

William Hill Australia Capital Markets Day

22 October 2014



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Welcome

James Henderson
Chief Executive Officer
William Hill PLC



Agenda

8.30 am Coffee

9.00 am Welcome and overview James Henderson, CEO, William Hill PLC
Market and company overview Tom Waterhouse, CEO
Financials Dan Pickering, Finance Director
Q&A

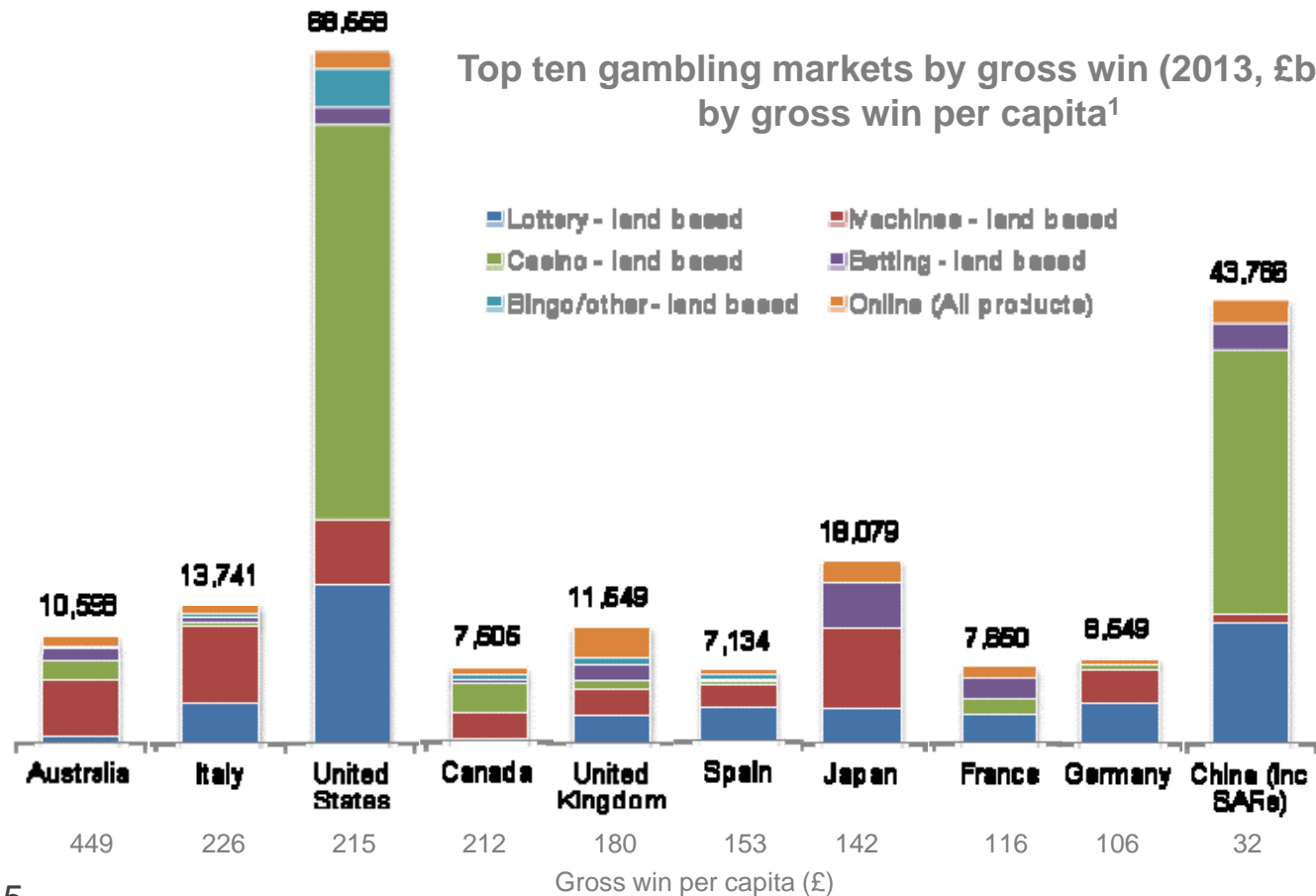
10.00 am Site tour and presentations

Operations, UX, marketing Isaac Ward, COO
Technology Rob James, Director of IT
Trading Terry Pattinson, Group Trading Director, William Hill Group
Brad Smyth, Risk and Trading Director
Data Matteo Trinca, Director, Strategy and Analytics

12.15 pm Lunch

Overview

- Attractive market opportunity, further diversification of Group revenues
- Top three player in the fast growing online betting market
- KPIs moving in the right direction and clear strategy for next stage of growth



1. H2GC Global Gambling Data (February 2014); population data (Wikipedia)

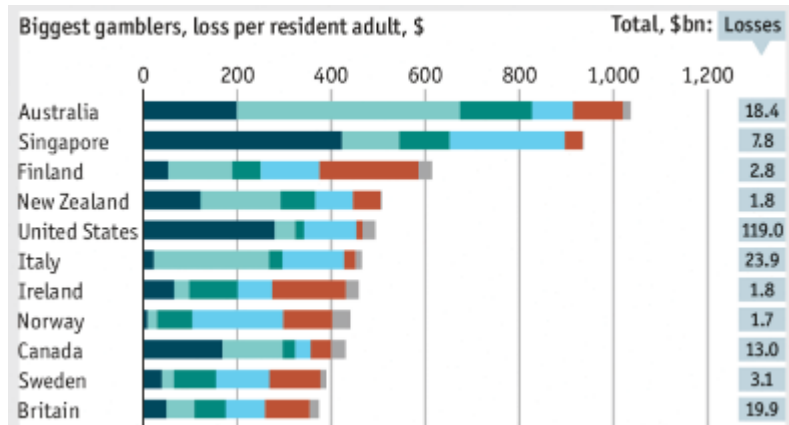
Overview of the market and William Hill Australia

Tom Waterhouse
Chief Executive Officer
William Hill Australia



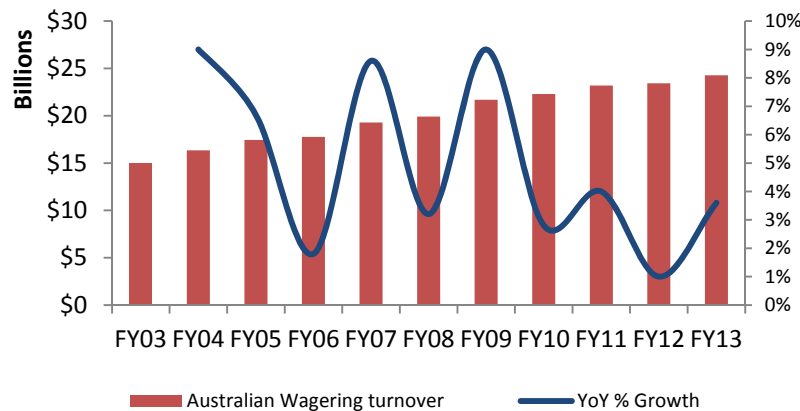
Size and make-up of the overall gambling market

Global gambling rates¹

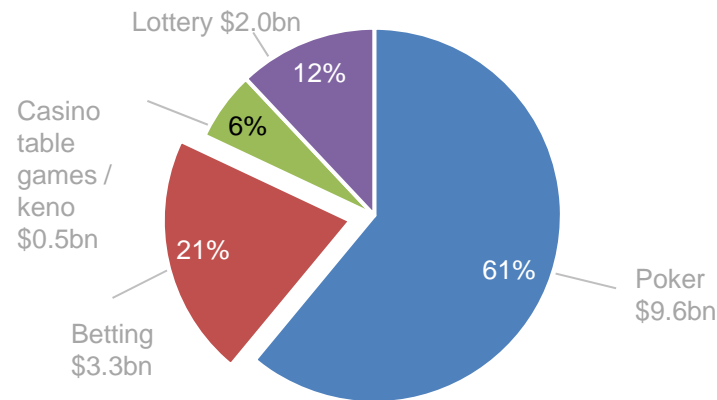


- Highest per capita spend on gambling
- Wagering levels have grown over the long term

The Australian wagering market²



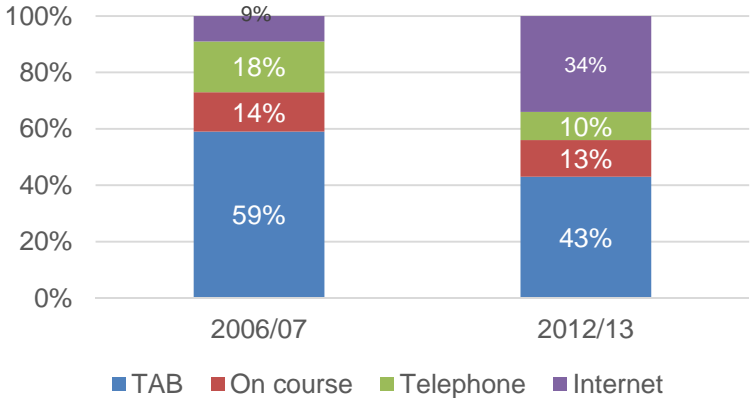
Gaming gross yield by product³



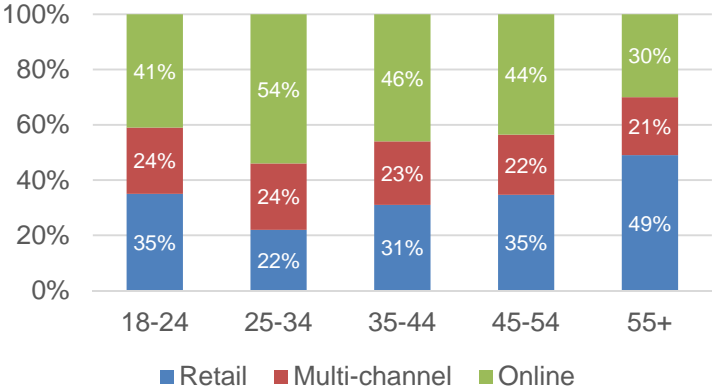
Sources: 1. Global gambling 2013, H2GC
 2. Australian Racing Board Fact Book 2013
 3. Roy Morgan Research, State of the Nation, September 2014

Evolution of the betting market

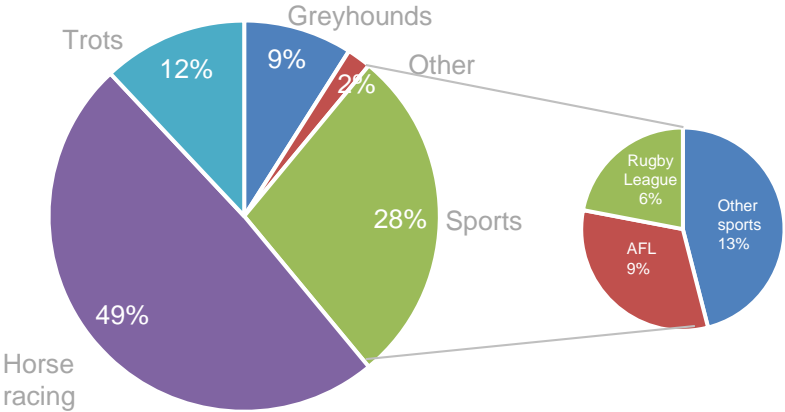
Online has grown as a proportion of overall betting¹...



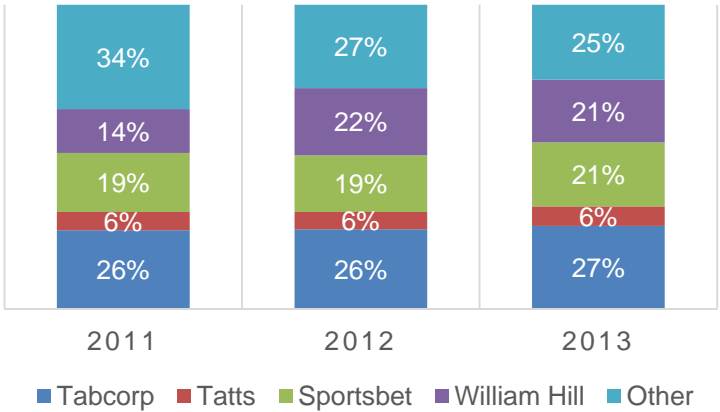
...with strong adoption across all ages groups...²



...and the structural growth in sports betting³



The market is consolidating



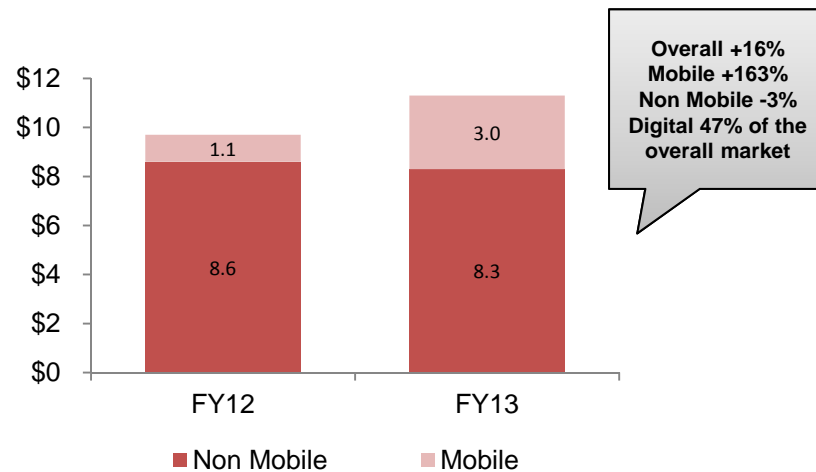
Sources: 1. NSW and Victoria thoroughbred turnover, Australian Racing Board Fact Book
 2. Company data
 3. Roy Morgan Research, State of the Nation, September 2014



Market situation assessment

- Double-digit historic and projected market growth rates
- The shift to mobile continues
- Customers are becoming more savvy
- Competitive intensity is high and has been increasing
- The regulatory backdrop is making the situation more difficult for sub-scale operators

Industry online wagering turnover by channel¹



Global smartphone penetration rates²

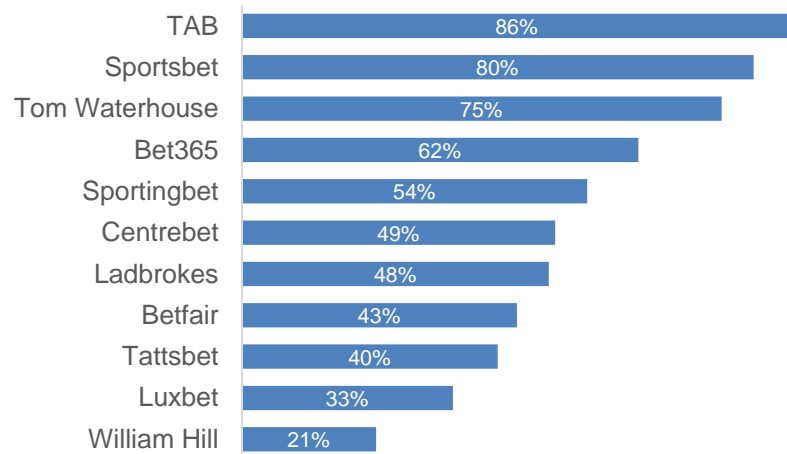
1		United Arab Emirates	73.8%
2		South Korea	73.0%
3		Saudi Arabia	72.8%
4		Singapore	71.7%
5		Norway	67.5%
6		Australia	64.6%
7		Sweden	62.9%
8		Hong Kong	62.8%
9		United Kingdom	62.2%
10		Denmark	59.0%

Regulation

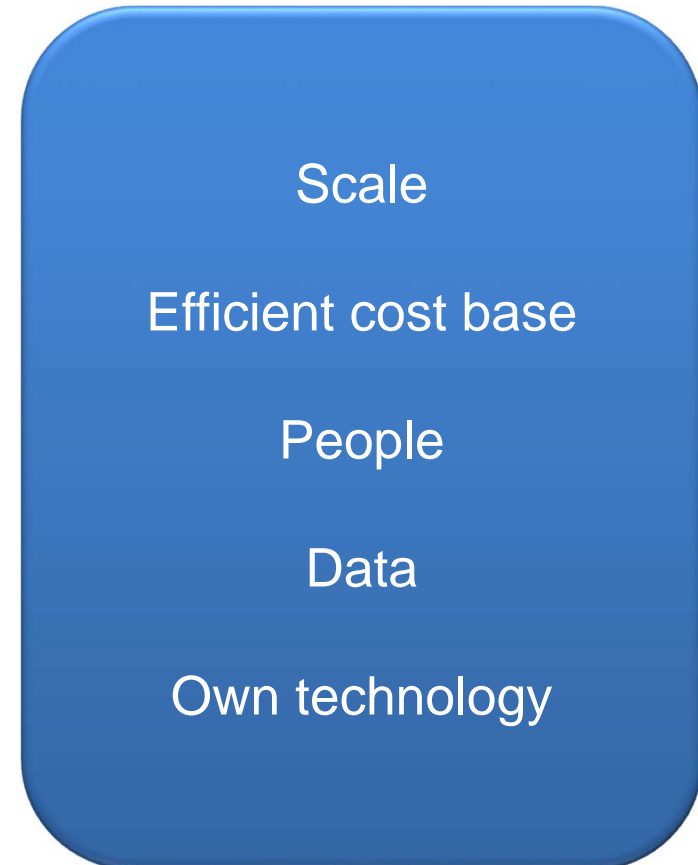
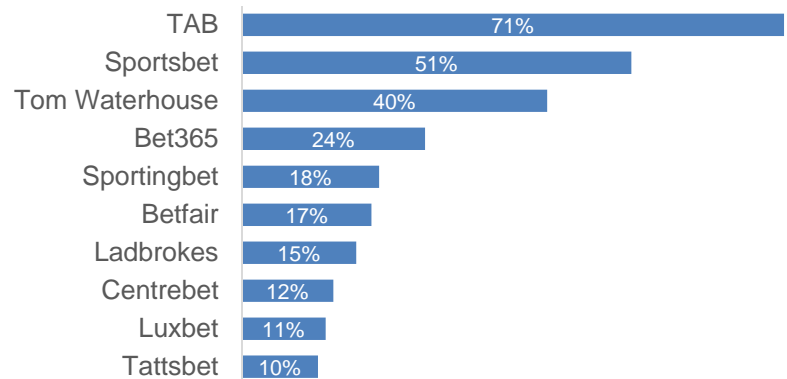
- Interactive Gambling Act 2001
- 2010 Productivity Commission enquiry
- Potential for in-play?
- Product fees
- Advertising

William Hill Australia and the competitive landscape

Prompted brand awareness



Websites used in the last 12 months



Strategy

Trading

- Customer base optimisation
- Product expansion

Customer experience /
product journey

- Improved customer journeys
- Restructured customer experience team
- Agile IT for fast iteration and release

Brand

- Optimised marketing mix
- Concentrated brand approach

People

- Experienced digital leadership team
- In-sourced IT capability
- Increased external engagement

External strategy

- Proactive engagement with government, regulators and sports bodies

The Team



Dan Pickering,
Finance Director



Isaac Ward,
COO



Matteo Trinca,
Director, Strategy
and Analytics



Rob James,
Director of IT



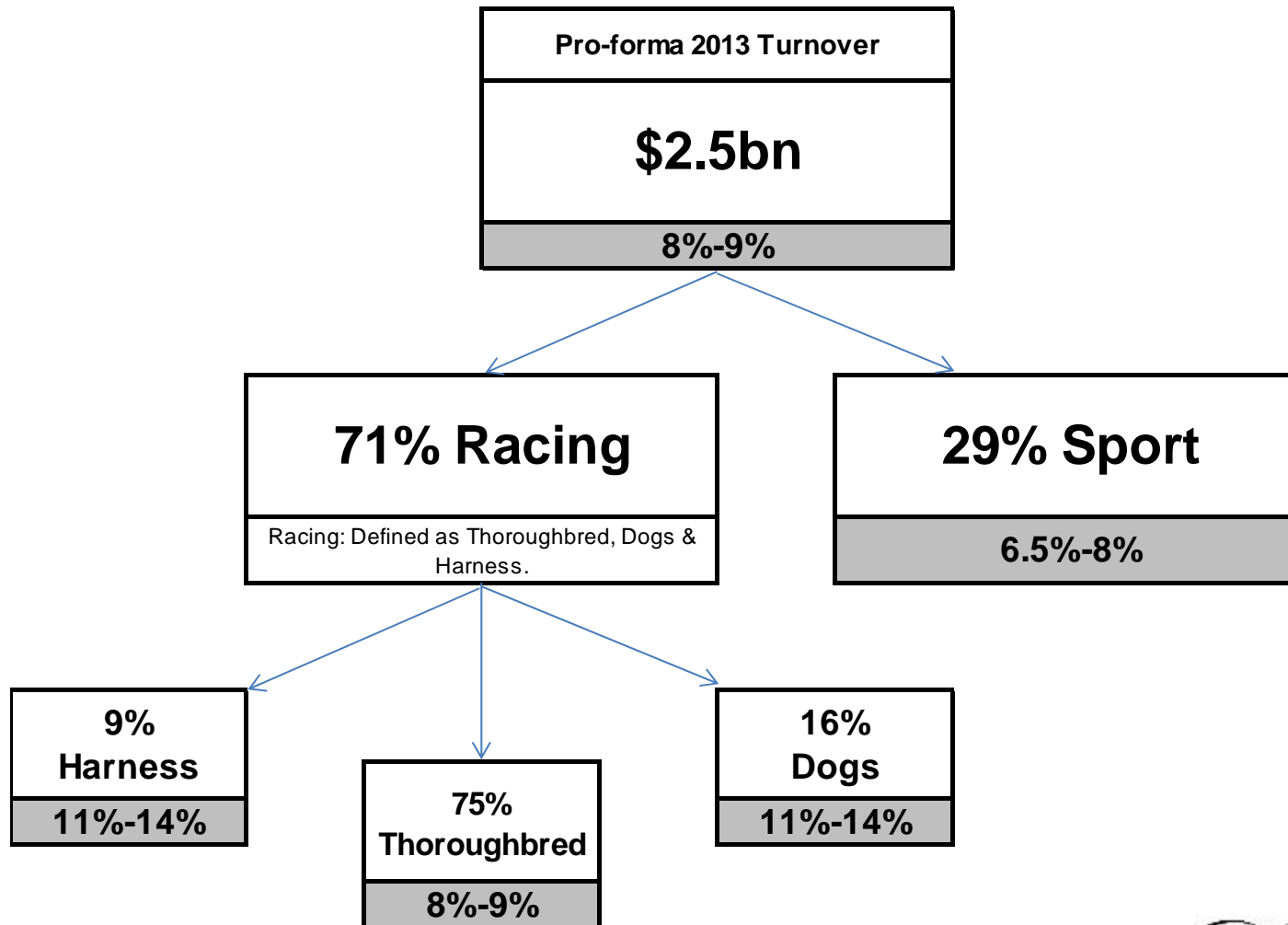
Brad Smyth,
Director of Trading
and Risk

Financial overview

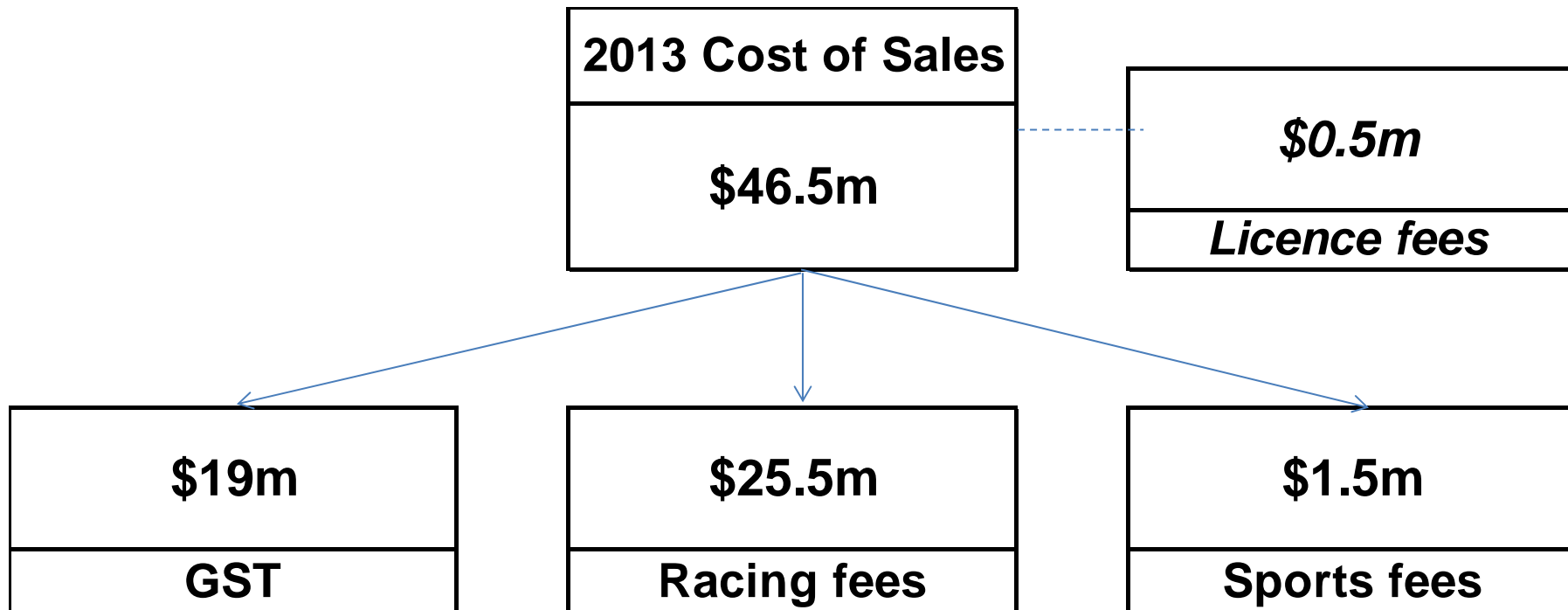
Dan Pickering
Finance Director
William Hill Australia



Construct of the P&L

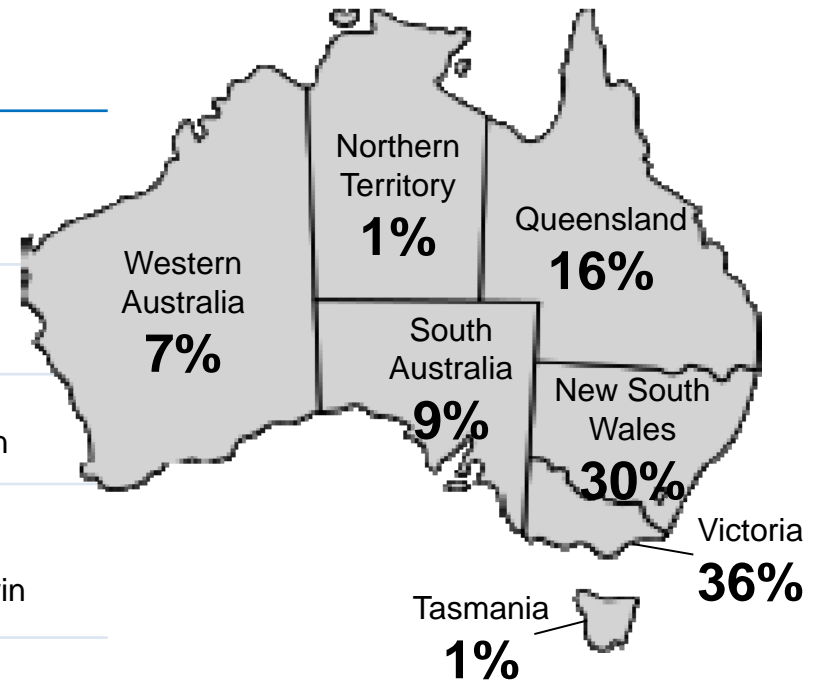


Construct of Cost of Sales



Race field fees

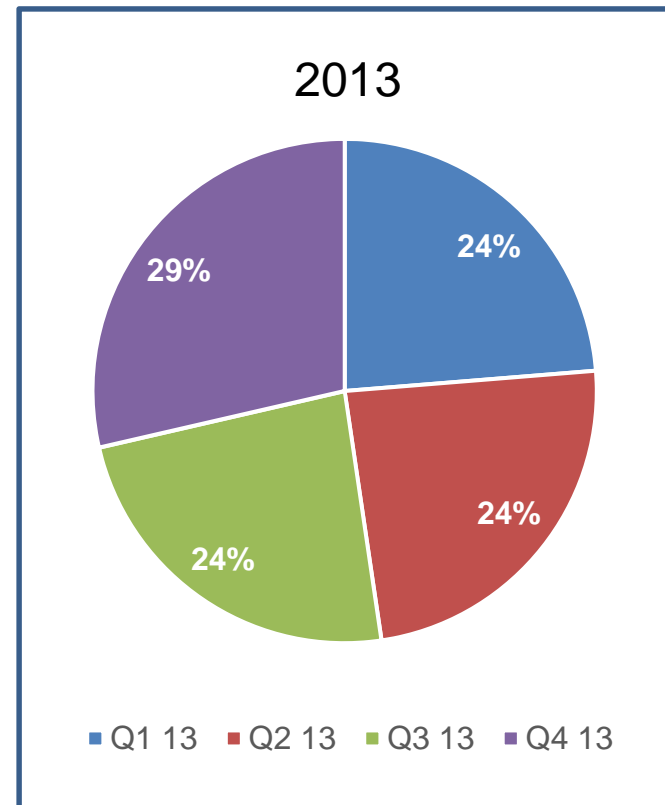
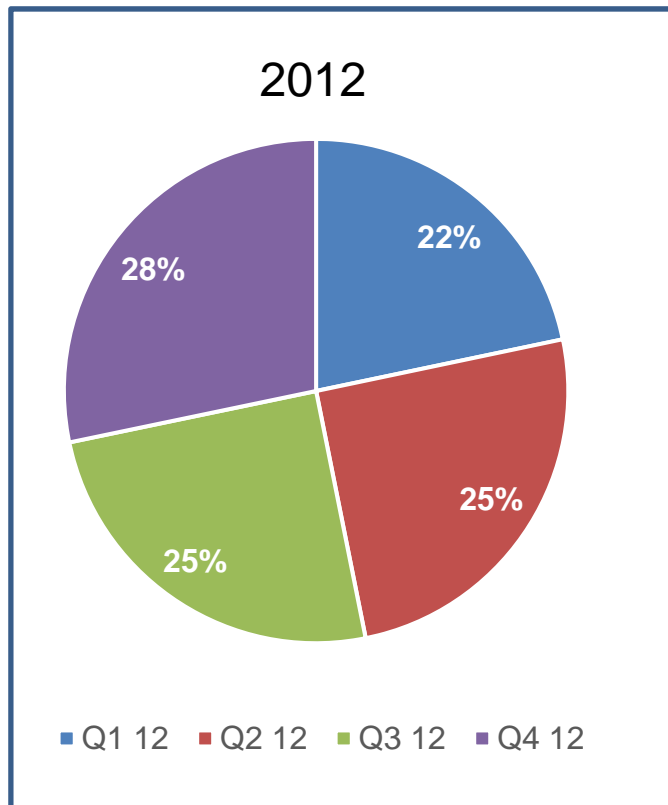
STATE	RATE
Victoria	Premium: 3% turnover or 30% gross win Group: 2% turnover or 20% gross win Standard: 1.5% T/O or 15% GW
New South Wales	Premium: 2% turnover Standard: 1.5% turnover
South Australia	Premium: 2% turnover or 20% gross win Standard: 1% turnover + >15% gross win
Queensland	Premium: 3% turnover Standard: 2% turnover Standard: 1.5% turnover or 15% gross win
South Australia	Premium: 2% turnover or 20% gross win Standard: 1.5% turnover
Western Australia	Premium: 3% turnover Standard: 2% turnover
Northern Territory	1.5% turnover
Tasmania	0.5% turnover



c\$10m additional full-year cost from VIC, SA, QLD and WA changes

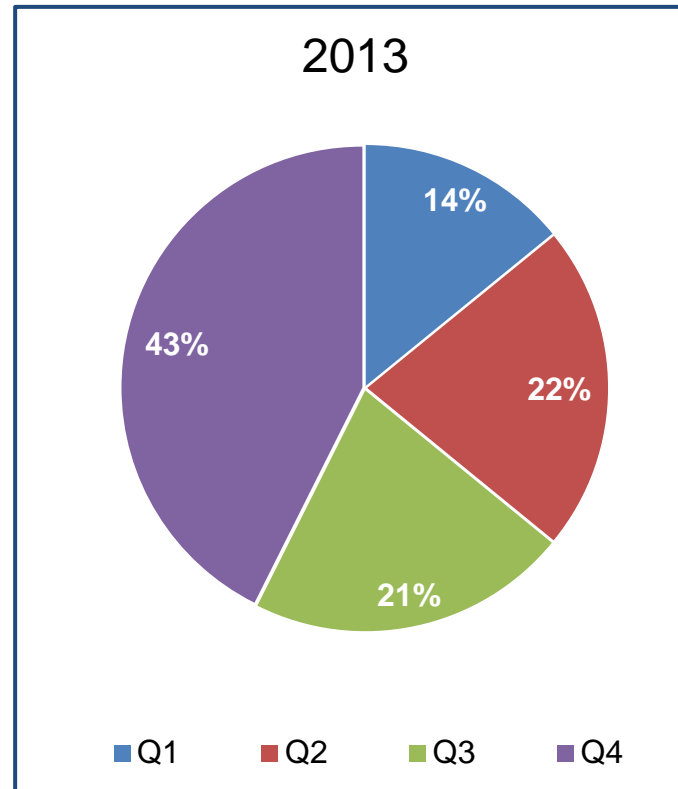
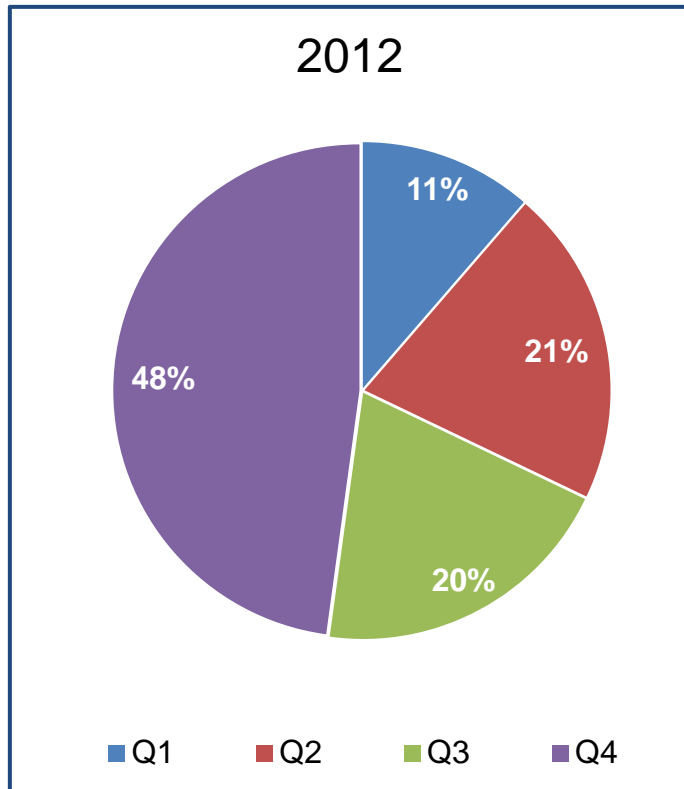
Seasonality of turnover

- Bias towards Q4 and the Spring Racing Carnival



Seasonality of acquisitions

- c40-50% of annual acquisitions are made in Q4. This is due to the impact of the Spring Racing Carnival and the Melbourne Cup



Balance of the cost base

	H1 2014 \$m	H1 2013 \$m	% variance	2013 pro forma \$m	2012 pro forma \$m	% variance
Marketing	23.0	32.5	-29%	66.2	61.4	+8%
Staff costs	20.0	18.7	+7%	33.6	29.0	+16%
Depreciation	4.4	4.8	-8%	7.1	4.9	+45%
IT	3.9	3.5	+11%	9.5	6.5	+46%
Banking costs and bad debt	4.1	3.6	+14%	7.9	7.5	+5%
Other	6.4	5.4	+19%	9.3	10.4	-11%
Operating costs	61.8	68.5	-10%	133.6	119.7	+12%

Excellent profit progression

	H1 2014 \$m	H1 2013 \$m	% variance	2013 Proforma \$m	2012 Proforma \$m	% variance
Gross win	114.9	104.9	+10%	211.0	184.9	+14%
Net revenue	108.2	100.3	+8%	200.5	174.7	+15%
Cost of sales	(27.2)	(22.0)	+24%	(46.5)	(38.0)	+22%
Gross profit	81.0	78.3	+3%	154.0	136.7	+13%
Operating costs	(61.8)	(68.5)	-10%	(133.6)	(119.7)	+12%
Operating profit	19.2	9.8	+96%	20.4	17.0	+19%

Key performance indicators

	Q3 2014	YTD 2014	
Unique active players ¹	+18%	+21%	<ul style="list-style-type: none"> Large database of 1 million clients, clients we are successfully activating
Revenue per unique active	-3%	-9%	<ul style="list-style-type: none"> As the business becomes more recreational we expect this figure to decline over time
New accounts ²	+2%	+10%	<ul style="list-style-type: none"> Focus continues to be on marketing efficiency New accounts growing without NRL property and against backdrop of 26% fall in expenditure
Cost per acquisition ³	-26%	-35%	<ul style="list-style-type: none"> We anticipate this falling to \$400 this year
Margin	10.1%	9.1%	<ul style="list-style-type: none"> Racing 8-10%: tending to upper range as we accommodate race fields Sport 6.5-8%: expected to rise slowly as product mix changes towards multis and recreational punters take a larger share

On-line customer experience and marketing

Isaac Ward

Chief Operating Officer

William Hill Australia



Where are we up to: Marketing and Customer Experience

Consolidation

(to Q2)

- Siloed teams by brand
- Focus on execution and driving CPAs down
- Focus on integration of acquired businesses and launch of new responsive websites

Alignment

(Q3)

- One team (William Hill Australia) with responsibility across brand
- Focus on alignment with customer lifecycle and customer journey
- Product resources split between the 'development of new' and the 'optimisation of existing'

Growth

(Q4 onwards)

- Embed planning and processes and inject pace
- Ramp up digital skillset and insource Digital and SEM
- Maximise brand strategies
- Rework/refresh the mobile experience
- Introduce fee-minimising product and content

Refocused marketing team

Brand and acquisition

- Brand development and guardianship
- Drive awareness
- Convert and acquire
- Optimise cost / value / volume mix

In-life

- Direct and on-site customer communication
- Propositions to retain and reinvigorate customers
- Maximise player value
- Manage high value VIP

Production and design

- Produce ATL assets and TVCs, in-house video and voice spots
- Media integrations
- Design assets and brand consistency

Editorial and social

- Social media to bring the brands to life
- Content to engage customers on-site and within eDMs
- Editorial service

Brand



- Competitive racing and sports prices along with credit betting
- CRM-led, with the best service and hospitality in the industry



- Sport is at the centre of everything we do
- Accessible: a brand for the everyman who loves his sport
- In Life retention and reactivation strategy



- Racing (increase focus), Passionate, Modern, Aspirational
- The home of modern horse race betting

We have been delivering on two key areas:

1. Continuous optimisation of the marketing mix across the brand portfolio
2. The introduction of 'Powered by William Hill' to differentiate the brands and begin creation of a brand 'family'

A few examples of our Spring TV campaigns



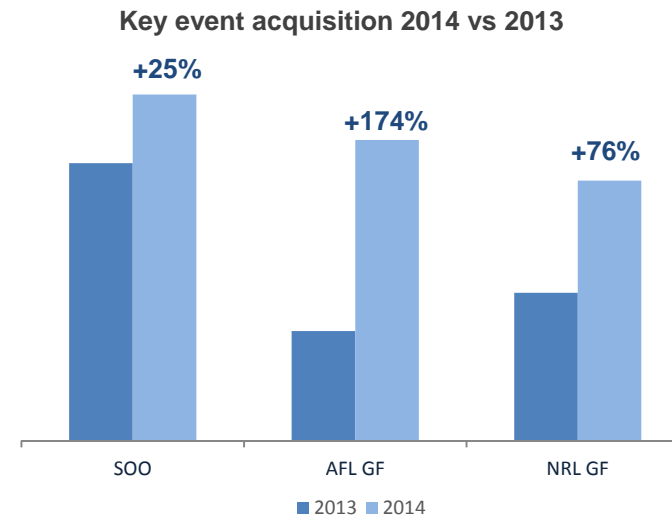
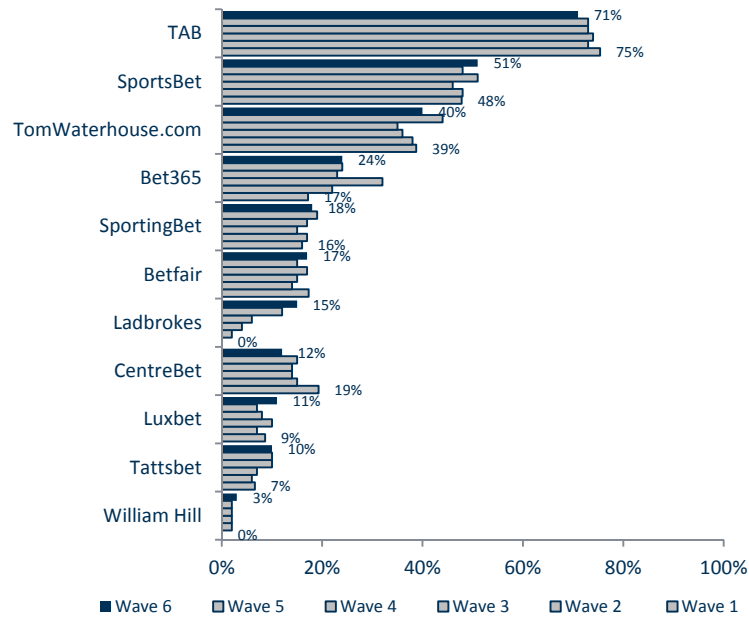
A few examples of our Spring TV campaigns



A few examples of our Spring TV campaigns



Awareness and Acquisition



- Unprompted awareness is dominated by the long-term incumbent - TAB
- Sportsbet and TomWaterhouse track strongly and follow spend
- Tier 1 advertising properties drive rapid spikes in awareness

- We are applying our learnings
- Focus on key events is paying dividends and helping us optimise
- State of Origin was our largest single day of acquisition so far in 2014

The 'product' team structure now aligned to support rapid, customer focused, innovation AND optimisation



User experience

Where from?

- Little (or no) Web analytics
- Sporadic usability testing
- No UX team

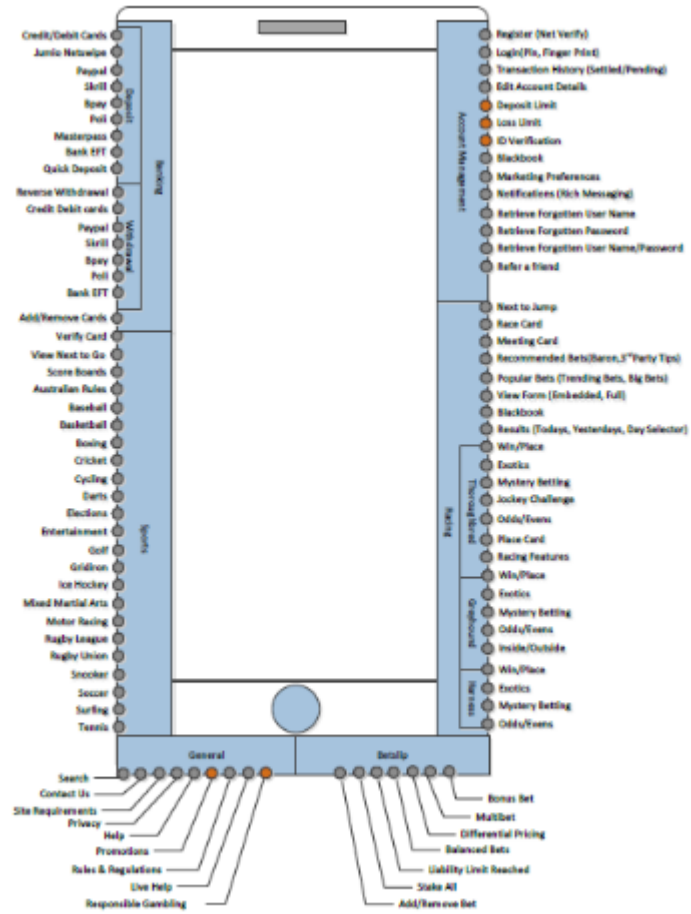
Now

- Web and Ecommerce Analytics embedded across our websites
- Suite of fast, flexible tools for testing usability and running A/B or multi-variant analysis
- Dedicated UX team

Where to?

- Focus on Customer Journey design and optimisation
- Develop localised UI by User and Device
- Embed UX and CX as a core competence within the business

Mobile is a key focus for us in the next period



- Specific customer journeys mapped to the mobile experience
- We are re-examining every user journey in detail with a view to:
 1. Making it simpler
 2. Making it faster - both the physical performance of the app itself, but also the time it takes a customer to complete the desired action
 3. Making sure it does what the customer needs/wants

Technology

Rob James

IT Director

William Hill Australia



How it was then

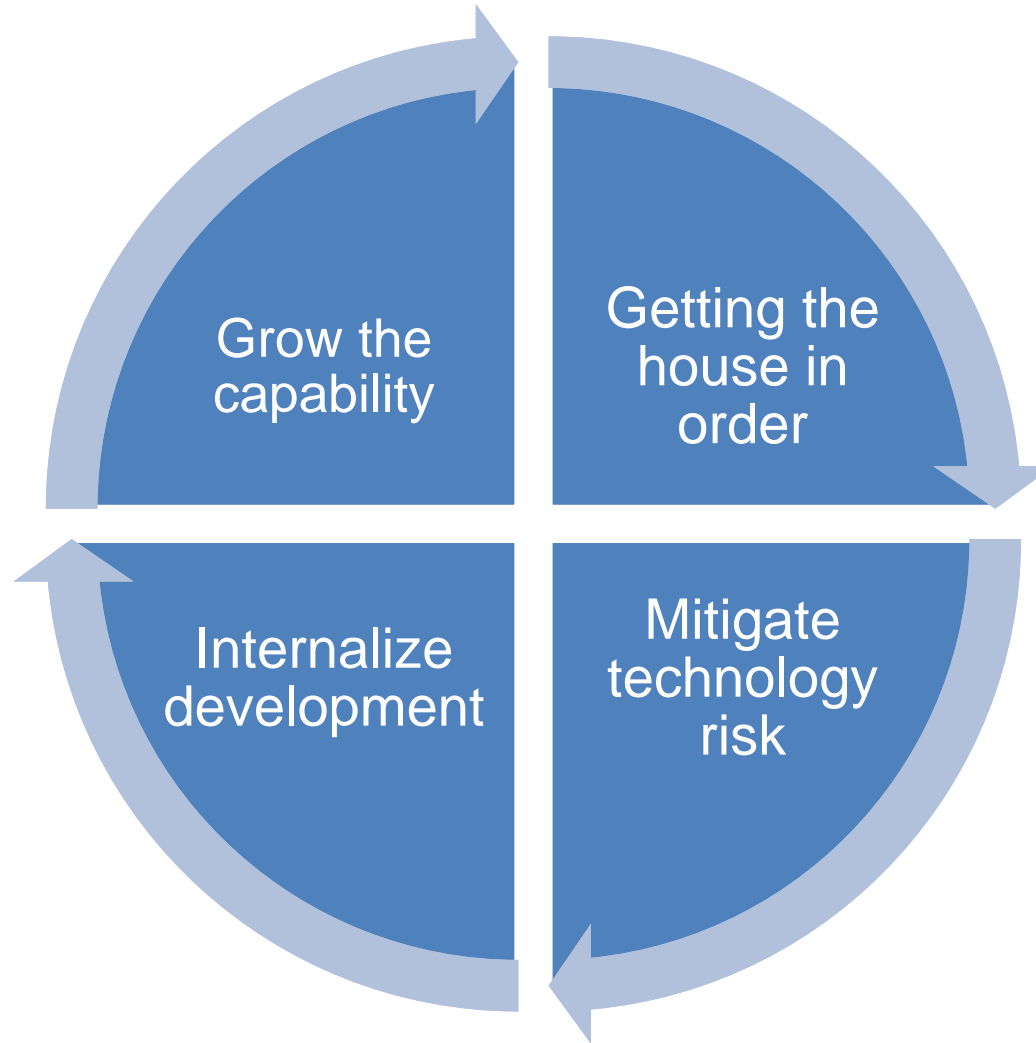
The background

- Core betting platform (Intrabet) developed in-house but much other development outsourced
- Risks in loss of knowledge through staff leaving
- Derived, organic evolution of technology

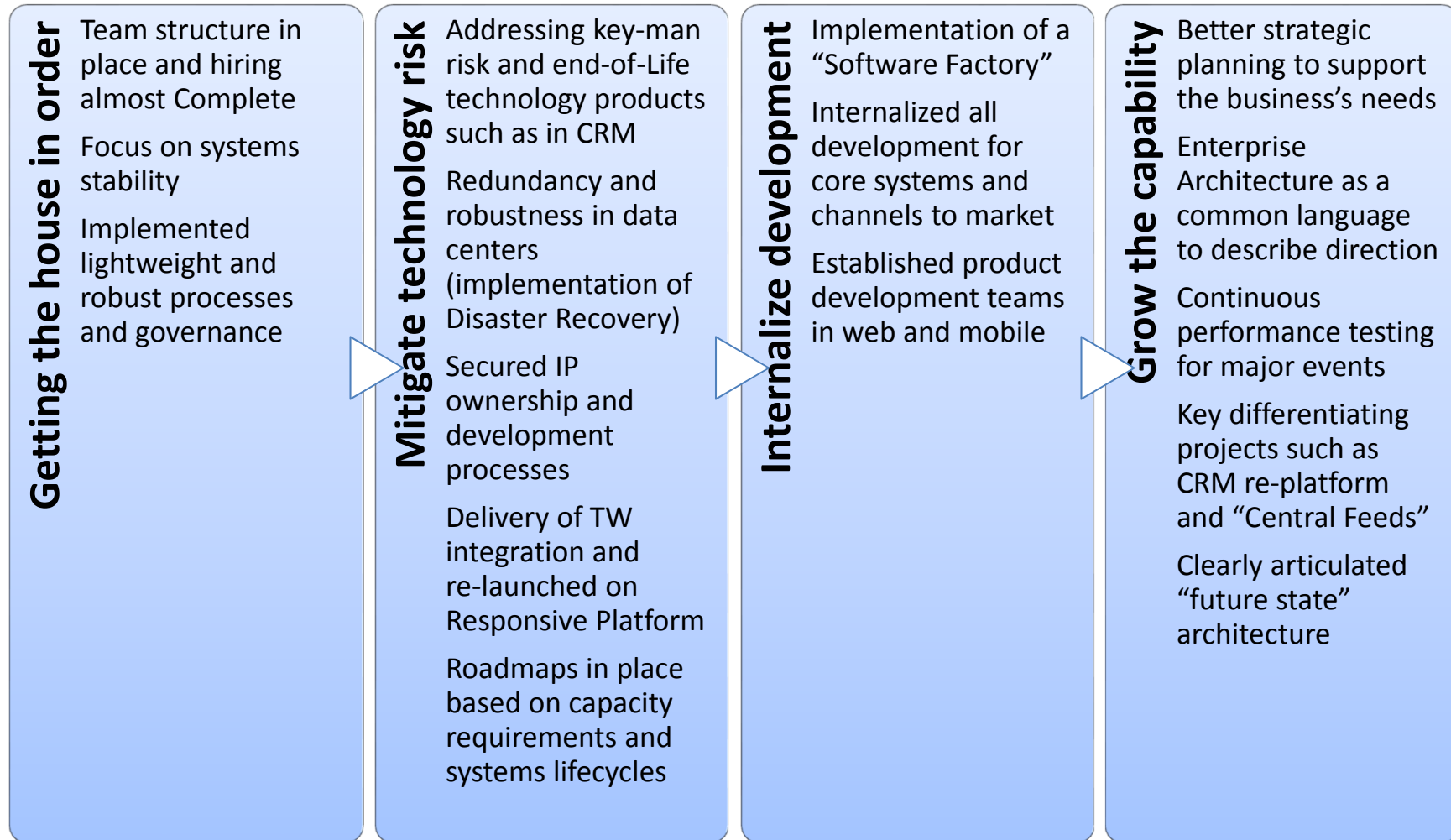
The constraints

- External development of web, mobile and CRM
- Reliance on non-strategic vendors
- Reactive IT structure
- Lack of structure, lack of focus
- No strategic direction
- No overall strategic architecture

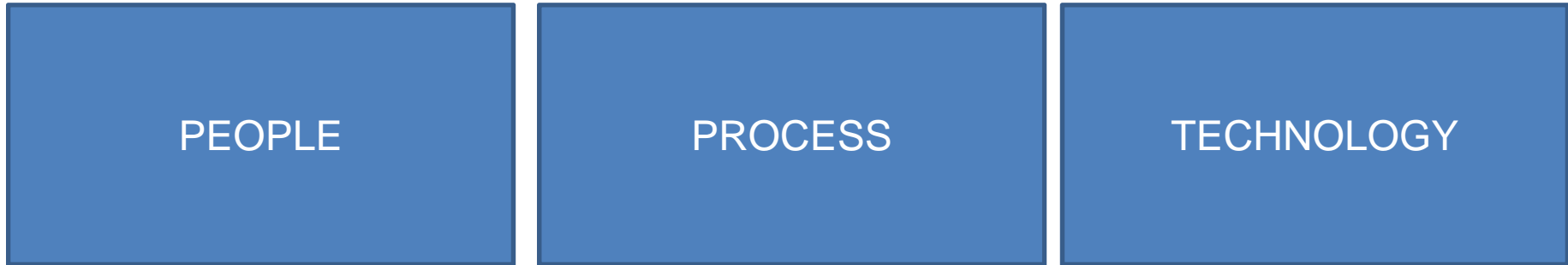
Focus areas



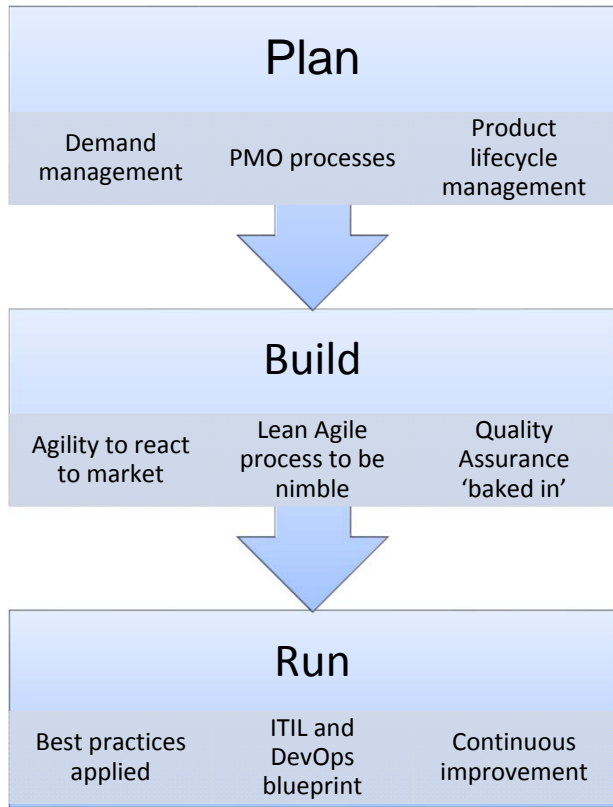
Achievements for Year 1



IT strategy and vision



- New internal structure
- Aggressive hiring, almost complete
- Clear career paths and succession planning



- Evolve platform to support strategic business growth
- Blueprint aligned to William Hill Group
- Service approach to architecture
- Focus on “mobile first” strategy

Example projects delivered

- Tom Waterhouse integration project ✓
- Responsive Design platform ✓
- Disaster recovery ✓
- Payment gateway ✓
- Mystery Bets ✓
- Automatic creation of 100+ AFL and NRL markets ✓
- Single affiliates program across all brands ✓
- Differential pricing ✓
- South Australia responsible gambling control ✓

Where to next – three-year horizon

- Year 2 : IT Growth
 - Architecture transition; modular services to support the business
 - Core systems upgrades to bring up to current versions
 - Promotions engines and technology differentiators
 - Re-invigorate technology pioneering and innovation
 - Mobile, mobile, mobile
- Year 3 : Optimisation
 - Opportunities to optimise IT
 - Global IT direction
 - Efficiencies in Operations
 - Continuous growth of IT capabilities

Capacity for business growth



Capacity

- Increase of infrastructure capacity and channel isolation
- Bandwidth increases
- DDoS testing and optimizations
- Web tier optimizations
- Hardware upgrades

Robustness

- DR remediation
- Change Freeze during Spring Carnival
- Critical roadmap issues
- DB and cache optimizations
- Security, patching and system health checks

Testing

- Baselines based on 2013 metrics
- Testing limits in DR
- Live, production environment testing, during regular business
- Stress testing; understanding system limits

Testing results

Scenario	2013 peak/min	2014 target/min	Performance results	Stress results
View race details	Stats not available	10,000	10,597	80,000
Registrations	108	250	500	NA
Bets	4,782	10,000	10,603	20,000

Notes and definitions

- “Stress results” are the maximum results achieved when the system’s upper bounds and limits were tested. These represent 30% DB utilisation.
- Other functions such as Deposits & Withdrawals were tested aligned to project deliverables in Payment Gateway

Trading

Terry Pattinson
Group Trading Director
William Hill Group

Brad Smyth
Director of Trading and Risk
William Hill Australia



Key event calendar



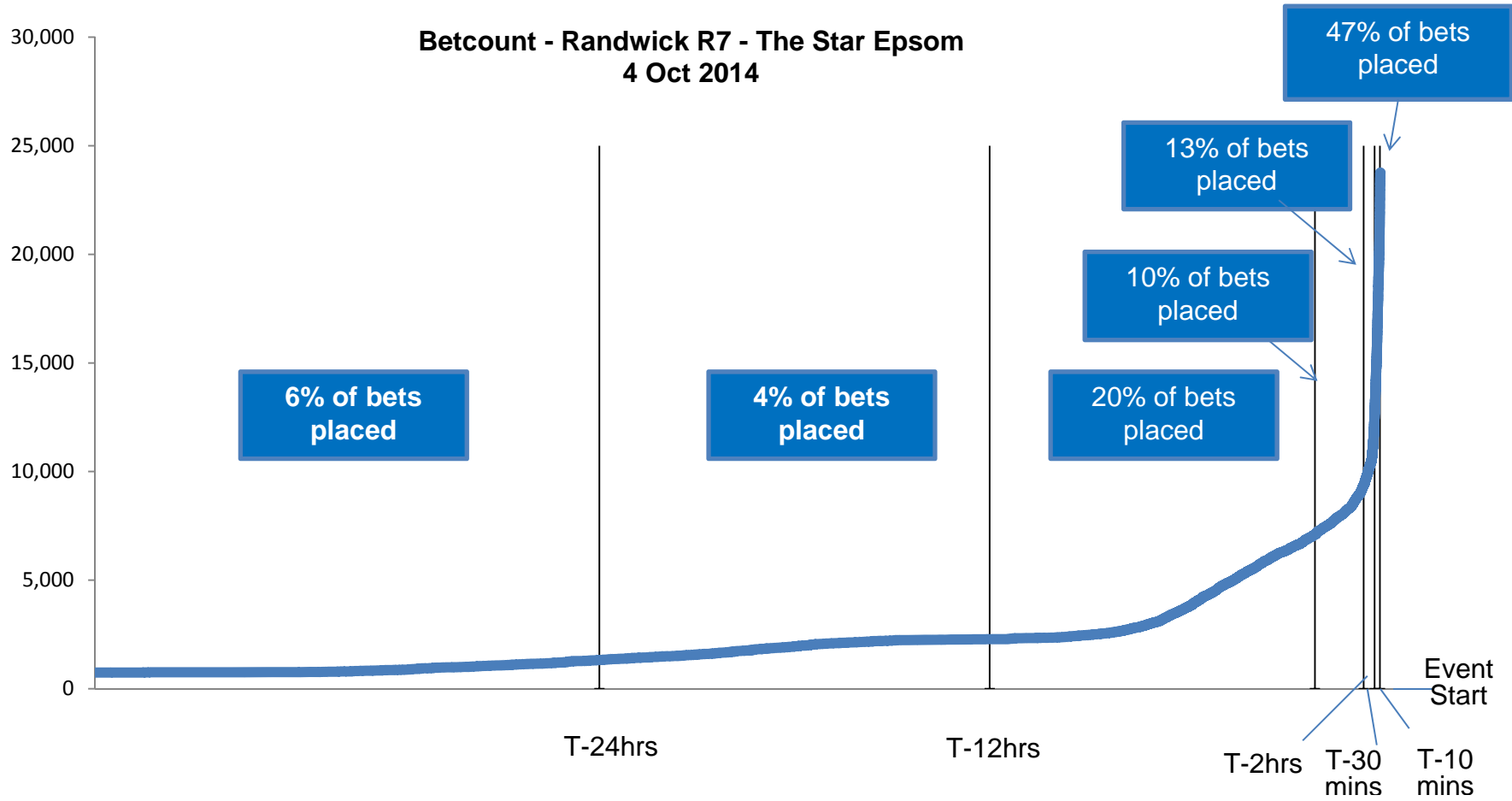
Racing calendar



Sporting calendar



Betting patterns - racing



What's changed

Differential pricing

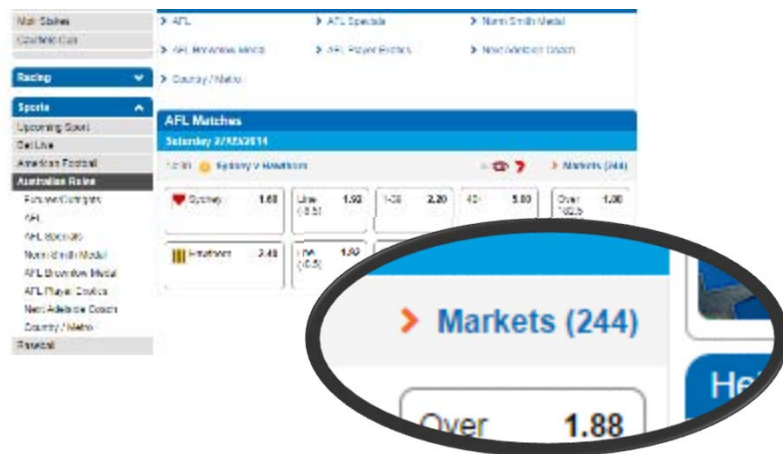
Balance bets

Client management

Enhanced product range



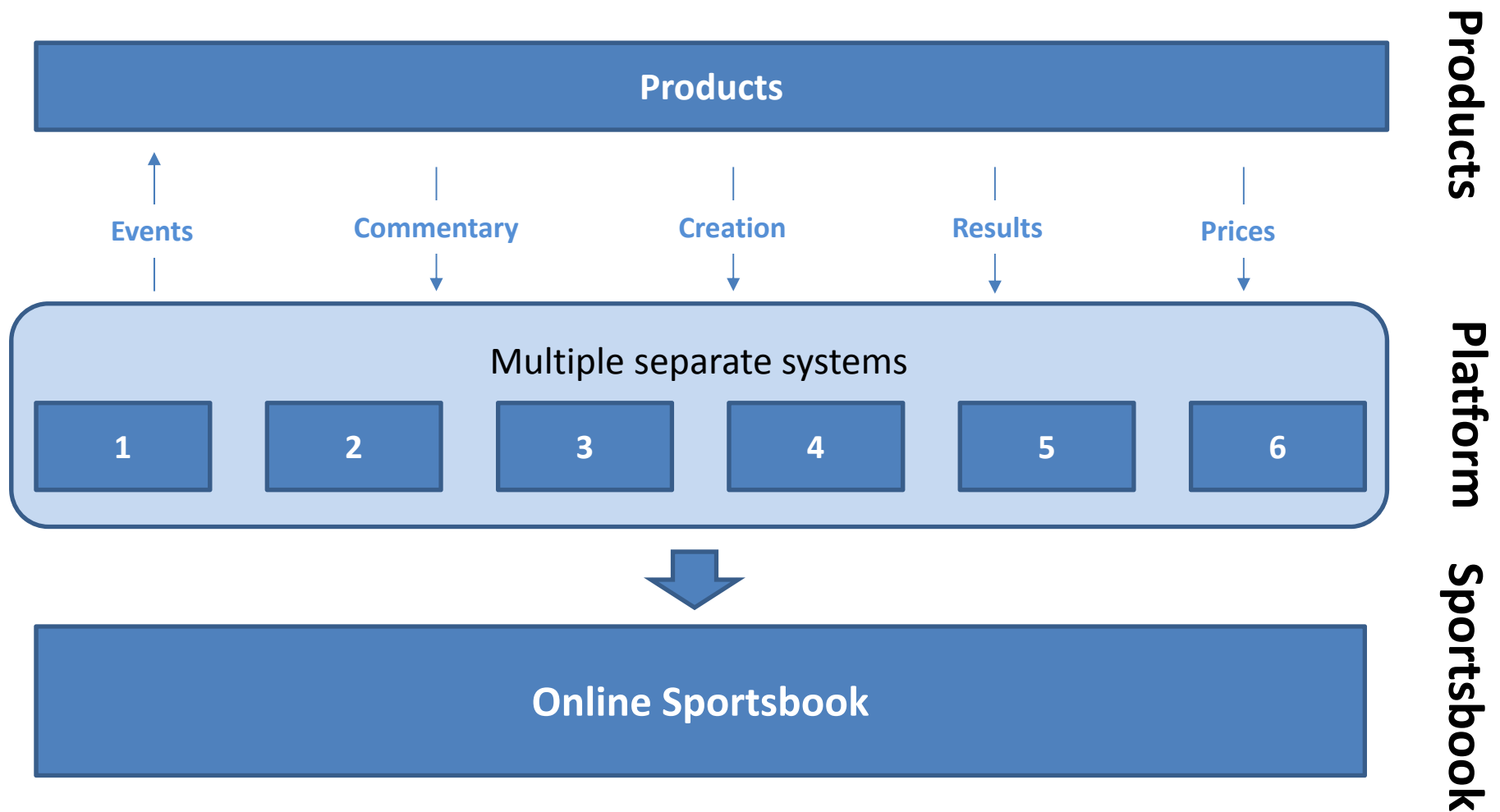
- Market leading for 2014 AFL Grand Final – but manually driven
- Derived markets for 2015 NRL / AFL season
- Central feeds



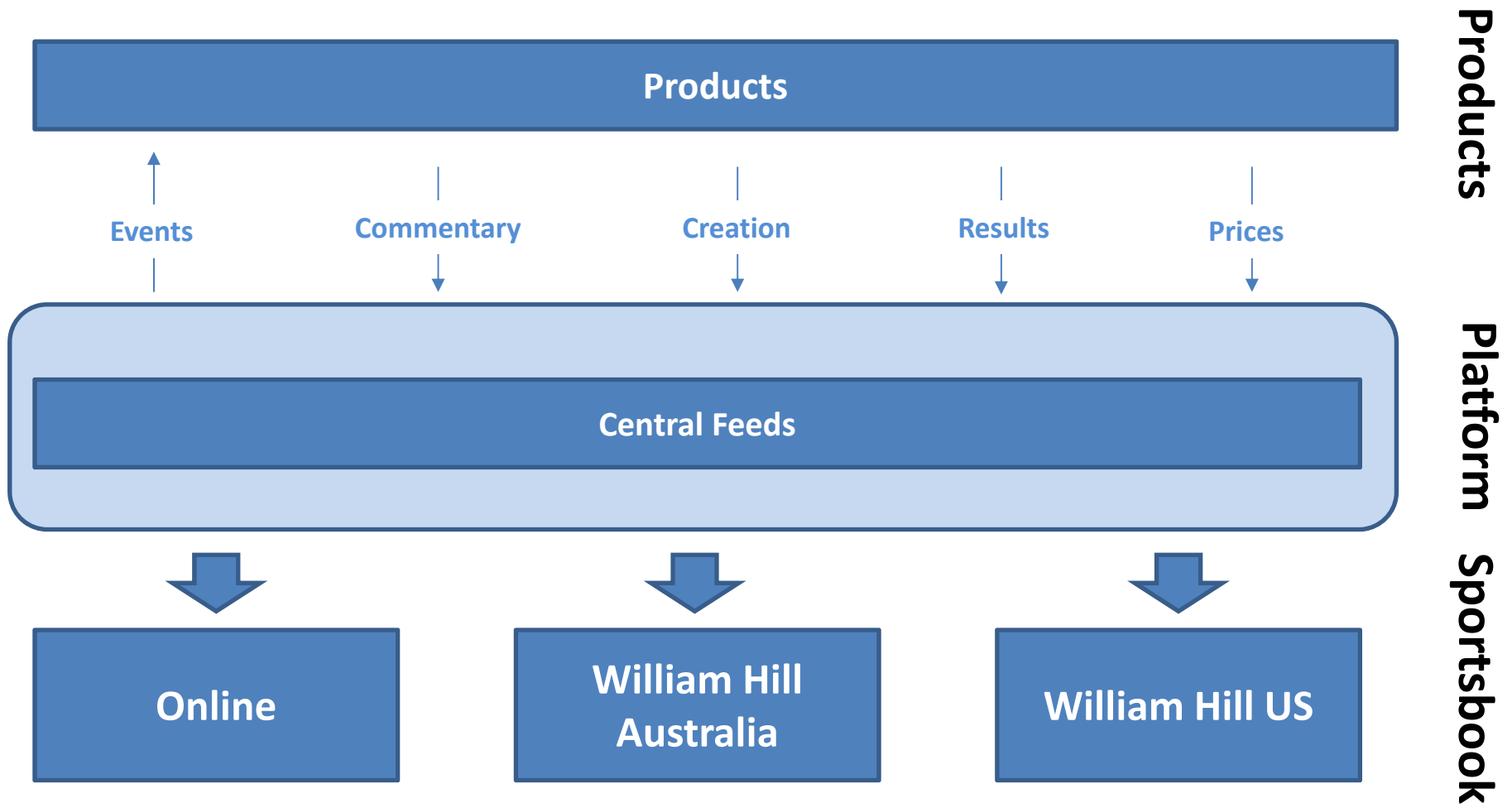
Central feeds: the goals

- Build a platform that enables William Hill to support international trading: single trading back office, available globally
- Pre-match and then in-play capabilities
- Synergies available from doing things once
- Build a platform that increases flexibility around B2B offerings
- Remove dependency on third parties

Central feeds



Central feeds



Data

Matteo Trinca

Director, Strategy and Analytics

William Hill Australia



Why a data strategy?

- Intend to highlight key opportunities and challenges to the business
- Allow for more focused and evidence-based strategy design and customer-centric implementation
- Ability to effectively manage the volume, velocity and variety of big data

More than 100 Chief Data Officers serving in large organizations today, which has more than doubled the number in 2012

Analysts believe that the total addressable big data market is worth US \$100bn

By 2015, 25% of large global organizations will have appointed Chief Data Officers

Key areas of responsibility

DATA MANAGEMENT

- Use of best practices
- Creation of one source of truth
- Consolidation of all customer data points

PERSONALIZATION OF THE EXPERIENCE

- Reveal a clear picture of an individual customer
- Unlock the ability of personalized customer journeys

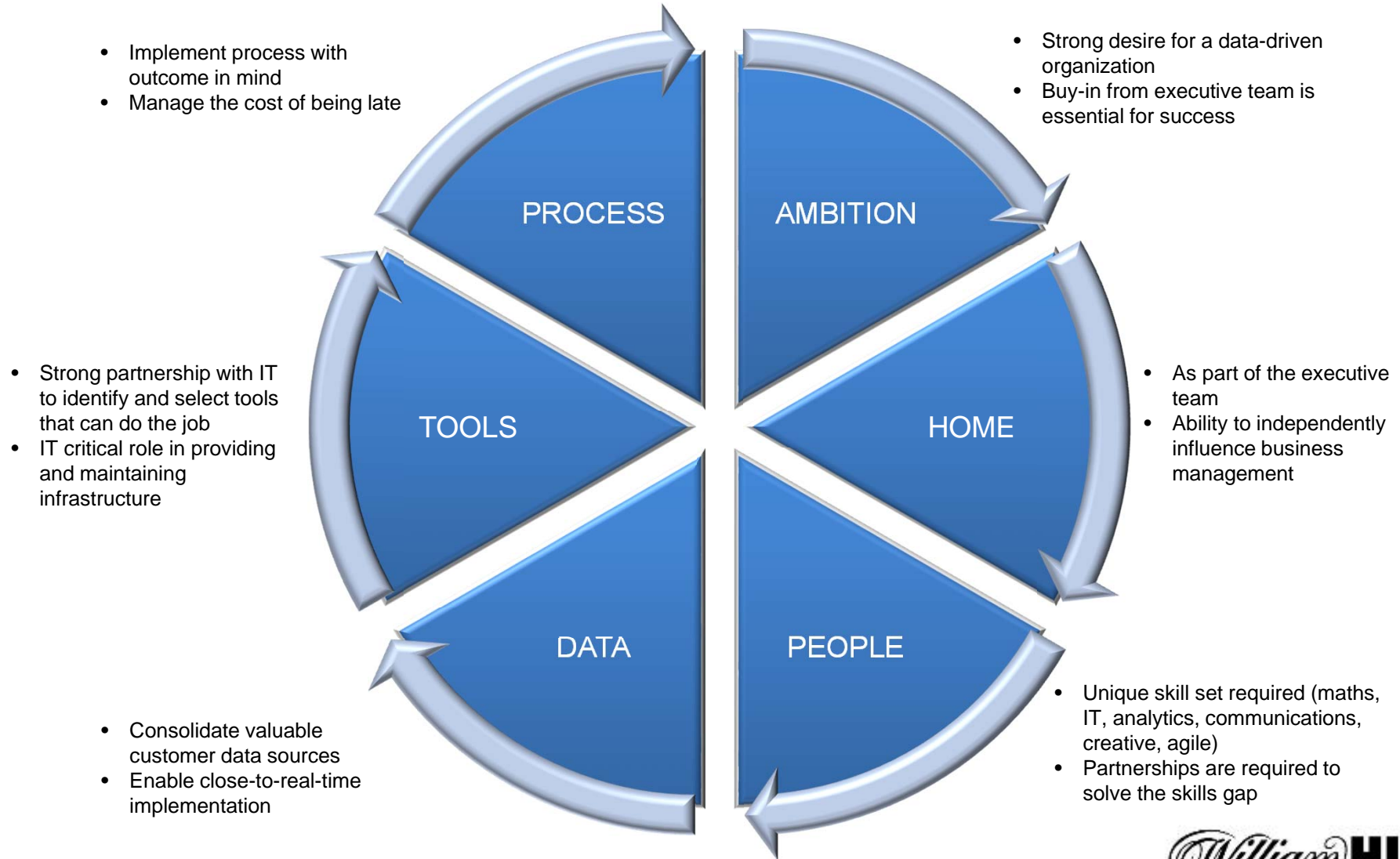
PROBLEM SOLVING & PREDICTIVE ANALYTICS

- Use of advanced analytics to solve complex problems, such as churn propensity and value prediction

PRODUCTIVITY & EFFICIENCY

- Identify cost savings and opportunities to increase efficiency
- Drive optimisation of marketing investments
- Increase knowledge of business KPIs and market trends

Strategic pillars of the data plan



The single customer view

Main issue

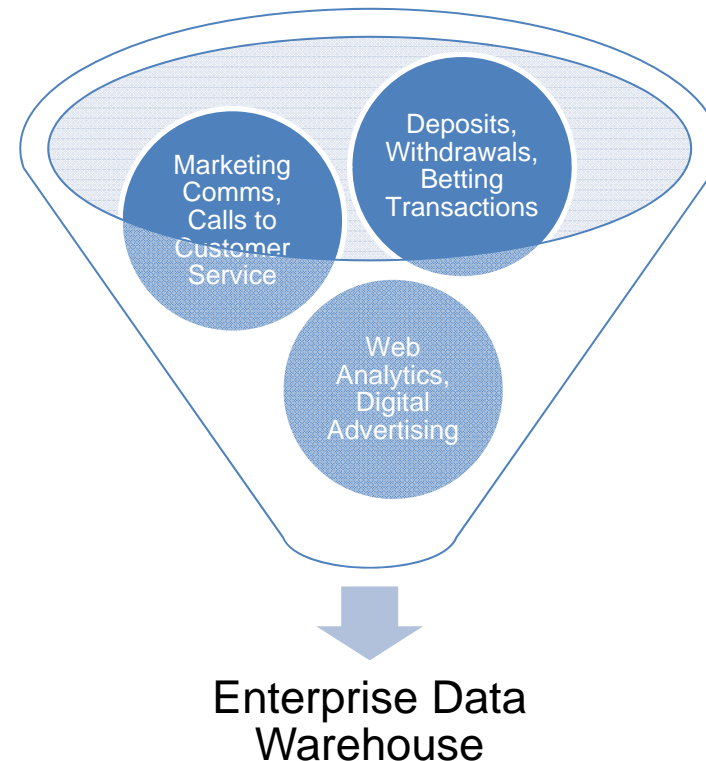
- Multiple systems managing customer relationships

Impediments

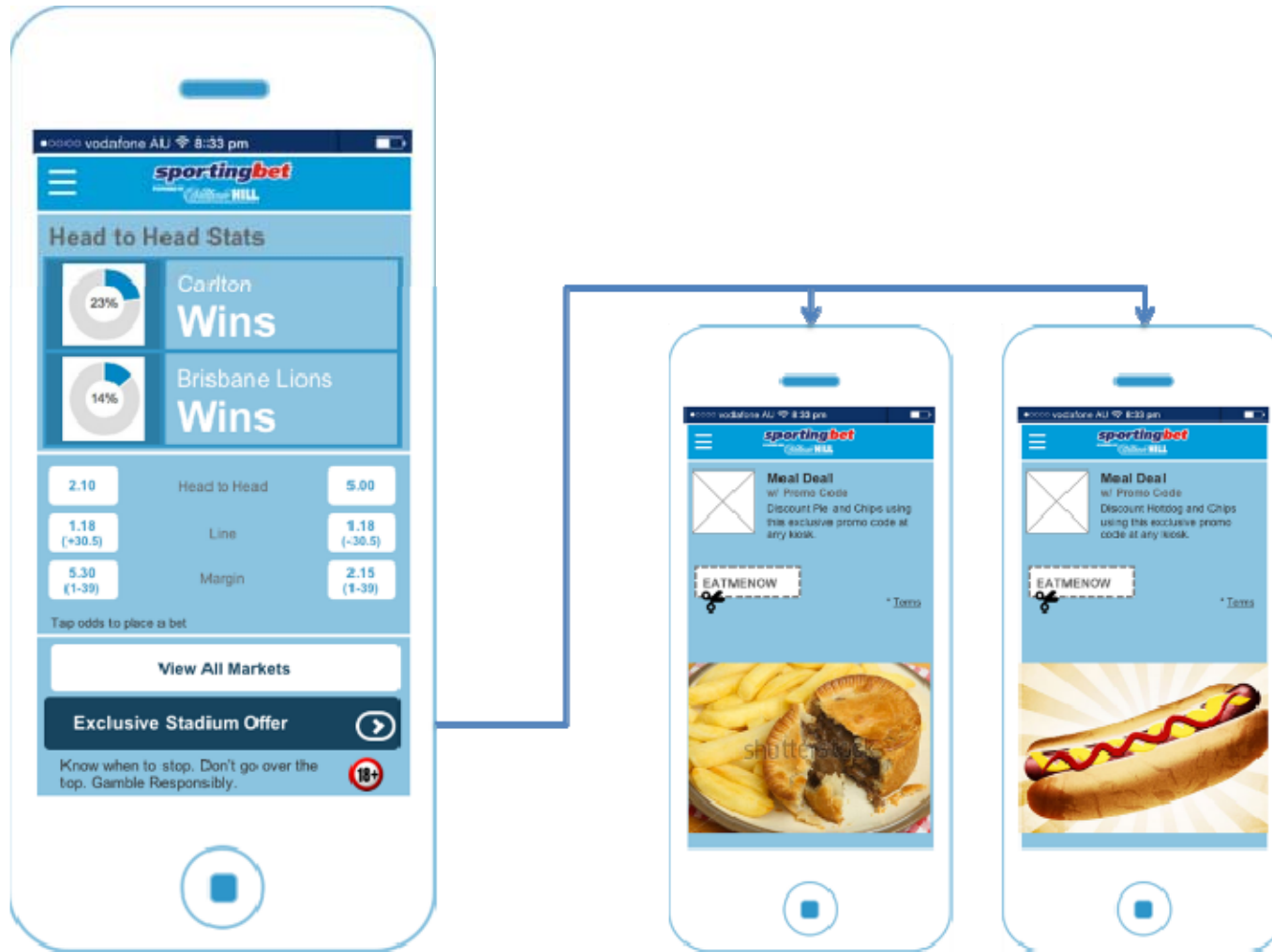
- Lack of one source of truth
- Unable to deliver a consistent and personalized experience
- Sub-optimal customer life cycle

Solution

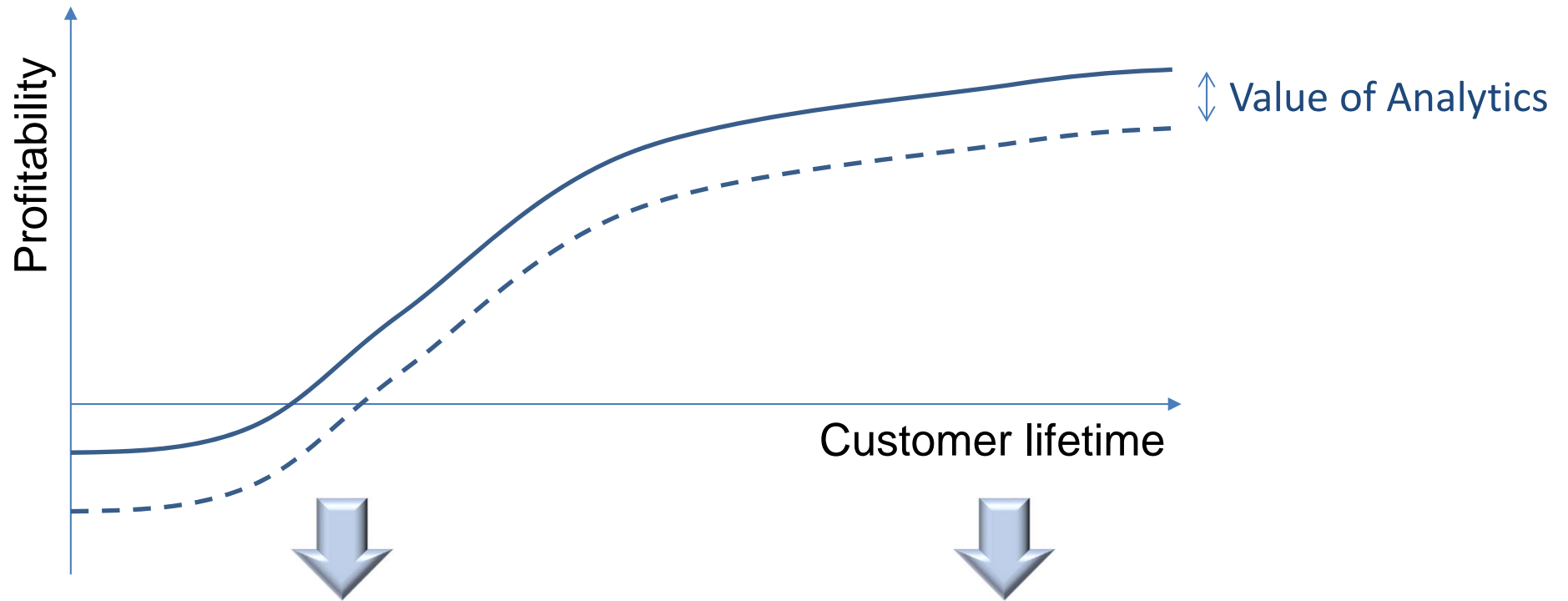
- Built an internal function with the appropriate level of experience and know-how
- Used technology that is scalable and compatible to the rest of the technology stack



Personalized experience



Optimized customer lifecycle



Early life propensity

- Predict customer value after x number of bets
- Customers can be treated as high value clients after x number of bets

Churn propensity

- Predict customer churn
- Customers can be targeted based on their probability of churning versus expected value