WILLIAM HILL

2013 INTERIM RESULTS

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Ralph Topping - ***Chief Executive***

Good morning. Thank you for joining us. As ever, Neil is with me on the platform but, first of all, before we get started, let me introduce someone who has traveled a long way to be here today and that's Michael Sullivan, who's the Chief Executive of William Hill Australia, right there in the front. But if you could stand up, Michael, and let everybody can have a look at you.

Now, Michael may well be a stranger to a few of you but he's had many years in the Australian bookmaking industry. And just take this fact on board because it should blow your mind, especially those of you who have never worked in the real world.

He was New South Wales's leading on-course bookmaker at the age of 26. Now, just think about that. That's not an easy earned achievement because the Australian ring is a tough arena and it's an especially tough arena for a young guy in his 20s.

So he's quite a remarkable individual and to have that kind of bookmaking experience in William Hill is phenomenal and I'm glad to have Michael on board.

He's also created Sportingbet Australia from scratch. So he's a mixture of the traditional and the new and along the way he's built an array of contacts across politics, regulators and media, racing and sports bodies and, by all means, you should introduce yourself after this meeting to Michael.

Not many people, in my opinion, have the depth and breadth of his experience working in this sector.

It's certainly been a very busy first half for us, a busy one at that. William Hill is 80 years old next year. Skip the jokes about myself, how long have you been there, Ralph, but there have been some huge steps forward over those 80 years.
I'm actually 40 years in the business as of now and three years more which HR refuse to recognize because they don't recognize my Saturday boy experience. So 43 years in all.

I've been CEO for 5.5 years now and I'm proud of what has been achieved by the business in my time with the Company and in this job in particular.

Purchasing Sportingbet Australia and buying Playtech out are two significant steps in building William Hill as a leading international betting company.

Thanks go to our shareholders for their support in the rights issue. It's given us a healthy balance sheet with some flexibility to go for opportunities.

With any business William Hill Australia trading, of course, as Sportingbet and Centrebet, it's always about taking the right steps to deliver, always about getting things in place. It's always about getting the business in shape. Then revenues, profits and earnings grow and targets are hit, as we have in the first half in the big business we are nowadays. And we take these steps precisely to make sure we keep delivering today, tomorrow and into the future.

I'll be on later but let me hand over to Neil to walk you through the numbers and I'll be back to talk about what's next.

Neil Cooper - ***Group Finance Director***

Thanks, Ralph, and good morning. This time last year we were speaking on the morning of what turned out to be a pretty exceptional couple of weeks at the Olympics. And echoing Ralph's comments about what a busy first half it's been, it feels a bit for us today like we've just finished a marathon.

To recap on the key features in the half from an accounting perspective, we've seen the introduction of Machine Games Duty, or MGD. As well as reducing Retail profit by around GBP5 million, it has distorted both net revenue and operating cost progression.

You'll find net revenue growth at both Group and Retail level disclosed in our interims, as reported, and with the prior year adjusted to make a fair or underlying comparison. And there is also a slide in the appendix laying out how we've restated last year for the purposes of that comparison.

Secondly, as Ralph's already mentioned, the half saw two major acquisitions. Again, you'll see net revenue and operating profit growth stated before and after the impact of the acquisitions in our interim statements.

And, finally, the balance sheet activity included an equity raise. Our EPS and BPS for the periods prior to the equity raise have been restated to reflect the bonus share issue inherent within the equity raise and, again, the mechanics of this are laid out in a slide in the appendix.

So moving on to the results themselves, I'm pleased to be able to report on a first-half performance in which net revenue, profit and earnings have all grown.

Group net revenue grew 20% on a reported basis; 14% after accruing out last year's results from Machine Gaming Duty.

Operating profit grew 8% for the half, with the growth rate in the second quarter consistent with the 8% growth we saw in Q1.

Acquired intangible asset amortization has grown as a result of the US acquisition in H2 last year and, of course, the LD acquisition this year. And, again, there's a slide in the appendix laying out how we see this evolving over the next five years, although I should note that in the case of Australia this is provisional and may change dependent on our views on the optimal branding strategies in that market.

Net finance costs have grown by 26%, which reflects the increased levels of debt following the corporate activity in the first half.

On the other hand, tax shows a sharp reduction as we benefit from a one-off non-cash deferred tax credit arising as a result of the enacted corporation tax rate reductions. And the non-controlling interest deduction also falls, reflecting the Group's purchase of this interest part way through the half.

Retained profit before exceptional items grew by 25% to GBP130.6 million, with growth in this coming from increases in operating profit and the decline in the amount attributable to non-controlling interest, together with the benefit of the one-off deferred tax credit.

And finally, basic adjusted earnings per share grew 16% from 14p to 16.2p. The comparative is restated, as I've already said, to take into account the impact of the rights issue.

The half saw two exceptional items; a GBP10.9 million cost relating to the acquisition of the Australian business of Sportingbet and a GBP1.7 million write-off of unamortized arrangement fees following the early termination of the bridge loan we put into place to finance our acquisitions in the first half.

This loan was repaid early following our successful bond issue, which I'll just remind you raised GBP375 million of seven-year money at 4.25%.

Total exceptional costs for Sportingbet Australia remain as previously guided at GBP16 million, with GBP4.6 million having already been expended in 2012.

Focusing now on Retail. Over the counter saw gross win grow by 5%, with a 5% wagering decline offset by a strong gross win margin, which at 19.7% was 1.9 percentage points above the prior year. More on both of these in a moment.

Machine gross win growth for the half was 1%, with quarter 2 in line with the year-over-year growth rate seen in quarter 1. Combined gross win was up 3% on the prior year comparable.

Reported net revenue was up 11%, or 3% on an underlying basis.

Cost of sales increased sharply with the inclusion of five months of Machine Gaming Duty in this line in 2013.

And operating costs grew by 7% and thus operating profit fell by GBP2.2 million, or 2%, to GBP107.6 million from GBP109.8 million in 2012.

The circa GBP5 million additional Machine Gaming Duty tax paid in this business this year so far has, unfortunately, made the difference for us between profit growth and this modest decline.

Over-the-counter wagering declined 4% in the first quarter, impacted mainly by horse racing. And weather took its toll, as did a strong Q1 margin versus the prior year comparable.

Quarter 2 saw growth in horse race and greyhound staking, but a decline in football wagering levels.

Of course we saw the bulk of Euro 2012 staking in the comparative last year, but it is also fair to say that the English Premier League season finale did not have the interest for punters this year as the Man City comeback had had last year. And this was exacerbated by the relatively less attractive all-German Champions League final versus the Anglo-German clash last year.

But putting this quarterly performance into perspective, staking levels on the '12/'13 EPL season as a whole were up 7% on the prior season and we obviously also had an outstanding margin from football in the half, which will not have helped staking levels (technical difficulty).

Moving to focus on gross win margin, illustrating exactly the point I've just made, the half saw a near 2 point increase from 17.8% to 19.7%. As the causal track shows, the primary driver of this strong margin growth was football, with the performance in the category contributing more than 1 point of the overall growth.

In terms of Tier 1 horse racing, Cheltenham disappointed, but Royal Ascot saw both staking and margin growth on the prior year and obviously the Grand National was an outstanding result for us. This combination led to a further 0.3 percentage point benefit.

And Tier 2 and Tier 3 horse racing, as the causal shows, also saw a modest margin growth.

Whilst we would love to say that this reflects an alteration in expectations, I do not expect to alter our long-term guidance by what has clearly been a good start to the year.

As previously indicated, machines gross win growth has been steady through the half with 1% growth in Q1 and Q2. The business has seen machine numbers grow 3%, in part through estate growth, but also made possible by the fully variable nature of the new tax regime.

Ralph will talk later about new initiatives, both those we've recently introduced and those just around the corner for our machine portfolio.

Retail costs have come under pressure in 2013 with 7% cost growth in the first half. I'd remind you that our full-year guidance on a headline or reported basis was 6% cost growth, which included both the adverse impact of MGD and the impact of average estate growth, which was around 1% for the half.

It also reflected the favorable impact of a 53 week on 52 week comparison, but obviously that will only unwind for us, or unfold for us, in the second half. And, accordingly, we remain comfortable with this guidance.

Looking at individual categories, employee costs grew 3%, with a 2% pay rise and with growth in hours offset by savings in Retail staff incentives.

Rent growth was benign at around 1%, but additional property costs were inflated by additional -- sorry the total property costs were inflated by additional one-off repair and maintenance costs.

Content costs continue to rise well above inflation and you can also see from the causal the impact of Machines Games Duty on our cost base, as our VAT input credits largely sees.

Moving to William Hill Online, I'm pleased to be able to show you that we've continued to show strong growth in the first half of 2013, with net revenue ahead of the prior year comparable by 18% to GBP233.9 million. And operating profit by 16% to GBP80.2 million.

The engine of growth has been Sportsbook, but Casino has also seen growth, albeit muted by the closure of certain markets in 2012.

The vertical grew net revenue 2% in the first half, but would have grown 7% adjusting for the impact of those closures.

Bingo performance improved in the second quarter, with good growth in new accounts in unique actives over the half, but Poker continues to see a declining active account trend.

Within Gaming, mobile gaming net revenue grew strongly by around 200% and now makes up 14% of Gaming net revenue. And this is a key priority area for the Group, as Ralph will outline.

Cost of sales grew by 13% or GBP2.4 million. This is reflective of the increased growth in our mobile Sportsbook, increase in direct tax in specific territories and the rollover impact of some accrual releases in the first half of 2012.

The strong growth in sports betting revenues came from a combination of growth in both wagering and gross win margin. Wagering grew 26%, with both in-play and pre-match, by coincidence, growing by similar percentages. Pre-match margin grew 1.8 percentage points to 11.6%, with both football and horseracing showing growth.

In-play saw 0.5 percentage point of growth to 5.4%, largely led by football. The combination of the two saw overall gross win margin up 1.2 percentage points to 9%. Within that, mobile gross win margin was 10.7% in the half.

Moving to our cost base, marketing continues to grow in line with the Group's expectation and around 28% of online net revenue will be spent on marketing. Online expense GBP65.7 million in the half; an 18% increase in line with the 18% net revenue growth we saw in the half.

Online infrastructure development continues apace and the 42%, or around GBP7 million, growth in staff costs partly reflects this, with additional heads in operations and information systems in particular supporting our technology and mobile growth agenda.

That said, around GBP2.3 million, or around one-third of the employee cost growth, simply reflects the reclassification of our Manila customer services center from a third-party contract to a managed operation, as opposed to a genuine increase.

In total, other costs grew 21% year over year, which is slightly ahead of net revenue.

Ralph will outline our thinking on Australia in more detail later, but the slide on the screen shows you how the GBP3.7 million of operating profit contribution, from completion to the end of the first half, is made up. We also provide pro-forma, constant currency, prior-year numbers for reference.

The business has benefited from a good margin performance during our period of ownership versus the prior-year comparable. And this will have impacted recycling for us in what is a quadruped business at present, with around three-quarters of the win coming from dogs and horses.
Looking ahead, we're excited about the opportunities to improve on the digital capability of the business and, in doing so, to improve both on the rate of customer acquisition and to reduce the cost of TPAs.

Whilst the roadmap ahead for us is clear in this regard, and draws on our experience with William Hill Online, I think there's likely to be a short-term impact from the financial perspective reflecting these changes. And you should also just note that we expect from here currency movements to be unfavorable.

In terms of performance in our other channels, Telephone has grown operating profit, despite rolling over a circa GBP3 million indirect tax accrual released last year. This good performance arose from a combination of improving gross win margins and effective cost reductions.

Whilst operating profit from the US is relatively modest at around GBP600,000, this is ahead of the peak trading period for the business as the NFL and college football seasons commenced part way through the second half.

Turnover trends are ahead of our internal expectations and are benefiting from the development of content for our retail sports betting outlooks in Nevada.

As guided previously, we are starting to see capital investment increase, particularly in Online and in Group IT. We continue to expect to see around GBP80 million to GBP90 million of capital expenditure for the year as a whole.

Working capital, from a cash flow perspective, moved against us in the first half, largely due to a reduction in business accruals which was, in part, led by the timing of marketing spend and partly through a more general reduction in staff incentive accruals.

And when comparing against the prior year, please recall that we saw a substantial one-off favorable movement in 2012 at the half linked to timing of payroll payments, given an early cut off at the half year last year which was before the end of June.

Looking ahead for the year as a whole, I expect working capital movements to be in the range from neutral to a GBP10 million outflow, so some recovery from the half-year position.

The balance sheet has been a major area of focus for the Group during the year to date and I will just briefly recap.

Firstly we funded our Sportingbet purchases from the combination of a short-term bridge loan and headroom on our existing revolver.

We then funded the Online minority buyout from the remainder of the bridge loan and from a 98% subscribed net GBP373 million equity raised.

Finally we replaced the bridge loan via the bond market with a seven-year, 4.25% coupon, GBP375 million bond, which gives us an increased loan maturity profile at an attractive rate.

As at the end of the half, our net debt for covenant purposes was GBP821 million. And the net debt to EBITDA covenant ratio now stands at 1.9 times.

And finally, for me at least, some specific finance matters.

Firstly, our income statement effective tax rate in the half has benefited from the inclusion of a one-off deferred tax credit arising from the change in corporation tax rate. This is a non-cash benefit. We expect our full-year rate to be around 12%. And we expect that our cash tax rate will be as previously guided at 20%.

In 2014, we continue our 17% income statement guidance and lower our expected cash tax rate from 19% to 18%.

Secondly for those of you pouring over the financial statements, you may note two presentational changes.

Firstly the pensions element of the interest line is now required to be shown net. Previously it was shown gross, with interest income and interest costs disclosed separately.

Secondly our Gaming in Retail was being treated differently to our Gaming in Online as regards the wagering disclosure, which is a non-statutory measure. We've aligned this for 2013 and thus Retail wagering is now made up of OTC staking, plus net revenue from Gaming, which is consistent with the treatment for Online. And in both cases, both interest and the wagering change for the prior year has been restated in the accounts and presentation.

And finally I'm pleased to be able to highlight a 16% increase in our interim dividend, obviously against the rights issue adjusted prior-year comparative, from 3.2 pence to 3.7 pence; a growth in line with our basic adjusted EPS growth.

Thank you for listening. Now back to Ralph.

Ralph Topping - ***Chief Executive***

Thanks, Neil. So, in summary, we had a very good first six months. The fundamentals are absolutely right in this business. We've got a good, young management team, interspersed with older, experienced heads, who have either been around a long time and/or know the industry and the sector very well. It's a very nice balance and our performance is testament to that team and how it works. And we're working to improve our performance all the time and adding A players to that team on a consistent basis.

Of course, we're still a business where results are important and we had a good run in the first half. We are reminded, from time to time, that it doesn't always go the way of the bookmakers, whether they be in the UK or Australia. But in our business, numbers always come back and average over time and we have improved our average over time.

Good, bad, or indifferent results always look after themselves. The principal job of management is to get the basics right. And in Gibraltar, the UK and the US we've been on that journey and have achieved a great deal through our approach. So a wee reminder on our targets at this point.

Looking at the screen, you can see we hit the Sportsbook in mobile stakes targets in Q1. Mobile Sportsbook is still forging ahead; GBP21 million turnover a week in the second quarter, GBP10 million ahead of quarter 2 last year. And mobile was 40% of Sportsbook turnover in Q2 as well. So a big tick in the box for the business there.

We do make our targets very public. And the reason for doing that is to show the market where we're focusing our efforts.

Later on I'll give you two more; one very specific on mobile Gaming, one an indication on Australia, which will flesh out in the last quarter. They show what some of our major priorities are right now. It's all about keeping it simple; more product reaching more customers in more ways. And product trading is still producing more and more.

It's been a great summer of sport building on the success of the Olympics last year. Maybe not for the bookies when you think about the Lions, Andy Murray, the Ashes, the Tour de France, but, hey, results always look after themselves.

We continue to be very happy with our trading team, their performance and their approach. We've now got 31,000 more tennis matches and 15,000 more basketball from our feeds. European basketball for the Spanish market, college football for the US market, giving us markets from 7 o'clock in the morning to midnight; Eastern Standard Time through Pacific time on Saturdays. Plus all the NFL content.

We've got a new cricket model boosting our domestic product during the summer. Just like tennis, cricket's a year-round sport and lends itself to in-play. We're offering more markets than anyone else; 39 in-play markets per over in the first Ashes test.

As I say, I've a lot of confidence in our very own Aussie in residence in the UK, Terry Pattinson, as well as the guys who run our round-the-clock trading operation.

I'd like to mention in passing that in Australia we've an excellent head of trading in a chap called Brad Smith or Smyth -- I always get thrown by that name, Smyth. Let's call him Smyth, we're in England -- who I'm certain will do what Terry has done in this part of the world.

Trading, it should never be forgotten, work hand in glove with IT to deliver to our agenda. And a deep understanding of technology is a major part of our strength.

We've got a lot to talk about and it will take a bit longer than usual, so bear with me. Even so there is still too much to do justice to it all today. So here's the good news. We'll be doing analyst and investor events in the second half. Lyndsay's around. I'd actually like to do one in Israel, Lyndsay, so make a note of that.

For those who are keen to get down under, that's a travel expression, Lyndsay is arranging a trip to Sydney and Darwin next April. And please do remember because, Michael, these guys are innocents abroadThey're used to London and London environments, Kensington High Street and whatever else.

And please do remember, ladies and gentlemen, when they talk about crocs in Darwin, they are not talking about plastic shoes, all right.
But for now I'll talk about Retail and Online as usual, then how we're doing internationally. So let's go on to talk about Retail first.

As Neil said Retail's had a decent first half, 5% over the counter net revenue growth, good over the counter performance and machines holding their own.

If it weren't for the Government unfairly, in my opinion, applying MGB and not doing what they said they would do, i.e., the tax would be neutral, we would have grown our profits in the first half and that's without a major international football tournament as well.

We keep investing in Retail. We've got video walls in another 119 shops. We've got the new design in 84 shops now and we've got slightly over 700 SSBTs across the estate.

The Bonus Club Card we launched across the estate in early June, it's a card the way the customers tell us they want it, i.e., anonymous, we've had 157,000 registrations to date, an average of 30,000 active users a week accounting for about 10% to 15% of machine gross win, plus offers for those who don't want the card.

That's only part of the picture. It's also about content. We've improved the test bed for our new games feel as quality, not just quantity. We're accelerating the number of new game launches in the second half and we're increasing the number of cross sells we do with Online.

And we're upgrading the cabinets. Our marketeers have been hard at work. First of all we had Rainmaker, then we had Storm. Now we've got Eclipse. I wondered, when I heard the name, if they knew that Eclipse was a famous racehorse. I quickly learned that they didn't.

Apparently it's something that happens to the moon and sun in their world and the moon and sun, as we all know, come from a part of their anatomy I'm not allowed to talk about on a family presentation.

So half the estate will be Eclipse; almost 4,900 machines. To be precise that's the two regions that include London and the South East where the gross win per machine per week is about 13% higher than the estate average.

Take a look at the new machine outside if you haven't already. It's all about the swipe generation nowadays, and we're all used to doing this or that, but this and that, that's the swipe generation. So there's a new player panel for you to spin your own roulette wheel and the new menu for the iPad generation.

Of course the latte lovers and marketing had to get involved, so they've got a fourth screen for offers and promotions. It gives them something to tell Tarquin and Crispin in Waitrose when they bump into them at the eggplant section. I, of course, joke, but it's important to stay in touch with the new technology from the Board, from the Board right down.

This world is changing very, very fast and innovations keep William Hill relevant with a new and tech savvy generation.

I was reading, if you do a lot of flying you read a lot of strange things, even the Dalai Lama gets new technology. I don't know if you knew that, but -- by (inaudible) but I'm telling you anyway, and he gets it big time. He's got Twitter and Blog following totaling millions, absolute millions, and I've been interested in Buddhism because I did a course on it when I was at university.

I invented a kind of gentle personality, and I've got a lot to thank the Dalai Lama for and Buddhism for. But I just had the wonderful thought as I was flying, maybe he'll join the Board of a big betting company that we all know and love in the UK as a non-executive director, an NED, a non-executive Dalai Lama.

He could help them with prayers for better performance. He could advise on technology. And, of course, he'd be absolutely perfect to chair the Corporate Responsibility Committee. Mind you, it might stop them doing business with China, but hey ho, the pluses outweigh the minuses.

It's easy to forget sometimes that Retail has been through tremendous change, but the fact is we've got more 18 to 24 year olds coming in than ever before. The more and more Online customers are walking through our doors. Having different products has drawn in different customers and we've grown in spite of the fact that our core customer has been squeezed.

There's every reason to believe Retail will benefit as things improve economically and working families gain more confidence.

In the meantime we've managed our gross win margin well. We've continued to innovate and invest, so we're well placed for the upturn.

It's encouraging to see our OTC gross win in the first half is the highest it's been since 2009, and that's without a major football tournament. And we've held our own in spite of GBP5 million of extra tax in H1.

The greatest threat to this business has always been Government acts and regulations and, to be fair, it's also always been our greatest opportunity. What's important, I think, is that we're getting better at absorbing tax changes because of our scale and because of our diversity.

And on point of consumption tax, we know the facts as they stand, so do you. Much could happen before point of consumption tax is introduced, but the real question, I think, is how will the industry react?

I'm not going to give you, or our competitors for that matter, precise details of our initial thinking, but let me share some of that initial thinking.

You'd be hard pushed to find anyone better placed than William Hill to compete when point of consumption tax comes in. When you're sitting there as a market leader with the most competitive offering and the strongest profit margins and the biggest marketing budget, it would be a foolhardy man, or maybe just a fool, who takes his foot off the accelerator.

There are plenty of companies, some small, some not so small, who are going to be hit hard by this tax. We will always take a long-term view.

It may be bloody for some more than others. Of course we've taken a long hard look at the business, at how we invest (inaudible) suppliers and where we spend our money right across the Group, not just in Online. But beyond that I'll tell you what I can when I can.

But hey, I'm sure you're all going to be doing your own thinking over the next 12 months as well about who are going to be the winners and the losers when the shakeup comes. So if I could ask you to hurry up and get your notes out and tell me what you'd do in my shoes. I know it's holiday season but, boys and girls, pull your finger out and help an old man out on the point of consumption tax. Bulls or bears, I don't really mind; all contributions are welcome.

The story of Online so far has been about getting the basics right, time and time again. As a result we have the deepest pre-match and in-play product in football and tennis, then basketball, then cricket.

We've got the right gaming products to suit cross sell for sports betting customers, with the best Sportsbook app now downloaded more than 1 million times, so that people can bet wherever and whenever they want. What's next? Well let's start with mobile Gaming.

I flagged this earlier in the year definitely as the next area to concentrate on, and I said I wasn't happy with what we had. But I'm a wee bit happier now. Mobile Gaming revenues were up almost 200%. But I'm still demanding on the subject. I don't know whether I (inaudible), I'm afraid.

What we're getting now is the right platform to accelerate growth. And you know what? It always starts with getting the right people. I meet all key hires in this business, without exception. I meet all key hires. I focus on getting the people bit right.

After they start, I see them regularly. I speak with them often and I go visit their location. I want to be sure we get the right person, and if we don't get the right person, then we learn from our mistakes and we go and get the right person, but the wrong person exits the business.

What I can say is we've brought the right capabilities into this business. Now they're embedded, integrated mobile and desktop teams are now working together. And we've taken the Californian tech company approach to speeding up delivery.

Now when somebody said that to me for the first time, I didn't want to say, I didn't want to appear old and out of touch by saying to them what's -- when I heard it round the hallowed halls of Greenside House in Gibraltar, Bev sales.

When I first heard it, I thought it was something to do with dermabrasion or Botox, but apparently it has an entirely different meaning. Bottom line, it means that we're getting things done and we're attracting real talent into our business systems team so I'm not complaining.

Perhaps we'll have that analyst trip down to silicon roundabout, where we're establishing ourselves. It's not quite as sexy as Sydney, but there's a lot -- they have closed the crack houses down recently. It sounds great, doesn't it?

The other buzzword is enablers. I'm just a huge fan of this new language. I love it. Now here's an enabler. What the hell's an enabler? It kind of induces in people like me a fugue-like state. I can't speak that language.
Scots always seem to talk straight and we get into problems for it, but I just call enablers getting the basics right, making it easy for customers to sign on, making it easy for them to deposit money, knowing what revenue each customer is generating and from what products, sending them the right information and incentives.

Much of this is what we put in place at the beginning of Online, and now we're getting it right for mobile, and mobile Gaming especially.

Then you think about the product, and the starting point is to migrate our existing content onto mobile. One of the challenges here is the supply chain.

First of all, gaming suppliers haven't adapted to mobile as quickly as with sports.

Secondly, there are 10 times as many of them on the gaming side than on the sports side. That's about 25 different gaming suppliers, each with their own way of interfacing with our systems. That slows everything right down and the only way to make this work at the right scale and speed is the service layer.

So buzzword number three is APIs. We've got this in place for the Sportsbook. Jamie Hart tells me it transforms our ability to create new betting apps and to integrate with third parties. We're working to deliver the same on the Gaming front, which also means we can get even more suppliers like Bally and IGT and Microgaming.

More importantly for managing customers and time, it means a single sign on, one wallet, one bonus scheme, one back office, di-dah, di-dah, di-dah. Sounds great, but show me the money.

Here's the new target. Mobile will be 40% of Gaming net revenue two years from now. Today, it is 14%; 40% in two years' time. My view, I think it's a real stretch, but the team feel it's achievable and they're betting their bonus on it. And Andy Lee has begun to build a very strong team around (inaudible).

Of course, just at this point in time, big Matt Gerard's in the room. I haven't asked Andy if he's part of that big strong team, but I will be the next time I'm seeing him, so I really cannot confirm if Andy's got you as a member of his big strong team. But you can maybe give him a wee phone call after the presentation. I jest. Matt's doing a great job for us.

The other area I said we're investing in is something called CRM. William Hill, we like to do things behind the scenes and then to talk about them afterwards. It makes us plainly different from other companies.

Work on this started more than 18 months ago. The first step was to sort out the data. We've got a lot of data. Take a typical day. We've got 5.2 million online transactions, 2.7 million web visits, 1.3 million betting opportunities, 5.1 million price changes. And that last fact alone is 40% higher than we were doing six months ago. That's one hell of a lot of data from a lot of databases; in fact, over 20 of them.

Moving us towards a single customer view, individual profiles for every single customer, where and when they sign up, where and when they spend their money. We've got more than 100 different customer types based on behavior and product preferences.

Next came the campaign management system called CaMS. Our emails and texts and inbox messages to customers are now automatically targeted, automatically delivered and automatically measured.

The first campaigns were run in February for Sportsbook customers, and through the first half of the year we've rolled it out to Vegas Games and Live Casino customers. We'll keep expanding and refining what we do during the second half of the year and we'll roll out our remaining Bingo, Casino and Poker customers.

Not quite where I want it to be yet, but we are bringing new people in to run the show. Rolling operators from big companies, and I'm getting a real warm feeling about where we're heading with this.

It certainly improves our personal services. It improves our use of bonuses and our product cross sell. It also gives us a clear picture of the customer journey. It makes it easier to test and adapt different campaigns, and it gives us better targeting for cross selling online customers and for retail. And there's a lot more to come.

Jamie Hart calls it Project Trafalgar. When I asked him about a name, he said it was nothing to do with long-ago military glories. He named it after a pub in Gibraltar. But, as usual, we'll tell you when it's in, not before, and you will get an update later this year at one of the analysts' presentations.

We've two brief slides on Italy and Spain. We've also kept quiet about this. Why? Because we're taking a long-term view on these markets. We're investing up front on products and mobile and to build the brand; focused investment where we think we can take significant market share.
I'm sure you all know that Italy's more gaming than sports right now. We added slots last December, which have gone great; it's already 40% of our Italy Casino revenues. And we've just put in Poker.

Revenue is up 163% two years after we first launched, and we're one of the largest of the non-incumbents. Mobile's next.

We couldn't put mobile in before because of the cap on CapEx through the joint venture, but we're the only major operator without mobile in either country and that isn't acceptable. It's a priority. And it's also part of the reason why we got out of the JV, to give us more freedom on CapEx.

Particularly now, the sports betting markets may be about to open up, which is a big competitive advantage for a company like William Hill.

Spain, on the other hand, is mainly about sports. We launched the Sportsbook a year ago and we've rolled out the value adds like Cash In My Bet. Revenue in Spain is up 22%.

Of course there were a number of dot.com products when we launched, but more importantly, you should note the Sportsbook is up almost 90%. And even without mobile, we've taken the fourth highest market share.

Our brand recognition so far is good; 75% prompted awareness, 25% spontaneous awareness.

The six-month option on Miapuesta comes up shortly. I'm not going to tell you the detailed plan, but there's value to be had in that business. It's the third largest by market share, so you should assume we'll exercise. But we'll update you on what it looks like at the right time. But you should assume we'll exercise.

On to the US. We've improved this business quite significantly over the last year. I don't want to bore you by repeating, but it is actually all about the right people and the right products and mobile and it's definitely making us competitive and attractive. And we've picked up two more Sportsbook contracts, so now we're running 102 in casinos.

The regulation on kiosks has changed recently. We had them in 86 locations and 69 of those have restrictive licenses, so they can't take bets any more. But the kiosks actually let customers fund their mobile accounts as well, so we're keeping them in place, which is good because mobile is proving popular in the States.

And stakes were up about 130% in the first half.

I think we've got a big future. I know we've got a big future in the US. We didn't just go in for Nevada or just for Sportsbooks.

There's a lot of talk about regulatory change. The one thing you can guarantee is the States will all favor their incumbents. Our job is to make sure we're well placed to take advantage of opportunities. That includes getting our name out there and that also includes looking at opportunities which may not be obvious to everyone.

In terms of getting our name out there, we sponsored our first race in the States called the Haskell Invitational. It was run at Monmouth Park in New Jersey last Sunday. We sponsored it. I think it's important to get our name out there.

I saved Australia to the end. We've talked before about why we're there. Very clear.

We're there for the regulated market, the strong online growth profile. We like the competitiveness of the Sportingbet business, the differentiation by the corporate bookmakers, the potential for regulatory change over time and the opportunity to reach out to recreational punters, just like we did with William Hill Online.

This is our second home market with very attractive long-term fundamentals. Australia's got the highest smartphone penetration in the world. That's great for building a mobile business.

A real opportunity lies in the mass consumer market and there's a big target to go for in TAB and Tatts. We bought the only game in town when we bought Sportingbet and we'll be in Australia for the long term. We've had our hands on the business now for four months, so let's get under the skin a bit more.

I like a lot of things about the business. I particularly like a lot of things about Michael. We're cast from a similar mold. He and I were both bookmakers and I like the fact that he's a winner and has a winning mentality. We're both about people, building the right teams. And we're both about making the tough decisions in life.
And there have been tough decisions made in the last few months. Our Marketing Director and our Chief Technology Officer are departing the organization; have or will be departing the organization.

Now Michael, as I've already said, has the highest of reputations in Australia for integrity and is a man of high standing in Australian racing and betting circles. He's a very prominent winners of classic -- not classic races, but good grade one races in Australia. And he is a good man to have on your team.

And what Michael has built in Australia is a very experienced and highly respected local management team with a track record of being innovative. It's a quality management team and what we're doing is adding to that team; specially on digital, which needs strengthening.

This business does come with some volatility around large players. We saw that in Q2 when they did their money in Q1. Now, we don't have large players in the William Hill business, so it's something we all have to get used to.

But these guys know how to handle these players. After all, we've got the best bookmaker in New South Wales and he's been handling this type of client for years. At the heart of the business, there's a great a relationship with customers.

In some ways there's more than a bit the rest of the Group can learn from the guys in Australia. The trading team in Darwin is very good. The product range is the best in the market in key areas and they've got lots of ideas to roll out.

In many ways, their hands have been tied in the last couple of years. There was the real distraction of integrating Centrebet. A lot of resource got tied up with that, particularly what was a limited IT resource. And then some decisions were put on hold for six months while we were buying them, including some training innovations and the fact is we're changing that.

You never look to buy a perfect business. There is absolutely no value in that. You look to buy a business with upside and use your resources to make it stronger.

Sportingbet business, we found, is a strong business and we all believe it can be even stronger. Digital and marketing are its weaknesses. Nobody's hiding from that. It is behind the best in online in Australia and globally in terms of platform and flexibility and digital marketing nous, but I share Michael's view that it has been underinvested.

The business was run for cash. It was a wee bit like Online before I took over as Chief Executive. Inevitably, that means some things in digital are not performing as well as they should, but we know what they are and we know what we can do about them.

I don't want to leave you with the idea that the technology platform isn't good. It is. It's proprietary, which is great as we want to use it elsewhere and it works exceptionally well. How it's been set up doesn't quite suit all the needs of a digital business, but that's a relatively easy fix

It was actually built some years ago when security was the priority and the watch word. That means it needs some working, according to my old mate, the Dalai Lama. Note the words some work; not a full rework.

Currently, it's pretty much invisible to Google. What does that tell me? These things happen. That happens in the real world. If we talked about some of the cock-ups in our business, we'd be here all day.

When I tell you that 22% of our Online marketing budget is spent on pay-per-click deals and almost 10% of our customers comes from search engine optimization, you can see how much of a problem that is. But it's also a fantastic opportunity.

There's a lot we can do with marketing. The marketing budget is substantial. The mix isn't where we think it should be. There isn't enough for digital marketing. If you think about it, digital marketing is 60% of our UK marketing budget. It's nothing like that in this business. So there's an upside opportunity there.

We all recognize that you can't build a digital business without digital marketing. The budget was split across brands, as was the team. In fact, there were two teams competing against each other for profile and advertising space, which we very quickly changed.

Lack of budget, underinvestment, whatever the reason, we don't have the media deals that we should have, I think. Media deals are important in this market; in some ways critical to your profile.

All these things right now mean we're not driving enough traffic to the site. And when they get to the site, conversion rates are too low. So we're not getting enough customers and the cost per acquisition is too high.

So what's important for William Hill in Australia? Again I'll keep it very simple. It's about increasing the digital side contribution. I's about expanding into a more recreational customer base. You'll see two key metrics move when we're successful; CPA will come down, new accounts will go up.

Most of you in this room have been following us for a long time, none of this should be a surprise to you. You've seen us do it before. It's the same principles we applied to William Hill Online.

We are not novices at this. Build a platform, get the basics right and you can accelerate your growth. It's the same principles we're applying to mobile in Gibraltar and to the US and now to Australia.

None of this gets done overnight. It will take, I estimate, six to nine to 12 months to put the right pieces in place. Terry, Christophe, Jamie have been out there with the team. It's one of the benefits of fully owning Online that we can free up people like Jamie Hart.

We've got a terrific guy out there as well called Aaron Johnson. He's ex Playtech and, despite being a Kiwi, he's landed well with the Aussies., Robin Chhabra is there. He wanted to buy the business, we wanted to buy the business, but what we felt was right and proper is Robin was sent out there so he can help make it pay, make our investment pay.

The beauty is the guys are going to be in the business until the business is in the groove digitally and then they'll be out of there.

As I said before, I want this business to be run in the main by Aussies, with the usual oversight from the UK. Then the Aussie team we've got deployed out there from the UK will be deployed elsewhere in the business, for example in the US. So it's right to get them settled as soon as possible.

We have a new Marketing Director joining us and some more digital experience is being injected into the team.

This is nothing new. This is what this Sportingbet guys wanted, but were denied over time.

We're also recruiting a new CTO and, in Michael's words, we're actively looking for a street fighter to report into him as Head of Digital. We're making good progress there.

We'll also invest in having the right IT resource in the business because it needs the right IT resource. A modern digital business requires the right IT resource.

We've fixed the user experience, there's not a lot needs fixing. You met Jon McCutcheon in Gibraltar last year. He's in Sydney to help improve some of the basics around registration, My Account, deposits and the bet slip. There's some work to do on how the website is structured. It's not a wholesale overhaul but it will take six months to optimize it for SEO.

When we get the UX rate, when we get the back end system firing, we free everything else up. We'll get more products out there and we'll bring more Online marketing into the mix. The good news is there's also a team from Tel Aviv on the ground in Sydney right now to help with that.

Once the Israeli guys start monitoring and getting their teeth into this, we will see major progress. And in the meantime we'll take a long hard look at the brand approach.

At the moment we've got three brands on the table; Sportingbet, which I like, Centrebet and, of course, we've got William Hill. which I also like.

Sportingbet and Centrebet brands are complementary. They hit different customer bases, different product mixes, but we're not maximizing that difference with our marketing of CRM.

First we will look at a single mass market brand as we know it can appeal to all segments, like William Hill does in the UK.

We've had expert advice. We're taking a good hard stare at that before we make a decision, but it will be a decision driven by operators like Michael and myself and marketing and it will have to be sanctioned by the Board. Some decisions on that will be made soon.

So we've got a highly experienced team across the Group who've already shown they can do all of this. We're not novices and we've got an experienced and really enthusiastic and able team on the ground in Australia who see the potential in the business and what we can build together. The chemistry is good.

You will see for yourselves when you get out there in April, the Aussie team is very, very good. The Aussie business is very good, but it will be, it can be and will be even better.

We caught up in the UK. We will catch up in Australia. The UK guys are going to be in the business until we see the business is in the groove, then it will be run in the main by the Aussies with the usual oversight from the UK.

If you look at Michael's record, he's never failed at anything in his life and, for that matter, nor have I. My hardest task this year was uniting Scottish football. Australia's a doddle compared with that.

I can make this business work. Michael and I together will make this business work. There's upside. This is a good business that's going to be a great business.

We've done it before with Online. We're going to do it again here. My team doesn't fail and the growth rates will be bigger than people imagine. We have a team there and they're working hard to deliver.

Now thanks for your patience. I know it's been a long presentation but there's a lot to say. Retail's in good shape, Online's driving ahead, mobile Gaming's getting the right focus on investment, Italy, Spain and the US are all progressing well and we have a clear strategy for William Hill in Australia.

I really look forward to showing you the progress in Sydney next April, and Darwin. Now over to you for some questions.

QUESTION AND ANSWER

Vaughan Lewis - ***Morgan Stanley - Analyst***

Vaughan Lewis, Morgan Stanley. Just on Italy and Spain, you talk about an investment phase there. What sort of magnitude of losses are we looking at in those markets? And when do you think that will turn around to a profit?

And then with Miapuesta, what sort of synergies would you expect from bringing that into the William Hill Group? And what will the branding strategy there be?

And then finally on Australia, on page 15 it looks like the cost per acquisition's GBP700-odd. Is that figure right? That's sort of seven times higher than Europe. That seems very high. So can you make money with an acquisition cost that high?

Ralph Topping - ***Chief Executive***

The figure is absolutely right. It reflects -- this is the work we've been doing, a concentration we've had, that we've not been getting accounts in in the numbers that you would require in that business. But we aren't going to spend the money on marketing until we actually get all the experiences right.

So can we make money on the business? Well the business is very profitable at the moment, so yes we're making money. Will we make even more money in future and will that CPA] come down? Yes, the answer to that is yes. It's too high.

He asked about four questions there, Neil. Branding --

Neil Cooper - ***Group Finance Director***

In terms of -- sorry go on.

Ralph Topping - ***Chief Executive***

Branding on Miapuesta and William Hill yet to be decided, because the first decision was about whether we'd exercise the call option. We'll keep you advised on that one.

First question was?

Neil Cooper - ***Group Finance Director***

Sorry, in terms of the growth to profit, what we said in the presentation is that we expect Italy to have a four year growth to profit. Spain we expect to be shorter. We expect that to be around three years.

You can read from that we're not making a profit at the moment, although you can see from the statistics the net revenue's growing nicely and the share positions are where we'd like them to be. We'd be happy if they're higher but we're (technical difficulty) content, but we don't think we've got a bad share position in either market.

Vaughan Lewis - ***Morgan Stanley - Analyst***

Is it a significant threat to profits now, though?

Neil Cooper - ***Group Finance Director***

Well we haven't told people what the profit is and I'm not going to tell you on the call. Neither revenue's growing and I can tell you that it's loss making at the moment.

Ralph Topping *- Chief Executive*

You're significantly (inaudible),

Neil Cooper *- Group Finance Director*

Yes.

Victoria Greer *- JPMorgan - Analyst*

Vicky Greer, JPMorgan. Just two on Australia, please. The first one could you just talk a bit about what trends you saw in the wider Australian market in Q2? Is there anything particular to your business or staking or (inaudible)?

Ralph Topping *- Chief Executive*

We think Tatts and I think TAB have come out with some figures in some respects similar to ourselves.

Racing, this is a quiet time of the year for Australia and where there's been a bit of a problem with the weather down there. Everybody expects the sun to shine in Australia. Actually the rain sometimes greets you when you land at Sydney airport and says goodbye to you when you leave. So they've had a bit of a weather issue.

It's also the quietest time of the year. I wouldn't read too much into the figures for Q2.

Upcoming we have the spring carnival season, which is quite an extensive one. Very busy, high-quality racing and there's a bit of (inaudible) racing at that time. So we've got a lot to look forward.

Neil Cooper *- Group Finance Director*

Just one more comment on this. Before our period of ownership, the first quarter in the year saw a very, very high gross win margin and that will have had a bearing on the larger players' capacity to keep on betting through the second quarter.

Shame it wasn't in our profit, it was in somebody else's, but that's life. So there will have been certainly a short-term impact as a result of that.

Ralph Topping *- Chief Executive*

Big boys only come into play when the racing's decent. If you've not got racing on, you're not going to get the big boys coming out to play.

Now the one thing you should remember about the Aussie business is the volatility on that side of things with the large scale punters. But we're used to dealing with them over time and the win, which we're not going to reveal from those clients over time (inaudible) exceptionally good (inaudible).

And in perhaps some parts of your world you look forward to lunch today. We're already planning for Christmas dinner. So we take a longer term view on business than perhaps some people do.

Victoria Greer *- JPMorgan - Analyst*

And secondly, still on Australia, talking about moving more towards the mass market. We know that Australian customers have fewer accounts and switch less, which goes naturally with being a sports market rather than gaming. Do you think there's a risk that you'll have to significantly increase marketing spend, perhaps on the sponsorships you talked about, in order to start driving that?

Ralph Topping - ***Chief Executive***

I think we have to get our hands on some media deals and I think if you're going to break into the digital space and catch up with competitors, then inevitably you've got to do much more in the way of driving customers to switch.

And, as we've already proven, we can do that. Given the growth of William Hill Online, it's not something we're inexperienced at.

And we're assembling a team; I think a high quality team. We've got high-quality guys on the ground there already. We've brought high- quality guys in from the UK and we're bringing in people who are -- that's not Neil making comments. It's the camera guy who's talking to himself over there. I think we're just waiting on the ambulance coming. Gareth phoned it about 20 minutes ago but it hasn't quite turned up yet. I'm sure I've seen him on the Embankment late on a Friday night. (laughter)

But we know what we have to do and we're experienced at doing it.

Neil Cooper - ***Group Finance Director***

Just one other thing to add to that. I think it's not as crude as just looking at the absolute amount of spend here. The mix is, I think, an area we're going to be focusing on.

Paradoxically it's much more off line focused than we would expect to see in the UK operation or the Online operation and that's going to be an area of focus as well.

So it's not just about the absolute spend. I think the marketing mix and in terms of getting people into marketing who have that digital background, that's a key part of that.

Ralph Topping - ***Chief Executive***

The business essentially is the amount of focus within the entire Aussie team on the competitors. And the welcome we've had over there has been very, very good and there is a real get down to it, get on with it mentality over there which is a big positive for us.

So are we where I thought we'd be? Actually I think we're well ahead of where I thought we'd be at this point and there's a lot more to come. And I think that's -- I look forward to it with real confidence as to what's going to happen going forward.

We're aren't going to talk much about it, but we have high expectations for the business. I don't see any reason why we can't do what we've done in William Hill Online.

It will take a bit of time, but you've got to get the fundamentals right. If you don't get the fundamentals right, you're kidding yourself on right. And we are there for the long term

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

Ed Birkin, Credit Suisse. UK Retail. Is the central cost recharge material?

Neil Cooper - ***Group Finance Director***

It's in the scale GBP2 million to GBP3 million, so not-- actually you can work it out for yourself, because I've given you both the net and the gross growth percentage and the absolute, so you could work it out, but it is in the order GBP2 million to GBP3 million as it relates to the Retail piece.

Ed Birkin *- Credit Suisse - Analyst*

On the machines, can you maybe go into a bit more detail about the gross win margin? Would it be 2%/3% mix year on year and should we expect that to continue?

Neil Cooper *- Group Finance Director*

We've seen -- sorry let me just remind myself of the absolute. Can we role the machine slide back?

We've seen a modest growth here. I wouldn't call it particularly acute and actually I don't really see the mix shifting looking ahead.

Clearly what you can see in the way that our growth has gone over the last six months, has been that we've seen, in effect, increase in number of machines, with a little bit of softness in gross win per machine per week.

So plus 2%, minus 3% getting -- sorry plus 3%, minus 2% getting you to the plus 1% figure and it's been pretty steady for us actually across the first half. For us obviously the next opportunity to look at how that business growth or mix changes is the implementation of the Eclipse roll out.

Ralph Topping *- Chief Executive*

I think it goes back to what I've been saying for a number of years now. We've been -- quite rightly you've wanted the information on machines business. It's the first --or it was the latest new product to go into our betting shops many years ago now.

I think when you get a model where we just actually look at how much money people are leaving behind in betting shops, I think it's quite -- it might not be irrelevant to you, but it's irrelevant to me. I look at how much money is being left in a betting shop. I don't care where anybody leaves the money.

They can leave it on the top shelf for us to find later if they want, but stick it in a machine, put it on over the counter, I really don't mind. And I think we need to get used to that idea, how much cash is being left behind, and I think we'd drive ourselves to distraction looking at this kind of segmentation in betting shops in particular.

I see the need to do it Online. I don't see really the need nowadays to do it in the way you look at Retail.

Ed Birkin *- Credit Suisse - Analyst*

Okay. Just a final one on that segmentation. The machine gross win and net revenue grew by 1%. Now that you've launched the Bonus Club, should we see some divergence there where there's going to be an increase in free bets?

Neil Cooper - *Group Finance Director*

No, the Bonus Club was launched quite early in the second quarter, and obviously you'd have had a bow wave of promotional cost running through as that happened. So, in effect, given the numbers you can see in front of you, I don't anticipate that shape changing actually as a result of Bonus Club. So, in effect, the cost of free bets associated with Bonus Club is in that net revenue number, certainly for the launch of it anyway.

Ed Birkin *- Credit Suisse - Analyst*

Thank you.

James Ainley *- Citi - Analyst*

James Ainley, Citi. Two questions, please. When we think about the Online business, I guess in the next 18 months ahead of point of consumption, should we continue to expect the infrastructure and the marketing cost to build out broadly in line with revenues, i.e., we won't see operating leverage?

Neil Cooper - ***Group Finance Director***

We're not expecting, certainly ahead of point of consumption, to be changing our strategy. And, in fact, one of the challenges for management around point of consumption is that, particularly if you're in a position where you think gaining share is a viable option, the last thing you need to be doing is cutting into your sinews of war in this area.

So we need to continue to put ourselves in a position where we can be competitive in our markets, in our products, in our offers, such that we can hold our own share and potentially take more as we go through that dislocation. So actually the last thing we really should be trying to do is reduce our capability.

Ralph Topping - ***Chief Executive***

I think 2014 is a case for ramping it up and --

Neil Cooper - ***Group Finance Director***

I think that's on guidance (multiple speakers) completely agree. (laughter)

Ralph Topping - ***Chief Executive***

But there's a theoretical case for ramping it up. And I also think 2015 will be interesting, what strategies various companies form around their point of consumption tax. I do think it's a great opportunity for a company like us to grow our market share. I really do think that's the opportunity.

We're looking at cost right across the business because there comes a point in time when it's a healthy exercise to do that. And we've got some work on, which will take two, three, four months to produce something. And it's not just in the Online, it's also in the other business.

So a lot of work to be done but, I think -- I really will be interested to see how the notes come out because the ones I've seen so far are talking about an opportunity which I agree with. No doubt there'll be a few that I'll have to take my blood pressure tablet when I read them. But I'm viewing it as an opportunity more than anything at the moment.

Neil Cooper - ***Group Finance Director***

I think just one more thing to note actually, particularly when you're looking at the percentage staff cost increase, obviously part of it is just simply driven by reclassification around Manila.

If you look at the chart that shows the locational growth, you'll recall we had some excitement in Tel Aviv at the back end of 2011 which gave rise to quite a few vacancies in Tel Aviv which weren't fully staffed in early 2012. So some of the growth is mature on mature in Tel Aviv, if that makes sense, as well which makes the number look a little bit higher than in reality, I think, it is.

James Ainley - ***Citi - Analyst***

And the second one is, and I guess you did a lot of trials ahead of rolling out the Eclipse machines. Can you just share with us any --?

Ralph Topping - ***Chief Executive***

You're assuming that we're that brilliant, my goodness. Thank you very much for the compliment. No, I'm not going to share with you the details of that, thank you very much.

Neil Cooper - ***Group Finance Director***

Clearly we expect it not to be doing any damage, otherwise we wouldn't be going ahead with it.

Ralph Topping - ***Chief Executive***

Yes, well I think, just like you told the other guy, he could have worked it out before he asked you the question, I think. We could have had that question, the answer to that worked out before we were asked the question. Are you of similar mind, Neil?

Neil Cooper - ***Group Finance Director***

I'm sure that's right. I totally agree.

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

Ivor Jones, Numis Securities. You set out some targets but not one for Australia, and I have forgotten what you said at the time of the acquisition. Was it generate a positive return on investment year three? You spent [500] --?

Neil Cooper - ***Group Finance Director***

By year four I think we said.

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

So it's year four, 2017?

Neil Cooper - ***Group Finance Director***

Yes.

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

And what's that? 15% on GBP575 million of EBIT?

Neil Cooper - ***Group Finance Director***

I think what we said was we'd cover our cost to capital by year four. So it was a --

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

What's the cost of capital?

Neil Cooper - ***Group Finance Director***

Well pre-tax is -- what, then or now?

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

Well I really want to know what your target for 2017 is. I don't (multiple speakers) --

Neil Cooper - ***Group Finance Director***

I'll tell you when we've got the budget done at the end of 2016.

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

You said that (multiple speakers). What number should that be leading me to since then?

Ralph Topping - ***Chief Executive***

Ivor, it's going to be a disaster for me when I don't turn up here any more. I may turn up as a spectator at some point just for the entertainment. It's fabulous. Anyway, carry on. He's not going to give you the target is the answer.

Neil Cooper - ***Group Finance Director***

No, I think what you can hear from what I've said today is that certainly in the short run in terms of the guidance, or the consensuses in the market place, we expect to see some under delivery against that number, otherwise I wouldn't have made the comments I've made this morning.

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

Sorry I got distracted by the thought of Ralph ever leaving, I forgot. I didn't hear what you said about what the cost of capital was. (multiple speakers)

Neil Cooper - ***Group Finance Director***

The cost of capital at the time was somewhere around 7% to 8% in terms of a post-tax cost of capital at the time. Now obviously I don't know what the cost of capital is in 2017 because it's 2013 today. If I'm around in 2017 --

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

I'm trying to get at what you meant when you wrote that document. (multiple speakers)

Neil Cooper - ***Group Finance Director***

Well, that's exactly what I meant. Based on what I knew at the time, and what we were assuming at the time, we would cover that cost of capital by 2017. That's absolutely clear. What I can't tell you now is where the cost of capital is actually going to be because life moves on.

What I can certainly tell you, or what you can infer from what we've said today, is that in the very short run the numbers that we expect to deliver are slightly behind the numbers that we thought we might in the very short run.

I honestly don't think you can take from that a view that in 2017 we're not where we'd like to be, because actually a lot of this for us is about adding capability and tweaking some of the ways the business operates, particularly as it relates to digital, to help us increase customer growth, to help us reduce CPAs.

And there's no reason at all that that won't accelerate growth off the current base faster than we had thought we'd get growth off the base we thought we'd have.

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

And to the extent there's a shortfall --

Neil Cooper - ***Group Finance Director***

(multiple speakers) I have Donald Rumsfeld-type answer.

Ralph Topping - ***Chief Executive***

It seems like a Donald Rumsfeld discussion.

Neil Cooper - ***Group Finance Director***

It's becoming clearer than even watching Game of Thrones.

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

Within the shortfall, how much are you accounting for currency?

Neil Cooper - ***Group Finance Director***

Well that's a good question because part of what we're clearly talking about is currency moving backwards on us. We assumed, or we were looking at a currency rate of around GBP1.47 over the first half. Our acquisition model did assume currency weakening, but I think it's fair to say that it's weakened faster and to a greater degree than we'd expected at the time.

We're now looking at somewhere around GBP1.69 and if you look at the forward yield curve, GBP1.8 is not inconceivable by the end of the year. So clearly that is not moving in our favor in the short run which is not helping.

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

And, Ralph, you said about Australia, there was a technology platform you hoped to use elsewhere. If you do use it elsewhere --?

Ralph Topping - ***Chief Executive***

US.

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

Not UK?

Ralph Topping - ***Chief Executive***

I think that's slightly longer. Actually it is part of my thinking that we could use that platform in the UK. But, in the first instance, I'd like to use it in the US. And there's a project underway to examine the feasibility of doing that.

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

And what does the UK thing that it would replace currently cost?

Ralph Topping - ***Chief Executive***

Well I think quite a substantial amount of money in actual fact. But I don't want the guys at what used to be called (inaudible) to start panicking. At the moment I think we're looking at a feasibility study on it, and we've already had in my lifetime a big disruptive technology project at William Hill, and I think it ties up an awful lot of resource and it's --

I don't think it's a huge gamble but it's a gamble nevertheless. So we'll look at it very carefully and we'll be open their suppliers on that but if we decide not to do it, we decide not to do it.

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

And last one, you've had lots in today's presentation, so I can understand why it's not there but you haven't said anything about social games, which you mentioned before. Have you got any plans there and (multiple speakers) --?

Ralph Topping - ***Chief Executive***

In actual fact, it's quite a big discussion at our strategy day in September. We've got some people coming in to talk about it who are experts in the area. But we've got some work underway.

We're okay at the moment and it's not -- we haven't repressed it. We've got so much to do in our business. But I want to be absolutely truthful, that social gaming is of a lower priority to us than anything else, because there's more money to be got in things like mobile gaming and other priorities than that. So it will get some attention but not full attention at the moment. All right?

Nick Edelman - ***Goldman Sachs - Analyst***

Nick Edelman, Goldman Sachs. Just a couple of questions on machines, please. So firstly is the rollout still likely to commence under Q3 for the new machines?

And can you give any color on why you're rolling out half the estate? Is that an initial step or will more follow?

Ralph Topping - ***Chief Executive***

It's the half which didn't have new technology before and is getting it now. And this is a huge trial of 4,900 machines. If this huge trial does well, then we'll roll it out elsewhere.

We've had lots of little mini trials, the results of which we haven't given, but we will give enough transparency -- there will be full transparency on this trial when it finishes.

Nick Edelman - ***Goldman Sachs - Analyst***

I know you just -- I don't know if you can give transparency on one point. If it is a slightly different machine to the, I guess, progressions you've had before in terms of swiping and so on, is the adoption perm any different? Should we expect to see any more disruptions versus other new machines?

Ralph Topping - ***Chief Executive***

No, I think there's always a bit of disruption in the first three or four weeks when you put new machines on. That's historical evidence. We should expect some disruption because it's new.

It's not radically new. It's (inaudible). There is some tugging of the forelock towards the things that are happening with other technologies that people use every day. So I don't think it's hugely radical. It is new. It's interesting. The four screens make it really interesting and it takes people a wee bit of time to get accustomed to something. But I think there's -- I think we'll see an uplift when it all settles down.

Nick Edelman - ***Goldman Sachs - Analyst***

And one last one, just on SSBTs, are you still rolling those out?

Ralph Topping - ***Chief Executive***

We started with 750, 770 at the moment. I think there's a case for going to the 1,000 so if we're going to roll any out, it'll be up to 1,000. It won't be any more than that.

Nick Edelman - ***Goldman Sachs - Analyst***

Thank you.

Richard Stuber - ***Nomura - Analyst***

Richard Stuber, Nomura. Just three questions. First one mobile. In your statement you say that gross wins margin's 10.7% versus the normal of 9%. Could you say how the difference with the gap has progressed?

Ralph Topping - ***Chief Executive***

It's quite an interesting area because on mobile, there's lots of offers on mobile, Acca Insurance and the like. So to achieve 10.7% with an offering, which is the Aker Insurance and all money back if a horse finishes second is, I think, quite phenomenal.

And I think there's a lot going on with mobile gross win percentage and related to how people use their mobile technology, as opposed to using Online computer in your study or your laptop.

So, from my point of view certainly, I think mobile gross win percentage is always going to be higher than Online. And I'm amazed that it's at 10.7%, given the kind of offer that we have got out there. I think it's phenomenal.

Neil Cooper - ***Group Finance Director***

Just in terms quantum year over year, it's moved up broadly in line with the pre-match growth, in terms of percentage points of growth.

Richard Stuber - ***Nomura - Analyst***

Thanks. And just two quick questions on Australia. First of all, you mentioned that the Q1 to Q2 there was a bit of (inaudible) because of the high roller or the big players. Can you give us any color in terms of what proportion of the business was generated by these big people and how much volatility we can expect going forward?

Ralph Topping - ***Chief Executive***

No.

Richard Stuber - ***Nomura - Analyst***

Yes and --

Neil Cooper - ***Group Finance Director***

I think a larger proportion than our UK business is coming through what we call the BDM channel in Australia. So it isn't going to behave exactly in terms of volatility as you'd expect to see the broader base mass market UK business behave. So it may well be more volatile.

Richard Stuber - ***Nomura - Analyst***

And final question on Australia, you mentioned about growing through more -- through more marketing advertising, more customer acquisition. Would you look to do another -- a further acquisition in Australia if you could accelerate that part?

Ralph Topping - ***Chief Executive***

We look to do -- if the investment's right, we look to do acquisitions anywhere. So it doesn't matter if it's Australia, USA, Stockport, we'd do an acquisition if it's right.

Neil Cooper - ***Group Finance Director***

(inaudible).

Ralph Topping - ***Chief Executive***

Stockport.

James Hollins - ***Investec Bank - Analyst***

James Hollins, Investec. The first question is just on the mobile wager's percentage Sportsbook. I think in Q2 you've hit the target of 40%. Are you looking to actively increase that target? Or are you pretty happy with where you are in terms of the product, in terms of where that number is?

Ralph Topping - ***Chief Executive***

No, I think it will increase. I think it's -- the trend is more usage on mobile than computers. And mobile's, including iPads and mini iPads and everything else. So, yes, I expect that trend to continue.

I think we got to the place we're at fairly rapidly. And I expect it to increase. I think you're going to see that switch from mobile very quickly become more used than computers, especially (inaudible) you're getting now 10.7% margin and a higher margin, then that's good for business.

James Hollins - ***Investec Bank - Analyst***

Second one was just on the impact of the new shop design and video walls. Are you seeing -- it's probably early days. Are you seeing good returns on that investment?

Ralph Topping - ***Chief Executive***

I'm seeing really good returns on the video walls. And I'm seeing very good returns on the new shops. Video walls especially, delight me.

You're going to say what's the number and I'm going to say no, I'm not giving you that detail. But the video walls are showing, on the raw numbers, they're showing very, very good growth.

James Hollins - ***Investec Bank - Analyst***

And is that particularly in that 18 to 24 year old growth you're seeing?

Ralph Topping *- Chief Executive*

Well, we haven't done an age survey as people going and looking at the video walls. Some of the surveys we've done, there's more people coming in to betting shops wearing brown shoes than black. We've had a survey back on that. I don't know what the hell you do with the information, other than pass it on to Kiwi.

But I think we -- if you're seeing more, again it goes back to the cash question. If we're seeing more cash coming through in a betting shop -- once again, I don't care what source it comes from. As long as they're over 18, I don't care if they're 92, but if they're giving us more cash, I don't care whether the -- it's not an age thing with me.

I think the question is, does that kind of technology appeal to younger people? And I think what we're seeing in betting shops is an increase in the distribution of 18 to 24 year olds. So they like the technology that we have there and I think the mentality I've got about screen technology is the same as you see in Vegas.

You get things which are big, well produced and look good and people like them. People like newness, like novelty. And these are right in your face and the sharpness of them and how we use them and what we do with them is phenomenal. So, yes, I think they're a big attraction for young and old. Maybe the young guys like the technology, yes.

James Hollins *- Investec Bank - Analyst*

Final question. There's a good chance I'm being stupid here, but I think you talked about cross sell from the Retail machines Bonus Card into Online. I was just wondering how that works, if that's right, with those being anonymous?

Ralph Topping *- Chief Executive*

We're talking about using Retail -- putting our games on both Retail and Online, so people have -- it's easy to cross sell and say you can still play this on the machine in the betting shop or you can play it Online. Interesting enough, when we've put some games out on both we've seen an increase in -- when we release it in Online, then we promote it. Sorry, when we release it in Retail and then we promote it as being Online we see a really good increase in our business in Online.

And it goes back to what we've been saying before. People are using William Hill channels, being loyal to William Hill channels, which I'm still an advocate of the fact that you need to have a strong Online channel to complement the Retail channel and vice versa. If you don't do them both well, I think that you're going to struggle more than the UK anyway.

Neil Cooper - *Group Finance Director*

James, just to be clear, the anonymity is the customer's choice. So if they want to sign up and give us their details, we'd be happy to take them and, obviously, we'd use those to market to them. But, it does give people the opportunity to remain anonymous should they wish. So it's at the consumer's choice.

Ralph Topping *- Chief Executive*

Most people like to be anonymous.

Neil Cooper *- Group Finance Director*

Then give us their name and we'll put a bag on their head (multiple speakers) --

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Ralph Topping *- Chief Executive*

James gave us his name.

Neil Cooper - ***Group Finance Director***

Did he?

Ralph Topping - ***Chief Executive***

Did he? I think he did, yes. He's not anonymous. Nice, James.

No more questions. Thank you very much for turning up today. If you've not had a summer holiday, enjoy your summer holiday. If you have had it, it's not long until next summer. Thank you very much.

Operator

This concludes today's call, ladies and gentlemen. If you would like to hear any part of this conference again, a recording will be available shortly. Thank you for joining. You may now replace your handsets.