William Hill teach-in: William Hill Australia

Presenter: Tom Waterhouse, CEO, William Hill Australia
10 June 2016

Slide 1: title slide

Hello and thank you for joining us.

Slide 2: Agenda

I woke up this morning to hear that in-play is being banned so today's update is a timely one. This was surprise news in as much as the government had talked about banning in-play after the election but the Northern Territory has decided to move now. For those who hold a licence with NT, we now have to remove our in-play products by 8 July. To give you context, that's about 3% of gross win and 10% of turnover. It's not material in terms of our future growth, though, because it's just one of the products we've released and we have a long pipeline of more products to come.

Slide 3: William Hill Australia update

My presentation today is about where we've come from, what we've done and how we're continuing to grow this business.

I'd like to starting with an overview of what we achieved in 2015.

Looking at the brand change first. Previously we had three brands – Sportingbet, Centrebet and tomwaterhouse.com. Each was successful in its own right but none was a winning brand. Sportingbet was the bulk of our turnover but there was a lot of confusion with Sportsbet and a high cost per acquisition (CPA). tomwaterhouse.com was a very low CPA brand but it also had the lowest turnover and gross win, and as a brand it was highly polarising in the market. We looked at whether we could keep it as a low CPA vehicle and transition clients to it but tests showed us we would have had significant churn. In terms of the Centrebet brand, that hadn't been invested in for two to three years so needed the same level of investment as we would have had to make starting with a new brand.

Part of the reason for coming together under a single brand was to unify the business. Previously, we had three different P&Ls and three different teams. Coming under the William Hill brand unified the team without the issues of favouring one of the three existing brands.

Also, we haven't yet seen a multi-brand strategy work in gambling space and certainly not in Australia. In our case, the product was very similar across all the brand so spend was just being diluted. Now we have the benefit of putting all the marketing budget behind just one brand.

The move to the William Hill brand was challenging in the short term but, long term, we believe having one global brand has huge advantage. We saw it with the Australian Open: we would not have been able to do that sponsorship for Australia alone but William Hill Online and the Group also saw a benefit from investing. The cost of assets has dramatically gone up so when you can do global deals you can invest differently from competitors because it's for multiple jurisdictions.

Last year, we also launched in-play. This was a brave move in the sense that for many the legal position was not clear. In our view, our Click to Call technology was legal and we had it reviewed not only by our internal legal teams but also by the top QC in Australia. This was an internally developed solution and it catapulted us into people's awareness, which also made it a great launching pad for the brand.

The other big change for us last year was the client management changes. Sportingbet was the largest part of our business and a large chunk of Sportingbet was high roller clients with high volume turnover at a low margin. The regulatory environment has played against us here with taxes increasing over the last three to four years on a turnover tax basis so we had to make significant client management changes for the chunk of clients operating at under a 3% margin.

Moving our focus to the high margin recreational clients has also forced a large change in the skill mix in the business. We've moved out the skillsets in the business that are a legacy from the days when it was all about price and client relationships but which no longer differentiate us. Since 2008 when advertising was first allowed, the market has been about brand advertising and awareness, and now it's increasingly a product and IT-led business as a way to differentiate. We didn't have those skillsets, with little tech expertise and no digital marketing expertise. Now, we've increased from fewer than 30 to more than 170 people in IT, using our proprietary, in-house technology to give us the ability to release much faster than the competition. The majority of our spend now goes into digital marketing area and puts us at a significant advantage in the market.

Slide 4: Looking forward

One of the attractive things about the acquisition was having a proprietary technology. We owned it but a lot of the maintenance was sitting with a third party and the technology itself to 10 to 15 years old. We've transitioned this to where it's a huge advantage for us since the beginning of the year and we're now releasing more product than the competition. This is one of the cornerstones of our strategy.

In terms of onshore/offshore. William Hill set up the Manila operations several years ago. A year ago we had fewer than 10 people in Manila and were using it initially for back office finance. Now we have 100 people working in a range of areas from business intelligence to digital design, some on technology and some on manual event creation. Initially we did this from a cost point of view but now it's also for the amount of work and the quality of work we get out of Manila.

To give you an example, we've looked at building a mobile website to give an experience equivalent to our iOS app to mobile customers using desktop. For us to create that in Australia would cost $2m and take seven months but in Manila it's under $200,000 cost and seven weeks' development. We have the executive oversight and management buy-in that ensures this is a core part of our capability and core business, with a low cost, high performance unit in our timezone. What catapults us forward is the work in Australia but Manila gives us more flexibility. That's a big advantage that's not easy to replicate.

Turning to our flexible marketing budget. In Australia we're heavily focused on data, we know exactly what our CPA is and our expected yield from a customer's first bet. We track the return on investment (ROI) in product weekly and also in marketing. When we bought the business, we were locked into a lot of high CPA assets in a market that is very different from ours now. It's taken a period of time to transition from 70% locked-in to now c25% and this allows us to be very flexible from spend perspective.

My final point on this slide is that we believe scale wins. Competitors are gaining market share but they're making significant losses or are, at best, break even. With scale, we can keep investing in marketing and put our foot down when the time is right. Moreover, the regulatory environment is getting tougher - half a percent change in turnover tax is $5-10m off your bottom line. What William Hill did is future-proof the business; whatever the regulatory change, we have the ability to stay in this market and to gain share, while other competitors in the space do not have the benefit of being profitable so sustain through such significant changes.

Slide 5: Core business performance

We've been through a difficult period over the last 12 months: we had to transition the brand; we didn't release product for two to two-and-a-half years; and we had to get the platform right. Since we started releasing product and put the clear brand proposition in place, the businesses have gone from strength to strength.

We released our iOS app before Spring Carnival last year and since the brand launch [in February 2015] our focus has been on the core William Hill digital business. The non-core is the legacy Centrebet brand, and we've also got the legacy high-roller business, which we call BDM [Business Development Managers].

The growth of the core will become more of the growth of the total business over time, as we transition Centrebet to William Hill this year and as BDM – which isn't growing – becomes a smaller proportion of our revenue.

Slide 6: Brand strategy

I'm going to show you some of our recent TV adverts to demonstrate our brand proposition.

We worked on this with Professor Mark Ritson, a professor at Melbourne Business School, previously at London Business School, who has worked as a brand consultant on some of the world's leading brands, including Louis Vuitton, Veuve Clicquot and Burberry. He did a lot of qualitative and quantitative research, backed up by our data as well. What he told us is customers want a brand and a business that is 'fast and easy', that we should keep pushing the boundaries on releasing product and keep pounding away on one competitor: TAB. Everything we do now stays true to that, from product releases to marketing.

TAB have played the same TV updates for 15 years and you'll see how we've played against that.

[VIDEOS OF TV ADVERTS WERE SHOWN HERE]

Looking at how the William Hill brand has landed. We launched in March 2015 and we've gone to number three in the market. We're still a long way off where TAB and Sportsbet are but we've significant growth compared with Ladbrokes and Bet365, who have been around much longer, and Crown, who launched around the same time. Our latest data show we're still number three in the market, so going from a standing start to number three in that time, having only really having had our house in order for product in last six months, makes me very confident.

Slide 7: Flexible and competitive marketing budget

Originally, we were very fixed in our marketing spend, now we can shift to high-performing digital assets. Our digital spend was less than 10% of our overall marketing budget (Facebook, PPC, etc.) now it's 40-60% depending on the campaign and time of year, and we're leading the market in terms of spend on Google and Facebook. We believe that environment also plays to scale because it will get more expensive.

Slide 8: Making product a competitive advantage

This slide shows how often we can release product compared with our competitors. Through owning our own technology, we can release faster than others. For instance, OpenBet has six-month release cycles and for companies with European businesses, the demands of those other markets win over Australia every time. In our case, our mobile apps are on a two-week release cycle to fit with Apple App Store release cycle so we have a new app every two weeks and we can release to the web at any time.

Slide 9: H1 roadmap delivery

As I said earlier, we only got sorted on tech towards the end of last year. In Q4 2015 and Q1 2016, we put on 70 extra IT and product people, and this slide shows how much product we've released in the period as a result.

To draw out some key developments:

- Our iPhone app now has a 4.5 star rating and has 19% market share on downloads, ahead of our revenue market share;
- GTP – the Group's Global Trading Platform – has delivered tennis feeds, which supported our expanded product for the Australian Open;
- We launch QuickBet for iOS in January, which gives us the quickest betting offering in the Australian and New Zealand markets, enabling customers to get a bet on in two clicks or less, way faster than competitors can do, and we're getting significant incremental revenue from that one product; and
- We've caught up in some key areas, like Cash Card, which has been around for other bookmakers for 18 months, and also Cash Out, which was a major driver for Sportsbet's growth last year. We released Cash Card seven weeks ago and have now released the first phase of Cash Out.

We have a pipeline of more than 200 products. These are assessed by our Product Council, with the commercial and IT teams sitting alongside marketing to prioritise projects on revenue versus cost.

There's a mix between innovation and optimisation because we will look at what has the greatest revenue uplift. New products sound great but fixing our biggest complaints and churn items drive strong revenue growth, for instance fixing our verification process, the registration page and the deposit process. So at the same time as building those big product items, we can have teams in Manila working on optimisation items that wouldn't normally make it into our product pipeline.

Slide 10: Contribution of product

This chart shows in red the growth in turnover coming from our product initiatives. It's only the beginning, with two weeks of Cash Out and seven weeks of Cash Card. We're seeing less than six months' payback on product investment.

Slide 11: Regulatory update

Finally, I'll update on the regulatory environment, which is getting tougher.

I talked about in-play earlier. You will have seen the government comments about plans to ban credit betting. That's around 20% of our gross win, which we assume is quite high relative to competitors because of the Sportingbet business's focus on the BDM business.

There's a way to go on the potential for a change to credit betting because there are a lot of stakeholders pushing back on the issue. Racing over-index on credit betting and are a major industry voice in Australia, so it's a question whether there'll be a wholesale change. If there were, some customers could change from credit to cash anyway, so we wouldn't necessarily lose all of that gross win.

In terms of racing and sports fees, we're seeing a continued upward trend. Australian sports codes have put in turnover tax or gross win tax or a mixture of both.

This is why scale wins. This just makes it harder for smaller competitors in the long term. In my view, only the biggest will survive, and the competition will get less and less over time, though it's very competitive right now. That means we're in a position to take market share long term because we have scale.

Q&A

Market / competition

How long can the overall market keep growing 15% in the absence of in-play or a big change in regulation? What happens without in-play?

Well, if the UK market – which is ahead of Australia – is still growing, there must still a long way to go by comparison. We can do other gamification and products like Cash Out so I wouldn't put a limit on innovation and the industry finding new ways to grow the market. The fact a significant chunk of the market is still TAB and retail says there's a long way to go.

How much more sustainable would the 10-15% growth rate have been with in-play?

It was significantly easier with in-play but look at Sportsbet, who grew 35% last year with Cash Out, not in-play. It's not impossible to keep innovating, to improve your churn products. With more product, the value of customers coming through the door is significant.

What are people betting on?

Six or seven years ago, racing was 90% of the market, now it's shifted to around 65%. However, the change in in-play will slow that migration down somewhat. Racing has a huge advantage with the amount of product there is, it's continually available.

What's your market share currently and where does that go over time?

We've seen a decline from c17% to c12%. Sportsbet has gained, TAB has slightly decreased. We believe the market is growing around 15% topline. It's very achievable for us to start growing topline and EBIT.

Do you see competitors pricing irrationally?

It's a different market in Australia: customers have been used to tote betting so they focus on the product not the price. It's not as price sensitive as a market, it's about differentiation on marketing and product.

How many of TAB's customers bet with you?

That's hard to know specifically but, on average, our customers have 2.5 accounts and TAB makes up a large proportion of that.

What's the marketing spend difference between you, TAB and Sportsbet?

TAB has a different make-up of marketing spend because they own their own channel with TAB in every pub. It's seen as a separate company but it's TAB advertising. Sportsbet is spending more than us in the market but the decision was right not to compete on marketing spend while the product wasn't right. We constantly have the conversation about how much we spend and push now that the product is right.

On Sportsbet with BET/PAP merger and possible benefits coming through, are you concerned?

In Australia, our focus for the next three years is TAB. We're fast and easy, and we've a lot more product than they've got.

Do you expect more consolidation in Australia?

There are still a lot of operators who think they can win. A merger of TAB/Tatts makes a lot of sense. In terms of digital players, there's still a way to go. There are plenty going after the TAB market share.

Regulation

Do you take it as read that the ban on in-play will extend beyond the Northern Territory (NT)?

All the main operators are licensed by NT except Ladbrokes, who are licensed in Norfolk Island, so most will be covered by the NT change.

Within in-play banned online, could telephone benefit?

Our Head of Telephone does! Telephone betting could work but I'm not bullish on it because, as a customer, you don't really want to be calling up, you want to click through on your mobile. I could see a spike short term but can't see long-term massive growth.

Is there a workaround for in-play after this change?

The fact that the NT has come out so strongly suggests workarounds will be difficult.

Is Cash Out exempt from the in-play ban?

Yes. Sportsbet's main product offering last year was Cash Out and we saw it as a significant reason for churn of our customers. It's a significant product hole we've filled.

Given the broader issues of offshore, does in-play feature in that discussion?

The O'Farrell Review had 19 recommendations, they accepted 18 but ruled out the 19th on in-play. They know in-play is a big reason for customers going offshore but there are vested interests who don't want in-play who are lobbying hard. It will take a while to come.

What happens to the unlicensed market?

China and the US haven't been able to shut them down, so how can Australia think we can shut it down? There are so many different ways to get around whatever a government puts in. This in-play change is a blow to the legal onshore industry. The only advantage is that the mass market recreational customer is influenced by advertising so marketing is a barrier to entry for the offshore industry.

What's the risk of a change happening around credit betting?

In 2013, TV advertising was a big issue and we've seen changes there. We've seen the in-play changes not because it was a major issue in the media but because of heavy lobbying by TAB and the hotels industry. Credit betting, however, has heavy stakeholders behind it and it's not a public issue in the media. It's just the way that people bet. But we'll see what happens after the election.

Are there any events we should be looking out for on credit betting?

The General Election is on 2 July so look at the mix of the Senate after that. For instance, if Senator Xenophon gets the balance of power with three seats, that has an influence.

Why do you have more credit betting than others in the market?

The Sportingbet business we acquired was a high turnover, low margin business and included a higher than average amount of credit betting among that customer base. Most competitors have grown organically and been more digitally focused so are less exposed to credit betting.

How does the 'opt out' option work in Australia? What are Sportsbet doing differently?

It's different in Australia from the UK and it's more difficult to opt out. There is no central structure (each operator manages their own program in compliance with a responsible gambling code set by the NT).

Do you think anything happens on gaming in the next five years?

The chance of online gaming depends on what Crown, the clubs and the land-based casinos want to do. If they think they can compete, then it could move very quickly, but if not, it won't.

If regulation remains challenging, you say you think it'll kill the opposition but it doesn't feel like it's doing that post Point of Consumption in the UK so what's different in Australia?

There's a lot of consolidation across the industry and the big players are getting bigger. Short term it's painful but the longer it goes on the bigger the impact. It's harder in Australia because tax is based on turnover. You see in other industries the bigger companies get bigger. Some are thorns in the side, but our competitive focus is TAB. Also, the UK is sports and gaming whereas Australia is just sports so it's more exposed.

What's your view on the likely direction of taxation changes?

In regulatory markets, tax will go up, the big will survive and you'll get fewer operators in those markets overall.

Are there any other regulatory hurdles on the horizon, e.g., money laundering?

Costs are still going up. The sporting bodies are shifting to a turnover model and they're starting to increase. Racing bodies are still increasing. On the positive side, the importance of co-operating with corporates is seen as increasing.

Bet365 was fined today by the Competition and Consumer Commission; I expect to see a clampdown on offers and inducements to bet. We're the only corporate that hasn't been reprimanded or prosecuted because our advertising is heavily focused on product not offers above the line. Advertising is likely to become tougher.

Brand and marketing

You're currently number three in terms of brand traction. Where do you go now – to number two?

That's unlikely because TAB and Sportsbet are way ahead. Sportsbet got the jump on the rest of the market seven years ago and TAB has been in the market for 50 years so that's hard to beat, just like William Hill benefits from being a longstanding brand in the UK. Being a solid number three in awareness terms is a good position for us.

When you think about your marketing budget and return on investment (ROI), are you spending a lot more just to raise brand awareness with lower ROI?

You have to monitor ROI but at different stages in your lifecycle you spend different amounts. We would still spend on longer term ROI. You have to think about the varied ways you reach your customer, whether product or brand awareness, for instance.

How confident are you a global brand is right? Isn't there a lot of anecdotal evidence British brands don't work in Australia?

Two British brands have been very strong in that market – William Hill and Ladbrokes. We've smashed it with William Hill, so you can do well if you market it well. We also have the benefit of being a global brand, with global sponsorship deals, which TAB and Sportsbet don't have. For William Hill, it's about different parts of the business working together to see which are the deals that make the most sense, for instance with the English Premier League, which is the biggest football league globally.

How does your marketing mix break down now?

Digital spend in 2015 was c10%, now it's around 40-60% and we flex how much goes on digital at different times of the year.

Are there restrictions on when you can show ads?

Not the kind of brand-led adverts that William Hill does. The only piece that's carved out is 5-6 pm on certain children's TV. A lot of competitors have been hit more by restrictions around the kind of product- or offer-led marketing that they've been doing.

Would Facebook likes emulate brand awareness? We spend a lot of our marketing on Facebook so our impressions would be higher than likes. When we had the tomwaterhouse.com brand we paid for 'likes' but now we pay for impressions for certain types of audience.

What was happening to marketing spend during the first part of this year?

Spend for all operators is typically geared around the Spring Carnival period [October/November]. In our case, we invested heavily around our Australian Open sponsorship in January, coinciding with the migration of tomwaterhouse.com customers. It's also about continued investment now we've made the product right so we can take market share.

What is your marketing spend as a percentage of revenues? Where do you expect it to go over time?

Typically it's around 22-25%. However, others in the market are spending more and are prepared to run at a loss; in fact, there are only three operators making a profit in Australia – TAB, Sportsbet and William Hill. So with our product advantage, we're constantly discussing internally what investment we want to make in marketing. We're in this market for the long term.

How do free bets play into that?

It's not included in the 22-25% percentage I quoted. Including freebets, it's c35% of net revenue. We pushed free bets quite heavily over the Australian Open. Bear in mind we also had a poor run of racing results in Q1 which made net revenue lower than it should have been so FVAs [Fair Value Adjustments] were higher as a percentage. The FVA level normalised after the first quarter.

Have you been very aggressive on free bets to gain market share?

Free bets have a use. Do I think it's the best use of resource when digital marketing is going well? It should be a proportion but I wouldn't over-index on them. Don't expect our Q1 trend for free bets around the Open to feed through to the rest of the year.

Looking at the customers you acquired in Q1, are they lasting?

The value of customers we've acquired is higher than expected and the CPA is dropping.

Thinking about marketing spend overall between brand and call to action, how do you allocate it?

Our call to action is around product and being better than the TAB. So it is our brand spend in some sense. We're playing on product more than incentives. A lot of our competitors are into free bets and sign-up bonuses but our whole brand proposition is around product.

With the shift to more flexible marketing spend, how do you monitor returns?

We monitor on an hourly basis for tracking, which feeds into our media mix model which shows how much we should spend and on which channels that day. Daily, we have the expected value of customers on a first week, first month, quarterly and yearly basis so we keep going back to check the effectiveness of the model. Spend is now much more concentrated on certain channels. It means we're not constrained by the marketing decisions of a different era.

How accurate are the models?

Above 90% accuracy and it keeps evolving and improving.

What are your target returns?

We view the business as highly flexible and we look at returns across product on a three to six months payback, on digital marketing on eight to 12 months, on FVAs on 12 to 18 months, and on big asset or TV campaigns on 18 to 24 months. We look at how we shift across those areas to maximise the return.

Technology

What do you still use any OpenBet or Playtech services in Australia?

We don't use either. We might use contractors for certain services or APIs to ramp up for specific skillsets. But everything is in-house and owned.

How does the wider William Hill Group / parent company add value? Are you the R&D division for the Group?

Where we sit now, the Australian business is purely Sportsbook and that works well there, particularly because changes are done quite quickly. But we're building something that's not only great for Australia but also for that region.

William Hill Australia performance

When does net revenue growth for Australia become faster than the market?

We've had strong turnover growth in Q1 but net revenue hasn't followed because of poor horseracing results and because we spent aggressively on bonusing during the Open. With a normalised margin, we should strongly grow both topline wagering and net revenue.

What rate is your core business growing at?

To be clear what we're talking about. We have the core 'digital' William Hill brand, which is 70% of the business, but we still have the legacy high roller ['BDM'] customers and the Centrebet brand. Both the BDM and Centrebet businesses are experiencing some churn as we've been focused on the William Hill digital business, so the core focus areas are growing fast but the overall headline numbers are dragged down by the legacy businesses.

BDM doesn't get investment; it's the legacy Sportingbet high volume, low margin customer base and a profitable little part of the business but it will decline over time.

How does that 30% split – half Centrebet, half high roller?

Slightly more BDM.

How much more sustainable would the 10-15% growth rate have been with in-play?

It was significantly easier with in-play but look at Sportsbet, who grew 35% last year with Cash Out, not in-play. It's not impossible to keep innovating, to improve churn. With more product, the value of customers coming through the door is significant, which is what we are experiencing in Australia outside of in-play.

Overall, when should the combined business start taking market share?

We've got everything in place to achieve that.

Should the core William Hill business start growing faster than Sportsbet?

They have a bigger base so growth is getting harder for them but they have higher awareness. Those rapid growth rates are achievable for our core 'digital' business but the overall business will lag because of Centrebet and BDM, though I believe the overall business can achieve market growth rates at least.

With the massive clean-up of the customer base and the profits a fraction of what they were a few years ago, why can't the William Hill 'core' grow 40-50% like Sportsbet?

That is achievable for the core, excluding Centrebet and BDM. Sportsbet was a far more digital business but Sportingbet was much more impacted by turnover tax changes. We had to launch a new brand with a higher CPA, we had churn issues around the brand migration and we had to change a third of the team because they didn't have digital experience. Sportsbet has had no change since 2011 and just doing what they've done well in the UK. They got the fundamentals right. We've only just done that months ago. The fundamentals are right. There is no lack of ambition but there's a bedding-in period over the next six to 12 months. Yes, we'd like to grow that fast but we're not going to run before you walk.

What do you worry about that might stop you growing at market rates?

We have to keep investing. There are very aggressive competitors investing in the market and we don't know what they are prepared to do. For instance, Ladbrokes could stay in Norfolk Island and continue in-play. Credit betting could have an impact. But we're now in a position where we can move fast and we've got the benefit of having all our spend where it's flexible if we can put it where it's working.

What's the timing of the Centrebet transition to the William Hill brand?

We migrated the first customers yesterday. We will do the significant migration of value before the Spring Carnival as we migrate the inactive customers first and then migrate the more valuable ones around key events.

How meaningful will the Centrebet customers find the product after the transition?

They'll have more product and a better user experience. That was the reason for delaying the migration until now. Now the product is up there in competitive terms and you can see we have more mobile app downloads than we currently have market share so we've solved the churn issues around the product and user experience.

What do you assume in terms of Centrebet churn?

We're currently seeing churn because we've not been investing in the Centrebet brand so we assume the churn will slow from what we've seen. With the tomwaterhouse.com migration, we saw continuing churn but slower.

On credit betting, what proportion of customers who are credit betting also deposit cash?

Most of them who have credit use the facility and then pay it off.

What sort of margins do you see on different products?

In-play is 2-4%, sports is 6%, racing is 12%.

What's in-play as a percentage of your turnover?

10% and 3% gross win.

Are you hiring new people from within the industry or outside?

In IT, we've hired the customer experience part of the tech operation from inside the industry – those who delivered Cash Out, Cash Card, rewards for others.

Are you seeing staff cost inflation?

You're seeing, globally, tech talent inflation. In Sydney, an iOS developer can earn $150-200k p.a. There's a big difference between a good one and a poor one. Some people can write code but finding the right ones and keeping them is critical. You have to retain them.

Have you invested enough in staff or do you need to keep investing?

If we were looking at it the same way as TAB and Sportsbet I'd say we're not investing enough but we've changed the model of how we operate. We've given ourselves the ability to significantly ramp up and get to scale by not sticking inside the Australian market, using the Manila operation.

What's your total headcount? Where does it go to?

Currently 450 people. Cost will stay within a slight inflationary increase but the headcount number can still change within that.

How many of the 450 are in Australia? Why couldn't someone just can replicate that?

350 with 100 in Manila. You can go to India or the Philippines but getting the buy-in of the management when it's an established operation is tough. We used to have Sydney and Darwin as two operations. We had 110 people in Darwin. We now view Manila as part of our core office. Part of the Exec team is there every week and I'm there every four to five weeks. It's harder to execute on that than it looks.

How are management incentivised in Australia, on topline growth or EBIT?

It's EBIT.

How do you decide what your EBIT margin target should be if everyone else is spending?

It's a good question. We review marketing spend levels frequently and it's about how far you've got the foot on the accelerator. There isn't a definitive answer but if we need to spend we will spend appropriately to keep growing the topline. You want your spend to be profitable, not just using bonuses to grow the topline artificially. You've seen Sportsbet grow topline and bottom line at similar levels as you get operating leverage. That's a good discipline. You want to try to grow EBIT at the same rate as topline if you want your business to be accountable.

What were the biggest mistakes the business made?

It's always easy in hindsight. I would argue that management change and the brand change could have happened sooner but there's always risk involved in those changes. For instance, a quarter of the business was high roller customers the management had strong relationships with. William Hill bought three very different businesses and the regulatory environment dictated the businesses had to become different again. There would always be different views around the table on multi-brand. You also have to bear in mind that William Hill bought a public company so saw a very different level of due diligence information from Paddy Power buying Sportsbet.

Could William Hill have grown organically instead? Or just bought tomwaterhouse.com?

Bet365 has done it organically but I can't see how they're going to get to profitability. Or Crown. Ladbrokes has done a good job because of Dean Shannon who knows how to run an online tech business. William Hill has got a business of scale that allows us to be in a position to compete and withstand regulatory change and still make a profit; that gives you optionality. If the taxes hadn't changed, it would have been so strong.

You’ve been allowed to develop Australia and got it to the point of growing it very well. Is there anything you think the UK operation does better or comes close?

Australia has the benefit of almost starting from scratch. There are things that both sides can learn and we’re building closer relationships, like technology with Rob in Australia having close relationship with Kevin, the new Group CIO. I have a good relationship with Crispin and we talk about various areas, like data management.

If you were running it privately, would you do anything differently or what margins would you run it to?

There’s a constant conversation about the window in this market to make sure you’re a winner. As a management team you always push for growth. It’s a fine balance. When you have the fundamentals right, it’s time to spend. Look at Paddy Power – they make more money out of Australia than in the UK.

Who will the overall winners be?

Other than William Hill? Sportsbet have done the basics of running a digital business – that’s hard and they’ve done it incredibly well, and the advertising is good. As their base gets bigger, their growth may not be as fast. TAB has to transition to being a digital business. It’s a long journey for Ladbrokes and Crown. Ladbrokes has the ability like us to release a lot of product and to market it well, and they’re running it like a start-up and running it lean. But we can release more, we can spend more marketing and still be profitable so we’re in a better position. For the rest, it’s a tough journey.