

2016 final results

52 weeks ended 27 December 2016 | 24 February 2017



William **HILL**

Overview

- Group net revenue +1%, adjusted operating profit of £261.5m in line with revised guidance
- Good progress in our four priority areas
 - Online turnaround
 - Efficiencies
 - Technology
 - International
- Encouraging start to 2017
- Balance sheet remains strong with net debt for covenant purposes of £618.1m, 1.8x EBITDA
- Adjusted EPS down 10% but final dividend maintained at 12.5p per share, reflecting the Board's confidence in the momentum building in the business

A busy year for all four divisions

- Online**
 - Improved Sportsbook product and redesign
 - Gaming content, UX, bonusing and cross-sell improvements started
 - Customer funnel optimisation underway
 - Marketing optimised
 - Strengthened leadership team
- Retail**
 - Proprietary SSBTs well established
 - Gaming optimised
 - Team structures modernised
- Australia**
 - Product range expanded
 - Centrebet migration completed
 - Cost efficiencies realised
- US**
 - New mobile app launched
 - Additional sports books opened
 - Product range expanded

Financial review

Mark Summerfield, Interim CFO



William HILL
WORLD DARTS CHAMPIONSHIP

Group income statement

	52 weeks ended 27 Dec 2016 £m	52 weeks ended 29 Dec 2015 £m	% change
Net revenue	1,603.8	1,590.9	+1%
Adjusted operating profit	261.5	291.4	-10%
Exceptional items	(19.6)	(59.0)	-67%
Operating adjustments	(16.3)	(8.1)	+101%
Non-operating adjustment	3.2	-	-
Net finance costs	(47.5)	(39.6)	+20%
Profit before tax	181.3	184.7	-2%
Tax	(16.8)	5.2	-
Profit after tax	164.5	189.9	-13%
EPS (p)	18.9	21.6	-13%
Adjusted EPS (p)	22.3	24.7	-10%
Dividend per share (p)	12.5	12.5	0%
Net debt for covenant purposes	618.1	488.2	+27%

Poor sports results led to profit at the bottom end of the expected £260-280m range

Corporate transaction costs and restructuring

Amortisation and fair value movements

Finance income on NYX investment

Cost of dual-running corporate bonds

Effective tax rate of 9.3%, including deferred tax credit in 2016. Guidance for 2017 is 14%

Net debt to EBITDA of 1.8x (2015: 1.3x)

This slide provides an overview of results with both adjusted and statutory measures. The following slides on divisional performance reflect adjusted results, since that is how performance is managed and reported internally.

Online

	52 weeks ended 27 Dec 2016 £m	52 weeks ended 29 Dec 2015 £m	% change
Sportsbook amounts wagered	4,293.0	4,190.3	+2%
- Sportsbook gross win margin	7.2%	7.7%	-0.5 ppts
Sportsbook net revenue	270.1	276.3	-2%
Gaming net revenue	274.7	286.8	-4%
- Vegas product suite	167.3	166.9	+0%
- Playtech Casino	80.9	86.3	-6%
- Poker	6.5	10.3	-37%
- Bingo	20.0	23.3	-14%
Net revenue	544.8	563.1	-3%
Cost of sales	(120.1)	(128.2)	-6%
Gross profit	424.7	434.9	-2%
Operating costs	(324.2)	(309.6)	+5%
- Employee costs	(68.3)	(56.6)	+21%
- Marketing	(121.7)	(122.5)	-1%
- Finance charges	(19.3)	(21.0)	-8%
- Depreciation and amortisation	(37.1)	(34.4)	+8%
- Other costs incl. recharges	(77.8)	(75.1)	+4%
Adjusted operating profit	100.5	125.3	-20%

This table includes Telephone betting. 2015 numbers are re-presented to include Telephone.

Excluding Telephone	2016	2015	%
Unique actives ('000)	2,245.9	2,692.2	-17%
Revenue / unique active (£)	237.8	204.6	+16%
New accounts ('000)	978.2	1,235.8	-21%
Ave. cost per acquisition (£)	123.6	97.6	+27%

Wagering: Core markets +5%, Other markets -11%
Gaming: Core markets -5%, Other markets +2%

Significant swing in gross win margin in final weeks of 2016

Increased headcount in key areas

Marketing includes £9m of EURO 2016 spend
FVAs were 0.9% of amounts wagered (2015: 1.1%)

KPIs affected by removal of loss-making activities, reducing unique actives and new accounts, increasing revenue per unique active and cost per acquisition

Retail

	52 weeks ended 27 Dec 2016 £m	52 weeks ended 29 Dec 2015 £m	% change
Sportsbook amounts wagered ¹	2,325.8	2,416.5	-4%
Sportsbook gross win	409.3	430.9	-5%
- Sportsbook gross win margin	17.6%	17.8%	-0.2 pts
Gaming gross win	484.7	458.7	+6%
Total gross win	894.0	889.6	+0%
Net revenue	893.9	889.5	+0%
Cost of sales	(227.0)	(222.8)	+2%
Gross profit	666.9	666.7	0%
Operating costs	(504.9)	(495.3)	+2%
- Employee costs	(193.4)	(184.7)	+5%
- Property costs	(99.8)	(103.7)	-4%
- Content costs	(72.8)	(71.6)	+2%
- Depr. and amortisation	(30.9)	(29.4)	+5%
- Other costs incl. recharges	(108.0)	(105.9)	+2%
Adjusted operating profit	162.0	171.4	-5%

	2016	2015	% change
Average no. of LBOs	2,372	2,363	+0%
Average no. of machines	9,343	9,299	+0%
Gross win / machine / week ²	£998	£949	+5%
Gaming gross win margin	3.58%	3.46%	+0.12 pts

Wagering impacted by less recycling with high margin Tier 3 racing Q1-Q3, and lack of foreign racing content

SSBTs: 2,000 proprietary plus 800 BGT in 1,980 shops. Contributed 7% of Sportsbook wagering and 29% of football wagering in those shops in Q4

Gaming +4% in Q4. Yield improving with changing content mix

Employee costs increased with National Living Wage
Property costs underlying were flat
Content costs will increase in 2017 with contractual increases

1. Includes amounts wagered over-the-counter and on Self-Service Betting Terminals (SSBTs)
2. Excludes free bets

William Hill Australia (local currency)

	52 weeks ended 27 Dec 2016 A\$m	52 weeks ended 29 Dec 2015 A\$m	% change
Amounts wagered	2,415.4	2,045.9	+18%
Gross win	239.3	224.4	+7%
- Gross win margin	9.9%	11.0%	-1.1 ppts
Net revenue	205.0	198.4	+3%
Cost of sales	(54.4)	(47.1)	+15%
Gross profit	150.6	151.3	-0%
Operating costs	(123.7)	(124.7)	-1%
- Employee costs	(26.6)	(34.6)	-23%
- Marketing	(53.0)	(51.9)	+2%
- Depreciation and amortisation	(13.9)	(10.5)	+32%
- Other costs incl. recharges	(30.2)	(27.7)	+9%
Adjusted operating profit in A\$m	26.9	26.6	+1%
Adjusted operating profit in £m	15.4	13.4	+15%

	2016	2015	% change
Unique active players ('000)	284.0	296.9	-4%
Revenue/unique active (A\$)	721.8	668.2	+8%
New accounts ('000)	119.0	99.7	+19%
Cost per acquisition (A\$)	445.4	520.6	-15%

Strong wagering growth. c11% of wagering from in-play in 2016, reduced to c6% since October 2016

Gross win margin impacted by weaker racing results

Increase in marketing + FVAs, reflecting brand investment

Significant cost benefit from moving back office to Manila. D&A reflects higher short-term capex levels to implement

KPIs reflect transition from legacy brands to William Hill and improving acquisition

William Hill US (local currency)

	52 weeks ended 27 Dec 2016 \$m	52 weeks ended 29 Dec 2015 \$m	% change	
Amounts wagered	944.3	779.7	+21%	Wagering benefiting from mobile growth of 33% and continued product development
Gross win	58.8	50.9	+16%	
- Gross win margin	6.2%	6.5%	-0.3 pts	Gross win margin impacted by poor American football results in Q4
Net revenue	58.8	50.9	+16%	
Cost of sales	(5.4)	(4.5)	+20%	
Gross profit	53.4	46.4	+15%	
Operating costs	(34.0)	(32.4)	+5%	
Adjusted operating profit \$m	19.4	14.0	+39%	Nevada estate increased to 108 sports books Mobile increased to 52% of wagering; new app launched and account top-up options expanded
Adjusted operating profit £m	14.3	9.2	+55%	

Cash flow and net debt

	Cash £m	Restricted cash £m	Debt £m	Net debt ¹ £m
Opening position at 29 Dec 2015	282.1	(95.3)	(675.0)	(488.2)
Profit before interest and tax	225.6			225.6
Depreciation and amortisation	86.6			86.6
Share remuneration	6.1			6.1
Pension contribution	(9.3)			(9.3)
Interest and tax	(69.7)			(69.7)
Working capital	19.3	(8.4)		10.9
FV movements on derivatives	9.8			9.8
Other	(2.5)			(2.5)
Net cash generated from operations	265.9	(8.4)		257.5
Purchase of own shares	(94.4)			(94.4)
Issue of £350m Guaranteed notes due 2023	350.0		(350.0)	-
Repayment of £300m Guaranteed notes	(300.0)		300.0	-
Investments and Acquisitions	(104.0)			(104.0)
Capital expenditure	(90.4)			(90.4)
Dividends paid	(109.0)			(109.0)
Foreign exchange	7.1			7.1
Other	8.2	(4.9)		3.3
Closing position at 27 Dec 2016	215.5	(108.6)	(725.0)	(618.1)

£350m bond issued in May and
£300m bond repaid in November

£104m for NYX / OpenBet
investment and acquisition of
Grand Parade

Cash capex	2016 £m	2015 £m
Online	37.3	37.6
Retail	32.3	16.4
Australia	15.7	8.7
US	2.4	0.8
IT / other	2.7	4.0
Total capex	90.4	67.5

1. For covenant purposes

Operating review

Philip Bowcock, Interim CEO



Regulatory update

Market	Regulatory area	Current status
UK	Triennial Review	<ul style="list-style-type: none"> • Submissions made in December 2016 • Government response expected in spring • Further consultation likely to run into late summer
	4 th EU Money Laundering Directive	<ul style="list-style-type: none"> • Awaiting Government decision on whether the Directive will apply to LBOs
Australia	National Consumer Protection Framework	<ul style="list-style-type: none"> • Interactive Gambling Amendment Bill awaiting enactment in Q1 17 • Framework being developed among States and Territories to address consumer protection measures, including credit betting
US	Legalisation of sports betting	<ul style="list-style-type: none"> • Various challenges currently being made to enforceability of PASPA 1992

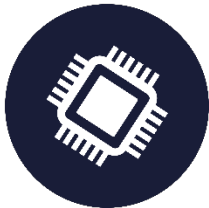
Good progress against our four focus areas



1. Maintain the pace of Online's turnaround



2. Drive increased efficiencies across the Group

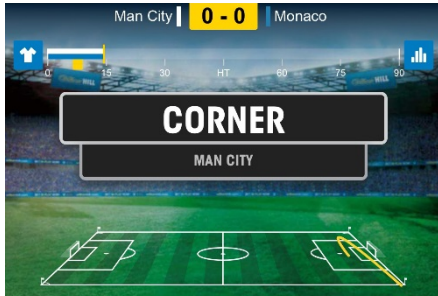


3. Deliver the technology roadmap



4. Refocus the international growth and expansion

1. Maintain the pace of Online's turnaround



Sportsbook

- Re-design of mobile Sportsbook for EURO2016
- New product launches
- Translated into five languages

+10%

UK Sportsbook amounts wagered growth in 2017 YTD

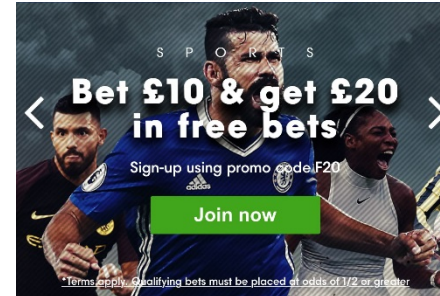


Gaming

- New website and apps for Casino, Games, Live Casino
- New Vegas iOS app
- Bonus wallet on Live, Games
- Improving cross-sell
- Faster load times

+8%

UK Gaming net revenue growth in 2017 YTD

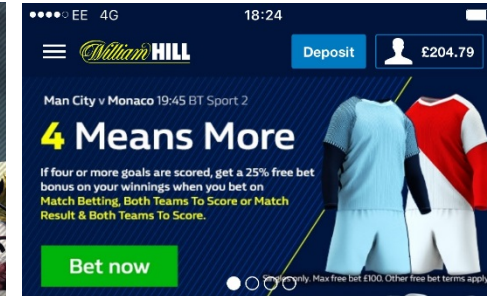


Customer funnel

- Optimised landing pages and registration flow for new customers
- New payment pages and deposit flow
- Automated age verification
- Improved on-boarding
- Focus on reactivation

+17%

improvement in registration conversion rate (H2 vs H1)



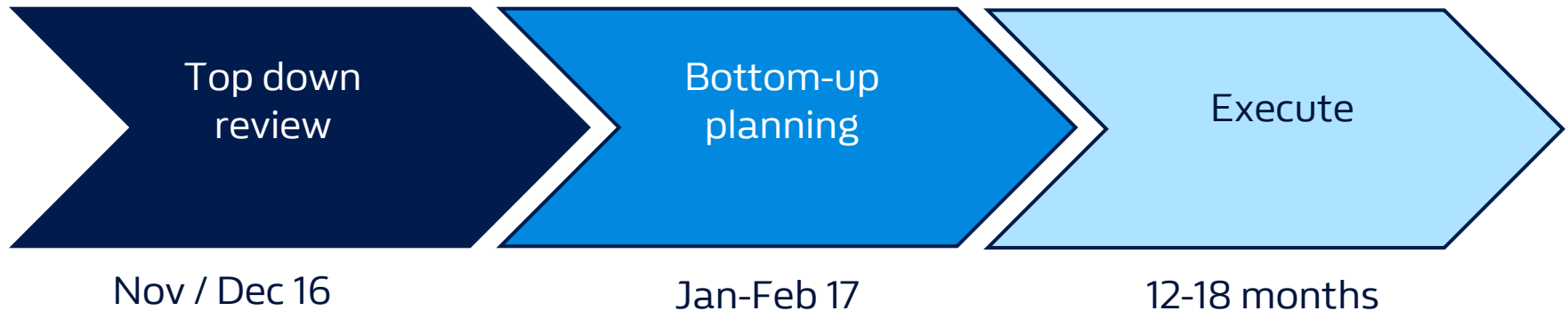
Marketing

- Bonus abuse addressed
- Removed loss-leading campaigns and affiliates
- Initial programmatic results are encouraging
- New offers
- TV campaigns for gaming
- Push messaging developed

+29%

Increase in value of new accounts (Q4 16 vs Q4 15)

2. Drive increased efficiencies across the Group



- Detailed analysis supported by external experts with relevant benchmarking
- Internal workstreams built detailed models and execution plans
- Principal changes in 2017
- Longer term changes in 2018

£30m target identified originally, now increased to £40m of annualised efficiencies by end 2017

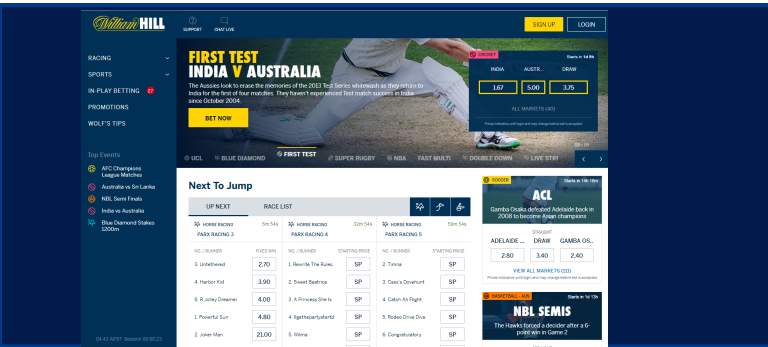
3. Deliver the technology roadmap



Delivery over last 12 months

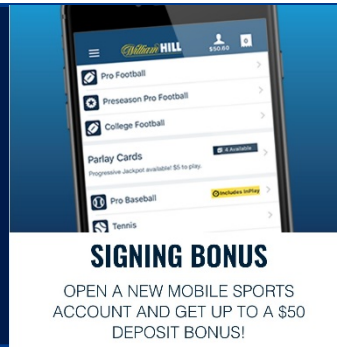
- Front-end redesign for Online
- Development capability enhanced with Grand Parade acquisition / integration
- 2,000 proprietary SSBTs delivered
- Investment in NYX / OpenBet
- Development roadmap identified for 'OpenBet 2' back-end platform
- Data sources consolidated into 'Uno' platform to give single customer view

4. Refocus the international growth and expansion



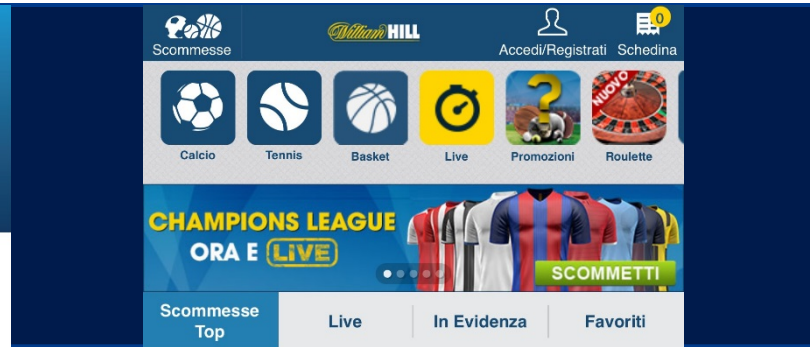
Australia

- Double-digit growth in amounts wagered
- Continuing rapid product schedule
- TW.com and Centrebet customers migrated
- Niche price-led product using legacy Centrebet capability



US

- Further market share gains, 21% of sports wagering, 26% of sports gross win
- Five new sports books opened
- New mobile app launched, mobile now 52% of amounts wagered
- Virtual racing launched, continued in-play roll-out
- Agreement with Caesars to operate race book in Iowa



Italy and Spain

- Continued good growth in net revenue in both markets
- Strong gaming net revenue growth following product expansion
- £1.8m profit in 2016

2017 priorities

Philip Bowcock, Interim CEO



Focus on what's important to our customers

Digital customers — Omni-channel customers — Land-based customers

1. Ease of use and speed of service

2. Slick in-play/cash out

3. Feeling valued and rewarded

"Save me time and effort"

"Make everything enjoyable"

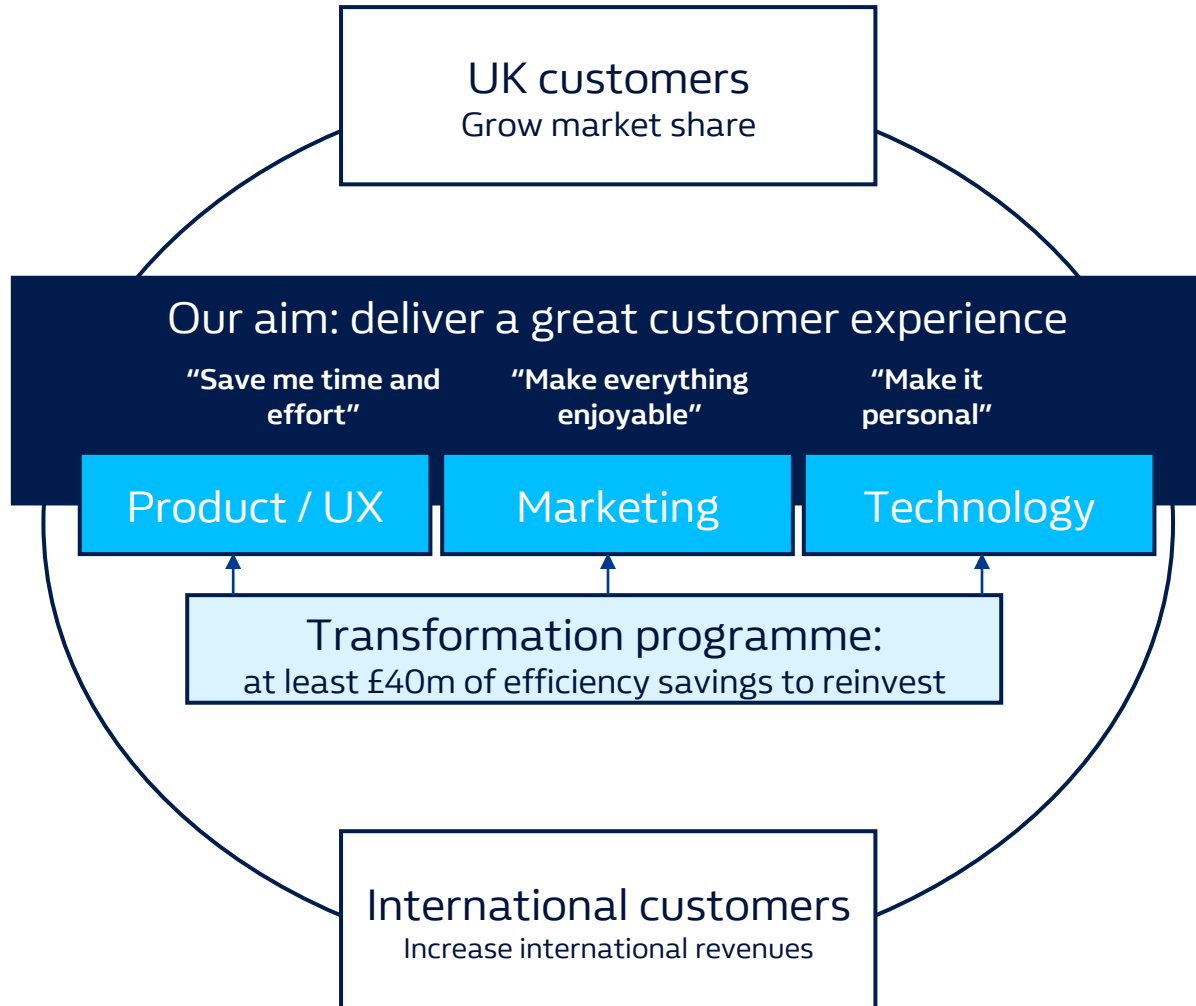
"Make it personal"

1. Convenient location and safe environment

2. Quick service for placing a bet and/or payouts

3. Friendly staff

Investing for growth: our approach



Investing for growth: our approach



Which gives us three strategic priorities...



Grow UK market share



Grow international revenues



Deliver key projects: technology and transformation

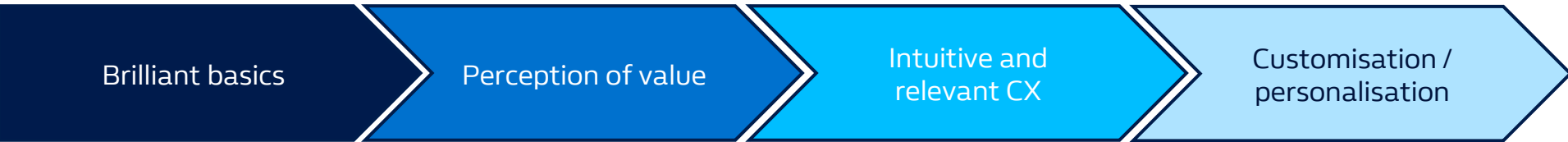


Grow UK market share

“Save me time and effort”

“Make everything enjoyable”

“Make it personal”



Improve on-boarding rates and everyday processes



Increase engagement, retention and visit frequency



Increase lifetime values

- Native Android, desktop
- Gaming on-boarding
- Registration / landing pages
- Cashier UX upgrade
- Customer Services touch points

- Gaming upgrades
- Cross-sell
- Single wallet
- One Minute Markets
- Vegas back-end redevelopment

- #YourOdds
- Segmented offers
- Relevant messaging

- SSBT product expansion, UX improvements
- SSBT Plus Point
- Bet Tracker app

- UK omni-wallet



Grow international revenues

William Hill Australia

- Challenger brand, product led
- Marketing increase from 26% to 28% of net revenue
- 2017: strong racing focus, personalisation programme

William Hill US

- Positioned for regulatory change
- 2017: mobile development, wider footprint

Italy and Spain

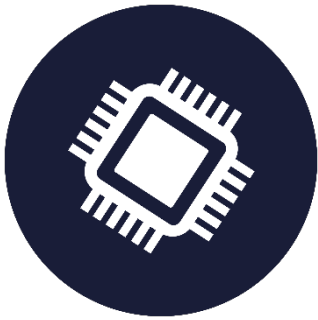
- Focus on profitable growth
- 2017: continued marketing investment but UK is priority

Rest of World

- Ultimately requires OpenBet 2 global platform
- Opportunistic in the near-term approach using existing and/or third-party systems for organic entry without distracting from UK focus



Deliver key projects: technology and transformation



Building a global technology platform alongside OpenBet

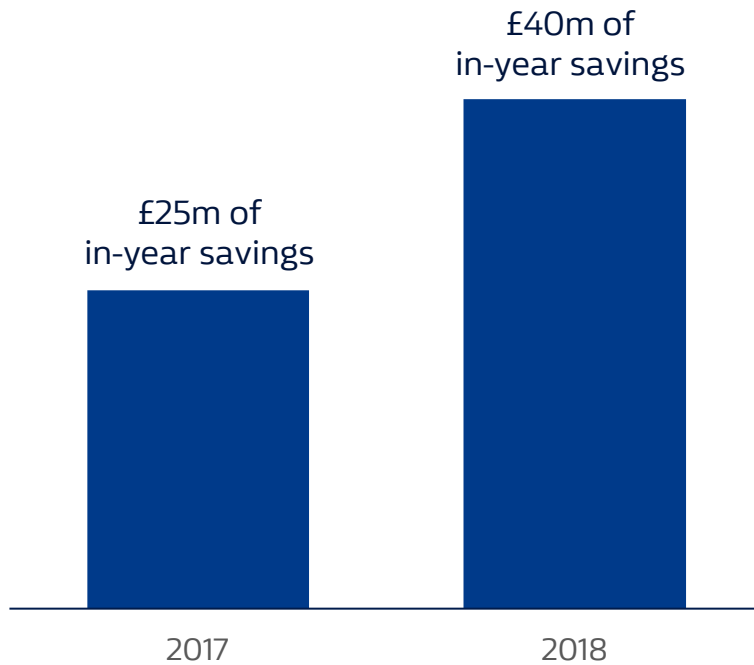


At least £40m of annualised efficiencies by the end of 2017



Deliver key projects: transformation

Expected phasing of efficiency savings



- Priority areas
 - Digital marketing
 - External spend
 - IT
 - Customer service
 - Organisation
 - Revenue generation
- Estimated cost savings target increased to £40m
- Cost to implement c£40m (1x full-year benefit)
- Reinvesting in product, marketing, technology



Deliver key projects: transformation

<p>Digital marketing</p>	<ul style="list-style-type: none"> • £10m of £18m opportunity already delivered (e.g., keyword search optimisation and affiliate marketing) • Efficiencies reinvested back into the business with more to come
<p>External spend</p>	<ul style="list-style-type: none"> • Overhauling supplier network – reviewing preferred partners, reducing excess supply base • Process improvements
<p>IT</p>	<ul style="list-style-type: none"> • Rationalising large IT contracts and long tail of contracts • Re-thinking data centre footprint to unlock synergies
<p>Customer service</p>	<ul style="list-style-type: none"> • Resolving pain points in customer service to provide best-in-class experience for customers • Simplify journeys to reduce service volumes
<p>Organisation</p>	<ul style="list-style-type: none"> • Improving organisational effectiveness (e.g., driving accountability, upskilling, improving processes) • Re-allocate resources towards high priority growth areas

Summary

- Online is growing in the UK and targeting market share gains this year
- Clear investment strategy – product, marketing, technology
- Leveraging UK strengths to support digital and international expansion
- Transformation programme increasing efficiency and supporting re-investment

Q&A

Philip Bowcock, Interim CEO

Mark Summerfield, Interim CFO

Appendices

Adjusted results	Adjusted results means results before exceptional items and adjustments, as described in note 3 to the financial statements
Amortisation	Where operating expenses, operating profit or EPS are adjusted for amortisation, this pertains to amortisation of intangibles recognised on acquisition
Amounts wagered	This is an industry term that represents the gross takings on sports betting
ARPU	Average net revenue per user
Adjusted earnings per share (EPS)	Adjusted EPS is based upon adjusted profits after tax. Further detail on adjusted measures is provided in note 3 to the financial statements
Basic EPS	Basic EPS is based on an average of 871.8 million shares for 2016 and an average of 880.9 million shares for 2015
Cost per acquisition (CPA)	Marketing costs (including affiliates but excluding FVAs) divided by the number of new accounts recorded in the period
EBITDA	Earnings before interest, tax, depreciation and amortisation. EBITDA for covenant purposes is adjusted earnings before depreciation and amortisation, and share remuneration charges
FVAs	Fair value adjustments. These are principally free bets, which are recorded as a cost between gross win and net revenue
Gross win	Gross win is an industry measure calculated as total customer stakes less customer winnings. It differs from net revenue in that it is stated prior to deductions for free bets and customer bonuses
Gross win margin / net revenue margin	This is a measure, inter alia, of the effect of sporting results on the business. The margin is defined as gross win/net revenue as a percentage of amounts wagered. The margin is also affected by the mix of products with different margins and the amount of concessions or free bets offered to customers
Adjusted operating profit	Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. Further detail on adjusted measures is provided in note 3 to the financial statements
OTC	Retail over-the-counter, which includes self-service betting terminals, largely constitutes bets placed on sporting events, virtual events and lottery-style numbers games
Net debt for covenant purposes	Borrowings plus counter-indemnity obligations under bank guarantees less cash adjusted for customer funds and other restricted balances. Further detail is provided in note 23 to the financial statements
Net revenue	This is an industry term equivalent to 'Revenue' as described in the notes to the financial statements. It is equivalent to gross win less fair value adjustments, which are principally free bets
New accounts	Customers who registered and deposited within the reporting period
PBIT	Profit before interest and tax
Sportsbook	Bets placed and accepted online on sporting and other events, or via OTC and SSBTs in Retail
SSBT	Self-service betting terminal
Unique active players	Customers who placed a bet within the reporting period

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