William Hill Trading Update and Online Review

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Trading Update

James Henderson

CEO, William Hill PLC

Welcome and reasons for the update

Good morning, and thank you for joining us at such short notice. Philip is with me, as is Crispin Nieboer, the Interim MD of our Online business, who will shortly give you a bit of colour around an online review he is conducting.

We have a few slides to talk to, so turning to the trading update on slide two. Firstly, let me say I appreciate it is only a few weeks since we saw you for the full-year results, but events have moved at a pace, and we have seen two different issues come together in an accelerated fashion that meant I felt it appropriate to provide an update.

Time-outs and self-exclusions

The first of these is time-outs and self-exclusions. We have seen a marked acceleration in the number of accounts affected in recent weeks. In particular, time-outs have increased by about 50% from the start of the year. Currently around 3,000 accounts a week are affected, which means the effect on today's numbers is small, at approximately £2 million year-to-date, but the cumulative effect will be more significant according to the extensive modelling we have carried out.

Trends are still evolving; for instance, we saw a decrease in the number of time-outs and self-exclusions in weeks six and seven, but then had our highest level in week ten. We are also learning more each week, such as how many customers who have timed out then return, and how many time out again, so it is an incredibly difficult one to call. However, based on the profitability of these accounts and trends over the last few weeks, we believe that this could have a £20–25 million profit impact in 2016.

We also have reality checks coming at the end of April, which will see Online introduce similar pop-up reminders for gaming to those we have on the machines in Retail. So we will update you further on these regulatory changes at the half-year.

Gross win margin

Next, gross win margin. We flagged the poor European football results at the prelims, and in addition, no doubt, you have seen media suggestions that the industry lost £60 million on Cheltenham, and I think that is a realistic number. Certainly I cannot remember ever having four loss-making days at Cheltenham throughout my whole career. Taken together with the poor European football results, Online is around £15 million behind, in gross win terms, where it should have been at this stage in the year.

Overall Group performance

Looking across the rest of the William Hill Group, performance is in line with our expectations in profit terms. I am particularly encouraged to see wagering levels and KPIs continue to grow in Australia. However, overall, we now believe our Group profit this year is likely to be in the range of £260–280 million, subject to more normal gross win margins for the rest of the year. In spite of these headwinds we are facing, we remain confident in the strength of the Group, including Online, so the board has reinforced its commitment to continue with the £200 million capital return we announced previously.

Turning to Crispin's online review, Online performance has been a concern for me for a while and that is why I have brought in an industry expert to carry out a review. That review highlighted two main areas to address: marketing and international. With Crispin becoming Interim MD in January he has been focusing on these two areas, working closely with the wider executive team to identify opportunities to improve performance.

I will now hand over to Crispin, so he can provide an update on his review.

Review of the Online Business

Crispin Nieboer
Interim MD for Online, William Hill

Observations on the Online business

Positives

Thank you, James. So, turning to slide three: as James said, my work is ongoing, so these are my early thoughts from my first eight weeks in the role. Taking the positives first: we all know William Hill benefits from one of the market's largest databases. Within that, we are seeing some really encouraging trends among longer-term customers, with longer-tenure customers growing at well above estimated market rates and strong trends on mobile player values, compared to CPAs. We also benefit from having one of the largest marketing budgets in the industry, with one of the most trusted brands. In fact, among competitors' customers, William Hill is the brand they are most likely to consider opening a new account with, and that trend is growing among under 35s.

Challenges

Looking at some of the challenges, marketing has been weighted too much towards desktop and volume of sign-ups, and not enough on mobile and lifetime values. Industry-wide, mobile is cannibalising desktop to some extent. On top of that, our desktop experience has not changed significantly since 2008, but William Hill still has a valuable desktop customer base that we want to look after.

On the mobile product development side, I know James has highlighted before that we do not support international with local-language versions. From my personal experience in Shoreditch, my view is that our innovation teams need to be tightly linked to the core customer journey within our core product, and that is a change I am in the process of making. Working with our new CIO, Kevin, we are both of the view that we need to get better at making the right prioritisation calls in technology and tracking delivery effectively. Kevin is making great inroads in these areas, and I particularly like his daily milestone tracker which gives us great visibility on priorities and progress.

Priorities

UX/Product

My next slide covers three key areas: product and UX; how we acquire and keep customers; and how we go international. Starting with product and UX: I know we have previously talked about how we will optimise our UK product ahead of the Euros to have the fastest and easiest mobile experience, so I will not dwell on that. Big picture: Trafalgar was the right thing to do; the team needs to be bigger to take advantage of that capability in both the UK and the rest of the world, and we also have to address the desktop question.

I have already appointed a permanent new head of UX and we are in the process of expanding the team from three or four to around ten to 15 heads, and we have brought in two external agencies to help us with benchmarking against our peers.

On the desktop question, as James has said before, this is one for after the Euros. My view of the best way to manage desktop in the short term is to run two systems in parallel, with a responsive site for new customers who expect an experience on a par with your mobile, and a version for older desktop customers who are more resistant to change.

Looking at Gaming, I am delighted James Curwen is back as Director of Gaming and is building his own operations team. There is work to do in improving the cross-sell from Sports, both to Vegas through embedded mini-games and to the Playtech product through the single-wallet project.

Marketing

Turning to marketing, which was a priority coming out of the review. Inevitably, as you reach a certain scale, your emphasis will need to switch from volume to value, and that is where we are at. Customers acquired in 2015 are delivering less value than previously thought, and given it can take up to 18 months for a new customer to provide returns, we are seeing the revenue impact of that in current performance. That also means that there is a lag effect, as we improve customer acquisition now. The team in Tel Aviv will be moving towards a focus on lifetime values rather than new accounts, and we will be incentivising our longer-term customers to increase activity and spend through appropriate loyalty schemes. This needs to be backed up with an improvement in our data management, empowering the teams to make quick decisions, and to be rewarded on delivering value rather than volume.

We have already pulled back on FVAs and campaigns that are delivering lower-value customers, and at the end of the football season we will be reassessing our activity to date, to ensure our campaigns for the Euros and next football season are driving positive ROI. We have also already introduced a range of short-term fixes to reduce higher levels of bonus abuse we experienced in 2015.

International

The final thing to say is, as James flagged at the prelims, we have been held back in our non-core markets by the fact that our mobile offering is purely a UK English-language product. We are targeting a range of languages for the Euros and plan to roll out further languages in the second half of the year. We have also identified three territories we want to ramp up in 2016, but there is more work to be done before we can announce these. Longer term, the priority is to build our teams to support these markets, both from a product and marketing perspective and, beyond this, ensure we are increasing the number of languages we offer across mobile web and iOS.

Thanks for listening, let me hand back to James.

Q&A

James Henderson: Thanks Crispin. I will now hand over to the moderator for Q&A.

Patrick Coffey (Barclays): Morning, everyone. I am afraid that I have four questions. First of all, are you able to give us a sense of what the current amounts wagered growth is in the UK and within the overall Group?

Secondly, could you let us know whether the downgrade today has any impact on the dividend per share, which was expected to be around two-times covered?

Thirdly, you mentioned there about investment in staff in Online; can you quantify that in sort of a material number that we could start thinking about, a higher investment cost perspective in Online?

Finally, could you maybe just quantify what you are thinking in terms of marketing cost for the full year and going forward, so what is the quantum or percentage of net revenue? Thanks very much.

James Henderson: Okay, Patrick, let me just take the amounts wagered. Clearly it is week 12 of the year, it has actually been incredibly volatile. If you think we exited last year, from a UK perspective, at plus 6%, that sort of tracked, pretty much, for the first four to five weeks of this year. Then, as we started lagging the tennis, which we previously talked about, and the One-Day World Cup, we saw a dip in week six and seven. However, then in Cheltenham, as you would expect with the horrendous results that we had, we saw double-digit growth. So it is very difficult to pin, so far this year, an actual rate of UK growth. So I do not know whether there is anything else you want to add, Philip, but that is where we are in regards to so far this year.

Philip Bowcock: Shall I cover off dividend and the marketing spend? I mean, at the preliminary announcement we clearly gave some guidance as to our dividend policy; that policy does not change with this announcement. The board will continue to monitor the position of the company as we go forward throughout the year, and we will make a decision as we reach the end of the year.

With regards to marketing spend: again, as I said at the preliminary announcement, for me this is about quality of spend not just about quantity of spend. What I think is very clear is we should not and we will not restrict marketing spend so as to stunt any growth. I do not want to give any specific numbers because obviously, as Crispin has said, he is undertaking a number of reviews, one of which is how we execute our marketing expenditure, so while that is going on we are not going to give any more guidance other than we have already given.

James Henderson: Your final point, Patrick, in regards to the staff that Crispin is bringing into the business: I would not expect, overall, there would be a material impact of that.

Patrick Coffey: Do you mind if I just jump in with one additional question? In terms of the time-out and the self exclusion, clearly you had flagged this at the preliminary results, as you said. However, is this something that is industry-wide, so should this be impacting all of your competitors as well, or do you think it is having a bigger impact on William Hill? If so, can you just maybe explain why? Thanks.

James Henderson: Yeah, it is industry-wide. It was introduced at the back end of last year. Now, being the biggest player, if you like, then arguably we are going to be impacted greater than anybody else. The processes are the same, in as much as what we are allowing our clients to do, to be able to time-out and self-exclude, is consistent across the piece. I think it just comes from a scale point, that we are going to be hit slightly differently.

I think, as you can see, as I said, the actual impact from an EBIT perspective in the first two periods is £2 million, so it is not a big impact at this stage. However, the sort of sophisticated modelling we have done around those people who are timing out or self-excluding, then we believe that there could be an impact of between £20–25 million, and that is why we are guiding towards that. Because we have done the modelling, I really felt as though it was appropriate to flag that up so the market was aware.

I would just say, in regards to time-outs: they have increased by 50% since the beginning of the year, and in week ten was actually our worst week, where there were over 400 accounts impacted a day. So yes, it is industry-wide; the processes are the same, but arguably we could be hit more because we are the biggest player out there.

Patrick Coffey: Okay, thanks for your time. Cheers.

Jamie Rollo (Morgan Stanley): Thanks, good morning. Three questions, please. First, just following on from the last one on the impact of self-exclusion: clearly you are a big operator, but is there any reason why you would be proportionately more exposed than others? For example, are you overly reliant on high-value customers, or have you done anything differently in the way these checks have come in?

Secondly, in terms of the £20–25 million downgrading in Online, you mentioned the reality checks coming in at the end of April: is that in that number as well, or could there be additional risk there? Is that also reflecting the impact of the lower-yielding customers that you talked about?

Then the final question was just in terms of the focus on LTVs rather than new accounts: could you just give us a sense on how much LTVs have dropped on recent sign-ups, and has there been any sort of change in the marketing mix that would explain that? Thank you.

James Henderson: Okay. Self-exclusions, just to confirm, the process is the same across the sector, so there is no difference there. However, what we are seeing from the self-exclusions is we are seeing higher-value customers that are self-excluding, so that is why we arrive at the number.

In regards to the reality checks, clearly we do not know what impact that will have; that is introduced on 30th April, and essentially what that means is that people can put time limits on their play, and it will be a pop up that will come up, just like the machine play in Retail. However, you will need to log out and go to a separate page to be able to do that. So I just really wanted to flag that, so that people were aware of it. The impact is unknown, of course, and as soon as we start seeing trends appear with that, then we will update the market.

In regards to lifetime values and new accounts, I do not know whether you, Crispin, want to comment on that?

Crispin Nieboer: Yeah, all I would say on lifetime values: it is really an expression of the changing mix. We are seeing very good values, as I mentioned before, on the desktop side, the ROI we are getting on desktop values is extremely encouraging, whereas we have seen a decline in our values on desktop customers.

Now, that is partly an industry-wide phenomenon. What I want to do is shift our marketing mix more away from desktop and more to mobile, and that is what I am working on.

Jamie Rollo: Just back to my first question: do you think you have a higher mix of higher-value customers than others, which is why you could be more affected?

James Henderson: Yes.

Crispin Nieboer: Yes, I think we do.

Jamie Rollo: Any numbers you could give us on that please, or just average RP[?] versus the industry?

James Henderson: We will just give you an idea. The average value of those customers, excluding all timing-out, is three or four times our average, so we would suggest that is at the top end and therefore the higher-value customers.

Jamie Rollo: Thank you.

Ian Rennardson (Jefferies): Thank you, good morning. Two questions for you. Number one: if gross win margins do not recover, what would the extra hit to EBIT be at this current level, please?

Two, this is the second time I think you have mentioned OpenBet; when do you expect this to be concluded, and what do you expect to get out of that deal? Thank you.

James Henderson: Okay, if I can just say: gross win margin, to be clear, the guidance that we have given, in the range of £260–280 million for the rest of the year is, for us, returning to a normalised margin of 8%. Clearly, obviously, it will not if you do not make that, but that is where we are in regards to the margin.

Philip Bowcock: I would work on the basis that we are roughly a quarter of the way through the year, so you can extrapolate numbers broadly from there.

Ian Rennardson: Okay, thank you.

James Henderson: Yeah and in regards to OpenBet: obviously I cannot really elaborate on anything other than what the statement says, because we are in sensitive negotiations, so I really cannot do anything in regards to that. However, as I have always said, part of the strategy is that anything that could accelerate the technology element of it then obviously we would look at, and clearly that falls in that category.

Jeffrey Harwood (Stifel): Good morning. Just two questions. First of all, can you touch upon the extent to which the self-exclusion is impacting Gaming more than the Sports book?

Secondly, what progress or timetable is there in terms of appointing a permanent Managing Director of the Online business?

James Henderson: Okay, in regards to the impact of the self-exclusions and time-outs, Gaming versus the Sports book, it is over-indexing on Gaming; the split is around about 60% Gaming to 40% Sports book, so it is more aligned to Gaming.

In regards to the appointment of an MD in Online: as I said at the prelims, I am conducting a process which I will see through to its conclusion, which is imminent, and at that point I will then update the market as to what we are going to do. However, can I just say that Crispin is on the call today; I am absolutely delighted with what he has done since he has landed in the Online business, and he has the whole team behind him to be able to look at all the things that he has highlighted earlier in his review.

Jeffrey Harwood: Sure, thank you.

Joe Thomas (HSBC): Good morning, a couple of questions please. First thing, there is a lot of talk, obviously, about lower-yielding customers and a moving in your expectations of acquiring higher-value ones. Are the lower-yielding customers effectively becoming unprofitable? Perhaps you could just clarify that up.

The second thing that I wanted to ask you about is: obviously Retail appears to be performing reasonably well; I am just wondering why we are seeing a different performance, aside from self-exclusions, on Retail, versus Online?

Then finally, I just wanted to ask you about the quantum of this downgrade, the £22-25 million that you are talking about. A very basic question: is that a year-on-year decline, or is that a decline versus your previous expectations? Perhaps you can then just clarify what your previous expectations were?

James Henderson: Crispin will take that, on the lower-value customers.

Crispin Nieboer: Yes. On that, it is similar for most businesses in this sector; you will always have a portion of customers that you acquire that you might put in the category of 'low yielding' that are not profitable, and you will have a portion that are profitable.

The ones that are not profitable tend to be those that are seeking to abuse the bonuses, so that will be particularly around people who are depositing a stake in the minimum amount and only betting on the lowest-allowed odds, in order to get the bonus. Then you will also get people who are trying to exploit the FVAs at their minimum. So it is those type of customers, at the lower-yielding end, that you will tend to make a loss on.

Outside of that, there is some good business in the market on more recreational customers, who are lower value but still profitable.

James Henderson: Okay, let me just take the Retail one, why that is performing well versus Online. It is essentially a different product mix. I will come back to the self-exclusion, but essentially it is a different product mix. So for example in the UK, in Retail, the most-backed teams are essentially the domestic league, so 88% of the top spots in Retail are UK-based, whereas in Online it is around about 50%, so it is a different mix of UK and European. As already flagged, European results have been poor, so that has had an impact on why the margins are different.

With regards to self-exclusion: clearly in Online there were new processes introduced, whereas in Retail these processes have been embedded for a number of years. It does not mean there was not self-exclusion in Online, but it is just a different process, it has become much more automated.

Philip Bowcock: The final question is: the guidance we are giving is versus expectations.

Joe Thomas: Could you just clarify exactly what your expectations were?

Philip Bowcock: There was a range of about £284–318 million, with an average of about £307 million.

Joe Thomas: Thanks.

Richard Stuber (Nomura): Good morning, just two questions. First of all, following up from Patrick's: in terms of the online changes, you say there is going to be a material increase in the cost for the headcount; how about having parallel desktop support? Is there any impact there, and just generally should we forecast any increase in cost in the Online business?

The second question is: on the back of the Budget and the rate of tax on free plays, how are you looking at that and how do you think that will affect your marketing mix, going forward?

Crispin Nieboer: Just on the operational cost first: I do not foresee any material increase, as James said, on our headcount costs. The short-term strategy on running a parallel site for our longer-term customers on desktop; the cost of doing that is not significant.

James Henderson: Just in regards to what the Chancellor announced at the Budget, taxing free bets – which is going to come in, I remind you, in August of next year – I remind you our forecast is that would be around £4–5 million. Two things: we have plenty of time to be able to decide how we are going to mitigate that, if indeed we are, but I would not expect there to be a material change to our overall marketing budget, or fair value customers.

Richard Stuber: Thank you.

Ed Birkin (Credit Suisse): Hi, morning, just three for me. If we are looking at the numbers you have been giving, so about a £37 million downgrade the mid-level of your guidance, and £22 million from the Gaming, also, from the self-exclusions, with £15 million from the gross win impact from Online, that suggests that obviously Retail is not doing anything. Also you talked about the lower-value customers' impact, but again but that does not seem to be doing anything to the numbers.

So maybe just talk around how much of it is this self-exclusion versus the lower-value customers you have talked about? Because there does not seem to be any downgrade on the back of these customers, yet you have talked about them quite a bit in the presentation and the trading update.

James Henderson: Yeah, Ed, there are two main factors, as I have said and it is time-outs and self-exclusions at the margins; that is the lion's share of the downgrade, if you like. In regards to a number of processes, it is an opportunity for Crispin to come and say what he has done in his review. That is one of the elements, looking at value over volume and it is about making sure that we do optimise that. We had actives up 9% at the end of the year and, on our analysis, it looks like they are lower-value. So it is an opportunity for us, but when you build the scale that we have over the years, this is an opportunity to slightly change the way that we look at our marketing and that we look at recruiting new customers. So that is something that we will look to do and get an upside from.

Ed Birkin: Great. Then in terms of talking about increasing the value of long-term customers, and Crispin talked about a loyalty programme: is this going to be a significant shift in marketing spend, towards a loyalty way of focus now, and increasing the share of wallet of existing customers, rather than kind of sign-ups?

Crispin Nieboer: I would not say that there is going to be a big-bang moment; I think there are some short- and long-term wins on yield management. We need to find ways to further improve the positive trends we are seeing by incentivising these longer-term customers to increase their activity and spend through the appropriate processes. However, it is work in progress. I do not see a huge shift; it will be something that we do iteratively as we go.

Ed Birkin: Okay, great, thank you. Just a final one: there has been a lot about Cheltenham and how poor the results were; has there also been an issue in terms of free bets and competitiveness on that side? So not the gross win margin, but actually the difference between gross win and net revenue has widened as well?

James Henderson: I mean obviously Cheltenham is the shop window; it is the best four-day racing of the whole year, and we wanted to make sure that we were competitive. Actually, if you look at our offers that we put out this year versus last year, we actually made a significant saving; we just did it in a slightly different way. The fact that we saw double-digit growth during the festival would suggest that, okay, fine, there was recycling from poor results, but effectively we got our share of the market during those four business days. So overall we spent less and actually we saw good double-digit turnover growth.

Ed Birkin: Okay, thanks very much.

Chris Stevens (UBS): Hi guys, just two from me, please. The first is on the non-core markets: could you comment on whether the trends there have got any worse since the beginning of the year? You mentioned in the statement that you want to improve the performance in those markets; can you elaborate on what exactly you can do to improve those trends?

Then secondly, the question is on the UK: do you think you are essentially losing market share in UK online, or is everything that you are seeing industry-wide? Thank you.

Philip Bowcock: Just if you look at the non-core numbers, if we strip out closed countries, we are not seeing demonstrable growth; we are broadly flat to where we were, year on year, at the moment. So it is not getting any worse, I think is the point.

James Henderson: In regards to the UK Online market share: as I said at the prelims, growing at below the market rate is not acceptable and that is why we are in our different phase. We have our Trafalgar platform to leverage from, and all the things that you have heard from Crispin today will give us the better opportunity to remain competitive and get back to outperforming the markets.

Chris Stevens: Okay, thank you.

Ivor Jones (Numis): Good morning. I would like you to please help me understand the design of the self-exclusion time-out process, as possibly your smallest customer? I am looking at the home page now, and not seeing anything immediately leaping out. Could you talk about what is the design of the thing that is causing this profits warning, and how might it change? Because I am wondering if, in the future, I log into this page and there is a tobacco-product-style warning that takes up two-thirds of the page about the risk of the product, I would assume it would have a more severe impact than what has happened so far. Could you talk about where I might find the self-exclusion thing if I were a significant customer, and who determines its design and therefore its effectiveness? Thank you.

Crispin Nieboer: So Ivor, on the first question regarding the design: the auto-self-exclusion time-out areas are within the My Account section of the website; if you click on that and follow the responsible gaming links, you will find those sections where you can time-out and self-exclude.

Ivor Jones: Sorry, do they jump up at me as I go through certain spend levels or frequency of play levels, or do I always have to go and find them?

Crispin Nieboer: At the moment you have to go and find them, and when you go in and find them – to your question about why is it designed how it is – the industry has actually got a pretty regular way of doing this, if you compare our system to our competitors. Most of the large operators are running a very similar design layout and navigation for how customers find these pages.

Ivor Jones: Okay, thank you. I have found it now, quite a few clicks in, so I understand now. Is it the Gambling Commission?

James Henderson: This is a regulatory change introduced by the Gambling Commission on 31st October last year. Reality checks are the same, Ivor; when they appear on 30th April or 1st May, the process will be the same. Just to explain what the reality check means: it will be a timing one, not a financial one, so you will be able to configure it yourself as to when you want a reminder how long you have been on, and that will pop up and give you an option to log out as well.

Ivor Jones: So it has taken me three clicks to get to the account controls; is it the Gambling Commission that decides that is acceptable?

Crispin Nieboer: The Gambling Commission gives pretty clear guidelines; they do not specifically say how many clicks and they do not specifically say, in minutiae, the way the operator may handle it. We think we have gone with a very balanced approach and a responsible approach, that enables our customers to find it fairly easily and quickly and do the whole process purely online.

Ivor Jones: Okay. Sorry if I have missed this, because I have been writing some notes as we were going: if you have not already, could you just talk about self-exclusion plans for Retail and what your modelling is, and how that is going to work, or how the changes will work?

James Henderson: Ivor, there are no changes to the Retail element, in regards to self-exclusion. What we are doing, or what we have introduced, is a cross-operator self-exclusion process that means, if you go into a William Hill shop, there is now the opportunity to be able to exclude yourself from shops in and around that area, so you can choose whether it be a mile radius or a two-mile radius.

Ivor Jones: Is that not a relatively recent development?

James Henderson: Well, in fact I think it comes in on 1st April, so that is cross-operator.

Ivor Jones: Right.

James Henderson: However, we have had self-exclusion in Retail, in its current format, for a number of years, so there is no material change to that; this just allows a customer to do it cross-operator, which is a big improvement from where we are today.

Ivor Jones: So you are currently sanguine about the effect of this on a cross-operator basis?

James Henderson: I am, yes.

Ivor Jones: However, you do not yet know?

James Henderson: No, absolutely not, and hopefully we have been able to give colour on this call: it is very, very difficult to absolutely understand, when you are doing behavioural changes, what the impact is, whether that be the £50 journey that we introduced last year, whether it be time-outs and self-exclusions, or indeed any changes to the self-exclusion in the Retail environment, because they do take time to unwind.

Just to give you an idea, in regards to the self-exclusion: the minimum you can exclude for is six months, and yet we have not yet seen that unwind out yet, so there could be people returning after six months, seven months or eight months.

Ivor Jones: So given that unpredictability, would it not have been prudent to budget for a deterioration in Retail activity, on the back of cross-operator exclusion?

James Henderson: No, I do not think so, Ivor, in as much as if someone is coming in to William Hill, for example, they are going to self-exclude, they just now have the ability to exclude cross-operator. So we would still have that exclusion, it just means that all the other bookmakers that are around the area, he or she will be excluded from as well. We have trialled it in a number of regions, to be fair, and we have not seen a material impact. So never say never, but I am confident that I do not think we will see a material impact; it just allows a customer to be able to exclude themselves from their local area.

Ivor Jones: Yeah, understood. Thank you very much.

Patrick Coffey: Yeah, morning; two follow-ups if that is okay? I guess just following on from Ivor's very insightful question in terms of numbers of clicks to get there: can you just sort of quantify – I mean, this does seem like a very big change in the behaviour of customers. If they have to go and find the point about the self-exclusion through three clicks, it seems like their behaviour has kind of really shifted quite a lot in terms of trying to self-exclude themselves. Why do you think customers are doing that, and does that suggest there is possibly kind of an increase in customers' concerns about the amount they are gambling, on Mobile I assume?

The second question, kind of unrelated to that actually, is just: Crispin, you gave some details around the shift from volume to value; going forward, then, should we be thinking a bit like your Australia division – higher gross win margin – in the future? If so, when should we be expecting that to come through? Then, presumably, in the shorter term, we are going to see amounts wagered kind of stay below market levels? Thanks.

James Henderson: Yeah. Patrick, if I just take your first question, in regards to the change of process. In essence, previously if you wanted to self-exclude you had to pick up the phone and talk to customer service, and therefore self-exclude. So there was a more lengthy journey, if you like. Obviously now: okay, it is three clicks to be able to time-out or self-exclude, but the reality is that because of the change in process, we have obviously seen an acceleration in both time-outs and self-exclusions. In fact, self-exclusions have doubled, and as I have said earlier, the time-outs have increased by 50%.

So notwithstanding that this is a different change of process, we are seeing a lot higher volumes in regards to time-outs and self-exclusions, hence the need to update the market with regards to what we believe the impact of those customers – which as I have said, is three or four times our average customer – time-out and self-excluding for a full impact over the year. Just to reiterate, obviously the year-to-date number is £2 million from an EBIT perspective, but as it is cumulative and it adds up and it continues with the run rate, that is the expectation. On our sophisticated modelling, and we have made a number of assumptions, which we needed to do, around attrition and around returnees from self-exclusion, we get to £20–25 million number.

Crispin Nieboer: On the second question, with regards potential margin increase: it is not really about margin. From my point of view, what I am looking to do here is just increase the ROI focus, in terms of our tracked online marketing. So it is really around tracking LTVs, forecast LTVs versus the CPAs. That may be customers that are at the recreational end, or customers that are more regular and higher value, but it is just ensuring that you are getting smarter and smarter at tracking that, as you go along.

James Henderson: The expectation is that could well increase the margin, based on that summary.

Patrick Coffey: Okay, thank you very much.

Ali Naqvi (Peel Hunt): Hi, morning gentlemen. I just wanted to ask: what are your thoughts on FY 2017 self-exclusions from your modelling, and how many exclusions are you getting versus time-outs? Is that a trend that we should be watching?

The second question is on Australia in-play. Obviously, the government are thinking about banning in-play there, and I just wanted to find out: if that goes through, how much of your wagering is in-play and what is the margin on that? Thanks.

James Henderson: Okay, just in regards to FY 2017: I mean, it was incredibly hard to be able to get to a number for this year. It is still very much evolving, it is changing on a weekly basis – as I said, it has accelerated in the last two weeks – and therefore we need to keep modelling this, we need to keep evaluating it. Then as time goes on, then we will get into 2017 and see the impact of that, but I would not want to give any forecasting beyond that.

In regards to Australia: yes, there have been a number of leaks, if you like, in the media in Australia. However, I think the expectation is that nothing is going to be done before the election; you know, the window for the election is between July and the end of the year. So I think it is too early to be able to say what is going to happen with in-play, and therefore we will carry on as we are.

Ali Naqvi: Okay, but the mix between exclusions and time-outs: is that worth looking at, or is it fairly immaterial?

Crispin Nieboer: We are continuing to monitor it on an ongoing basis; not obviously customer by customer, but certainly type of customer by type of customer, and roughly it is 50% between each one.

Ali Naqvi: Okay.

Crispin Nieboer: With the time-outs, the self-exclusions, being 50/50 between manual and automatic.

Ali Naqvi: Right, okay. Could you tell us how much of your wagering in Australia is in-play, and what the margin is on that?

James Henderson: It is still low-single digits with regards to the in-play.

Ali Naqvi: Okay, great, thank you very much.

James Henderson: Okay, thank you all very much. Obviously, Lyndsay, Philip and I will be available during the day should you need to ask any more questions, but thanks for joining the call at such short notice.

[END OF TRANSCRIPT]