WILLIAM HILL

POST-CLOSE TRADING STATEMENT CONFERENCE CALL

17 JANUARY 2014

Operator

Good morning, ladies and gentlemen, and welcome to the William Hill trading update. My name is Jo and I will be the operator for your call today.

I would now like to welcome your host, Ralph Topping, to begin today's call. Ralph, please go ahead.

Ralph Topping ***- Chief Executive***

Good morning, everyone. Thanks for joining us.

As ever, Neil is with me and will cover the numbers shortly. Just to remind you, this update is primarily about Q4 and – as usual - we'll do the full year in more detail at the end of February.

After the ups and downs of Q3, results in Q4 were more normal. Unfortunately, the same can't be said for 2014 so far. When all eight odds-on favourites in the English Premier League win in one round, you know it's going to be a bad day in the office.

Yes, it's a big loss. But there's a big positive behind it. Sportsbook is huge. Stakes were up 38% in Q4 and are up another 48% in the first two weeks of the year. I'm probably the only guy who was around 18 years ago. Like Dettori day, these are the kind of results that change customer behaviour. In 1996, we saw a big increase in accumulator betting on racing after Frankie won all seven at Ascot. This time, it's about a lot of small winners – 50,000 customers in Online who won at least £50. And Retail saw the same thing. That's great because it's the sort of win that gives customers confidence. That confidence lasts for years. Now they know accumulators can – and do – pay off.

But that's enough on current trading. And you're only getting that much because it's an exceptional set of results.

Back to Q4 and it was a good end to 2013.

Retail is still robust. It's tough for our customers so for us to have delivered revenue growth is a good outcome. It's good to see both OTC and gaming growing on a comparable basis. We're on track with the roll out of Eclipse, and will have completed that half of the estate before the end of Q1.

The machines remain a hot topic and I'm sure you'll have plenty of questions for me on that shortly.

Onto Online. As I said Sportsbook stakes are still through the roof. We're making it harder and harder for the competition. Innovations like AccaInsurance that play to customer trends such mobile punters wanting to do more accumulator bets. But we're innovating sensibly. Not just throwing money at it to buy volume.

And mobile gaming is improving as we said it would. The technology upgrades went in as planned and the products are live. Single sign on for Sportsbook, Vegas, Live Casino and Bingo. Transfer balance for Playtech's Casino. Multiple payment methods for customers from around the world using our mobile products. And we've got plenty of new content and there's more in the pipeline. And it's showing in the numbers. Mobile gaming net revenue tripled in Q4. It's gone from 14% of gaming revenues in H1 to 18% in Q3 to 23% in Q4. There's more to come but we're on track to hit our target of 40% by mid 2015. I want to see that target exceeded.

Mobile for Italy is also live and I'll talk more about Italy and Spain when we see you at the end of February.

Australia is also making progress. We laid out our plan at the mid year. It's about delivering a better user experience, making the business more digital and reshaping the marketing investment. We're moving ahead on all of those. There'll be a new website in this half. We'll migrate the Tom Waterhouse business in H1 as well, giving it a scale operation, a stable platform and a better product range, on top of everything it already does so well on marketing.

And in the US, although it's on a much smaller scale, you can see the kinds of improvements my management team can make that deliver growth. Stakes up 47% in Q4. And a tidy profit in our first full year of ownership.

Lots of moving parts. But moving in the right direction.

So let me hand over to Neil to cover the numbers.

Neil Cooper ***- Group Finance Director***

Thanks, Ralph.

Turning to the numbers in our statement today: it feels like there were a lot of them this quarter! Firstly I'd remind you that we are still rolling over a VAT regime for machines, which flatters net revenue comparisons and penalises cost comparisons. We've given you the underlying numbers in the statement where relevant.

Secondly, the reported prior year quarter 4 was a 14 week period. I will focus in this call on a relevant comparison, which is the 13 week period commencing week 40 in 2012. In our analyst pack at the year-end last year, we disclosed net revenue and operating profit on both a 52 and 53 week basis so you have the raw data for that final week of fiscal year 2012 should you need it.

Moving back to this year, quarter 4 has been a better quarter for us, with an improvement in sports gross win margin in both Retail and Online as compared to the results-impacted quarter 3 and with real progress in both mobile gaming and in the performance of our fixed odds betting machines in Retail. This is – of course - allied to another strong quarter of online sportsbook wagering growth.

Let's start with a look at retail.
Over-the-counter saw net revenue grow 4% on a thirteen week comparable basis, with 2% decline in wagering more than offset by a strong margin performance. The wagering performance in the quarter saw low to mid single digit year over year declines in both October and November, offset by a positive performance in December. Win margins for the quarter were 20.3%, versus 17.7% in quarter 3 and 19.1% in the prior comparable quarter. A major contributor towards this strong quarterly margin performance was UK horse racing.

Machines gross win growth on a 13 week comparable basis was 3%, with November and December performance improving on October. Gross win per machine per week for the quarter was £920, in line with the prior year comparable, which was £918. We have 904 Eclipse machines in the estate now.

Retail expenses were in line with our internal expectations. For the year as a whole on a 52 week comparable basis, retail operating costs were up 6%, in line with our guidance. Based on our internal 2014 plans, we expect to see cost growth of 3-4%, with continued pressure on content and increases in staff incentive costs, but with potential savings from the expansion of single manning across the estate.

We opened 59 units in 2013, closed 19 and exited the year with 2,432 units. Given the timing of openings the average number of shops in the year was up 1% on the prior year at 2,401 shops.
Moving to Online, the standout performer continues to be the Sportsbook with wagering growth of 38% on a 13 week comparable basis. Gross win margin was 8.1%, versus 6.3% in Q3 and 8.4% in the comparable period in 2012. Mobile gross win margin was 9.7%. The fall in gross win percentage

versus the prior year was largely driven by the performance in football margins, which fell by circa 2 percentage points.

Sportsbook net revenue grew 30% on a comparable basis and Net revenue margin fell by 0.5 percentage points. 0.3 percentage points were driven by the gross win decline and 0.2 points were driven by the increase in offer costs during the period. The absolute value of free bets utilised in Q4 fell by a third as compared to Q3, with the completion of the Miapuesta migration programme and following other changes.

Online gaming saw an improved performance in the quarter versus that seen in quarter 3, with net revenue up 2% against the 13 week comparable versus a 3% decline in Q3 and with net revenue growth rates improving through the quarter. On a comparable 13 week basis, Casino was up 3% in the quarter and Poker up 1%. Bingo was flat.

I expect the full year marketing to net revenue ratio in Online for 2013 to be around 27%, with free bets accounting for 0.8% of wagering. The comparable figures in 2012 on a 52 week basis were 26% and 0.5% of wagering respectively. Looking ahead to 2014, our current internal plan assumes a circa 25% marketing to net revenue ratio, and an increase in the cost of free bets to around 0.9% of wagering.

The US performed strongly in Q4, with wagering up 47% on a comparable basis and with margin – at 8.3% - substantially ahead of the 3.4% comparable performance in the fourth quarter of 2012.

We are pleased with the operational progress made in Australia, both in Sportingbet and with the preparation for the Tom Waterhouse integration. This despite a fairly well publicised Spring Carnival which was substantially worse than the norm, not least due to the favourite winning the Melbourne Cup.

Moving to the full year, given the performance in Q4, we expect to see unaudited full-year Group net revenue 16% ahead of last year, or 18% on a comparable 52 week basis. Adjusting for the impact of the Machine games duty change, the 52 week net revenue growth was 12%.

Operating profit is expected to be around £334m. Following the finalisation of the asset accounting for Australia, we expect defined amortisation of around £11m in total, leaving an expected pre-exceptional EBIT of £323m.

Exceptional costs of £18.6m are expected. This is in line with guidance with the exception of a £1.4m fall in value on our investment property portfolio. Sportingbet exceptionals have come in at £13.5m, which – together with £4.6m expensed in 2012 – equates with our guidance of £16m for the Australian integration and £2m for the Miapuesta integration. We've incurred circa £2m of the expected £4m of exceptionals for Tom Waterhouse. The final item was the £1.7m cost expensed at the half relating to our H1 financing programme.

We expect around £800m of net debt for covenant purposes which reflects around 2 times cover versus EBITDA.

Finally in terms of 2013 we have become aware of an immaterial calculation error in the weighted average number of shares and thus EPS in the 2013 interims which will be rectified when we publish our 2014 interim results. In the meantime, IR will reissue the correct numbers directly to you.

I will also briefly mention our week 2 performance this year in which we suffered a major loss driven by an unusually high number of favourites winning. Commentary from the Racing Post on Monday and Tuesday this week makes clear that the pain was felt industry wide. As Ralph outlined, all 8 Premier league odds-on favourites won in the week, and 11 of 12 Football league shortest price favourites won on Saturday. To put this into perspective, results in 19 of our top 20 online selections on Saturday went to the punter and every single bet type with the exception of the unlucky 588 punters who backed 24-folds lost money.

That's all I want to cover today. We will, as ever, go into more detail when we see you at the final results presentation on 28 February. For now, I'll hand back to Ralph.

Ralph Topping *- Chief Executive*

Okay. Thanks, Neil. We'll take questions now. Remember it's a trading statement we're covering today. There are going to be more details at the end of February, so please don't take offence if we say we'll cover that in February in much more detail.

So first, over to you, operator.

James Ainley ***- Citi - Analyst***

Could you give us a sense of what the like-for-like uplift on the new Eclipse machines is?

Ralph Topping *- Chief Executive*

Neil?

Neil Cooper *- Group Finance Director*

I think that's a detail that we'll come back to you with at the prelims. This is obviously still fairly early in the new year for us.

James Ainley ***- Citi - Analyst***

Right, okay. Thank you.

Operator

Jamie Rollo, Morgan Stanley.

Jamie Rollo ***- Morgan Stanley - Analyst***

Just a couple of questions, please, in online. The sports margins year on year were down 30 bps, but they were up about 120 bps over the counter and retail. Was that just the free bets mix?

And then, perhaps related to that, on mobile, you say the margins are obviously higher in sports but the ARPU was also higher, mobile versus desktop. Thank you.

Ralph Topping ***- Chief Executive***

I'll let Neil cover off those.

Neil Cooper ***- Group Finance Director***

Jamie, in terms of your first question, the first thing to note is free bets for us is accounted for as a deduction after gross win. So it's the primary deduction in sports betting between gross win and net revenue, which is why I referred to both the gross win margin and a net revenue margin. To that extent, nothing that happens in free bets impacts the gross win margin.

The fact that they moved in a slightly different way is driven by a combination of a very strong horserace performance for us in the quarter, the bulk of which obviously will benefit retail, versus a less good football performance where football margin actually went down year over year in quarter 4 in mobile.

It wasn't quite as bad, I could say bad or good, but it wasn't quite as marked in retail, the football decline. But, fundamentally, it's about the weight of betting in online being to football and the weight of betting in retail being to horse racing.

Ralph Topping - ***Chief Executive***

There's a difference in business mix and there's also a difference in what's covered over the course of a day. Retail predominantly UK focus, predominantly UK football, but we've got quite a nice sizeable amount of business on European.

Across the course of a day in online the betting patterns move with the day and that increasingly is a multiple betting pattern. So we've got substantial UK-focused business, but we've got an increasing focus on European football. So when European football results are a wee bit weaker for us, and if you look at some of the results, Bayern Munich I think you couldn't beat them with a carpet brush at the moment, but I think -- and also the performance in Spain where the top three teams are virtually unbeaten this year.

So I think you'll see a deterioration in the margin, but it's temporary.
I'm really confident about that business over the medium term. I think it's real solid business. The amount of singles we're taking versus multiples now is a pleasing ratio and it's increasing and it's getting more pleasing, because it's much more in the way of multiples.

So where would I want to be as a gray-haired wizened old bookmaker? I would want to be where I am right now with that level of business.

Neil Cooper - ***Group Finance Director***

Thanks, Ralph. In terms of the second question, we've not made a public comment about the -- we've talked about the gross win split but we haven't made a public comment about the net revenue split. And I'm not in a position to give you those numbers on the phone now. I think we will take it away and consider giving you a bit more granularity on that at the prelims.

Ralph Topping - ***Chief Executive***

Are you happy with that, Jamie?

Jamie Rollo - ***Morgan Stanley - Analyst***

Yes. No, thanks a lot for those answers.

Operator

Jeffrey Harwood, Oriel.

Jeffrey Harwood - ***Oriel Securities - Analyst***

I've got two questions. First of all, the data that you've supplied to RGT, broadly can you say roughly what that shows?

And secondly, is there any update on SSBTs and their performance, please?

Ralph Topping - ***Chief Executive***

On the RGT front, we continue to work with Government and, from our perspective at William Hill, we are an organization which is the biggest bookmaker in the UK and with that goes a lot of responsibility and I think leadership -- the onus to show leadership to the sector and we're determined to do that.

Our discussions with Government, both through the industry and through our own private meetings with them, are encouraging for us that we've got that dialog.

Now, there'll be much more in the way of detail emerges over time as to what we're doing with Government. At this point in time, it's private, we don't want to make it public, but we're entirely happy with what we're doing and we're happy with the discussions that are taking place.

Second question, I'll hand over to Neil.

Neil Cooper ***- Group Finance Director***

SSBTs, for the year as a whole we had effectively an average of 678 SSBTs in the estate, which is north of -- that's off the back of the average equivalent of 286 SSBTs last year. So, as you can see, we're increasing the number of SSBTs we have.

Not surprisingly, our revenue through SSBTs has also gone up year over year -- I'm talking about full-year numbers now, because an individual quarter is less relevant here -- has gone up by 73% and we're pleased with the contribution that SSBTs are making.
But they're relatively small in our business mix, to be fair, which is the reason we don't comment on them in what is an otherwise fairly crowded trading statement.

Ralph Topping ***- Chief Executive***

An SSBT is just an electronic cashier. Nothing more, nothing less. If you took them out, then punters would have to go to the counter with a bet. That's all an SSBT is. It's a development in technology. It isn't the panacea for retail; it's just another way in which the punters can execute a bet.

The shift in betting factored through SSBTs, yes, there was multiples.

Jeffrey Harwood ***- Oriel Securities - Analyst***

Okay, thank you.

Operator

Richard Stuber, Nomura

Richard Stuber ***- Nomura - Analyst***

Just a couple of questions, if you don't mind. First of all on machines. I know you won't give like-for-like improvements on the new versus the old, but could you just -- bit of color in terms of how many weeks of installing the machines you need before they're reaching maturity. In other words, how many weeks of disruption you expect from installing machines.

Ralph Topping ***- Chief Executive***

Going on historical evidence it's about 6 to 8 weeks. It might be a wee bit longer than that, but it all settles down after about 10 weeks.

Richard Stuber ***- Nomura - Analyst***

Okay, great. Thank you. And secondly, could you just give the number in terms of (multiple speakers) --

---

Neil Cooper ***- Group Finance Director***

Sorry, Richard, just one thing. We will give you more data on this at the prelims. I didn't want to imply that we weren't going to be open about it; we're just not in a position to be open about it today, that's all. We'll talk more about this at the prelims.

Ralph Topping ***- Chief Executive***

Yes, you're not dealing with Maradona and Messi here, experts in body swerves. So we will give you the details at the end of --

Neil Cooper – ***Group Finance Director***

I'm Norman Hunter man, actually.

Ralph Topping ***- Chief Executive***

You're a Norman Hunter man? (laughter) We'll give you the more details at the end of February.

Richard Stuber ***- Nomura - Analyst***

Okay, great. And just as a second question, you've given the proportion of the total gaming net revenue from mobile at 23%. Could you give us a number for the mobile sportsbook as well, please, for Q4?

Neil Cooper ***- Group Finance Director***

Yes, it's north of 40%.

Richard Stuber ***- Nomura - Analyst***

Right. Okay, thank you.

Operator

Victoria Greer, JPMorgan.

Victoria Greer ***- JPMorgan - Analyst***

The first thing I just wanted to ask, obviously the football results last weekend were pretty exceptional and you've highlighted that, but is there anything about it that makes you think that it won't come back through the year? It's clearly a big swing. Is it just the magnitude of it that makes you think that it potentially might not come back?

Ralph Topping ***- Chief Executive***

Listen, the one thing you can never do is predict where football will be, but if I was sitting calmly having a cappuccino with you in central London and talking about, I'd be saying, look at the sky, look at the size of our business now.

You're not talking about a business from five, six years ago where a loss on a weekend like that would have been about GBP3 million, GBP4 million in online. You're talking about a scale business; 38% growth in the last quarter, 48% in the first two weeks. You're talking about a mammoth sports betting business. We've lapped up market share like a greedy person sticking the bread in the dripping after the roast beef comes out of the oven.

We have grown our business at the expense of others and because of a number of factors. That makes any loss you're going to get that much bigger than it was five years ago.

Now when Dettori day happened, our losses of business, I think, was about GBP7 million, but that was on a huge volume racing business. Advance that forward 18 years and, when you look at our business mix in online, a GBP13 million loss on an exceptionally bad day is what you would expect.

Going forward, I think we will have extremely good days when the results go for us, given the scale of business we've got. But I can't promise that, because if I could see into the future, I tell you what, I wouldn't be wasting my time talking to you on this call; I'd be out there punting like mad. (laughter)

Neil Cooper *- Group Finance Director*

Yes, if I could just make one more perhaps obvious comment. Our view is that returns trend to the normalized expectation and that statement is a fair statement at any point, looking forward.

Now the implication of that is I think it would be -- whilst we're hopeful that the increased consumer interest, awareness and so on will lead to better things, I think assuming that we're going to have a run of abnormal good results looking forward would be equally as imprudent as assuming we're going to have a run of terrible results looking forward. At any one point in time, I think we can assume, looking forward, the normal run of results.

Ralph Topping *- Chief Executive*

Isn't he more articulate than me? I used to hang about on street corners in Glasgow. He's been hanging around Mayfair. Fantastic. (laughter)

Victoria Greer *- JPMorgan - Analyst*

Great. Thank you very much.

Neil Cooper *- William Hill PLC - Group Finance Director*

Is that okay, Victoria?

Victoria Greer *- JPMorgan - Analyst*

Yes, that's great. Thank you. Could I also just ask, on online you've guided to taking some of the spending out of the marketing budget next year and putting it more into free bets. Does that reflect -- or is that essentially a response to what you're seeing competitors do in the market for online?

Neil Cooper *- Group Finance Director*

Well look, I'll make a couple of comments here. I think the first thing to say is, as ever, what we've indicated to you today is what our plans are. We will be situational as we go through the year and we determine what is the right competitive response.

Now as regards the upweighting in free bets, I think it's fair to say that we have increased the number of free bets 2013 on 2012. It's fair to say that, at the point we really started to push that, our wagering growth has accelerated. I'd remind you we did 26% in H1. We did over 40% in Q3 and near 40% in Q4. So, to us, this is something that looks like it's a successful part of our marketing armory.

You have to look at it in the round, together with the net revenue to -- the marketing that sits below net revenue. But I think it's a fair comment to say that we've been pleased with what we've seen, otherwise we wouldn't be planning to do more.

Victoria Greer - ***JPMorgan - Analyst***

And then just a last one, if I can. So on mobile gaming, clearly it's accelerated quite a bit, going from 18% of net revenue in Q3 and then to 23% in Q4. Obviously there's some cannibalization with the rest, but with 23% of it up 200%, clearly the rest must be down pretty significantly. Can you talk a bit about the rest that isn't mobile gaming?

Ralph Topping - ***Chief Executive***

We'll give you more detail in February on that.

Victoria Greer - ***JPMorgan - Analyst***

Great. Thanks.

Operator

Laura Evans, UBS.

Laura Evans - ***UBS - Analyst***

Just two from me, please. Firstly, can you give any detail on the impact that video walls have been having on the stores they've been rolled out in so far?

Ralph Topping - ***Chief Executive***

Yes, I can. Good impact.

Laura Evans - ***UBS - Analyst***

Okay. Thank you. And secondly on Australia, when is a decision likely to be made on branding?

Ralph Topping - ***Chief Executive***

Decision on branding and what we'll do with branding, we'll reveal at either the end of February or soon after.

Laura Evans - ***UBS - Analyst***

Okay, great. Thank you.

Operator

Nick Edelman, Goldman Sachs.

Nick Edelman - ***Goldman Sachs - Analyst***

I just had quick question on the cost guidance. In terms of the 3% to 4%, if you took just the increase in content cost plus your staff costs going up, does that take you above 4%? And then the offset from some single manning brings it back into the 3% to 4% range. Is that how that works?

Neil Cooper *- Group Finance Director*

Well, I wouldn't peg it so closely to the numbers, but that's certainly the principle.

The reason we've got a degree of caution about this is that we're trialing the extension of single manning into the evening at the moment. And our primary concern is to make sure that, from a health and safety perspective, we're not doing anything that we might look back later and think was the wrong thing to do. So we're being cautious about how much -- we obviously have a view as to what we think we might do, but we don't want to be definitive about it because the trial hasn't finished yet.

So I think there's a degree of potential -- certainly if you think about where we might go on single manning in the evening that would get you towards the 3% end.

Nick Edelman *- Goldman Sachs - Analyst*

And can you just -- so where are you right now in terms of single manning? And then does this take -- would that offset take you as far as you could go on single manning?

Ralph Topping *- Chief Executive*

Listen, at the moment it's a trial. We're looking at the potential for seven shops to be single manned during the evening as well as the morning. Quite categorically not all shops will be going to single manning because we're very much into the serious risk assessment. So more details at the end of February on this. And I don't think we want to be tied down to giving you any indication at the moment because the trial is still underway.

Neil Cooper *- Group Finance Director*

Nick, if I've understood your question, we do and we have single manned during the morning and up to midday. We've been doing that for, well --

Ralph Topping *- Chief Executive*

Since I was a cashier.

Neil Cooper *- Group Finance Director*

Yes, since Ralph was a cashier.

Ralph Topping *- Chief Executive*

So that is since the parrot on Long John Silver's shoulder was an egg.

Neil Cooper *- Group Finance Director*

I think that's a long time ago, Nick. So we've been single manning for a long time in the morning, as I think everybody does in the sector.

Ralph Topping *- Chief Executive*

So I think there's a lot of hype about it and a lot of people don't understand it, but it has been -- it's been a fact of life since I entered the industry. And, as a person who once ran the Cowdenbeath shop from nine in the morning until six at night on my tod, I can tell you it is not an emotional issue for anybody who works in a betting shop and actually sees -- for most people working in a betting shop. So we'll give you more details in February, all right?

Nick Edelman *- Goldman Sachs - Analyst*

Okay. Thanks. It's also reassuring to hear your push notifications going.

Ralph Topping *- Chief Executive*

In the background?

Nick Edelman *- Goldman Sachs - Analyst*

Yes, it sounds like you've got bets coming through at the moment.

Ralph Topping *- Chief Executive*

No, strangely enough, it's a little note from my daughter saying I'm doing wonderfully well on the call and she's enjoying it. (laughter)

Nick Edelman *- Goldman Sachs - Analyst*

Thanks very much.

Operator

Gavin Kelleher, Goodbody.

Gavin Kelleher *- Goodbody - Analyst*

Just two from me. On Australia, can you give us any color on what amounts wagered were, growth-wise, in Q4?

Ralph Topping *- Chief Executive*

No. Next question?

Neil Cooper *- Group Finance Director*

We will, but we'll do that at the interim, Gavin. This is just simply a year-end trading update, to be fair. So we will do that in more detail, not just obviously the wagering but a fuller picture when we get to the prelims.

Ralph Topping *- Chief Executive*

Next question?

Gavin Kelleher *- Goodbody - Analyst*

Just then on Australia, any significant media deals for you guys at the moment, or does that have to wait until after the branding decision?

Ralph Topping *- Chief Executive*

I'm not going to tell you anything on that.

Neil Cooper ***- Group Finance Director***

We are in a position to know what we're doing, but for commercial reasons we may not choose to announce it on this call, if that's okay.

Ralph Topping ***- Chief Executive***

I was going to say I'm not going to tell you that, but that's pretty much the same answer from me. (laughter)

Gavin Kelleher ***- Goodbody - Analyst***

Okay. Thanks a million, Neil. Thanks, Ralph.

Operator

Patrick Coffey, Barclays.

Patrick Coffey ***- Barclays - Analyst***

Just a few from me, if you don't mind. Just in terms of the costs outside of the single manning of the stores in the evening, which I accept, as you say, is a trial, are there any more cost efficiencies that you could drive over the next coming years? That's one.

I suppose just --

Ralph Topping ***- Chief Executive***

The answer to that is yes.

Patrick Coffey ***- Barclays - Analyst***

Okay. And could you maybe give some further details on what that could be, maybe size of those cost efficiencies?

Ralph Topping ***- Chief Executive***

I think it's all wrapped up with point of consumption tax and what we might do sensibly around the business.

Let's just say that Neil and I look at costs all the time and there are areas that we're exploring at the minute, but we're not going to give you any guidance on that at the moment.

Patrick Coffey ***- Barclays - Analyst***

Okay.

Neil Cooper ***- Group Finance Director***

I think, notwithstanding the general view that there is always more you can do, we are a highly operationally geared business. The bulk of our costs fit into three categories.

Content costs, I don't need to rehearse the story about the above-inflation rises we've seen.

Property, our rent roll is fairly aggressively managed. We've seen benign inflation compared to the recent past, or the longer term in our recent numbers. So I think I'd be cautious about believing there's very much more we can do in the property above and beyond what we're doing now.

And then there's obviously staff and we've talked about, I think, some of the key drivers around there.

So I think there's not a huge amount of variable costs sitting there you can make a decision on, if I'm honest. A lot of it is fixed in its nature.

As I've said, not to say that there is not cost cutting that we can do, but certainly at the retail operational level I wouldn't be sitting there thinking there's big lumps of costs just waiting to be pulled out because history would tell you that we've been fairly tight on cost in retail and most of the cost is structural.

Patrick Coffey ***- Barclays - Analyst***

Sure, okay, very clear. In terms of the accounting error, sorry you briefly mentioned this earlier, can you just clarify that accounting issue you mentioned and perhaps the impact?

Neil Cooper ***- Group Finance Director***

Yes. We got our average number of shares wrong, as a result of the -- it was just simply a spreadsheet error. It's not a material change, but just for good order we thought we'd highlight it on the call and then the guys will send out the corrected number.

Patrick Coffey ***- Barclays - Analyst***

Sure, but then the assumption might be that the consensus number of shares is incorrect for the next few years, too low.

Neil Cooper ***- Group Finance Director***

The impact on the full-year consensus number is less than -- is around 0.7%, 0.8%, so it's not a material change.

Patrick Coffey ***- Barclays - Analyst***

Okay. Thank you. Just thinking about gross win margin mix and mobile on, say, a five-year view, given your very strong growth in mobile. So on a five-year view, how much do you think of online will actually come from mobile, roughly?

Ralph Topping ***- Chief Executive***

I will take that question on February 28.

Patrick Coffey ***- Barclays - Analyst***

Fair enough, I'll ask it then. And then a final one, if you don't mind, is just whether you've seen any material changes in the competitive landscape in the UK. Obviously, Paddy Power made reference to this on their call in Q4 last year, but have you noticed anything material either from a marketing or from odds perspective that you could highlight?

Ralph Topping ***- Chief Executive***

No, I didn't pick up what Paddy said about the landscape at all, but it's -- I suppose from our perspective, we only look at our own Company and we believe that we're picking up market share left, right and center on our sportsbook business and also on our gaming business.

And I can say this honestly, I don't think -- this business is in great shape. Internally we've got a very good management team. I think Neil and I have a very good partnership. The business is in great hands stewardship wise and I think we're very much looking forward to the future of the business over the course of the next while.

So competitive landscape, I think it's a verity now. It's not any guesswork that we are lapping up market share from weaker people who have weaker companies, who don't have the range of businesses that you need, like a good sportsbook, good online casino and good High Street presence.

And I think that's down to the fact that we've still got people in our business who understand bookmaking, UK bookmaking and all the issues that it faces. And, thankfully, that should see us all right for the next wee while anyway as an organization.

Most other companies have people who are passing through. Paddy Power's been lucky. They've had Patrick there at the helm for a long, long time.

Patrick Coffey ***- Barclays - Analyst***

Sure. And just following on from that, and a final one if you don't mind, is just, given your financial flexibility and your scale relative to the competition, is it not tempting -- I appreciate you can't really say much here because there's issues around what the competition is, but is it not tempting to ramp up the marketing spend in 2014/2015 well above the 25% you mentioned to really put the gas on gaining market share ahead of and during the point of consumption tax transition?

Ralph Topping ***- Chief Executive***

I think on that front we'd like to consult with our shareholders and get their view and whatever. But from -- it is tempting, yes, there's no doubt about it. If you've got a drowning opponent then it's tempting to stick a hosepipe down their throat. But we will always try and carry shareholders with us.

Patrick Coffey ***- Barclays - Analyst***

Okay.

Neil Cooper ***- Group Finance Director***

I think you've also got to look at the progression to 2014 in terms of the free bets as well. Effectively, versus what we did in 2012, we're expected to be nearly doubling the amount of free bets we're offering in 2014. So whilst the headline net revenue ratio looks like it's a little lower, net free bet (technical difficulty).

So I think I would just say it's important to look at our marketing efforts (technical difficulty) and just pick on one element.

I think the other thing just to say, listen, this isn't just about a ratio gain. It's ultimately about the absolute size of the bucket in real terms. And, clearly, 25% from us is a much, much bigger set of weapons than 25% from someone who's half of our size. That needs to be taken into account as well.

Patrick Coffey ***- Barclays - Analyst***

Yes, absolutely. Okay, thank you very much, guys. That's very clear. Cheers.

Operator

Ed Birkin, Credit Suisse.

Ed Birkin ***- Credit Suisse - Analyst***

Just a few quick ones for Neil, please. Just in terms of the SIS, you've put in the statement you expect no operating profit in 2014. Is it fair to assume that's going to be the case going forward in the next few years?

Neil Cooper ***- Group Finance Director***

No, the proximate issue of this is that SIS have lost some contracts in their outside broadcasting division, as we understand, and they're now looking at how they deal with that. We understand that that is likely to be a one-year issue. So I think, until you hear more, I would only assume this is a 2014 issue.

Ed Birkin ***- Credit Suisse - Analyst***

Okay, great. And then in terms of shop openings, the year end you've got more than 1% more than the average. Should we be looking at the opening of year-on-year average number of units being about 2%, 2.5% increase, then, as opposed to the 1% you had this year?

Neil Cooper ***- Group Finance Director***

What you mean in 2014?

Ed Birkin ***- Credit Suisse - Analyst***

Yes.

Neil Cooper ***- Group Finance Director***

We've typically guided to around 1% net because -- bearing in mind that, as well as the absolute number of openings, we would -- so this year, for example, this year -- 2013, we had around 60 openings and 15 closures; net 45. So, in absolute terms, it's a little bit higher than the 1%. But we have no intention to be running long term greater than this sort of broad number. Whether it's 1% or 2%, I think, on the scale of the estate, it doesn't make a huge amount of difference.

And that partly will depend on bunching. So we did not open 1% last year in 2012. We've done slightly better than that in 2013. You're going to see some bunching just because of the nature of the property process. I think if we are opening net 30 to 40 that's broadly where we expect to be.

Ed Birkin ***- Credit Suisse - Analyst***

Okay. And two more quick ones. In the exceptionals, you said Tom Waterhouse, I think, you've exceptionalized GBP2 million of the GBP4 million.

Neil Cooper ***- Group Finance Director***

Yes.

Ed Birkin ***- Credit Suisse - Analyst***

So GBP2 million of exceptionals in 2014. Are there any other big items we should be thinking about at the moment?

Neil Cooper ***- Group Finance Director***

Well, not to my knowledge at this stage of the year, no.

Ed Birkin ***- Credit Suisse - Analyst***

Okay. And then finally (multiple speakers) --

Neil Cooper ***- Group Finance Director***

The Sportingbet. We're expecting all of the Sportingbet stuff to have been expensed this year. Obviously Waterhouse still coming some and some. Never say never, but I'm not aware of anything at the moment.

Ed Birkin ***- Credit Suisse - Analyst***

Okay, great. And then finally, can you confirm have you fully rolled over the market exits now in terms of the online (multiple speakers)?

Neil Cooper ***- Group Finance Director***

Yes. The last closure that was relevant for this purpose was December 5 last year.

Ed Birkin ***- Credit Suisse - Analyst***

Okay, great. Thanks very much.

Operator

David Jennings, Davy.

David Jennings ***- Davy - Analyst***

Just one question from me. Ralph, you talked a lot about how the scale of the online business has really increased in recent years. Can you just give us a sense for what active customer growth was in 2013 versus 2012? And the absolute size of your customer base now in the European online business, please?

Ralph Topping ***- Chief Executive***

No, we'll tell you on February 28. That's a detailed question. We'll go into it there. But just take away I'm very, very happy with the shape of the business and direction and travel for the business.

David Jennings ***- Davy - Analyst***

Okay, thanks.

Operator

It appears we have no further questions coming through on the phone line.

Ralph Topping ***- Chief Executive***

That's brilliant, okay.

Neil Cooper ***- Group Finance Director***

Nothing from Ivor.

Ralph Topping ***- Chief Executive***

Nothing from Ivor. Ivor must be having a cappuccino somewhere in the City. (laughter) So thanks, operator, that's us finished.

Operator

This concludes the William Hill trading update. If you would like to hear any part of this call again a recording will be available shortly. Thank you for joining. You may now disconnect your lines.