

LADBROKES PLC (“Ladbrokes” or the “Group”)

18 October 2016

Ladbrokes plc (LSE:LAD) announces its trading update for the three months ended 30 September 2016 (the period or Q3):

RECREATIONAL STRATEGY DELIVERS; 4TH CONSECUTIVE QUARTER OF YoY NET REVENUE GROWTH

					Q3 2016 ⁽¹⁾
Group net revenue					+12.1%
UK Retail net revenue					+1.9%
OTC stakes					-4.3%
OTC gross win margin					16.1% (+0.6ppt)
Machine gross win					+4.6%
Digital net revenue					+48.2%
Digital KPIs					
Ladbrokes.com plus Exchanges					+32.7%
Sportsbook ⁽²⁾					+47.9%
Gaming ⁽²⁾					+23.7%
Ladbrokes Australia (local currency)					+89.6%
European Retail net revenue					+11.3%

- Q3 financial performance supportive of our full year expectations
- Continued strong yoy growth trends: 4th quarter of Group net revenue growth; Ladbrokes.com: 11th quarter of sportsbook staking growth; 8th quarter of gaming growth; Australia: 9th quarter of staking growth
- Margin benefited from strategic focus on recreational customer base, with growth in BetStation and football but impacted by continued poor horse racing festivals (Goodwood and York)
- Multi-channel delivers over 120,000 actives since launch through acquisition via Retail team

Jim Mullen, Chief Executive, commented:

“We’ve emerged from a busy summer of sport with more evidence that our strategy of appealing to the recreational customer is delivering growth and we remain confident of delivering full year results in line with our expectations.

“Across all our key pillars we have been encouraged by the customer reaction. We have delivered growth for a fourth successive quarter in Group net revenue, and in Ladbrokes.com an eleventh in sportsbook staking and an eighth in gaming. In Australia, we’ve continued to enjoy tremendous success across all measures in the form of improved margin, strong staking and actives growth.

“Our margin has been resilient, benefitting from our strategy of focusing on the recreational customer, deploying BetStation across the estate and growing in football. This margin has been in spite of loss-making racing festivals at Goodwood and York; I said at our half year results in August that sporting results would turn against us and in Racing they promptly did. However, we did enjoy a strong end to the Euros and a stuttering start to the season for Manchester United and Barcelona has been in our favour. With the Melbourne Cup, an action-packed Boxing Day, the return of the National Hunt season and an intense programme of top level football to come, there remain significant opportunities and risks ahead.

“These results have been achieved by a group of colleagues whose commitment to delivering Ladbrokes’ Plan A has been all the more impressive given the ongoing work towards completion of our merger with Coral. Following our agreement to sell 359 shops subject to CMA approval, we are close to completion of the deal and look forward to the opportunities it will bring to customers, colleagues and shareholders.”

DIVISIONAL PERFORMANCE

In UK Retail, net revenue increased by 1.9%. Higher OTC margins had a more normalised impact on Q3 OTC staking which was down 4.3% or 3.9% on a like-for-like basis although in football, we saw staking growth of 17.3% as customers respond to our value proposition. OTC gross win margin of 16.1% was up 0.6ppts year on year which meant OTC net revenue was broadly flat. Staking through BetStation increased by 76.7% and represented c.10% of OTC staking (Q3 2015: c.5%). Machines net revenue grew 4.0% (like-for-like 4.6%) benefitting from our sustained strategy of introducing and promoting lower staking slots and B3 content which is increasingly popular with customers.

We have maintained the intensity around our multi-channel offer and our UK Retail team have delivered over 120,000 actives since launch in 2015. Multi-channel customers contributed c.11% of sportsbook net revenue in Q3.

In Digital, Ladbrokes.com and Exchanges net revenue increased by 32.7%. Sportsbook delivered its 11th consecutive quarter of year on year stakes growth with stakes up 26.2% and actives up 35.6%. Mobile staking increased by 31.6% and now accounts for 78.9% of sportsbook staking. Sportsbook net revenue rose 47.9% benefitting from an increased margin of 7.7% reflecting our focus on the recreational customer. Gaming net revenue was up 23.7%, our 8th consecutive quarter of year on year growth. In Australia, on a local currency basis, staking grew 50.6% and revenue increased by 89.6% on the back of actives growth of 42.5%.

In European Retail net revenue grew 11.3% (+1.1% on a constant currency basis). In Belgium⁽⁴⁾ OTC amounts staked have increased 9.5% driven by the investment in SSBTs and virtual products. In Ireland, OTC staking was up 7.9%.

SPORTING CALENDAR

Having endured customer-friendly results at the Cheltenham Festival in Q1 and Royal Ascot in Q2, it was difficult to see how Q3 could be worse, but at a far from Glorious Goodwood and an expensive Ebor meeting at York we suffered two very painful, loss-making meetings. Winning favourites such as Franklin D and Dancing Star at Goodwood, and Postponed and Blue Point at York, left us cursing the Summer racing festivals. We enjoyed some respite at the last ever Ladbrokes St Leger meeting in September where victory for Harbour Law in the world's oldest Classic helped erase the pain of an expensive meeting 12 months ago.

The Euros finished with the bookmakers comfortably in front and the start to the football season has been encouraging. Despite Pep Guardiola's Manchester City finding their groove, once again we have benefited from a lacklustre start from a Jose Mourinho-managed team. Beyond the Premier League, the stuttering start to FC Barcelona's season has seen us enjoy strong results in La Liga.

Rory McIlroy's FedEx Cup win in late September took the gloss off bookie-friendly upsets in the US PGA. Andy Murray's Wimbledon victory was surprisingly painless as Novak Djokovic supporters had been out in force, and Murray's US Open defeat left punters disappointed.

The return of the traditional National Hunt season in Q4 will see us once again face up to the reality of dominance from familiar faces such as Willie Mullins and Ruby Walsh but we will hope for a more balanced spread of results as we approach the end of the year and move into the festivals next year. In Australia, the Spring Carnival gives us the ultimate platform to showcase our brand to audiences Down Under, culminating in the Melbourne Cup on 1 November.

REGULATORY DEVELOPMENTS

We expect the UK government to commence its Triennial Review of stakes and prizes on UK gaming machines in the near future and we look forward to supporting the Government. As ever, we will look for an evidence-based assessment of the facts in this important aspect of the industry. We are also working with the Treasury which has commenced its consultation around the treatment of the industry under the 4th EU Anti Money Laundering Directive.

LADBROKES CORAL MERGER

On 15 October, we announced the sale of 359 shops conditional upon the CMA's approval and completion of our merger with Coral. Once approval has been received, we will seek the CMA's consent to complete the merger subject to the divestiture of one remaining shop.

Enquiries +44 (0) 208 515 5513

Jim Mullen, Chief Executive

Richard Snow, Chief Financial Officer

Donal McCabe, Group Communications Director

Snehal Shah, Group Financial Controller & Head of Investor Relations

INVESTOR/ ANALYST CONFERENCE CALL DIAL IN DETAILS – 9:00AM (Confirmation code: 2350670)

UK: +44 (0) 20 3427 1901 or free phone 0800 279 4992

US: +1 646 254 3367 or free phone +1 877 280 2342

Quarterly trends Table

YoY (except where stated)	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q1 2016 excluding HVC ⁽³⁾	Q2 2016	Q3 2016
Group Net Revenue⁽¹⁾	(0.5%)	(0.7%)	+10.9%	+12.5%	+10.6%	+13.5%	+12.1%

UK Retail							
OTC Amounts Staked	(5.6)%	+1.6%	+1.1%	(1.3)%	na	+1.4%	(4.3)%
SSBT % OTC staking	3.6%	5.3%	8.3%	9.8%	na	9.3%	9.8%
OTC Gross Win Margin	16.2% (0.3)pp	15.5% (1.5)pp	17.3% +1.7pp	17.5% +1.8pp	na	17.4% +1.2pp	16.1% +0.6pp
Machine Gross Win growth	+4.3%	+4.6%	+3.7%	+1.5%	na	+7.9%	+4.6%
Machine Gross Win per shop per week	+8.7%	+8.6%	+6.4%	+4.1%	na	+9.3%	+5.6%
Total Net Revenue	(1.7)%	(1.0)%	+6.5%	+4.1%	na	+8.6%	+1.9%

Ladbrokes.com plus Exchanges⁽²⁾							
Total Net Revenue	(5.5)%	+5.7%	+25.1%	+57.2%	+38.4%	+29.5%	+32.7%
Sportsbook Net Revenue	(23.0)%	(0.5)%	+53.8%	+122%	+59.0%	+39.4%	+47.9%
Sportsbook Amounts Staked	+12.7%	+34.1%	+43.9%	+12.4%	+35.2%	+26.5%	+26.2%
Mobile Sportsbook Amounts Staked	+66.5%	+69.0%	+77.3%	+57.6%	na	+35.0%	+31.6%
Sportsbook Actives	(5.4)%	+1.7%	+25.5%	+27.8%	na	+42.4%	+35.6%
Sportsbook Gross Win Margin	6.3% (2.8)pp	6.8% (2.1)pp	7.0% +0.5pp	7.9% +3.9pp	7.9% +1.6pp	7.5% +1.2pp	7.7% +0.9pp
Gaming Net Revenue	+19.1%	+11.5%	+10.3%	+27.3%	na	+26.3%	+23.7%
Gaming Actives	+13.2%	+29.4%	+41.5%	+43.8%	na	+50.6%	+39.5%

Ladbrokes Australia (AUD)⁽⁴⁾							
Net Revenue	+73.6%	+26.3%	+76.3%	+38.4%	na	+44.4%	+89.6%
Sportsbook Amounts Staked	+52.7%	+61.4%	+63.0%	+51.5%	na	+55.7%	+50.6%
Sportsbook Actives	+65.9%	+88.8%	+60.2%	+86.9%	na	+66.8%	+42.5%
Sportsbook Gross Win Margin	9.5% +0.8pp	8.3% (1.2)pp	11.3% +1.7pp	9.8% flat	na	9.8% +0.3pp	10.3% +2.0pp

(1) Excluding High Rollers. Year on year performance except where stated

(2) Sportsbook and Gaming are related to Ladbrokes.com only

(3) Adjusted for the impact of losses following significant HVC activity in Q1 2015

(4) Local currency basis; Australia quarterly data as reported, not pro forma