

Ladbrokes Coral Group plc (LSE: LCL)

Trading update for the period 1 January 2017 to 23 April 2017

4 May 2017

Trading in-line with expectations despite mixed sports results

Highlights:

- Digital net revenue +22% (constant currency (“cc”) +18%) with Sportsbook net revenue +40% (cc +32%) and Gaming net revenue +7% (cc +6%)
- UK Retail net revenue -2% and European Retail net revenue -3% (cc -15%)
- Group net revenue +5% (cc +2%)
- Integration progressing well with successful transition to one Digital IT platform already completed

	Year to date growth (1/1/17 to 23/4/17) ^[1/2]	
	Actual	Constant currency ^[4]
UK Retail^[3]		
- OTC amounts staked	(7%)	n/a
- OTC gross win margin change	0.4pp	n/a
- OTC net revenue	(5%)	n/a
- Machines net revenue	1%	n/a
- Total net revenue	(2%)	n/a
European Retail		
- Amounts staked	22%	7%
- OTC gross win margin change	(5.2pp)	(5.2pp)
- Total net revenue	(3%)	(15%)
Digital		
- Sportsbook stakes	29%	22%
- Sportsbook gross win margin change	0.7pp	0.7pp
- Sportsbook net revenue	40%	32%
- Gaming net revenue	7%	6%
- Total net revenue	22%	18%
Other		
- Total net revenue	11%	11%
Group		
- Total net revenue	5%	2%

Commenting on the trading update, Ladbrokes Coral Group CEO, Jim Mullen said:

“Trading in the period was in-line with our expectations. We see encouraging trends in Digital sportsbook and gaming with continued enthusiasm for our multi-channel products in all our major markets and over a million customers now signed up in the UK alone.

Sporting results in the UK gave with one hand and took with the other but we are probably marginally ahead overall. As previously communicated, sports results in Italy were unusually bad in February and March and have had an adverse impact on our Eurobet business, but pleasingly results have been a lot stronger in April. UK Retail OTC stakes continue to exhibit the negative trends reported since the middle of 2016, driven by the challenging UK High Street environment and our own focus on the multi-channel opportunity.

Merger integration continues at pace, with significant changes undertaken in our Digital operations as we have already successfully completed the transfer of all key Digital systems to one unified platform. We have also commenced large scale moves of colleagues from Rayners Lane to Stratford, in-line with our property plans.

The online market remains highly competitive, although recent high profile sporting events seem to indicate that as much emphasis is being placed on customer retention as is being placed on the acquisition of new customers. Our plan is to continue to use our data driven marketing approach and leverage our market leading multi-channel capability to enhance returns.

We remain confident in the opportunities ahead for the business and in our ability to deliver the year in-line with our expectations.”

Divisional Performance (1/1/17 to 23/4/17)^[1,2,3]

The positive impact of bookmaker friendly football results in the UK in January were reversed in February and March, while the first week of April saw very poor midweek football results on the 4th April with 14 out of 15 of the best backed teams winning.

A good Cheltenham festival was followed by One For Arthur's victory in the Grand National at a relatively short price, breaking a 5 year run of very bookmaker friendly results in the nation's favourite race. The Aintree festival as a whole was kind to bookies with defeats for some popular favourites such as Cue Card and On The Fringe. However, Aintree's overall revenue contribution was still behind last year.

In UK Retail like-for-like OTC stakes were 7% behind last year, driven in-part by the accelerated growth in our value enhancing multi-channel offering. OTC gross win margin of 18.7% was 0.4pp ahead of last year and machines net revenue 1% ahead resulting in total UK Retail net revenue 2% behind.

European Retail net revenue^[4] was 15% behind last year and sportsbook gross win margin of 14.0% was 5.2pp behind. Football results in Italy in the first 3 months of the year were the worst on record with a long run of unfavourable results resulting in a large number of low stake/high win multiple bets paying out. Results in Italy improved in April but still left Eurobet Retail sports gross win margin 9.5pp lower than last year at 10.6%. However Eurobet Retail sports stakes^[4] were 23% ahead, helping drive further market share gains.

Digital net revenue^[4] was 18% ahead of last year, with sportsbook stakes^[4] 22% ahead, sportsbook gross win margin 0.7pp ahead at 9.4%, and sportsbook net revenue 32%^[4] ahead. Ladbrokes.com.au continues to grow at market leading rates, with stakes^[4] 49% ahead and net revenue^[4] 59% ahead. Gaming net revenue^[4] was 6% ahead of last year, with gaming net revenue in the sports book-led brands^[4] 10% ahead.

Total Group net revenue was 5% ahead of last year (cc + 2%). While the vagaries of sporting results will always remain volatile in the short term, we remain in-line with our expectations for the year.

Regulatory update

The calling of the General Election is likely to mean a delay in the Triennial Review process and while there is no indication of updated time frames, we are minded to agree with the general view that Q3 2017 is the most likely timing of the next stage of the consultation. We expect the Point of Consumption Tax on gaming free bets to be implemented within the timeframes previously announced (October 2017).

Notes:

- ⁽¹⁾ 2016 and 2017 financials upon which year-on-year growth rates have been calculated are on a proforma basis and exclude all results from the 360 shops that Ladbrokes Coral plc was required to sell as part of the CMA's remedy findings into the merger of Ladbrokes PLC and the Coral Group
- ⁽²⁾ 2017 financials upon which year-on-year growth rates have been calculated cover the 113 day period from Sunday 1 January 2017 to Sunday 23 April 2017. The comparative 2016 period relates to the equivalent days
- ⁽³⁾ UK Retail KPIs are stated on a like-for-like basis
- ⁽⁴⁾ Constant currency basis. Growth on a constant currency basis is calculated by translating both current and prior year performance at the average 2017 exchange rates

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Conference call for analysts and institutional investors

The Company will be hosting a brief teleconference at 8:30am (BST) this morning to discuss the trading update.

Call details:

UK: +44 1296 480 100 or free phone 0800 783 0906
US/New York: +1 718 354 1175 or free phone 1866 804 8688
Confirmation code: 780600

Replay will be available for seven days on the following numbers:

UK: +44 (0)20 7136 9233 or free phone 0800 032 9687
US/New York: +1 617 213 4164 or free phone 1877 482 6144
Confirmation code: 84917107

Forward looking statements

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