

Ladbrokes bets on big push for foreign growth

Chris Bell was at home last Tuesday evening cheering on Arsenal. Against all the odds, the Gunners ran a merry dance around Real Madrid in their Champions League clash.

Bell had particular reason to celebrate. As chief executive of Ladbrokes, the bookmaker, he had taken an avalanche of bets on the Spanish club. Arsenal's 1-0 victory was good for the business.

Bell had more reasons to celebrate two days later. Ladbrokes' parent company, Hilton Group, announced the completion of the £3.3 billion sale of its hotel arm, leaving the company as a betting business, to be renamed Ladbrokes Group – with Bell in charge.

He will be joined on the board by long-standing colleagues John O'Reilly and Alan Ross as heads of e-gaming and European retail respectively. The former Bradford & Bingley finance director Rosemary Thorne will join Britain's leading bookie in the same role.

Bell scotches talk of taking the business private, despite takeover approaches from the likes of CVC Capital Partners, Blackstone and BC Partners.

„I am ruling it out,“ he said. „Today is our first day of being a plc. It's what I have always wanted to do.“

Bell insisted he was not interested in pursuing a buyout to make millions in the way his peers at his main rivals William Hill and Coral have done, but Ladbrokes shareholders might have something to say about it. Consequently, he has to demonstrate why the group has a bright future as an independent, quoted company, something the board tried to do

on Thursday when it announced financial results.

Some analysts were underwhelmed. In a note to its clients, Morgan Stanley remarked that the review „did not contain any fireworks“. But Bell outlined a vision that will set much store by international growth, to build on the groundwork he has laid with partnerships in Scandinavia and Greece.

The first sign of progress on this was the announcement of a consultancy deal with China Sport Lottery (CSL) in Beijing.

Bell said the prospect of Ladbrokes opening its own shops in the world's most populous nation was still some way off.

„It's part of the vision but it's not [on the agenda] for now. It is not something that will happen in the next few years.“

The United States represents the other big opportunity, particularly online. To date, Ladbrokes has resisted taking internet bets from American customers because online gambling is illegal in America and there were fears a backlash might affect Hilton. That could change after an internal review.

„No longer being part of Hilton makes it a little less complex, but it is still a complex issue. Sports betting is not a possibility, it's illegal. But gaming – casino games and poker – is a possibility and that's what we will be reviewing.“

Other than America and China, Bell is coy when it comes to pinpointing territories that might prove fertile ground.

„I will say that the focus is on Asia and on Europe. But I can't say any more. I haven't spent the past five years on aeroplanes to these places just so that our competitors can get out there first,“ he said.

The internet will also continue to provide a significant part of Ladbrokes' growth. The results showed that the e-gaming arm almost doubled its operating profits last year.

On the strength of Thursday's numbers it will need to. The fixed-odds betting terminals suffered a fall in gross win, while telephone betting made a loss. Executives continue to develop new online products, such as mahjong, and the launch of fixed-odds betting on financial markets.

After outlining a new capital structure, which will leave the business with about £1 billion of net debt, the question now is whether Ladbrokes will use its new independence to make acquisitions. Press reports have linked it with bids for rivals as varied as 888 Holdings, the online casino operator, and Rank Group, owner of Mecca Bingo.

Bell said he remained open to the idea. „If something comes up that we could buy at the right price, then we would buy it,“ he said. „If it's available at a stupid price, we won't. I haven't spent all this time building this business only to destroy it in a fit of megalomania.“