



Race Track Industry Program

**36th ANNUAL  
SYMPOSIUM ON RACING & GAMING  
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**A New Perspective on Racing — How Times Change**

**Speaker: Gerard Cunningham;** President, Betfair (US)

**Mr. Doug Reed:** Let's get started. I remember six years ago I met Ed Wray, one of the founders of Betfair, in New Zealand at the Asian Racing Conference. It was then I invited him to attend the 2003 symposium. The faculty and I thought it was a good idea, at the time, that the racing interests in North America should know something about their wagering platform and the exchange model.

Attendees that year might have viewed that as a threat or perhaps an opportunity, but either way the Race Track Industry Program felt like awareness was beneficial. So again in our effort to present, inform and educate, while providing an impartial forum without an agenda, we have invited them back. I for one am anxious to hear in what direction they plan to take in the North American market with their recent purchase of TVG.

To present what their plans are, we'd like to welcome Gerard Cunningham, President of Betfair USA. Gerard's career in marketing has included internet marketing, working for companies such as Land's End, Booz Allen & Hamilton in Asia and a number of technology start-ups. So please welcome this year's first presenter, Gerard Cunningham. Gerard?

**[Applause]**

**Mr. Gerard Cunningham:** Thank you. Now is this mic on? Great. Thank you and thank you, Doug, thank you for your kind words. And also thank you. I've met your alumni across the country, and this really is a great program that you have here, and we're very proud to be part of the sponsorship of it.

Let's — if I could just get straight into this, what I'd like to do is talk a little about the challenge for us in the horse racing industry. It's — we are facing a challenging time. I'd like to just get into that and talk with you all about it. Talk a little about Betfair, the company globally. Also talk about what we're doing here in the US and

where we're going. I'd also — we're going to wrap it up in time so you've all got the chance to ask some questions.

But, I'd love to start off with a little interactive effort, and if you guys could help me — could I see a show of hands? You know, how many hours a week do you think about horse racing? Ten hours a week? Twenty hours a week? Forty hours a week? Oh, I'm starting to see some hands now.

**[Laughter]**

Sixty hours a week? Eighty? Okay, more hands now. All the time? Okay. So this is a pretty special crowd. You know, and we do. I mean, I'm the same way. I mean, horse racing is how I make my living. I'm in the very fortunate position of making my living from a sport that is so much fun and so engaging.

Now I also spent many years working in the apparel industry. How many hours a week do you guys think about apparel? All the time? Come on, hands again. No, I've done this — you know, I worked for the apparel industry. I spoke to my colleagues about it, and obviously all the time was the answer to that. Then I also did this at Stanford University with a bunch of statisticians and professors there, and as you might imagine, their answer was never.

**[Laughter]**

They'd outsourced all of the thinking about apparel to their wives.

Now — and I just, I wanted to start there because that's an important context as we talk about horse racing. All of us in this room are not normal fans. We're in the very fortunate position that we've managed to make a living out of a sport that we love. For most players, horse racing is entertainment. It is all about how much fun can I have? How much can I enjoy myself? And bettors are hoping to win. They love winning. They love the excitement of winning, and they love the idea of winning more money. They love the idea that they've done the research, they've done the analysis, and they're winning.

Owners hope to break even. I mean, owners don't own horse races, except for people in this room, for a profit. They don't own horses for a profit. They own horses because they think that it's going to be fun. They hope to break even if they're lucky. Maybe they'll get to the Derby. But it's not — it's about entertainment.

I think that's really important. We are very privileged that the bettors and owners are paying for us. They're paying for the industry. They're paying for us, and they're doing it for entertainment. But that's a real problem, because they've got a huge amount of choices.

I've lived in the US for 15 years. This is my adopted home. My wife and kids are here. I moved to San Francisco 15 years ago. That was the first year we had the X

Games. I don't know if you all remember the first year with the X Games. We all got very excited when some guys put their backs on some skateboards and went down a hill on the new downhill luge. Very, very extreme. Very dangerous. That sport now is dead.

If you don't do a double back flip on a motorcycle in the X Games, you aren't trying anything exciting or dangerous. All of these sports, in the 15 years I've lived here, have gotten more and more aggressive about going after entertainment dollars. They've grown dramatically in 15 years. Alternative entertainment forms, fantasy sports — 24 million people are playing fantasy sports this year.

I can switch on my Direct TV, watch eight games at once, finish Sunday afternoon, have no idea what teams won, but gosh I know what players ran how many yards, how many yards were thrown. Very, very different experience than 15 years ago watching normal football on a Sunday afternoon.

Computer games. Modern Warfare came out a couple of weeks ago. I don't know if you guys saw it. Half a billion dollars in the first few days? That is bigger than Batman Returns — or was it Batman Begins? Guitar Hero last — earlier this year — came out with Guitar Hero 3. A billion dollars in three weeks — in three months. This is an incredible difference than 15 years ago.

Social networks. I updated some of this material from a presentation I gave six months ago, and it said social, you know, social networks. Facebook, 175 million users, 350 million six months later. Unbelievable that that is growing. If you're not all on Facebook, check it out with your kids, your relatives, everybody's there.

There's now nobody in San Francisco working on dot coms. There's nobody launching new websites. Everyone is building apps for social networks or for smart phones. iPhones, Blackberrys, Androids everywhere. Apps are the new website. The — I heard someone the other day say, "The internet is — websites are dead." I don't know if that's true, but gosh we're — it's a really different world when we're moving so fast on the internet that the applications are everywhere.

Online poker. Our customers are playing poker. 26 million of them are playing poker, even though it's not legal. I carefully said that because, you know, the laws are open to interpretation, but it is not clearly legal.

By the way, it may be possibly worse for us in the gambling business. There are better-value gaming options out there. We've got a 20 percent takeout, so my gambling budget for a given month, let's call it \$1,000.00. That is the amount of money I'm going to lose this month on purpose for my entertainment purposes. A 20 percent takeout means that it goes quicker than if I go to the slots; and they've only got an 8 percent takeout. I get more action, more entertainment, more fun by playing slots.

Now slots is not a great comparison. I don't have to do the analytical. I don't have to do the hard thinking that goes into handicapping horse racing. Casino card and

table games, 10 percent. Online poker, 5 to 10 percent takeout. Offshore horse racing books, offshore rebate shops, all of these much, much cheaper forms of gambling.

So is it any wonder that we're given all those entertainment options, and given the cheapness of these other betting forms, that we're not attracting new bettors to our industry? I hate to say it. We checked the pari-mutuel handle. We can all say that we're doing — we're shrinking because of the recession. I'm sure that's a big part of what's going on, but the handle actually was at its max in 2003. We've been shrinking ever since. Excuse me.

Demographics are against us. When we look at the age of customers betting, not just at the racetracks, and you've all been to the racetracks on a Wednesday afternoon and seen who's there. You've — when you look online, demographics are all there. Our customers are in their 50's. I'm sure our competitors are the same. Betting on horse racing is unfortunately getting less attractive.

Field size drives handle. We've got — we've now done this analysis in many countries, and I've just brought on board a PhD in statistics. She's done the modeling. Low and behold, here in the US, the biggest driver of betting handle on any given race is the field size, and the field sizes are shrinking.

Days of racing are being cut. It's very easy to say, "Oh, yeah, that's right, Gerard, so we know that we've got smaller field sizes; therefore, let's have less days of racing. Let's consolidate." We saw it in California. We lost Wednesdays earlier this year. All the tracks stopped carrying racing on Wednesdays. We did not make up the money at the weekend. The bettors didn't say, "I'll keep my money in my pocket, and I'll save it up for racing at the weekend, and I'll still spend the same amount." They went and did something else. We lost bettors by losing days of racing.

Unfortunately takeout is being raised in some states, which makes it less fun for bettors. They lose their money quicker. And racehorse owners, they're pulling back. I haven't seen the numbers for the whole country, but racehorse ownership peaked in California in 2003 as well. Purses are declining, making it harder for them to possibly break even, the thing that they want to do, and training costs are increasing year over year. Declines are occurring in sales, so owners and bettors are pulling back.

So, really, this is a tough time. We've got three choices it seems to us. We can hope that things will change. We can keep doing the same thing and maybe things will be different. In an industry shrinking at 10 percent a year, that to us seems — hopeful doesn't seem to — we want to be positive. We want to hope for the best? We don't think it's the right strategy.

We can talk about consolidation. Let's shrink. Let's make it less bad for the survivors. We won't all survive, but it'll be less bad for some of us. Okay, maybe that's the way to go. We actually think the answer is to innovate. We are very,

very, very open to dealing with any of you, partnering with any of you, to think about new ideas. My door is open to talk to any of you. I really mean it, about any new ideas that will grow this business. We would love to innovate.

I'm going to talk a little bit about what we've done and what we could do — what we could bring to the table, and let's just get straight into it. Because Betfair was born in horse racing. Ed Wray, Andrew Black, these guys are horse owners, horse — they now have a farm where they're breeding and training horses. They love this sport. We've been giving back to the sport as much as we can to help make it grow. I'll talk about the UK and how it's growing and how great the industry's doing now.

But first of all, I'd love to show you just a little video. This is the Breeders' Cup Classic. The video will show in the bottom left, and at the top you'll see the odds change. This is people betting in real time while the race is running, and we picked out four horses because they seemed to be the most fun in the race to see the odds change. Let me show you this and then — show you this video. I'll let it run now, and then I'll come back and talk about it a little.

Thank you. By the way, I was there and standing on the set right next to it. What an amazing, amazing even that was. I don't know how many of you were there. The crowd went nuts. Everyone forgot about their tickets and who they'd actually bet on as they all just wished Zenyatta across that line. It was just fantastic.

But you can see the betting, and I was actually out speaking. I had some colleagues from the UK. One of them was actually running the operations of allowing the betting to take place overseas on this race. He's got his monitor, and he's like Zenyatta's at 7 to 1 now. Of course what he didn't know is that's how Zenyatta always runs. She's always last, and then she always comes in.

But it was also just — if you saw the video, Rip Van Winkle ran a great race and then — and obviously was the favorite going in on the overseas markets, and then you saw Rip Van Winkle kind of slow down, pull up, and seem to go backwards through the crowd. This is people betting real time while the race is running. Very, very engaging. Very, very exciting. A lot of fun. They're not betting once on a given race. They're betting many, many, many times.

They're betting before the race starts. They're betting multiple times, so they have a viewpoint the morning of the race that a horse is good given the odds that they see. They place a bet. The odds change. They place another bet, and they lock in a profit. It's really exciting. It's really fun. It's really different.

Just a couple of words on what is a betting exchange. It's a no-risk, betting operator. We're like a pari-mutuel in terms of it doesn't matter on the betting exchange to us who wins. All we're doing is letting many people bet against many others. We have no interest in the outcome. It means that we can focus on the winning, on supporting our customers win. We've got no conflict in competing with them.

It's focused on the win and place markets. The one third of US — of the dollars bet in the US, one third is on win-place, two thirds is on the exotics. We're only operating in those win-place markets. It's a stock — it's like a stock exchange. This technology that we have, that we use to run the exchange, we could have pointed it at the New York Stock Exchange, and we could be running the New York Stock Exchange.

We've chosen to point it at betting, the place where we have the passion, and it is like a stock exchange. You can't bet unless you've got the funds. The bet only occurs when the funds are matched, and people hedge. They don't just bet once. They bet many times on any given race, and it increases the integrity.

I know that that is — the integrity thing is something people raise. What we actually do is bring a very, very sharp spotlight to the issues of integrity. We know who places a bet when, from where. We see what machine is actually being used. We link it up with the phone calls that are being made, because the police can bring in the phone records, and we can see exactly if someone is making a phone call to a jockey before a race; if the jockey is making a phone call to a bettor after the race. We keep track of every single transaction.

We've brought a sharp spotlight to integrity. To me, someone who hasn't lived in the UK for 20 years, it's now — it's been fascinating to start learning that horse racing is teaching sports like cricket and tennis how to have integrity in their sports in the UK, because horse racing learned how to operate with integrity under the regime of the betting exchanges. So it's a completely transparent environment, and we share the data with regulators.

We also — it's a very, very different demographic. Our customers are younger. They're not the average horse racing demographic. They're wealthier, higher income, homeowners and investors, internet savvy. These are different people who are coming to the sport.

There's been a lot of challenges around. Well, what's Betfair's impact been on the UK betting? Actually, it's been very positive. In the last 10 years, since Betfair's been around, the bookmakers have grown 10 percent a year. They've had no negative impact. We've brought new people into betting, they've benefitted.

Okay, what about the Tote? The Tote has also benefitted. We connected together our bettors, who are betting on the exchange, into the Tote a couple of years ago. The Tote grew 10 percent. The chief executive of the Tote is very — is full of praise for Betfair. We've helped his business grow, and the state of UK racing, you can go to [britishhorseracing.com](http://britishhorseracing.com). You can see the annual reports. You can check this for yourself. We've got more bettors, more owners, more meets happening, more starters, more tracks. The industry is vibrant.

It's fascinating to see, and the same is true in Australia. The Tote, I met the CEO of Tote Tasmania just a month or two ago. He is so positive about the impact that

we've had as we've wired together the Tote. What's happening is people are — bettors are looking for entertainment. They're looking for value. They see the odds on the Tote and they bet there. They hedge off on the exchange or vice versa. The Tote in Tasmania are up 27 percent.

A couple of words about the exchange technology. It is a big deal. We're very, very proud of our exchange technology. We are a sports company, a horse racing company. We're also a technology company. Of our 1600 employees, 400 are our software engineers. We've spent a lot of time and money over the last decade building the betting exchange technology. We've got data servers — data centers around the world. We're probably the largest internet company that the average person in the US has never heard of, and we process more transactions than all the previous years added together.

We're currently doing about six million transactions a day right now on the exchange, and this is real time transactions that are being settled instantaneously. We are the — if not the biggest, we're the second largest implementation of Oracle in the world, and doing more trades than the New York Stock Exchange. Billions of page views every single week, and we are a very, very innovative company who is on the cutting edge of these technologies.

The Queen, who I probably left behind a few years ago as I moved away, she's still very, very important to us. We've had Queen's Awards for Enterprise, for Innovation and International Trade. These are highly prestigious, highly sought-after awards in the UK. We're the e-gaming operator of the year. We've been company of the year, successive years, and the only one to do so multiple times.

We're very, very conservative. I don't know if any of you have spent time dealing with the casinos and the folks who run the casinos in Vegas. You'll find they're very, very conservative. They really do not want to even touch the edge of anything that is questionable, because they're in it for the long run. We're also in it for the long run. We operate legally in every jurisdiction. We didn't take any bets from the US even prior to the Unlawful Internet Gaming Enforcement Act, because it was gray, and we welcome regulation.

The regulators in the room, we have our head of global compliance here with us. Please make sure you do meet James. We welcome regulation. We want to work with you all. We seek transparency. We actually — I'll talk more about it in a moment — but we have a bet monitoring system and it is now live in two states here in the US. We want to work with governments to develop the appropriate legislation to protect bettors and to protect the operators.

When it comes to integrity, we actually are seen as one of the leaders in the country. We've tackled the integrity issue head on. We have a staff around the world who has come out of the organized crime squad, military intelligence, metropolitan police. These guys are serious about finding problems, and they find them and they solve them. We are — we take very seriously the regulatory compliance, as I said, but also knowing the customer.

Every year in the UK, there is a survey done by the British government to try and place bets by underage bettors. Every year they succeed in placing bets except with Betfair. It happens in the betting shops. It happens with all the online operators. We take the "know your customer" very, very seriously. We see no benefit from having underage or problem gamblers on our website. We want nothing to do with any concept of money laundering or fraud. We don't want any of those things. We see no benefit whatsoever and take it and try and wipe it out as much as we can.

This attitude has meant that we actually are trusted by regulators, and we have memorandums of understanding with more than 40 sports around the world. NHL, here in North America, is one of our partners because of their connection into Canada where betting on the NHL and other sports is actually allowed. But we are trusted by these regulators.

We believe in sponsoring events. I don't know how many of you have been to Ascot. We've got a huge relationship there. Down in Australia, Betfair Park, we've renamed one of the racetracks down there. We've been a sponsor of The World Series of Poker. We like to give back. We want the sports to do well, and we're dealing with Blue Chip partners on the gambling side; Harrah's and Crown, Goldman Sachs, Morgan Stanley, etcetera.

TVG, we acquired TVG back in January. It was very, very exciting for us. TVG, we see it as two different businesses. You've got Television Games Network, the television, the broadcast side that is driving wagering, and then you've got TVG.com, the business that actually takes the wagers.

The TVG culture is fantastic. The team there loves horse racing. They — the tenure there is long. People have been there seven or eight years on average, and they're completely in love with the sport. They were the first ADW. I've been speaking to the folks in Oregon who wrote the laws and helped put the laws in place. We were there — TVG.com was there right at the beginning, and they've got a very conservative regulatory stance that mirrors our own or Betfair's own. We only take — we only operate in 17 states right now.

Television Games Network is phenomenal. I'm still every day excited and blown away by what they do. They do more live sports broadcasting than any other broadcaster in the world. No one else does up to 18 hours a day of live sports. No one. It's an amazing operation. They're in 32 million homes all day, every day, and up to 72 million homes at the weekend as we focus in on key races and broaden the distribution out to our local partners.

TV does drive wagering. There's, you know, we came into this — we believe in TV, but we didn't know we needed the mathematical proof. We are now — it's just, it's not a discussion with us anymore. We've completely proven that TV coverage drives handle, and we make the coverage decisions based on a mathematical model to maximize revenue, not maximize handle. Maximize revenue because obviously

state by state, track by track, we've got different deals, and we need to maximize the overall revenue. The terms of the deal, number of horses in the field, as I said earlier, drives the handle.

These are the key things that drive that model, and it's incredibly expensive. These are some shots of the studio. All of you, open invitation, come see us anytime. Come visit us in LA. We'd be delighted to give you a tour. It's a fantastic set up. It is world class in its operation. This is just some pictures on the top of the sets; the audio control booth, the director control room. We've only got the satellite in the top left and the top right we've got the satellite inbound/outbound to control rooms, as well as the graphics and the data center. This is all TV. We've got a completely data center for TVG.com. I'm not sure that the industry really understands how much TV drives handle or values it as much as we do. It's an open question.

Our principles that we're running the US business on harken back to the UK, as you might imagine. Harken back to Betfair, but also are based on our knowledge and learnings here in the US. Customers come first. Bettors and owners are the customers who are funding the industry, are funding us, so we need to focus on them and delight them.

We can't do that alone. We want to partner with all of you in the industry to seek mutual benefits; to help this industry do better; and we are going to remain regulatory conservative. Over the last year, we've — some select highlights. Community.tvg.com, I don't know if you've seen it. We've launched a community. It's only now three months old. It's incredibly vibrant, incredibly vibrant. Vibrant is code for it's a little bit — people are a little bit excitable. Don't go on there with expecting to be loved by everybody. Bettors are very passionate people, and they're very — they're showing their passion online.

It's been very, very fun for me to see the engagement that people have brought to this. We ran a 24-hour global betting event. We will try to do more of those. So we started the racing in Europe, came to the East Coast, the West Coast, and then headed off to Japan, Australia, Singapore, and we kept the betting going all night long with TV support all night long.

We've also insured all customer deposits. I don't know if you're aware, last year a racetrack went out of business. They lost — with \$500 million of — sorry \$5 million of customer funds. Customers lost those funds. They went out of business, there was no coverage. We take customer protection very, very seriously. We're the only company that we know of, in the USA, that has insured our customer funds so that no matter what happens to us, our customers are completely safe. The other example I would actually give is poker. I think it was \$32 million of customer funds were seized just a couple of months ago by the government, so we wanted to make sure that we're the absolute safest place for customers to be betting.

We're trying to encourage ownership. We still don't know how to do this. We're still learning, still researching how to do this. We have given away shares in

horses. We think just that grassroots level, getting people excited about owning horses. Again, open to ideas. Love to hear ideas from you all. We want to encourage ownership. We're talking to the NHBPA, the TOBA, to try and come up with ideas. We want to do this. We want more owners.

Then we launched — I don't know if you noticed, it was a little bit — we launched it two days before the Breeders' Cup. So it was a little lost in the noise of Breeders Cup, but we — but TVG is now available on 19 million Sirius and XM satellite radio receivers. Go find us there.

On the industry side, we've signed a three-year deal with Claiming Crown. We really believe in long-term deals if we can get them. It means that we can partner with the relevant organizations to promote those events, and it's fantastic to be working with the NHBPA and TOBA and Claiming Crown. We're equally excited about Breeders' Cup. It was fantastic to go into this year's Breeder's Cup with a three-year commitment and, right now, know that we can plan for next year and the year after and make those events even bigger.

NTRA, thank you NTRA. They did a great job at this postponement of UIGEA. It was a big deal for us, and I'm very, very glad that NTRA was on our side and was able to actually broker that deferment. Then we've also started revenue sharing from international wagering on US tracks, both Tote and exchange. We've been signing deals, and we'll keep signing deals in partnership with the tracks and horsemen.

Then on the regulatory and integrity side, we are licensed and launched in Illinois. That was a big deal for us this year, and the bet monitoring system is now operational in Virginia and Oregon. We've got on the regulator's desk complete transparency, anonymized that they can see every bet that is taking place on TVG.com, and it's available to any state that wants it. We think this is a great way to provide transparency.

Going forward, our focus has been and will remain on growing the core TVG.com business. That is the platform that we need to build. We will be exploring and entering new states. We'll be seeking regulation where we can get it. We are working actively on new product features for the website. We are working on new promotions to encourage horse ownership and new bettors to come into the industry. We would love to be exploring with you all the betting exchange. We think that it is an innovative way to attract new bettors and innovate and energize the industry. We've seen that it worked to energize the industry in the UK.

I'd just like to make the point that it only impacts 5 percent of all wagering. Online wagering is 15 percent of the total of the US business. Of the US business, one-third — only one-third is win-place-show. We're talking about 5 percent of all wagering. We're talking about bringing in new people, and my concern is that if we don't do this, I don't know what the future looks like for us in horse racing. The industry is shrinking at 10 percent a year. There is nothing that I'm seeing right now that is suggesting that that will change.

Hope is great. I am a hopeful guy. I'm an optimist. I also like to plan for the worst. Right now, I don't know that doing what we did last year is going to help us all. Consolidation is not growth. I've spent time with companies who've been shrinking their way to greatness. It doesn't work. All that we do is then shrink us — shrink again the following year with again more promises about how it's going to be great in the future. Shrinking your way to greatness, in my experience, has not worked. Let's try something new.

The betting exchange may or may not be the right answer. We are here to work with you all. I'd love to be partnering with any and all of you to find innovative new ways to help grow this business. On the other hand, betting is the one thing that we have that other sports do not have, and the betting exchange is the one thing that we've seen has worked overseas. I'd love to be working with you all on that, and I'd love to become the envy of other sports. You can imagine what it's like. You saw the in-game betting for the horse race. Can you imagine betting on a basketball game in-game. We would be the envy of other sports with that.

That was all I had to say. I'd love to throw it open and answer any questions that you all may have.

**Audience Question:** It obviously as been — Good morning. Thank you very much for a [inaudible] presentation. You're a great organization. What you've told us here is fascinating. I certainly think a move forward in the future. However, one thing you haven't really shown us, and this is something. I am president of a bloodstock company based in Middleburg, Virginia and have participated through my career in this country, which has been 35 years, from everything from being an owner to a breeder, everything in between. The thing that drives this industry is the gas that drives the engine is money.

We all know and you mentioned that the expenses of racing are increasing in some states. Now I tell you it's increasing everywhere. We all know that, and unfortunately the money that's coming back into racing is getting less and less, and eventually if there's not more of it, it's going to kill the goose that laid the golden egg. It's rather like this business of a rancher producing a cow that's going to be eaten by somebody as a steak. I have been a rancher. I eat the steak. I've seen the middleman, in the middle, his piece of the action has increased and increased and increased that it's getting to the stage that I can't afford to eat the steak, nor can I afford to raise the cow.

That's what's worrying me about this industry, and I know a lot of people as well is how much are you putting back into it, and are you going to kill our industry by increasing the internal takeout, so to speak, so that eventually it'll just disappear?

**Mr. Cunningham:** So if I can — let me just break that apart a little. First of all, we need more owners and bettors. Those of us in the room, as I started off the presentation, we are very fortunate that we are managing to make our living in the sport that we love. We are not typical. We need more average owners and

bettors. We need more people coming in, and we need more money coming in from the owners and bettors. We can't look at only ourselves.

Secondly, I've been in enough discussions to know that it's very easy for people to start talking about "How do we split the pie?" I've been in conversations where people are getting incredibly heated about half a percentage point, a quarter of a percentage point, and the debate is going on. Then you actually do the math, and you say, "Oh, we're actually talking about \$5,000.00." So there's a real problem that we're not talking growth. We're not talking in bringing in new owners and bettors. We're talking about how do we fight over the pie? And that's a real problem that I can't solve. We can only solve that together by focusing on growth.

The third point, that I think you're making if I can extrapolate, was that the betting exchange has got a much lower commission. That's a very different model than we're used to. Agreed, it's a very different model. But, we go back — and let me for the population of the audience, let me just talk about it a second. The way that the betting exchange works is we do not take a cut on every single bet. We believe that taking a cut on every single bet actually deters betting. What we do is we take a cut based on the overall winnings, your net winnings at the end of the day. So you may have bet five or six times, and then we — you've won some of those bets, you've lost some of those bets, and then we take a commission at the end and that commission is what gets spread.

The volume of betting that we're talking about is dramatically different than betting on the exchange. It is the same kind of comparison as those of us who own stocks versus those of us who are in the world of owning derivatives. The volume bears no relation. Yet, the amount of money at risk is the same. At the end of the day, the bettor loses the same amount of money.

The bettor has got a budget for entertainment, and they lose that amount of money. That amount of money is what we all need to be focusing on, and that is what needs to be split up. The actual amount of commission, how it gets structured on an individual bet, for me is not relevant. What is relevant is how much money at the end of the month, at the end of the year is collected and how that gets distributed. What we're seeing in the UK is that the industry is growing and is vibrant and has been helped by the betting exchange as we've brought in new people, new bettors to the industry.

Any other questions or thoughts? Going, going — then thank you all very much. It's absolutely an honor to be here and I'll be here all week.

**[Applause]**