

Racing's Lifeblood – The Future Landscape for Wagering

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Speaker:

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The Future Landscape for Wagering

Market Analysis and Implications

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Outline

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Market Analysis

2

Forces at Work

3

Structural Market Changes

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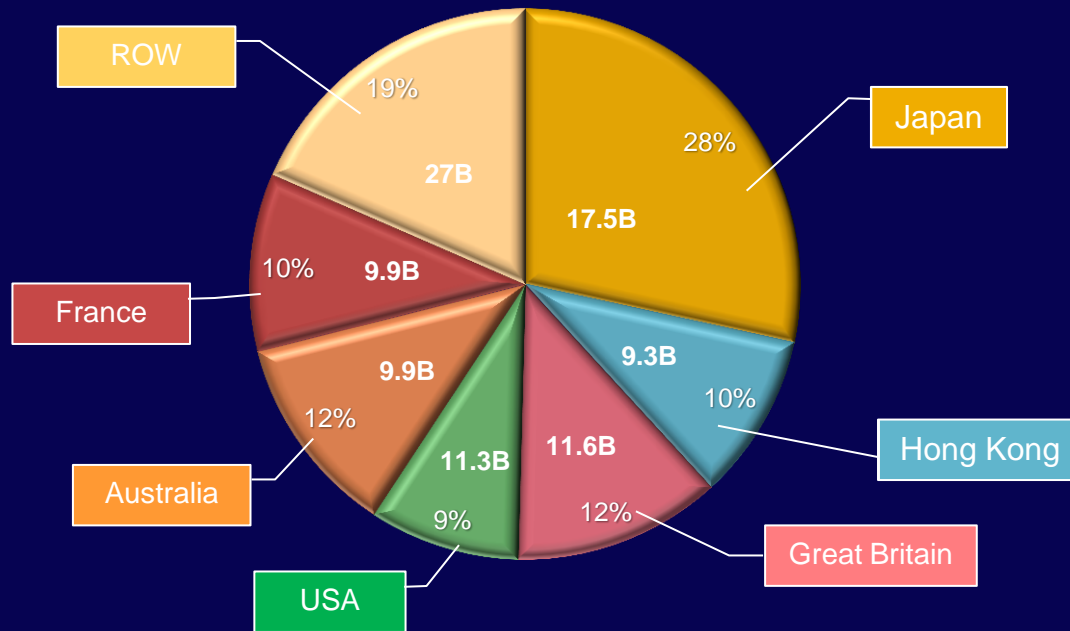
Successful Strategies

5

The Way Forward?



1: Market Share by Nation, 2012

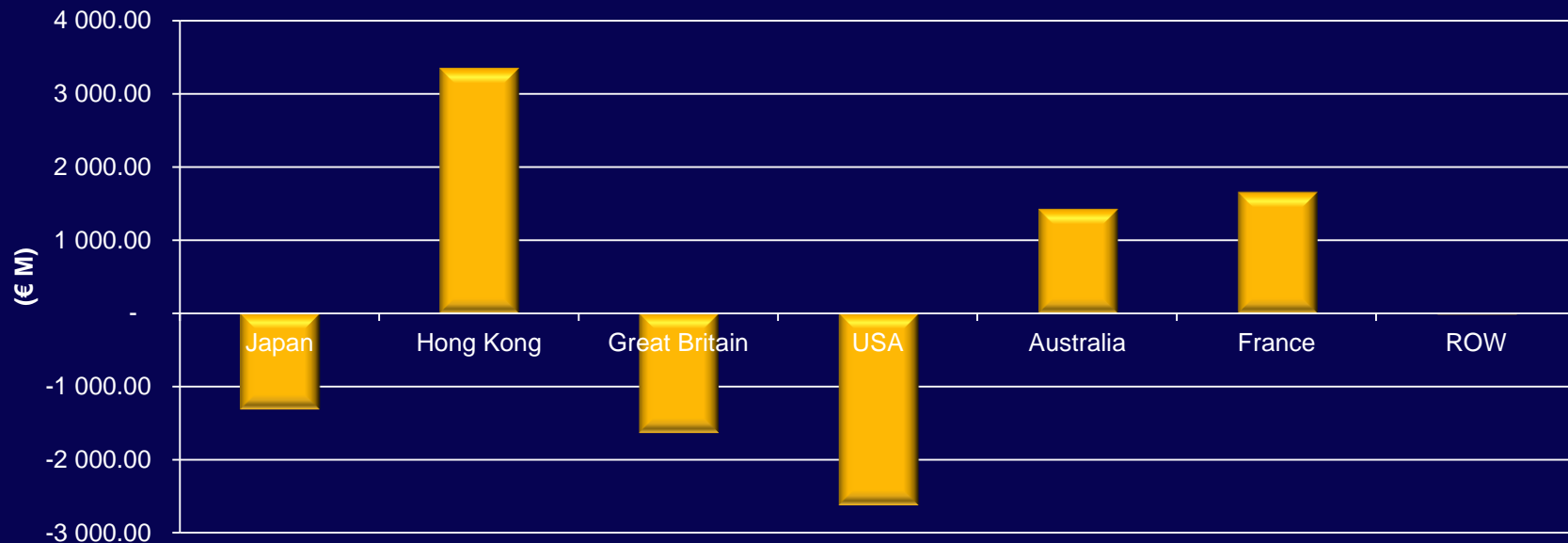


Source: IFHRA Statistics



Market Analysis: Global Racing In Flux

2012 Turnover: Change from 2006 (at Constant Currency)



Source: IFHRA Statistics

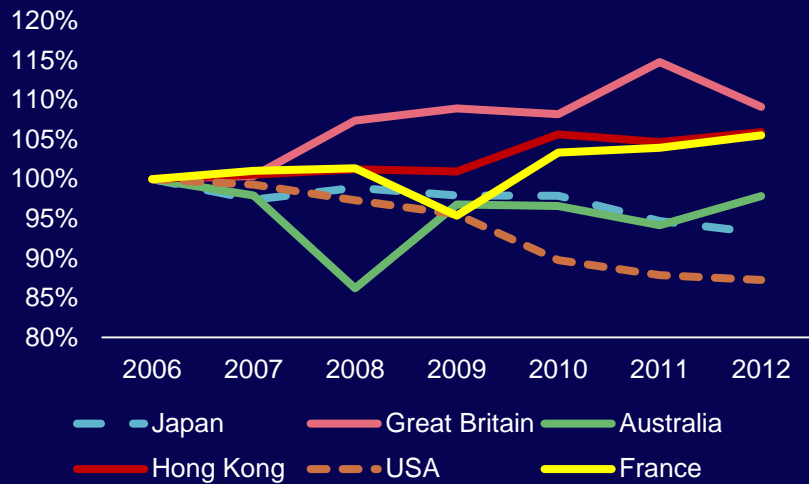
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Activity Levels and Returns to Owners

Mixed Trends in Activity

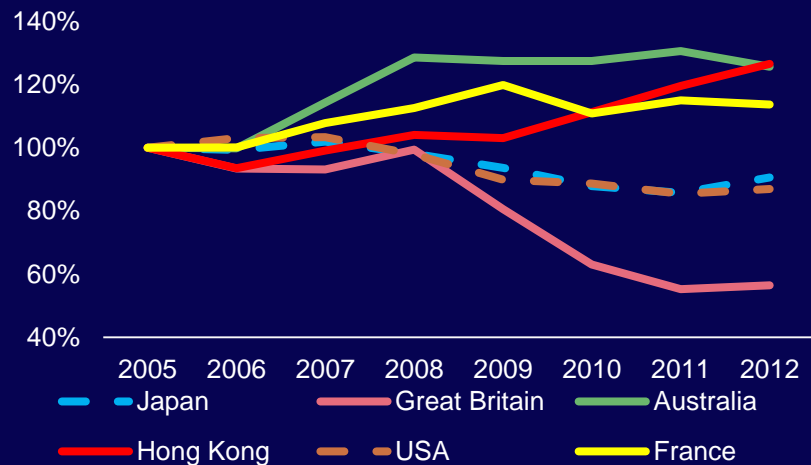
Change in Races Held
From 2006 to 2012



Source: IFHRA Statistics

.. And in Amounts Wagered per Race

Turnover (GB = Gross Win) per Race:
Changes since 2005



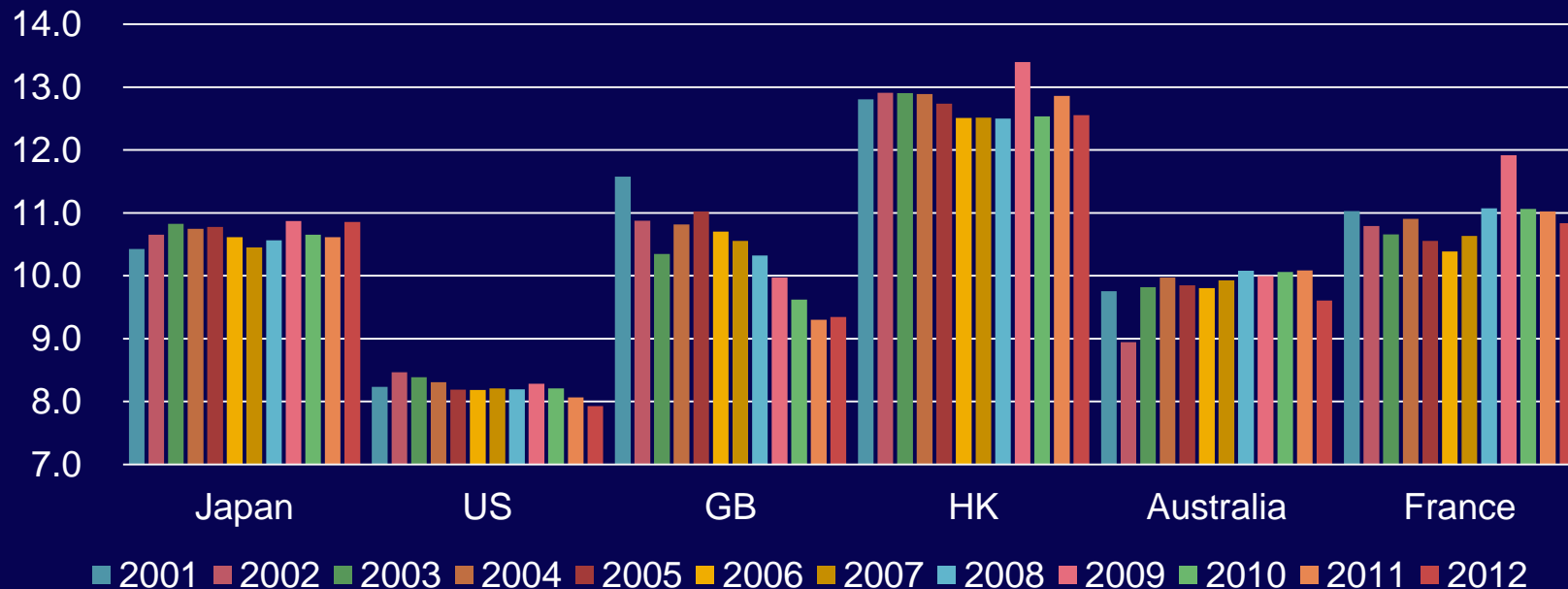
Source: IFHRA Statistics

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Starters per Race

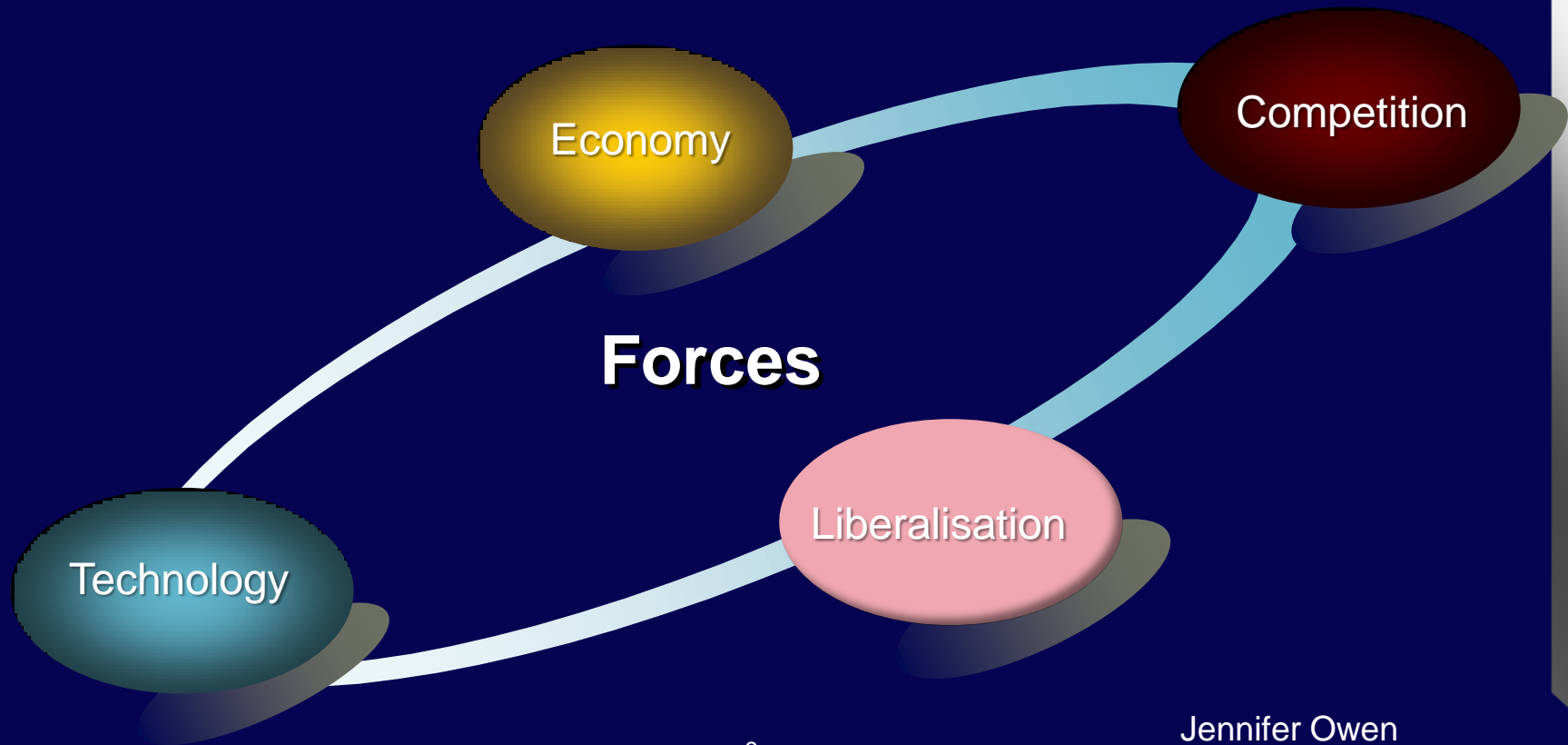
Starters Per Race



Source: IFHRA Statistics



2: Forces at Work

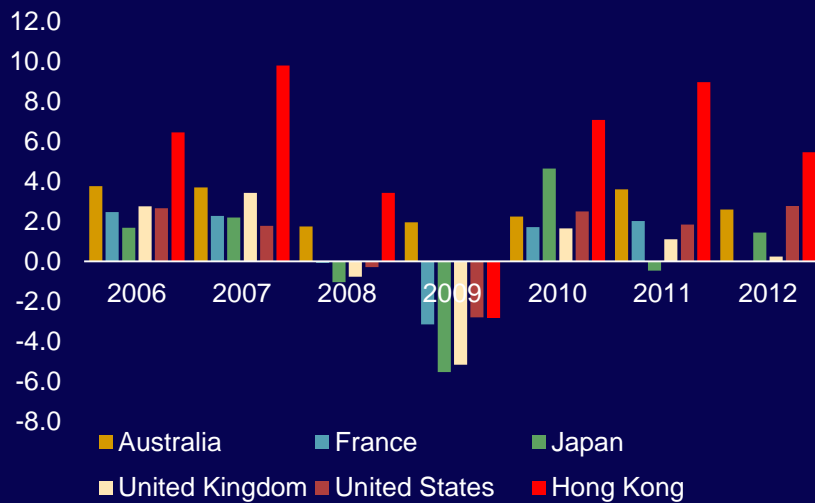




Forces: Economic Conditions

The GFC Impact

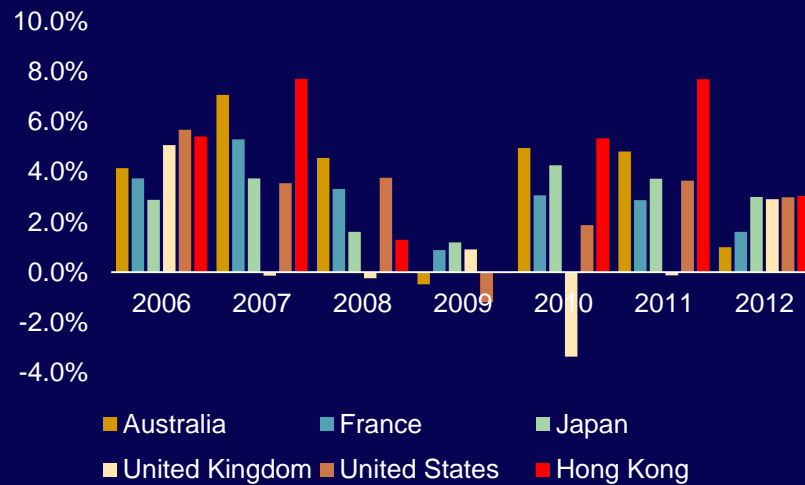
GDP Growth



Source: OECD, World Bank

But Household Spending Growth Was More Positive

Household Income Growth



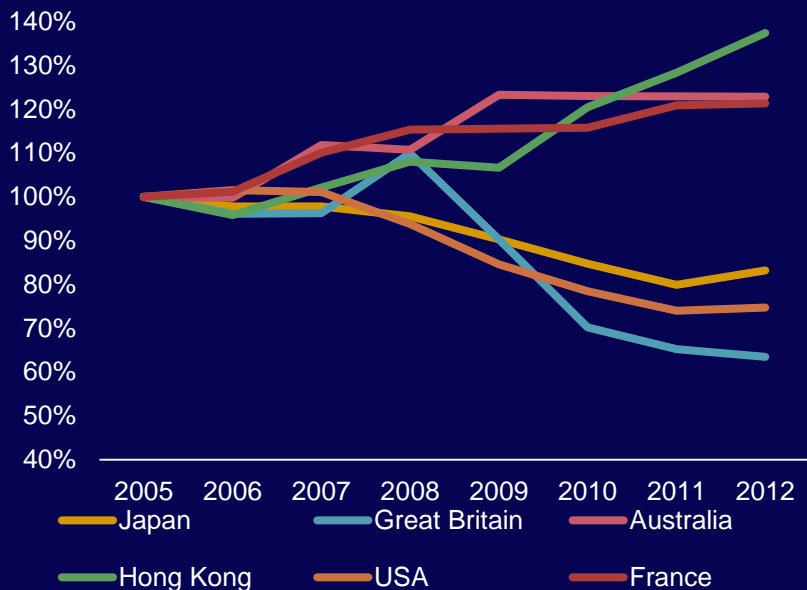
Source: OECD, World Bank

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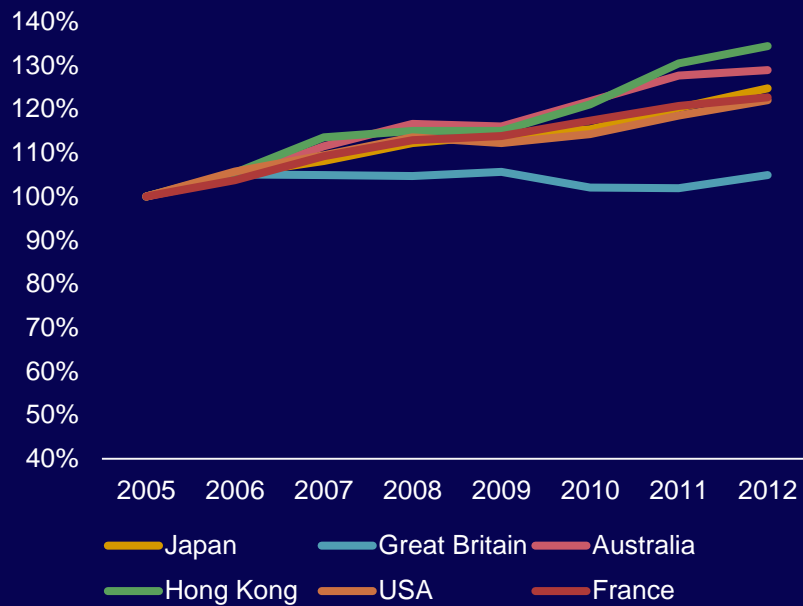


Forces: Economic Conditions

Turnover Trends since 2005



HDI Trends since 2005

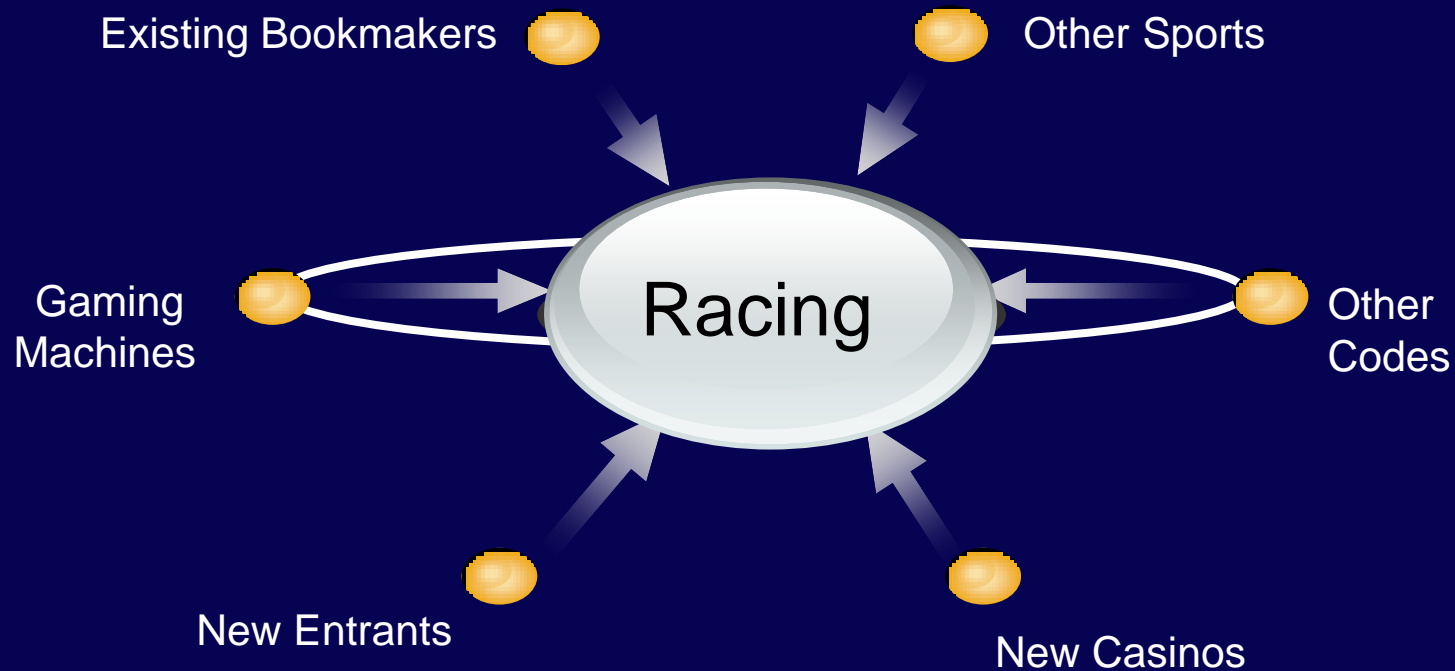


Source: IFHRA Statistics, OECD, RBA exchange rates

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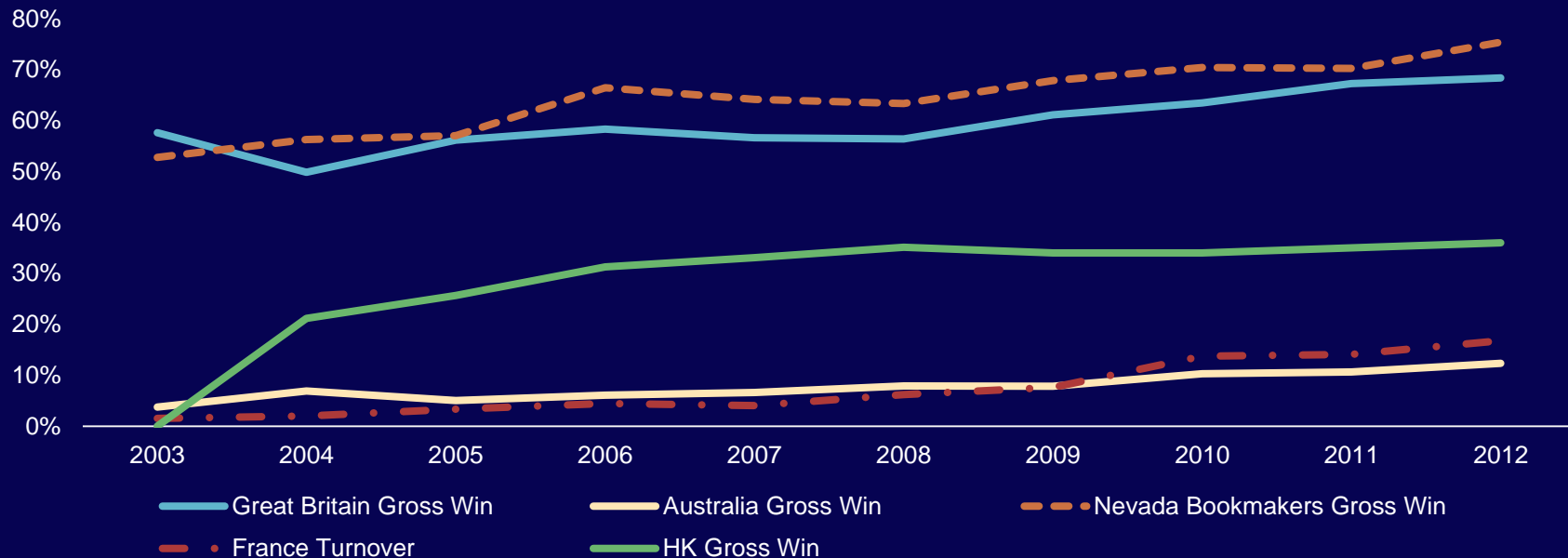
Forces: Competition





Forces: Sports Taking More Share

Sportsbetting as % of Total Wagering



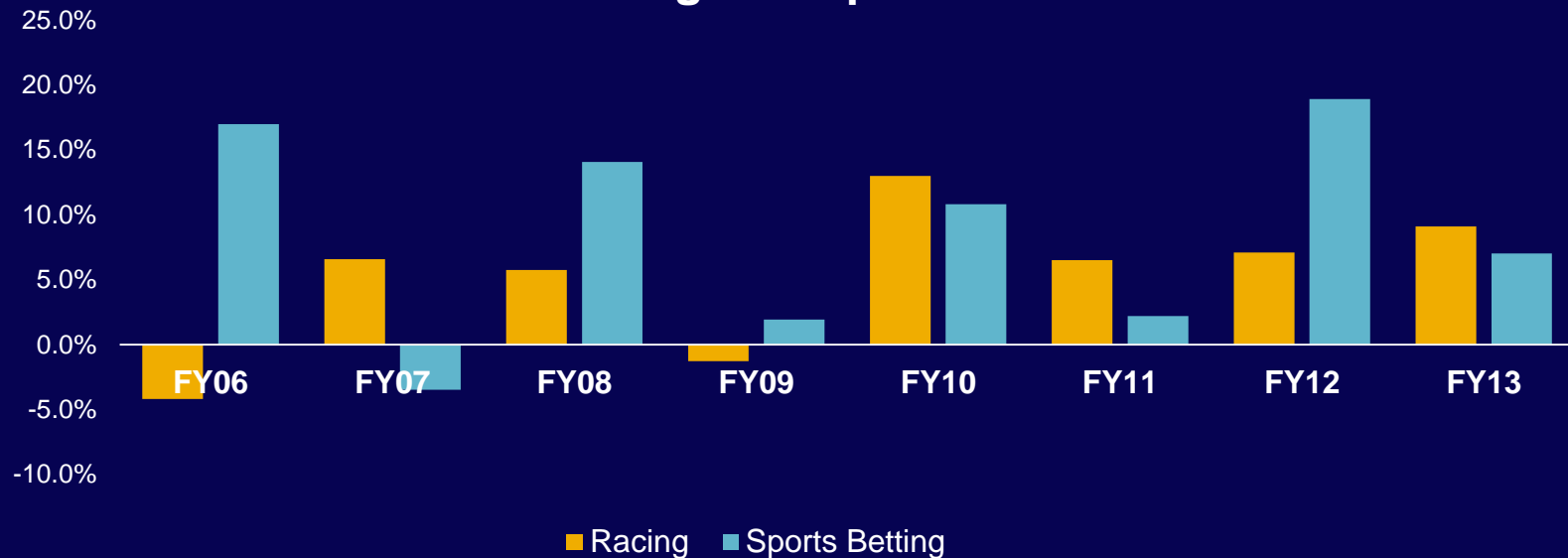
Source: Annual reports from Qld Treasury, Nevada Gaming Control Board, Deloitte UK report, HKJC, FDJ, PMU and Arjel

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Forces: HKJC Growth, Racing and Sports

HKJC Growth Rates: Racing and Sports





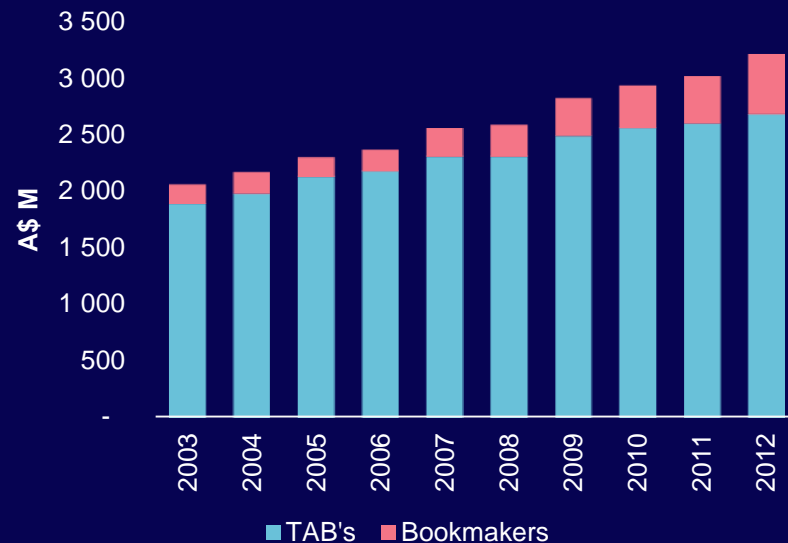
Forces: Sports Plus New Entrants

Australia: Wagering Gross Win



Source: AGS, Qld Treasury

Australia Gross Win: TAB v. Bookmakers

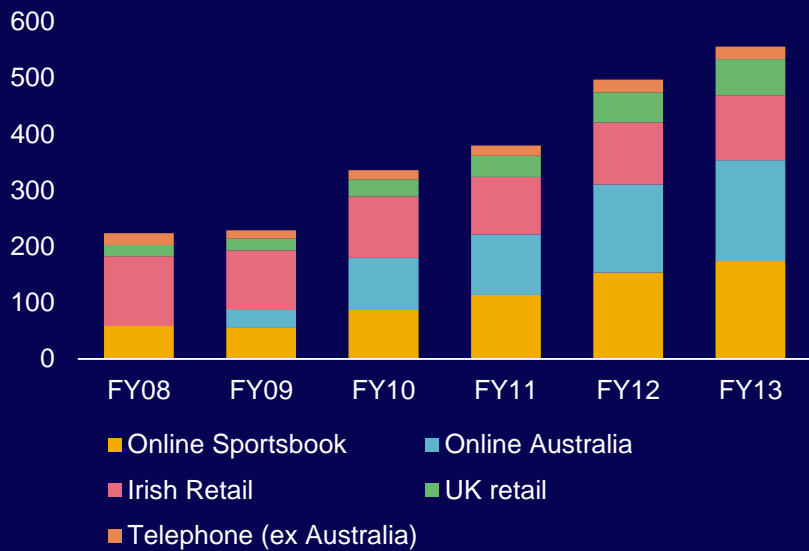


Source: AGS, Qld Treasury



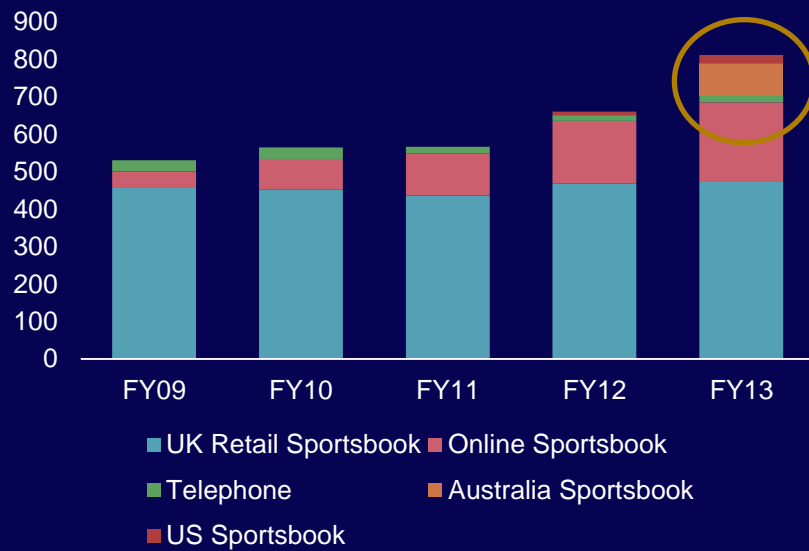
Forces: New Entrants

Paddy Power: Betting Revenues by Channel (€M)



Source: Company reports

William Hill: Betting Revenues by Channel (£M)



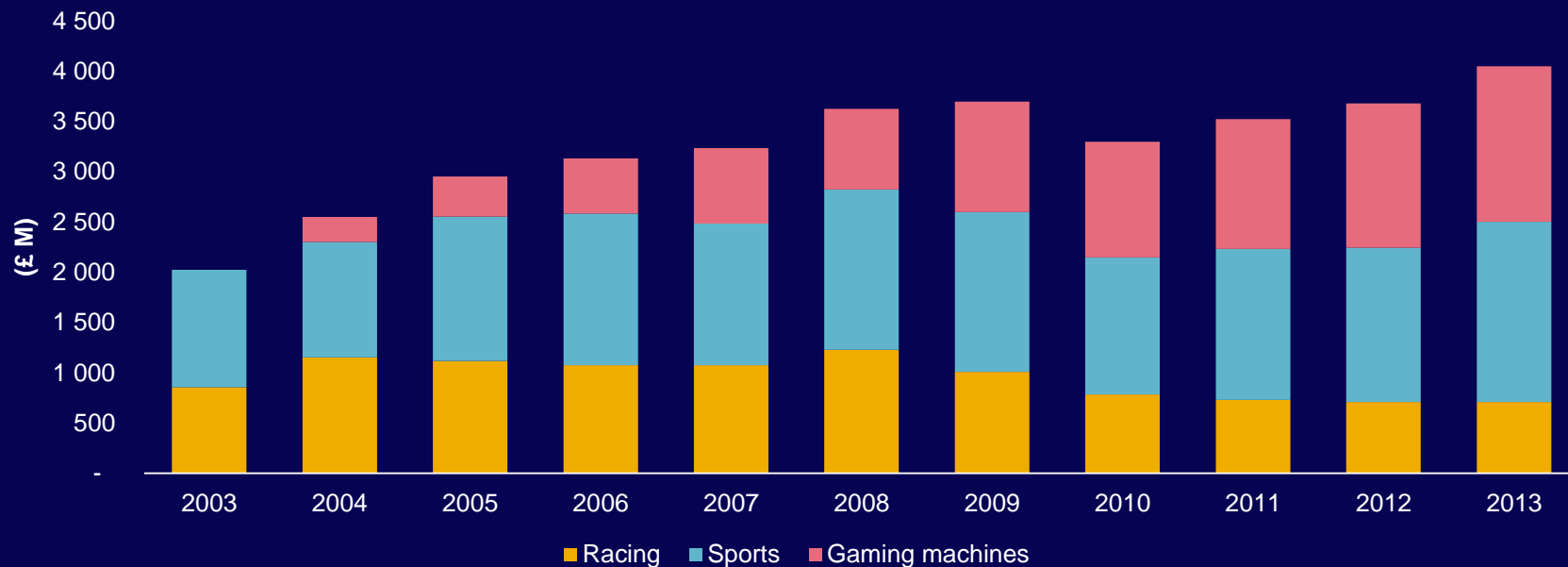
Source: Company reports

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Forces: Competition from Other Gambling

UK Bookmakers' Gross Win



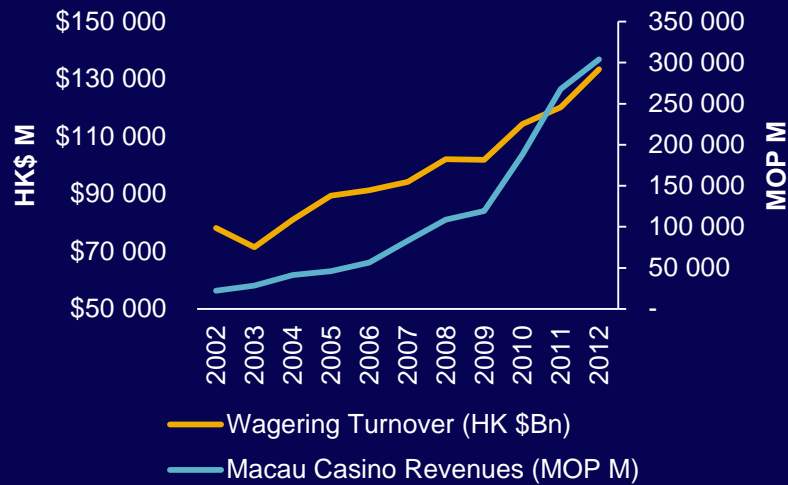
Source: Deloitte Report: The Economic Impact of UK Horse Racing, 2012



Forces: Competition from Other Gambling

Hong Kong Impact

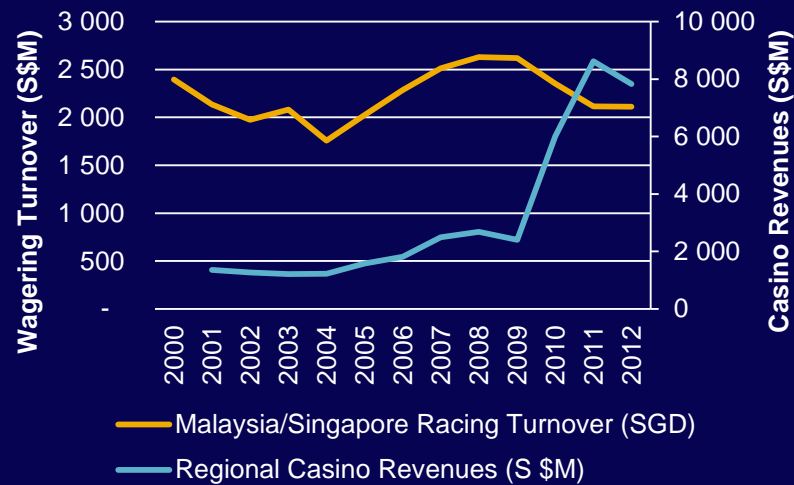
**Hong Kong Betting Turnover (HK\$M)
vs. Casinos Revenues (MOP M)**



Source: HKJC, Macau Gaming Control Board

Malaysia/Singapore Impact

**Malaysia/Singapore Revenues
Betting & Casinos**



Source: IFHRA Statistics, Company Reports

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Forces: Global and Regional Casinos

Largest Casino Countries

Country	Casinos
United States	1514
France	189
Russia	169
Netherlands	167
UK	144
Canada	110
Argentina	79
Germany	76
Estonia	75
Peru	48
Macau	33

Regional Expansion Plans

Country	Casinos at 2014	Potential at 2020
Australia	12	17
Macau	33	No limit
Singapore	2	Limit of 2 until March 2017
Japan	0	4

Revenue Forecasts

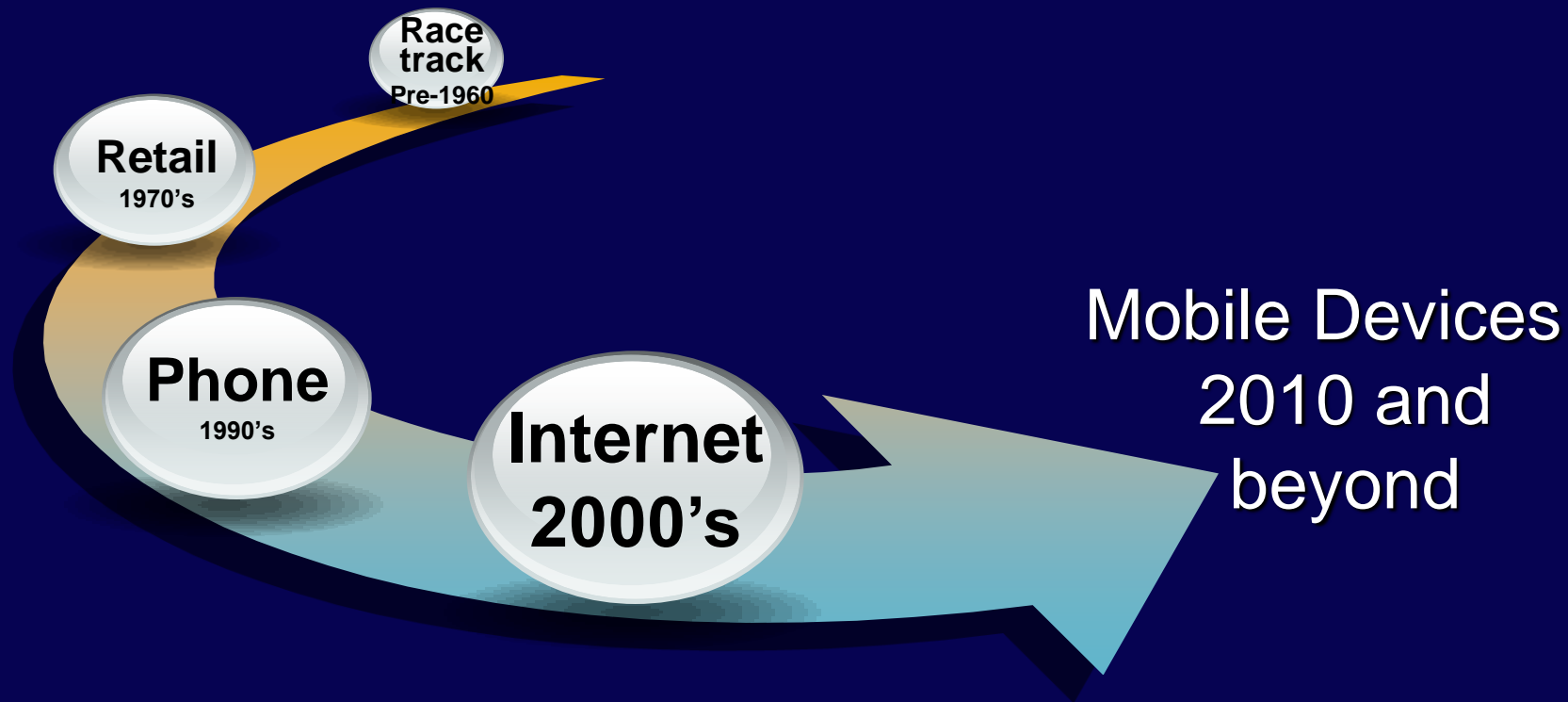
Country	2013	2020
Macau	\$45B	\$90B

Source: World Casino Directory, HKJC, Various public media

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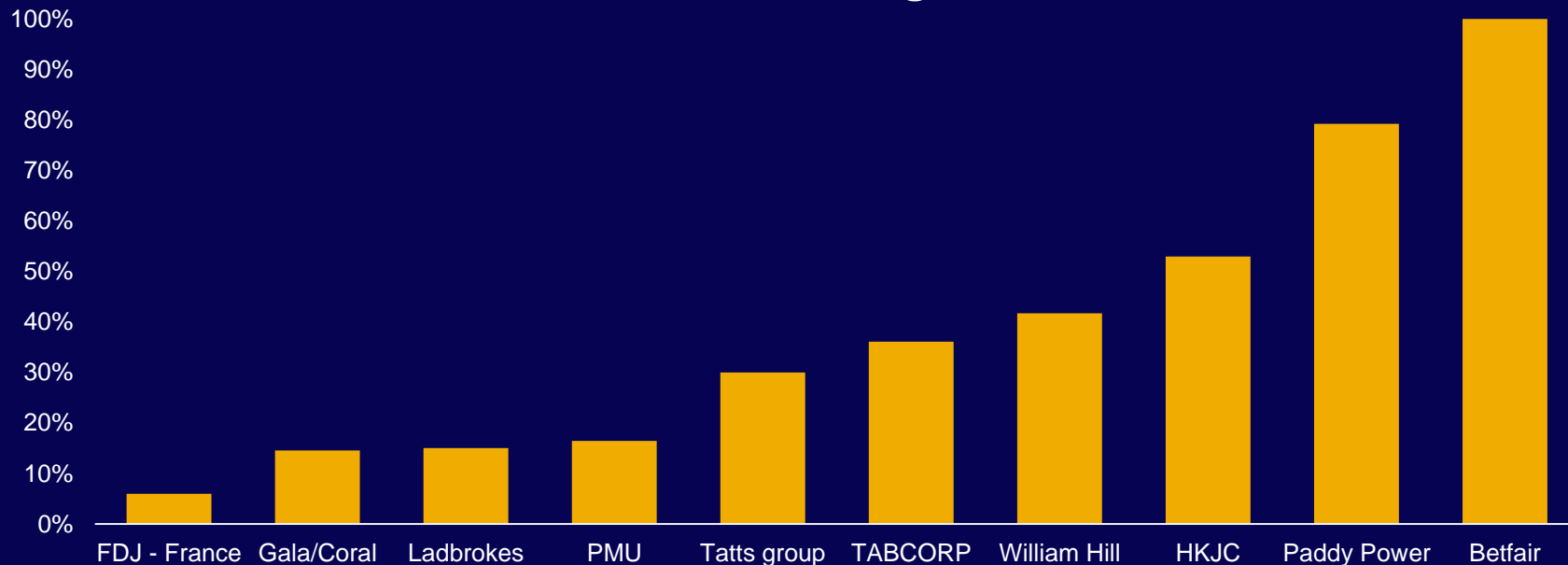
Forces: Technology





Forces: Online Well-Established

Online as % of Total Betting Revenues at 2013



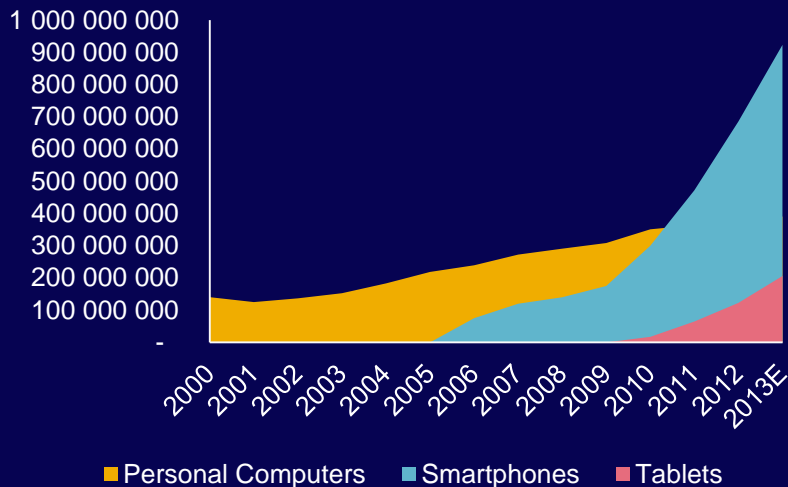
Source: Company Reports, 2013



Forces: Migration to Mobile

Smartphone and tablet growth

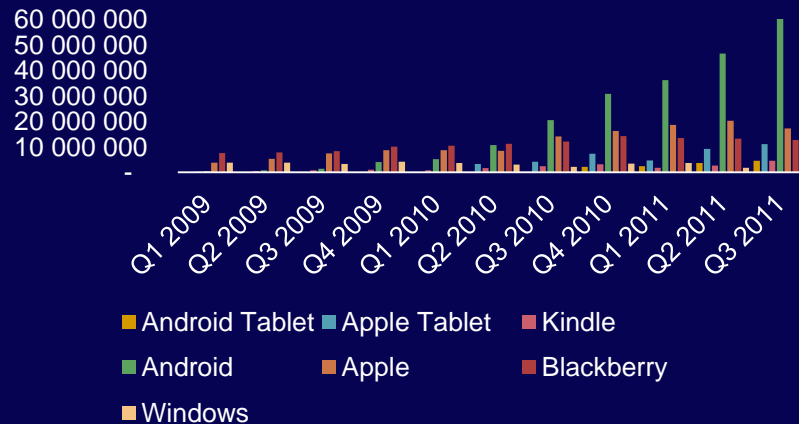
Global Internet Device Sales



Source: BI Intelligence

Smarter, faster, cheaper

Device shipments: Smartphones (esp androids) dominate



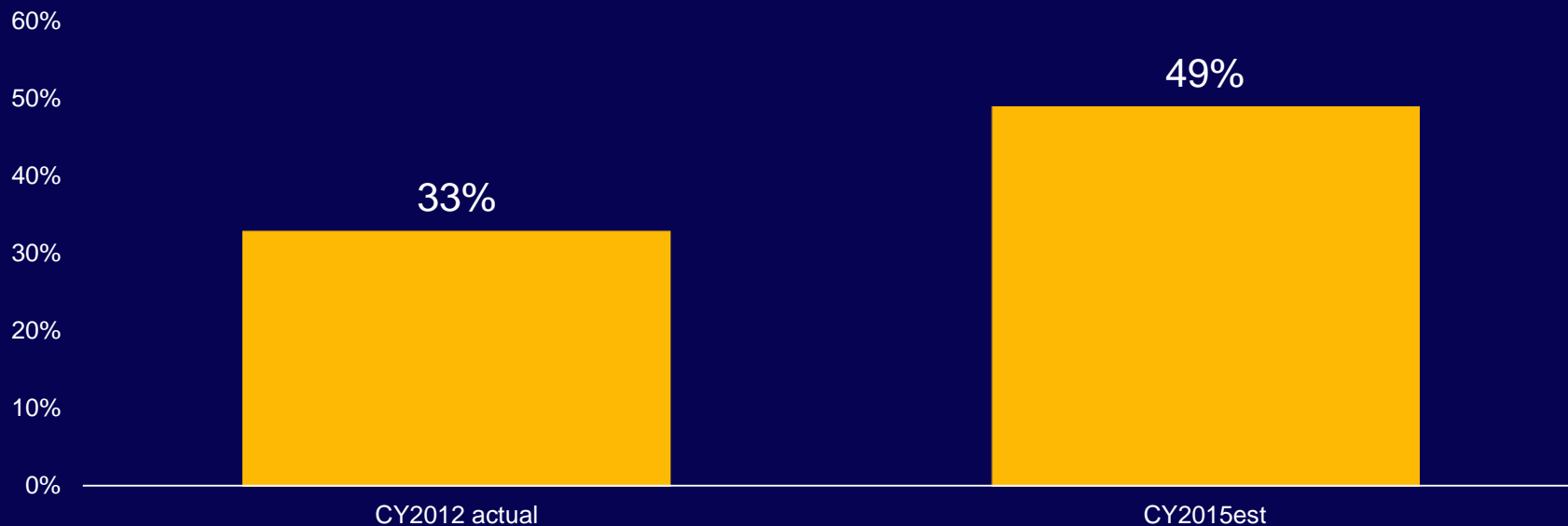
Source: BI Intelligence

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Forces: Digital = The New Shopfront

Entertainment/Sports/Media Percentage of purchases by digital mobile device



Tata Consultancy services, Sept 2012: The New Digital Mobile Consumer: How large Companies are Responding



Forces: Technology

1

**Online migration
well established in
Wagering**



2

**Smart phones and
tablets drive
further growth and
untether the punter
from his desk**



3

**As mobility
increases, so does
the competition for
the punter**

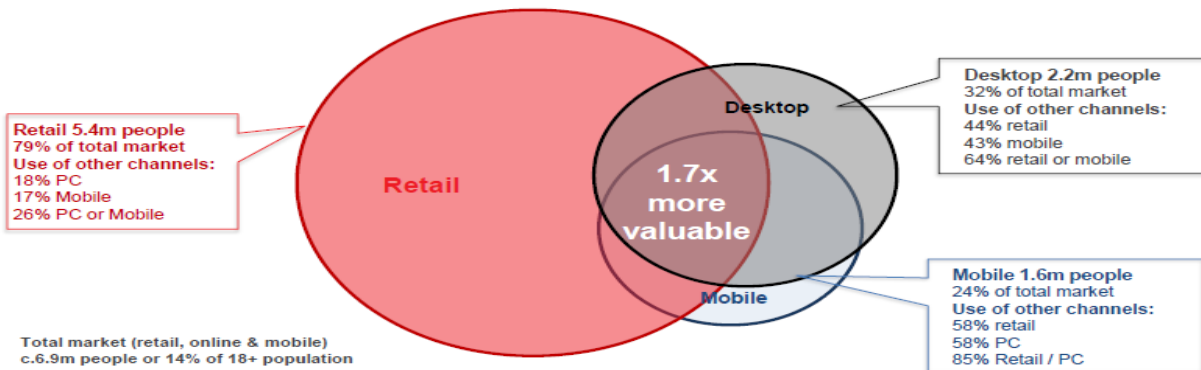


= exclusive licences are increasingly difficult to protect



Forces: Digital Customers more Valuable

Total Gambling Market Multi-channel players high value



- Retail largest part of market and key part of overall gamblers experience
- High proportion of cross channel usage, particularly within mobile

Source: GB Syndicated Gambling Research – Kantar – Oct to Dec 2013

Ladbrokes

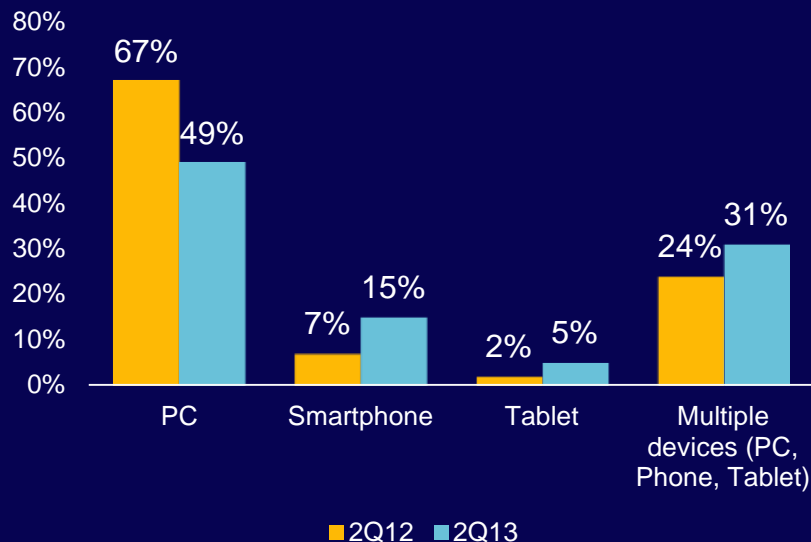
31

Source: Ladbrokes Company reports



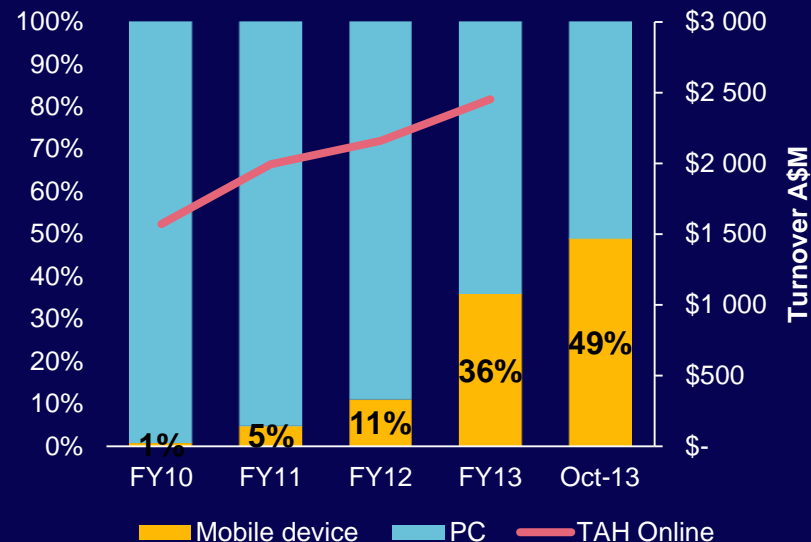
Forces: Mobiles Outpace PC's

William Hill: Channel Usage - Online Customers



Source: 2013 Company reports

Tabcorp: Online Growth and Channel Shift



Source: Company reports

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3: Structural Changes: Multi-Nationals

	Licensed Jurisdictions			
Publicly Owned Operators	Great Britain	Europe	Australia	US
William Hill	Y	Italy, Spain	Y	Nevada
Ladbrokes	Y	Ireland, Belgium, Spain	Y	In progress
Paddy Power	Y	Ireland, Italy	Y	New Jersey
Betfair	Y	Gibraltar, Malta, Denmark, Spain, Italy. Has exited Greece, Germany, Cyprus	Y	New Jersey, California
Gala Coral	Y	Italy	N	N

Source: Company reports



Multi-Nationals: Motivators

Red: Neutral or disincentive; Green: Strong motivator

Country	Population 2012 (M)	Horse Racing Bet Per Capita 2012 (US\$)	Population growth (2012- 2015)	Open Market?
Great Britain	63.2	\$262	12%	Y
Australia	22.0	\$657	19%	Y
Ireland	4.7	\$861	19%	Y
France	63.6	\$222	6%	Y
Hong Kong	7.1	\$1,870	13%	N
Japan	127.6	\$301	-6%	N
USA	313.9	\$38	12%	Opening

Source: IFHRA Statistics, OECD data, Population Reference Bureau 2012 data and 2015 forecasts

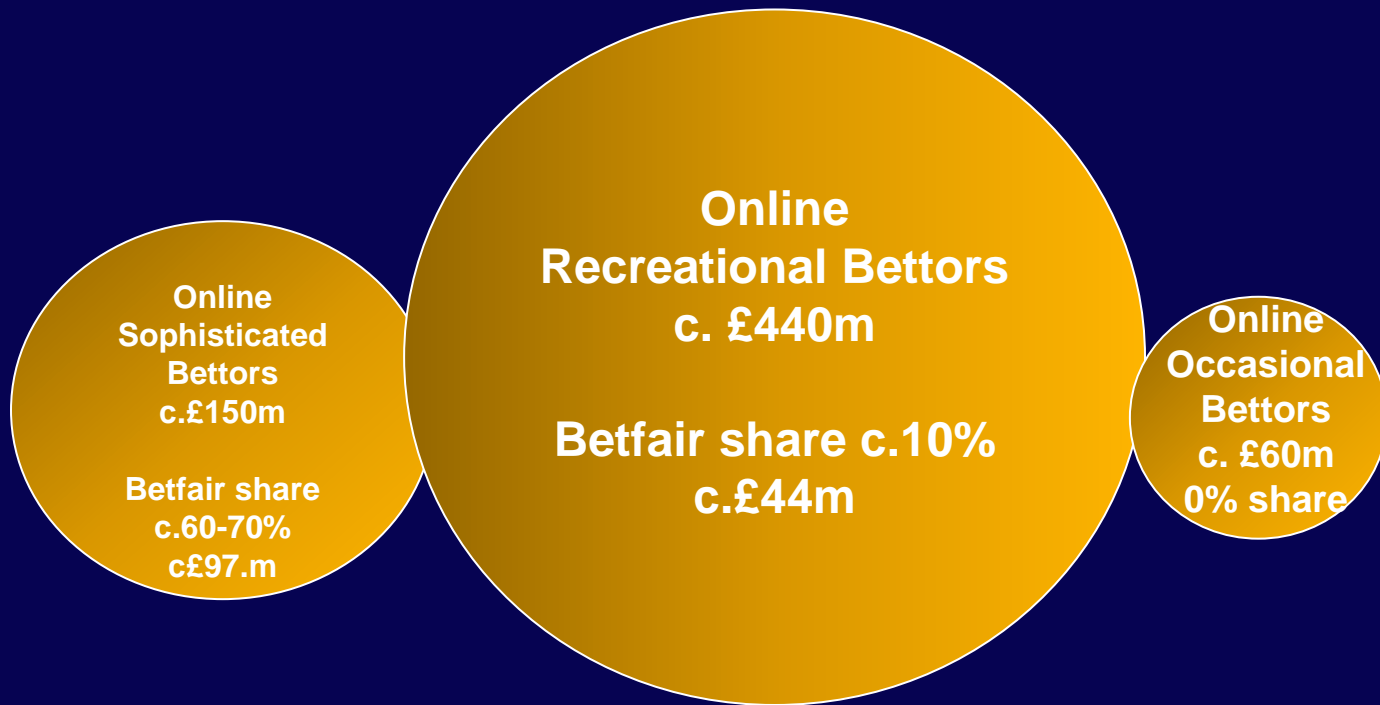


Multi-Nationals' Transactions: Prices Paid

Year	Acquirer	Target	Consideration	FY13 Earnings Before Interest and Tax	Return on Invested Capital at FY13
2009	Betfair	•TVG (US)	US\$50m	US\$4.5m	9%
2009-2011	Paddy Power	•Sportsbet •IAS Bet	A\$194.6m A\$40m	A\$61.7m	26%
2011-2013	Sportingbet	•Centrebet	A\$183m	A\$19.5m (FY12 Normalised)	11%
2012 2013	William Hill	•Sportingbet •Tom Waterhouse	A\$670m A\$40m + earn out	A\$37.5m -A\$17.1m	6% -43%
2013	Ladbrokes	•GIPL •Betstar	A\$22.5m A\$20-\$25m	Losses	N/A



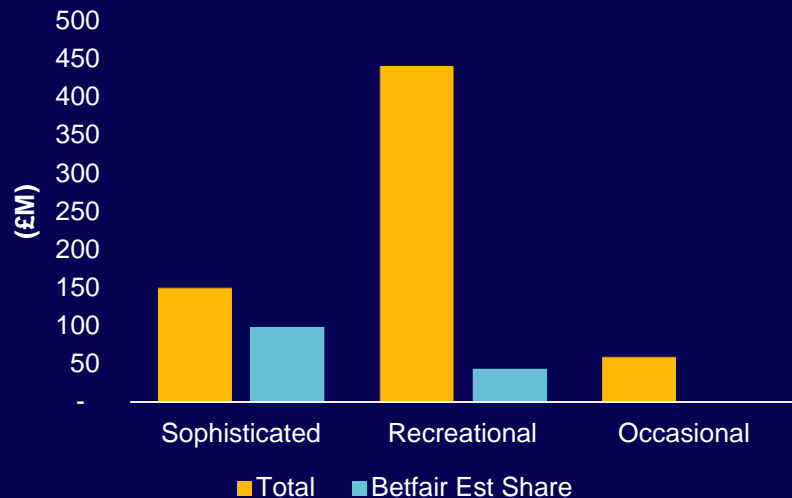
Structural Changes: Betting Exchanges





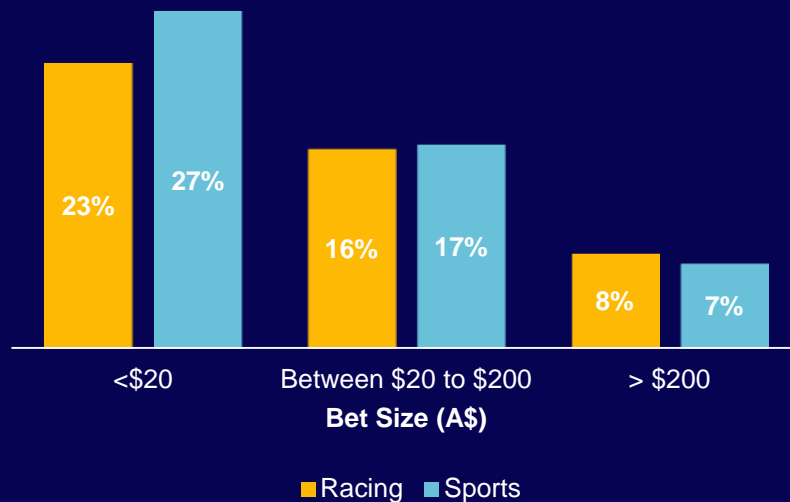
Exchanges Price Advantage

UK Online Sports Betting Segments and Betfair Share 2013



Source: Company Reports

TABCORP: Yield based on Bet Size



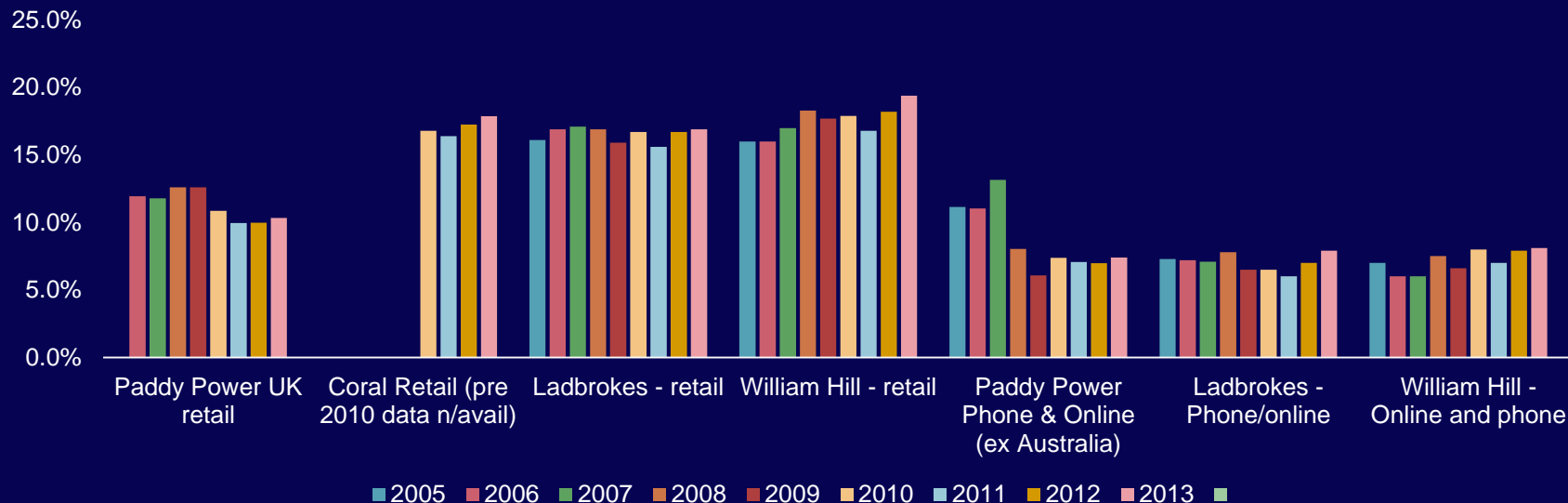
Source: Company Reports

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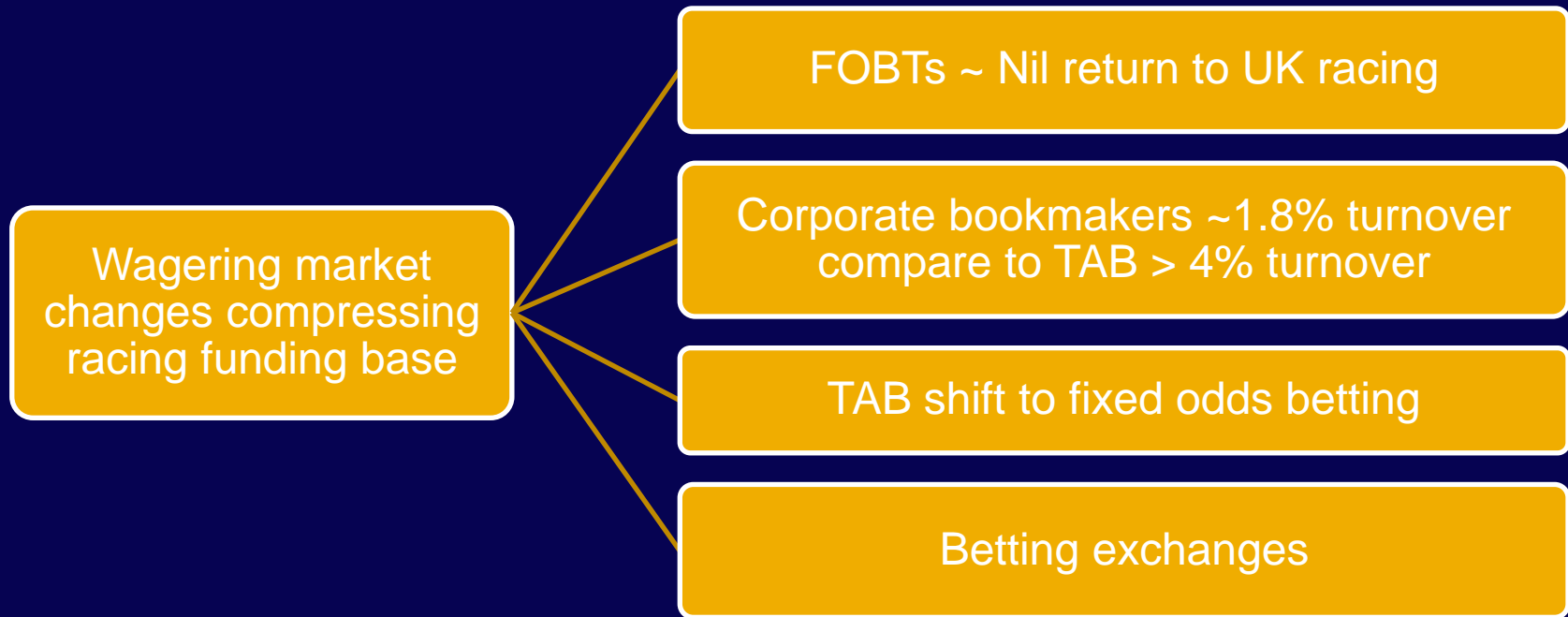
Exchanges: Impact on Win Rates

UK Bookmakers Win Rates since 2005



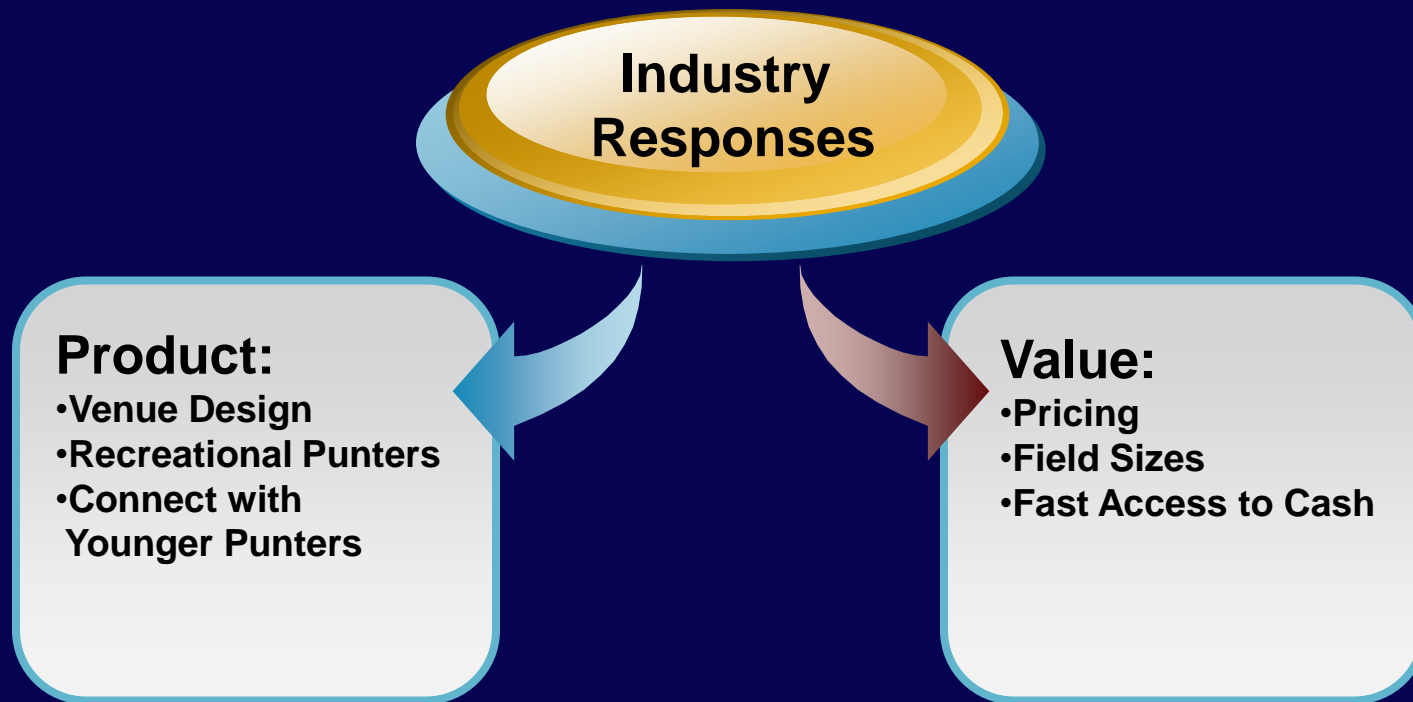


Forces & Structural Shifts: Impact on Funding





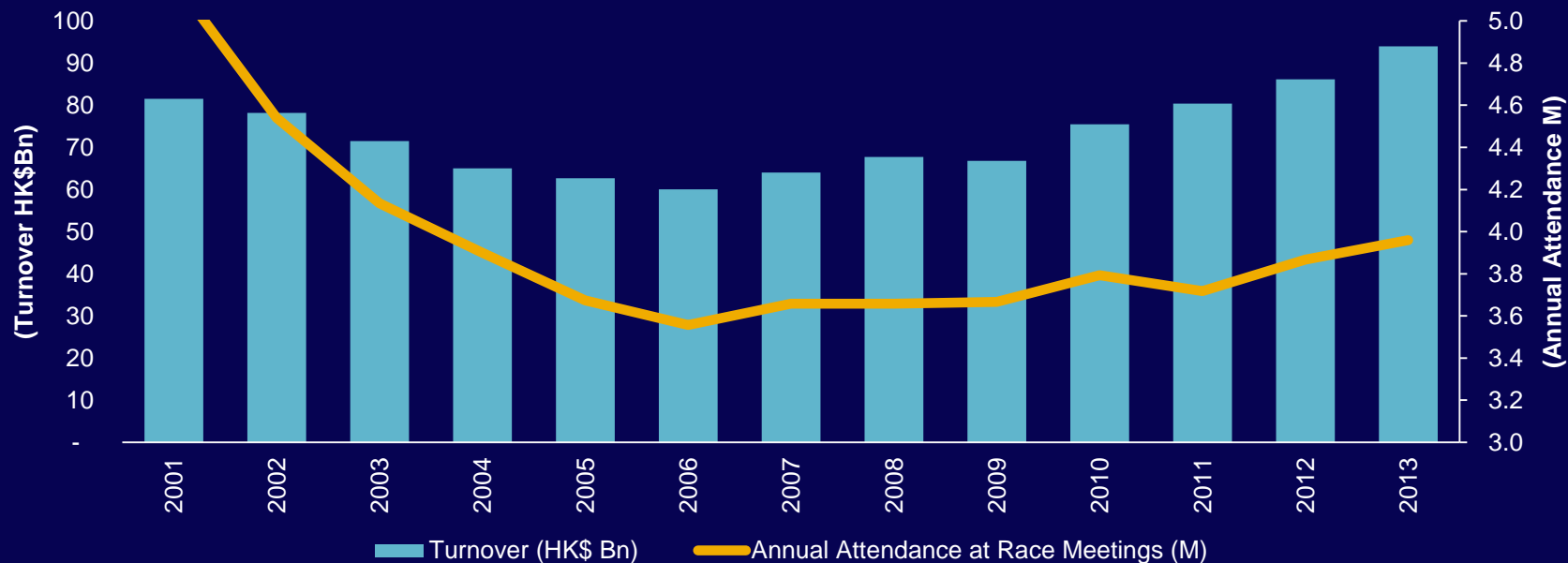
4: Successful strategies





Re-design: Attractive Venues

HKJC: Racing

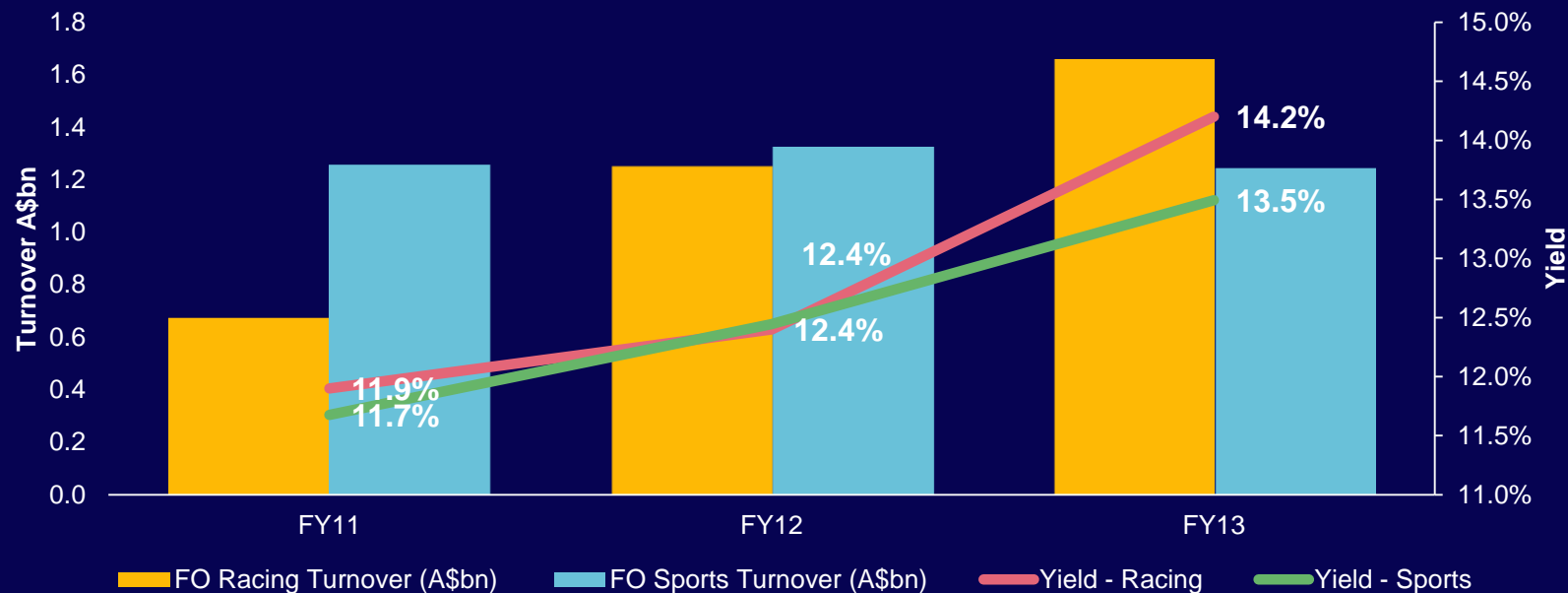


Source: HKJC Annual Reports



Re-design: Fixed Odds

TABCORP: Fixed Odds Turnover

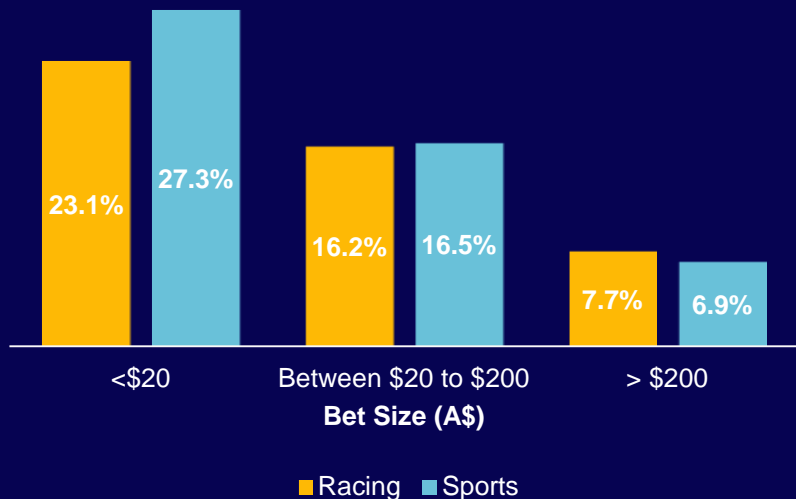


Source: AGS, Qld Treasury



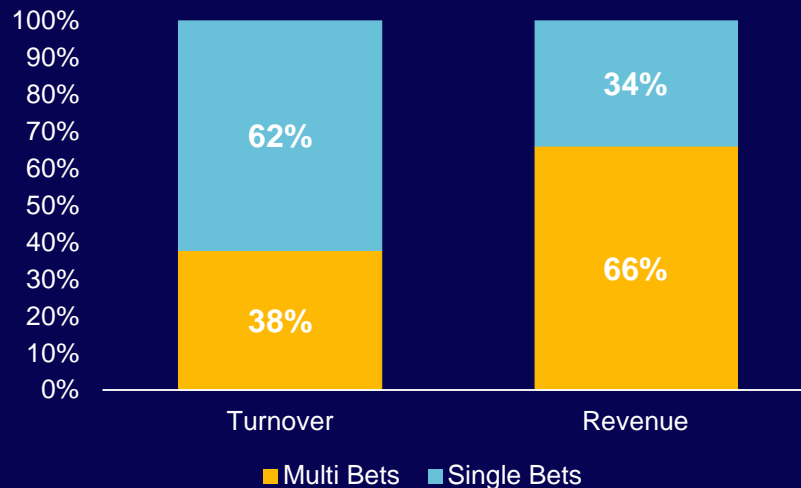
Re-design: “Entry-Level” Products

TABCORP: Yield based on Bet Size



Source: TABCORP Investor Presentation 2013

TABCORP Fixed Odds: MultiBets Deliver Better Yields



Source: TABCORP Investor Presentation 2013

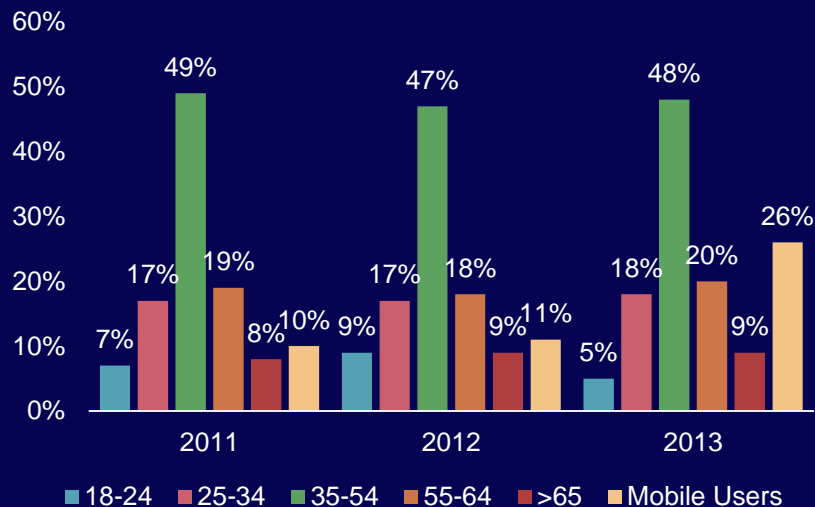
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Re-Design: Appeal to a Younger Crowd

Racing Customers are Older

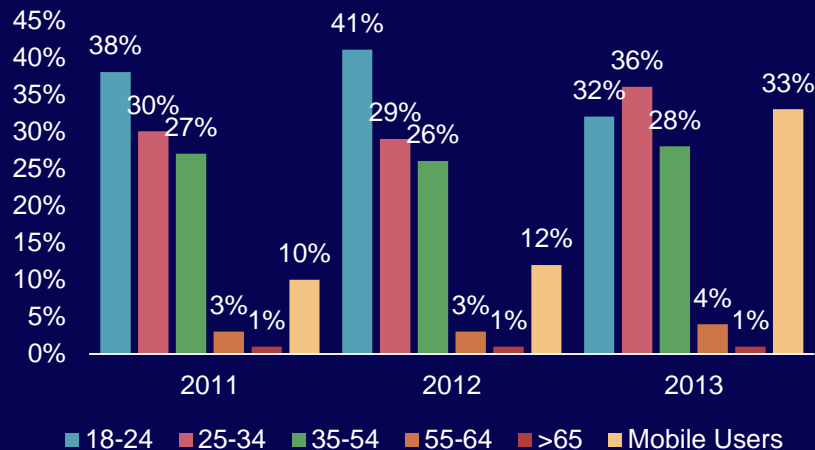
France: Age of Race Bettors



Source: ARJEL

To Survive, Need to Win and Younger Audience

France: Age of Sports Bettors



Source: ARJEL

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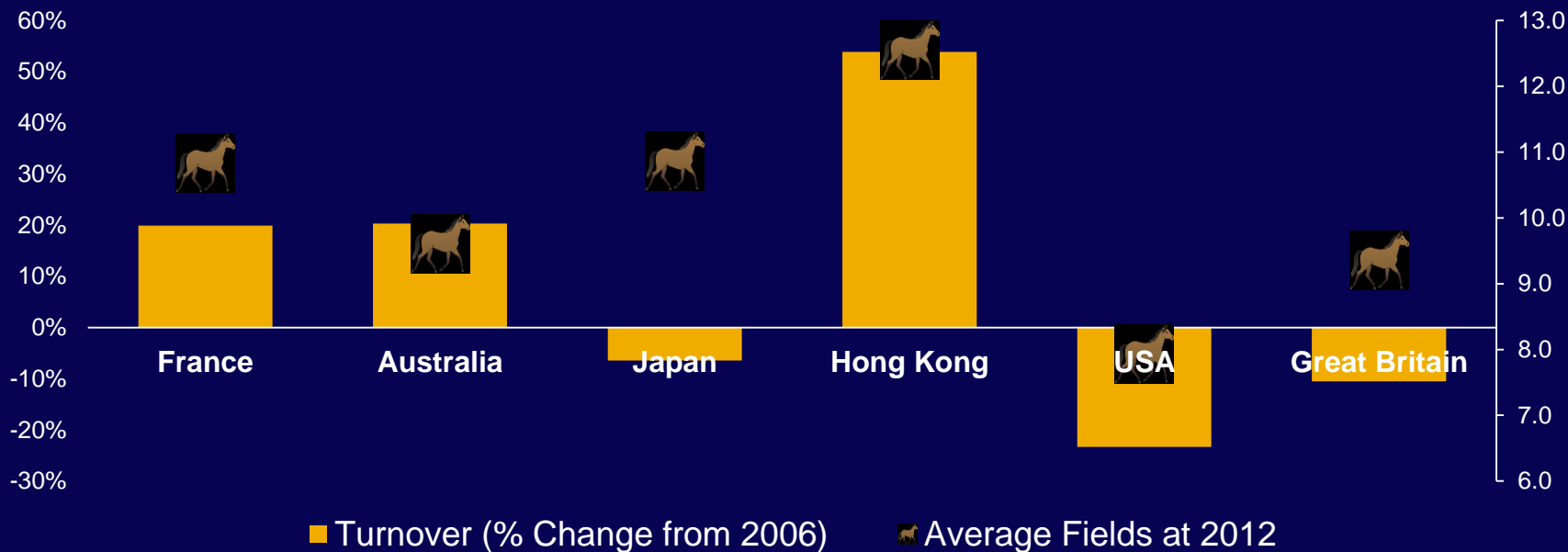
Value: Improve the Customer Proposition

- Increased competition, and Customer mobility, forces an increased focus on value for money
- Price is one factor affecting value for money
- Quality is another. Field sizes have been demonstrated to have a material impact on customer interest



Value: Impact of Field Size on Appeal

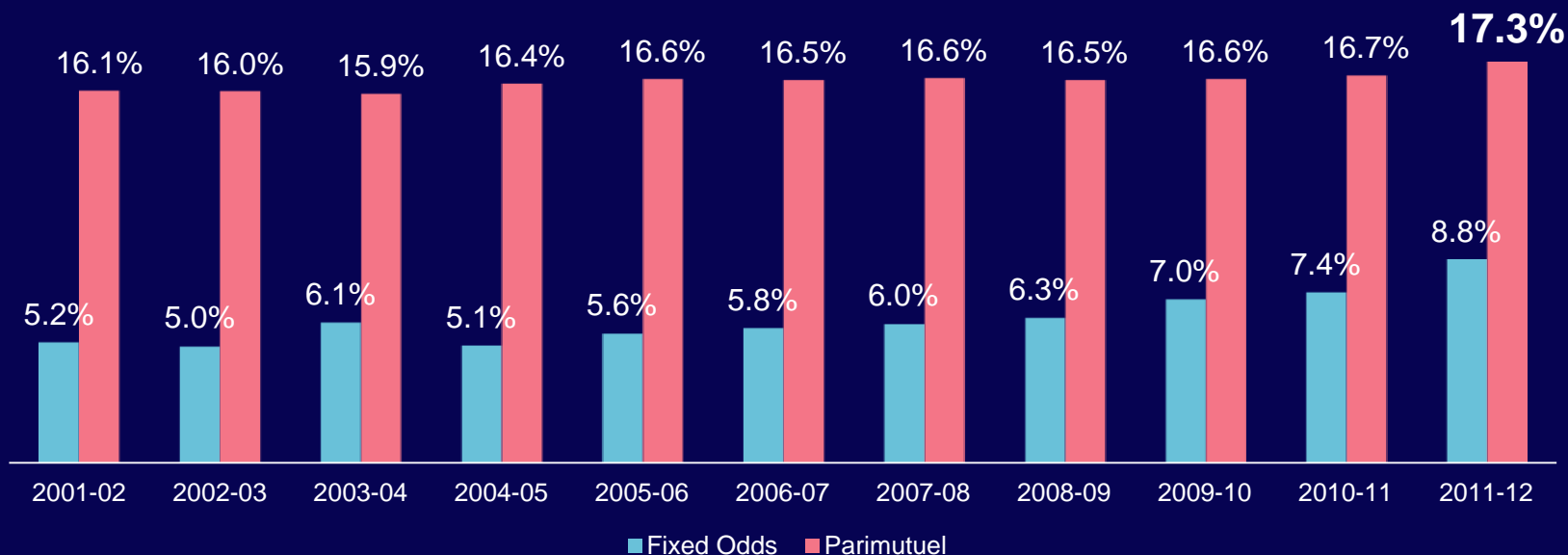
Field Sizes (2012) and Turnover Changes (2006-2012)





Value: Despite Competition, Prices Rising

Australia: Gross Win Rising



Source: AGS, Qld Treasury



Value: Access to Cash

The screenshot shows the Ladbroke's Australia website. At the top, there's a navigation bar with links for RACING, SPORTS, NOVELTY, PROMOTIONS, HOW TO, and CONTACT US. Below this is a large promotional banner for the Ladbroke's eflpos card. The banner features a man holding a red card and an ATM. The text on the banner reads: "EVERY ATM IN AUSTRALIA IS NOW A PAYOUT MACHINE FOR LADBROKES PUNTERS". Below the banner, there's a section for new members, stating "JOIN LADBROKES GET \$250 FREE" and "New members join & get \$250 deposit match!". At the bottom, there's a four-step process for getting the card: STEP 1 (Open a Ladbroke's account), STEP 2 (Card arrives in 7 days), STEP 3 (Bet, win and then take advantage of instant withdrawals), and STEP 4 (Join Now).

Source: Ladbroke's Australia Website

- Ladbroke's card – access to cash immediately post-race in venue.
- ATM's and smart phones obviate retail networks of the incumbent land-based operators.



The Way Forward

Tighter Control Over Supply

Better Control over Distribution

Incentives to Grow Volumes

More
Appropriate
Structure

Thank you

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