



Betting and the racing industry

Overview of British Racing seminar, Newbury,
20 September 2018

Ross Hamilton, Corporate Affairs Manager

The history of British betting

- 1928** Racecourse Betting Act
- 1961** UK Betting Shops legalised
- 1986** Television pictures in betting shops
- 1995** Evening opening of Betting shops in summer months; Sunday Racing
- 2000** Betfair launched
- 2001** Gross Profit Tax replaces Turnover tax
- 2005** Gambling Act – Gambling Commission, 4 FOBTs per betting LBO, Online Gambling
- 2008-11** Many online gambling operators relocate ‘offshore’
- 2011** Betfred buy the Tote
- 2014** Gambling (Licensing and Advertising) Act – Point of Consumption licensing
- 2014-15** Three interlinked consultation processes on Levy extension, reform and replacement
- 2016** Government launches review of Gambling industry, particularly FOBTs
- 2017** Horserace Betting Levy Regulations passed, extending Levy to online operators
- 2018** July – Pool betting licences opened up

Types of betting in the UK

Fixed Odds

- Bookmakers offer prices, typically in fractions e.g. 2-1, 9-4.
- Prices shorten the more money is placed on a horse.
- When bet is made, price is taken.
- Winners paid out at the odds they bet (e.g. £10 at 12-1 = £120 + £10 stake = £130)
- Each way bets can be made on places – Top 3 in 8-15 runner race, Top 4 in 16+ (Terms vary)
- Exotic types of bet also available – Doubles, Triples, Exactas.

Pool Betting – The Tote

- No fixed price when you place a bet.
- All the bets placed go in to a “pool” – after the race, cost deduction made, and then the remainder of the pool paid out to winning tickets.
- Price only finalised when race starts – not when the bet is placed.

Betting Exchanges

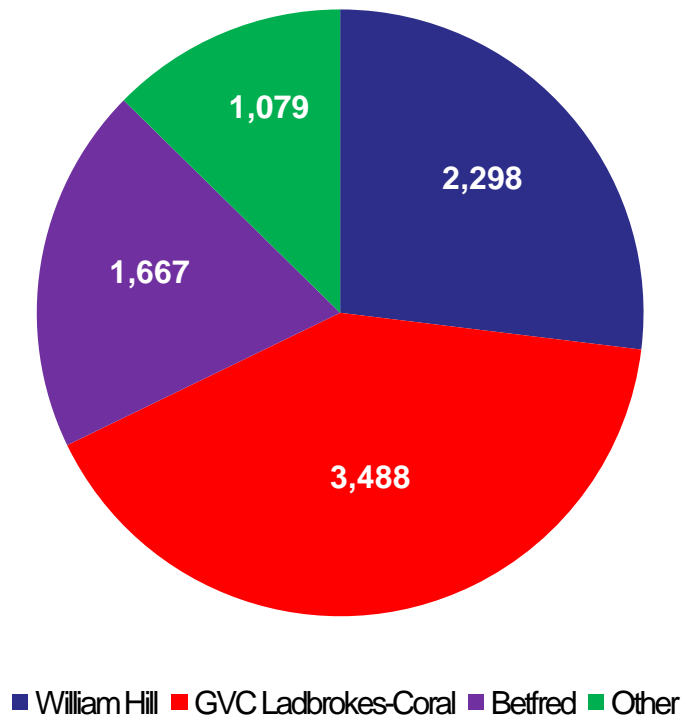
- Allow people to be both sides of the market – backing horses to win or lay them to lose.
- In-running betting
- Small Commission charged on winning bets.

Spread Betting

- The more accurate the bet, the more you win against the spread (e.g. Total number of lengths in winning distance)

The UK betting market today - Retail

Number of LBOs – Mar 2018



- c. 8,500 betting shops in the UK
- Market now dominated by the “Big Three”
 - 87% of betting shops
 - c. 90% of Gross Win
- Racing no longer the dominant LBO product
 - Ladbrokes-Coral horseracing GW contribution
 - 2008 – 25%; 2016 – 14%
 - 19% of William Hill retail net revenue in 2017
 - *“There is no doubt racing remains an integral part of the betting experience for our customers.”* Philip Bowcock
- 33,000+ Fixed Odds Betting Terminal Machines
 - 54% of William Hill retail net revenue in 2017

The UK betting market today - Remote

- A much more diversified market
- Significant growth in recent years driven by sports betting
 - William Hill 2017 Sportsbook stakes = 205% of retail staking
- Racing accounts for approximately 30%-50% of sportsbook dependent on operator
- Racing now a predominantly online betting product
- In-play markets and mobile presence particularly significant

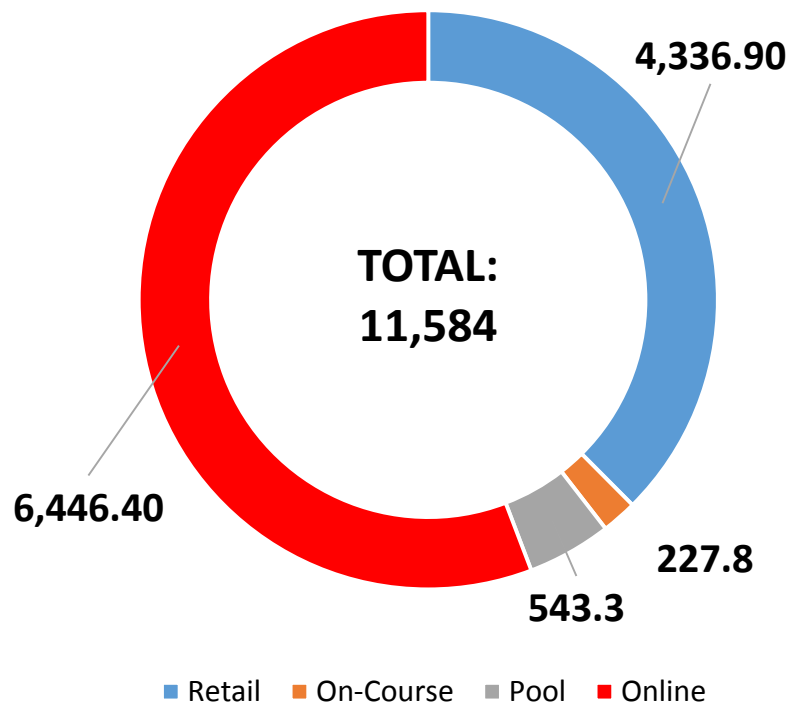
UK Online Betting Market Share - 2016

Operator	% share
Paddy Power-Betfair	22.7%
Bet365	20.6%
SkyBet	12.7%
William Hill	11.2%
Ladbrokes-Coral	9.8%
Betway	3.4%
BetVictor	3.0%
Others	16.6%

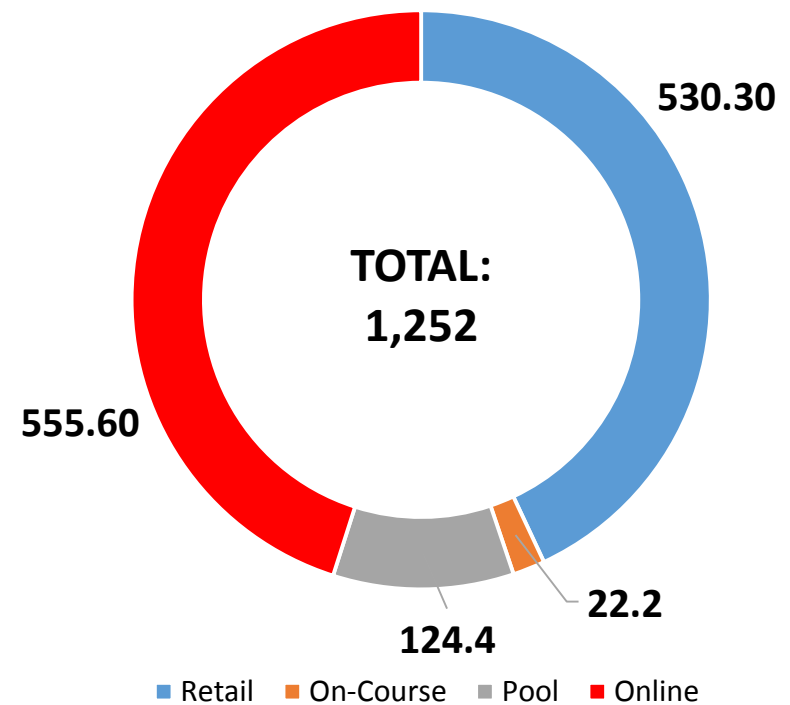
Source: Gambling Compliance

Racing turnover and Gross Win by channel

Turnover (£m)



Gross win (£m)



Source: Gambling Commission

Merger-mania!

Feb 2016



MERGED WITH



CREATING



Nov 2016



MERGED WITH



CREATING



BOUGHT IN

March 2018 BY



Apr 2018



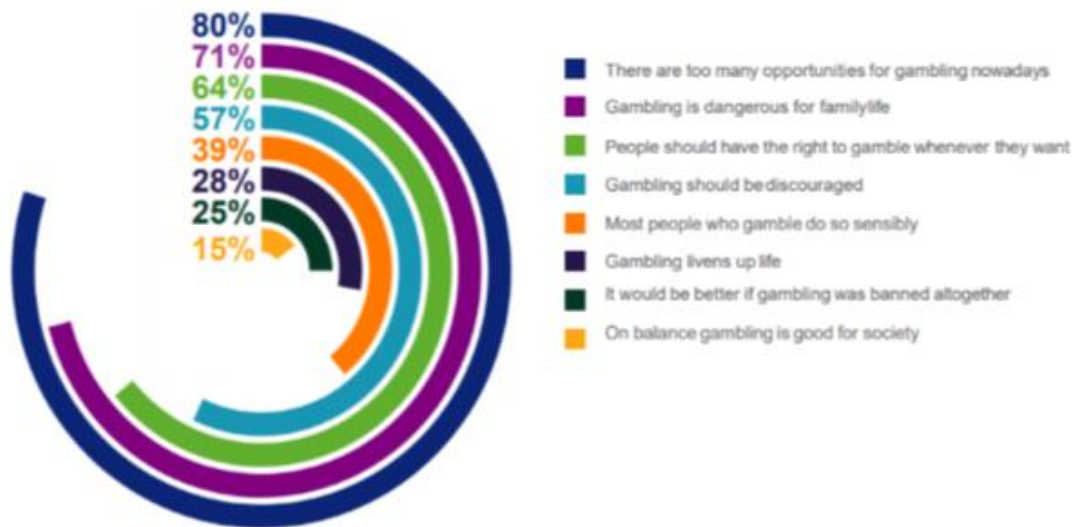
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An industry under pressure

We care for problem gamblers, claim beleaguered bookies

Why I became a gambling industry whistleblower



Source: Gambling Commission

**Hancock
brings axe
down on
FOBTS with
maximum
stake of £2**

**Ministers humiliated as rebels
win fight over gambling limit**

Government gambling review

- Significant public, media and political pressure for Category B2 FOBT stakes to be reduced
 - Responsible for **57%** of betting shop revenues (Horseracing < **20%**)
- “Social blight” Category B2 FOBT stakes to be reduced from **£100** to **£2**
 - *“There remain consistently high rates of problem gamblers among players of these machines and a high proportion of those seeking treatment identify these machines as their main form of gambling”* – Tracey Crouch MP, Ex-Minister for Sport and Civil Society
 - Confusion over implementation date – initially April 2020 – prompts Ministerial resignation and Parliamentary revolt
 - Implementation now brought forward to April 2019
 - Remote Gaming Duty to rise from **15%** to **21%** to compensate for lost tax receipts
- Other measures include research into gambling advertising and children, changes to TV advertising code and review of public health harms from gambling

What does this mean for racing?



House of Commons debate, 17 May 2018

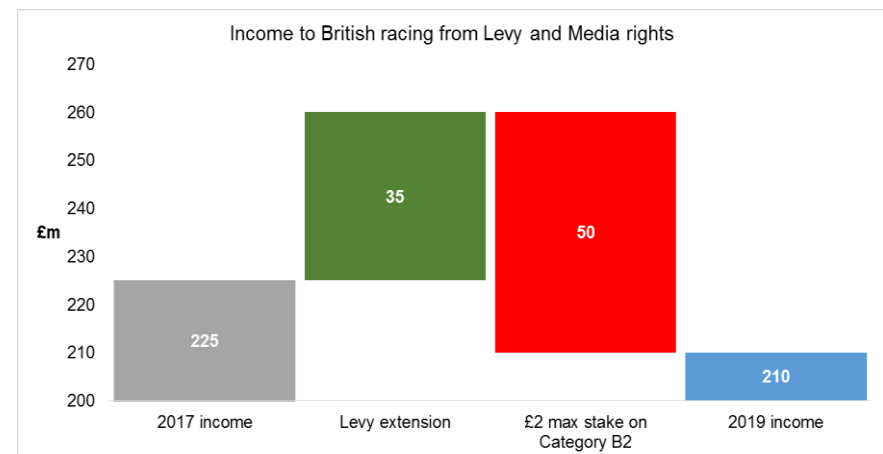
Tracey Crouch MP (Ex-Minister for Sport) responds to question from
Conor McGinn MP (Haydock Park racecourse in constituency) on racing impact

What does this mean for racing?

- Interdependency of racing and betting means racing affected by wider gambling policy
- Less betting shops => Less Levy + Media rights => Reduced income for grassroots
- Difficult to assess impact and timing but likely in region of **c.£40 – 60 million**
- *“We understand that Government’s decision on Fixed Odds Betting Terminals is not at all straightforward for the horseracing industry, and we want to work very closely with you to mitigate any risks.”*

Matt Hancock, Secretary of State, 17 May

- Potential mitigation options:
 - “Global Levy”
 - Levy rate review
 - Growing racing betting activity



The new Levy – impact on betting

- New Levy took effect on Tuesday 25 April, 2017
 - **10%** of Gross Gambling Yield on British racing from British customers
 - Each operator's first £500,000 of GGY will not be charged (like income tax allowance)
- Levy yield of **c.£95 million** in 2017-18 (against **<£50 million**)
 - Jim Mullen, Ex-Ladbrokes-Coral CEO: *“Our stance is simple: we had already accepted the principle that we should pay the levy offshore, and we will pay the rate that we are legally obliged to do.”*
- Opportunity for new relationship through Betting Liaison Group
- Second phase of Levy reforms to be implemented in April 2019:
 - Horserace Betting Levy Board abolished
 - Gambling Commission to assume collection responsibilities
 - Tripartite Racing Authority (formed of BHA, RCA and HG) to assume distribution responsibilities

The outlook for betting and racing

- Levy replacement brings a proper and equitable funding relationship with no loopholes exploited and which reflects the value of racing – Removed key tension
- Betting industry under increasing pressure – much of it arguably self-inflicted – but major financial (short-term) and reputational (longer-term) implications for Racing as public attitude to gambling shifts
- All elements of the Racing industry must understand the importance of the betting industry to its future – and work constructively with it – to promote a popular and socially responsible form of betting activity

