. As you can see, Britain's first gambling prevalence study was undertaken in 1999 before the emergence of what became known as fixed odds betting terminals, now gaming machines. In this study they determined only approximately 0.5% of the population had a problem with gambling. FoBTs on the other hand didn't emerge until around 2002, and by the time the 2007 prevalence study was undertaken approximately 30,000 gaming machines had been installed in Britain's High Street betting shops. Despite this, the prevalence study showed now material increase in the incidence of problem gambling. The good news unfortunately doesn't necessarily get good media coverage, but the facts are customers like gaming machines; there is no data to suggest that they cause problem gambling. In fact, further research post the 2007 study placed V2 gaming machines further down the risk register. Finally, let's not forget that gaming machines are an important source of government revenue. Equally, the Gambling Commission wrote to the Ministry in June of this year confirming that more research was necessary and this was a priority also for the new responsible gambling Strategy Board. In my view this is a positive for the industry because it signals and informed and data driven approach to decision making.

To reiterate, the importance of the revenue stream is recognised by Treasury and there is evidence to support lowering stakes…there is no evidence…stakes and prizes. Also we recognise that regulatory relaxation around V2 numbers in unlikely at this point, but, as Ian has already demonstrated, this is not an issue to us. We will lobby for a regulatory relaxation around content and delivery, because this is nothing more than the evolutionary development of a relatively new product, and remember other sectors have already seen some relaxation on this front in order to help combat some of the economic challenges currently faced.

Turning now to the parallel consultation involving the review of taxation, let's look at the factors, we are aware of them. Gaming machines are taxed at the prevailing rate of VAT plus an AMLD levy per machine. The government proposal is to simplify this regime and replace VAT and AMLD with the Gross Profit Tax similar, but not necessarily at the same rate, so that levied on our over the counter business. The Treasury undertook pre-consultation with the industry via the ABB which hopefully demonstrates the importance with which they view the industry. Treasury indicated during the pre-consultation discussions that they were looking at what might best be described as no worse than a neutral tax position. Ultimately, however, we have to accept that the decision is a matter for ministers.

From the econometric modelling undertaken by the ABB, the tax neutral position for the industry would appear to be around 18% and needless to say that within the sector there would be winners and losers if this rate was ultimately imposed. That said, the industry has lobbied for a 8 nearer to 15% for many of the reasons already stated earlier particularly because of the need to support a low margin business in recessionary times. Some of the smaller operators are actually below that threshold and therefore the introduction of GPT would be a new cost that they would struggle to bear. The consultation is now closed and the result is awaited.

I would now like to turn to betting exchanges, which is a major concern to the industry and where we are lobbying both the Minister and the Gambling Commission for action. In case there is any misunderstanding let's clear one thing up first; we are not opposed to betting exchanges and like many operators we ourselves hedge in to them.

That said, we have two issues: exchanges are a haven for unregulated, commercial bookmaking activities and we believe that the exchange mechanism results in a loss of income to Treasury in the form of GPT and to horseracing alike in the form of a levy. If we start with what we know and acknowledge that this is very little we know that racing shares our concern and the levy contribution to racing from exchanges for 2008/9 to £6.2 million. We also know that exchangers pay a 10% levy based upon the commission they earn from winning layers and backers alike at rates of anything between 2 and 5%. So, we know that exchangers must have earned over 60 million in commission, and, in all probability, this has been generated by winnings of 2 to £3 billion. Unfortunately, we don't have access to the data that will ultimately prove out whether our concerns are fully justified, but based on what we know we have continued that revenue and that is both GPT and levy is being lost. Just maybe consumer interest in races product isn't heading south, perhaps it is just being diverted somewhere else.

Our telephone business has seen a rapid decline in its profit which corresponds with the increase in [unclear] profit growth. I refer you to the graph in front of you at the moment. We readily accept that is not all down to exchanges, but the correlation is uncanny. Put simply, the landscape is inequitable and it is time for government to take some action.

Finally, what are our key message to government? The industry is already heavily taxed and further taxation is bound to result in job losses. Remember the number, an importance of the small shops, around 30% of the total employing over 10,000 people. Horseracing and greyhound racing are highly dependent upon the health of our industry. Despite the picture that does sometimes portrayed, we are all in this together. However, the industry has borne a significant increase in picture costs, the levy is anachronistic and it is time for a commercial deal. We are also looking for fair tax and regulatory environment that supports growth, but acknowledging the need to protect the vulnerable. Greater regulatory scrutiny is needed upon regulated layers or bookmakers by any other term on exchanges and landscape business level and action is required, and finally we need evidence based decision-making.

As I am sure you will appreciate, this is not a subject where it is possible to give absolute answers, but hopefully, I have given you an insight into some of the issues we presently face in our thinking in this regard. We know that government have heard our messages and with continued lobbying both direct and via the ABB we will continue to inform and help shape their thinking. Thank you for your time and I would now like to hand back to Ralph.

Ralph Topping: Thanks David, thanks Ian. There is time for some questions and hopefully some answers as long as they are provided by the main speakers today, I hope, Ian and David. We take questions from the room and then we will also take questions from the conference call. Questions from the room. A long-standing tradition, Ivor…

Question: Thanks very much. Three quick things; what is a Brand and Marketing Director do, and what are they going to do for William Hill?

The chart on page 24 on the right, I am afraid I did not understand. I was busy with the utilisation machines. And then Ian you talked about a mean slip value of 2 to £3; what do you think the mean number of slips is per visit; what is an average person spending each time they go into a shop?

Ralph Topping: You want to take the last two questions, Ian, and I'll come onto the Brand and Marketing Director, what does he do?

Ian Chuter: Utilisation chart, so, you have got three columns, four, five columns there; you have got a percentage against zero machines and I think from memory it is 29% at any one stage there are no machines being played. You then get into whether there is one machine being played and it gives you a percentage figure, and then you go all the way to the end, and, again, from memory there are only 9% a time when all four machines are being played. So we are trying to demonstrate that we have capacity.

Question: It's a split in time across the top, yes.

Ian Chuter: Yes. In terms of what they spend on average visit – I can't answer that question I am afraid, I just don't know the number.

Ralph Topping: Okay, what does a Brand and Marketing Director do? Well, the reason we have got, Kristof Fahy…first of all we have always had a Marketing Director in the organisation and it is very important to us to find a new Marketing Director after our last one exited the business and we have taken our time on that as we have developed online business. Secondly, our brand is increasingly seen across the world and across the internet, as we have the stewardship of that brand and the way it is managed and developed is something that increasingly is part…a sharper part of our focus. Kristof, after doing an extensive interview, first of all a search and then an interview process, Kristof Fahy was by far and away the winning candidate, given his…for this role, given his experience with Blackberry, Orange and with, as the Yanks call it, Yahoo, so delighted to have him on board, and if you want a detailed job description Ivor, as you sit in your garden, we will certainly try and get you one.

Question: Just a check, this is a group wide role across Online and Retail?

Ralph Topping: Yes, it is.

Ed Birkin: Ed Birkin from Barclays. Just the 18% tax neutral position on the machine GPT, can you just confirm what your personal tax neutral position would be? Is it…am I right in thinking it is around 16%.

David Steele: No, ours is broadly in line with the industry position.

Ed Birkin: Okay, thanks.

Vaughan Lewis: Vaughan Lewis from Morgan Stanley. A quick one for Ian, you are sort of pushing football quite a lot and that area of growth; you don't have Sky in many of the shops, do you think that will be a competitive disadvantage against Coral which has got that in all its shops now.

Ian Chuter: Our view of Sky is that the cost of content is too high currently. Given the choice, and you have to look at it from your own personal perspective, if you want to go out and watch the Arsenal v Chelsea derby on Sunday where do you want to do it: at home, in the pub, or a betting shop? Our view is that betting shops are way down the line. There are times, however, where maybe on a Saturday afternoon it would be nice, but it just doesn't cover the cost. I think at our peak we had 700 shops with Sky TV, we did detailed analysis by taking 100 shops, withdrawing Sky, seeing what the effects of the business is, we did it in competitive locations where other competitors had it, and largely what we concluded is there was no difference because people want to come in, have their bet and then go off to the pub or go home to enjoy the match having had a small bet on the outcome.

Ralph Topping: I haven't seen any material damage on our market share versus Coral on a head to head basis.

Ian Chuter: No.

David Steele: The only thing you might say on that as well is anecdotally if you went and chatted with the staff then you could be left with the perception that it was important but, I think, if you're working in a betting shop in the evening in quiet times it was actually staff who wanted to watch it more than the punters.

[Laughter]

Ralph Topping: It's also like any Harpo Marx service because everyone's on silent and you're just watching the pictures because the prompt to betting activities through SIS and Turf TV feed not through the Sky service. The bottom line is it's not worth it and if Coral is one to have it, great.

Question: I have a couple for David, if that's alright? What do you think the risk of GPT going over the counter as well as the same rate as machines might be and then what are your lobbying plans against Betfair? What are the ideas as to how that would be more equitable?

David Steele: Alright, starting with the first because we know intimation or indication that it will do. My take on it would be that in the last budget if they wanted to move in that direction the easier move would probably equalised around VAT and move GPT up to 17.5%. Given that that didn't happen and given that employment is of particular significance at the moment to the Government, I really don't see it being on the horizon but arguably we can never be absolutely sure, clearly, but there's certainly no rumours on that. There's been no speculation around it; there have been no discussions around it. To the Befair piece, it is really about getting to Governments and look into this. I think it's in the hard to do box and so really the push is more probably with the opposition, making an assumption that they may form a government in the 6 months and also via the Gambling Commission, they are the regulator. Betfair was set up for armchair matching of backer and layer, and our belief is it's moved substantially on from that and there is now a need for them to look at it. It's a dual push. It's through Governments and opposition and also through the Commission.

Question: What are the actual ideas because these are all sort of private individual layers aren't they about how would that…?

David Steele: We don't believe that's necessarily the case and the argument must be when does a private layer become a commercial one. Wherever you set that boundary there must be a volume where it's moving beyond armchair activity.

Ralph Topping: I still think it's still the biggest Masonic Lodge in Britain; it's the biggest secret society that is Betfair and other exchanges.

David Steele: The other thing I would say is that if you mention it to any MP, it's absolutely guaranteed to get the reaction, "Really does that go on?" I think there is very little transparency or understanding about it and I do think we'll be able to get a move to at least look at it.

Ralph Topping: So we challenge the Betfair guys to show us what's behind your kimono, guys. I'm sure they won't.

Question: One for Ian and one for David, if I can. Ian, you talked about not giving away margin in shops where you're not competing, which sounds to me like an argument against a widespread loyalty scheme effectively at a Group or retail level. Can you give us an idea about the competitive landscape, for example how many shops in the local area you're competing against in a certain portion of your estate, for example. Then, for David, you talk about lobbying for relaxations around content and delivery, I think, in one of your slides. If it's not numbers of machines and presumably it's not State comprises, what exactly are you lobbying for then?

Ralph Topping: Do you want to go first, Ian?

Ian Chuter: I think the…I certainly wasn't making any reference to loyalty cards. I was just stating the fact that if you give away concessions and free bets in an environment where you don't have to, you're just giving your profit away. I think when it comes to competitive landscape, we track all of our competitors Ladbrokes, Coral, Tote, Fred, Paddy Power; we even track the independents and that's done on a month-by-month basis. We look at them from the shops that are a 100 yards away, 200 yards away, 300, 400 so we actually can see how many are there but from memory we've got something like 1,800 shops that will have some form of competition up against us and you will match those offers on a shop-by-shop basis.

Ralph Topping: Every location is unique. I can tell you there are shops in Glasgow where our competitors, 60-70 yards away; we happen to be across one of the Suicide Alley, one of the busiest roads in that wonderful nest in the borough of Scotland, and they just wouldn't offer any concessions or of your normal trading terms against that location, but we've got other locations where shops are almost next door to us. A little place in [West William] called [unclear] and Ladbrokes are directly adjacent to us, so in that location you would be very keen not to lose any clientele and be very competitive on your offers and your pricing so it's horses for courses.

David Steele: Well, hopefully, Ian's shown why we're not arguing from more machines. If I give you a couple of examples maybe the linking of machine jackpots at a shop level as a starting point. Perhaps an increase in B3 stakes, so there are a number of things we can look at. I think it's probably easier to argue for evolutionary development around the existing number of machines and recognise the fact that it's unlikely that machine numbers will grow, certainly at least in the short-term.

Ralph Topping: Probably capacity wise on our estate we could make an argument for how they've got another thousand machines or thereabout. I wouldn't like anybody to run away with the idea we're looking for 2,300 betting shops times 2 extra machines and an extra 3, but we could comfortably take on another thousand plus machines but not much more than that.

Simon Champion: Morning. It's Simon Champion from Deutsche Bank, two questions. First one is can you just explain to me how the machine taxation, tax neutrality for the industry works out as tax neutral for you. You've been incredibly successful in terms of your machines, so I presume that you were a more profitable potential loser to the taxation industry neutrality issue. The second question is, where do you think the tote shops will end up on a 3-year view. Do you think they will end up with Corals and therefore how much of a threat is a better invested Tote estate to the business in the medium-term.

Ralph Topping: I'll deal with that one. If you wanted the answer, a good management team would die to get its hands on the tote, but my guys are heavily incentivised to stay with William Hill, so that won't be happening. There'll be a much poorer management team that gets his hands on the tote, and therefore they're of no concern to us in that respect. They are of no concern at the minute and no concern going forward. I hope that answers your question, Simon. You want to come onto the 18%?

David Steele: Yes, I think, probably Simon the key to it is about partial offset and VAT, it's what you're offsetting against it that draws is out to that level. Certainly the range of numbers I've seen and the ABB did some pretty extensive econometric modelling around it was there are some at 14.5 somewhere around the 18% but clearly the bigger players are the ones who influence the overall spread. Certainly the ABB survey was vast in the sense it had all the major players feeding into it but it is around partial offset of VAT that drives the number out.

Ralph Topping: I was privileged to be part of that delegation to the Treasury and it was great to see the Minister's ruddy complexion turn grey when she finally comprehended this was more difficult than her officials had told her. I think there's a favourite phrase about long grass kicking or rearranging those words; "Post-election through that end, to hard box, how the hell do we get off this [hook]." All those kind of questions that Ministers ask themselves from time-to-time usually when in the toilets, so I don't think anything will happen until 2010, certainly.

Question: [Alfred Alexander] from Merrill Lynch. How do you see competition with online? Do you think pricing difference is sustainable there? Do you see it as two different markets, online and offline?

Ralph Topping: Can we bring that subject this afternoon when we've heard Henry's presentation where we deal with the…comparing contrast, once we've heard Henry's presentation, you don't mind would you? If you're not going to be here, just say, "I'm not going to be here, so I can't ask you." We'll note it and we'll broadcast it later and you can review it tonight at home if you'd like. I'd much prefer to deal with it later. I'm not trying to be funny, I'm just staying it will be sensible if we did it there okay?

Question: Just on the chart where it indicates the staff service is now the most important for the customers for the first time in 20 years. Is that perhaps an indication that costs have been cut back too much in your business and in the industry as a whole and does that mean that more cost are going to have to come back into the business to address that?

Ralph Topping: The answer is "no" to both.

David Steele: Absolutely not.

Ralph Topping: No, we haven't been cut to that extent where service is suffering. We've been cut sensibly and we never cut cost to the detriment of service. That's not been our ethos for the last 4 or 5 years, anyway. We certainly have better trained staff than you ever had and you will remember that we've also…every shop has a minimum of two people in it during the peak trading period. When we had…and that's not changed since we went to EPOS, and EPOS allowed the one person who used to sit at the back of the shop with the red pen, settling the bets to come and put forward to the front of the shop. So we are making really strong arguments for saying and it's showing up in our statistical evidence that customer service has much improved since the introduction of the EPOS. You don't see customer service ever being emptier than William Hill to the detriment of either the customer in the first place for putting more [unclear] than all our staff. I know a lot of businesses look at the issue of single manning, which is right the throughout day leaving one person in the betting shop. We've steered well clear of that as a policy of the company.

James Vogel: Hi, James Vogel from Moore Capital. Just looking at page 19 the chart with the gross margin or rolling gross percentage in football compared to the other sports, it is quite amazing how much more volatile it is. If it's a lack of draws that's causing the volatility, am I being too simplistic in just making draws slightly risk reliant and more people bet it on and making the win/loss tighter lines.

[All talking]

Ralph Topping: My 40 years versus your 26 here, Ian. There's predilection amongst people to go for a win on either side. The mentality is, certainly the mentality of people who are in my business and certainly probably the mentality in the pubs as well; I don't think you ever bump into somebody who says to you, but very rarely, "I'm betting the draw tonight because I'm convinced the draw is going to be happening. I'm certain the draw is going to happen tonight." I bumped into an Arsenal fan on the way into the Emirates last night and was saying, "It's going to be draw tonight, I feel it in my bones." It was all about Arsenal winning. I think there were a few Belgians there totally convinced that Standard Liege were going to win, so in the psyche of the average person, they're usually male, it's all about winning and not about drawing except when you go to the payout counter.

We're not going to change our pricing on that basis; that we had a statistically freak earlier the year. I haven't seen it ever in 40 years seeing that low level of draws. On the basis the weatherman has been saying you won't see weather like that for another thousand years and then it bucketed like mad the next day. I ain't going to ever say you will never see that happen again in the next 40 years. It could happen again but it will be a statistical freak until it's established there's not been a statistical freak and the jury's out on it at the moment, I can tell you that Simon, which organisation are you working for nowadays?

Simon Larkin: Nomura, Simon Larkin. Thank you very much. Can I turn to page/slide 20…slide 28 rather when you've done your contribution of William Hill's retail estate by decile. If I read it correct and may well not be, 60% of your profits generated in 30% of your shops. How has that changed in the last 7, 8, 9, 10 years? Is it the same picture or has it become more skew. Secondly, with regard to your refurbishment….

Ralph Topping: I'll give you an answer to the first one, so we just take the question off you there. So that's, "Don know." Let me run the model and get back to you with that answer.

Simon Larkin: Thank you and maybe you have to come back to me on this one as well. Of your bottom two or three quartiles, is there a correlation when they were last refurbishment, i.e. the shop that's been longest since being refurbished are they all in the bottom quartile?

Ralph Topping: David, one of your jobs is property and development; could you answer that one?

David Steele: There will be some correlation Simon; the reality is our refurbishment look at where we believe we will get our best return and often that isn't it in the bottom end of the estate where shops are marginal. They usually sit in the re-site or extension list, more usually the re-site, so the opportunity comes from a re-site not from a refit. Yes, there's a correlation but there are other reasons why they're there and maybe expenditure hasn't gone their way.

John Beaumont: Thank you, John Beaumont from Matrix. I was just wondering where you were actually as an industry in terms of discussions with the racing industry on the levy. If you could just remind us where we are and when the current agreement expires and…

Ralph Topping: Well, it doesn't expire for a wee while, yet, because there's [audio] the next bookmakers committee. We meet regularly as a series of organisations around the bookmaker committee table and I'm not sure when we we're next due to assemble but there's no levy discussion planned until probably next year. The levy's rolling over and we're into October next year before we get to the final drawings on it. Where do I think the levy will go? I'm against the levy; I'll do away with it tomorrow if I could. That's the William Hill position. We don't like this ritual dance where you go in one door and you have a levy discussion, then you come out the next door and say it's the same series of people and you start talking about a commercial arrangement. It's either a commercial arrangement or it isn't. A levy stated by any other name and it suits the lazy people to have a levy and there are no lazy people in bookmaking, but there may be some around the quadrupeds' boat. [Audio].

That's the last question. We'll come back this afternoon.

William Hill Analyst and Investor Day

25th November 2009 – 1.30pm

Ralph Topping: This afternoon we're dedicating to Online and we're definitely going to make use…the first question to these two guys. The lady with the microphone please note that we have got…for continuity purposes we're going get the guy down here who stayed on for this afternoon to ask the first question. You have got a great benefit because Henry will never remember what the question was, so you would be surprising him again. If it was directed to Jamie, he will be frantic by now. The two guys this afternoon, Henry Birch, Chief Executive of William Hill Online, and the young guy with the yellow tie is Jamie Hart, who is the person I described earlier as one of the best gambling brains in the UK. Somebody said that I say rambling brains and, no, it is definitely gambling brain. So without further ado, can I introduce Henry?

Henry Birch: Thanks very much, Ralph. Good afternoon everyone and happy Thanksgiving Day to…well tomorrow to any Americans in the audience or anyone listening in on the webcast. As Ralph said, I am Henry Birch the Chief executive of William Hill Online and I am going to give you a quick overview of what we have achieved in the last year, talk about our view of the market and then talk about our future and why we feel we are in such a good position to succeed. I am then going to pass you over to Jamie our Sportsbook and Trading Director who will you some detail and our plans on our Sports Betting product.

First I want to recap on what we have achieved in the past ten months and how we have already substantially changed our business. I can't emphasise enough how different the business is from the one that I joined a year ago. Most obvious is our transformation from a UK centric company into one that is international in terms of locations, staff and revenue. We have put in place a new management team, having drawn people from across the industry. Some of those people are in the audience today; we have got Jamie our Sportsbook and Trading Director, we have got Cathal McCarthy our Finance Director, we have got Henry [Cortia] our Marketing Director, James Henderson our Operations Director and John Moss our Business Development Director all sitting with us today.

In that group of five people you have got over 60 years of gaming and betting experience and you have got experience from about 12 or so different companies. We're still putting together some of the final pieces of our management team and we will be announcing a new Head of International in the next few weeks. We have moved our business off shore to Gibraltar. A year ago we had 12 people there and now we have a fully-fledged headquarters with more than 120 people across Sportsbook, Trading, Web Operations, Product Management and Customer Services as well the usual head office functions. Through our joint venture with Playtech we have acquired marketing activities that we previously lacked. We have also changed both our major operating platforms, moving our Sports Betting platform from our own proprietary system to Orbis and moving our Casino and Poker platforms from Cryptologic to Playtech. Few would argue with our assertion that we now operate on the two industry leading platforms. I hope you will agree, all of this is a huge achievement in a relatively short period of time. Of course is still early days, but with the recent launch of our main William Hill Casino on

Playtech software, integration is complete and the pieces are now in place for us to build a substantial online business.

So where are we today? Our operations have now located to reflect the international focus of this business. Gibraltar is the head office where I and much of the Senior Management team are based. We retain some IT and marketing in the UK and through our deal with Playtech we now have offices in Israel and Bulgaria. We have been busy and all of this has required resource and focus, but against this backdrop and that of a global recession we have also produced a respectable financial performance as evidenced by our interims and our more recent announcements.

Before I talk about our own business, I want to touch on our industry as a whole and some of the issues and opportunities it faces. One of the key themes of our industry is regulatory change. Markets are liberalising and opening up, not just in Europe but all over the world as evidenced by India, South Africa and the increasingly encouraging noises coming from the US. The long-term trends of the industry are also very positive. Gambling is becoming more socially acceptable and is being seen as a mainstream leisure activity. Online usage and broadband penetration continues to increase, likewise mobile. The ever increasing sums paid by broadcasters such as Sky for live sports content means that sport gets an increasingly high profile and gets promoted more and more. We benefit from this virtuous circle and more that sport gets promoted, the more that people bet. The good news is that all of this means that the online gambling industry is forecasted to grow from $7 billion in 2008 to $14 billion in 2012.

Turning to gambling liberalisation in more detail history shows that a liberalised gambling environment drives growth and the UK is a key case in point. We calculate that if the EU as a whole were to experience a similar impact of liberalisation as the UK, the European online gambling market would be nearly three times the size it is today. Equally, industry projections for those countries that have or are planning to liberalise their gambling markets far outstrip those forecasted for the status quo as evidenced by Italy, France and Denmark in the table here.

Of course there is also a potential flipside to liberalisation in the form of higher taxation and product restrictions. It is clear to have a negative impact on earnings in the short-term but our view is that the unrestricted ability to advertise in local markets, coupled with other benefits such as better payment processing will outweigh any negative over the medium and long-term. In addition the experience of Italy has also shown that newly liberalising regimes are likely to reduce taxes and product restrictions over the course of time rather than increase them.

Turning to the economy, we believe the effects of the recession will continue to be felt into the next year and have an impact across the industry, but we’re confident that the negative impact will be far outweighed by growth initiatives we have underway, which I will talk about shortly.

Before I talk about our plan for growth I want to briefly talk about our customers. Like retail our customer base is skewed towards male customers, although less extremely, but our customer base is also younger and our largest customer segment, the 18-34 year olds is also the lowest spending segment. That means that over time our younger customers will spend more as they age. That means we will end up with older customers who spend more online and with a new age cohort coming in each year.

I now want to turn to what we view as our key drivers of growth and talk about these areas in more detail; namely our Sportsbook, our Casino, our international growth and exploiting our marketing capability. Jamie is going to talk about our Sportsbook in more detail but I want touch on why it is important from a strategic point of view and why we have an advantage of being a sports led company.

Sports betting is the most effective and cheapest way to attract and retain customers. The cost of acquiring a sports betting customer is less than half the average of all our other products, yet they typically have the longest life span and the best potential for cross selling other products to them. Head-to-head a Casino customer will provide a higher yield in ROI than a sports betting customer, but a sports betting punter who was cross sold into gaming will out strip a pure gaming customer. You will see from the graph here that a large proportion of our customers have been with us for more than two years and are still contributing significantly to our bottom line. In other words we have a very loyal core customer base. This is an area in which William Hill has a distinct advantage over most of its online competitors.

William Hill is first and foremost a betting company. It has Sports betting pumping through the veins of every employee, from customer services agents to the Chief Executive. When I look at many of our competitors I see marketing company, I see technology company, but I see very few who are first and foremost gambling companies who understand the punter. This is advantage which I believe we can exploit to a greater degree.

Over the course of the last few years we have let the likes of Bet365 grow substantially faster than we have. We have had the customer accounts, but we haven’t taken a good enough share of wallet. This has been down to our product not being good enough and our historical focus being trained on the stability of our old platform, rather than on product development. That has already changed and in the course of 2010 I am confident we will have the best sports betting product in the market. You're going to see us not to catch up but leapfrog our competition. You're also going to be a lot more aware of our offering. We have never advertised our Sportsbook on TV. Again that will change in 2010. We are also improving our CRM and our VIP management and pushing our international presence which I will talk about shortly.

Sports betting drives our brand, our traffic and our cross sell, but gaming drives the bulk of our revenue. Nearly 80% of our revenues are generated from gaming and the majority of these are from Casino gaming. We operate two main Casino gaming platforms; our Playtech Download Casino and our proprietary Games and Vegas platform which offers flash-based games. Our Download Casino customers generate the highest yield of any product, but they also typically have the shortest lifetime. They're often bonus driven and will switch Casinos highly frequently, we therefore employ a multi brand strategy, cross selling customers from one Casino to another. You will see our main Casino brand on the following slide. Our Games and Vegas platform gives us a highly effective cross selling tool for Sportsbook customers who don’t view themselves as Casino punters and don’t want to download software.

In the course of 2010 we're going to be adding more branded games to our gaming offering. Branded games such as Deal or No Deal, Gladiator or Spiderman are a very effective acquisition tool attracting new customers and driving higher volumes than unbranded games. We are also adding new bonus engines to both our download and flash products that have been developed with our customer base in mind. We launched our main integrated William Hill Casino on Playtech at the end of October and we expect to see our Casino yields rise through next year as a result of better player management and better analytical capabilities.

In addition to our Casino we also offer very successful Poker and bingo products contributing approximately 10 and 7% of our revenue respectively. For most Poker operators, 2010 has been a tough year facing an increasingly unlevelled playing field from the US facing operators. In March of this year we migrated our Poker business onto Playtech's iPoker platform. As is the case of most software migrations we lost some of our business, but we now benefit from much greater liquidity with good geographical coverage and with the introduction of Pound and Euro tables our Poker business has been steadily improving. Our bingo business has performed very strongly this year with revenue increases of 50% over 2008 at the half year. Bingo taps into a different, mainly female demographic, but we have used our core skills and the William Hill brand to build a very successful business. Further success in Poker or bingo may not have a significant immaterial impact on our earnings but they play an important role as part of a full product portfolio. We will continue to develop Poker and bingo, introducing a new bonus engine and branded games in bingo and building an effective VIP management function for Poker.

One of the key areas of focus over the next few years is building our international presence. Historically we have been very much a British company, but that changed when we did our deal with Playtech. As we established earlier the global growth potential for online gambling is huge, but we and our competitors can't target all 195 countries in the world, we need to be selective and we need to be prepared to have a different approach depending on the characteristics of each market. In addressing international growth, we believe a portfolio approach which balances risk and reward is the right strategy. This involves combining countries with low risk, but lower returns and growth markets with potentially much higher returns over a longer time frame. We will review opportunities on a country-by-country basis because of the multiple factors influencing each market. We also need to balance our investment in international growth with earnings growth. In other words we have to invest now to provide a solid base for medium and long-term growth.

The next slide shows some of the criteria that we consider when looking at a market. There are many moving parts that make each market a unique opportunity; from the strength of incumbents to the structure of the regulatory regime. For instance; there are territories where the William Hill brand resonates and those where it doesn't to such a degree. The strength of the brand can determine whether we invest in marketing to build the brand or leverage our capabilities for a partnership model instead. Depending on these factors, we have four approaches to tackling market. We can take a local license, continue to operate under EU law, work with local partners or we can acquire an existing business. It would be a mistake to view William Hill as just another UK operator trying to succeed internationally, and I want to spend a minute talking about we have changed that element in the last 12 months.

A year ago only 10% of our revenue was generated from outside of the UK. Today that figure is 40%. We have our Casino and Poker products in 15 different languages. We have our Sportsbook translated and localised in seven languages. We have multilingual product and marketing teams and we have a dedicated customer service centre in Bulgaria covering 12 non-English languages. We have a global affiliate network and existing marketing channels throughout Europe and beyond. We're also putting the finishing touches to our international management team and this includes people who successfully launched and built European sites for our competitors, people who are aware of the pitfalls and mistakes that can be made. In 2010 you will see us translate our Sportsbook into a further nine languages, you will see us pushing to select the territories with a fully localised offering, with a localised website, trading, payment, customer services and all of that backed up with local marketing and brand building. At the end of last year we highlighted that one of the key pieces of rationale for doing the deal with Playtech was to improve our marketing capability and I would like to give you an insight into why this is such an asset to us.

For a start we substantially increased the scale of our online marketing capability; moving from a UK focused marketing team of ten people to a multinational team of over 75. This is a much more sophisticated team than we had previously. It is able to leverage all the key areas of online marketing including affiliate activity, pay for search or PPC, search engine optimisation and media buying.

Our approach to marketing balances risk and reward and we're very focused on the ROI of every campaign that we undertake. We have markedly improved our pay per search capability in which we bid for key words in search engines principally Google. In other words if someone types in the term Casino or Champions League betting, William Hill will be the first result that they see. PPC marketing works because it is targeted and relevant to the customer. We now have the highest share of clicks on the gambling related searches of any gambling operator; which is a 20-fold increase from where we were a year ago. Affiliate marketing involves working with third party websites and companies to drive traffic to our site in return for a share of the revenue; typically between 25 and 50%. The advantage of affiliate marketing is that it is risk free marketing; in you only pay once you have received the revenues. A year ago William Hill had a network of around 5,000 affiliates, today we have a network of around 70,000 affiliates. All of this means we have a lower cost of acquiring customers which is being born out across all our products.

Before I conclude and hand over to Jamie I want to touch on two industry trends which I hear increasingly from industry commentators, which I am sure I will get questions on. The first is the growing trends for companies, quite often those with falling B2C revenues to recast themselves as B2B –providers, and in some cases to generate large number of press releases about new clients you will never hear of again. In order to provide B2B services effectively to a large number of clients, the company has to invest very considerably in its operational infrastructure.

Outside of pure software providers such as Playtech, I can think of only one, perhaps two, companies who are really set up to deliver this. We are not about to position ourselves as a dual … company. Our primary focus will stay on B2B. We will look at B2B opportunities but in a very selective way. When entering new markets, for example, there can be a good case for looking for partners such as media companies, existing gambling operators or consumer brands whose assets genuinely complement our own.

The second theme is around consolidation of the industry. We are believers in the rationale for scale and consolidation in the industry but the mix of participants and a changing regulatory environment could make evaluations difficult, so we are very pragmatic about potential opportunities. We remain interested in further acquisitions but we believe we already have sufficient scan and reach, so our primary focus is on exploiting the assets we already have.

So, to conclude, I just want to reiterate why I think we are so well-placed to succeed in this market. First, we have a strong brand that we believe we haven't fully exploited in the UK. The UK is our largest market but there is still plenty of growth in it. In the course of next year and beyond, you will see us go much more on the front foot in making people aware of what we stand for and what we have to offer.

Secondly, the product improvement and development that we have undertaken and are planning will fuel growth, both with existing and new customers. Much of that product development is driven by our core expertise and knowledge around sports betting. I expect to end next year with the unquestioned best sports betting product in the market and substantially increase in-play betting volumes.

With our acquisition fully integrated, with our marketing capability in place and our casino and poker running on Playtech software, we also have the ability to substantially grow our gaming business. In Playtech software, we know we have the best gaming platform available and we have a gaming team to match.

Finally, we have the opportunity to grow our business internationally. We have the right strategy, the marketing channel's established, we have the team and we have the products. I am extremely confident about our prospects. We have made significant step changes in our business over the last year and we are only just starting to reap that benefit.

Now I am going to pass over to Jamie but, as I said at the beginning, I would be very happy to answer any questions you have. Thanks very much.

Jamie Hart: Thank you very much, Henry. I have been picked out by Ralph so I have got to make a big impression now, he has told me, just to add to the pressure.

The way I think we use the internet is changing and our Legacy system wasn't flexible enough to enable William Hill to keep up with that change, let alone lead the innovation needed to satisfy customers' changing demands. We had always offered in-play pricing but were limited to manual updates of top level, low margin markets. Our pre-match range of market per match all needed to be manually created or derived from simple look-up tables and, in short, the back end was a robust settlement engine, possibly the fastest in the industry, but it was originally built for telephone betting in the 1980s and it wasn't for an interactive website for the Web 2.0 generation. That's what prompted the move to All Bets and their Openbet platform and that enabled us to concentrate our effort and attention on the things we know best, giving our customers what they want and pricing and trading our product to get the best possible margin.

To illustrate the transformation we have made, I would like to talk you through some of the changes we have made this year and give you a taste of what's to come in 2010 and beyond. I will start by going through our in-play betting proposition, which could not have been achieved if we hadn't set up our own dedicated trading systems research and development team. I will highlight the strides we have made in terms of sheer market production and presentation, the additional content we served to improve our customers' experience within the sites and, finally, our plan to provide more flexible access to bet with William Hill wherever you happen to be.

As I said, our in-play proposition before this year was limited. We typically traded between one and five markets per match, whether that be tennis, cricket, football or even darts. There was no great science to it, with prices driven by trader opinion, weight of the money and the prevailing market, all manually updated over our various Legacy systems. In the short term we needed more, so we signed up to take an in-play [cede] from Sporting Index or SPIN, as they are known in the industry. That gave us an instant uplift in product but that uplift was reflected for whatever sporting index we are covering for that spoke betting clients and, ultimately, it's a dumb [cede] that doesn't take into account our own bid position or the wider trading market and is limited to the market SPIN provide on the events that SPIN are covering.

It was clear we needed to develop our own trading tools and pricing algorithms if we were going to have the control we needed to drive our own USBs going forward. So we have developed a trading tool that integrates with all this and any other system that we want to point it at and that can house our own algorithms and market-making software to enable us to bet on any match in the world, with or without TV coverage. We are now in a position where one person can run eight or more matches simultaneously, while we used to have to employ four people to manage three or four in-play markets for just one match. It's an ongoing piece of development so the first stage was delivered in the summer, which immediately gave us best in class in-play for betting for tennis and our latest football solution went live last week.

Here are some visual illustrations of the improvements we have made. On the left-hand side is our old site where you have got the Celtic Rangers match. The 90 minutes is all we've got. On the right-hand side, this is just something I picked up this week, North Queensland Fury versus Central Coast. They happened to be on while I was taking this screen grab but our in-play markets are integrated in the site in flash, alongside live streamed content and automated score boards. I think you can see there just what the difference is and it's not just the football. The worldwide market for in-play cricket is almost as big as soccer because of the massive interest from the sub-continents and tennis is our third largest sport after racing and football. As you can see, we have 20 in-play markets per cricket match, including three or four for every over, and next year we will be delivering ball by ball betting. There are more than 30 in-play markets in every tennis match. You will be able to see our in-play tennis betting working outside as we cover the world tour finals matches from the [O2] arena this afternoon. So if you go next door, Andy will have that up for you if you want to have a look.

As I have already mentioned, this wouldn't have been possible without the work of our internal trading solutions R&D team. Now, this enables us to enjoy the benefits of Openbet All Bets solution, its standard APIs and simple integration into third party games, while maintaining our own intellectual property over the crucial trading and pricing piece. The algorithms we have developed are suitable for pre-match and in-play markets and give us quicker prices, more events, more markets and bet sites and, even more importantly, better margins.

As you can see from the chart, our in-play tennis margin has been running consistently around 1.5% while we were relying on a manual solution. Following the successful implementation of the first phase of our in-play tennis model, our margin has lifted to over 4% and, what's more, turnover per match has also continued to grow alongside that. Our next stage of tennis and football trading software will be launched in Q1 next year and automated support for a further eight sports will be launched throughout 2010 where we expect to see similar levels of uplift in the margins.

The automation of our market creation pricing and settlement has enabled us to offer unparalleled levels of content. As you can see here, we already have over 170 markets on these premiership games and then the expanded choice applies to all leagues. As a Cambridge United fan, I can now enjoy 46 different ways of throwing money at them, with little success, unfortunately. Just under here, the table gives you some idea of just how dominant we are now in this space and our planned development will see further increases as we extend the wider choice across all international leagues as we increase our marketing in non-UK territories. The yellow boxes just highlight the market leader in terms of the number of markets per match for football matches within those leagues that are listed on the left-hand side, so a clear number one across all of the yellow boxes. I think SportingBet are doing us on Austrian and Belgian Jupiler but we will be sorting that out very soon.

This strength and depth is not limited to football and it delivers the right kind of business. As you can see there, our margin on our additional pre-match market has been over 10% since launch. We have got over 14 markets on each NFL game, are the only company who bet In-play on it every NFL match, whether it's available on satellite TV or not. I have used the NBA and cricket here to illustrate the types of market available but it's impossible to fit them all on in the screen. I suggest you browse this site to get a feel for the level of choice a William Hill customer now has online.

The margin on this additional product is better for two reasons. We can create markets with multiple opportunities instead of relying on a list of traditional head-to-head events, which means we can price to a higher theoretical margin, and the markets we offer are not offered across the internet or on the exchanges and, where they are offered on the exchanges, the liquidity is so low it's pretty unattractive as a betting proposition. So the demand is far less price-driven than the money we take on the headline trading markets, you know the 90 minutes football match market, the head-to-head tennis market.

The other way of limiting competition is to bet on things that simply aren't available elsewhere, so this is an example of a Second Division Greek game that we were betting on earlier this week; we tracked that hundreds of customers netted a 5K profit. On this occasion a trader oversaw the game but in Q1 we will be able to fully automate the process. It really is a case of 'build it and they will come', stick it out, they may bet on it. Nothing illustrates this better than our virtual racing product, available 24/7 with a competitive betting opportunity every minute and all bets settled by feed so the customer can instantly reinvest. If you think that the [cartoon] racing can deliver over £3.5 million gross win per annum, just think how much we can make by applying the same levels of service to our traditional products – 24/7 in-play betting with instant settlement and immediate reinvestment opportunities.

I would like to round this off by admitting it's not all about the betting and the markets. It's also about adding to the customer's experience by giving him the information and engagement he needs when he is betting and making sure he has access to the bets when it is convenient for him. That translates to the bottom line because our highest lifetime values come from users of our additional content who bet across sports and across products: casino, bingo, poker and sports betting.

To that end, we operate a dedicated betting news content site which improves our search engine optimisation and is used for blogs and customer interaction. We have an established online radio site where the average streaming listening time is one hour. You see the die-hard listeners that enjoy the insight between the races, they are not just dipping in for individual commentaries. We have track-side updates live from the course available online or on a dedicated iphone site. If anybody is interested in racing, I will give you the links to that. It's very useful. We have daily podcasts on racing, football and other sports, all with big name contributors and our race cards containing all the exclusive racing post spotlight data that's now only available to paid-up subscribers on the racing post site itself. Here it remains free for our customers. Our football service is similarly thorough, with a dedicated live score site with integrated in-play betting, Opta live data and full football stats for all the major leagues, all there to drive interest and opinion around the additional derived markets that we have brought out.

But it's no good having the best product in the world if people can't get to it whenever they need it. Now, our mobile services remained unchanged while we have been adjusting the internet issues but that's all about to change. There is no doubt that the internet is finally moving to mobile. It has been heralded for the last 10 years but the advent of smartphones, widespread Wi-Fi networks and better operating systems means the first point of contact is moving from the PC to the pocket. To that end, we are expanding our dedicated team to drive improvements to our existing mobile interface and build sites and applications that will take advantage of the expanded functionality of the most modern handsets.

So what do we have to look forward to in 2010? The delivery of our full in-play betting solution will be better than anything on the market at the moment, both for the customer in terms of the service he gets and the business because of the sustainable margin it delivers. Our development of deeper content will continue to roll out at the same level across all of the major sporting leagues that we cover and all of the territories that we are targeting. We have got plans to expand our content – written, audio and visual – across our own site and outsource to others and all this will be available via the latest handheld devices.

Needless to say, it would be foolish to expand our product without improving our personalisation capability. We have some exciting developments planned there. Now, if there is an industry that should be leading e-commerce on personalisation, it should be the betting industry. How many books does the average Amazon user buy in a year? The average William Hill Sportsbook punter has 15 or 16 bets a week. That's a lot of behavioural information to go to war with. On top of that, we have some unique functionality and development that will give you an even stronger reason to bet and stay with William Hill Online. I would like to go into more detail because that's the kind of stuff that gets me bouncing out of bed in the morning, but Ralph said I'm not allowed to give away the trade secrets yet.

On that note, I am sure there will be plenty of questions on that, so I will hand over to Ralph.

Ralph Topping: Okay, you have heard and I think you have seen part of my management team, by no means all of my management team, today. We share one characteristic – most of them, 80% of them have been recruited by myself and they have been not sheltered by myself, abused by myself, [unclear] by myself and, as you can see, … as a result, I think you have seen a good performance from all them today.

I am happy going to Q&A straight-away and I would be very happy to take a question from someone there in the front, yes. This gentleman over here, thank you.

Question: Yes. The question is do you consider retail and online to be two different markets? How do you see those two and the pricing difference between online and offline, do you see that sustainable? That's on the margin pressure subject.

Ralph Topping: *(Off mic)…* Yes, they are two different markets, retail and online. The first, retail, is best when with cash. It's about I think *(off mic)…* unlimited betting, sure it's a good place to go and remain anonymous and to be able to bet in cash and I think that will always be the case. There's also the fact that betting shops are in communities but, to add a little bit more detail to that, the mere … facts, where lots of people are living and they are also near where people come out to play, which is pubs and clubs, so I think they are two different markets and will remain so.

Answer: The second question about pricing – the differential pricing, with any business you will try to sell your product at the best price for you that you can get away with in terms of the margin so there's no need to undercut the margins when you've got an audience that isn't going anywhere. So in retail you may as well keep the same margin, just in the same way that Tesco Metro and Tesco Hypermarkets have different pricing policies. For Tesco Metro, you don't get much choice and similar with – for the bookmakers that are online, we are in the most competitive space for betting anywhere in the world, so we have to be competitive. Long term whoever wins that competition will be the people that build the best efficiency into their pricing and the delivery of their pricing.

Answer: I think, just to add to that, although we have different customer segments and different pricing strategies essentially, we actually benefit from using the same infrastructure across the two, so our retail brand feeds our online business and likewise in terms of our trading, our trading team would use that across both businesses. So it's two different business but we benefit from the same operating infrastructure, which I think is a key advantage that we have over some of our online competitors.

Ralph Topping: I spend some of my time in a betting shop in [unclear] up in the Oakland Hills. I have never seen a guy walking in there when *(inaudible)…* I've been watching for the last three years and I've been watching them behaviourally as well. They come into the betting shop [from the pub] next door, which is called the Red Lion. They go to a drinking establishment and … I can say that's safely because I live there and we don't have a William Hill betting shop there and I think we should. And so there's a wee challenge there to David Stewart to get yourself down to the Red Lion on the next Saturday.

So I think they are two distinct markets and we should – but [our place] is where you can leverage off retail into online and we have some evidence that you can do that but at the end of the day it's that we are giving the customer choice in terms of what you offer them and where they can have a bet with you and that's a big advantage to have 2,300 betting shops, websites, gaming sites and access points.

Answer: I think it is … that we have 2,300 potential outlets to pick up cash from winnings online that they can't match, suppliers can't match, [unclear] can't match and I think we can do more with that but it would tend to be for picking up catch rather than necessarily it won't.

Yes, thank you.

Ralph Topping: Well, there must be some – I am not clear whether the left side of the brain and the right side of the brain, but it's certainly the left side of the audience have come up with [unclear] guys, you know. The guys on the left of the hall are certainly asking more questions than the guys on the right, so that's a challenge, Ivor excluded. You can't just say you're on holiday and give me a second, we'll come back to you.

Question: Yes, Jeffrey [Hollowitz] from Royal. Just in terms of the 40% of your revenues that are outside of the UK, can you say which are the most important countries and which countries are showing the fastest growth?

Answer: I'm afraid the short answer is no, both for competitive reasons and in terms of, you know, the market we are looking to enter and to grow into, we don't necessarily went to let our competitors know that or people within those countries. So we haven't actually disclosed the breakdown of our revenues by country. We may look to change that in the future but I think we are not alone in terms of that.

Ralph Topping: He'll give you that answer and I'll give you the answer, with a fatherly figure because all my children are important; all my countries are important as well.

Answer: I think it's fair to say that we have a pretty good spread but I am afraid we are not going to talk about specific countries…

Ralph Topping: That's a bit disappointing. Okay, sorry. We'll come back to you later I think is the answer on that one.

Question: Hi, it's Ben-

Ralph Topping: Sorry, can you just confirm we are not back in Chechnya?

Answer: We are actually…

Ralph Topping: There we go, a surprise.

Question: Yes, I was just wondering about if you could be a bit more specific on M&A. What are you actually looking to buy? Are you talking about customer numbers, affiliates, if anything the product suite and can you just tie that then with do you buy into countries ahead of liberalisation that's looking to regulate its markets or do you wait for the liberalisation to happen? And also is that on how you assess ROIs, given the sort of evolution of the industry?

Ralph Topping*(Inaudible)…* given some strong assurance … was a major concentration over the next 12-24 months is going to definitely be on growing the business that we have and, if there is any jaw-breaking or jaw-dropping opportunities that come up, then we certainly we will consider them but it will have to be absolutely jaw-dropping. At the moment, has anything emerged in the last 12 months – no. Do I think anything will emerge in the next 12 months – no. Beyond that, I don't know. I am not prepared to leap more than 12 months at a time. Certainly not talking to anybody has made my jaws drop recently, I can tell you that. Ian, would you like to follow up on that?

Ian Chuter: I may just, to your second point in terms of do we or do other companies buy ahead of regulatory certainty in terms of liberalising countries – clearly if you are buying ahead of certainty, you are taking on more risk but you are probably paying a lower price. If you are buying once you've got the certainty, then you have the certainty but you are going to be paying a higher price.

Ralph Topping: Any questions? Anybody on the right-hand side or in the middle? Let's go in the middle, this guy in the front. Hi, how are you?

Question: Thanks, Ralph. I'm Richard … from Deutsche Bank. Henry, could you just sort of talk about how you are actually going to grow into Europe. Obviously, it's a very competitive market and the presentation was focused on sports betting, so could you just sort of describe in terms of marketing costs and actually how you're going to do that and should we expect marketing costs to increase dramatically going forward to next year? Secondly, if the growth is being sort of driven by sports betting, should we accept the underlying sports betting margin to improve as you grow into Europe sort of line with some of your competitors?

Henry Birch: Quite a few questions in there. I think on the first point in terms of how we are going to grow, I think you are not about to see us doing a … going backwards in terms of earnings. As I said before, we need to continue to grow our earnings, so we will do that but we do need to invest to grow for the future. I think where we have an advantage over other businesses, and particularly UK businesses, is that the acquisition that we made from Playtech, we bought a company that has existing marketing channels throughout Europe, so not just affiliates but they have been operating throughout Europe for the last five/six years, principally pushing gaming products but those channels are available to sports betting, so it is relatively easy for us to access those channels and push those. So that's one thing we will be doing.

In terms of the margin, as you know, Richard, you look at one company compared to another, it's very difficult comparing apples with apples and, in terms of where revenues come from, if we substantially increase our business in Italy or in Greece, then, yes, our margins will probably go up. Were we to go into Australia, they would come down. So it will really depend on the volumes from each of the countries.

Question: But, in terms of your infrastructure, are you going to start actually investing in the William Hill brands more offline in some of these newly regulatory markets, so that obviously will increase dramatically in the marketing spend relative to the [affiliate stuff]?

Henry Birch: I think, as I say, we are going to be investing but I would go back to my point before, we are not looking to take our earnings backwards.

Okay, thanks.

Ralph Topping: We'll work to the right. Ivor?

Question: Thank you. Can I pick up Richard's question on costs? Clearly, your update on detail, we could talk about UK TV advertising that one of your competitors did try, quite a large chunk of costs. Maybe it would be helpful for people who have heard a lot of cost-related matters for you to talk about how quickly you can scale back costs if something isn't working. If you put a lot of money into new products and new markets and you don't get a return, how quickly can you pull the money out again?

Henry Birch: Well, I think the principal cost in terms of any – for any operator growing a new market is actually marketing spend, so that's not overhead that can be cut. I am comfortable that the way that we have built the business that we have structured it in a way that we are not overly top-heavy in terms of costs and, if we did want to strip out costs from one country or another, then we could do that relatively easily.

Question: But how far ahead do you have commit to marketing spend?

Henry Birch: How far ahead?

Question: How many months' worth of UK TV advertising would you expect to sign a cheque for in advance?

Ralph Topping: Oh … we are not going to be sponsoring [Juventus] so that would be something like 10/12 million quid and we'll leave that to other organisations to do that but, if you're going to commit, to put it in context, we're looking at maybe about 3/4 million on TV advertising and the way we will structure the deals is that we will commit to tranches of it and gauge the return we get. So I do think it's a matter of saying there's a budget, that's an intention to spend, that's what we're going to spend and we're going to commit that to that budget but you can always scale back on marketing spend if you're clever enough in the way you do it. As I say, you know, we're already the proud sponsors of Malaga Football Club and we are [not] intending to sponsor too many clubs going forward. Certainly the guys have been told to stay away from the SPL and [Chris] has a conflict of interest there because we sponsor one club over there and [he] sponsors the whole blooming league and that would be far too expensive for William Hill to do. So we will roll it back where we can roll it back. Generally speaking, you can roll it back.

Answer: I mean to give you an idea, Ivor, we can buy TV advertising now for December, no problem; for the World Cup next year. Those spots will go in the next few months but, you know, some events you have to plan way in advance. For others, you have more flexibility.

Ralph Topping: Any other business, you may ask the question why did you bring Kristof in? For precisely these reasons, you know, that he's been in another space; he has worked in another space; he understands that space and we are looking to get a good return out of him, so more pressure on Kristof already but I think he's very much – he's convinced me he's very much a guy who looks like a [family] but, but there's also some brand development work to be done as well. We shouldn't forget that but like everything else, especially [unclear] you can measure the return you get, which is great. If you were in a land-based bricks and mortar business, it's very difficult sometimes to measure the return you're getting in broad terms and usually only through the kind of change you get in your machines or through your cash register.

Henry Birch: Can I just follow up on Ivor's point? I think the kind of underlying implication is well hang on a second, William Hill are about to invest internationally and you can make a mistake, how do you cut back on those costs. I think there are two important things we are doing in terms of making sure that we don't make mistakes: one, as I have said we have already got the marketing channels and the marketing expertise outside of the UK; second is we have actually hired from outside of William Hill. We have been hiring from other organisations who have built up European operations over the last three or four years. People will be coming into business who will know what works and what doesn't work, where the mistakes are to be made, and how to avoid them.

Question: Can I follow up, sort of on costs, on Affiliates Henry, I was surprised to hear you say that affiliates were a cheaper route to acquire customers; I thought they were getting progressively more expensive. Could you just…?

Henry Birch: I don't think I said they were cheaper, I think the advantage of Affiliate is that it is not, if you are undertaking a TV campaign, so you spend a million Pounds, you spend that million Pounds, you hopefully get the customers coming back with a risk in that. With Affiliates it is to some extent risk free because the affiliate drive you the traffic, that traffic generates revenue and you only pay for that traffic and revenue once you actually have it in the bag, so yes, a brilliant TV campaign, we would much rather take that over Affiliates because we may only have to…you could get a better return on investment, but with Affiliates you know exactly what your return on investment is going to be ahead of time. It is actually having the right balance of having some Affiliate marketing in there and having some TV advertising in there and the whole spectrum of marketing again.

Question: What proportion then of marketing spend is currently Affiliate based, and is that currently the right level?

Henry Birch: I am not sure if we want to share that actually, I am afraid.

Question: Final one, you didn't mention the USA, is there a strategy in a box in case there becomes an opportunity; are there partnerships already in place. What's happening?

Ralph Topping: We did mention it, we did touch upon it, but we brought in a wonderful young man from the city called Andrew Lee, who we haven't mentioned today, who has been doing a lot of work for us in various countries; I am quite happy to mention him, I am not too shy about doing it, but Andy has been over to the States several times because you have to do that exploratory work. He is also going in Australia, either December or January, so we are looking at getting different territories, we are exploring, that work goes on and we will pick on somebody else, picking, help us, I will no doubt do it next year as well as we continue to, if we start seeing things develop in the States, then obviously it moves from being a schematic to being a project, and the minute it becomes a project then I am happy to talk about any projects we have got undergoing.

Nick Edelman: Hi it is Nick Edelman] from Cazenove. Just a question in terms of growth; where do you see the most exciting growth opportunity coming from, perhaps in the next year and then perhaps in the medium term in terms of splitting between leveraging, William Hill with registering UK customers or the UK customer base developing the product and then growth outside the UK.

Jamie Hart: I am sorry to fudge the answer, but it is all of those really. I think in terms of clearly we have got significant plans for our Sportsbook which will impact both the UK because I think we have got a dominant position here and as I say we under exploited that, but clearly anything that we do with our Sportsbook will have an impact in any geography in which we operate it. I think we shouldn't overlook the fact that we are making changes to our gaming product as well, and as I said 80% of our revenue comes from gaming, so actually any change in there will have a significant impact in terms of our revenues and clearly, as I said, we do have international plans as well. I think those international plans need to probably be seen in the context of 3 or 4 years rather than just 2010, but you will start to see them in action next year.

Ralph Topping: Get you a lot of flavour, my particular thought process is and again the challenge that we have got internally which I was ambushed by the recent bond presentation, because as the breakfast was at 7.30 in the morning my brain doesn't really kick in until about 8.30 or 8.45. I was asked where do I see the sports betting business going online and I think if you look at our turnover in our betting shops, so money going across a counter would be something like 50 million, 55 million, depending on what time of the year that is, so pick a number in that range. You look at where we are online at the minute and our current run rate I will think, and that is without [Mr Pattinson's] work kicking out and Mr Hart's work kicking in.

I don't think it would be unreasonable to expect us to see half 40, 50% of our turnover that we take offline in betting shops being reflected in what we do online. I mean that is great internal target for the team and it's like any challenge there is going to be [bonused] on anyway, but I think it is realisable. And if we don't have that kind of dream, a realisable dream, then we shouldn't be in this business. I think that is where I see a large part of the growth coming from through developing the sports betting.

There is a big market, you can drop down from that and say well where are you getting it from, well, international certainly, but…I think in the UK, I don't really think we have matured in the UK. I think the UK there is an opportunity there to get market share which we…[audio] mentioned in any of the organisations that have taken market share from us necessarily, I think there is a chance not only of getting market share back, but to grow that market share substantially, so I am very keen on us not underplaying what we can do in the UK. International excites me but there is a lot more development work to be done internationally and in the sports betting context, and the guys are running with that, but I certainly think…big picture stuff I think is realisable, easily realisable that we get to 50, 40% of what we would take through our retail business, reflecting our online figures in the next two or three years. For the moment again, said there earlier on, if they're getting their target then they are all going to get shot. The funny thing is I mean it, because I think it is really deliverable. Sorry guys for fairly shooting, probably go for a milder method of execution. Swallow the tablet please.

Does that answer your question? I think it is a fairly, I am being fairly open about it, but it is an internal figure. I am quite happy to stand by it.

Matthew Gerard: Thank you Matthew Gerard again. Can you just actually clarify what percentages of the Sportsbook at the moment is in running and what you see perhaps as a realistic target to get to over the next say 12 or 18 months, as you look at some of the new launches that you get to? Secondly, can you just talk a bit about branding? Obviously William Hill has always been a one-brand company up until Second Half of last year; has your view changed in any way on applicability of the William Hill brand into Europe as a sports betting brand and would you consider running a separate brand alongside William Hill in sports betting?

Ralph Topping: It's never one question, is it? I always remember the last question; I never remember the first one.

Answer: It's between 28 and 30% but we think we can take that above 50.

Ralph Topping: And we're going to run with different brands. Sports betting, we never say never because we were Victoria in Spain because apparently Spanish people couldn't pronounce William Hill for some reason, too many Ls there I think. Personally speaking I think that was a mistake and we stand behind the William Hill brand certainly for sports betting, as brand that we would seek to develop overseas, but we need to do something around URLs to make life a wee bit simpler for people entering the URLs. I don't want to go any further than that.

We have done some brand research recently and we have also had an internal examination of what our brand is all about, and where we should be taking it and what we should be doing with it. Kristof is running the rule over that when he comes into the business and there will be some developments around what out our branding looks like, feels like next year. The William Hill brand came out very strong, is very important to this organisation and actually you would be plainly daft to do anything differently with the brand. You may have some minor brands around the gaming products which you can…well you can use people too. That has been proven by AL and his team in Tel Aviv; that they can do that very successfully, but I wouldn't play about with the William Hill sports betting brand at all. Kristof stood there, probably shaking his head at me, so he must agree with me. Next question?

Vaughan Lewis: Hi, Vaughan Lewis at Morgan Stanley.

Ralph Topping: Listen, if you just say one is raising money for charity, that is why you have got that awful moustache on. Why, listen, I will you a 100 Quid if you shave that off, son. And that is a commitment, so please, give me back the…

Vaughan Lewis: It's coming off next week. Could you just expand a bit on mobile, on what you are sort of generating there at the moment and what the plans are for next year; is it all sports; presumably poker is just a bit too interactive to actually work on a phone.

Answer: We are looking to…I mean mobile we used to…in the early days of WAP we were leading the field with mobile against our competitors. It has then taken a bit of a backseat especially while we have been going through this Playtech merger and moving to Gibraltar; it hasn't managed to get on the priority list. We are now in a position where we can bring it up to speed because we have dropped behind, so first thing we are doing is to bring it up to speed with everybody else's; in terms of the amount of business that we take through mobile at the moment, we are lagging behind our competitors at this stage, but you would expect that given that we haven't developed the interface in any way in the last six years.

Ralph Topping: There was a plan taken to our Board recently about mobile development, which is the Board signed up to, so in terms of strengthening our mobile offering there is a clear plan. Andy Lee has put it together actually, so, I am confident that is a route to go down. Andy is a big, sensible guy, he has a produced a plan and a timescale to meet that plan and some projections on where we can end up, which exists as a plan at the minute. I am happy on a future date to take you through what our thoughts are on all that, but we want to save something for the next time as well. That is very much at Board agreement stage and we are making it happen. It will be the first decent job Andy Lee has had for years, I think; where he actually make something.

Vaughan Lewis: A second one if I can. I think you would probably argue that the full value of William Hill Online isn't fully reflected in the share price and I guess longer term we are looking at acquisitions, so would it make sense to spin it off and have it as a completely separate division, not majority owned.

Ralph Topping: We are not thinking about that at the minute. Thank you very much for that difficult question. Shave that moustache will you…has anybody got a razor in the audience? If you shave in public I will give you 200 Quid. Next question. Any questions online.

Operator: If you have a question press *1 on your touch-tone phone. There are no questions at this time.

Ralph Topping: We have one more question.

Nigel Hicks: Nigel Hicks from Liberum. Can I just ask in terms of the growth profile of online, are you looking for a sort of purely volume driven, get as much revenue in as you can at low margins and then gradually build the margins up once you have got the scale?

Ralph Topping: I tell you what – Jamie, why don't you answer that question.

Jamie Hart: I think people are getting a little bit…it's like when we looked at Ian's piece with the retail customer and pricing was down at number five, I think a lot of people talked about becoming very competitive pricewise. Realistically it is going to be all about delivering what people want at the right time and so margin doesn't necessarily have to be impacted. In fact I think over the next couple of years our margins will go up because we're getting more efficient in terms of our pricing. We might be pricing for the same theoretical percentage, as we are now, so down to as low as 103 on some of the football, 106 standard across the big leagues, but we will be getting more out of it because we have changed from a traditional bookmaker, put your prices up and let the people come to you kind of model and sticking by your price into a much more fluid model which drives the online trading environment particularly influenced by Asia, so we're getting much better at that.

I think you will see a general increase in margin for some of the bigger players online, rather than a real kick back. We will then try and do the cross sell into a higher margin product just like we are with our In-play stuff where you have a lot more churn, a lot more multiple opportunity market, like in tennis, then next game to love, to 15, to 30 for the receiver or the server, we can build our 15% into that and it is a real churn market. That is where we're seeing things pick up and then you don't get price sensitive business out there. It is all about servicing. The price sensitive business will always be there, you don't have to look for that they will find you. It is all about getting hold of the core punter that does bet the 15/16 bets a week, obviously that average includes all the one-hit wonders, but you have got a lot of people out there betting 50/60 bets a week and just concentrating on serving them. I don't see there being a real squash down on margin. It is going to be much more to do with who serves the customer best in terms of makes it easy and simple and accessible.

Nigel Hicks: I actually just meant turnover in EBIT for your division, but that was very helpful, thank you. Could you actually answer about the turnover in EBIT for the division, in terms of the way the growth is going to come?

Jamie Hart: Not gross win margin, the EBIT margin.

[All talking]

Jamie Hart: I think for sure you will see…our turnover or our revenues are probably growing faster than our EBIT initially because of the investment profile than we're undertaking. If we are investing in our product which we are doing, if we're investing in international markets and in marketing then yes you're going to see the revenues increase faster than your bottom line, initially, but then your EBIT will catch up.

Nigel Hicks: Are there any parameters for maybe the scale as a percentage of turnover on marketing spend?

Jamie Hart: I think historically we have probably under spent because we have relied on our UK retail network and we will be spending more. I think in context your typical online operation will spend about 30% historically, we have spent about 20% online.

Nigel Hicks: When you look at a return, we obviously look at the more property based elements of gaming or hotels etc. How do you look at the return on say about marginal marketing spend? How do you actually measure what return you get? Say if you spend 10 million on TV advertising next year, how do you know how much return you get from that?

Jamie Hart: I think the advantage of online marketing is that you can very accurately measure your return. When you go into the offline world clearly those things are less measurable and proper value you create is in terms of investing in the brand and in fact investing in retention of customers, reactivation and increased spend. We are actually looking increasingly at ways in which we can measure very directly and in fact pay very directly for offline media that we undertake. I think you will start to see that increasing. I think media companies generally are realising that there are ways in which they can actually measure performance with online companies.

Ralph Topping: I think I can give you a clue as an answer of that. We have learned a lot from AL and Henry who run campaigns online, but they don't walk on water as well. They're the first to stick their hands out and say they make mistakes, but they get the information very quickly and they have got a historical database of information, which they can quite closely profile what kind of punter they're going to be getting; I suppose we could call it 'predictive analysis'. They have put quite a lot of resources and quite a lot of money into that and very quickly they can come round and see if a campaign is working. Really the operate that they operate is that they can also very quickly switch to something else, try something else.

I think part of the frustration perhaps that has been around the business this year is because of the integration process; which I think is gone fast and it has going remarkably well. Some of the younger bucks around here think it is going – that have got more adrenalin than I have – they would want us to move to Gibraltar on a Friday and start being a complete business by the Saturday. I think it is going remarkably well and we see that information coming in and especially around the gaming product. I think the trick is to see that reflected in the sports data that we get; which we have not got a great database on. I will be the first to admit we haven't got that. Using the Israeli guys in the business now we're developing that, and I expect to see some dividends around that. You would be very quickly able to see what kind of punters you get and what kind of value they're going to offer to your business, but moves away from being intuitive to much more scientific. I still wouldn't like to see us losing the intuitive bit of it because like a good wine taster, you're never going to replace a good wine taster and we have got some really good traders. We are moving away from being much more intuitive to much more scientific in our approach and you will see that reflect more strongly in our response to advertising campaigns on sports betting in particular. I am quite happy with the gaming side of things. I think we have got enough knowledge in Israel and elsewhere to give us that information.

I have an unnamed country in Europe to go and visit and catch a flight to, which for security reasons and also other reasons I can't reveal, certainly not Chechnya I can tell you that.

Question: On that subject can I start…but with 40% of your online sales generated outside the UK and some of those markets are subject to pretty murky regulatory environments; and you take the Portuguese case recently and what some other monopolies maybe doing. You take the French environment which may be liberalising on its own terms. What is the risk that you think big picture that some of your online business outside the UK could face crackdown in environment fiscal austerity over the next couple of years.

Ralph Topping: I don't think there is an immediate risk. I don't think there is a short to medium term. I think our preference would be to operate in licensed regimes. Our argument there is that Europe…anything to do with betting in Europe should be no different than if you were running a confectionary company trading [audio] and taking your product overseas. We should be treated the same way. There should be this ability to access markets and that is the legal stance up until now.

Say we do go into Italy or wherever then we will certainly still complain like mad through the European through Brussels around what is happening on online gambling. I don't think the whole thing has settled down at all. I think we're in a virgin territory here and regulators and online companies are going to have an interesting time over the next four or five years getting comfortable with each other. I think we will ultimately get comfortable and we will have a sense, we will either [want] Europe or countries in Europe, States in Europe which are running sensible regimes. At the end of the day you have to appeal to the punter and if the punter is not getting good value in his country, no matter what you try and do there they will go elsewhere, and we have seen some of that happening with PokerStars and Full Tilt.

I spoke to people in America betting with PokerStars, I spoke to people betting with Full Tilt and I just think the whole thing has to settle down. At the moment I am quite happy [unclear] Europe, like many other companies and also quite happy…I mean your nose gets shoved up against the window to go in through States but with a degree of reluctance and we will still go in, because we have a bit of a litigious company, we will unleash our corporate lawyer, Andy's team on them, because I think it is wrong. I think it is plainly wrong, it is daft, it is stupid. Country-by-country we will look at it, but we want to a big player and we will take any opportunity there is to become a big player.

If that is the France question, I am not going to answer it at the minute because we haven't answered it internally. If it is the Italian question then I am not going to give the answer here at all, but we will give the answer as and when we come to a conclusion on it. We're no different from any other company at the moment. There is a lot of posturing going on and we will have to wait and see where we end up. There is about a year before that all plays out, I think.

I am definitely not going to tell you where I am going if this is the next question.

Question: Just a question on in-running and how long do you think it will take competition to catch up with the technology that you have built?

Ralph Topping: I think the question is really we're catching with some of the competition and we have got new technology coming in, which will help us overshoot them. It should give us an advantage for a period of time, define that period of time. I think there will some companies which can catch up but others which are going to be left behind. You have to think that if we were putting out, say, 100/200 markets every game and we're covering 700/100/200/300 whatever matches per month then the other companies have got brains in them which can catch up. It is just how quickly you can get to the market and that is the strength of your marketing team, and how you can quickly you can reach the punters and build loyalty. I think given what we're doing, given the team we have got, I think we can stay ahead once we get ahead. It is catch up at the minute; I am first to admit it is catch up.

Thank you very much for coming along, I've enjoyed it.