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LAD.L - Q1 2014 Ladbrokes plc Interim Management Statement
Conference Call

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PRESENTATION

Operator

Good day, and welcome to the Ladbrokes plc IMS first-quarter 2014 conference call. Today's conference is being recorded.

At this time, I would like to turn the call over to Richard Glynn, CEO. Please go ahead, sir.

Richard Glynn - Ladbrokes plc - Chief Executive

Good morning, everybody. Thank you for joining us this morning. I'm here with Ian Bull and Richard Snow from IR.

Before I run through the key points, I'm sure that, like you, some of us are expecting an announcement from government today surrounding regulation. We're also keen to see what is actually planned. But I think that, as the out-of-the-blue rise in MGD and the budget showed us, it's probably wise that we don't comment until any official announcement is actually made rather than speculating at this time.

Okay. So let's look at Q1. Well, last September, we set out I hope clearly our operational goals, and in February, with our full-year results, we updated you on progress. I think I told you that in addition to some of the core retail developments, the principal focus for us in H1 was to get the digital operations integrated and working well with the Playtech product and to integrate them all into IMS so that we were, to use our phrase, match fit by the World Cup and then in a position to deliver growth through half two.

So in digital, I'm really pleased to say that on March 27, we transitioned the gaming and the casino product businesses to the Playtech product. And just yesterday, we went live onto the IMS platform for all products. That's ahead of schedule, giving us more time to bed it in before the World Cup.

From a product perspective, we've now put in place the building blocks from which to deliver a seamless, high-quality offer to our customers. And with the IMS single wallet, once the teams get fully up to speed with it, comes our ability to service customers better, reward loyalty, grow spend, drive revenue growth and therefore increase the lifetime values.



You'll also remember that we launched onto the Mobenga mobile platform only at the end of last year. Since then, we've made over 25 mobile product and platform updates, giving customers better functionality, newer products and easier access to their accounts. And even without the benefit of IMS on mobile, customers have continued to respond well, with mobile actives up 32% year on year and mobile stakes up 95% year on year. Of course, we've a lot further mobile improvements and updates planned already for launch through 2014.

I think we also said that we were working hard to improve the resilience of the desktop product, and we've now seen that it can handle large volumes of signups, betting and concurrent users. And the first really big test that we put it through was the Grand National earlier this month, where we saw over 87,000 signups. That's more than double last year's level, with mobile actives on the day up over 120%.

We're nearly at the first anniversary of the Playtech deal. In that time, we've given Ladbrokes Israel the toolkit that they really need to deliver growth, and there are still four years of the deal left. We've delivered against our stated digital milestones in Q1, but please be assured, we're absolutely focused and we know we've still got a lot more to do.

Looking then at UK retail, we started the estate rationalization, closing 24 shops so far, and we are on target for closing around 50 in total this year. But naturally, that's before we assess the impact, which will probably happen the end of 2014 going into 2015, of any further regulatory measures and the unexpected tax increase that we spoke about earlier.

We've continued to roll out self-service betting terminals across the estate. Turnover per terminal has continued to grow, and much of which appears, pleasingly, to be incremental, with about 75% of the growth from football. That's helping us to deliver against another one of the objectives we set out in September, which was winning more higher-margin football business.

The machines team are on track to deliver the expected machine-installation program. Early performance is as anticipated, with increases in gross win of about 5% coming from the new machines.

Offsetting that, the ABB code, which the industry introduced in March, has however had a measurable impact on our gaming business, in the low single digits. Now, we think that this impact may reduce over time, because player behaviors will normalize and implementation of the code across the different businesses will standardize, but it's too early yet to assess what, if any, impact the code has had on improving responsible gambling.

Finally, international, in Spain, we remain on track to launching Catalunya in May. We've successfully moved the digital businesses under the Sportium brand to capitalize on our retail presence there.

In Belgium, we're building on our experience in the UK, and we will be rolling out our self-service betting terminals into 200 shops in the next six weeks, ahead of the World Cup.

Ladbrokes Australia is doing really well. We're very pleased with the team that we have down there. It's trading in line with plan, and we've completed the Betstar deal, which we announced earlier this month.

Finally, just a few words on the financials. I think for the whole industry this quarter was really about results in January and March. As a Group, we were down year on year by about GBP18.5m, but as you can see, we've fought back and with a better Cheltenham and some good football results in February, we've offset some of that impact.

Overall, the results in Q1 were down about GBP6.5m, or 2.3% on a like-for-like basis, with operating profit consistent with our guidance in February. Pleasingly though, in the UK OTC, staking was up some 9%, with growth seen across all sports, most importantly football.

Machines have delivered their broadly comparable growth with Q1 last year, and retail costs are in line for our guidance for 2014. Looking at digital, staking on the sportsbook was up 24%, with mobile up 95%. Spend on marketing is in line with our guidance. And the early encouraging signs we saw, particularly in mobile, have continued in Q1 and into Q2, but please, we are not forgetting there's still an awful lot more to do.



So with 42 days to go before Rio, we've delivered the operational milestones that we set out in September. We're continuing to deliver our milestones in Q2.

The operational execution risk has reduced markedly. We've now got a strong cross-platform and cross-product proposition, which is, as of yesterday, supported by IMS. And we'll look to drive revenue growth in the second half of the year.

The balance sheet remains strong, net debt has reduced, and therefore the Board has reiterated its dividend commitment for the 2014 financial year. As a management team, we must and will maintain this momentum. We have further innovations and improvements planned. We're absolutely focused on delivery through to the World Cup and for the rest of 2014.

Ian and I will now happily take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Patrick Coffey, Barclays.

Patrick Coffey - Barclays - Analyst

Hi, guys. A couple from me, if you don't mind.

You mentioned you're seeing heightened competition in the buildup to the World Cup. Can you give us a bit of color on that one, please?

Second question is just on recycling. Can you just discuss the levels that recycling are winning in Q1 in the retail estate? I appreciate it's short term, but post week 2 and week 12 punter-friendly results, did you see a big pickup in recycling?

And then just finally on the dividend, clearly, reiterating guidance for this year, our estimates have dividend cover of 1.2 and 1.3 times in 2015 and 2016. Would you be happy to maintain dividend cover that low in those years if there was no upgrade to consensus? Thanks a lot.

Richard Glynn - Ladbrokes plc - Chief Executive

Morning, Patrick. I'll talk about competition in the World Cup. Ian will talk about recycling and then dividend, if that's all right.

Patrick Coffey - Barclays - Analyst

Thanks.

Richard Glynn - Ladbrokes plc - Chief Executive

I think that a Brazil World Cup is always a big event. The times are in the most good for UK sport, and I think this is going to be the biggest ever mobile World Cup.

The industry is of course using the World Cup as an accelerant ahead of a point-of-consumption tax. We've said very, very clearly that we will never get involved in a race to the bottom.



What we will do is we will compete aggressively, we will compete sensibly and we will, as I think we've shown at Cheltenham and at the National and our 66-to-1 offer on England to win the World Cup, we will compete very hard. And now that we have the product and that we have a full complement of marketing out in Israel and we have IMS, I think that we can start making sure that we have a very strong cross-product and cross-channel competition going into the World Cup. It is going to be intense, it is going to be a very hard competition, but I think it's also going to be an incredible event for the customers, and we're looking forward to it.

Ian Bull - *Ladbrokes plc - CFO*

Morning, Patrick. So on recycling, yes, I think we've put out staking them as both in retail and digital, which are very helpfully positive, 8.5% in retail and 38%, excluding Australia and BETDAQ, in digital.

I think what's important to recognize is, firstly, there must be some recycling, given how good the football results have been, two weeks in January and then the second week of March, so there's bound to be some recycling. I think the year-over-year comparators ought to give everyone a little bit of pause for thought. I don't think we're trying to claim for one minute that 38% is exclusively Ladbrokes, because the comparator last year, if you remember, I think we ran a 35% margin in Q1 last year on football.

So the year-over-year comparator, that's obviously going to suppress a little bit the staking last year. And don't forget last year, we did say that we'd taken out some non-profitable turnover last year, as well. So there are a few moving parts on there.

It's incredibly complex to try and analyze what is uniquely recycling or not, but I think it's important to recognize that, I think particularly in mobile, the actives are starting to move, particularly on sportsbook mobile.

I think the second thing that is driving our staking levels is the introduction of self-service betting terminals in retail, as well, which we've seen as primarily football. The lion's share of that is coming through football, and the lion's share of that is coming through with incremental business, as well, which is really quite pleasing.

Your final point was div cover. I think we've been quite consistent on this one. We have a stated policy of two times dividend cover, but I think what the Board have been happy to recognize is whilst we went through a couple of really big transition years, 2013, 2014 and into 2015, we were happy to flex that cover down to make sure that shareholders were rewarded with dividends along the way, really.

And I think having restated the guidance for 2014 at no lower than 8.9p per share, which is what we paid in 2013, I think that's an expression of confidence from the Board that the momentum is building in the business. We've analyzed the cash flows and put the ticks on that one. So I think it's in the right place.

For 2015, I'm not going to make any comment now. It's far too early. But of course, we will look at this later in the year, and that's the appropriate time for us to come back to you.

Patrick Coffey - *Barclays - Analyst*

Okay. Thank you very much.

Operator

Gavin Kelleher, Goodbody.



Gavin Kelleher - *Goodbody - Analyst*

Morning, guys. Just a few from me. Can you give us a number on mobile stakes as a percentage of online sportsbook in the quarter? And also, how much of the online business was UK in Q1, what percentage?

And maybe you could just give us a feel for horse racing. Is that flat or just marginally up in retail in terms of staking levels?

Richard Glynn - *Ladbrokes plc - Chief Executive*

Horse racing, Gavin, staking levels up about 4% in UK retail. Mobile stakes as a percentage I believe are about 43%, 44%.

As to the online UK percentage, I'm afraid I'm looking around the room and we'll come back to you. It's probably about 80%, I would have thought.

Gavin Kelleher - *Goodbody - Analyst*

Okay. Thanks a million.

Operator

Vaughan Lewis, Morgan Stanley.

Vaughan Lewis - *Morgan Stanley - Analyst*

Hi. Morning. Can you talk about what you're seeing with new customer signups in the period, how that's changed year on year and quarter on quarter? And then, are you confident that you're acquiring profitable customers, so are the customer acquisition costs low relative to what your forecast lifetime value is, I guess?

And then a second one on retail, can you just give us a bit of clarity on what you're seeing on SSBTs then? You're flagging that as the majority of growth, so how much of that 30%-odd football growth should we assume is coming from the SSBTs? Thanks.

Ian Bull - *Ladbrokes plc - CFO*

Vaughan, it's Ian. So let -- can I do this in reverse order?

SSBTs, what we've said is about 35% growth on sportsbook staking in the quarter. Actually, if we take out the SSBTs it's still 20%-odd growth on football staking, OTC.

So that -- I think they're both healthily positive. So we're not trying to say the story's uniquely weighted to SSBTs. I think that's a very helpful addition to what's underlying.

I think on your first question, in terms of signups, I think we're seeing in the quarter mobile has been strong. I think it's over 60% versus the Q4 average in terms of signups on mobile, and digital in total is around just under 40% versus the Q4 average, so both going the right direction. And I think equally what's important is to recognize that's still without the full effect of IMS and the back office, which went live yesterday.



Richard Glynn - *Ladbrokes plc - Chief Executive*

Yes. And I think, Vaughan, your question on CPAs is probably the critical question. We are very, I hope, disciplined using Ladbrokes Israel and making sure that we are not spending more than we believe the customer lifetime value is. That will change with the implementation of the IMS.

I said earlier that we would compete aggressively but sensibly, and we will not go over broke, either with offers or with acquiring customers. And I think we showed that at Cheltenham, where on the second day, we stopped acquisition because we thought the CPA had gone to a level which meant that customers were not profitable.

And I think if you look at some of the NGR growth in poker or the rates of decline in poker, I think if you look at the CPAs that people are paying to acquire poker customers to keep NGR at a boosted level, it simply is not profitable. You cannot make money out of those customers.

I was always taught you can always buy business, but it doesn't do your business any good. We're pretty controlled about that, and making sure that the CPAs deliver valuable customers is our goal throughout the rest of the year.

Vaughan Lewis - *Morgan Stanley - Analyst*

Okay. Just to check that figure, so new customer signups was up 60% Q on Q. Was that in aggregate for sport -- for digital?

Ian Bull - *Ladbrokes plc - CFO*

So in -- Vaughan, digital signups were 37% across digital versus Q4 average. And mobile signups were 62%.

Vaughan Lewis - *Morgan Stanley - Analyst*

Okay. Great. Thank you.

Ian Bull - *Ladbrokes plc - CFO*

Thank you.

Operator

Ed Birkin, Credit Suisse.

Ed Birkin - *Credit Suisse - Analyst*

Morning, guys. Just three from me. Following on from Vaughan, just a couple on the SSBTs. Can you give what turnover they gave as percent of total in UK retail? And then secondly, just comment on what kind of margin we can be expecting from that to see how that's going to affect the overall margin.

And then finally, I know it's early days, but obviously the gaming's been affected ahead of the migration to Playtech. Now you're on Playtech's product suite. Can you give any indication of how you expect that to turn around and how long it'll perhaps take to recover what ground you lost at the end of your Microgaming contract?



Richard Glynn - *Ladbrokes plc - Chief Executive*

Yes. I'll answer the latter two. The margins, I think that what we've always said is we -- the SSBTs will drive football margins -- drive football turnover. A lot of that is on the higher-margin accumulator products. At this moment in time, I think that the weighting is not going to influence the overall annual margins just simply because of the scale.

If you look at gaming, you're absolutely right. We've had a year with Microgaming under notice, so therefore the product for the customer hasn't been improved in that time. There's been a natural reluctance for two very large bears to help each other.

We only migrated across the gaming product at the end of March, and we only moved onto IMS the end of this -- at the end of yesterday, ahead of where we thought. But I think it will certainly take time for the teams to bed in. I think that they've given themselves a good run into the World Cup.

And we said that we would like to start seeing, and our goal is to start seeing, in particular, the gaming rates picking up in the second half of the year. That's the particular skill for Ladbrokes Israel.

We've seen some early good signs of momentum on sportsbook and mobile sportsbook. So we're encouraged, but there's an awful lot more to do. And as I think I said in February, what we will be looking at is the exit rates of growth, particularly across the gaming and mobile platforms going out of 2014, taking it into 2015.

Ed Birkin - *Credit Suisse - Analyst*

Okay. And then SSBT turnover as a percent of total? I assume it's still mid single digit.

Richard Glynn - *Ladbrokes plc - Chief Executive*

Yes. I think it's --

Ian Bull - *Ladbrokes plc - CFO*

Yes.

Ed Birkin - *Credit Suisse - Analyst*

Okay. Great. Thanks very much.

Operator

Nick Batram, Peel Hunt

Nick Batram - *Peel Hunt - Analyst*

Morning, chaps. A few questions. I think possibly you might have answered some of these indirectly.

But if I look at retail stakes, that's up 8.5%, which is nearly three times what William Hill achieved. Clearly, SSTBs had some impact, but I can't imagine it accounts for all of that, and clearly that's what you've been saying so far.



So can you just give me some idea of what you think that growth has come from? Has it come from footfall? Has there been some product innovation?

And also, if I then look at gross win per machine week, it was minus 1.1% over the quarter. Is it possible to say where it was before you adopted the ABB code?

And just a final question is around BETDAQ. Is that business profitable now? And also, if it is or if it isn't, what do you actually -- what's the strategic goal with that at the moment in terms of relating that to the improvements you're making to the overall digital offering?

Ian Bull - *Ladbrokes plc - CFO*

Hi Nick. I'll try and do those in the order you asked them.

So from a retail staking point of view, yes, we're talking about 8.5%, which is a healthy number. And I think as one of the earlier questions, let's not pretend that is all unique, because it's a year-over-year number with a weaker quarter last year in terms of football.

So I think what's important to say is across horse racing, dogs and football we see -- we saw positive OTC, particularly football. I think football was 25% up, staking.

Now, clearly some of that is going to be margin driven, of course, isn't it? And a little bit of that will be SSBT. So I think there's some natural growth there in football, driven by margin and recycling, but all healthily positive.

I think the other factor just to put on the table of course, is we've got a slightly larger estate in Q1 of this year versus Q1 of last year. But -- so in aggregate we're seeing overall growth, and I think it's got three or four things to it.

I think your second question, Nick, was around gross win per shop being down 1%. It's very difficult to pick out the pre and post for -- versus the introduction of the code, which was March 1.

I think what I would say though is, from a machines point of view, it's trading pretty -- machines are trading pretty much as we expected. I think we're seeing the natural performance where we expected it to be. I think we've seen or we've given you a strong sense of proportion as to how we've seen the introduction of the code.

And I think new machines coming in, which don't forget we only started partway through the quarter and we're only partway through the rollout of machines, and I think what with -- those have settled down to around about 5% growth, really. So there's three aggregate things that are driving the overall plus 2% and the gross win per shop down minus 1%.

Richard Glynn - *Ladbrokes plc - Chief Executive*

And, Nick, on the Betdaq side of things, if you remember, at the time of the acquisition, we said Betdaq delivered three things. It delivered Betdaq per se, it delivered the exchange product to the Ladbrokes family and it delivered, under the terms of the option, the technology. Betdaq per se is still in line with what we said it was going to be at the time we acquired it.

The most exciting thing for us I think is the introduction of the Ladbrokes Exchange, giving customers a differentiated product. There are some big innovations coming out on that prior to the World Cup, and you will see it as a fully embedded product across all the Ladbrokes platforms and driving out on a more international basis after the World Cup and a drive in the second half of the year.

We think that gives Ladbrokes a differentiated sportsbook proposition and an ability from a pricing, trading and liability management position to be able to use the exchange in a very strategic fashion, where we're quite excited by that, but there's a lot more work to be done. And I think that we'll see some interesting innovation in the second half of the year.



Nick Batram - *Peel Hunt - Analyst*

Does that suggest we're going to see the end of Betdaq as a consumer brand?

Ian Bull - *Ladbrokes plc - CFO*

No.

Nick Batram - *Peel Hunt - Analyst*

So you're going to be pushing both Ladbrokes' and the Betdaq brand on an exchange basis?

Richard Glynn - *Ladbrokes plc - Chief Executive*

Ladbrokes will have the exchange and Betdaq will be a brand sitting alongside it, slightly different consumer groupings, both of which are fully interrelated.

Nick Batram - *Peel Hunt - Analyst*

Thanks.

Operator

Ivor Jones, Numis.

Ivor Jones - *Numis - Analyst*

Good morning. Could you talk about the shop closures? There's been this change in costs, but you're not announcing a change to the shop-closure plan? Is that because you're hoping the government's going to change its mind or can you talk about when you're going to address the estate?

Richard Glynn - *Ladbrokes plc - Chief Executive*

Yes. Morning, Ivor. By the change in costs you mean the treasury, the taxation.

Ivor Jones - *Numis - Analyst*

Yes, the treasury change. Yes.

Richard Glynn - *Ladbrokes plc - Chief Executive*

Yes. Well, look, we're very, very cognizant of the impact that announcements have politically, but also probably as important, on our own staff. We've announced that we have 50 closures this year, and I'm pleased to say that there's no redundancies with that, because we have redeployed all the staff.



We know that there's an inevitable consequence of the tax rise, and we are expecting an announcement from DCMS late morning today. When we are able to see the exact words of what the impact is going to be and look at that in the context of what I think is an unwarranted tax rise and certainly an unexpected one, and then be able to look at what we can do to mitigate that by revenue growth and to mitigate the impact on our staff by redeployment, then I think it's right and proper that we will come out with a closure program and with a staff impact, which will inevitably happen at the end of 2014 and 2015.

But I think it's not responsible towards our staff for us to make premature announcements before we know exactly what is put on offer. I don't think there's any doubts there's going to be an inevitable consequence of it.

Ivor Jones - *Numis - Analyst*

So respecting those sensitivities, end of this year then, for the next announcement in relation to this. Is that what you just said?

Richard Glynn - *Ladbrokes plc - Chief Executive*

No. I didn't say that. I said that I thought that the impact of it would probably occur more the end of this year and through into 2015. We will get on with this.

And it won't surprise anyone to know that we've done extensive modeling on different scenarios, the impact it could have, speculating wildly on what could happen. We will get on with that as soon as possible.

We'll make our statements as soon as possible. We'll get together with the industry to make sure that everybody's aligned on the response on this and we will make sure that people have clarity as quickly as is humanly possible. It will certainly be before the end of this year.

Ivor Jones - *Numis - Analyst*

Okay. Thank you. And in the GBP18.4m of EBIT, I can't work out if digital would have been profitable or not.

Ian Bull - *Ladbrokes plc - CFO*

Ivor, it's pretty neutral, actually. It's about flat. I think digital overall, I think the absolute number is about negative GBP0.9m, I think.

Ivor Jones - *Numis - Analyst*

And sorry, and you've explained this to me before, but the costs associated with digital in this period, that's fully costed, isn't it? It's not treating anything as exceptional and runoff?

Ian Bull - *Ladbrokes plc - CFO*

No, no. So the costs you see are the real, true operating costs for both digital and the retail business.

Ivor Jones - *Numis - Analyst*

And in terms of marketing, you said what you expect through the year as a whole, but presumably in this period of transition, marketing costs will have been relatively low as a percentage of revenue because you're in transition.

Ian Bull - *Ladbrokes plc - CFO*

No. Marketing costs are pretty stable. We've been maintaining the brand. You'll see there's been a big brand launch last weekend, which I'm pleased to say has been well received, which obviously uplifts the marketing costs. We've been marketing on mobile. So things are pretty consistent, and I think that we're reiterating our guidance for the year.

Ivor Jones - *Numis - Analyst*

So operating cost base in the first quarter and marketing cost base at a normalized level as a percentage obviously for marketing, and so revenue growth should drop through to operating profit.

Ian Bull - *Ladbrokes plc - CFO*

Well, Ivor, I think that's what we tried to lay out for you in February and give you -- I think we gave you some fairly insightful operating stats to work out that from a digital business -- and you have to take these over a year. Doing it over a quarter is quite narrow, but if you take it over the year, I think we said that incremental revenue should drop through at over 50%, with a fixed cost base and the variable cost base, including marketing.

Ivor Jones - *Numis - Analyst*

And so you're still sticking with guidance that the first half of this year will make more operating profit than the second half of last year?

Ian Bull - *Ladbrokes plc - CFO*

No. I think what we said -- are you talking about the digital business?

Ivor Jones - *Numis - Analyst*

No. The Group I think that guidance related to.

Ian Bull - *Ladbrokes plc - CFO*

Sorry. Overall, yes.

Ivor Jones - *Numis - Analyst*

The guidance you gave at the full-year results.

Ian Bull - *Ladbrokes plc - CFO*

Sorry. I thought you were on digital, particularly. No. You're quite correct.

Ivor Jones - *Numis - Analyst*

So obviously, that represents quite a big swing for digital in the second quarter.



Ian Bull - *Ladbrokes plc - CFO*

Well, yes. But I think if we're looking at the -- I think if we're talking about the second quarter, then clearly the World Cup is a major driver for that. And obviously in the second quarter -- having gone live yesterday with the full integration, then we start to see -- as Richard said at the outset, there are six or seven weeks now to Rio, with the full impact and the full capability set in Ladbrokes Israel, from the digital business.

But I can only repeat the guidance we said. From a digital point of view, we said we'd expect from H2 last year into this year revenue should grow and the EBITDA should be broadly similar.

Ivor Jones - *Numis - Analyst*

And -- but in the nature of the World Cup advertising and the Ladbrokes Life campaign, there's going to be quite some frontloading of marketing spend ahead of the World Cup. Is that right?

Ian Bull - *Ladbrokes plc - CFO*

Acknowledging that, I can only restate the guidance we gave you --

Ivor Jones - *Numis - Analyst*

No. Fine. Thank you.

Sorry. And last one; is there any Microgaming content left in the Ladbrokes Casino for players that might have liked that -- some of the games that they had, or is it all not Microgaming?

Richard Glynn - *Ladbrokes plc - Chief Executive*

Well, it isn't all not Microgaming, because we have agnosticity on some of the gaming products. We have a platform which allows other people in on a bit of gaming. But the key things of casino, poker, bingo, IMS, have all been successfully migrated across onto the Playtech product.

Ivor Jones - *Numis - Analyst*

Sorry, but specifically I know there are some bits of game content that are popular with players.

Richard Glynn - *Ladbrokes plc - Chief Executive*

There's bit of game content.

Ivor Jones - *Numis - Analyst*

That's still there?

Richard Glynn - *Ladbrokes plc - Chief Executive*

Bits of game content from multiple suppliers, yes.



Ivor Jones - *Numis - Analyst*

Right. Lovely. Thank you very much.

Operator

Victoria Greer, JPMorgan.

Victoria Greer - *JPMorgan Cazenove - Analyst*

Good morning. Just two, please. Firstly on the signups for mobile and digital, I think you gave us the growth versus Q4 2013. Could you give us an idea versus Q1?

And then secondly, you mentioned the impact of the ABB code in retail. Could you perhaps talk a bit about what changes in customer behavior you've seen?

Have you seen people more using the ability to set their own limits or is it more from the mandatory reminders? What's changed in player behavior from the ABB introduction? Thanks.

Ian Bull - *Ladbrokes plc - CFO*

Yes. Victoria, we lost you. There was a glitch on the line. Could you repeat your first question?

Victoria Greer - *JPMorgan Cazenove - Analyst*

Of course. Yes. So I think when you talked about signups and -- for mobile and overall for digital, you gave us a number versus Q4 last year. Could you give us a feel for what it was versus Q1?

Ian Bull - *Ladbrokes plc - CFO*

Yes. It's 80%. The mobile signups, yes? Mobile signups?

Victoria Greer - *JPMorgan Cazenove - Analyst*

It's mobile.

Ian Bull - *Ladbrokes plc - CFO*

Yes. 80%.

Victoria Greer - *JPMorgan Cazenove - Analyst*

Okay. And for digital overall?



Ian Bull - *Ladbrokes plc - CFO*

It's about flat.

Victoria Greer - *JPMorgan Cazenove - Analyst*

Okay. Great. Thanks.

Richard Glynn - *Ladbrokes plc - Chief Executive*

And, Victoria, as to the code, you're right. We have seen an impact on that. We made a decision. We trained the staff very hard, and we made a decision to implement the code in a very vigorous way to make sure that almost every customer who came into the shops knew there was a new code, knew that there were mandatory limits and set your own limits and timings, to explain it to them.

So the interventions that we've had across the estate have been very high. It's inevitable that the customers will now become more accustomed to that and the staff will have done the initial onslaught of interventions and will be able to standardize that a little bit more.

We're already seeing behaviors that show that the customers are becoming more accustomed and the initial decline in percentages has already fallen off somewhat. But we're still seeing low single-digit decline, which I think is purely attributable to the implementation of the ABB code.

Victoria Greer - *JPMorgan Cazenove - Analyst*

Great. Thank you.

Richard Glynn - *Ladbrokes plc - Chief Executive*

I think we've probably got time for two more, if we may, guys, because I think -- I'm led to believe a lot of people are dashing off just before 9.30 for the Playtech call.

Operator

Jeffrey Harwood, Oriel.

Jeffrey Harwood - *Oriel - Analyst*

Yes. Good morning. Just following on from that question on the code, if your players had to seek approval to stake more than GBP50 on a machine, how worried would you be about that?

Richard Glynn - *Ladbrokes plc - Chief Executive*

Jeffrey, I'm not going to speculate on it, if I may. I said right at the beginning, I'm going to wait until we see what the government have done. We have odds on. We have 40% of OTC players registered.

We believe that use of a card will be one of the mechanisms which will allow customers to play at the higher staking levels. Inevitably, there will be an impact, and we've done trials on it, but I'm not going to put numbers out into the domain now until we know and study the proposals in more detail.

Jeffrey Harwood - *Oriel - Analyst*

Sure. Okay. Thank you.

Operator

Richard Stuber, Nomura.

Richard Stuber - *Nomura - Analyst*

Yes. Hi. Good morning. Just a couple of questions, please.

First of all, can you just give us an actual number for the percentage change in net gaming revenue for the online business, excluding the sportsbook?

And the second question is do you have any comments on trading so far in Q2, with the exception of Cheltenham -- with, sorry, the exception of the Grand National, which you've already mentioned? Thank you.

Ian Bull - *Ladbrokes plc - CFO*

So, Richard, so for Q1, the sportsbook net revenue is down 17.9%, and gaming net revenue is down 17.7%. Those are year-over-year numbers. Yes.

Richard Stuber - *Nomura - Analyst*

Great. Thank you.

Ian Bull - *Ladbrokes plc - CFO*

They're actually on the table on the file. You may not have got to it. There's a long table at the end of the press release.

Richard Stuber - *Nomura - Analyst*

Right. Sorry. Yes. I see that.

Sorry. And the other question is about how results have gone so far in Q2, other than Grand National.

Richard Glynn - *Ladbrokes plc - Chief Executive*

Well, results on the couple of weeks that we've had so far are pretty much in line, keeping on going. But you've been in this game a long time, Richard. I think it's pretty dangerous for us to comment on weeks results given what you saw in January and March.

The trends over the year, absent the three bad weekends that we had, seem to be going the way that we want them to do and we're seeing to start -- starting to notice some improvements in our trading performance. But early days, and results will be what results will be.

We've got a big World Cup in the middle of it, and if Brazil win against Spain in the final, with England having won all their games, getting through to the quarterfinals and the semis, the margins are going to be quite depressed this year.



Richard Stuber - *Nomura - Analyst*

Thank you.

Richard Glynn - *Ladbrokes plc - Chief Executive*

Thank you very much indeed. We'll be joining you on the call with Playtech.

Operator

Yes. If there are no further questions now, we -- I would like to turn the call back to the speaker for any additional or closing remarks.

Richard Glynn - *Ladbrokes plc - Chief Executive*

No. Thank you very much for joining us.

Operator

Okay. Thank you. That will conclude today's conference call. You may now disconnect, ladies and gentlemen.

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