Y 2019 Earnings Call

Company Participants

- Ruth Prior, Chief Financial Officer
- Ulrik Bengtsson, Chief Executive Officer

Other Participants

- Bridie Barrett
- Gavin Kelleher
- Ivor Jones
- Joe Thomas
- Kiranjot Kaur Grewal
- Michael Mitchell
- Richard Stuber
- Simon Davies

Presentation

Ulrik Bengtsson {BIO 16169125 <GO>}

All right, everyone. We're at 9:30. This is a very exciting time to be CEO for William Hill. Good morning, everyone, and welcome to my inaugural results presentation.

We will -- you will have seen the release this morning. We will walk you through that. We will have the Q&A at the end. And just before that, I will talk a little bit about our group strategy as well. Obviously, we all would have read the disclaimer. So I'll move on from that.

With me today I have Ruth Prior, our CFO. She will be walking you through some of the numbers in details in a moment. And then I will be coming back to talk about the year-end review and the strategy going forward for the group.

2019 was a year of transition for William Hill, not without challenges, but we did execute on our ambition to diversify internationally through the acquisition of Mr Green and through the continued growth of our U.S. business. We also had a good underlying performance, operating performance of the business.

And when we move into 2020, we have made good progress on our long-term ambition to build a digitally-led international diverse, betting and gaming company of scale. When we move into 2020, we are in a stronger position with our Online business. And we have strong positions in a handful of fast-growing markets, most notably the U.S.

Like I said, 2019, a year of transition that we executed on the year very well. We had operating profits of GBP147 million, which was ahead of our expectations against a challenging regulatory backdrop. 24% of our revenue is now coming from outside of the U.S., which is up from 15% previous year. We signed up to the Safer Gambling Commitments and implemented numerous customer protection measures during the year.

In our Online business in the UK, we maintained market share, we returned to growth. We actually had three consecutive quarters of growth in the second half of the year. Mr Green performed in line with expectations with strong underlying activity.

Looking at our retail business, the entire year, really overshadowed by the GBP2 stake limits. This has been an enormous project across the company. We closed over 700 shops. And we had many, many, many people across the group that were affected. But in the end, we delivered ahead of our expectations, and had profits of over GBP83 million in the Retail business.

In the U.S., the business develops very nicely, goes from strength to strength. Net revenue increased by 38% in the year. We're now live in 9 states. We have 24% nationwide market share. And in the early parts of 2020, as you will know, we signed a deal with CBS for new tools for us to be able to acquire customers efficiently and continue to build the William Hill brand in the country. Our industry is evolving. It's creating plenty of opportunities, and we're really excited about what lies ahead for William Hill.

Now, I will hand it over to Ruth to talk about the numbers, and I'll see you in a little bit.

Ruth Prior {BIO 17371153 <GO>}

Right. Thank you, Ulrik. So I'm really pleased to be able to talk to you about a good set of results today. And particularly, as it followed a year of unprecedented change. And we say that, but I don't say it lightly.

Putting together our 2019 budgets and our expectations, were for me, probably the hardest of my career. And that isn't something I should say lightly, but we went into the year knowing that the GBP2 stake will come into effect in April. We had a shop-by-shop model, but it was based on our best guess. We had no historic precedent about how consumers would behave under that sort of environment.

The acquisition of Mr Green had not yet completed. The U.S. regulation post passover was gathering momentum. But again, it wasn't clear, which states would regulate how, when and the economics. And this is all against the backdrop of regulatory change globally.

So for me, this has truly been a year of transition for William Hill. We have results that show that we have executed very well, and that we've laid great foundations for 2020 and beyond. So the big picture, before I get into my new share of the numbers. We closed 713 retail shops. Retail results were ahead of our expectations. We completed the acquisition of Mr Green. We established the international team in Malta. We've provided access to European markets post-Brexit. We've got a very talented team now in Malta as well as diversifying our revenues into 13 new markets.

Online UK has returned to growth following our customer due diligence measures in 2018, growing in line with the market for the last three quarters. And the U.S. market is gathering momentum. We've launched in three new states, developed and launched our own technology platform, established a digital operation in New Jersey and now we have a media partner in CBS. And my favorite data point. William Hill takes 1 in 4 bets in the U.S., and I'll keep coming back to that data point.

So moving to the group income statement. This is on a statutory reporting basis. 2018 was a 53-week year, so where relevant I will give you the 52-week comparator. Net revenue of just under GBP1.6 billion was 2% down year-on-year as the addition of Mr Green and growth in the U.S. have been offset by the impact of the GBP2 stake limit in Retail and a decline in William Hill Online.

On a 52-week basis, net revenue was flat year-on-year. Cost of sales was 3% down following the lower net revenue in the year and the reduction of machine gaming duty in retail, offset by the increase in remote gaming duty in Online from 15% to 21% in April.

Net operating expenses were 6% higher through the inclusion of Mr Green. And continued infrastructure investment in the U.S. across people, property, technology and marketing. And with the retail shop closures coming into effect from quarter 4, the full benefit of removing the costs from these shops aren't yet in these numbers. So as a result, adjusted operating profit was GBP147 million, 37% lower than last year, but ahead of our expectations and towards the upper end of the range we communicated in the January trading statement.

We've also recorded an exceptional charge of GBP134 million, of which GBP100 million relates to the costs we incurred for the retail mitigation strategy. The increase in interest expense as a result of IFRS 16, coupled with the charge associated with the new GBP350 million bond have resulted in net finance costs rising to GBP51 million, up 49% on last year.

One of the questions you all ask, the impact of IFRS 16 is as follows. Depreciation up GBP44 million, interest expenses up GBP5 million, other admin expenses down GBP46 million. Now the net effect of all of this is a crash -- is a minimal increase in EBIT of GBP2 million and a decrease in profit after tax of GBP3 million.

Now the tax credit of GBP11 million has doubled from 2018, and this is due to the release of a prior year provision relating to the sale of Australia. So adjusted basic EPS of 10.7p is not unsurprisingly down against 2018, given the fall in profit following the GBP2 maximum stake limit. The dividend of GBP8 per share reflects the guidance we gave in 2018 to have it underpinned on the dividend policy.

Moving to the divisions. We're starting with Online. Now again, these numbers are presented on a statutory basis. So Mr Green is in the 2019 numbers for 11 months of the year, but not in the 2018 comparator. I'll call out pro forma comparators as we go.

Now, it's fair to say Online has had a year of transition with the acquisition of Mr Green and the establishment of our hub in Malta, as well as facing into a number of regulatory changes. And in that context, the teams have delivered a good set of results, and in the UK have held their market share stable.

Sportsbook amounts wagered were down 4% year-on-year, but there's a lot going on here. In the second half, strong Q4 margin, driven primarily by football, but this impacted customer wagering levels towards the end of the year. We've also traded over the World Cup. And in the first half, we continue to have the impact of the enhanced customer due diligence measures.

We also saw softness in the international markets due to regulatory impacts, such as the advertising ban in Italy, the requirement in Sweden to cease trading until a new license was granted, which we now have and the closure of Switzerland. Despite a strong 4Q margin in the UK, gross win margin of 8% was flat year-on-year as the portfolio of countries we now operate in reduced the benefit from the UK, and this resulted in net revenue being 3% down.

Gaming net revenue is up 36% year-on-year due to the inclusion of Mr Green, and on a pro forma basis was down 1% year-on-year. Again, due to the impact of the enhanced customer due diligence measures and those regulatory impacts that I just described. Cost of sales increased following the inclusion of Mr Green and the change in remote gaming duty in the UK, the rate going from 15% to 21% in April. This cost GBP13 million in the year, and the impact will annualize in Q1 2020.

Mr Green delivered GBP4 million of synergies and then GBP8 million benefit following the harmonization of accounting policies. Under our policies, depreciation associated with acquired intangible assets is treated as in adjusted items and not in underlying earnings. In spite of these benefits, operating costs increased 19% due to inflation and the inclusion of Mr Green. Mr Green synergies will annualize at GBP6 million, and the accounting benefit will be maintained. This has resulted in an adjusted operating profit of GBP118.8 million.

The KPI slide, again is presented on a pro forma basis to help with the comparators. And we've also now split out the UK and international as we're following slightly different strategies. As I said at the half year, in the UK, we're optimizing the balance between acquisition and yield. And as we trade over the World Cup, which had a focus on customer acquisition, we'd expect actives to be down with higher ARPU in line with our focus on yield in 2019.

So actually for us this is a pleasing trend. And we'll continue to assess the balance between acquisition and yield to drive the right performance in the UK. And we are pleased to report that we've now seen three quarters of consecutive growth in the UK, which provides encouragement that our relentless focus on customer metrics is beginning to pay dividends. Our customer satisfaction scores have improved by nearly 40% since the middle of last year with an upward trend seen across the year.

Moving to International. We've adopted a slightly more traditional approach to focus on active and strongly growing markets, and you'll see they grew 2%, in spite of the regulatory impacts in the number of countries. Again, we see that as encouraging. And this also demonstrates our ability to operate our business according to the dynamics of the individual market, bid yield or acquisition.

The new KPI on this page is marketing as a percentage of revenue. A key focus for us, as we look to optimize our marketing spend by using data-driven decision making to be more targeted and relevant to our customers. The launch of our smart data platform, which is already being used in the U.S. will further enhance this capability and supports our desire to create assets that benefit the entire group.

So as we turn to retail, it really has been a year of unprecedented change. Now Nicola stood up at the half year and told you about how our Do it once, do it right approach. And that's exactly what she and the team have done. We talk about executing well in a year of transition. What the retail team have done was a master class in this. We believed it then and we still believe this was the right approach and the Retail business can now focus on serving its customers.

So today, let me just talk about like-for-like performance, because I think this is the most telling. Sportsbook amounts wagered were up 6% year-on-year, primarily in greyhounds, but also in what we call other sports, so rugby, cricket and U.S. sports. Now this increase is due to a mix of substitution from gaming, the retention of customers from our closed shops and the capture of customers from competitor shops.

Gross win margin of 18.5% is up 0.3 percentage points year-on-year, primarily due to strong margins in Q4. This delivered around a GBP6 million benefit over normalized margins. So please take this out in your 2020 thinking. Gaming net revenue was down 30% year-on-year on a like-for-like basis following the implementation of the stake limit, which isn't unsurprising. And was better than on a statutory basis as the shops more likely to be closed are those that are heavily dependent on gaming and less impacted by the stake limit.

Operating costs were down 9% year-on-year, following the closure of the 713 shops in September. And adjusted operating profit was, therefore, GBP83 million for the year. Now, this is ahead of our previously guided range of GBP50 million to GBP70 million. But it has benefited from both the Q4 Sportsbook margin and GBP7 million rental charge, which is treated as exceptional following the half year impairment that the shops traded for an additional quarter, so this won't repeat.

And finally, on Retail. I want to highlight the cash it still generates of GBP71 million after paying for its capital and shop closure costs, which is an important contribution to the group and reinforces what I said at the Capital Markets Day about running Retail for cash.

The KPIs on this slide. I'll present it on a year-over-year basis for the 1,568 shops trading at the end of 2019. Hopefully, to help you understand the retail business going forward. We've seen a consistent adoption of customers to our proprietary SSBT since their launch. And this has continued in 2019 with a 15% growth year-on-year. We've increased our density by relocating SSBTs and close shops in order to satisfy customer demand.

Now we have from April 1 seen a decline in the machine weekly average from our gaming machines, although the impact has not been as great as originally modeled as customers have adapted their playing behaviors to the changes. We won't really know where these metrics will normalize until probably the back end of this year, when we've lapped the GBP2 stake limit and the closure of our shops. And we also see what the rest of the industry does.

My favorite slide. I'm going to take a little bit of time to explain this for those who are new or even those of you who've seen it before. There are various operating models in the U.S., you can be an operator. So you operate the Sportsbook and you manage the cash. You could be a service provider. You provide trading expertise to create prices and manage risk, but the casino operator actually manages the Sportsbook and manages the cash and lottery. And similar to the service provider sort of model, but the state lottery is counter party and the only legal provider.

Every state can then regulate any combination of Retail, tethered mobile, i.e., you have to register in the casino or remote registration mobile. We support all these variants and we're one of the few that can. So Nevada, we were an operator and the status of Retail and tethered mobile. In New Jersey, we have operator contracts and the state has regulated Retail and remote registration mobile. In Rhode Island, we support the lottery and it has Retail and mobile. In Mississippi, we are a service provider and currently, the state is only Retail.

In terms of accounting, we recall -- we record handle from operator contracts in wagering. And revenue for service providers in lottery in a line called service provider revenue. So it's only on this slide that you see all of the wagering added up rather than in the statutory accounts.

So the sort of points I would highlight here, we took GBP2.9 billion of handle across all these variants, GBP1.6 billion from Nevada and GBP1.3 billion from the expansion states. 55% of the GBP2.9 billion was taken on mobile. If you look at Nevada, we take 69% of our revenue comes from mobile. Now this demonstrates that the market adoption is ultimately going to be mobile, which supports the investment that we've made in our proprietary technology platform and our recent media partnership with CBS Sports. And our market share in the states we operate in is 25%. And across all the regulated states, it is 24%. So again, my favorite data point. William Hill takes 1 in 4 bets in the U.S.

Turning to the P&L, all shown in dollars. Here, again I show existing expansion retail and expansion online to demonstrate how the retail part of the business gets to profit in year one. And the underlying -- continued underlying strength of our Nevada business, both of which help us to fund our U.S. expansion. This is the last time I will give you this split. And at the half year, the U.S. will be reported as a single unit.

Amounts wagered were up 39% across the board as we entered new states, with the existing Nevada being 14% up year-on-year, the seventh year of double-digit growth. Gross win margins were within normalized ranges and through disciplined investment in our expansion states and strong results in Q4, the U.S. as a whole was broadly breakeven for the year.

Now, I do need to remind you that these results include the income from the skins deal Eldorado agreed with the Stars Group. Under our agreement with Eldorado, we are entitled to ongoing rev share from income Eldorado receive as a result of any third-party skins deal they agree. With the Stars Group, the first tranche of this was in the form of equity. Going forward, the rev share will be influenced by the performance of third-party skins, and we'd then anticipate low single-digit net wins.

Okay. So on to the cash flow statement. As I said at the half year, this is a primary focus for the group, given the numerous opportunities we have to invest within our U.S. and international businesses, and we have to balance that against the regulatory landscape in which we operate.

So walking through this. Profit is down as we've just discussed. Depreciation up following IFRS 16 where we now capitalize leases. Cash exceptional working capital has improved GBP30 million due to our focus on this and a number of management actions. The net outflow from capital and investing receipts is the acquisition of Mr Green against the inflow in the prior year of the sale of Australia and NYX.

Net capital expenditure of GBP 88 million is down through an increased focus on capital discipline and offset by proceeds from some asset disposals. The dividend number represents the 2018 final dividend and the 2019 half year at the 8p underpin. Bond refinancing is the net of the refinancing of the new GBP350 million bond and the redemption of the previous bond, and the remainder of which is due in 2020. And finally, the IFRS 16 lease principal payments of GBP47 million of the rental cash flows, primarily for the rent -- Retail shops.

So what does this all mean for guidance? Online will continue to grow, assuming a steady regulatory landscape. We expect the UK to maintain market share in a low single-digit growth market. The remote gaming duty impact will continue into Q1, annualizing in April. The recently announced credit card ban in the UK is anticipated to have between GBP5 million to GBP10 million impact on profits in 2020. And in our international markets, we expect them to grow at high single digits of the blended portfolio.

Retail remains within the profit range communicated at the Capital Markets Day, albeit we have tied them to in the range to GBP60 million to GBP70 million. As we gain more clarity over the cost to exit closed shops and income from disposals, I'd like to note that the previous guidance of GBP40 million to GBP60 million cash costs for retail, which we did indicate was at the upper end of the range at the half year, I think is now more likely to be around GBP70 million.

In the U.S., we anticipate continued strong revenue growth from the states we operate in. And the overall U.S. business to around breakeven based on those states. Profits from the Cantor sports books will be reinvested in the U.S., and we think a further eight states will potentially regulate and go live in 2020.

We continue to monitor the Eldorado-Caesars Deal and anticipate it closing in the first half, with access to their sports books on the second half. And as we said at the half year, we anticipate GBP20 million to GBP30 million EBITDA from those sports books within three years.

On the regulatory front, our commitment to safer gambling will see our contribution to the voluntary levy increased from 0.1% of UK gross gambling yield to -- from 0.1% rather to 1% in 2023. It is staggered. Next year, the contribution is 0.25%, which we anticipate an additional cost of GBP2 million.

The effective tax rate for 2020 is expected to be around 9%, and this is due to the mix of revenues from the countries we now operate in. And we'll continue to focus on capital discipline across the group. And so, CapEx will be about GBP100 million, which is broadly flat year-on-year. And finally, net debt-to-EBITDA will remain above the 1x to 2x long-term guidance in 2020. It remains an important focus for the group as we continue to invest in growth.

And with that, Ulrik.

Ulrik Bengtsson {BIO 16169125 <GO>}

Thank you, Ruth. So before I get into the operational review of 2019 and strategy going forward, I wanted to give you a brief overview of where I think we stand as a group right now.

Starting with regulation and safer gambling. In our industry, there are and there will always be regulatory challenges that we need to lean into. It's no different from how it's been since the beginning of this industry's time, but the industry is mobilizing. We are collaborating around protecting customers in a way that we probably haven't seen before. It's a really good step forward, and I think provides a good ground for what we have in front of us.

For our Online business in the UK, we maintained market share in the year. Our brand has been strengthened and our product has been enhanced throughout the year. For our international business, we now have more of the capabilities we think we need to be able to grow that business in the years to come.

Retail. We talked about that a lot. It's still adjusting to the new normal. But we do see some encouraging changes in customer behavior that gives us reason to be carefully optimistic about that business as well. And for the U.S., clearly now, we have many of the building blocks in place to build that business and grow it for the next few years. So all in all, I'm really excited about the position we're in and we have a lot of good opportunities. But I do recognize that we also have challenges and we have a lot more work ahead of us.

So let's talk about 2019 and some of the highlights for that year. During 2019, obviously, we had to navigate through numerous regulatory changes, both in the UK and across Europe and also some opportunities when it comes to regulation in the U.S. I think it's safe to say that the industry hasn't always done all it can to protect customers in the best possible way. But there has been an enormous amount of progress in the last one to two years.

And one of the examples of that is the whistle to whistle ban, which we launched ahead of the football season this year, which has reduced the number of underage people exposed to gambling advertising by 97%. That's real progress and is a really important piece in our plans moving forward.

And for the more long term, we are engaging with the House of Lords Select Committee. We're engaging with government, and I was at the House of Lords Committee myself just a few weeks ago, giving, again, evidence. I think, my overwhelming feeling coming out of that session was that there is real interest in a sensible and evidence-based review of the 2005 Gambling Act, which we support.

We remain very committed to protecting our customers and we've signed up to the Safer Gambling Commitments. And not only that, we've also been a leading player in the creation of the new industry body, the betting and gambling council. We made significant investments in tools, processes, training and personnel throughout the year and we will continue to do so.

We provide an incredibly powerful connection to sport. And through that, the way for friends to engage between themselves and with the sport. Sharing your betting activities, tips, insights, winnings and losses is a really important part of millions of people's leisure activity. We are very proud as a company to be able to provide that service.

In 2019, we sharpened our brand proposition to play to this connection. If you're a group of friends, William Hill is simply who you play with. We are the number one brand in the UK for brand awareness. In the heart of everything we do is the product. There is very few examples of successful companies that don't have good products. We have made a huge amount of progress also in the area of product. And this makes me a little bit extra proud, because it's been such a big part of my previous job here at William Hill.

During the year, we launched a new bets set -- new bets set management functionality. We have improved speed, navigation and search all across our sites. And these things has been paramount when it comes to us retaining market share in the UK market. We've also been able to execute two of the largest technology projects that this company has ever seen in the launch of the technology platform for our U.S. business and in the migration of the legacy Mobenga Sportsbook product that we have had in our international business in favor for our own proprietary front end. Both of those things gives our U.S. and our international business good platforms for future growth.

Continuous product development is a really important part of our strategy going forward. Mr Green was much more than a bolt-on acquisition. What it gave us was the hub to run our international business from. Now what is a hub? You might ask. So to me hub is people and its capabilities.

So for the first time ever, William Hill now have a focused entity with the right capabilities to drive and run our international business out of. The integration has been completed successfully, and we've managed to retain a lot of that entrepreneurial culture that made Mr Green so successful throughout the years. One example of what this hub ultimately gives us is the launch of William Hill in Sweden, which we managed to do in three months. That's the first international launch that we have done outside of the U.S. since 2011. 35% of our online revenue is now coming from international markets, and we do have an ambition for that number to grow.

We talked a lot about Retail. But what we did in Retail in 2019 was really to give our people certainty. We also enabled that business to look forward. We see some changes in customer behavior, which is really encouraging. And we have a good track record in retail to launch new products like our SSBTs, and we will continue to trial new products and customer offerings for that business.

It's also important to make a point of that it's -- our retail presence is a really important pillar in our efforts to maintain our number one brand awareness.

We had, in the U.S., we have had seven consecutive years of strong growth. During 2019, we added a staggering $1 billion in wagering in the country. 60% of that coming through mobile. We now have a 24% national market share. And the CAGR since we set up that business up in 2012 of 35%. Needless to say, I'm very happy with how our U.S. business is evolving.

Can you tick the next slide for me, because I have a slight hiccup here?

There you go. Good. Thank you. We're also very clear on what the building blocks are for our U.S. business going forward, and how we're going to continue to build this business. Product and technology is obviously key as it is for the rest of our business as well. We launched our prepared technology platform. And it gives us control over the customer experience in the U.S. market, which is really important.

We have unmatched market access and access to 24 states through our various partnerships, most notably Eldorado. That includes New York and California and Florida. We are, as we speak, preparing to take over the Caesars and Cantor Sportsbook upon the receipt of regulatory approval. We have the most experienced team on the ground, and we just recently built a digital hub as well in New Jersey to continue to build that business.

We have a proven track record of rolling out new states as they go live. And finally, the announcement of the deal with CBS, just a few months ago gives us a new component to help us acquire customers more efficiently and also build our brand.

On that, I'm sure you're all curious to hear a little bit about CBS. For those of you who don't know CBS, it's the second largest sports property in the U.S. It reaches 80 million users per month. And it has one of the largest sports fantasy platforms and databases in the world. What we will be able to do is have exclusive access to that database for us to acquire customers. And we'll also get deep integrated -- integration with our products into the CBS digital properties to help us drive both awareness and customer acquisition.

So I've been with the company now for two years, six months as the CEO. And during this time, I have engaged with plenty of people from all across the company in the U.S., Malta, Gibraltar where we have offices. And today, I want to take a chance to talk to you about some of my ideas on how we are going to deliver on our ambitions going forward. We have set out to be digitally-led international diverse, betting and gaming company of scale. Nothing of that changes. It's still our ambition.

I know there's been a lot of questions on what am I going to do differently at William Hill. I also know that many of you want a very simple answer to that question. What I would like to say to all of you is that what William Hill needs is the customer-driven, joined-up effective approach in getting the job done. For me, that means focusing on three things, it's customer, it's team and it's the execution. And when we bring that down, it really comes down to five operational priorities. And I would now like you to sort of take you down into the engine room and go through those operational priorities in a bit of detail.

So this is the engine room, if you will. And let's start with the first one, the most important one, customer. So I think, it's been well documented that William Hill has had historically challenges around product and technology. We've done a lot of progress, as I mentioned before, in 2019, and we will continue to have the relentless focus on customer and product. And we have a very clear idea of what the drivers for us within our product is to drive a competitive customer offering, I give you some flavors of that.

So the moment that matters to the customer, the basics, registration, deposits, withdrawals. There's a huge amount of focus going into making sure that all of those are top-notch. And the big focus on site speed and the performance of our sites, we are believers in increased personalization in as many journeys as possible. We also believe it is a radically simplified gaming experience. And we do believe in innovation where it matters to the customer and increase velocity of our product development. And all of these things are things that we have a huge amount of focus on at the moment.

The second part of this is team. So we're really nothing without our people. It's a really important part of the company. We want to have a truly agile and collaborative team across the group. And we -- to get that, we are investing in talent and culture and agile ways of working. We're also working with our operating model to make sure it's efficient and fit for purpose.

Just recently, we announced two new roles. The first one, Chief Technology and Product Officer is a role that has been -- where we had appointed Satty Bhens, a former partner and leader of McKinsey Digital Labs. Satty is in the room here today. So Satty will get this end-to-end responsibility for technology and product across the group, something we haven't really had at William Hill before. And we anticipate that to have a good impact.

The second role, which is yet not filled is a Chief Operating Officer, which will roll up all of those center of excellences that we want to be able to use across the group, whether it's trading, customer operations, risk, fraud, et cetera. And we will continue to enhance and change our operating model to make sure we are set up for collaboration and execution going forward.

The third part. We talked about customer, we talked about team. And the third part is then the execution. It's really three components to execution. First one is revenue growth. And this is not an attempt to give you any forecast, it's simply an operational priority for the group. Obviously, in the business we are in, revenue growth is really important. And we have a set of strategies in place for each of our divisions on how to get to this.

So in the online business for UK, it's very much about share of wallet, increasing yields from our customer and using the data we have in a much more efficient way, both when it comes to acquisition, but also to generate that yield. When it comes to the online international business, it's much more traditional growth strategy, selected investments in markets we think have opportunities. And also capitalize on some of the product investments we did in those markets last year, most notably, Spain and Italy. And in the U.S., like I said, we're very clear on what the components are for continued growth in that business.

Second part of the execution is operational efficiency. Clearly, it's about the way we do things. And we are evolving our operating models to drive operational efficiency and improve our cost base as a continuous measure. We want to have a culture of continuous improvement. We want to focus on increased automation. And also, of course, improved marketing, ROI and marketing efficiency is a big component in our operational efficiency.

Finally, creating scale. A lot of talk about scale in our industry. For us, this is very much about internal scale. How can we generate economies of scale through using common platform components across the group? So at the moment, we have a global trading platform that is used all across our territories. We have used -- we have rolled out a data platform in the U.S., that is being rolled out in the rest of our business as we speak. And we will find, over time, other technical components that we can use across the group. It's also about building global center of excellences for functions where that makes sense. And finally, we will also continue to leverage selective nonorganic opportunities such as the CBS deal where they make sense.

So that's customer, team and execution. And that is our priorities going forward. And like I said now a couple of times, we're very excited about the position we're in. We have a renewed focus on the competitiveness of the William Hill offering and customer, team and execution. And we are well positioned for the future, but we also do realize and recognize that we have challenges ahead and plenty of work still to do.

Thank you very much for listening. And I believe now we're going to take questions. And we have -- if you can try to keep that to maximum two questions each, please.

Questions And Answers

A - Ulrik Bengtsson {BIO 16169125 <GO>}

(Question And Answer)

Q - Gavin Kelleher {BIO 6153663 <GO>}

Good morning. Gavin Kelleher from Goodbody. Just two for me then, please. Ulrik, just on the GBP2 stake chatter we've seen in Online. I know it's, obviously, you guys would be pushing for other measures at control any kind of worries about responsible gambling. But just given the increased kind of risk we have around a GBP2 stake potentially in online in the UK. Have you given or will you give any potential impact on your online business of that GBP2 stake?

A - Ulrik Bengtsson {BIO 16169125 <GO>}

First of all, just to take a step back. There's been an enormous amount of progress in our industry in the last two years when it comes to how we do age verification, source of funds, customer due diligence, the algorithms we put in place to protect customers and proactively reach out to customers that might have problems. All of these things are things you cannot do in a retail environment. You can only do online. That creates a new platform for this conversation.

And I think when we get into review of the Gambling Act, my feeling, like I said before, is that there is a huge appetite for this to be sensible and evidence-based conversation. And then, when that has happened, we will see what comes out of that.

Q - Gavin Kelleher {BIO 6153663 <GO>}

Okay. Just maybe one follow-up on that question for me. Just -- I think most people are using a GambleAware report from 2017 data on kind of staking levels and online that came from, I think, 11 or 13 operators. Just given what's happened around enhanced due diligence and VIP players, i.e., your exposure has come down and more of a focus on recreational. Has there been a reduction in the number of players that are staking at higher than GBP2 in your business over the last three years?

A - Ruth Prior {BIO 17371153 <GO>}

He's asking the same question in a different format. So the answer is no for me --

A - Ulrik Bengtsson {BIO 16169125 <GO>}

What I have said in the House of Lords, we have 0.6% of our customer base that we classify as high-value customers. We wouldn't comment on whether that's up or down.

Q - Gavin Kelleher {BIO 6153663 <GO>}

Okay, perfect. And do you think --

A - Ulrik Bengtsson {BIO 16169125 <GO>}

I think that was your two, right?

Q - Gavin Kelleher {BIO 6153663 <GO>}

Okay. Fine. Thanks.

Q - Michael Mitchell {BIO 18976319 <GO>}

Michael Mitchell from Davy. Two from my side, if I could as well, please. First of all, on international online, maybe you can help us bridge where the business is in terms of net revenue growth today to be the high single-digit growth that you're targeting for the current year? And specifically within that, maybe you could speak about the improvements you've made in Italy and Spain that you referenced and also the underlying pace of growth ex the disruptive markets. That's question one.

A - Ulrik Bengtsson {BIO 16169125 <GO>}

So we've done a number of product improvements. Like I said, down 3% in the international market last year and partly because of regulation and partly because of legacy product. And we've done a lot of product improvements, most notably, the new Sportsbook front end, that's rolling off the old Mobenga legacy Sportsbook and deploying our own. And also launching a single wallet in Spain and improved gaming offering.

So there's been quite a lot of changes, that's really coming live in the first quarter full year -- full out, I think, to support that business. Underlying in the international business, though, we've had good underlying activity in many other territories. But again, we did face into challenges in Sweden, Holland, and also in Switzerland, primarily. So that took the edge off sort of it, a little bit, but we're optimistic on how that business performs underlying, particularly Mr Green.

Q - Michael Mitchell {BIO 18976319 <GO>}

Thanks. And second question, and you mentioned, I think the term used was deep integration of your products on the CBS digital platforms. Could you give a couple of examples of what that is to help us visualize? I mean, how deeply that media partnership will be? And what the CBS platform visitors will see from Hill's perspective?

A - Ulrik Bengtsson {BIO 16169125 <GO>}

Yes. It's still early days. So we, of course, need to work through all the details. But for example, if you have a studio setting before an NFL game, you might have all those tickers on the screen, as all these tickers on the screen where we present our odds could be so integrated in the fantasy environment, where you follow your team or you put the team together. And besides that, you'll have William Hill, also the ability to place bets.

So there's a whole range of interactions in that sort of digital ecosystem where we can integrate our product. And of course, all the link outs, linking to our sites from all of the properties that CBS have online.

Q - Michael Mitchell {BIO 18976319 <GO>}

Thank you.

Q - Ivor Jones {BIO 20535913 <GO>}

Good morning. Ivor Jones from Peel Hunt. Could you just remind us how important Cheltenham and the EUROs typically are? And what product mitigation plans that'd be in place, if they get canceled? And you mentioned, launching gaming in the U.S., does the Eldorado deal cover gaming? So does that imply you'll be a gaming provider state-by-state to Eldorado plus Caesars? Thanks.

A - Ulrik Bengtsson {BIO 16169125 <GO>}

Yes. So the second one, gaming is a big priority, and it does cover that. So it's more not all states has legislative environment for gaming, yes. So we share territory to ones that actually allows gaming. And on the first bid, Cheltenham and the EUROs with all these big events, there is a massive customer acquisition opportunity. You get a lot of recreational players coming online for these events.

In terms of the financial impact, beyond that, to be honest, it's very much results driven. You could have a very good event, you can have a poor event. It's really hard to predict at this point.

Q - Joe Thomas {BIO 16744156 <GO>}

It's Joe Thomas from HSBC. You've said you made strides on addressing the regulatory challenges. The one that was talked about a lot over the course of the last year was affordability. And can you just give some more granularity, visibility, whatever the word is on exactly what you've done there over the course of the last year. To -- and the sort of drag that's had on the business? I'm sort of wondering sort of, if there's more to go there? And if you've done enough?

And secondly, internationally, I guess, there are still some regulatory headwinds to think about potentially Netherlands. Germany, is it possible to give us a rundown on your views there and sort of risk that you're contemplating?

A - Ulrik Bengtsson {BIO 16169125 <GO>}

If we start with affordability. There's more to be done affordability for sure. But we have done -- started to do a lot. You've got to remember, we're not FCA regulators. We don't have direct access to customers, bank records and things like that. So we do a lot of open source and a lot of database work to be able to assess customer affordability. And we're a bit down that path, but I think there's -- like all other areas around regulation, I think there's more work to be done.

On the international business, the way I look at the international business and the countries you mentioned, I actually look at them as opportunities. So if you take Sweden as the example that we've been through last year. Yes, it was very painful for three, four, five, six months, depending on who you were. But once you're through that, you're actually in a much better position. We are in a healthy market, relatively stable and it's growing again from a different base.

So to me, Holland is actually one of the opportunities we have ahead of us. I think Germany, if that actually turns out to be a regulatory regime update on that. I think it's actually an opportunity long term.

Q - Richard Stuber {BIO 15216122 <GO>}

Good morning. Richard Stuber from Numis. First question actually is on sort of the UK competitive environment. I guess, we've seen some smaller operators exiting the market. Do you think now we've -- you think now it makes it probably easier for you to work in that environment, are you starting -- seeing like less competition on marketing spend, for example, in the UK?

And the second question is, again, on the CBS deal. Is there any economics you can provide to us in terms of a revenue share agreement? And also, what you plan to do on the fantasy side?

A - Ulrik Bengtsson {BIO 16169125 <GO>}

I think calling the UK market easy, would be -- a lot of people that would be very upset, if I use that. Still 300 license holders or something like that in the UK. So it's very competitive. And to be honest, some of those players that have left the market at the moment, it's more or less on the margin. But we'll see. We'll, of course, monitor this very closely. On the CBS deal, we haven't disclosed any financials, I guess, all we can say is there's no equity involved. Do you want to add something to that?

A - Ruth Prior {BIO 17371153 <GO>}

No. I think. No, actually.

Q - Simon Davies {BIO 2558269 <GO>}

Yes. Simon Davies from Deutsche. Two from me. Firstly, just on international markets and online. Can you give us a breakdown in terms of percentage of that, that is coming from fully regulated markets?

A - Ulrik Bengtsson {BIO 16169125 <GO>}

We haven't done that breakdown, but the only breakdown we have done, I think, is that 35% of our online business is coming outside of the UK. So 65% in the UK and then 35% outside. I think, if you dug around a little bit in the Mr Green numbers, you will be able to find where they were. Sweden, obviously, regulated, Italy regulated, Spain regulated.

Q - Simon Davies {BIO 2558269 <GO>}

And also on Mr Green, you talked about performance being in line with our expectations. Is that true in terms of revenue performance? And can you give us a guide in terms of what the revenue performance was year-on-year?

A - Ulrik Bengtsson {BIO 16169125 <GO>}

Yes, that is true. In terms of revenue performance, I don't think we have given a number on where that number is, but it's been good progress.

Q - Bridie Barrett {BIO 21024714 <GO>}

Bridie Barrett from Stifel. Just two questions. Can you clarify in Retail, whether you anticipate an impact from the credit card ban and what that might be? And also just a clarification on guidance. You said you're happy with consensus, assuming no changes to regulation. So is that pre the GBP5 million to GBP10 million that you've indicated for credit cards and online? Thanks.

A - Ruth Prior {BIO 17371153 <GO>}

So the GBP5 million to GBP10 million, we did give that guidance about six weeks ago. I would suggest that most people ignored me. So that needs to go into consensus. What was the other question?

A - Ulrik Bengtsson {BIO 16169125 <GO>}

Credit cards in Retail.

A - Ruth Prior {BIO 17371153 <GO>}

We don't use credit cards in Retail.

Q - Kiranjot Kaur Grewal {BIO 19179281 <GO>}

I'm Kiranjot here from Bank of America. I just had two questions. And firstly, on the U.S. gaming opportunity, are you comfortable with the William Hill brand as it is to capture customers there? And then secondly, what are your expectations on how the U.S. market will progress in the next few years, particularly in the context of several U.S. tie-ups being announced in the last month and some major players to yet give it a push in the U.S.? Thank you.

A - Ulrik Bengtsson {BIO 16169125 <GO>}

Well, I think with -- I mean, the whole reason for doing the CBS deal is to help us build a brand across the nation. Of course, gaming is not nationwide. So it's actually a little bit easier to build gaming brands, because you can be very selective in selected states. We have a huge amount of gaming experience in this company. And I think, that's going to come serve us really, really well also in the U.S. How the U.S. market develops? I think it's going to continue to grow, and it's going to grow fast and a lot. It's hard to put numbers on it at this point in time.

I know you don't disclose German exposure, but the recent drop we've seen of the German regulation, would you expect that was implemented to view an adjustment that would be material? Or is it pretty much immaterial?

A - Ulrik Bengtsson {BIO 16169125 <GO>}

I think it's too early to comment on that. It's not one of the biggest markets of William Hill. It was one of the bigger, not the biggest market for Mr Green. So we have to look at that once we have all the details, and we still don't know where it's Sportsbook or gaming or both, it's just too many moving parts.

Are there any specific markets that you could identify to scale up or launch in over the next few years in international? Or is it pretty much the current set that we have?

A - Ulrik Bengtsson {BIO 16169125 <GO>}

Like I said, the strategy is to selectively invest in markets, we think, has a potential in markets where we think we have a good position. And Sweden is clearly one of them, where we had a lot of good traction. I think, we've been the fastest-growing brand in Sweden since sort of halfway through last year. We'll continue to build on that. And like I said, also, Italy and Spain, we've done some product improvements, and of course, we want to capitalize on that.

All right. Was there any questions from the webcast? No? Then, I think that's a wrap. Thank you everyone for coming. See you next time.