



Betting and the racing industry

Overview of British Racing seminar, Newmarket,
22 May 2019

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

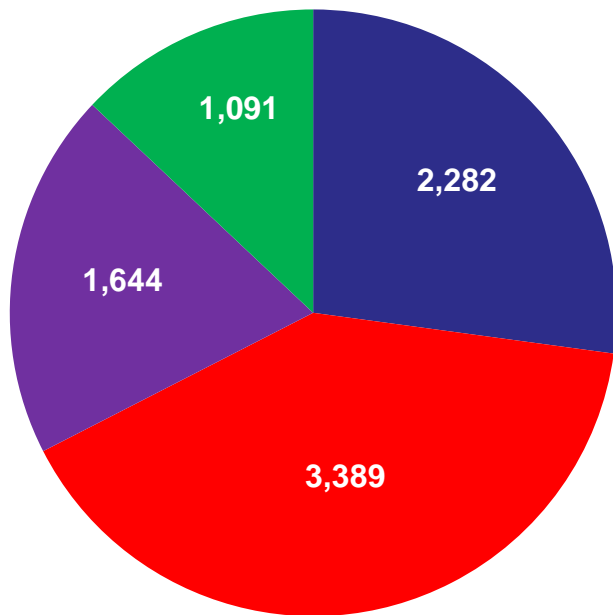
- Allow people to be both sides of the market – backing horses to win or lay them to lose.
- In-running betting
- Small Commission charged on winning bets.

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 – Sep 2018



■ William Hill ■ GVC Ladbrokes-Coral ■ Betfred ■ Other

- c. 8,400 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
 - 18% 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
 - 55% of William Hill retail net revenue in 2017

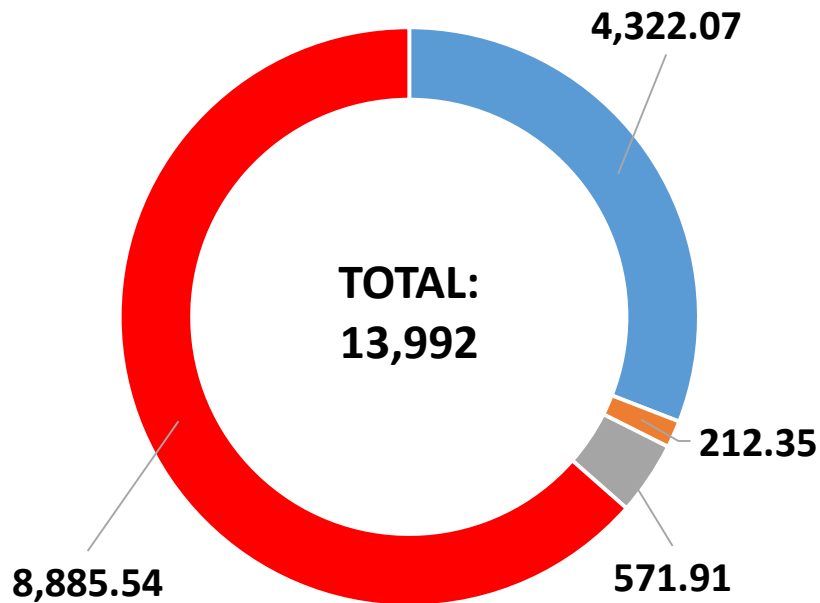
The UK betting market today - Remote

- A much more diversified market
- Significant growth in recent years driven by sports betting
 - William Hill 2017 Sportsbook stakes = 287% 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

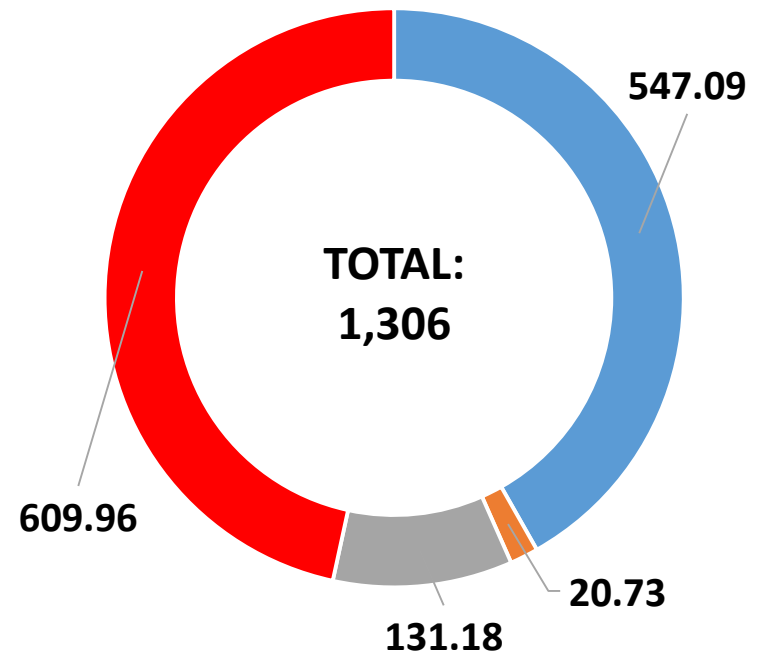


Racing turnover and Gross Win by channel

Turnover (£m)



Gross win (£m)



■ Retail
 ■ On-Course
 ■ Pool
 ■ Online

■ Retail
 ■ On-Course
 ■ Pool
 ■ Online

Dates – April 2017 to March 2018

Source: Gambling Commission

Merger-mania!

Feb 2016



MERGED WITH



CREATING



Nov 2016



MERGED WITH



CREATING



BOUGHT IN
March 2018 BY



Apr 2018



BOUGHT BY



An industry under pressure

We care for problem gamblers, claim beleaguered bookies

Why I became a gambling industry whistleblower

Gambling industry warned over its advertising practices

Culture secretary describes withdrawn betting shop games as 'disgraceful'

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
 - Implementation ultimately brought forward to 1 April 2020
 - 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

We didn't start the fire....

- Areas of focus since FOBTs change
 - Online casino games – No Limits at present
 - Gambling advertising
 - Social responsibility Levy
- Political and media pressure growing on the industry
 - FOBT APPG now Gambling Related Harm APPG
 - Lords Special Inquiry into Gambling
- Increasing 'race to the top' on social responsibility credentials for major bookmakers



Racing and Betting – The new relationship

- Less adversarial relationship in recent years following resolution of the online Levy loophole – Racing a more socially responsible product to promote post-FOBT?
- Increasing partnership between racing and betting through data sharing and new Betting Liaison Group
- 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**
 - Potential mitigation routes include application of Levy to overseas racing
- Early returns under new Levy extremely volatile – underpin required?
- Exemption on gambling advertising ban for horseracing – for the time being...
- What is racing's position on socially responsible gambling – and our responsibility?

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