

Ladbrokes Coral Group plc (LSE: LCL)

Legal Entity Identifier: 213800P7FJOPCV4H3J04

Post close trading update for the period 1 January 2017 to 30 June 2017

27 July 2017

On track for the full year; Synergies upgraded to £150m

- Synergies upgraded to £150m per annum by 2019, more than double the original estimate
- Strong Digital performance with net revenue 17% ahead (21% ahead after adjusting for the Euros in 2016), benefiting from our market-leading multi-channel strategy
- Like-for-like^[3] UK Retail OTC stakes in line with previously reported rates but impacted by management's planned and considered commercial actions to drive bottom line performance
- On track to meet our expectations for the full year

Commenting on Ladbrokes Coral trading in the period 1 January 2017 to 30 June 2017, CEO Jim Mullen said:

"Ladbrokes Coral posted a strong performance in H1 with results in line with our expectations and another significant upgrade to synergies, which at £150m will now be well over double the level initially announced.

Digital has performed well, with net revenue growth of 17% particularly pleasing against a backdrop of a significant period of platform integration and a competitive trading environment. In UK Retail, a key management focus has been on addressing some areas of ongoing inflationary pressure on the cost base and on improving gross win margins. Examples include the planned and considered commercial decisions taken on horse racing media costs and horse racing gross win margin. Whilst these have had a negative impact on stakes, they have been profit positive and helped mitigate some of the impact of underlying run rates. Furthermore, we are pleased to have resumed showing pictures from all UK racecourses following the agreement of a profit-share deal with The Racing Partnership reported last week.

On integration, we have successfully migrated our UK Digital brands to a single platform and completed the consolidation of our head office team. The further synergies identified re-emphasise the merits of the merger and the potential of the enlarged Group, with the additional savings delivered in 2017 offsetting the impact of current UK Retail run rates. We therefore remain in line with our expectations for the full year."

Trading update^[1,2]

Digital net revenue was 17% ahead of last year (14% ahead on a constant currency basis ("cc")). Sports net revenue was 25% ahead (cc +18%) with sports stakes 23% ahead (cc +18%). After adjusting for the Euros in 2016, sports net revenue was 34% ahead (cc +27%) with sports stakes 27% ahead (cc +21%). Sports gross win margin of 9.0% was 0.4pp ahead of last year. Gaming net revenue was 11% ahead of last year (cc +10%) and 15% ahead (cc +14%) in the sportsbook-led brands.

UK Retail net revenue was 6% behind last year. OTC net revenue was 11% behind (9% excluding the Euros). Like-for-like^[3] OTC stakes were 7% behind, impacted by the successful structural improvement in the Ladbrokes Retail OTC horse racing gross win margin and the savings in media costs from not showing certain racecourse content. Both actions improved Retail profitability and adjusting for them resulted in underlying like-for-like^[3] OTC stakes 5% behind last year. OTC gross win margin of 17.9% was 0.3pp behind last year (Ladbrokes: 17.5% +0.1pp, Coral: 18.4% -0.9pp). Machines net revenue was 1% behind.

European Retail net revenue was 1% behind last year (cc -10%), and 1% ahead (cc -9%) after adjusting for the Euros. Poor football results in Italy meant that while amounts staked were 17% ahead of last year (cc +5%), OTC gross win margin was only 14.8%, 3.6pp behind last year.

Total Group net revenue was 1% ahead of last year (cc -1%). Total Group operating profit for H1 is expected to be within the range £153.3m to £158.3m – 4% to 7% ahead of last year.

Synergy update

Synergy guidance has increased from £100m to £150m, driven primarily by further cost savings identified through procurement, IT and the harmonising of horse racing gross win margins across the UK Retail brands. The annualised phasing of the delivery of the £150m synergies is expected to be circa £45m in 2017, £130m in 2018 and £150m in 2019, with costs to achieve of between 1.1 – 1.15x fully matured synergies.

Notes:

- ⁽¹⁾ 2016 and 2017 financials upon which year-on-year growth rates have been calculated are on a proforma basis and exclude all results from the 360 shops that Ladbrokes Coral plc was required to sell as part of the CMA's remedy findings into the merger of Ladbrokes PLC and the Coral Group
- ⁽²⁾ Growth on a constant currency basis is calculated by translating both current and prior year performance at the average 2017 exchange rates
- ⁽³⁾ UK Retail stakes percentage change is reported on a like-for-like basis and adjusted for the impact of the Euros in 2016. The 2016 period on which the year-on-year change has been calculated has been adjusted to include the same number of days and days of the week (Sunday 3 January 2016 to Friday 1 July 2016)
- ⁽⁴⁾ Pre non-trading items

Enquiries:

Ladbrokes Coral Group plc: Jim Mullen, CEO
 Paul Bowtell, CFO
 Donal McCabe, Group Communications Director
 Paul Tymms, Director of Investor Relations

+44 (0)20 8429 7777

Forward looking statements

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