

LADBROKES PLC

23 OCTOBER 2014

LADBROKES ON TRACK – Q3 REVENUE AND PROFIT GROWTH⁽¹⁾

Ladbrokes plc (LSE:LAD) (Ladbrokes or the Group) announces its Interim Management Statement for the three months ended 30 September 2014 (the period or Q3).

Operational delivery and improved sporting results drive strong financial performance

- Group net revenue +13.0% (+9.6% exc. Australia)
- Group operating profit⁽²⁾ of £33.0m, up 94% (Q3 2013: £17.0m); on track for full year expectations
- Re-confirm FY14 dividend of not less than 8.9p per share

Digital – strong mobile sportsbook growth continues; Gaming trends improved; Australia performing well

- Total Digital net revenue +45.9% (+22.9% exc. Australia)
- Sportsbook⁽⁴⁾ net revenue +58.2%; stakes +21.6% driven by mobile (+113%); strong gross win margin of 8.9% (2013: 6.7%)
- Gaming⁽⁴⁾ returned to growth, net revenue +1.4%; sequential increase on Q2 2014 for Games +20.8% and Casino +6.6%
- Australia⁽⁵⁾⁽⁷⁾: strong growth in net revenue (+172%), staking (+43%) and actives (+124%)

UK Retail – better football results and machines drive growth

- UK Retail net revenue +6.0%; better football results delivered improved UK OTC margins of 17.0% (2013: 14.9%)
- Improved machines performance: gross win +4.9% (Q3 2013: significant weather-related impact)
- OTC net revenue up 6.3% benefiting from good start to new football season (stakes +5%, gross win +109%); overall OTC staking down 7.9% in Q3 reflecting horseracing trends as seen in Q2. Overall OTC staking YTD: +0.5%

European Retail

- Belgium Retail: net revenue +21.0%, roll-out of SSBTs and Virtual products continue
- Spain Retail: JV net revenue +82.9%, roll-out in Catalunya continues

Richard Glynn, Chief Executive, commented:

“Ladbrokes is on track. The major operational improvements completed in H1 are now delivering growth. Our performance in the World Cup and throughout Q3 demonstrate that we are competing successfully and winning customers.

In Digital, our sportsbetting offer continues to perform well with net revenue up over 50% driven by mobile. In Gaming we are encouraged to see a return to growth. In UK Retail, our focus on football continues to deliver good growth. Our gaming machines performed ahead of our expectations while we have, simultaneously, enhanced standards in social responsibility.

We entered the final part of 2014 with a competitive and attractive offer. We have achieved much operationally in 2014, with further opportunities to drive revenue in 2015 and beyond. Q4 has started in line with our plans and, with usual sporting results, we will deliver full year results in line with our expectations.”

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Richard Glynn, Chief Executive
Ian Bull, Chief Financial Officer
Richard Snow, Head of Investor Relations
Donal McCabe, Director of External Relations
Ciaran O'Brien, Director of Corporate Affairs

DIGITAL⁽⁴⁾

We are now seeing the financial benefits of the Digital operational transformation implemented over the past 18 months.

Sportsbook amounts staked increased by 21.6% driven by another quarter of strong performance in mobile where actives increased by 80% and stakes by 113%. Sportsbook gross win margin was 8.9% benefitting from a strong World Cup in H2 (gross win margin 18.5%) and better football results compared with Q3 2013.

In Gaming we reversed recent revenue declines with net revenue increasing by 1.4% on Q3 2013, the first increase for six quarters, and net revenue growing sequentially by 12% on Q2 2014. Casino revenue was down 2.6% year on year, improving on H1 performance and sequentially up by 6.6% on Q2. Games revenue grew 30.6% and sequentially by 20.8%.

Marketing spend in Q3 was within our 25-30% guidance range. Digital operating costs remain in line with our expectations.

Our Digital progress is encouraging. There still remains significant further opportunity to optimise cross-selling and refine marketing strategies to deliver on the long-term potential of our brand.

In Australia pro forma growth is strong (net revenue +172%, staking +43% and actives +124%) and the business is well positioned for the important Spring Carnival in Q4.

Trading and profitability in Betdaq, Ladbrokes.be and Sportium.es have been in line with our expectations for the current financial year.

UK RETAIL

A combination of good results in the final phase of the World Cup (Q3 gross win margin 32.6%) and improved football results delivered OTC net revenue growth of 6.3% and an overall gross win margin of 17.0%, 2.1ppts up on Q3 2013. In football, where we are focused on growth, we have started the new season well with amounts staked up 5% and gross win by 109%.

OTC staking was impacted by higher football margins and the continued decline in staking on horseracing referred to in August and declined by 7.9% in Q3. However, for the first three quarters of 2014 OTC staking was up 0.5%.

Amounts staked through our c.1,750 SSBTs grew steadily during Q3 after a period of strong activity during the World Cup.

Machine gross win was up by 4.9% reflecting the benefit of the new Clarity cabinet deployed across the UK in H1 and also from the weak, weather-impacted comparable in Q3 2013. Machine gross win per shop per week was up 6.5% and on per terminal per week basis was £923. Q3 saw lower staking in roulette and increased play on slots related games. Overall, we delivered growth ahead of our expectations whilst maintaining enhanced social responsibility measures across the estate.

In Q3, we completed our planned closure of 49 shops, as announced in February. As we anticipate the impact of the increased rate of Machine Games Duty from 1 March 2015 and continue to optimise the retail estate, we identified a further 40 shops for closure before the end of 2014 bringing the total closures for 2014 to around 90. At the end of Q3 Ladbrokes had 2,231 shops in the UK. Further shop closures in 2015 remain inevitable.

Retail costs are in line with our expectations for the current financial year and our cost programmes are on track.

EUROPEAN RETAIL

In Belgium we continued to enhance the estate with SSBTs and Virtual products. Amounts staked were up 11.3% and net revenue by 21.0%.

In Spain our JV continued our development in Catalunya and now has over 1,124 outlets across Spain. Amounts staked were up 48.1% and net revenue by 82.9%.

In Ireland OTC amounts staked fell by 11.4%. In Northern Ireland, we saw similar product trends to the UK. In the Republic of Ireland, we are in the process of responding to challenging conditions driven by the effect of continued promotional led competition. Better sporting results and margins delivered an increase in net revenue of 1.1%.

Overall, trading and operating costs in European Retail have been in line with our expectations.

2014 WORLD CUP⁽⁶⁾

The Group recorded a strong World Cup. In Q3 the Group generated stakes of £33.9m on the World Cup, an increase of 44% over the 2010 event and a strong overall gross win margin of 28.0%.

Excluding the World Cup, Group net revenue would have increased by 10.0%, UK Retail by 3.8% and Digital⁽⁴⁾ by 16.8%.

TELEPHONE AND HIGH ROLLERS

Telephone net revenue was up £2.9m benefitting from the World Cup. High Rollers net revenue was up 41.4% and generated an operating profit of £4.0m in the quarter (Q3 2013: £2.9m) and £14.7m for the first three quarters of 2014.

REGULATORY AND TAXATION DEVELOPMENTS

In September, Ladbrokes, together with other leading betting operators, joined a new cross industry standards body, the Senet Group, with the aim of fostering and enforcing high standards in responsible gambling across the betting and gaming industry. One of the Senet Group's first steps will be a responsible gambling TV advertising campaign, set to launch in January 2015. The move is a positive response to public concerns and we hope others across the industry will join.

The industry continues to evolve its approach in this area and awaits the publication of the research programme established by the Responsible Gambling Trust, expected by early December. The research aims to determine whether data can assist in identifying customers exhibiting characteristics that could be associated with problem behaviour. The industry has committed voluntarily to review and update the ABB Code in the light of these findings. The Responsible Gambling Trust's extensive research programme and the creation of the Senet Group offer an opportunity for the wider industry to begin a new era in its approach to minimising gambling related harm.

Further regulatory developments in 2015 will take place in the form of the new Gambling Commission Licence Codes and Conditions of Practice and the DCMS proposals for staking above £50 a spin, the details of which we expect to be confirmed later this year. It is also expected that the Government will finalise further planning controls on betting shops as well as review gambling advertising on TV before the year end.

As expected, the new arrangements for Remote Gaming Duty to be applied on a point of consumption basis will begin on 1 December with the Government indicating a rate of 15% of gross gaming revenue. The new 25% rate of Machine Games Duty will apply from 1 March 2015.

MATERIAL EVENTS, TRANSACTIONS AND FINANCIAL POSITION

There were no material events or transactions that impacted the Group's financial position during the period.

Net debt reduced by £23.0m to £402.9m at 30 September 2014 (30 June 2014 £425.9m).

QUARTERLY TRENDS TABLE

YoY (except where stated)	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014 ⁽⁴⁾
Group EBIT⁽¹⁾⁽²⁾	£17.0m	£35.6m	£18.4m	£38.4m	£33.0m
UK Retail					
OTC Stakes	+5.1%	+4.6%	+8.5%	+1.8%	(7.9)%
OTC Gross Win Margin	14.9%	17.1%	16.2%	16.5%	17.0%
	(2.0)pp	(0.4)pp	(2.7)pp	(0.4)pp	+2.1pp
Machine Gross Win	+0.7%	+2.5%	+2.2%	+1.5%	+4.9%
Machine Gross Win per shop per week	(5.0)%	(2.4)%	(1.1)%	+0.4%	+6.5%
Total Net Revenue ⁽³⁾	(3.9)%	+1.6%	(2.3)%	+1.5%	+6.0%
Digital (exc. Australia/Betdaq)					
Sportsbook Net Revenue	(23.0)%	(15.9)%	(17.9)%	+54.8%	+58.2%
Sportsbook Gross Win Margin	6.7%	8.0%	6.4%	9.1%	8.9%
	(1.0)pp	(0.3)pp	(3.2)pp	+1.5pp	+2.2pp
Gaming Net Revenue	(13.6)%	(17.2)%	(17.7)%	(19.3)%	+1.4%

Notes:

The figures in the trading update are unaudited.

- (1) Excluding high rollers. Year on year performance except where stated. Sequential performance refers to comparison with prior quarter
- (2) Profit before tax, net finance expense and exceptional items. Stated after amortisation of customer relationships and other acquisition related intangible assets
- (3) In order to provide comparative trends, 2013 net revenue has been adjusted to reflect the change from VAT to MGD on 1 February 2013
- (4) Excludes Betdaq and Australia except where stated. Q3 2014 Digital trends are calculated excluding LBapuestas from Q3 2013 comparative as this business transferred to the Sportium JV during 2014.
- (5) Australia performance compares Q3 2014 with Q3 2013 on a pro forma basis assuming Ladbrokes owned both Bookmaker.com.au and Betstar throughout Q3 2013
- (6) Growth vs. World Cup 2010 on a comparable market basis and including Sportium JV at 50%
- (7) Constant currency basis

A conference call for analysts and investors will be held at 8:30am (BST). To participate in the conference call dial:

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