
Ladbrokes^{PLC}

Rights Issue
& Trading update

8 October 2009

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Agenda

- Trading update
- Management actions
- Rights Issue rationale and terms
- Ladbrokes investment case
- Summary

Interim results

H1 2009 Performance

- Group net revenue⁽¹⁾ down 6.6%
- Group EBIT^{(1),(2)} down 25.6%
- High Rollers EBIT of £58.4m
- Lower interest⁽³⁾ rate 5.5%
- Lower tax⁽³⁾ rate of 15%
- EPS⁽³⁾ up 0.5%
- Cash from operations £140.0m
- Net debt £962m at 30 June 09 (30 June 08: £1,039m)

(1) Continuing operations excluding High Rollers (Discontinued operations comprise: Italian Retail and Paddington Casino)

(2) Profit before tax, finance costs and non-trading items for continuing operations

(3) Before non-trading items for continuing operations

Trading update: 1-Jul to 30-Sept

Group

- Group net revenue⁽¹⁾ down 15%
- Group EBIT^{(1),(2)} down 58%
 - Q3 09: £22.4m
 - Q3 08: £52.8m
- Net debt at 30 Sept 09 £995m

(1) Continuing operations excluding High Rollers (Discontinued operations comprise: Italian Retail and Paddington Casino)

(2) Profit before tax, finance costs and non-trading items for continuing operations

Trading update: 1-Jul to 30-Sept

UK Retail

Total UK net revenue down 15%

OTC

- Amount staked down 3%
- Gross win down 22%
 - GW margin 14.0%
(Q308: 17.5%)
- Net revenue down 22%

Machines

- Gross win down 2%
- GW/machine/wk £663
(Q308:£671)

eGaming

eGaming net revenue down 13%

Sportsbook net revenue down 31%

- Amount staked up 13%
- GW margin 4.6% (Q308: 7.5%)

Casino net revenue up 5%

Poker net revenue down 21%

Bingo net revenue up 3%

Games net revenue down 7%

Active customers down 2%

Customer yields up in all gaming products

2009 Management actions

Announced at Interims

- UK Retail operating cost guidance reduced to 1% from 4%
- UK Retail £12m annualised premium pay saving from Q4 2010
- H2 eGaming marketing cost to fall with focus on CRM
- eGaming relocation to Gibraltar saving c.£7.5m per annum
- Reduction in Interim dividend saving £9.6m
- 2009 capex* of £53m down £31.7m from 2006 peak
- Decision to sell Italian Retail business

* For continuing operations

2009 Management actions

Further since the Interims

- Salary freeze until Jan 2011
- UK Retail full year operating costs expected to be less than 2008
- OddsOn! freebets will fall by £7 million in 2010
- £2.6m of eGaming savings in 2009
- £3.9m of eGaming savings in 2010
- £2.7m of telephone savings in 2010
- 2010 capex <£50m
- No 2009 final dividend

Background to the Rights Issue

- Early recognition in 2008 of potentially weak banking market
- 08: £185m new facilities & £400m extension of 2011 maturities
- 09: additional £30m new facilities & £30m extension of 2011
- William Hill's refinancing set Net Debt to EBITDA at 3.5x
- Management actions as H1 2009 trading lower than expected

Rights Issue rationale

- Announcement at Interims of deleverage intentions
- Accelerating pressure on profitability
- Consumer impacted by recession/unemployment
- Announcement today of Rights Issue

Size rationale

- New banking covenant environment – less than 3.5x Net Debt to EBITDA

Net Debt/EBITDA	Jun-09	Target	Pro-forma*
• Including HR	2.7x	<3x	1.9
• Excluding HR	3.7x	<3x	2.6

- Capital structure needs to recognise forecasting uncertainties
 - Expect the margin to normalise but cognisant of economic environment and rising unemployment
- Expect to reinstate dividend in 2010
 - Dividend cover of 2.0x earnings (ex HR)
 - Consistent with previously stated long-term intentions

* Pro-forma based as at 30 June 2009 on net proceeds of approximately £275m

Issue terms

- Size: Gross proceeds of c. £286m (costs approx £11m)
- Indicative terms:
 - 1 new share for every 2 shares
 - Issue price of 95p
 - Discount to TERP of 38%
- Structure:
 - No EGM required
 - Nil paid trading period of 2 weeks
 - Distributed to US QIB's through private placement exemption
- Fully underwritten - DB and UBS as joint Bookrunners
- Directors intend to subscribe for their full pro-rata entitlements

Key strengths and prospects

Key Strengths

- Strong brand
- Cash generative business
- Managing risk > 100 years
- UK Retail: a market leader
- Online: UK market leader
- Experienced management

Prospects

- Growing retail gross win
 - Brand loyalty
 - Improving experience
 - Improving offering
- Ongoing cost reduction
- eGaming European expansion
- International opportunities

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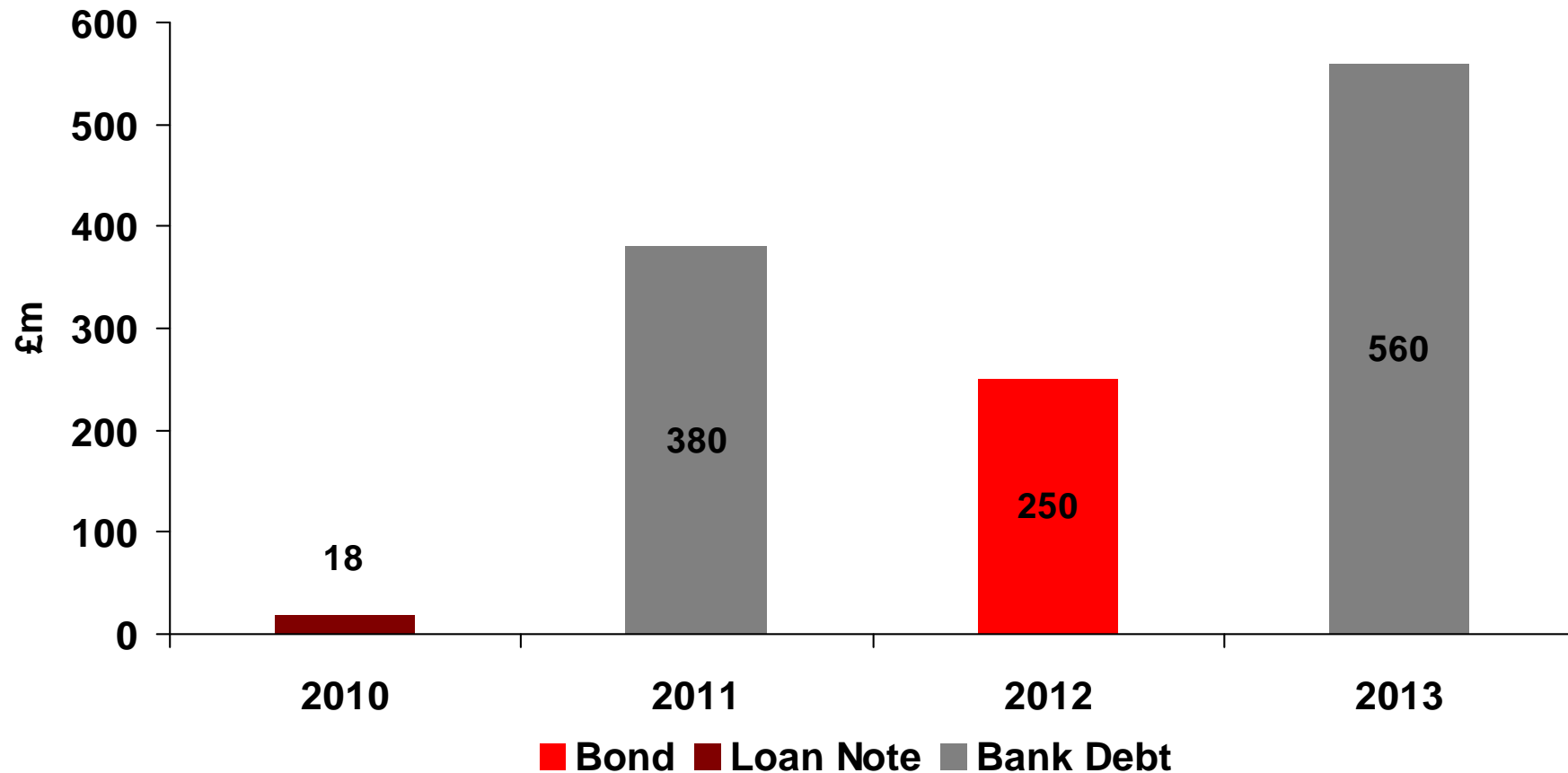
APPENDIX

8 October 2009

Key Dates

- Equity issue announced 8th October
- Prospectus published 8th October
- Nil Paid rights start trading 9th October
- Last day of acceptance / payment 23rd October
- Rump placing 26th October
- Dealing in new, fully paid,
ordinary shares commence 26th October

Debt maturity profile



Covenant thresholds

Ratios	Covenants	30-Jun-09
<ul style="list-style-type: none"> Net Debt/EBITDA <ul style="list-style-type: none"> Including HR Excluding HR 	<ul style="list-style-type: none"> 4.25x n/a 	<ul style="list-style-type: none"> 2.7x 3.7x
<ul style="list-style-type: none"> Interest cover <ul style="list-style-type: none"> Including HR Excluding HR 	<ul style="list-style-type: none"> 3x n/a 	<ul style="list-style-type: none"> 6.5x 4.7x

Covenants measured bi-annually – LTM basis
