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LAD.L - Full Year 2015 Ladbrokes PLC Earnings Call

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PRESENTATION

John Kelly - ***Ladbrokes plc - Chairman***

Right, good morning, ladies and gentlemen. Now that you all have your coffees, and I hope comfortably seated, good morning to you all. I'm John Kelly, I am Chairman of Ladbrokes and I'd like to welcome you to our full-year results presentation for 2015.

The numbers we've announced today reflect that it is only since July that we've been executing Jim's strategy. So while we will correctly highlight the encouragement we feel from being ahead of our own expectations, please be assured we are under no illusions about these numbers.

The statutory results acknowledge the size of the task that Jim took on. He had to take difficult decisions, make further necessary investments, rebase profit expectations and, as you know, cut the dividend. However, in the six months or so since we've been executing this strategy we do see encouraging signs in customer metrics that give us confidence that this business is on the right path.

I'm not going to steal Jim's thunder by going through the results, but I'd just like to take one minute about one significant change in the business that often goes unnoticed on a day like today, and that's the cultural change.

In appointing Jim, we knew he wanted to change the culture and reinstate in our people some pride and some belief. He and his senior team have been out and about and speaking to colleagues and visiting many shops.

He is working hard to create a culture that builds on the key passion we share with our customers, which is a passion for sport. He talked about it in July and across our business we are seeing it in action every day. Change is happening, but, as he will readily admit, it remains a vital work in progress.

It's an exciting time for Ladbrokes. As a standalone business we have a clear plan and a competitive position. The second-half numbers are encouraging and we believe we have reason to be confident. But we understand that you've heard this before, which is why we're not getting carried away, and I hope that comes through in today's presentation to you.

We also have our proposed merger with Coral. The merger and its merits are not the focus of today, but I understand there is some interest in how the CMA process is going. Currently we are working to help the CMA through the current stage of meetings, submissions and interviews.

The next major point in the process is mid April when they will notify the market of their provisional findings and, if necessary, any potential remedies. But this is all to be expected and in line with the timescales we set out in July's announcement.

I'll be around at the end if anybody wants to talk to me, but really this is Jim's, and, for the last time, Ian's show. And they'll host the Q&A alongside Richard Snow, who most of you already know and who is now our Acting Chief Financial Officer.

This naturally gives me the opportunity to say a few words about Ian on his last appearance as CFO. It's been complex and challenging period in Ladbrokes' history in the near five years Ian has been with us and in that time he's never stepped away from the hard work and difficult decisions that were needed.

I know, Ian, it's has not always been the easiest seat to fill, but I and the Board would like to take this opportunity to say thank you for all your hard work and wish you well in your new role.

So that's enough from me for the moment, so I'll hand over, if I may, to Jim.

Jim Mullen *- Ladbrokes plc - Chief Executive*

Thank you, John. Good morning, everyone. Nice to see you all again. It doesn't actually seem like seven months ago that I stood up here and we presented our new strategy. Just before I start I would like to repeat a question that some of my long-term shareholders all asked me last July. Some of our more insightful analysts also asked me this question. It was the same question.

They said tell me about your team. Tell me about the culture at Ladbrokes. It was front of mind for me anyway, but it actually stuck with me. I would like it to be recognized that all of the key underlying metric improvements that we have seen, these improvements that are framed within our organic plan and are progressing as we expected, are due to the management team, mostly drawn from inside the firm, a management team who have brought back a culture for recreational sports betting to our business.

They've been allowed to demonstrate their skills within a strategic framework that is right for Ladbrokes. This, getting back to basics in what we know best, which is being the recreational sports betting firm.

I had no doubt that if we could bring back this culture of belief in our sports betting credentials then our people would respond and in my view they have. I would like to take this opportunity to present our progress over the last few months and ensure the shareholders who asked this question that the right culture has returned to Ladbrokes.

Last July I set out our strategy to change the way we ran the business, make Ladbrokes more competitive and build scale. I identified four key strands of work, or, as we called them, the four pillars. Here they are on the screen. Today I'm going to update you on what we've achieved since July, how the customers have reacted and what we still see as needing to be done.

You will remember that I wanted to end the short-term dash to meet numbers and instead create the right environment to invest, develop, and, more importantly, deliver innovation to our customers, particularly in retail, where some will say that it can't be done, all of this with the aim of delivering long-term sustainable growth.

That is why we set clear 2017 financial targets and why we cautioned that in some cases it would be in customer metrics that you saw initial progress before you saw it in the numbers.

First I'd like to show you the progress we have made towards the 2017 targets. If you look in UK retail I think we look well placed. However, Ladbrokes has had stellar years in retail before and then we disappointed. I do not intend to make that mistake, so we're not getting carried away.

In digital there remains much to do. We have grown over 10% this year, but need to make significant progress over the next two years. In our actives and Australia targets we have made some good strides forward and are well positioned.

If I summed up our progress it would be so far, so good, but, as John has said, while we are encouraged by what we have seen in no sense are we getting carried away. Later I will talk to you through the reasons behind our progress and the actions we are taking to ensure that we not only meet them but beat these targets.

So after that brief introduction I'll ask Ian to take you through what's important, the numbers. Ian.

Ian Bull *- Ladbrokes plc - CFO*

Thanks, Jim. Good morning, everyone. And, Chairman, thank you for your kind words. I'm pleased to be presenting this update on our 2015 year with a 3.2% net revenue growth and actually over 5% if we exclude the World Cup.

So I'm going to take you through the operating profit bridge in one moment. Suffice to say that the adverse tax impacts on the year are very difficult to cover in one year. So first let me say a few points at a Group level.

The tax rate is negative as we have a one-off in accelerating the use of agreed losses and settled now with HMRC a number of historic tax matters. We anticipate we will return to more normalized mid-teens tax rate going forwards, consistent with other FTSE companies. And I'll explain these later.

High Rollers was a profit of GBP3.3m on the year. EPS of course is boosted by that tax credit, but is still down on 2014 owing to the betting and gaming tax headwinds I mentioned. But if you use that mid-teens guidance on tax rate the EPS pre the one-off tax benefit would be 4.6p per share for 2015.

The final dividend of 2p is proposed per our announcement in July. And net debt has been reduced by the placing proceeds and leverage is now within our medium-term target of 1.5 to 2 times' net debt to EBITDA.

So let's move on to operating profit and I said I'd explain the moving parts. If we show the 2014 PBIT as if MGD, POC and the grey markets had been there for the full year, that's a near GBP40m impact. On that basis reported PBIT would have been GBP87.6m.

So 2015 is an underlying GBP7m down year over year. Now our new strategy, the one we call Plan A, has increased marketing in UK retail, in digital and Australia by GBP22.9m. So the growth seen across the business, particularly in the second half, has almost offset this. And I'll give you more detail by segment on that in a moment.

So let's start with retail. On retail -- UK retail has had a good year, and better than expected. If we make the same 2014 MGD adjustment then there's been a 13% operating profit growth and profit per shop up 21%, at GBP51,000 per shop. This has been driven from a number of places.

OTC staking and net revenue are up in the second half on the back of increased SSBTs in the estate and a full year gross win of 16.2%. SSBTs complement the offer rather than cannibalize traditional OTC with incremental staking in line with our expectations.

Good management of the GBP50 journey on machines, plus our product innovation, sees an increase in machine revenue particularly on the lower-staking slots. And cost performance was in line with our expectations, and flat, including GBP5.5m of incremental marketing spend in the second half.

Associate income, which is SIS for us, increased from last year to GBP4m this year. So hopefully you can see that retail has almost covered the MGD tax hit. So let's look at a couple of the key trends within that in retail.

In July Jim outlined in Plan A where we set ourselves the target of delivering on a per-shop basis higher net revenue and PBIT in 2017 than in 2014. The top chart I hope you can see shows the solid progress on revenue per shop. And I think our exit rates support this trajectory, in particular, if you look at the following metrics.

OTC stakes in the second half up 1.3%, with football up 7.8%. OTC NGR up 1.4%, helped by a 16.4% gross win margin. And machines in the second half NGR is up 3.9%. And on machines which is the lower chart you can see a little bit more detail in gross win.

In particular the good growth is comping on strong growth in 2014. So I think most notable on machines is the growth is coming from lower-staking slots and games, which have grown by 22% year over year. These slots games now represent 39% of total gross win.

And finally on retail I want to mention the fact that Lee and his team's ability to continuously control operating costs and keep them in check for another year.

Even with a planned increase of GBP5.5m on marketing and the multi-channel incentive payments total costs were almost flat year over year, and increased by 2.5% on a per-shop or like-for-like basis. In 2016 we expect costs to increase by around 3%, which includes the impact of national living wage and the net impact of the voluntary single scheduling.

In 2015 we had 56 closures, a little behind our expected 60, as we target routinely the lower-performing shops through either improvement, or, failing that, disposal. For 2016 our guidance is around 25 excluding any CMA remedies.

I'd now like to turn to digital. And we're on the second quarter of our three-year strategy. The early signs are encouraging from both customer metrics and NGR.

Total digital NGR is up 12.9%, at GBP242.8m, and I've shown here the first-half, second-half impacts. If you remember back at the interims we showed that H1 was heavily impacted by the loss to HVCs but with some partial offset by a growth in gaming.

So the encouraging part is the 17.6% growth in the second-half NGR, with, of course, some margin improvement in sportsbook, 6.9% in the second half versus 5.2% in the first half. Australia I will come back to.

And revenue trend in our digital startups in Belgium, where NGR doubled to around GBP4m, and the sporting JV, both are encouraging. And just to remind everyone towards the end of 2014 we exited a number of grey markets and the impact of that was GBP5.4m lower NGR in 2015.

So if I focus now on Ladbrokes.com and the exchanges at a PBIT level, the chart highlights the underlying second-half growth adjusting for the impact of tax and regulation and grey markets.

As you know, we have ramped up the marketing spend in the second half by GBP13.4m, per the strategy. And it was 33% of NGR in the second half, growing around 10 percentage points year over year. So with the sportsbook staking at 39% in the second half, this, with the margin improvement, has given further NGR growth of 22.4% in sportsbook and 10.9% in gaming.

I said I'd come back to Australia. And consistent with the strategy increased marketing of 37% in H2 has seen strong growth in staking and actives. Our Australia business has continued to consolidate its challenger position, with 71% growth in NG are in Australian dollars, helped by an 80 basis points' increase in margin. The target outlined in July for the strategy of more than doubling the NGR in 2017 versus 2014 is on track to be delivered.

And finally in our operating segments, European retail. We have three significant retail territories, Belgium and Republic of Ireland, both wholly-owned, and Spain, with our JV with Cirsa. Belgium was aided by both investment in SSBTs and in virtual products, helping deliver a 49% increase in staking and a 22% increase in NGR.

As you should be aware, we are working hard with the Belgian government to get a fair ruling on virtual products and we will update you when there are any meaningful developments. Republic of Ireland post-examinership is now a smaller estate, but is a much stronger business, with 143 shops. And following on from four consecutive half-year losses has seen encouraging trends.

In H2 we saw like-for-like staking growth of 20.5%, the majority of this being organic rather than just transfer of trade from closed shops. And we saw the business return to profit in the second half.

Sportium retail now has 1,476 outlets and NGR has grown 38% year over year. We are now EBITDA positive in all major regions where we operate, such as Madrid, Aragon, Valencia and Catalunya. During 2015 we launched in Castilla and the Canaries and this ongoing investment is causing the small impact on losses for now.

Now please I'd like to turn to the balance sheet. And I think the first point I'd like to make is that even with the increased investment under Plan A the revised dividend is now comfortably covered by operating free cash flow.

This has given a small underlying reduction in net debt. And the share placing in July raised GBP112.9m net of expenses, and these proceeds were used to reduce the net debt, which at the end of 2015 stood at a shade over GBP304m.

It's worth noting that all of our debt is now in the two fixed-rate bonds. This helped reduce our leverage to 1.9 times, as I said, within the Board guidance of 1.5 to 2 times' net debt to EBITDA.

Turning now to the exceptional items, the majority of the GBP99m was known at the half year when we reported GBP78.9m, and is in line with the guidance. So the only real change has been the transaction fees of around GBP14m in the second half and finalizing the examinership and shop closer costs.

Of the GBP99m exceptional charge GBP25.1m is the cash outflow in 2015. And GBP6.6m is expected to be an outflow in future years in respect of owners' contracts from shop closures.

I said I'd cover also corporation tax. And again this is the agreed historical losses. It gives around a GBP40m impact and three principal changes, firstly, as you can see, a negative accounting rate for 2015.

Secondly, the tax credit will substantially come through as a cash repayment in 2016 of the order of GBP37m. This of course will result in a negative cash tax rate for 2016. And going forward we anticipate an increase in our medium-term tax rate guidance for Ladbrokes to be in the mid-teens percentage rate.

This slide I hope you find helpful; it's is a summary of all the key guidance points for 2016. And I'd just draw out a couple of key points for you.

To remind you, the cost guidance for retail includes our assessment of the net impact of national living wage and the net impact of voluntary single scheduling. There is an increased level of CapEx to GBP95m consistent with the strategy. This of course is for standalone Ladbrokes Group and does not assume the merger.

Please also note we expect something like a 40/60 H1/H2 PBIT split, which is pretty similar to what we saw in 2015. And finally we currently expect to continue quarterly trading statements, but these will now concentrate on Plan A delivery KPIs.

So, in summary, the second half has seen a significant step up in marketing as per the strategy announcement and a good start in the Q3 and again Q4 metrics that we publish show the right kind of and expected progress in both customer and financial metrics.

The balance sheet has been strengthened in a number of ways. And current trading for the seven weeks so far show a good start to the year with the underlying KPIs in the main remaining consistent with Q4, helped by some very favorable margins.

Our outlook for 2016 remains unchanged. So it's pleasing to be able to show our beat on expectations, but we are equally conscious this is against a reset PBIT and a dividend cut as part of the strategic review.

So thanks the listening and over to Jim.

Jim Mullen - ***Ladbrokes plc - Chief Executive***

Thank you, Ian, and thank you for all your support this year, sir. As I said earlier, I'm now going to look at the key areas of progress we have made over the first two quarters of our plan.

The four pillars are central to all that we are aiming to achieve. But before I take you through them I just wanted to spend a moment reminding you of the key non-negotiables in delivering our strategy.

I said back in July that we have a duty to protect our people and our customers as we deliver these plans. We are a heavily regulated industry under constant examination and scrutiny and this is the reality of doing business in our sector.

As Chief Executive I am keen to ensure that the health and safety culture is right for our business as we implement this new strategy. Therefore, we have looked at how we approach it and decided to make some changes. These largely affect the structure and reporting of health and safety.

But we are also embarking on a cultural shift to reinforce that everyone has a part to play in this vital area. Separate to this, within our retail estate we have decided to move to a single scheduling in the evenings on a voluntary basis only. We started to roll out these changes last month, but do not expect it to complete until the autumn.

On responsible gambling I'm sure none of you will need me to tell you how important this is. Our overall aim is to help people manage their gambling and keep it fun. To this end we have been progressing the retail algorithm across the estate to cover both machine and over-the-counter play and recently rolled out a digital version as well.

We are also working alongside our peers to launch the national self-exclusion program in April and to keep responsible gambling high on the agenda for all of our senior team. We are the first to have linked it to executive remuneration. So while we are clear on our financial targets for 2017 we are also clear that we will not put at risk our health and safety or responsible gambling priorities.

One of my highlights in these results has been the positive response and better-than-expected performance of our retail team to the challenges set in our plan. Before we look in detail at the results I want to touch on what has been doing generally well in our retail estate.

John was very kind to mention that I have been keen to get our leadership team out into the shops to see the business in action, and, more importantly, to listen. It is one of the best parts of the job.

I'm keen to put sports betting back at the heart of our operations and we have been making specific changes in the way that our people are trained and rewarded to reflect this desire. We have focused on improving the products that keep up with customer preferences and we have begun to re-establish our value offer through promotions that give visibility and value to our customers every day.

I am also of the opinion that through the rollout of our products, such as bet slip scanner, Acca tracker and the retail companion app, all products developed in the Ladbrokes innovation lab at Chelsea Apps Factory, we are leading innovation in retail betting. Our Project Nelson program is delivering.

I'm pleased to see that within our core markets the customer is also responding. In July I stressed that football was a core opportunity for Ladbrokes to engage with the 18 to 35 year-old segments, for whom it is their betting sport of choice. The arrows indicate that we have had some success, but we will be the first to admit that the English Premier League unpredictability has certainly helped the gross win number.

According to betting lines 26% of games in the season 2015/2016 up until the end of the year were won by the underdogs. Since the turn of the century no Premier League season has ended with unfavored teams winning more than 23% of matches. Couple this with Chelsea's dramatic decline, their win rate dropping from Q1's and Q2's 53% and 66% to Q3's and Q4's is 36% and 35%, so you can now start to understand part of the bookmaker's success.

However, some of you have picked up that I'm Scottish. Part of that disposition means that any perceived good fortune only hastens the expectation that it will come to an end and lightning will strike. That probability curve will turn, as we saw in Q1 2014.

Now that natural disposition I actually find to be a healthy trait. It is where we need to focus on the underlying metrics of our business and the scale, and ensure our investments are delivering, to allow us to benefit from the positive results and defend us against positive results for our customers.

So what have we been doing differently? Firstly, we've increased marketing investment to drive the visibility of football product across our estate. We've spent more in television stations and media relevant to a football audience. And although it's early days we are also learning to utilize our sponsorship of the SPFL to drive our football offer.

The customers are responding. That gives us encouragement about what can be achieved by well-executed sponsorship, an improved offer and engaged colleagues. However, let's be clear, in our market shouting and bawling loudly is no guarantee of getting heard.

It has to be backed by a good product and by offering the customer good value. Both are central to our operations and while there have been favorable results the most pleasing aspect for me is that all are combining to deliver strong underlying metrics.

Central to the basis of improving the Ladbrokes customer experience and delivering the best products was our desire to expand our self-service betting terminal offer. They were well-liked products already delivering good returns and our research told us how certain customers engaged with these terminals.

How certain customer segments were more at home with an SSBT interface for placing bets, such as accumulators and bet in play, rather than traditional over-the-counter engagement. So we took the opportunity bravely to significantly increase the number in our estate.

During Q3 and Q4 we rolled out over 3,500 extra SSBTs, importantly, to plan, and, even more importantly, on budget. We sent them to every shop, but concentrated the larger numbers and where the local teams and the local statistics told us they would be the most effective.

The early trends particularly in Q4 have been very strong. They have grown from 3% of staking in Q4 in 2014 to just about 8% of staking in Q4 2015. And as I look at the early part of this year the number is over 10%. We are pleased to state that incremental staking is slightly ahead of our earlier guidance of around 30%. Obviously, we would expect this to grow further as the full estate settles in and more customers learned how to use them.

The staking patterns compared to OTC also reveal a growth opportunity, particularly in the capacity for customers to build their own multiple bets across leagues, countries and even sports in the five plus accumulator category. We now have the most SSBTs of any retail estate and their popularity with customers grows by the day. They look set to contribute strongly going forward.

Multi-channel on its own is a key pillar of our future growth. In an extension to our Project Nelson program we are implementing real innovation and product into our retail estate, harnessing the power of our digital offer with the scale of our retail estate, and, importantly, appealing to the younger customer.

We have a large retail customer base who are already largely playing online as well, but we don't have enough playing with our digital products, so we have set out to change that that dynamic. First we developed a product that we felt could compete and then we worked hard to educate and incentivize our shop teams to sell that product.

Shops have one simple advantage over any other digital recruitment tool. It's called a front door. We have over 2,100 of them and that's significant UK-wide distribution network gives us access to over 1m customers across the UK. The minute a customer walks into a Ladbrokes shop I know they're a qualifying customer who's interested in our product and who likes to bet.

They're engaged with our brand. It is the best and most effective high-yield customer qualifying tool we have and we have now just started to use it. If I could then engage them with our digital product I know that I have a customer who is more likely to choose me when they are watching a match or a race in their front room with their friends.

We launched our multi-channel product and recruitment drive in August to coincide with the football season. At the end of the year we had over 35,000 active customers, above our internal targets. The customers are in the majority under 35, they are betting more often and their value to us is higher than pure .com players.

And if that was not enough to like about these customers, by recruiting them via our shops I get to reward my shop teams with a GBP20 to GBP30 incentive payment, which is substantially lower than the CPA I would pay through an online affiliate.

In all commercial seriousness please do not underestimate the power of the Ladbrokes shop door. Behind it lies 13,000 shop colleagues who have their belief back, and not just in betting, but the retail sector, which is leading innovation. Already I have gladly paid over 6,000 colleagues a bonus, with some receiving as much as GBP1,000 for their efforts so far.

As of today, as of midnight last night, we have nearly 60,000 actives. In fact, we have over 60,000 actives. As I said earlier, the competitiveness of this product is key. The customer appeal is based on the product and we have worked hard to have one of the best, if not the best out there.

Now these kinds of slides are very subjective and I'm personally always cautious of allowing my teams to mark their own homework. But I do believe this is a true representation, a representation of how far multi-channel and the offer has come within Ladbrokes. When we announced the proposed merger it was clear to us that others were ahead of us in this market and made significant gains in signing up customers, so we responded.

We sought to make our offer the best and most innovative and customer-friendly in the market. We made a major push in improving in the areas where the customer has told us they wanted a better experience based on our research.

So we've matched the market in deposit and withdrawal on shops, but we've delivered innovative product, enhanced the customer experience. We've rolled out bet slip trackers, my bet history, retail cash out, and we now think that we have an extremely customer-friendly and compelling offer.

Looking ahead we will continue to evolve and innovate the product and we have plans looking at how we integrate multi-channel into our gaming machines, in the medium term, also into our SSBTs. Our intention is clear, to have the most innovative and integrated retail offering in the sector.

In case you doubt the power of this product, please ask the team to demonstrate it to you, as I am confident you'll be surprised at just how good that it is. Even better, walk into one of our shops, through the front door, and speak to one of our colleagues.

Machines have performed extremely well for us during 2015. The encouraging thing about this growth is that it's taking place while we strive to rebalance our machines business. Our strategy is based on growing lower-staking B3 products and slots. And the graph here shows just how well we are progressing.

We have worked hard to bring these new releases regularly to the market and we have encouraged customers to engage with these games, driving incremental growth consistent with our approach to responsible gaming.

As I mentioned earlier, there has been much activity on new regulations for machines. Customer behaviors are changing. Higher-staking games like roulette are seeing less play, less staking above the GBP50s DCMS limit. None of our growth has come at a cost of failing to meet any of our responsible gambling obligations. The strategy of focusing on lower-staking B3 and slots and more sophisticated content releases will continue. And I notice that others are turning to this approach too.

Last July I announced that we were going to undertake a circa GBP25m to GBP30m investment program across the UK retail estate to deal with basic failings, things like old carpets, broken toilets and the small things that deter customers and undermine our brand. Phase one was H2 last year where we focused on our physical shop activity on rolling out SSBTs. Lee and his team set about planning the spend.

The plan is very simple; no commitment to large capital projects; a flexibility to turn the investment dial up or down based on the performance of shops in the local area; and a targeted spend driven by improving competitive locations.

In January I authorized the UK team to begin the refurbishment program with an initial spend of circa GBP6m. The spend levels equate to around GBP40,000 per shop. And as you can see on the slide this level of spend can make a material difference and give our brand a fresh and relevant feel.

If you want to see the impact of this in the flesh then I suggest that, for those of you who go out and about engaging the London shops, please take a look at Great Portland Street today and again in two months' time.

So Ladbrokes.com our aim is very simple, grow our recreational customer base and from there our revenues and profits will follow. Our focus is even simpler, have the best games, the best products and the best user experience in the market.

The slide shows just a sample of what we have been up to this year, constantly engaging the customer at key times with new and innovative features so that when you increase your marketing investment the customer responds, stays and plays. This is one of the key reasons why Q4 was our best ever NGR performance.

So let's also take a look at sportsbook and gaming performance underlying this. I am pleased to say that we have delivered eight consecutive quarters of staking growth. And staking for me is a key measure of customer engagement. Importantly, and relating back to our plan, football and bet in play both grew.

As many of you will well know, when I joined Ladbrokes I focused our efforts on the mobile product and it now accounts for over 70% of sportsbook stakes. My summary of our performance is we are attracting more customers and we are getting more share of wallet from them. And the pleasing aspect of this performance is that it has been driven by an effective and efficient marketing program, where we have seen the cost per acquisition broadly similar in full-year 2015 against full-year 2014.

The gaming turnaround at Ladbrokes really started when we completed IMS migration during the second quarter of 2014. As you will see, while our results are impacted from time to time by some of the HVC players, trends are overwhelmingly positive, with five quarters now of continuous growth both in revenues and in actives. I am pleased to say our mobile gaming is growing and generating over half of our gaming NGR compared to a third during 2014.

And as I said at the beginning of this digital section, product development is key, and just for our machine growth has demonstrated the benefit of regular fresh product, so does our online gaming growth. I'm pleased to say that cross- sell also continues to improve.

So overall the summary on Ladbrokes.com is that our increased marketing spend is driving more actives and more staking. And we ended 2015 with a good performance in Q4, up over 25%. The task for us is to drive this forward during 2016.

I called Ladbrokes Australia one of the jewels in our crown and its performance in the full year fully justifies that title. The numbers show that it continues to go from strength to strength. For a brand that only launched in Australia less than three years ago we are now the number-three corporate bookmaker, with over 12% market share from a standing start.

This has been achieved through a constant reinvestment of profit into building our brand and growing our customer base. This will continue in 2016 through investing in key sponsorships, such as Melbourne Racing Club, Sandown Park becoming Ladbrokes Park and Caulfield staging the Ladbrokes Caulfield Classic and Ladbrokes Caulfield Stakes, all of this to build awareness.

However, again, marketing without product is just back to shouting. Our Australian team have built their brand on innovation in product and challenging the market. That continues to be the aim and the theme for 2016. As you know, we launched retail cash-in in over 1,000 newsagents, giving customers the chance to deposit and withdraw money at their convenience.

Already in 2016 we have launched feature bets, which uses business intelligence to suggest bets customers have based on their previous choices, an info hub which give customers more information at their fingertips. We have also the opportunity presented by bet in play, which is already generating 10% of stakes with no or little promotion. It is of no surprise to me that the Australian teams have gained a 12% market share in such a short period of time.

Now let me just briefly look at our European operations. We didn't talk about these areas in July because they were well-established businesses with strategies that were well under way. But I feel it's important to give them some airtime today.

In Belgium significant revenue growth and now profit growth is coming through. We have seen success with our differentiated product focused on virtuals and SSBTs, which have helped take us away from the mature and declining horse racing product in that market.

In the Republic of Ireland one of my first decisions was to put that business into examinership. This process was completed in July and the benefits (inaudible) with H2 seeing a return to profitability. We have also made the first step of launching multi-channel to sell our digital product into that market and protect our retail estate using the knowledge gained from experience here in the UK.

In Spain we have continued our slow and steady build out across 13 regions and it's pleasing for me to see our early regions, such as Madrid and Aragon, are EBITDA positive and demonstrating good revenue growth. The digital business is very much on track here, generating good growth and benefiting from our La Liga sponsorship.

Before I hand over to Q&A I thought it might be useful to try and demonstrate just how our business actually has advanced. This is not done to divert attention away from today's statutory numbers, but to show you why I have been upbeat in my assessment of the progress that we have made.

This is a snapshot of the business we are running today compared to a year ago. I think you can see a business that is changing and why we view it as a good start.

If I take Boxing Day I see a 14% growth in like-for-like OTC staking, a 56% increase in football staking across all channels, 28% more actives on our sportsbook in Ladbrokes.com and 42% more stakes. Please remember that Boxing Day 2014 was not a weak one, although thankfully this year's results were much more favorable.

The Saturday figures are even more encouraging. OTC staking like-for-like is up 2%, football staking is up 8%, actives on our sportsbook is up 25% and staking is up 26%, so all the key customer metrics have moved positively.

And this over a period where, as I mentioned earlier, sporting results have been much more heavily in our favor. So the principle of our strategy to win more customers, grow revenue and profits will follow appears to be working, and this gives us confidence.

So what about the focus for 2016? It's more of the same. It's the same strategy, enhancing the culture with the same attitudes and the same focus.

So over to you for questions. Thank you very much for listening.

QUESTION AND ANSWER

Unidentified Audience Member

Morning.

Jim Mullen - ***Ladbrokes plc - Chief Executive***

Morning.

Chris Stevens - ***UBS - Analyst***

Morning, Chris Stevens from UBS. The first question is on the machines, second quarter of very good growth and driven by more regular updates in terms of content. Can you just comment on how that might impact your content costs for the retail division going forward?

Jim Mullen - ***Ladbrokes plc - Chief Executive***

Well, we -- the content costs are actually in the plan, the strategy, and we are -- we will be guiding to that. We don't intend to increase our content costs.

All of the updates that you're seeing, which I believe is on the bi-monthly basis, will continue through 2016. So we're not concerned about the content costs. We're just focusing on making sure that the growth rates are the same as we've seen in 2015. So content costs are in the budget, Chris.

Chris Stevens - ***UBS - Analyst***

Then on shop closures 2015 looked slightly fewer shops than we were expecting. And then for 2016 I think the 25 number is a bit lower than we were expecting. I might be wrong there. But is that because of the operational improvements and, therefore, there are fewer low profitable -- low-profitability shops?

Jim Mullen *- Ladbrokes plc - Chief Executive*

Richard, do you want to take that one?

Richard Snow *- Ladbrokes plc - Acting CFO*

I think the answer, Chris, is yes is -- the performance has been better in UK retail perhaps than we expected in July, the result of which there are fewer shops to consider closing this year.

Chris Stevens *- UBS - Analyst*

And can I ask does it have anything to do with the CMA what (multiple speakers)?

Jim Mullen *- Ladbrokes plc - Chief Executive*

No, it doesn't.

Richard Snow *- Ladbrokes plc - Acting CFO*

No, completely independent.

Chris Stevens *- UBS - Analyst*

Sorry and one last question is on Australia. Could you comment on who you are taking market share from? Is it a lot of players, or is it one big player?

Jim Mullen *- Ladbrokes plc - Chief Executive*

We think we are taking market share from the whole market. We think that it's all of the players there that we'll be taking a small amount, which gets us to our 12%, no-one in particular. Thanks, Chris.

I'll come to you next, Ivor.

Patrick Coffey *- Barclays - Analyst*

Hi, it's Patrick Coffey from Barclays, a few for me. First of all, just on the FOBTs did you change the payout this year?

Secondly, a couple of boring ones, I'm afraid. On depreciation and amortization why was that lower year on year? And also can you just explain the working capital swing. There are some quite big swings in the payables lines there.

And then the final question on the lifetime value of the online customers. What gives you confidence that you're recruiting good-quality customers?

Jim Mullen *- Ladbrokes plc - Chief Executive*

Okay. Well, I'll take the FOBT and the LTV and you can deal with the second two, Richard, is that okay?

Richard Snow - ***Ladbrokes plc - Acting CFO***

Okay.

Jim Mullen - ***Ladbrokes plc - Chief Executive***

No, we haven't. On our machines business we have ran a fairly standard RTP payout. You have to be very, very careful with the change in RTP because customers do pick it up.

We have seen good growth in our machines, so the position was, why change it. I think actually if you do start to change the RTP then that's a sign that your machines business is in trouble. We don't want to do that.

On the LTV, the lifetime value, we are acquiring the players that we need to acquire, as you can see through the staking amounts. Those players are staying with us longer. Our staking is up 29% particularly in Q4, which was the four or five weeks after we launched the strategy. We are seeing another up-tick in staking, so we are encouraged by that.

And also with regard to lifetime value if you look at our multi-channel program we are delivering two times the yield for those customers who again walk through the Ladbrokes shop door. So we think that the retention and the LTV of our players is strong.

Richard?

Richard Snow - ***Ladbrokes plc - Acting CFO***

Yes, just on the gaming machines the big increase in the margin you've seen year on year, Patrick, is driven by the change -- this big change in mix. And it's also affected by the games that customers are playing in the RTP on each game. I think on DNA and working capital actually it's 15, so I'll hand it to Ian (multiple speakers).

Ian Bull - ***Ladbrokes plc - CFO***

So DNA don't forget we wrote off some assets in 2014. So obviously you'd expect there to be a slight reduction in the depreciation coming for 2015 as an accounting follow-through. So I don't think there's anything untoward to report in there.

And working capital there is a change in the payment profile for things like MGD and POC. So you see that coming through during the course of the year really, so --

Richard Snow - ***Ladbrokes plc - Acting CFO***

Yes, that was in H1, wasn't it?

Ian Bull - ***Ladbrokes plc - CFO***

Yes. Yes.

Richard Snow - ***Ladbrokes plc - Acting CFO***

Just to note the big swing.

Jim Mullen - ***Ladbrokes plc - Chief Executive***

Ivor? And they're not boring at all, by the way.

Ivor Jones - ***Numis - Analyst***

Thank you, Ivor Jones from Numis. How much further is there to go in relation to getting shop colleagues to sign up customers? I think you said only 6,000 had received a payment and some of them had received GBP1,000.

It must be quite skewed. What happens if you bring the bottom-performing half up to the average or even to the top-quartile performance? Is it particular shops or areas? Why is it not evenly distributed (multiple speakers)?

Jim Mullen - ***Ladbrokes plc - Chief Executive***

Well, you're sitting next to the retail MD who is --

Ivor Jones - ***Numis - Analyst***

Why is that?

Jim Mullen - ***Ladbrokes plc - Chief Executive***

We have some areas which over perform and that -- particularly areas where we have shop colleagues who have been in the business either for a longer period of the time or are more confident with their online signup process.

One of the other reasons is at the beginning of the process we didn't have tablets rolled out to every shop. We now have the full complement of tablets in the whole estate, which when you're actually trying to sign up a customer is much more easier rather than taking their personal phone and using that password to sign up. That's why I think the trend will continue.

But you're absolutely right. This is an ongoing process. We need to keep the narrative up and it's important that our shop colleagues, some of whom are here at the back, understand that this is about innovating in retail and is -- and managing the threat from digital.

Ivor Jones - ***Numis - Analyst***

Are there still some areas that just haven't got started on this program? I'm trying to understand if there's an even distribution across the whole estate or some bright spots in some places yet to perform.

Jim Mullen - ***Ladbrokes plc - Chief Executive***

You're champing at the bit there to answer that question, aren't you?

Lee Drabwell - ***Ladbrokes plc - Managing Director Retail***

You can tell, can't you? No, there's not an even distribution. As to Jim's point, there is far more scope as we're engaging customers all across the estate, so it will be far more than 6,000 colleagues as we move through the year.

Ivor Jones - ***Numis - Analyst***

I should have just asked, sorry. Could you talk about -- incentivization was on my mind in relation to the shop staff. Is this the start of more performance-related pay for staff generally? Could they be more engaged with the revenue stream from online?

Which leads on to how do you keep Ladbrokes in Israel incentivized with the somewhat uncertain future?

Which leads on to how are the Australian management incentivized if your target is revenue based? Are they also focused on revenue and not the bottom line?

Jim Mullen - ***Ladbrokes plc - Chief Executive***

A lot in there, Ivor? The performance-related pay question, this isn't the start of that performance. We have a very clear and generous performance-related pay in retail. The incentive scheme for multi-channel is ring-fenced for multi-channel.

You mentioned about Ladbrokes Israel having an uncertain future. They do not have an uncertain future. They have basically been behind delivering in five consecutive quarters of gaming growth, so I'm absolutely delighted about their performance. And they have their own bonus which fits in with the Company policy.

And Australia, which is basically a management team of entrepreneurs, they have a deal when we acquired the business which seems to be working there and they're completely motivated.

Ivor Jones - ***Numis - Analyst***

But is it bottom-line focused, the Australian incentivization?

Jim Mullen - ***Ladbrokes plc - Chief Executive***

It will be at the end of 2017 EBITDA.

Ivor Jones - ***Numis - Analyst***

Okay. And the exchange, why isn't that growing, given that the rest of the online sports business is? Is it not getting any marketing push?

Jim Mullen - ***Ladbrokes plc - Chief Executive***

Well, exchange is a different product. It actually does get a marketing push. We engage with the exchange product and promote it as part of our wider portfolio, so if you want to do fixed-odds sports betting or gaming or exchange betting on Ladbrokes you can. So the exchange product get its equal share as part of our wider portfolio.

Ivor Jones - ***Numis - Analyst***

And finally can you just update us on the dispute with racing?

Jim Mullen - ***Ladbrokes plc - Chief Executive***

I'm baffled by it. I'm absolutely baffled by it. We have just obviously found out that we're not going to be sponsoring the Cheltenham race. We wanted to do it.

I have a check book for racing, I want to sponsor racing, but until apparently I sign up to a rate card that we haven't negotiated yet, then I’ve been barred, I feel as if I've been asked to come to the party where they just want me to serve the drinks.

Ivor Jones - ***Numis - Analyst***

Thank you.

Ed Birkin - ***Credit Suisse - Analyst***

Morning, it's Ed Birkin from Credit Suisse. First one, UK retail, the guidance you gave for cost and revenue growth, is that on a per-shop basis, or is that in aggregate?

Jim Mullen - ***Ladbrokes plc - Chief Executive***

Richard, one for you.

Richard Snow - ***Ladbrokes plc - Acting CFO***

In terms of the 2017 targets they're on a per-shop basis, if you want to be specific.

Ed Birkin - ***Credit Suisse - Analyst***

No, (multiple speakers).

Richard Snow - ***Ladbrokes plc - Acting CFO***

In terms of the cost guidance it's of the portfolio taken as a whole, so it's pounds millions last year into pounds millions this year, and, yes, there is a small reduction in the estate size included in that.

Ed Birkin - ***Credit Suisse - Analyst***

And the same for the machine growth. You said very low single digit. That's (inaudible) --

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Richard Snow - ***Ladbrokes plc - Acting CFO***

Yes, that would be the kind of target. If you look at the first period of this year, although we're seven weeks in, low single digit would be what we've seen so far across the whole estate. And that's taking into account the decline of the estate year on year.

Ed Birkin - ***Credit Suisse - Analyst***

Okay, thank you. Just in terms of your gaming actives, obviously, in sports actives you showed up 10% and yield per active or stake in per active higher. Gaming, this seems to be a significantly lower yield per active, H2 actives up around 35% or so and 11% revenue.

That's happened for quite a long period of time, so should we assume that's not a lag effect? That's more just the quality of gaming customers you're signing up is now lower yielding.

Jim Mullen - ***Ladbrokes plc - Chief Executive***

I think gaming customers by their very nature are less loyal, so we're going to be spending additional marketing which will up the active race and then you'll eventually -- you'll see maybe a small descent in the yield of those players. The key is, is to work through our retention programs to make sure we can keep them with us for longer, but I don't think that's anything that we didn't have in the plan.

Ed Birkin - ***Credit Suisse - Analyst***

Okay, thank you. In terms -- on 2017 onwards, the cash tax rate, is that going to be mid-teens as well as the P&L one?

Ian Bull - ***Ladbrokes plc - CFO***

Ed, I don't think we've given any guidance on that today, but broadly the two should line up over time. Typically, at Ladbrokes one has always been a bit lower than the other.

Ed Birkin - ***Credit Suisse - Analyst***

Okay, and just quickly two more. Ladbrokes Australia, can you give us any indication of what you expect the medium-term EBIT margin to be? Obviously, you're investing for growth. Over time is that going to be a mid-20s EBIT margin, or do you expect that to be substantially lower still?

Jim Mullen - ***Ladbrokes plc - Chief Executive***

I don't think we can. I think we just have to focus on getting Ladbrokes Australia to the 2017 targets that we set in the strategy. And we've seen that growth coming through.

Ed Birkin - ***Credit Suisse - Analyst***

Okay. And then, finally, in the UK retail marketing line can you just give us an idea of how you split the marketing apportioned to UK retail as opposed to online, and, if you can, maybe the 2013 number, because I think it's the first time you split it out, so maybe just to see how it's changed over more than one year?

Jim Mullen - ***Ladbrokes plc - Chief Executive***

I would rather not split the marketing out, other than say there is a significant marketing growth, rather than say exactly what we're going to spend in retail. I would say the vast majority, obviously, will be in digital, but there will be -- the retail component will be split across windows, TV and some branding work.

Ed Birkin - ***Credit Suisse - Analyst***

But how do you decide? So if you've got a Ladbrokes Live campaign how do you decide whether that's going to be apportioned to the online business or the retail cost base?

Jim Mullen - ***Ladbrokes plc - Chief Executive***

We have our own rules of how we apportion the retail element of the marketing, but it will be to serve both the retail and the digital businesses. So the overall marketing spend, whether it be a call to action or a brand allocation, is still split between retail and digital, but I don't want to get into how that's split, into the detail side.

Ed Birkin - ***Credit Suisse - Analyst***

Thank you.

David Jennings - ***Davy - Analyst***

Good morning, David Jennings from Davy. Just one question, please, following on from Patrick's boring question. Can I ask a question about tax, please? Just want to understand a little bit more as to how the GBP40m -- or GBP38m refund came about.

Ian Bull - ***Ladbrokes plc - CFO***

Shall I, Jim? So I'll give you the short answer rather than 15-minute answer, unless you want the 15-minute seminar. For those of you with very long memories you remember back in 2010 we had a very large settlement with the -- the Ladbrokes Group had a very large settlement on the revenue that predates both Jim and I, for that matter.

As part of that there were a number of historical losses. Now, obviously, you can only use historical losses when you have the profits to set them against really, so what we've been able to do in 2015 is crystallize those losses. So that's the top-line version of how we get to where we are. Okay?

David Jennings *- Davy - Analyst*

Okay. But in terms of the detail around those losses -- because if you run the numbers GBP38m at a corporate tax rate of 20% to 25% would suggest losses going back of anywhere between GBP150m and GBP200m.

Ian Bull *- Ladbrokes plc - CFO*

Well, if you -- look, if you want the real technical answer then I'd suggest you start with note 10 of the report and accounts in 2014, which lays out -- if anyone's really short of bedtime reading, it lays out what all the tax position is including what historical losses are.

I think back in 2010 there was 70 -- excuse me, 2014 there was just under -- GBP78m, I think GBP80m, of losses still to be recognized really. So that's the number that we've been addressing during 2015.

David Jennings *- Davy - Analyst*

Okay, thanks.

Gavin Kelleher *- Goodbody - Analyst*

Thanks, Gavin Kelleher from Goodbody. Just on SSBTs could you give us some guidance on the outlook for those? Obviously, very good growth last year, seem to be doing well in Q1, is there any further machines to be rolled out, given that you're currently at over 6,000? And is there a gross win margin benefit to come through to retail?

And in terms of promotional activity in online can you give some guidance on this, because year on year I think Group promotional activity seemed relatively flat in absolute terms.

And just on the other regulated markets in online, where you lost GBP6m, see some decent revenue growth, but it still is a bit of a drag on the online business. How should we see that profit line develop over the next couple of years?

Jim Mullen *- Ladbrokes plc - Chief Executive*

Richard, do you want to take SSBTs (multiple speakers)?

Richard Snow *- Ladbrokes plc - Acting CFO*

Yes, certainly. Thanks, Jim. Gavin, on the SSBTs I think this year, if they were around 10% of staking, that will be broadly what we expected. They're running a little bit higher at the moment I think because there have been heavier horse cancellations. I've been talking to Lee in the first part of the year, so that's about right.

There may well be a margin benefit over time because we're offering predominantly football on sports, so the average margin there is 20% to 25%. And then in terms of estate size my understanding is that we are where we are, where we want to be for the moment. Obviously, we'll see how the product develops over the next 6 or 12 months.

Jim Mullen - ***Ladbrokes plc - Chief Executive***

And, Gavin, just -- can you just clarify your question on the promotional spend and the decline, please?

Gavin Kelleher - ***Goodbody - Analyst***

Yes, just year on year you're obviously seeing net revenue growth, but I think the absolute promotional spend was relatively flat, so in percentage terms it didn't seem to be as high year on year. I think you spent GBP74m last year on digital and GBP73m in 2015. Could you give any guidance on promotional spend in digital?

Jim Mullen - ***Ladbrokes plc - Chief Executive***

Well, I think it stays as the guidance that we gave earlier. It's circa 30% of NGR. And if you're looking at it on absolute terms, that isn't the way to look at it, because we need to ensure that we get the yield per customer, so just looking at it on an absolute basis is not really the way to have a look at that.

Gavin Kelleher - ***Goodbody - Analyst***

Is the 30% marketing spend or -- free bets etc., how should we think about those this year?

Jim Mullen - ***Ladbrokes plc - Chief Executive***

Well, the free bets you can look at it in a number of ways. One is if the free bets are going to the right people then it's a zero cost, because that money will be coming back. The free bet spend is there as partly a marketing retention tool.

So looking at the free bets it's about how we apply our free bet spend. But in absolute terms is really not the way we should be looking at the market. We should be looking at it as a percentage of overall NGR.

Gavin Kelleher - ***Goodbody - Analyst***

Okay.

Jim Mullen - ***Ladbrokes plc - Chief Executive***

And just on international, yes, you're right. I said we've got Belgium which is performing very strongly in retail, growing and digital, but Spain, because of the terms of the JV, there are some cost sharing that goes through this.

The Spanish business, although it is growing significantly, is a medium- to long-term play that would roll out in some mature regions, so we do accept that they're -- after the costs there is a slower underlying growth in Spain. And in Ireland we're real encouraged. We got to a profit position at H2 and we expect that to continue going into this year.

Gavin Kelleher - ***Goodbody - Analyst***

Just in terms of the online or the regulated markets I think you lost GBP5.5m, GBP5.6m in 2015. Should that reduce this year? I see you closed Denmark and positive momentum in Belgium, Spain. Would you expect the same level of losses or lower?

Jim Mullen - ***Ladbrokes plc - Chief Executive***

We're aiming to improve on that position with additional spend and product rollout.

Gavin Kelleher *- Goodbody - Analyst*

And any sort of guidance on when those markets should reach breakeven?

Richard Snow *- Ladbrokes plc - Acting CFO*

I think that, Gavin, the focus again this year is on driving the scale in the Belgian and Spanish market, so it'll be similar loss or slightly less, but it'll be revenue and opportunity led, because I think that's the first focus to 2017 is having relevant, meaningful businesses in their markets.

Gavin Kelleher *- Goodbody - Analyst*

Okay, thanks.

Simon Davies *- Canaccord - Analyst*

Simon Davies from Canaccord, just a couple from me. Firstly, in terms of advertising spend can you give a rough feel for how that's currently broken down between offline and online? And are you seeing any change in that balance?

And secondly can you talk at all about plans in terms of rolling out omni-channel through retail machines?

Jim Mullen *- Ladbrokes plc - Chief Executive*

Hi, Simon. I don't want to go into specific details on how we break down our retail offline and online spend. All I will say is that we are focused on two key areas, which is obviously the significant online spend that we gave you guidance to and also on sponsorship where we feel it really invigorates the brand and creates awareness. So with SPFL sponsorship and maybe some future sponsorship opportunities that come up that's the areas to focus on.

On omni-channel it's a key innovative play for us. As of midnight last night we had 60,000 actives that were going to be signed up. And one of the assets that we didn't really sweat at Ladbrokes was the distribution network of 2,100 shops and basically 13,500 colleagues who can sell that product.

This is a key pillar. I set a target for the end of the year which I'll be disappointed -- which Richard is obviously frightened that I'll say, but I'll be disappointed if we don't reach it. We are hugely encouraged by our multi-channel growth and expect that to continue.

Richard Snow *- Ladbrokes plc - Acting CFO*

Jim, the other bit into machines, into the non-OTC products over time?

Jim Mullen *- Ladbrokes plc - Chief Executive*

I think it's -- as part of the integration process then we should be rolling out multi-channel into SSBTs in the medium term and then through our registered played machines. That's the ideal where we want to get to it. Obviously, there is conversation with partners on how we do that. It will be more of a technical challenge than it will be a commercial need to do it.

Simon Davies *- Canaccord - Analyst*

But is that an issue for 2017 rather than the current year?

Jim Mullen *- Ladbrokes plc - Chief Executive*

No, I think on FOBTs we're already looking at how we can integrate that into a multi-channel approach. I think on machines that's probably late on 2016, 2017, yes.

Is that it? One more? Any more? No, (multiple speakers).

Richard Snow *- Ladbrokes plc - Acting CFO*

Wrong question, Jim.

Jim Mullen *- Ladbrokes plc - Chief Executive*

Go for two more. This chap -- there's a chap there at the end who hasn't asked a question.

Ed Birkin *- Credit Suisse - Analyst*

Just a quick follow-up in online, can you just give some indication of the profitability profile you're expecting? Because I know you said you're happy with overall consensus you sent around last night, but it ranges from minus GBP16m to plus GBP18m for the EBIT in consensus. And that's a pretty big range, so maybe just to give some of us an idea of where you expect it to be. I think the average is breakeven, but --

Richard Snow *- Ladbrokes plc - Acting CFO*

Yes, I think you've hit the nail on the head. And because the average is breakeven it will be plus or minus. Around that the drivers will be margins and how we intend to invest, because ultimately it's about having the right business through 2017 and onwards rather than we make GBP1.1m in 2016 or minus GBP1.2m.

So we're giving you a range of outcome and will update you as we go through the year. In terms of phasing I think we'll be more aggressive on marketing in H1.

Alistair Ross *- Investec - Analyst*

I'm Alistair Ross from Investec, just one from me. Current trading 16.4% up. We've seen growth from margins absolutely smash the lights out. And obviously week three last year, very weak results. Can you just give us some color around the 16.4%?

Jim Mullen *- Ladbrokes plc - Chief Executive*

Well, just on the -- it's quite interesting you say smash the lights out. If you look at 2015 Q4 was exceptional, but overall the full year we were -- it was more in favor of the customer.

Alistair Ross *- Investec - Analyst*

I mean versus the comp.

Jim Mullen *- Ladbrokes plc - Chief Executive*

Yes. With regard to the comp I think that you're right, it has been very, very encouraging. We are delighted to be where we're getting to, but last year we obviously had a HVC which took us for a significant bit. And we had unfortunate results as well. But I wouldn't get -- as I said, being Scottish, I wouldn't get too positive about the margin because we have a very, very dangerous first day at Cheltenham coming up.

Alistair Ross *- Investec - Analyst*

Can you give us some color on the HVC and also Ireland just in that first seven-week period?

Ian Bull *- Ladbrokes plc - CFO*

Yes, sure. Look, so if you look at -- don't forget we're comparing seven weeks and I think you're doing the comparison with full Q1 for last year. So just --

Alistair Ross *- Investec - Analyst*

I am.

Ian Bull *- Ladbrokes plc - CFO*

Yes, I know you are.

Alistair Ross *- Investec - Analyst*

I'm taking into account the three-week period -- seven-week period which includes week three, --

Ian Bull *- Ladbrokes plc - CFO*

Yes.

Alistair Ross *- Investec - Analyst*

-- which was the significant black swan.

Ian Bull *- Ladbrokes plc - CFO*

So just from a straight math point of view, with 16% revenue growth in the six -- the seven-week period, okay, so it's a fairly short period I think is point one. Point two, within that, obviously for the digital business, which had a very weak start with HVC, okay, is showing a percentage number much higher than 16%. Okay.

Conversely, a decent start this time last year across retail and across Europe we're seeing a single digit -- a helpful single-digit number. So mathematically we've got a digital business which is a proportion of our NGR at a much larger number than the 16% and then half to two-thirds of our business is coming through at a high single digit. So mathematically 16% is what you would get to as an NGR number. I think that's point one to take us to why it's about right.

I think, secondly, don't forget the Q1 number last year then had the follow up, which I think was week 12. I'm looking at Lee in terms of football. So the full Q1 comp from last year had an extraordinary two football weekends in week three and week 12, so you're seeing quite a low margin for the overall. So that's maybe muddying the waters a little bit as our year-over-year comparison.

I think the point -- the real point, though, is week seven -- seven weeks so far, it's an encouraging start. The margins have been very, very good indeed for the bookies in a short seven weeks. And as Jim said at the outset, things can change, so we shouldn't run a straight line through the seven-week margin and run the year on that. I think that would be quite dangerous.

Jim Mullen *- Ladbrokes plc - Chief Executive*

Have you got your answer?

Alistair Ross *- Investec - Analyst*

I think to a certain extent. I think can you give us some color just on the seven-week period regarding Ireland? So I think that's what's snagging me here, is how much net revenue Ireland actually --

So obviously the restructuring there, once you strip that out, I think you can probably see where the 16.4% comes from, but right now what I'm looking at, OTC staking, roughly 2% up. I'm looking at growth from margins more than 100% up on online, but 25% up on retail, so I'm looking -- I'm just running the numbers and 16.4%, yes, two-thirds is retail, yes, 20% is online, but still.

Richard Snow - ***Ladbrokes plc - Acting CFO***

So, look, I think your starting assumption is that for that seven-week period that margins were materially different last year than the average for the whole year. They weren't. So you need to start with an average position with retail of similar to the whole year.

So we've had very strong margins in retail and in digital relative to last year. That's the big driver. And the physicals are very much what you've seen on the screen here. It isn't being driven by Ireland. If you want to have a chat afterwards then we'll catch up.

Jim Mullen - ***Ladbrokes plc - Chief Executive***

(Multiple speakers) cup of tea. Okay, thank you very much. Richard, Ian and I will be hanging around for some teas and coffee if there's any questions. I know some of you still want to ask some. But thank you for your time.