

William Hill PLC

Proposed acquisition by Ladbrokes plc (**LB**) of Gala Coral Group (**GCG**)

Response to the CMA's Statement of Issues (**SOI**) and LB's Initial Submission (**IS**)

I. SUMMARY

- 1 WH broadly agrees with the CMA's analysis of the key issues in its SOI and fundamentally disagrees with the two core conclusions which the Parties draw in their IS. The merger will reduce competition for betting and gaming in LBOs at both a local and national level. Online betting and gaming is not a simple shift from retail, as the parties assert, without evidence and its emergence does not change that conclusion.
- 2 To a large degree WH has already anticipated and addressed those theories of harm in its initial submissions to the CMA. WH has therefore confined itself to brief comments on the CMA's theories of harm, as well as addressing points that are raised in the IS.

Retail and online are discrete markets

- 3 Online betting and gaming has categorically not "fundamentally *altered the competitive dynamic in retail*" (IS, paragraph 6.1(a)).
- 4 Nor is any part of the retail channel "*in structural decline*" (IS, paragraph 2.3).
- 5 The evidence, including that from LB and GCG's own documents, demonstrates that:
 - (a) Retail LBOs have remained resilient, even as online betting and gaming has grown. The assumption made in the IS, that online growth has been at the expense of retail, is not borne out by the evidence;
 - (b) Only a limited group of customers use both channels. For those customers, the channels complement (rather than compete with) each other, just as customers buy alcohol from both pubs and off-licences; and
 - (c) The parameters of competition are different for each of the retail and online markets. Pricing, the available products/product mix and the service characteristics valued by consumers broadly differ.

Significant parameters of competition between the Parties are determined nationally

- 6 The CMA has recognised, in its ToH 3, that the merger may harm competition at a national level. In that context, it has expressed an interest in the extent to which parameters of competition are varied at national (as opposed to local) level and how national drivers of competition, such as innovation, might be affected.
- 7 The Parties concede that to a great extent, there is little ability for bookmakers to compete on price at a local level (IS, 4.11 and 4.12) given.

- 8 At paragraph 4.7 of the IS onwards, the Parties argue instead that "*customers care most about location, customer services and the shop environment.*" Despite arguing that they are key parameters of competition, the Parties present no evidence on whether customer services and the shop environment are determined at a national or local level.

The Parties understate the impact of the proposed transaction on competition, particularly in relation to gaming

- 9 As part of its considerations on ToH1, the CMA has sought to test the extent to which the gaming offering in a LBO is constrained by other gaming venues (such as casinos and AGCs). The Parties' IS asserts that this is the case but does not appear to provide evidence of a constraint. The CMA should test for evidence that in practice bookmakers do in fact monitor B3 RTPs offered by nearby AGCs and casinos and that they alter prices accordingly. WH's own experience suggests other gaming venues are not a significant constraint. Specifically:
- (a) It is important to LBO gamers that they are also able to place OTC bets as part of the same visit which cannot be done outside of an LBO setting;
 - (b) Casinos and AGCs are a weak constraint in their own right.
- 10 Finally, WH considers that the IS considerably underplays the level of existing competition between the parties in retail gaming. As indicated further below contrary to the impression given in the IS, a significant proportion of revenue from gaming comes from non-fixed odds games and underplays the extent to which there is competition in bonuses/free spins and indeed in flexing the RTP for FOBT slot games or similar. As such, the impact of the proposed transaction will be greater than they describe.

II. MARKET DEFINITION

The Parties have not demonstrated that changes in retail price lead to customers switching from retail to online

- 11 Paragraph 16 of the CMA's SOI sets out the CMA's test for determining whether online and retail form part of a single market namely:
- "what percentage of retail customers would switch to the online channel in response to a small but significant and non-transitory increase in price and whether the profit lost on sales to these customers would be sufficient to make this price rise unprofitable"?*
- 12 Importantly, evidence of customers switching channels over time is not evidence that customers substitute between them in a way which would suggest they are a competitive constraint on each other (or, ultimately, that they form part of the same market).
- 13 If, as the Parties argue, there is a clear movement of customers from retail to online in response to each other, you would expect to be able to show movement of customers from retail to online when circumstances change. For example, the CMA could look to see whether retail shop closures prompt customers from that immediate area to try switching to online. WH has been unable to identify such patterns from its own data.
- 14 In arguing that switching takes place, the Parties have put forward particular arguments in relation to gaming and also sought to draw inferences from the introduction of SSBTs. Both are addressed below.

Gaming

- 15 At paragraph 5.2 of the IS, the Parties suggest the proportion of all regular retail only gamers is relatively low and falling. At paragraph 5.5 they continue that "*the evidence indicates that if anything, retail gaming is even more constrained by online alternatives than retail betting.*"
- 16 WH has seen little or no evidence to support this. It has launched a considerable number omni-channel releases in 2015, [§<]. Games that perform well in shops are quite different to those that perform well online.
- 17 For example, a number of WH's best performing retail games are [§<]¹
- 18 By contrast, [§<]

The advent of SSBTs demonstrates a focus on self service, not the growth of online

- 19 At paragraph 3.9(a) and (b), the Parties argue that the introduction of SSBTs are "*a direct response to the penetration of online betting.*" This is misleading.
- (a) First and foremost SSBTs have been driven by the demand for an expanded range of products in the retail environment, which cannot be accommodated on legacy LBO IT infrastructure. There is some efficiency in using the technology/infrastructure that has been developed for online, but the driver is to provide better options for retail consumers, not to hold business in store that may otherwise go online;
- (b) In any case, SSBTs are *not* integrated with the online channel. WH understands that the Parties' SSBT odds are controlled by a third party SSBT supplier (BGT), rather than the Parties themselves. SSBT odds in LB and GCG, therefore, do not necessarily reflect their online or retail propositions.

Little switching would take place because, for the limited group who use both channels. online and retail complement, rather than compete with, each other

- 20 WH provided a considerable amount of evidence in its Initial Submission, in support of the proposition that:
- (a) Online and retail are used by different customer profiles (or where the same customer uses both channels, each channel is used for different purposes);
- (b) The key priorities for customers in terms of what they look for are different for LBO and online; and
- (c) Online and LBOs display quite different product mixes.

Retail and online are complements rather than substitutes

- 21 In the same way that the sale of alcohol through off-licences *complements* (rather than competes with) the sale through pubs and bars, retail and online betting and gaming complement (rather than compete with) each other to a large extent.
- 22 Although both channels offer the ability to bet on largely the similar events, relatively few customers use both channels and those that do use both tend to use each for quite different reasons, on different occasions. In particular, as described by David Steele at WH's hearing with the CMA on 3 February 2016:

¹ [§<]

- (a) LBO betting is often social, rather than event led. This can be seen from the different peaks in betting times:
 - (i) Online betting will tend to peak at the start of a race or match; whilst
 - (ii) Retail betting peaks during lunch hours.
- (b) LBO betting and gaming allows for anonymity of the transaction as it can be made in cash – so punters may choose an LBO when that is particularly important to them.

23 By way of example, [REDACTED]

[REDACTED]

24 By contrast, [REDACTED]:

[REDACTED]

25 Further, WH has previously submitted customer research² which evidences that:

- (a) Currently, customers perceive the retail and online offers as completely separate businesses;
- (b) For customers that use both channels, the two channels have distinct benefits and weaknesses, therefore being appropriate for different situations;
- (c) Strategically, WH has [REDACTED]; and
- (d) [REDACTED]

Such complementarity is driven, in part, by different customer priorities

26 WH has previously described in detail how online and LBOs are used by different customer profiles. The barriers to online usage are also set out in Figure 3. For example, Figure 3 indicates that 42% of solus retail gamblers find LBOs convenient, 38% prefer to receive winnings in cash and 35% prefer not to give their details online (in addition to 31% who are concerned about fraud and 22% who believe it is not safe to bet online). It is also worth noting that, according to Kantar, 12.5% of WH's retail customers still do not have access to the internet. In all, it is clear that the convenience of a betting shop, access to cash winnings, anonymity and the ability to better control gambling expenditure are significant barriers to online usage.

Figure 3: Q4'15 UA Report- cross channel focus amongst regulars

² Report by [REDACTED]

How to Read: 31% of Retail Gamblers who have not gambled online in the last 12 months say they are worried about the possibility of fraud.



BARRIERS TO ONLINE GAMBLING



6 Source: U&A Tracker Q4'15: R19. You mentioned that you do not gamble online. Which of the below explain why you do not gamble online? Base: Total Solus Retail Gamblers (353)

In any event the Parties' figures over-represent the degree of cross-channel participation

27 In its Initial Submission, WH provided detailed statistics on [REDACTED]. Against that background, it notes the Parties' assertion (at paragraph 1.3 of the IS) that:

"of customers who started betting in a retail shop, a large proportion of them (44-56%) now use online channels at least once a month."

28 The footnote to that assertion (IS, footnote 2) suggests that the data comes from an online survey. By contrast, at paragraph 3.14, the Parties suggest that their in-store survey suffered from *"framing bias away from online substitution."* It seems unclear why drawing conclusions from an online survey, about the diversion from retail to online, does not suffer from precisely the same kind of framing bias. In particular, unless a survey is actually carried out in-store, it will not account for those customers which are put off online as a result of the barriers described in Figure 3, above.

It is misleading to suggest (as the Parties do) that online and retail odds are comparable

29 At paragraph 3.6 of the IS, the Parties suggest that:

"In football, the odds are comparable on those selections in the higher leagues where the majority of staking takes place. This parity on odds reflects the greater visibility of "true prices" for bookmakers and also the increased transparency of odds for customers, many of whom regularly check odds online."

30 WH contests the level of price parity between online and retail claimed by the parties. It provided a detailed explanation of this in its Initial Submission, so will not replicate it here. In summary, however:

- (a) The two typically bet in football to different overrounds ([REDACTED] in online, which is close to a [REDACTED] margin and [REDACTED] in retail, which is close to a [REDACTED] margin);

- (b) For the vast majority of football bets, online odds will be considerably more favourable than those in retail; and
- (c) Even on horse racing and greyhounds (where the odds for most bets are out of the hands of the operator), the margin still differs between online and LBOs through the use of "best odds guaranteed" promotions in online markets.

The retail channel is not (as the Parties suggest) in structural decline, at the expense of online

- 31 WH's Initial Submission demonstrates in detail that online represents a discrete revenue base, the growth of which has not been at the expense of retail.
- 32 By contrast, the Parties' describe:
 - (a) a retail business in *"structural decline, as it struggles with the twin pressures of responding to competition from online operators and regulatory changes."*³
 - (b) *"a significant decline in their retail sports betting turnover"*;
 - (c) a 7% decrease in OTC sports betting gross win from 2009 to 2014; and
 - (d) how *"growth in machine gaming revenues, which until recently counter balanced these declines, has now plateaued."*
- 33 WH was particularly surprised to read these statements, because they appear to directly contradict its own results, as well as the investor presentations of both LB and GCG. It has set out those details, below.

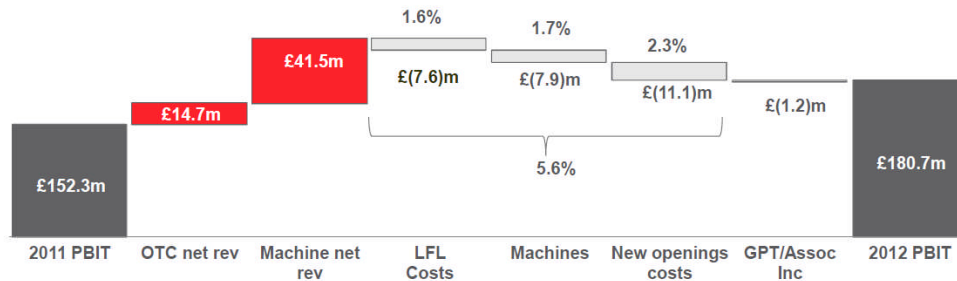
LB's 2013, 2014 and 2015 Preliminary Results Presentation to investors show growth in all areas of retail

- 34 LB's Preliminary Results Presentations on 21 February 2013 (provided at Annex 1) make a number of very clear statements which contradict its IS:
 - (a) LB is *"Investing in retail"* and *"continuing to grow retail profit"* (page 2);
 - (b) *"Retail drives strong profit performance – up 8%"* (page 5);
 - (c) *"UK Retail up 18.6% driven by OTC and machines"* (page 5);
 - (d) *"OTC benefiting from strong sporting results, particularly in Q4"* (page 6);
- 35 Indeed, page 6 of that presentation (reproduced in Figure 4, below) makes it clear that, in the UK, both LB's OTC and gaming revenues have seen substantial growth, of £14.7m and £41.5m respectively.

³ LB Initial Submission, paragraph 2.3.

Figure 4: LB 21 February 2013 Investor Presentation Chart, at page 6

UK RETAIL GROWTH ACROSS BUSINESS, COSTS WELL CONTROLLED



36 The 2014 Preliminary Results (at Annex 2), equally, did not tell the story of a channel in structural decline:

- (a) "2014 – Lower growth expected in UK betting shop market" (page 9);
- (b) "UK Retail expansion complete" (page 17); and
- (c) "UK Retail – net revenue flat" (page 5).

37 The 2015 Preliminary Results (provided at Annex 3) describe recovery and continued expectations for growth:

- (a) "UK: Increase footfall in retail" (page 5)
- (b) "2017 targets: Net revenue per shop > FY14" (page 6)
- (c) "Gross win margin: 16.2% (-0.2ppts) with a strong finish to the year" (page 10)

Recent LB Investor Presentations focus on growth of retail revenues and gross win (including OTC)

38 As can be clearly seen in Figure 5 (from 2013) and Figure 6 (from 2014), below, LB has previously been quite vocal about the growth in revenues and gross win it has achieved in recent years, in both the OTC and machine segments of the retail channel. FY 2013 saw strong growth in both segments. FY 2014, whilst it did not show the kind of growth of the previous year, was stable and a long way from a channel in "structural decline".

Figure 5: LB 21 February 2013 Investor Presentation Chart, at page 8

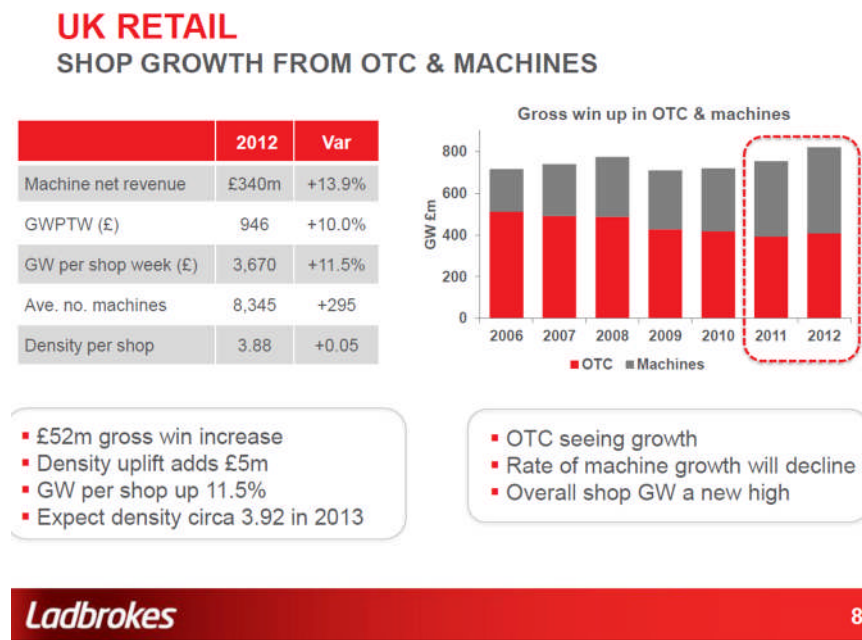
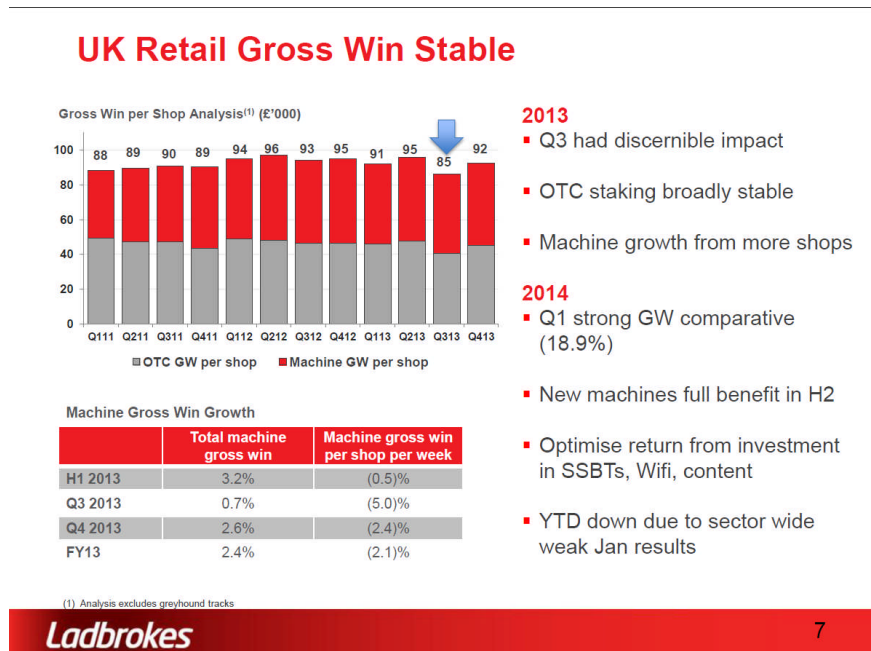


Figure 6: LB 25 February 2014 Investor Presentation Chart, at page 7



39 Similarly, the 2015 Investor Presentations emphasise plans for continuing growth in retail:

"Strategy for 2017 based on four key pillars:

UK: Grow recreational customer base

UK: Develop Multi-Channel

UK: Increase footfall in retail..." (page 5)

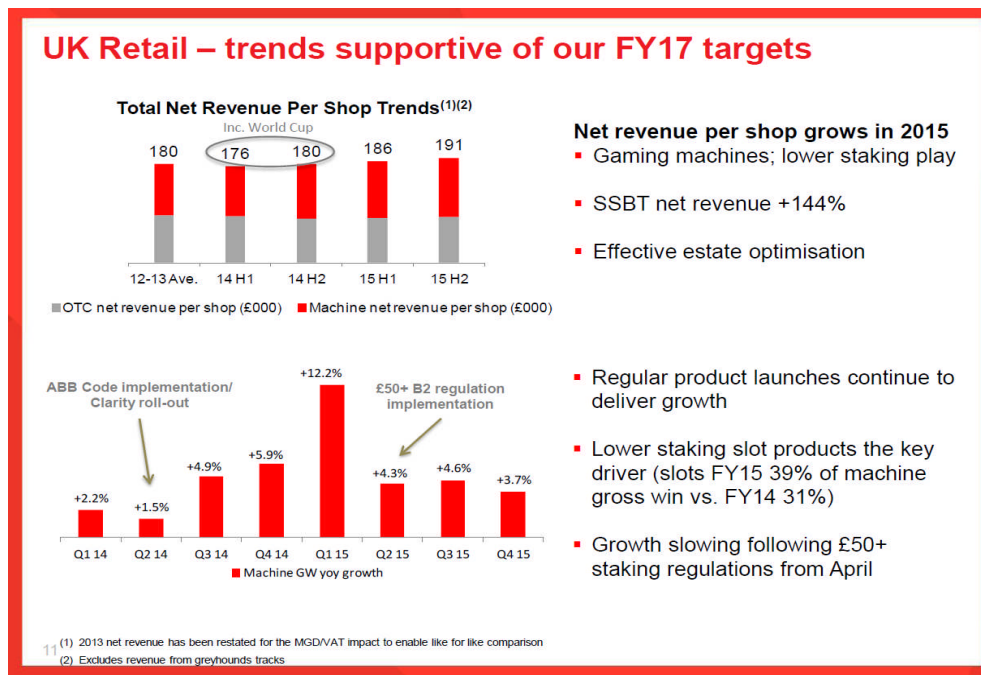
- 40 This is reflected in KPIs which clearly target and show good progress towards revenue growth in retail:

Figure 7: LB 23 February 2015 Investor Presentation Chart, at page 6

	2017 Targets	2015 Performance	2014 Actual
UK Retail	Net revenue per shop ⁽¹⁾ > FY14	£377k	£356k
	EBIT per shop ⁽²⁾ > FY14	£51k	£42k

- 41 The trend set out is one of improvement, not structural decline:

Figure 8: LB 23 February 2015 Investor Presentation Chart, at page 11



- 42 Ladbrokes' commitment to the High Street and to retail growth are unequivocally stated in a BBC Breakfast interview of its Chief Executive Jim Mullen on 23 February 2016:

"There is no intention to close shops at Ladbrokes. We have an ongoing closure programme, I think it will be roughly 20 shops this year, which is basically due to leases running out but we are investing in a retail estate and we are basically a fan of the UK high street."

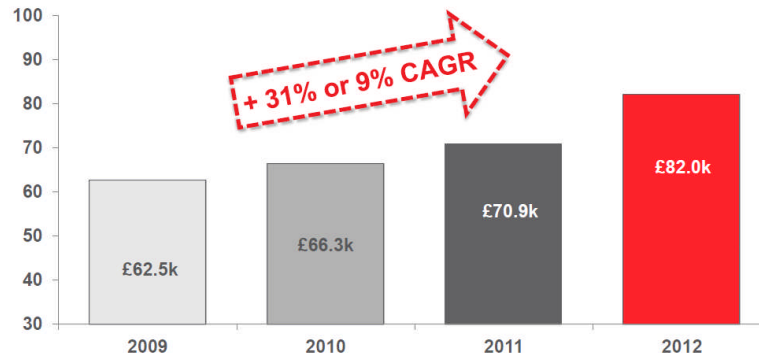
Recent LB Investor Presentations also show clear profit growth in the retail channel

- 43 Recent LB investor presentations also show a clear upward trajectory in profit per LBO over a number of years.

Figure 9: LB 21 February 2013 Investor Presentation Chart, at page 9

UK RETAIL

PROFIT PER SHOP GROWTH FOR LAST 3 YEARS



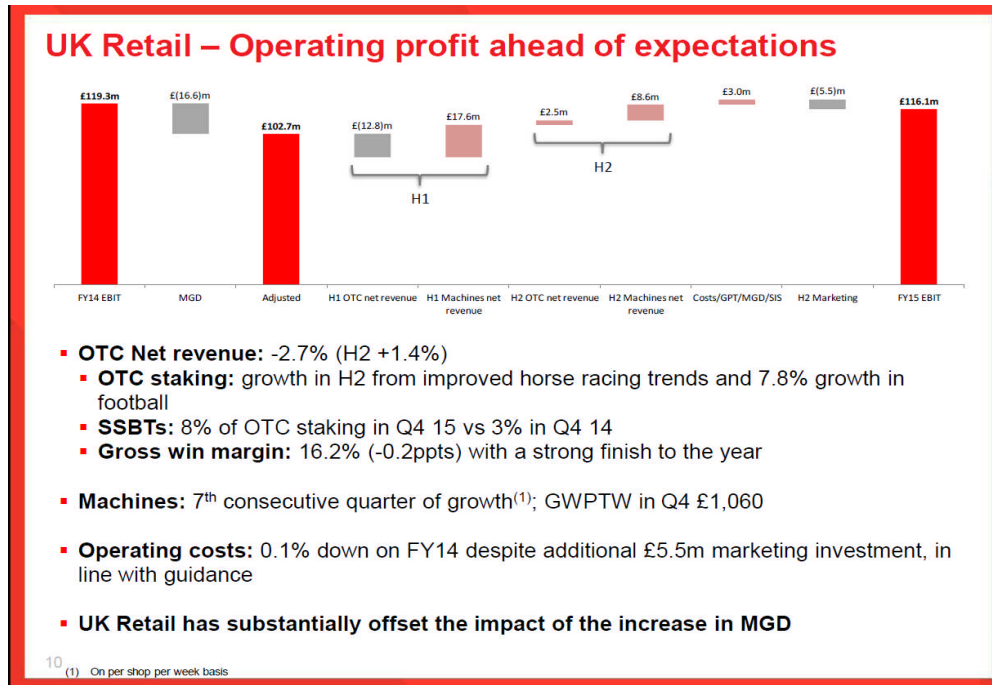
In 2010 excludes impact of the £6.7 million VAT credit (£3,200 per shop). Analysis excludes greyhound tracks and income from associate.

Ladbrokes

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- 44 LB's most recent 2015 presentation shows a rapid recovery of retail profitability from the impact of the introduction of Machine Gaming Duty:

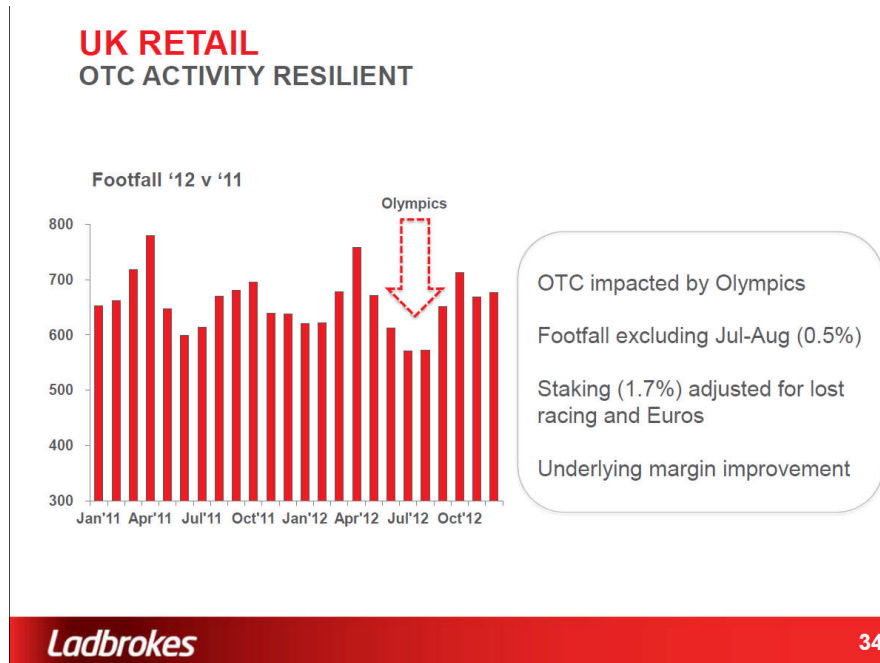
Figure 10: LB 23 February 2015 Investor Presentation Chart, at page 10



Recent LB Investor Presentations clearly demonstrate the resilience of the OTC segment in retail

- 45 Finally, LB's investor presentations show a clear belief in the resilience of the retail channel and in particular OTC betting.

Figure 11: LB 21 February 2013 Investor Presentation Chart, at page 34



GCG's OTC business has been equally resilient in recent years

46 GCG's Annual Reports⁴ tell a similar story of a resilient OTC business, at odds with a channel in "structural decline". Some excerpts include:

- (a) "Resilient performance by Coral Retail – gross profit 3% up" (2014, page 3);
- (b) "OTC stakes were £37.1 million or 2% behind last year but £0.7 million ahead excluding the impacts of the World Cup and a large staking individual in the prior year. Staking levels in the second half of the year were particularly encouraging, growing 3% year-on-year (excluding the World Cup). (2015, page 4)";
- (c) "Machines net revenue was £14.0 million or 4% ahead of last year. This was despite the introduction of the DCMS high stakes restriction that was implemented in April, which is estimated to have adversely impacted net revenue by 5% and is not expected to improve. Machines gross-win-per-machine-per-week increased by 3% to £986, driven by an increased range of exclusive slots and multichannel content. B3 slots now account for 31% of Machines gross win." (2015, page 4).

⁴ <http://www.galacoral.co.uk/~media/Files/G/Gala-Coral/reports-and-presentations/quarterly-report/q4-fy14-accounts.pdf> and <http://www.galacoral.co.uk/~media/Files/G/Gala-Coral/reports-and-presentations/quarterly-report/financial-results-q4-2015-accounts.pdf>

Figure 12: GCG KPIs, taken from GCG Annual Reports 2014-2015

Coral Retail KPI	FY13	FY14	FY15
Average number of LBOs	1,764	1,821	1,843
Average number of machines	7,029	7,258	7,352
OTC gross win (£m)	310.2	309.0	294.7
Machines gross win (£m)	339.2	361.0	376.8

WH's equivalent figures show a similar picture of resilience for OTC retail

- 47 WH's equivalent figures also contradict the Parties assertion that the retail (and OTC in particular) is in structural decline, as can be seen from Figure 13. [REDACTED].

[REDACTED]

- 48 Further, our internal analysis of Ladbrokes and Coral accounts over the period 2010 to date shows [REDACTED], as set out in Figure 14 below. The Parties may therefore be misattributing poor performance of their retail estate to the growth of online, where in fact, they may simply have been losing out competitively to WH and other operators such as Betfred and Paddy Power.

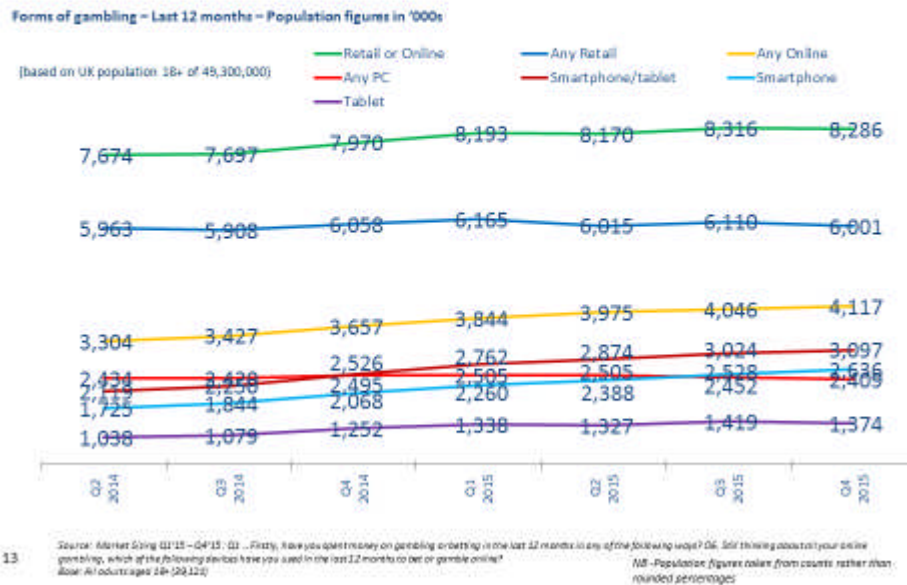
[REDACTED]

Kantar data for the overall sector tells a similar story

- 49 Figure 15 indicates that between Q2 2014 and Q4 2015 the number of customers using a betting shop remained relatively stable at c.6m. Conversely, the online market increased from around 3.3m users in Q2 2014 to 4.1m users in Q4 2015. It is online customers which are driving growth in overall customer numbers. In other words, the growth in online was not at the expense of retail.

Figure 15: UK market size, by channel, last 12 months (Kantar)

UK MARKET SIZE – BY CHANNEL – LAST 12 MONTHS



- 50 The Parties' insistence that retail is in decline is at odds with the available evidence, from that of their own businesses, WH's data and Kantar data. As recently as this week, Ladbrokes' Chief Executive, Jim Mullen, was interviewed on BBC Breakfast expressing a continuing commitment to investment in retail and the High Street. Indeed, a belief in the structural decline of retail is also somewhat at odds with their pursuit of this merger, which remains, at its heart, the combination of two large scale retail businesses. The IS (paragraph 2.6) explains that the rationale for the deal is to accelerate growth in their online propositions and create a more sustainable retail estate. However, it is difficult to see, based on their submissions, how the combination of two retail businesses accelerates online growth.

TOH 3: NATIONAL COMPETITION

As the Parties appear to acknowledge, key parameters of competition take place nationally

- 51 ToH 3 of the CMA's SOI recognises that the merger may harm competition at a national level. In that context, the CMA expresses an interest in the extent to which parameters of competition are varied at national (as opposed to local) level, as well as how national drivers of competition (such as innovation) might be affected by the proposed transaction.
- 52 In its Initial Submission, WH provided evidence for its view that, despite local market characteristics for LBOs, significant parameters of competition between the Parties are still determined nationally.
- 53 At paragraph 4.7 of the IS onwards, the Parties also appear to acknowledge this, arguing that "*customers care most about location, customer services and the shop environment.*" Despite arguing that they are key parameters of competition, the Parties have not been able to substantiate that competition at a local level on customer services and the shop environment. WH does not believe it is possible to do so
- 54 WH suggests this is because customer services and the shop environment are both driven centrally, influenced by CAPEX decisions on innovative new features or improvements (such as gantries, wifi access, visual content and SSBTs). Although the Parties argue they can flex their CAPEX expenditure locally on a defensive basis (paragraph 4.24), [3<]. It therefore

encourages the CMA to probe how many times the Parties have flexed their CAPEX (and the associated parameters of competition) on a local basis and test the latitude shop managers (or others) are given to change expenditure at a local level and how such decisions are made. WH's own experience is [REDACTED].

- 55 These parameters of competition put more pressure on independents to compete effectively. Very recent press pieces report Chisholm Bookmakers flagging up rising media rights costs as a factor in their loss making accounts.

TOH 1: LOCAL COMPETITION

- 56 WH has already engaged with the CMA on local competitive dynamics, to the extent they are relevant and it refers the CMA to its previous submissions in this respect. It does, however, wish to comment on two aspects of the CMA's SOI, both of which relate to gaming.

Casinos and Adult Gaming Centres do not provide an alternative to LBO gaming customers

- 57 Firstly, paragraph 15(a) of the SOI suggests the CMA is investigating whether LBO gaming customers have a broader range of bricks and mortar options available to them. The IS, at paragraph 5.15, submits that *"unlike retail betting, there are alternative venues on the high street where customers can gamble on gaming machines."* This is categorically not the case, for a number of reasons, which WH sets out, below.

OTC betting is important to LBO gamers

- 58 Gamers (i.e. customers that play on FOBTs in LBOs) typically also enjoy placing bets over the counter. The slide below is from a [REDACTED], which examined the behaviour of high spend gamers. It shows the importance of a combined over-the-counter and gaming offering in LBOs. For example, the figure indicates that around [REDACTED] of high-spend gamers also place OTC bets on horse racing and football, and [REDACTED] bet on other sporting events. Clearly, neither casinos, arcades, nor adult gaming centres is able to offer such a combination.

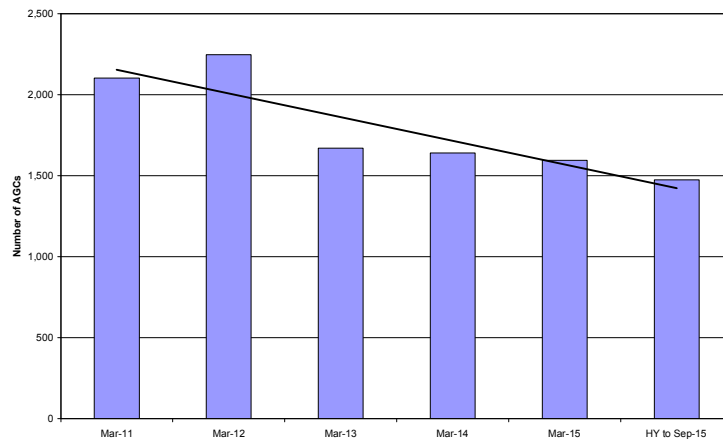
[REDACTED]

Casinos and AGCs are a weak constraint in their own right

- 59 There are less than 150 casinos operating in the UK at 31 March 2015⁵, equivalent to just 1.6% of the UK's LBO estate. Even if they could exercise a constraint on LBO gaming (which they do not, for the reasons set out above), their impact would be extremely limited.
- 60 Further, unlike the retail betting and gaming in LBOs, the AGC is indeed a business model in structural decline. Whilst the number of LBOs has remained almost static since the LB/C merger was blocked in 1998 (when it was 8,983, compared to 8,958 in 2015), the number of AGCs has dropped by 30% in little over 4 years, from 2,103 in 2011 to 1,475 at 30 September 2015, as shown in Figure 15, below. That figure is nearly 35% if measured between March 2012 and September 2015.

⁵ <http://www.gamblingcommission.gov.uk/Gambling-data-analysis/statistics/Industry-statistics.aspx>

Figure 17: The drop in UK AGCs over time, based on Gambling Commission statistics⁶



The Parties' submission contradicts the available precedent in this regard

- 61 In the *Rank / Gala Casinos* decision the OFT found that casinos and LBOs exercise little if any constraint on one another.
- 62 In the *Gala Group / Coral* decision the OFT found that there was no overlap between two parties where one offered casino gambling activities, and the other provided LBO services.
- 63 In *Gamestec / Rank* the OFT segmented gaming machines in LBOs separately to gaming machines in other locations.
- 64 In *Caer/Cinven/Gala*, the European Commission considered that gaming machines may be regarded as part of the gambling package on offer at the particular location where they are found (although it did not conclude on this point).
- 65 WH considers that the market circumstances for AGCs and casinos have not changed materially since the decisions listed above. FOBTs in LBOs have not changed⁷, there have been minimal changes to the UK casino industry and AGCs, as noted above, have declined in number. As such, there is no compelling reason to depart from previous case precedent in this area.

The Parties underplay the level of existing competition in retail gaming. The impact of the proposed transaction will therefore be greater than they describe

- 66 The Parties' IS describes a landscape in which gaming operators compete very little on price, because most gaming is fixed odds (and even when operators are able to flex their RTP, they choose not to do so). This dramatically over-states the position.

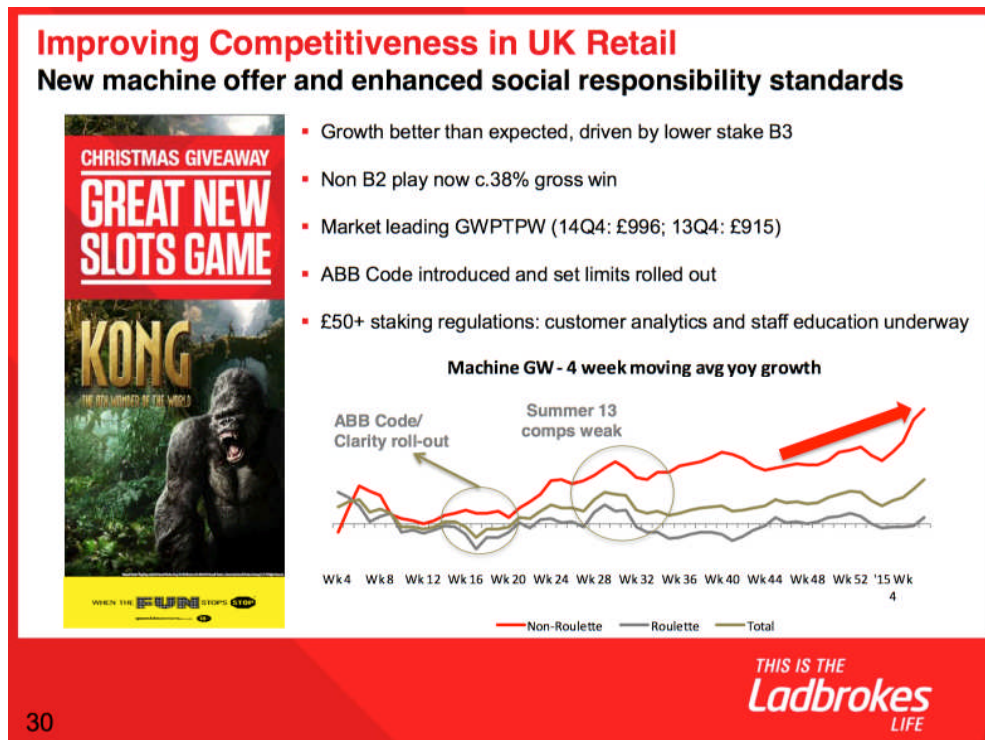
Total amount staked over-represents the importance of fixed odds gaming

- 67 At paragraph 5.13(a), the Parties' IS argues that, as fixed odds roulette accounts for 80% of all gaming stakes, the extent to which gaming operators can compete is already limited. This is misleading.
- 68 Roulette games are low margin (2.7% compared to c.8-10% on slot machines). Low margin games recycle a lot of money, so inevitably generate much higher amounts staked.

⁶ <http://www.gamblingcommission.gov.uk/Gambling-data-analysis/statistics/Industry-statistics.aspx>

- 69 Instead of the amounts staked by customers on these games, we can also consider gross win, which measures the total amount of money retained by a machine (i.e. revenue). It is clear that slot games account for a higher proportion of revenue than they do stakes.
- 70 As Figure 18 shows, in FY2014 LB's gross win on non-fixed odds machine (i.e. B3 slot gaming⁸) constituted c.38% of its gross win.

Figure 18: LB FY 2014 Results Presentation



The Parties under represent the amount of competition taking place on B2 LBO machines

- 71 At footnote 34, the Parties recognise the notion of "premium roulette with additional possibilities for bonuses or free spins" but fail to recognise the level of competition that takes place in this respect. For example, of WH's current B2 (fixed odds) gross win:
- Only [X] constitutes actual fixed odds games such as roulette ([X]) and blackjack ([X]); whilst
 - The "premium roulette" described by the Parties constituted [X] and other non-fixed-odds games such as "virtual dogs" constitute a further [X]. These premium bets are not fixed odds and are set by the operator.

⁷ With the exception of stake limits, which are capped on FOBTs. In casinos, stakes are largely at the discretion of the operator. This further reduces the comparability of FOBTs with casino gaming.

⁸ FOBTs are split into two categories of gaming. B2 gaming, which includes fixed odds games such as Roulette and B3 gaming, which is primarily comprised of slot games.

The Parties do, in fact, flex their RTP

- 72 Finally, WH does not agree with the Parties' assertion, at paragraph 5.9 of the IS, that it is "*difficult and costly*" to amend the RTP of FOBT games such as slots. Although it cannot comment fully due to the redactions, WH is aware that the Parties have previously amended RTP for these games and suggests that the CMA make all due enquiries in this respect.