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LAD.L - Full Year 2014 Ladbrokes PLC Earnings Call

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PRESENTATION

Peter Erskine - *Ladbrokes plc - Chairman*

Good morning, ladies and gentlemen, and thanks very much for joining us today for our preliminary results for 2014.

We were always clear that 2014 was a critical year for Ladbrokes. We set some clear targets to be achieved, delivery of operational improvements ahead of the World Cup, to compete effectively during the World Cup and then to move from delivery in the first half to growth in the second half. Standing here today, I can report that as a business we've ticked the boxes against all three targets.

We've delivered an operationally stronger and competitive business, which did perform well in the World Cup. Half two has delivered growth in key customer metrics and growth in profit that gives us confidence in that operational improvements are well embedded within the business and that we are set to seize the opportunities that lie ahead. We are competitive across channels and across products, and the customer is responding.

However, the sporting results of Boxing Day that hit the sector rather took the gloss off the excellent operational delivery from our team, and disappointingly mean that our numbers came in slightly lower than we'd hoped.

The exceptional charges also show the retail estate bearing the brunt of increased regulation and taxation through the charge for impairment and closure costs. The numbers are significant, and I hope they send a message that there is a consequence to jobs and investment when it comes to increasing the tax and regulatory burden on the industry.

But also in the exceptional number is a cost for taking the next step in our digital journey. Our mobile sportsbook has led the digital business and set the standard for our ability to offer the customer what they want.

Our success in operating our mobile offer and the positive customer response means our exceptional charge also signals a move from our current desktop to a new Mobenga based product. It will give our digital customer a seamless experience in tune with their preference. This is a bold and innovative move to ensure we maintain our competitive position in the medium term.

It also shows that while management change is on the agenda for the business, there is no hiatus; there is no stalling on pushing the business forward. There are firm plans and objectives in place across the business, and the desire to win within all levels of management to deliver. This helps underpin our confidence in announcing our current intention to hold the dividend at 8.9p per share for 2015.

On the subject of the search for a new Chief Executive, I know many of you will be keen to know how it's progressing. There is no update to be given today, but we are seeing people, we are attracting good interest and we are pleased with how it's going. Rest assured, when we have something to tell you, we will.

That leads me to say something about Richard, who in all probability is presenting his last set of Ladbrokes results. Richard has led the business through a difficult time and the task was, I think fair to say, greater than he and we all estimated. However, Richard never shied away from it or in taking responsibility for the decisions made.

The journey has not always been smooth. These sorts frankly seldom are. But Richard has always been there, driving the business forward, no matter what has been thrown at him. There is no question that the business is today materially stronger than it was five years ago. We have a strong foundation upon which his successor can build.

So, on behalf of everyone on the Board, thank you, Richard, for all the hard work, professionalism and dedication, and I wish you every success in the future.

Now I will hand over to first Ian, then Richard, to take you through the results.

Ian Bull - *Ladbrokes plc - CFO*

Thank you, Peter, and morning, everybody. So I'm going to run you through the results and then the divisional highlights, so let me start with page 5 in your packs.

Until Boxing Day, which we estimate cost the Group around GBP8m, we were clearly on track to deliver a set of results at least in line with expectations, or possibly a little bit ahead. Lower EBIT, slightly higher finance charges at a blended rate of 6.7% and a stable tax rate at 5%, somewhat better than our 10% guidance, have all fed directly through to EPS, which is down a little under 14%.

Our guidance for tax at no higher than 10% for 2015 remains. 2014 dividend will be 8.9p per share, per our commitment. And net debt has risen a little year on year, which I will explain later.

So let's look at the divisional profits. UK retail was heavily impacted by results, and although cost performance was good and machines better than we expected, retail declined by GBP14.6m. Digital returned to EBIT growth, with a strong mobile, strong Australia performance, and improving KPIs as we exited the fourth quarter.

European retail declined by GBP2.6m. Now, as you'll see in a minute, Belgium and Spain have performed very well, so this divisional performance more reflects the challenging conditions in the Republic of Ireland.

Corporate costs did increase year over year, reflecting provision releases in the 2013 year. At GBP22.9m, we were better than we guided to in February last year, driven by lower overheads, but with no provision for incentives either.

Okay. UK retail, which is slide 7, and the chart shows the impact and the key drivers on EBIT in 2014. And on the left you can see a little note in terms of what the impact of Boxing Day and the year-over-year gross profits tax/MGD impact.

As you can see here, OTC staking was broadly stable for the year, albeit with weaker trends in H2 on traditional products. Margin was impacted by results over and above Boxing Day, and notably on horses in November and football in December.

You will see in a moment that machines have performed really very well, with Q4 gross win growth of nearly 6%. This was higher and stronger than Q3, where you'll remember our 4.9% gross win growth rate was supported by a weaker 2013 comparable. We have clearly beaten our expectations for machines growth, helped by a B3 slots product, and this should provide good momentum into 2015.

I will talk about how we've beaten our cost guidance in just one moment, but one note on estate optimization. We closed 89 shops in 2014, generating an exceptional write-off of GBP26.9m, with cash costs being GBP12.1m. On a per shop basis, the cash cost is around GBP135,000 per shop, pretty similar to 2013. These 89 shops lost around GBP1m in 2014, and these closures, together with the next batch of 60, will benefit the 2015 P&L.

A familiar slide on page 8, showing just how resilient our gross win per shop has been over the past five years. Despite volatile OTC results and weak trends in traditional products, the benefit of good machines growth, effective portfolio management and a great football season and World Cup meant that we delivered three quarters at or above our five-year average of GBP91,000 per quarter. And this was in a year where OTC margins were markedly below our medium-term margin level.

Richard will talk about the full 2015 initiatives in UK retail in a moment, but we are targeting sustained football staking growth and delivering improved margins over 2014. We also expect that the industry-wide recent trends in racing and dogs will carry on this year, as part of their steady continued decline.

And on margins, as we grow our football share of OTC, margins will grow over time, but of course, as we know, these can be volatile. I would suggest using a range of 16.5% to 17% OTC gross margin, which is a little higher than last year, but consistent with our medium-term trend and the change in product mix we are seeking. It also reflects the benefits of investment in trading. Retail remains the cash contributor for the Group, and in 2014 generated free cash flow of GBP138m after CapEx of GBP20.6m.

So a deeper look at machines on slide 9, and you can see here how customers have really engaged with our offer on Clarity. Gross win growth in Q4 was 5.9%, ahead of the rate in Q3, which I said had a weak 2013 comparable. And we've delivered this growth while maintaining our rigorous approach to responsible gambling.

So why are machines performing better than we expected? Well, the key is the 24% growth, that's quite strong growth, of lower staking B3 slot play. So good momentum as we move into 2015, and we do expect that the growth in machines gross win will be around 5% for 2015, before adjusting for any DCMS regulations. Those, of course, will be on the GBP50 and above roulette staking which we are putting into place from April, as you know.

And on the DCMS regulations, it's quite difficult to give you an accurate read, because no one has run a profit independent trial. However, we are preparing our staff and customers for the new rules, in order to ensure as smooth a transition as possible.

So, based on last year's implementation of the ABB Code, we believe there will be some kind of impact on our trends, even if it only persists for three to six months as the growth in B3 continues. So I would recommend that you put something into your models for the B2 play which is 62% of gross win, and perhaps a mid-single digit adjustment would be a sensible start from April, and then we will update you as the year progresses.

Before I move on to digital performance, I want to spend a few moments on adverse results, something the industry has experienced throughout 2014. Now, of course, large wins and losses are a regular day-to-day event in our industry.

So on the top left you can see a histogram, which is UK retail, showing the frequency of daily football wins and losses over the past five years, ranged according to size. As you can see, it's pretty concentrated around the mean, with the vast majority of outcomes being profitable ones for Ladbrokes.

When the results really run against us we can record very large losses, as we did on Boxing Day, and again in weeks three and eight in this year. Both of those events, particularly Boxing Day, were at the 10 to 11 standard deviation adverse end of the scale, and I think we'd all have to acknowledge that that's a pretty good definition of exception. For what it's worth, the losses in January 2014 were 5 to 6 standard deviations from the mean.

And of course, we do win too. On the right-hand side of the chart, if you look at the same time period, there were almost 140 days when Ladbrokes won over GBP1m a day in football.

And finally, looking at the chart bottom left, you can see our recent OTC gross win margins by quarter. Historically, Ladbrokes has traded in the range 15% to 17% OTC. And as you can see, we are increasingly delivering margins towards the upper end of that range, with a recent average of around 16.6%, explaining my earlier margin guidance to you.

So my takeaway is, although we will continue to tell you when the events happen and their short-term impact on quarterly trends, as a business, our opportunity is to turn these events back into profits for the industry over time through targeted offers and encouraging responsible recycling.

Retail costs, and our performance was better than we guided in February with total costs rising by 2.7%, lower than the 5% guidance. And we've done this through applying our usual discipline across staffing, on rental renewals and on central procurement, and of course shop closures. Increases in content and depreciation were in line with our expectations, the former driven by contractual obligations.

In 2015, you can expect more of the same and costs should decrease by 1% to 2%, reflecting the closure program, which equates to a 1% to 2% increase on a like-for-like basis.

I'd now like to turn to digital, and on slide 12 you can see we delivered 23% net revenue growth in 2014, with sportsbook and Australia the key drivers year on year, and a smaller positive contribution from exchange products and our new start-up in Belgium.

Gaming declined year on year, but as we guided in August, this segment has returned to growth in the second half and grew in Q4, delivering a GBP1.9m increase, which is up just over 9%. Richard will run through the operational stats behind this in just one moment.

Looking at slide 13, this improvement in digital revenues and good cost control is feeding through to strong digital operating profit growth. So, despite the impact of Boxing Day, operating profit increased by 71%, with the EBIT of GBP14m being very much in line with mid-market expectations.

And as you can see, digital operating costs for Ladbrokes.com were well managed, despite higher activity costs declined by GBP1m, whilst maintaining our marketing in the 25% to 30% range. Depreciation from investment in our new platforms and products was in line with our guidance back in February.

Looking at our international businesses, I'll come back to Australia, but that grew by GBP5m. In Spain and Belgium, which are recorded in our other regulated digital business segment, we delivered a start-up loss in line with our GBP4.5m to GBP5m guidance.

Now, looking at 2015, we see the potential to take out a further GBP1m of costs to help mitigate POC, without damaging our growth ambition. Our incremental revenue conversion rate now with POC is 35% to 40%, and we would recommend that you assume 90% to 95% of NGR in Ladbrokes.com in the UK base. Internationally, we would expect to pursue the same strategy for growth, and should deliver a mid-digit outcome at PBIT level in 2015.

And I'd remind you that the grey market exits we effected in the second half of 2014 contributed around about GBP6m of NGR, split evenly across sportsbook and gaming, and around GBP3m of EBIT.

Before I turn to Europe, I want to spend a few moments on Australia, where following our entry in September 2013, our team has been doing a tremendous job. On this page, I've set out the statutory numbers as well as pro forma, which sets out 2013 on a comparable basis to 2014.

And hopefully you can see actives and staking growth have been strong, and with the benefit of higher margins from a better spring carnival last year and our transition from higher staking HVCs to more regular retail customers, revenue has increased by just over 150%. Cost control has been good, and has been driven by a significant turnaround in profitability and a GBP5.5m contribution to digital operating profit, year over year.

We have established our presence in Australia, and with the excellent run rate we've bought the remaining contingent liabilities in respect of Bookmaker in Australia at GBP18.4m, a significant discount. The cash cost was GBP11m in 2014, and the remaining payments to Bookmaker are split equally this January and next January. And altogether, the implied entry multiple is 9.4 times 2014 EBITDA, which given the potential for growth, is an attractive multiple.

I said earlier that our decline in European retail did not really tell the real story. In essence, we have good businesses in Belgium and Spain generating growth, and a business in the Republic of Ireland that needs some pretty immediate attention.

As Richard will discuss in a moment, our investment in new products in Belgium, including SSBTs and virtual betting, are working well and have provided a good alternative to French horse racing, which has been in decline for some time now.

In Spain, we have continued our regional expansion and driving growth from our comparable regions, with seven regions now comfortably EBITDA positive. The profit contribution from Ladbrokes remains as a small loss, as a big region, Catalunya, comes on stream. You will see here how the gross win is growing well, as the core regions grow and new regions come on stream.

And in the Republic of Ireland, our international team is undertaking a root and branch review, and will finalize their plan and actions this quarter on what we need to do to stabilize it and return it to profitability.

If I may, let's now look at cash flow, dividends and exceptional items, which is slide 16. EBITDA including high rollers was GBP217.3m. After GBP59.9m CapEx and finance costs and tax, operating free cash flow was GBP102.1m, which comfortably covered the dividend. CapEx guidance for 2015 remains at around GBP60m.

Within other are pensions of GBP9m, investments in joint ventures of GBP4m and working capital adjustments, which are not expected to recur in 2015, of GBP13m. Acquisition covers the Betstar and the early earn-out settlement I referred to earlier in Australia.

But by the yearend, net debt had risen by GBP20m to GBP419m, which includes GBP23m of acquisitions. Net debt to EBITDA was inside our 1.5 to 2 times target range at 1.9 times.

And looking at the P&L exceptional charge in aggregate of GBP75m, the predominant driver is the cost of shops closed in UK and Ireland in 2014 and the related impairment of retail assets, which then aggregate to GBP52m of the GBP75m. We have also provided just under GBP6m for the change in European indirect taxes.

And in addition, consistent with our plans to provide an integrated mobile, tablet and desktop offer, during the second half of 2015, we are moving our desktop to a Mobenga powered product that is harmonized with our mobile and tablet offers. We have therefore taken a software related impairment of around GBP23m of capitalized costs for the existing eComm platform. This change will benefit the 2015 P&L by about GBP2.5m in 2015 and by about GBP6m thereafter.

We estimate the cash impact of the 2014 exceptional charge is GBP4.9m in 2014, GBP10.5m in 2015 and GBP5m in 2016 and thereafter. The cash tax level in 2015 should be similar to that of 2014.

On slide 17, as last year, here is the detailed guidance we've provided for you for this year. I won't comment on the specific items, but I hope you find it useful to have it all in one place.

So, in summary, after a tough first half, we had a really good World Cup and we delivered on our target of growing operating profit in the second half. It was disappointing to be hit by a large Boxing Day loss so late in the year, which did not allow us to benefit from material recycling in 2014.

But there is much to be positive about beyond our operational delivery, and we generated, as we had committed to, operating profit growth of 30% in H2 over H2, underpinned by encouraging Q4 metrics.

Which brings me on to current trading. As you can see, the first eight weeks of 2015 to Tuesday night, and quite a football night that was, net revenue for the Group excluding high rollers grew by 1.5%, despite the impact of week three and week eight football, and also some losses we incurred to larger staking players in this period. Worth noting that we saw bigger losses in these two weeks in 2015 than we did in 2014. And if life was ever this simple, that account -- would have accounted for 3% of Group revenue growth in the eight-week period.

In UK retail, staking trends have continued in a similar vein to Q4, and remember we are measuring against a strong staking comp in Q1 of 2014. OTC margin was stable and machines saw continued good growth.

In Ladbrokes.com, underlying customer metrics remained good. And Australia continues to generate good growth, boosted by Betstar, which of course is not in the comparable period last year. And elsewhere, trading is in line with expectation.

So before I hand over to Richard on what we suspect will be his final set of formal results with us, I just want to say, Richard, how much I've enjoyed working with you over the years, Richard, and I wish you all the very best in your future endeavors. Thank you.

Richard Glynn - *Ladbrokes plc - CEO*

Thank you, Ian. Morning, ladies and gentlemen. Well, of course, I very much appreciate Ian and Peter's kind words. Thank you.

I'll now focus on the business. That is what we've done, how we are positioned and what the business will do to continue to grow.

We laid out nearly two years ago the operational imperatives that were required to restore Ladbrokes' competitive position in retail, overseas, online and, most importantly, across the digital division. These objectives were all delivered.

We then said that the World Cup would be the acid test of our progress. We were very competitive during the World Cup. It's therefore pleasing to report that, Boxing Day results aside, we exited 2014 a far stronger business. Clearly this isn't the end of the journey, but rather just the end of the beginning.

The Playtech deal became effective only in May 2013. It then took just over 12 months to integrate fully new products, platforms and marketing expertise. We've at least three years of the deal left. We've a team of 100 experts based in Israel and, most importantly, the customers are responding.

We always said that a major goal for the business was to reinvigorate the digital division. We exit 2014 with operating profit in digital up 70.7% in 2013 and revenue up 22.9%. We are now growing well, and we've begun optimizing, not integrating. Our challenge, therefore, is to build on these foundations and to accelerate that momentum.

It won't surprise any of you to know that mobile remains the customer device of choice. We saw this clearly during the World Cup, and this trend continued through the second half of the year. We took the tough but correct decision to write off GBP8m of historic development to re-launch our mobile sportsbook onto the Mobenga platform in December 2013. The product was better, the offer more reliable and the marketing highly relevant to the customers, and the customers responded immediately through the World Cup and into the 2014 season.

We exit the year with mobile actives up 62% year on year and staking up 110%. Mobile now accounts for 63% of our sportsbook. And the mobile offer is continuing to evolve with innovations such as My Acca, visualizations and scoreboards, along with more ways to pay, more ways to download and more focused incentives, all satisfying the customer expectations.

So I'm pleased to report that 2015 has again started well, with good active growth in mobiles of 44%, and we are already planning more features such as cash out, and these will enhance a good product further.

We also re-launched and materially improved our tablet offer in December 2014, in time for the Christmas sales rush. Initial reaction has been really good, and we've already seen a marked increase in activity on tablets. But at the same time as this, desktop performance, probably across the industry, has suffered as customers migrate to smart mobile devices.

To address this, therefore, we are going to take a bold step. In H2 2015, we'll move to an innovative Mobenga lite desktop solution, fully integrated with the mobile and tablet offer. This is going to be a first for the market and provides customers with the Ladbrokes version of the ubiquitous customer experience that you get from Apple, whether using an iPhone, an iPad or a MacBook. It's the right move for the business to take now, rather than perhaps delaying as part of any potential future review.

Now, the problems the digital business faced in 2013 when exiting one gaming contract and being forced to wait what was during a period of unprecedented mobile growth before transitioning to the Playtech solution are well documented. I'm not going to repeat those today. It is worth repeating, however, that it was only at the end of H1 2014 that we could use in anger the Playtech products linked to their sophisticated back office systems, supported by a full complement of marketing experts in Israel.

The results can be seen on the graphs. There is the return from Q2 of strong double-digit gaming actives growth and 57% actives growth in casino in Q4. Now, we appreciate there is still much more to do, but we are now seeing, exiting 2014, the types of growth rate we expected from this partnership.

We've also attracted back some truly high staking customers, and it's testament to our new found competitiveness and our marketing capabilities that these customers choose now to play with us. Whereas they can always hit a winning streak, such as in Q4 2014 and weeks three and eight that Ian spoke about, these customers are really valuable over the longer term. So the key for us now is to accelerate our overall rates of growth and the continued conversion of play into revenue. Our Q4 exit rates suggest we've made a good start.

Let me now turn to retail. We laid out a clear plan to seize the opportunity available to us to close the gap with the competition. This focused on first improving our football offer and thereby shifting our product mix, second sustaining the viability of the traditional racing product, third upgrading our trading capabilities, fourth maintaining machines primacy, and finally ensuring tight cost control.

Football business is traditionally higher margin business. It also attracts a younger demographic. The World Cup was a really successful launch pad for our renewed focus. The 2014/2015 season has seen us keep up this momentum. To date this season, football turnover has further increased by over 4% and gross win by nearly 12%.

As an example of our approach, our newly introduced accumulator products such as the top price, top teams coupon, has had an immediate impact. This single product now accounts for 35% of our coupon business. Paradoxically, again, our success has been a short-term weakness, as when more customers play and win, they win big, such as on Boxing Day and again weeks three and eight in this year.

But irrespective of those winnings, underlying margins on football remain strong. So we are going to continue to maintain this focus on growing our share of football business and on increasing our appeal to this demographic. It's a key plank of our retail strategy.

It's also why self-service betting terminals are so important. These are used incrementally by football customers. It satisfies a different customer behavior. 80% of SSBT staking and 90% of gross win is taken on football. And interestingly, 15% of bets are placed on 9+ team accumulators on SSBTs, compared with 5% over the counter.

Now, graphs like this are always a pleasure to present. This one shows clearly the success of this strategy. It underlines our belief that by accommodating a further 2,000 SSBTs in the right shops, targeted at the right audiences, deployed through 2015, we can reinforce this element of our strategy further.

Moving to horse racing, well, while some may have chosen to portray it differently, I've always held the view that with a collective effort between the bookmaking industry and the racing industry, we can restore the fortunes of a valued part of our business but what is the fundamental financial underpinning of racing. The challenge is to balance popularity with profitability.

There is no doubt that overall trends in racing are negative. There have been noticeable cost increases, smaller field sizes, more short-priced favorites and less attractive each-way betting opportunities, all of which have dampened the traditional horse racing customer's appetite and impact margins. So, as an industry, we need to stimulate interest, offer customers value and have a cost base that is commercially viable.

Ladbrokes will play its part. Take our happy hour offer, aimed at traditional horse racing customers. As a consequence of this initiative alone, lunchtime staking is up by some 14%. But unfortunately, as you can see from the overall trend arrows, there's far more that needs to be done.

We cannot sustain a loss leader indefinitely. If necessary, the industry will be forced to attract customers via different routes onto different products in a different way. But I remain ever hopeful that commercial sense will render that unnecessary.

Since 2013, we've taken increasing control of our own pricing, trading and liability management capabilities. Our wholly owned Mercury pricing platform is integrated into and provides pricing for a vast majority of the markets we now offer, whether in the UK or abroad, online or in retail.

If we examine just one part of this, the in-play margin, since Ladbrokes switched from using third party pricing to taking our own pricing, margins have on average risen from 6% to 8%. Moreover, as Ian showed before, the quality of our earnings, and as a consequence the ability to offer customers better prices without eroding overall margins, has clearly improved.

Our trading and liability management is now linked increasingly to our exchange. So we will use this combination, going forward, of Ladbrokes owned pricing, platforms and our exchange platform to drive product differentiation and create a competitive advantage, especially in a market where global liquidity will become ever more important.

The fourth of our key operational targets for 2014 was to roll out new Clarity cabinets across the estate in time for the World Cup. We achieved this. The rollout coincided with the ABB Code implementation.

We always said that delivering the code in the spirit in which it was intended would affect customer behavior. No responsible business, no shareholder, no commentator could expect different. The goal, therefore, has to be to deliver machine growth with enhanced social responsibility. That is attracting leisure customers who are in control of their play to play more.

The graph shows we achieved this. Ladbrokes' goal, therefore, has to be to remain at the vanguard of both social responsibility and to maintain its position as the market leading machine operator.

Now, it's all very natural that after speaking about machines comes the need to talk about regulation. The regulatory pendulum, which swung in the industry's favor in the noughties, has swung back dramatically against us over the last five years, and to a degree I think that reflected an industry that refused to embrace evolution.

That has now changed. The industry has acknowledged reality and it's taken some major steps, in particular the formation of the Senet Group, whose members have acted to show the public and the regulators that we are deadly serious about this matter.

The recent RGT research must also be embraced. It shows how evidence based incremental interventions to target people at risk rather than a crude focus on particular products has to be a really good starting point, and the industry needs to keep evolving this approach based on evidency and efficacy. It must act, not talk. To reciprocate, it may be rewarded in the longer term by a relaxation of regulation on those customers who do not exhibit harm.

But let me be clear and repeat what I said three years ago. Social responsibility will equally affect the wider industry, the casino industry, bingo, adult gaming centers, online, and even the national lottery. If they do not embrace social responsibility in the same way that the bookmaking industry has, rather than hoping that the bookmaking industry remains the lightening rod, they can't say they weren't warned.

Now, this journey has over the last few years come with a heavy price tag. We closed 89 shops in 2014 and this year another 60 will go, and there will be more. Of course, estate optimization is part of business as usual, but regulation has undoubtedly swelled the number of potentially non-contributory shops that now fall for review in the category of closure, and as Ian has pointed out, our impairment charge shows that retail takes the pain. This accounts for the vast bulk of our exceptional charge in 2014.

So I suppose if I had one wish, it would be to grant my successor a period of regulatory, political and therefore market stability, during which time our social responsibility policies and practices can be evolved, evaluated and improved.

Finally, let me turn to our international businesses, which offer both real opportunities for growth, but also are part of our hedge against the threat of further tax and regulatory restrictions in the UK.

Our approach remains to enter regulated markets and grow strong positions with cost discipline. Inevitably, this is a slower approach than a big acquisition, but during a time when our core UK businesses needed focus, it was appropriate.

In Belgium, we continue to build good scale. We're the market leader in retail and have reinforced our position through product innovation, primarily to offset the all too familiar decline of the traditional French racing product. SSBTs are now in shops, and in a first for this market, virtual products have been offered. With retail delivering revenue growth and digital growth now coming through, we firmly believe there's far more to come from Belgium.

Turning to Spain, our sporting partnership with Cirsa is another example of gradually building a significant business. Continued regional expansion has obscured decent performance. Our entry into Catalunya during 2014 once again hit the profitability of the Madrid region. We're now number one in the two largest regulated regions in Spain.

We're delivering strong revenue growth in retail, with net revenue up 54%. In digital, where we launched our joint venture in December 2013, the business is building well, and we now have approximately 80,000 actives. The Sportium business is growing well. We'll expect it to become EBIT positive in the retail operations during 2015, and move to overall profitability in 2016.

In Australia, we saw an opportunity to align our brand with a proven management team and create a real digital challenger in a competitive marketplace. The deal was done at an attractive price. We then took the opportunity to acquire the Betstar business, a business with a good customer base, and integrate it rapidly on to the Ladbrokes platform.

And the results have been really good; customer KPIs are strong and we're now EBIT positive overall. We remain confident that the progress some of you saw firsthand when you happened to be there last year will continue.

The one dark spot that Ian mentioned was the Republic of Ireland. Be assured, actions are being taken to restore the fortunes of this business and return it to profitability. We will update the market further in due course.

As for the future, well, I suspect it's unlikely to be me talking to you in August. What I can say for now, with absolute certainty, is that my colleagues are not resting; they're not waiting for white smoke. The teams are clear about what they're tasked to deliver, and they're focused on continuing to accelerate the conversion of underlying operational growth into financial performance.

My personal journey as CEO of Ladbrokes is now nearing its end, but my attachment to the business and the people in red certainly is not. The job has been all consuming. The task was more existential than originally envisaged by many, probably all. Not everything went to plan; it rarely does. It's taken longer than I would have liked, but I'm really proud of what we've delivered.

We've delivered an extensive and a comprehensive operational transformation, which from the numbers shown last September and today is clearly delivering financial growth. Perhaps most importantly, we never shirked accountability. We were honest and forthright at all times, both in our approach and to the numerous challenges we faced.

Ladbrokes today is a far more combative, competitive and stronger business than it was, and it now houses in particular a world-class digital operation. The real proof is that the customers are responding.

There's clearly more to do. There's more opportunities for growth. There's more momentum to gather. But there's a firm base for my successor to build on, and I genuinely wish them, Peter, the Board, our shareholders, but most importantly the red team, all success for the journey ahead. Thank you.

QUESTIONS AND ANSWERS

Peter Erskine - *Ladbrokes plc - Chairman*

Right. Thank you for listening to that. If I could ask -- I've asked Jim Mullen, who runs our digital business, to join us. If I could ask, when you ask your question, if you could keep it to a couple of parts it will be a minor miracle, but it would be good. And if you could also state, please, your firm. So we'll start with the lady there, please. Morning.

Victoria Greer - *JPMorgan Cazenove - Analyst*

Morning. Victoria Greer from JPMorgan, and three, please. Firstly, on digital, you've talked about gaming improving in Q4, up 9%, ahead of the growth rate in Q3. Clearly, for H2 there's a lot of distortion around sports results, so I won't mention that. Is that kind of growth level enough to get to your expectations for mid-single-digit EBIT from that business in FY2015, or do you envisage an acceleration when you're guiding there?

The second question, on the shop closures in retail, you talked about a higher proportion of shops being non-contributory. Post the 60 closures in 2015, roughly what proportion of your shops do you think will be loss making, after MGD change in March?

And then the final one, just on the dividend, why have you chosen to provide guidance today for the 2015 dividend ahead of any review that a new CEO might want to do?

Peter Erskine - *Ladbrokes plc - Chairman*

I'll take the divi. Jim will take digital and Richard on the shop closures. As you saw with the 2014 dividend, we were cash -- able to cover it with cash. The Board have looked at this very thoroughly, and currently feel quite confident to say that we're going to pay that dividend in 2015.

We're one of the very few companies who give forward guidance, but it has become a habit with Ladbrokes, and I think at the moment to change that habit, no doubt lots of people would read all sorts of things into it. So it's our current intention to pay that dividend in 2015, 8.9p.

Jim, the digital growth story.

Jim Mullen - *Ladbrokes plc - Director, Digital*

Yes. Just on the gaming growth, it's a good question. Just to put some color around it, in April we came off our previous platform with IMS from Playtech. And one of the things that you have to note is that in 20 weeks we have got to a position where we're showing a 9.3% growth, which I think is a real success for the team behind that and the intelligence we have at Ladbrokes Israel.

I think I'm expecting that to continue to grow. I'm not going to give you any guidance on how much, but we will now have a situation where we have a full IMS product coupled with a Ladbrokes Israel team. So I think we are in a positive position with regard to gaming growth.

Richard Glynn - *Ladbrokes plc - CEO*

And Victoria, as to retail, you'll remember a year or so ago we told you that we brought the non-contributory tail down to less than 1%. Primarily as a consequence of tax and regulation, the non-contributory tail now hovers around 4%, yes. That goes into the pot for closure. We've isolated 60 shops that we're going to close. I hope you remember that last year we closed 89. Thankfully, there wasn't a single compulsory redundancy out of that.

We're very cautious about making statements about how many shops we're going to close, because these are people's livelihoods that are at risk here, so we won't be putting out any guidance for 2016. But there's no doubt nobody has seen the impact yet of the April changes. That could have a much bigger impact or a lesser impact than we know. Once we've seen the impact of that, we will of course do further shop analysis which will, in my opinion, inevitably drive further shops into the closure bucket for 2016. But 60 for this year, for certain.

Richard Stuber - *Nomura - Analyst*

Hello. Richard Stuber from Nomura. Three questions, please. First of all, on horse racing over the counter, could you give us the numbers in terms of what proportion of OTC horse racing now made up overall OTC and what -- any indication of the margin progression over the last few years, where that's gone on horse racing?

The second one is when you move over to the Mobenga desktop platform, do you envisage any disruption, or will that be a seamless migration?

And then third, just on the content cost inflation, it was up 11% last year; any guidance in terms of where it will be for this year? Thank you.

Peter Erskine - *Ladbrokes plc - Chairman*

Ian, can you handle the first one?

Ian Bull - *Ladbrokes plc - CFO*

Yes, sure. Well, I think if you look at horse staking as a percentage of overall OTC, I don't think we would be the only company that would say that horse and dogs, for example, are the two product categories that are around about two-thirds of OTC. I think that's pretty consistent across some of the big players.

On your last question, on cost inflation, I think, Richard, content cost forms part of the overall cost base. I think we've given you some fairly clear guidance in terms of where we expect cost base to go through the year. On content specifically, some of it's contractual and some of it's discretionary. And of course, in achieving better cost performance, Lee and the team have been looking at all the cost lines, which will include some of the cost lines -- content cost lines.

Peter Erskine - *Ladbrokes plc - Chairman*

And, Jim, you'll take Mobenga's fixed platform disruption?

Jim Mullen - *Ladbrokes plc - Director, Digital*

Yes. Well, just to bear in mind that actually the team who are planning the implementation of Mobenga on the desktop are the same team that did the Mobenga migration back in December, and that went well. So we have the same people doing the same job. We're confident on where we've got to and we don't really see any hurdles at the moment.

Patrick Coffey - *Barclays Capital - Analyst*

Yes. Hi. It's Patrick Coffey from Barclays. Just three from me, if you don't mind. Firstly, you mentioned on -- when you were looking at slide 25, you set out a clear strategy to close the gap. I think you were talking retail EBIT per shop with competitors, but looks like that gap has remained as wide as it has ever been in 2014. So it looks like a 36% differential between your EBIT per shop and William Hill, and it was 29% in 2013.

So I was just wondering, when do you think that gap might be closed? And when do you think you can get the football products to a comparable level as William Hill, which should improve the gross win margin, which should clearly close the gap?

But more generally, if you're looking at the cost per shop, staff cost, property cost, content costs are all higher over the last five years than William Hill. So are you going to take action on those cost lines as well?

The second question was just over the counter stakes. Over the last few quarters, the trend is pretty bad. Is that trend to be expected to continue into 2015, and what level should we be expecting for over the counter stakes?

And then finally, Peter, just on the new CEO, just interested to see what you're looking for, I guess. Is it a turnaround specialist that you'll be looking for, or is it someone with a bookmaker background that knows the business very well previously? So, thanks.

Peter Erskine - *Ladbrokes plc - Chairman*

I'll take the last one. I'm really not going to get into speculation. I'm not going to go anywhere near it, other than what I said. The search is going well. We're doing it very thoroughly. We're moving as quickly as we could.

Ian, the whole piece from -- I'm not sure what company you're a broker with. Sorry. The whole piece about the gap with William Hill.

Ian Bull - *Ladbrokes plc - CFO*

So, I think the first thing to say is I think if you do EBIT per shop, I think it's important, those of you who are so minded, to look at the two companies, because this is the Hill's comparison, I think we're talking about here. I think the two companies have quite different asset classifications and different depreciation policies, so I think it makes more sense to normalize that on an EBITDA per shop.

Patrick Coffey - *Barclays Capital - Analyst*

So if you look at the EBITDA per shop, it's minus 16% in 2009, minus 22% in 2013.

Ian Bull - *Ladbrokes plc - CFO*

So then, if you then look at 2014, look at the front half and the second half, I think you'll find that the EBITDA per shop has closed, H2 versus H1, between the two companies. So let's get some perspective on this.

I think we've been quite candid about the issue and what we want to do about it. So, the principal differences, on a similar staking per shop, which I think on all the stats appears as pretty OTC -- it's pretty similar OTC performance on a per shop basis, the difference is the mix of products. And I think William Hill's have a much larger football proportion of their OTC than we do. Okay?

But I think you've seen fairly consistently from us that the retail team have been concentrating on a big improvement in the football product, and you're starting to see, I would hope, some evidence that focus on football is starting to come through in terms of the football performance. And I think the World Cup gave a good example of how that progress was performing. We're not saying the journey is finished and there's more to do, so there is still a difference in terms of our football business versus Hill's business, and that will continue.

Patrick Coffey - *Barclays Capital - Analyst*

And the OTC stakes going forward (multiple speakers).

Ian Bull - *Ladbrokes plc - CFO*

I think the second area to talk about is machines performance. I think in machines per shop gross win we're probably a little bit behind. I think you can probably start to see now that with the new Clarity cabinets and the performance in the second half, if that gap remains it's very small. I think actually, when you start to do the detailed analysis, and of course you'll be able to pore over a separate set of financial numbers tomorrow, I think you might find that actually we have closed that gap on machines and probably overtaken.

And then on a cash cost per shop, which I think is a sensible way to look at it because it irons out accounting and depreciation policies, I think there's a small difference; I agree there's a small difference. But I think you'll find that with the focus that we've made this year in terms of substantially beating the cost guidance, we've shown that we mean business on costs. And with the guidance next year, there's more to do and we're going to get after it, really. So I think that's how we think about the difference between the two benchmarks in terms of EBITDA per cost.

I think in terms of OTC stakes, I think we've been fairly profound about how we think about and what we've seen in terms of horse racing staking in particular, but obviously we've grown the football staking, and you've seen the aggregate numbers that are published in the full glare of light. I think it's interesting by guidance. I think what we've also said is we expect to see continued staking growth in football, and horse and dogs will have a similar trend to what we expect. You can aggregate the two numbers, but I think it's still going to be negative from an OTC trend point of view.

Vaughan Lewis - *Morgan Stanley - Analyst*

Hi. Vaughan Lewis from Morgan Stanley. First one, on digital, you sound confident that you've got the product right now and the early indications on KPIs look good, so I'm just wondering why you talk about reducing the competitive -- the marketing intensity. That seems like the best time to be dialing that up and really going for growth. So are you worried about the quality of the customers that you're acquiring or the returns on that marketing, or is there something else that makes you more cautious on the marketing?

Secondly, Australia is by quite a long way your best performing division in terms of market share gains, the growth profile, the profit improvement. What are they doing right that you're not doing over here, and what can you learn from them?

And then thirdly, on the dividend, you made it clear there that you expect the 2015 dividend to be covered by operating free cash flow, but then you've got exceptionals and acquisitions and so on. So should we expect net debt to increase again in 2015? Thanks.

Peter Erskine - *Ladbrokes plc - Chairman*

I'm going to take the dividend one first, and then Jim the digital one. Perhaps Richard could talk to Australia.

We've taken the best look, as a board, we can on the dividend. We've been very thorough at it. And I think you can see as a business, although we are in an interregnum before the new CEO comes on board, we're faced into decisions. So if it was right to take an exceptional on writing off the old fixed platform, we could have very easily stalled that till the summer, because as you heard, the new platform doesn't come till the second half of the year. But we didn't. We faced into it.

We've looked thoroughly. We think it's the right decision with the information available today. Clearly, stuff may come along through the year, who knows with regulatory around. But with all the information available, that's the decision we think is right now for the business.

Vaughan Lewis - *Morgan Stanley - Analyst*

But just to be clear, you expect net debt to go up then, given the exceptional costs and the acquisitions?

Peter Erskine - *Ladbrokes plc - Chairman*

I'm not talking to net debt today. It's cash covered as we look at it at the moment. So, yes, it looks as though we can hold the debt around about the level we've set as a business, which is 1.5 to 2 times. As Ian said, we're at 1.9. We think we can hold it within that policy.

Jim, digital?

Jim Mullen - *Ladbrokes plc - Director, Digital*

It's a good question on marketing. Just to give it some context, the marketing plans that we have are based on a number of factors which are going to happen in 2015, one of which is going to be POC. So we're not entirely sure what that is going to have on our sector's performance. But you have to understand is that if you take an example that Richard spoke about, I think last year, about Cheltenham where in day three we decided not to trade on marketing to buy customers, because we didn't think it would be profitable.

Now, this is not -- I'm not trying to give you guidance on marketing. All I'm saying is it wouldn't be sensible to do so. We have the facility to up-weight our marketing if we so wish, but it will depend upon POC, it will depend upon the value of customers, and it will depend upon what our competitors are actually doing as well. So we're taking a very sensible approach, and the facility is there if we need to do so to spend more on marketing.

Peter Erskine - *Ladbrokes plc - Chairman*

Richard, Oz?

Richard Glynn - *Ladbrokes plc - CEO*

Yes. Morning, Vaughan. As to Australia, I think you've just paid us the biggest compliment that we could have for our turnaround in the UK business. The Australia team, digital specialists, were approached by a lot of people. And actually, when they saw what we wanted to do with digital, they decided to join the Ladbrokes business.

They are performing brilliantly. They started from a standing start, with the same digital approach that we wanted to take over here, with a new platform. What they didn't have was the heritage of all of the turnaround and the investment in the infrastructure that we had to do. I think, if you look at the exit rates going out of Q4 for the digital turnaround, it shows actually quite what's the performance we can deliver once you've got the products, the platforms, the experts and the brand all working together.

So I actually think that what you're saying is, once we're clear of all of that, the power of the brand and the marketing and things like that can really start to have an impact, as it is doing in Australia.

Peter Erskine - *Ladbrokes plc - Chairman*

There, at the back.

Nick Edelman - *Goldman Sachs - Analyst*

Morning. It's Nick Edelman from Goldman Sachs. Three questions, please. First, on retail costs, in terms of the guidance, could you possibly just give some color as to how much of that is coming from cost savings versus cost inflation, perhaps not quantitative just qualitative, or is it just the mix of costs that drives like-for-like costs there?

Second question, could you just clarify the 4% of costs -- sorry, 4% of shops that are now loss making? Is that on a forecast 2015 post MGD increase?

And also, on that, given the trend you've showed in terms of flat gross win per shop for some time now, do you expect to consolidate the retail shop estate broadly over time, given ongoing cost inflation?

And then, third and last, in terms of the dividend, you talk about the current intention. Could you just say what might change that? So, if you were to see an acquisition, would that change it, or by current intention you're saying that you don't see any potential for any acquisitions, for example? Thank you.

Peter Erskine - *Ladbrokes plc - Chairman*

I think I'd come back to what I've said before on the dividend. It is unusual that we give forward guidance, but this Company is on that cooker and therefore the Board's looked at all the options. And with the current information, we're sticking with the dividend of 8.9p. There can clearly be things that come along if the regulator gets ugly again, etc. But with all of the pluses and minuses, and we've looked at it very, very thoroughly, that's our decision.

We've ruled nothing out, in terms of if it were right that something changed your point, like M&A, then we would obviously tell you and talk to shareholders and things like that. But with what we know that is on at the moment in the marketplace and our plan, we're confident it's the right decision that we intend to stick with the dividend.

Ian, the 4% -- sorry, the retail cost guidance, please.

Ian Bull - *Ladbrokes plc - CFO*

Nick, hi. So, on retail costs, I think there's loads of disclosure in the back of the book. I'm sure you'll get to it. If you look across all the cost lines, which are principally labor, property, content and other costs, what we've tried to give you is an aggregate across all those, but the different lines will perform in different ways.

So we obviously will continue to look at productivity from a labor point of view, though I think, to be fair, that a huge amount of progress has been made by Ladbrokes along those lines. We will look at the property costs. I think it's also worth noting that the property team in Ladbrokes have a very good track record of renegotiating leases, so more of the same from there. The procurement team is very active on a number of the cost bases, including the retail team. So, there's a number of supply contracts for many types of services and goods, so we'll have activity there.

So I think what we're signaling is there's no one line or one to point to from a cost point of view. I've given you guidance as an aggregate across all the cost lines in retail.

And I think, on your point on non-contributory, I think that's taking a look at 2015 and looking at the number of shops with what we know about the likely performance of those shops and the MGD environment, etc., etc., about what a non-contributory shop looks like. So it's a view on the 2014 -- excuse me, 2015 estate.

Nick Edelman - *Goldman Sachs - Analyst*

Could I just follow up, just on the retail cost question? I guess I meant more is there anything exceptional in terms of cost management in 2015 that wouldn't be repeated in 2016, or is it just ongoing cost (multiple speakers)?

Ian Bull - *Ladbrokes plc - CFO*

Just ongoing stuff.

Ivor Jones - *Numis - Analyst*

Thank you. Ivor Jones from Numis. Sorry to go back to it, but can the new Chief Executive change the strategy and cut the dividend?

Do we now have high rollers and high-value customers? Why are you highlighting high-value customers as a separate group? Are you taking on much bigger punters on the online casino? When do they go into the high-roller bucket?

And does Sky cover its costs in retail? Thanks.

Peter Erskine - *Ladbrokes plc - Chairman*

Well, to repeat on the dividend. Sorry, you keep asking. I don't mind. I'll keep answering. We've taken a look. With all the known facts, we've made the announcement we have. When a new CEO joins, he or she will no doubt have a very thorough review. If they want to come up with a different strategy, the Board will engage and listen, and that could be an outcome.

But equally, and looking at it in the round, we're spending GBP60m on CapEx. We're spending quite significant amounts on marketing. The flavor that one or two folks have chosen to write, that we're not spending enough on the business, we believe we are spending enough. And indeed, the guy who is running digital, the piece that people are saying is being starved, is actually saying he's quite comfortable. So I think with all the known facts at the moment, the Board has made the decision to hold onto the dividend at 8.9p.

Ian, the definition of high rollers and high value?

Ian Bull - *Ladbrokes plc - CFO*

So we have a segment called high roller. It's very, very few customers in there and they have -- when they play, they have exceptionally high staking levels. So the reason why we do that, because their play is sporadic, and should they play, then it would have a disproportionate effect on the business. So for clarity we break those out. But I can assure you, it's very, very few players and it's very consistently treated year over year.

So the language around high-value customers, in any customer segmentation, and I don't think we're the only ones that do it. I know that a couple of other companies refer to high-value clients in their Q4 statements. There is always going to be segmentation which is done around many -- many types of segmentation, including staking pattern. So you're always going to get customers that have a higher staking pattern than others, really.

So I think all we're trying to say is there are occasions when you get a few of those that have a particularly profound effect on the business in a short period of time. Over the long run, they tend to play it out. And that's all we're trying to say. There's nothing more.

Ivor Jones - *Numis - Analyst*

So it's not a progressive jackpot dropping to one player; it's high staking on sports betting that (multiple speakers)?

Ian Bull - *Ladbrokes plc - CFO*

The play is on -- sometimes it's sole product and sometimes it's across a number of products, for instance. So we're not pointing to something particular to, as you say, a progressive jackpot.

Richard Glynn - *Ladbrokes plc - CEO*

Shall I take the Sky comment? Sky, you'll have seen recently, just paid rather a large amount for some rights. I think it's probably likely that they're going to want to try and recover some of that. So, at this moment in time, I don't think they're predisposed to dropping their cost base at all. I don't think Sky covers all of its costs in all of the shops. In some it's very valuable, in others it isn't, and we've got a team who are looking within the contract and making sure that we can get the best bang for the buck out of that contract.

Peter Erskine - *Ladbrokes plc - Chairman*

Gentleman there, and then we'll come to you.

Ed Birkin - *Credit Suisse - Analyst*

Morning. It's Ed Birkin from Credit Suisse. I'll keep it to two. Just on the shop closures, openings, can you confirm that 60 number is a gross and a net number, i.e. you're not opening any shops this year, and if so why not? Surely it's part of the estate churn. There should be some openings as well as closures.

And secondly, just to clarify a comment on the net debt/EBITDA target that you set. Given everything we know now, with regulation, etc., do you still intend to be in that 1.5 to 2 times target for 2015, because if so that would imply substantial consensus upgrades to be done next year I think, or 2015? Thank you.

Peter Erskine - *Ladbrokes plc - Chairman*

Yes, we intend to stay around the top end of that.

Shop closures, net or gross, Ian?

Ian Bull - *Ladbrokes plc - CFO*

Well, actually, I think it's probably likely to be the gross number is the same as the net number, quite frankly. Look, you can never rule out there might not be the odd one or two of attractive site that come on. But I think if you bear in mind Ladbrokes is one of the companies that historically recognize where there's a market opportunity, and we opened over 200 shops in a couple of years back in 2012 and 2013, really. So I think in terms of figuring out where good sites -- good economic sites that fitted the demographic, a lot of the openings were done then really. So I think you can work on that pretty much as a net number.

Jarrod Castle - *UBS - Analyst*

Good morning. It's Jarrod Castle from UBS. Just thinking practically, how do you think in terms of medium-term development when you look at your retail estate, given all these uncertainties? It's very clear what you're going to do this year, but how do you plan beyond one year or beyond a few months, I guess?

And I guess related to that, just in terms of CapEx, or the GBP60m, can you maybe just give a little bit of color exactly where it will be going to?

And then lastly, I know they're your smaller areas, but any thoughts -- this is probably one for Richard -- in terms of maybe what's going on in the US, a little bit on some of the stuff you're doing in China, etc.? Thanks.

Peter Erskine - *Ladbrokes plc - Chairman*

Okay. Ian, the CapEx and the medium-term development?

Ian Bull - *Ladbrokes plc - CFO*

CapEx is -- we're guiding GBP60m. I think, broadly speaking, around about that. If the concept of maintenance CapEx is a meaningful one, around about just under GBP30m would be maintenance CapEx, so the rest of it is investment CapEx. And I think you'll see that CapEx deployed across all three channels. There's CapEx requirements in digital, they're in international and gaming business is expanding, and of course it's in retail, really. So I don't think you should be looking for exaggerated changes in terms of how that CapEx is deployed year over year.

Richard Glynn - *Ladbrokes plc - CEO*

As for the retail expansion, I think it's a really good question, actually, and there's no doubt that I think that retail operations with digital overlays will become multi-channel operations and your customer will have a ubiquitous service. As a customer, you don't really care whether you're playing on retail or digital or mobile, and what we have at the moment is slightly different services across the different channels. That has to change, and I know that Jim and the guys are really looking at that at the moment.

So you talk about some of the CapEx, there's trials and testing going on on those sorts of formats now. So I think that that will be the evolution. I'm sure you also read -- all of you read a couple of days ago the Chisholm's comments in the Racing Post, a chain of 49 shops, can't go above 50 shops because it changes his licensing, saying basically now it's unsustainable for the smaller chains of bookmakers to keep with the SIS costs, with the content costs and with the regulation and with training his staff to do be able to do social responsibility. It's a really good piece.

I think it's inevitable that there will be a shrinkage of the UK retail estate, and the big brands who have the economies of scale and have multi-channel will start to dominate. And I think it will be the independents, businesses who've been around for an awful long time, 50 shops up in the north, which is a real shame that they're struggling.

Turning to the opportunities, US and China, as we've always said, these are stakes in the ground. In the US, I continue to believe despite all of the pushback that when you get the breakthrough, the big breakthrough in the US will be sports betting. Our stadium business there is a platform; it's doing fine. There are opportunities out there, but it will not be the platform that delivers any sea-change growth for us until sports betting really breaks in the US. That could be a month, a year, five years, but it's right to be there. I can't speculate on when it will be.

China is fascinating. You'll have seen the comments on the clamp down by the regulations in Macau about illegal betting in China. I think that that's moving dramatically online, that they're starting to look at people who are aggregators, who are taking business out of Asia there. To be clear, we are a highly regulated, government backed, government enforced operator out there, trialing new products, put a new data center out there. It's a long game in China, but it's right to be backed by some of the provinces there, and I'm pleased that we've got a meaningful stake on the ground there.

Peter Erskine - *Ladbrokes plc - Chairman*

Take one or two more, but I think you guys, some of you at least want to get across town for the next one. So you've been waiting patiently. Sir?

Richard Glynn - *Ladbrokes plc - CEO*

Jeff, you might need to shout. I don't think it's working.

Jeffrey Harwood - *Oriel Securities - Analyst*

It's Jeffrey Harwood from Oriel. I've got two questions. First of all, the cost of closing the shops, is that mainly providing for the rent?

And then secondly, on Ireland, clearly you're not best pleased with that business. Are there a lot of loss making shops there and could you give some?

Peter Erskine - *Ladbrokes plc - Chairman*

Okay. So it's constant closing of shops, what's the GBP130,000 about, and Ireland, Richard you'll do that. Ian?

Ian Bull - *Ladbrokes plc - CFO*

So, yes. Jeffrey, the cash cost really is looking at, on a by shop basis, what cash obligations do we have by way of contract, whether that's rent, whether it's rates, service charges or any other obligations. So that's an analysis of contractual obligations by shop.

Richard Glynn - *Ladbrokes plc - CEO*

And Jeffrey, you're absolutely right. We're not best pleased with it. To be perfectly honest, I think we've got to look at ourselves in the mirror and say that the strategy we tried to adopt a couple of years ago simply didn't work, and for that I take full accountability. You're also right that there is a really good estate waiting to burst out there, so long as we can get it to the right position. We'll look at some -- a range of actions out there. We'll come back with a plan. As soon as we have the plan which will deliver profitability there, we will tell the market.

Peter Erskine - *Ladbrokes plc - Chairman*

Richard.

Richard Carter - *Deutsche Bank - Analyst*

Hello. Good morning. It's Richard Carter from Deutsche Bank. A couple of questions, firstly one for Jim. On the desktop staking in Q4, it looks like it declined roughly 40%. Mobile was up about 120%. So with the new product coming through, how should we think about that desktop? Are you going to be able to close that decline, and therefore should we start to see a much bigger staking number come through in the second half? So some thoughts on that.

Secondly, seamless wallet or single wallet, where are we in terms of that, when will that be delivered?

And then, on the D&A, you talked about you're writing down the sportsbook platform. Just to confirm, did you say there's roughly a GBP2m to GBP3m saving this year and GBP6m next? And if there is, is that within the consensus guidance in terms of the step up of depreciation and amortization this year?

And then just finally, on the GBP50 journey, could you say how many of your customers actually deposit behind the counter with a card, so we can just get some idea of -- in terms of where we are at the moment?

Peter Erskine - *Ladbrokes plc - Chairman*

Okay. Let's start with writing down the sportsbook, Ian, and then Jim will do digital and Richard --

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Ian Bull - *Ladbrokes plc - CFO*

Yes. So I did say, Richard, that in 2015 we expect the net P&L benefit to be GBP2.5m and in 2016, thereafter, about GBP6m benefit. And the overall depreciation guidance that we've put out includes that, I think.

Peter Erskine - *Ladbrokes plc - Chairman*

Jim, desktop?

Jim Mullen - *Ladbrokes plc - Director, Digital*

Morning, Richard. Just on desktop, I think we are seeing a significant migration from desktop over to mobile. I think it's around 63%. We intend -- we think that that will continue north of 75%, as we've mentioned before.

We're really trying to get away from this desktop, mobile definition of how our customers use our products. We think more and more of our customers are going across to these mobile devices, and we think it will get to a point within the next two to three years we'll be 75% to 80%. And that's the way that we need to look at it, and that is also the reason why we're moving onto Mobenga.

On seamless wallet, that's a journey for us. We will have additional functionality on seamless wallet in H2. We already have a single account due. We already have auto top-up, and in H2 we expect that to get even more closer to a seamless experience for the customers.

Peter Erskine - *Ladbrokes plc - Chairman*

Richard, GBP50 journey, please.

Richard Glynn - *Ladbrokes plc - CEO*

Yes, the GBP50 journey, fascinating. I think that it's widely acknowledged that Ladbrokes has the largest proportion of its customer base registered on the Odds On, which is the deposit over the counter. I think we've got about 17% active on that, with a much higher registered base.

Of course, the goal is to make sure that all the people who play GBP50 plus see the advantages of registering on the odds-on card, so that they can continue to play without having to go back to the counter every time to top up. That's part of the mitigation journey that we're on with our customers.

Now, it's also part of the social responsibility journey, because, of course, the better you can identify somebody, the better you can do targeted interventions to them, if their patterns of play change. That's one of the areas that I know JP and Lee are working on now, and that will be one of the things that we'll have in place prior to April.

But there's no doubts that because of the Odds On card which we've invested in, we have a much higher proportion of our customer base, particularly the machine based players, who are already registered, who are using that to play GBP50 plus.

Peter Erskine - *Ladbrokes plc - Chairman*

Very last one, and then we'll draw stumps.

David Jennings - *Davy - Analyst*

Good morning. David Jennings from Davy. Just one question. Just in relation to the desktop migration, can you just clear up exactly what technology platform you're replacing there and where your confidence comes from in terms of it being a seamless transition, given that other companies in the past have experienced quite a lot of disruption when they've migrated platforms? Thanks.

Peter Erskine - *Ladbrokes plc - Chairman*

Jim.

Jim Mullen - *Ladbrokes plc - Director, Digital*

The underlying platform is obviously still around Mercury and OpenBet platform. What we're saying is it will be the Mobenga platform that you'll be familiar with on mobile will be migrated to desktop. So you'll have a commonality across all devices, whether they be mobile devices, tablet or desktop devices.

The second question you asked about the confidence on whether or not we can deliver that, it's exactly the same team using exactly the same technology that we delivered successfully back in December, when we migrated from our incumbent mobile platform across to Mobenga. These tests have been going on for some time. We have the same level of confidence we did in the launch of our mobile product that we have as a desktop product. And as I said earlier, there haven't been any hurdles that we've faced so far.

Richard Glynn - *Ladbrokes plc - CEO*

Just one point of clarification. The underlying platforms are the eComm platform which is the system Mercury, which is pricing, trading and liability management. Mercury is unaffected.

David Jennings - *Davy - Analyst*

Thanks.

Peter Erskine - *Ladbrokes plc - Chairman*

Okay. Thank you all very much. Obviously you can pick us off afterwards and we'll be seeing you over the next few weeks, but thanks for coming along. Appreciate that.