



Racing in the Modern Wagering World

Nigel Roddis
December 2007



Agenda

- At The Races
- New Wagering Opportunities
 - Content
 - Bet Types
 - Technology
- Summary



What Does ATR Do?

- At The Races is the UK and Ireland's most watched dedicated horseracing channel
- Domestic direct to home and international broadcast rights to 30 UK tracks and all 27 Irish tracks
- 700+ UK meetings per year; 320+ Irish meetings per year
- Available in over 11 million UK and Irish homes and reaching 1.2 million different viewers every month
- ATR International is a pari-mutuel focussed channel designed to encourage pool betting back into the UK Tote and Tote Ireland
- ATR broadcasts live US racing every night from 6pm – 2.30am and Australian racing from 2.30am until 6am
- ATR / Scientific Games / TRNi / TVG partnership enables UK bookmakers to commingle bets on US and Australian racing back into the US pools, increasing betting content at no risk
- Showcase for other racing – Hong Kong, France, Germany, Japan, Singapore





Content



The UK Wagering Market – Case Study

- Liberal regulation and cultural acceptability
- Dominated by three bookmakers
- Betting Exchanges
- Shops; Internet; Telephone; iTV; Track
- Poker, Bingo and Casino on line
- UK Tote – 4% of horserace betting
- Govt. Taxation of 15% of Gross Profits
- Racing supported by a statutory Levy of 10% of Gross Profits on bets placed on UK horseracing
- New Gambling Commission



Number of UK Betting Shop Events

- 15,199 UK, Irish and International races
- 20,963 Greyhound races
- 12,740 virtual races and numbers betting games – 35 per day, 245 per week
- Vast number of sports betting events
- Huge number of markets on one football match
- Fixed Odds Betting Terminals
- Winter evening opening to further increase betting opportunities
- Creating churn and a vibrant atmosphere are key

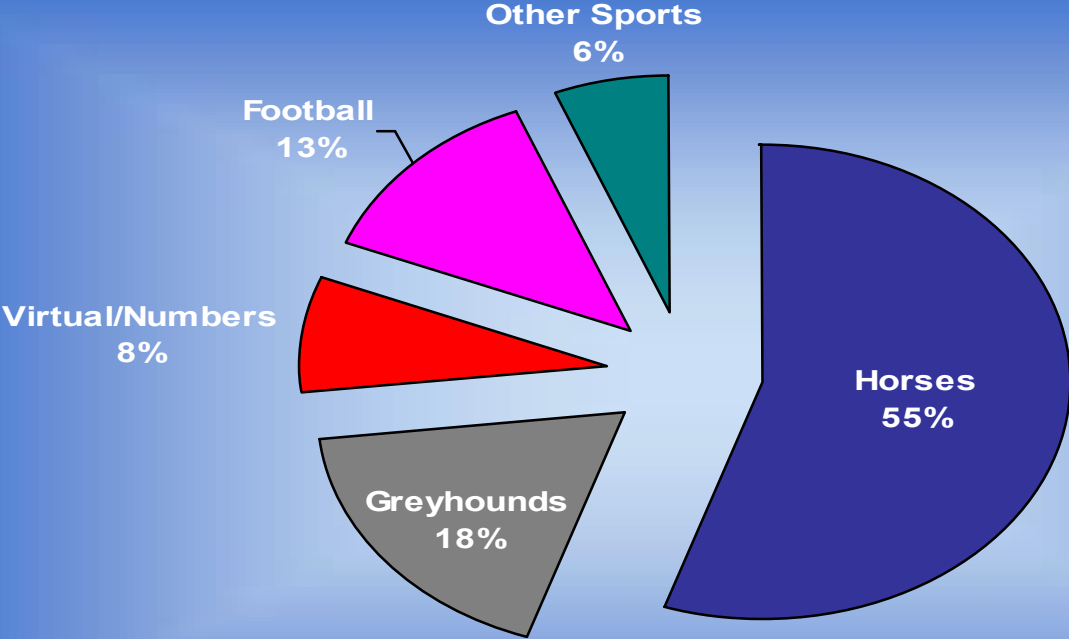


UK Betting Shops Thriving

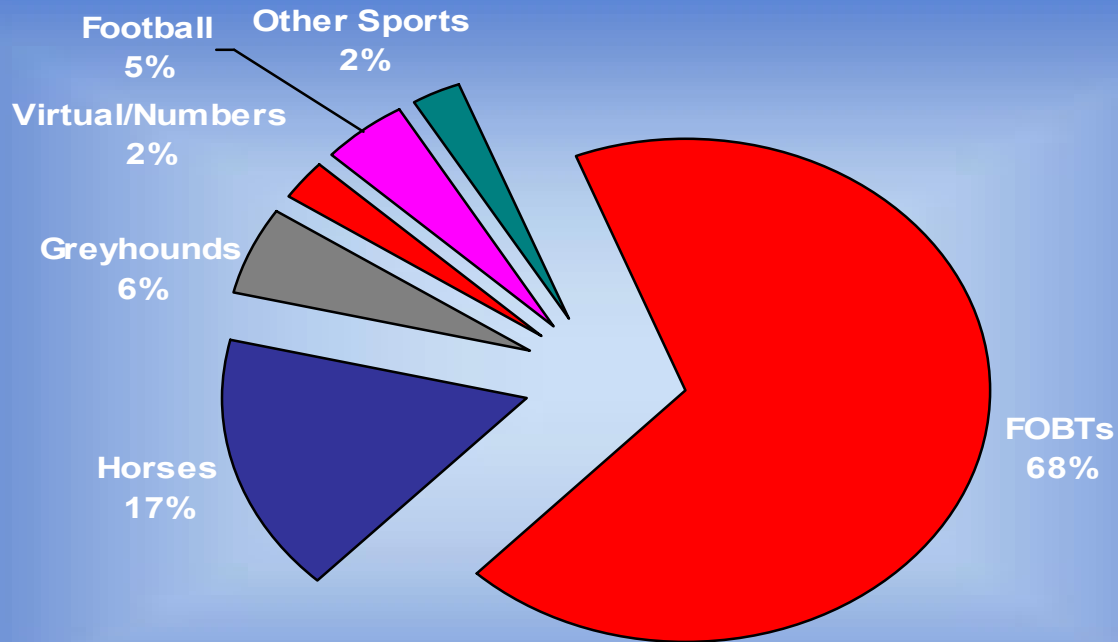
- Peak of 16,000 shops in mid-1960's
- Steady decline over many years
- Last 4 years number of shops in UK and Ireland increased from 9,000 to 10,380
- Large bookmakers continue to grow size of estates
- Are now significant and vibrant businesses
- New entrants emerging
- Businesses being built on the increased variety of product on offer



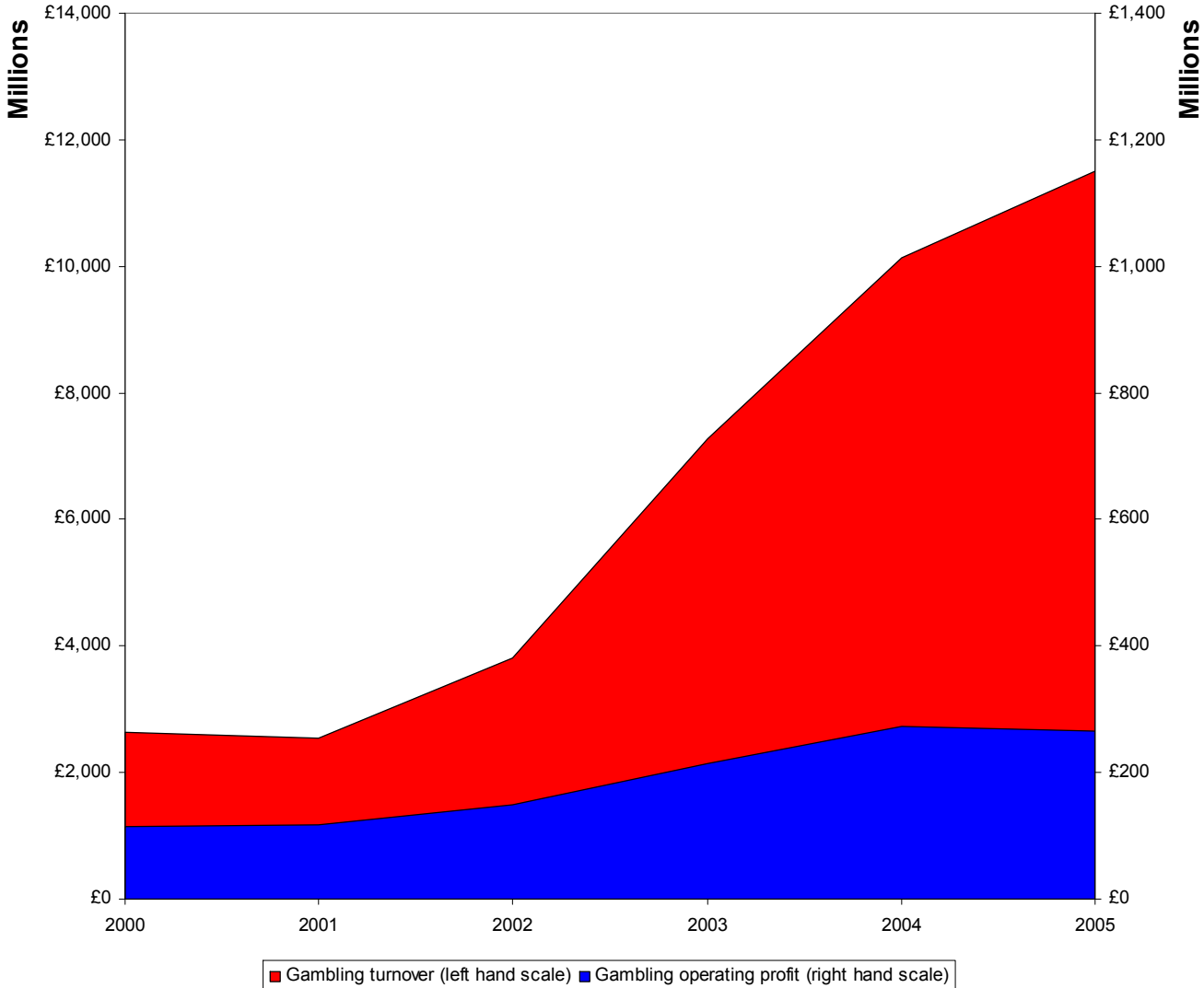
UK Betting Shop Product Mix - 2007



UK Betting Shop Product Mix – Including FOBTs



Ladbrokes – Impact of FOBTs

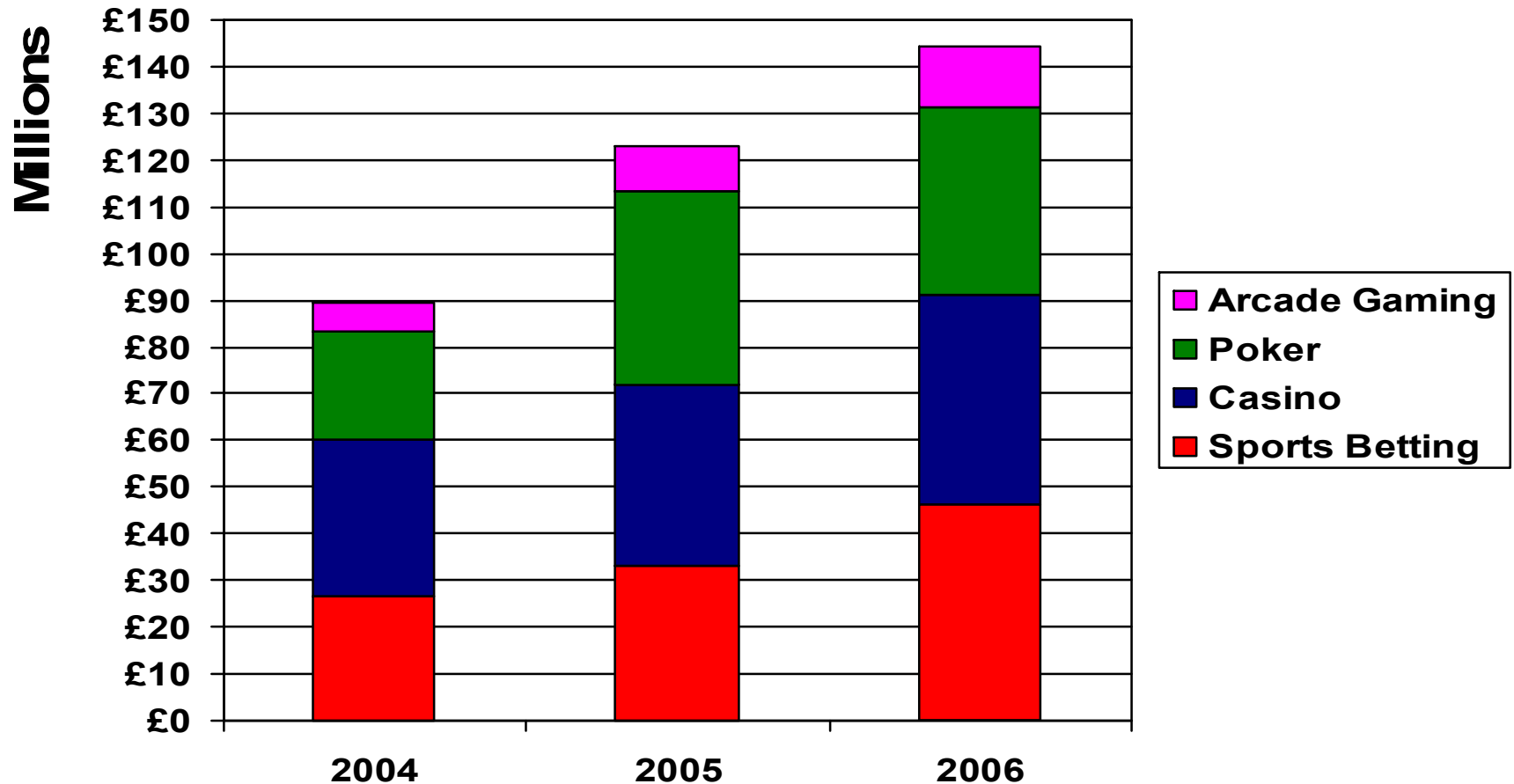


On Line Content

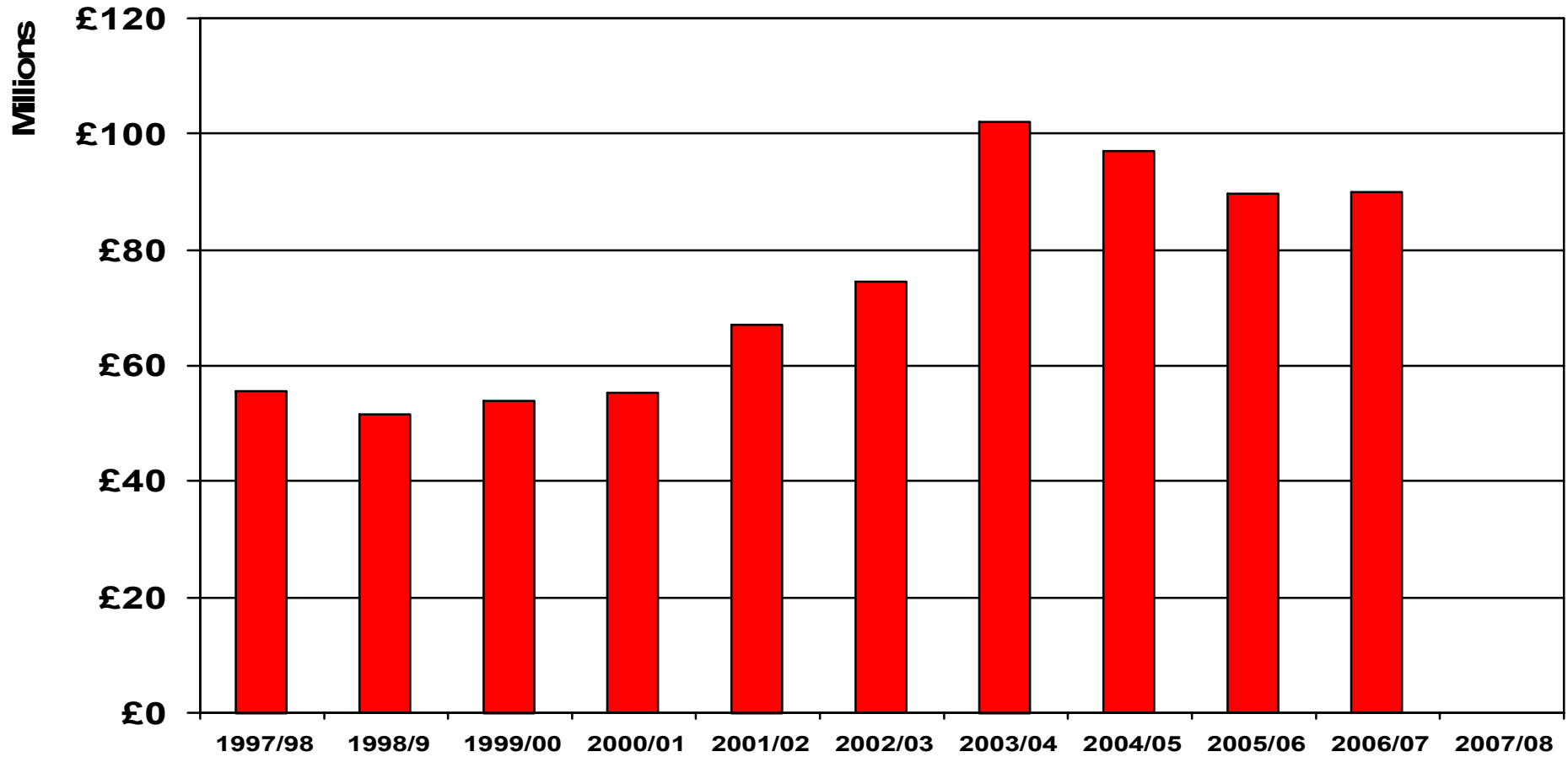
- **Betfair site offers at least 34 sports/events – from racing to football via combat sports.**
- **Bookmaker websites offer similarly huge range of betting options**
- **Ladbrokes started on line betting in 2000 – 2.2% of Group margin in 2000; 15% in 2005**
- **Racing is not the main driving product**
- **Sports betting is the key recruitment tool – gaming/casino is where the money is**
- **In 2005, Ladbrokes average monthly active player days on Sportsbook was 610k – generating 32% of the margin (Yield per unique active player - £114)**
- **At the same time, there were 72k average monthly active player days on casino – generating 31% of margin (Yield per unique active player - £454)**



Ladbrokes On Line Gross Margin By Product



UK Levy Yield



Other Examples of a Content Expansion Policy

Italy

- Racing taken from the UK, Ireland and France
- Turnover compares favourably with Italian product – and can exceed domestic product
- When international racing not taken overall turnover reduced significantly – not wholly transferred



Australia

- 2006 – 28 overseas race meetings per month
- 2007 – 80 overseas meetings per month from UK, Ireland, SA, NZ, Hong Kong, Singapore, Japan
- Assisted by commingling with NZ and SA
- Year on year growth aided by incremental income from overseas product



South Africa

- 60m Rand in 2003 (3.75%); 530m Rand in 2007 (22.23%)
- Total revenue – Rand 1.5bn in 2002; Rand 2.4bn in 2007
- From Australia to Zimbabwe – with large dose of UK

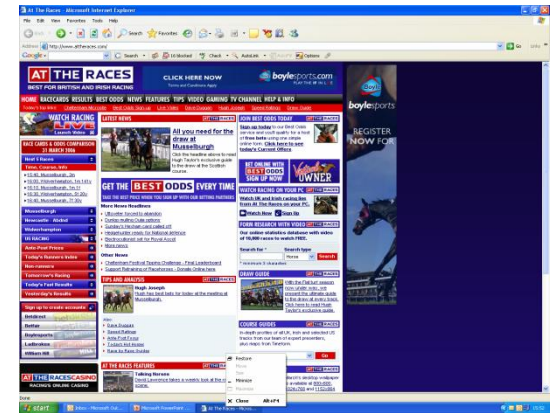
In Contrast to a Non-Expansion Policy

- JRA – 290 meetings
- £17.7 bn turnover in 1997
- Average turnover per day of £62m in 1997
- £12.5 bn turnover in 2006
- Average turnover per day of £43.7m in 2006
- Attendances currently approximately 7.5m, down from 13m in 1997
- Japan Cup 2007 - £93m on the race; £129.4m on the day
- Although British racing could do with a recession like that!!





Bet Types



In Running Betting

- In running betting now offered by Betfair and a number of UK bookmakers
- Perfect tool for sports such as football, golf, US sports
- Very good product for racing
- Betfair offering both Win and Place betting
- Also offering potentially great value
- Ultimately is offering an innovative new way of wagering for punters
- Ladbrokes growth in 2nd half of 2006 was 26% “driven by continued expansion in the product offering including a significant increase in Betting-in-Play”
- Difficult for an equivalent pari-mutuel product

Flexi Betting

- **Tabcorp product – Flexibet**
- **Used on number of exotic products – Trifecta, First 4 and Quaddie**
- **Customer chooses how much they want to spend**
- **Customer receives a % of the dividend**
- **Introduced in NSW in 2001 and in Victoria in 2006**
- **Immediate growth in market share of exotic wagering products**
- **Product does not lower the unit of betting, rather it allows customer to win a %age of the unit**



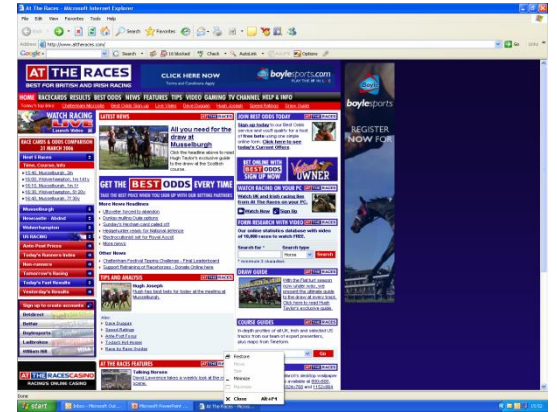
Flexi Betting

- **Extremely popular with customers in Australia**
- **Accounts for 60-70% of Trifecta, First 4 and Quaddie sales**
- **Over 90% of Quaddie sales in NSW are now Flexi**
- **Tabcorp – and Australian punters – now see the ability to have a Flexi bet as essential with all exotic wagering products**





Technology



Racing Technology

- Needs additional flexibility and innovation
- Bookmakers, Exchanges, On Line operators quick to adapt and change
- Is not just new bets – combination of factors
- Racing needs to capitalise on the changing betting culture
- Competition is capturing the younger market – and racing is struggling to engage them



Barriers

- **Local “horsemen”**
- **Commingling requirements**
- **Technology integration**
- **Local Taxation**
- **Local legislation/regulation**
- **Sectional interests**
- **Retaining a fair return for racing**



Summary

- In liberal markets racing is no longer the only game in town
- In some markets, racing is losing ground at an alarming rate
- Customers want more than racing currently offers
- MTV generation – gone are the days of serious handicapping
- Racing has for too long dictated to customers what they will receive
- Customers now – or will in the near future - have a choice
- Racing needs to be more flexible to ensure that it continues to be chosen as a betting activity – something that will require more content, a wider product range, easier access for customers – and regulators willing to allow racing to compete





AT THE RACES

