

## Ladbrokes Coral Group plc (LSE: LCL)

Legal Entity Identifier: 213800P7FJOPCV4H3J04

Trading update for the period 1 July 2017 to 29 October 2017

13 November 2017

### Positive trading performance in-line with expectations

#### Highlights:

- Group net revenue improved to +3% from Q2 -2% (H1 +1%)
- Digital net revenue +12% with Sportsbook net revenue +18% and Gaming net revenue +6%
- UK Retail like-for-like (“LFL”) net revenue -1% and LFL OTC stakes -5% (Q2: -9%; H1: -8%)
- European Retail net revenue accelerated to +17% (cc +12%)
- Integration continues to progress very well

	Period 1/7/17- 29/10/17 <sup>[1]</sup>		YTD (1/1/17 - 29/10/17) <sup>[1]</sup>	
	Actual	CC <sup>[2]</sup>	Actual	CC <sup>[2]</sup>
<b>UK Retail (LFL)<sup>[3]</sup></b>				
- OTC amounts staked	(5%)	n/a	(8%)	n/a
- OTC gross win margin (change)	0.4pp	n/a	(0.1pp)	n/a
- OTC net revenue	(4%)	n/a	(8%)	n/a
- Machines net revenue	Flat	n/a	Flat	n/a
- <b>Total net revenue</b>	<b>(1%)</b>	n/a	<b>(4%)</b>	n/a
<b>European Retail</b>				
- Amounts staked	10%	5%	14%	5%
- Sportsbook gross win margin (change)	0.8pp	0.8pp	(1.9pp)	(1.9pp)
- <b>Total net revenue</b>	<b>17%</b>	<b>12%</b>	<b>6%</b>	<b>(2%)</b>
<b>Digital</b>				
- Sportsbook amounts stakes	17%	14%	20%	16%
- Sportsbook gross win margin (change)	0.7pp	0.7pp	0.4pp	0.4pp
- Sportsbook net revenue	18%	16%	22%	17%
- Gaming net revenue	6%	6%	9%	8%
- <b>Total net revenue</b>	<b>12%</b>	<b>11%</b>	<b>15%</b>	<b>13%</b>
<b>Other</b>				
- <b>Total net revenue</b>	<b>1%</b>	<b>Flat</b>	<b>4%</b>	<b>4%</b>
<b>Group</b>				
- <b>Total net revenue</b>	<b>3%</b>	<b>2%</b>	<b>2%</b>	<b>1%</b>

## **Commenting on the trading update, Ladbrokes Coral Group CEO, Jim Mullen said:**

“The four month period to 29 October represents another period of positive trading performance for the Group as well as solid delivery on the key operational and financial targets for the year including the swift integration of people, operations and platforms.

Our Digital performance is strong and the Ladbrokes brand in Australia and the Eurobet brand in Italy continue to post very strong revenue growth. In the UK, the Coral and Gala brands also posted very pleasing growth, and we continue to transition our approach to customer acquisition and retention in Ladbrokes.com to focus on improved profit conversion. In UK Retail, performance improved in line with our expectations primarily driven by the return of all horse-racing content to our shops.

Ladbrokes Coral reached its first birthday on 1st November, the day after the further consultation on the Triennial Review was announced. We have existed with the uncertainty caused by the review since we were created and hope that the announcement of a 12 week consultation heralds a positive step to reaching a final outcome. We will take a full part in the consultation.”

### **Divisional Performance (1/7/17 to 29/10/17)<sup>[1,2]</sup>**

UK Retail like-for-like (“LFL”) net revenue was 1% behind with LFL OTC stakes performance improving, as expected, on the previous quarter to 5% behind the prior year. Following the agreement of a content deal with The Racing Partnership in July and the resultant return of all horse racing content to the Retail estate, the Group estimates that over 80% of the volume lost due to the lack of content has now returned. This stakes performance has also been impacted by the structural improvements made to the Ladbrokes horse racing gross win margin which is estimated to account for c1pp of the decline. Both the new revenue-share based content deal signed with The Racing Partnership and the structural improvements to gross win margins will help protect the long term profitability of the UK Retail business. LFL OTC gross win margins were 0.4pp ahead of last year (Coral flat and Ladbrokes +0.6pp) resulting in LFL OTC net revenue 4% behind. LFL machines net revenue was flat year-on-year.

European Retail net revenue was 17% ahead (constant currency (“cc”) +12%) of last year with European Retail stakes 10% ahead (cc +5%). Sports gross win margins were 0.8pp ahead of last year with football gross win margins in Italy returning to more normal levels.

Digital net revenue was 12% ahead of last year and 15% ahead excluding the Euros. Sportsbook stakes were 17% ahead (cc +14%) and 18% ahead (cc +15%) excluding the Euros. Sportsbook gross win margin was 0.7pp ahead at 9.6% and sportsbook net revenue 18% ahead (cc +16%). Gaming net revenue was 6% ahead of last year, with gaming net revenue in the sportsbook-led brands 7% ahead.

Growth in Ladbrokes.com.au was very strong with sports stakes 41% ahead and net revenue 50% ahead on a constant currency basis. Eurobet.it sports stakes were 35% ahead of last year, with sports gross win margins improving strongly from the very poor start to the year, helping drive sports net revenue growth of 36% on a constant currency basis.

Coral.co.uk continued to perform well in what is a competitive UK environment, growing net revenue by 13% (17% excluding the Euros). Ladbrokes.com net revenue was 9% behind (-5% excluding the Euros). The focus on improved returns on acquisition and retention spend in the Ladbrokes brand will reduce revenue in the short term but will drive profitability in the medium term. Also, as highlighted at H1, new product and feature releases were suspended, as planned, as Ladbrokes.com was successfully migrated onto one Digital platform. Product development continued throughout the migration and the release of new product and features is now continuing in-line with integration plans. The period also saw a significant reduction in the use of affiliate acquisition channels across all UK brands.

Galabingo.com grew strongly in the quarter, with net revenue 10% ahead, albeit this progress was offset by the payout of a £1m progressive jackpot in Galacasino.com, resulting in combined net revenue growth of 3% across the Gala websites.

Total Group net revenue was 3% ahead of last year (cc +2%).

The Group remains in-line with its expectations for the year.

### **Sporting Calendar**

The main sporting events in the period were the resumption of the football season and the profitable 10th round victory of Floyd Mayweather over Conor McGregor in late August.

The English football season has so far thrown up some very popular selections in accumulators including both the Manchester clubs in the Premiership, while in the Football League Wolves, Shrewsbury, Wigan and Notts County have also been regular customer favourites. However the indifferent start to the season from the likes of Tottenham, Chelsea and Championship ante-post favourites Aston Villa has helped offset the strong performance of the Manchester clubs. In Europe, strong starts to the season from Barcelona and Napoli have ensured their popularity with customers, however the poor form of Dortmund and AC Milan, and the recent stuttering form of Real Madrid have proved beneficial.

## Regulatory update

The Department for Digital, Culture, Media and Sport announced a further 12 week consultation phase as part of the ongoing Triennial review on 31 October 2017. The Group will take an active part in providing evidence on all relevant areas as part of the process outlined within the consultation document.

## Notes:

- <sup>(1)</sup> 2017 proforma results are unaudited and include results for Ladbrokes Coral Group plc for the period 1/7/17 – 29/10/17. 2016 proforma results include results for both Ladbrokes PLC and the Coral Group for the period 1/7/16-29/10/17. Both 2017 and 2016 exclude all results from the 360 shops that Ladbrokes Coral Group plc was required to sell as part of the CMA's remedy findings into the merger of Ladbrokes PLC and the Coral Group
- <sup>(2)</sup> Constant currency basis. Growth on a constant currency basis is calculated by translating both current and prior year performance at the average 2017 exchange rates
- <sup>(3)</sup> UK Retail KPIs are stated on a like-for-like basis which adjusts for shop closures; 96 shops were closed during the period

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