

# 2017 final results

52 weeks ended 26 December 2017

23 February 2018



*William* **HILL**

# 2017 highlights

Philip Bowcock, CEO



## 2017 financial highlights – strong underlying performance, Online momentum

- Group net revenue up 7% to £1.7bn
- Adjusted operating profit up 11% to £291.3m, in line with revised guidance
- Operating exceptional charges and adjustments of £335.0m mainly related to tax and regulatory impact on Australian business and costs of transformation programme
- Balance sheet remains strong with net debt for covenant purposes of £515.2m, 1.4x EBITDA of £379.0m
- Adjusted EPS up 24% to 27.6p
- Full-year dividend up 6% to 13.2p per share, in line with policy of c50% of adjusted earnings per share

## 2017 operational highlights – growth being driven by Online and the US

- Positive momentum in Online with double-digit Sportsbook and gaming growth, at or above UK market growth rates
- Resilient Retail performance in a non-tournament year, strong omni-channel platform established
- Strong US growth, driven by mobile betting
- Australia H2 performance impacted by credit ban but profits protected by careful marketing investment, strategic review underway
- Transformation programme targets delivered - £25m in-year savings, £40m annualised run rate, being reinvested to drive faster growth

## Regulatory update – key outcomes awaited in UK and US

Market	Regulatory area	Current status
UK	Triennial Review	<ul style="list-style-type: none"> <li>• Submissions under further consultation made by 23 Jan 2018</li> <li>• Timing on a decision remains unclear</li> </ul>
	CMA and Gambling Commission reviews	<ul style="list-style-type: none"> <li>• Implementing CMA changes to promotions, Ts and Cs</li> <li>• £6.2m regulatory settlement with Gambling Commission</li> </ul>
US	Legalisation of sports betting	<ul style="list-style-type: none"> <li>• Supreme Court heard oral argument on 4 Dec 2017</li> <li>• Process from here: <ul style="list-style-type: none"> <li>- Opinions are typically released on Tuesday and Wednesday mornings and on the third Monday of each sitting</li> <li>- The Court maintains its schedule until all cases ready for submission have been heard and decided</li> <li>- In May and June the Court sits only to announce orders and opinions</li> <li>- The Court recesses at the end of June</li> </ul> </li> </ul>
Australia	Credit betting	<ul style="list-style-type: none"> <li>• Interactive Gambling Amendment Act enacted, including credit betting ban effective from 17 February 2018</li> </ul>
	Point of Consumption Tax	<ul style="list-style-type: none"> <li>• 15% applied in South Australia from July 2017</li> <li>• Several other states intending to introduce a POC tax</li> </ul>
	National Consumer Protection Framework	<ul style="list-style-type: none"> <li>• Likely implementation of national self-exclusion register, ban on sign-up inducements and reduced verification period</li> </ul>



Ruth Prior, CFO

# Financial review

## Group income statement – profitable growth

	52 weeks ended 26 Dec 2017 £m	52 weeks ended 27 Dec 2016 £m	% change	
<b>Net revenue</b>	<b>1,711.1</b>	<b>1,603.8</b>	<b>+7%</b>	→ Growth of 11% in H2, benefiting from strong gross win margins against weak comparator
Cost of sales	(414.9)	(382.2)	+9%	
<b>Gross profit</b>	<b>1,296.2</b>	<b>1,221.6</b>	<b>+6%</b>	
Net operating expenses	(1,004.9)	(960.1)	+5%	→ Adjusted operating profit up 24% in H2
<b>Adjusted operating profit</b>	<b>291.3</b>	<b>261.5</b>	<b>+11%</b>	
Exceptional items and adjustments <sup>1</sup>	(335.0)	(35.9)	-	
<b>Profit/(loss) before interest and tax</b>	<b>(43.7)</b>	<b>225.6</b>	<b>-</b>	
Net finance costs	(30.9)	(44.3)	-30%	
<b>Profit/(loss) before tax</b>	<b>(74.6)</b>	<b>181.3</b>	<b>-</b>	→ Effective tax rate on adjusted results of 7.1%, with return to guidance for 2018
Tax	(8.6)	(16.8)	-49%	
<b>Profit/(loss) after tax</b>	<b>(83.2)</b>	<b>164.5</b>		
Earnings/(loss) per share (p)	(9.7)	18.9	-	
Adjusted earnings per share (p)	27.6	22.3	+24%	→ Full-year dividend +6%, in line with policy to pay out c50% of adjusted earnings
Dividend per share (p)	13.2	12.5	+6%	
Net debt for covenant purposes	515.2	618.1	-17%	→ Net debt to EBITDA of 1.4x (2016: 1.8x, H1 2017: 1.7x)

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

Note 1: this includes £5.1m amortisation of acquired intangibles (2016:£6.4m)

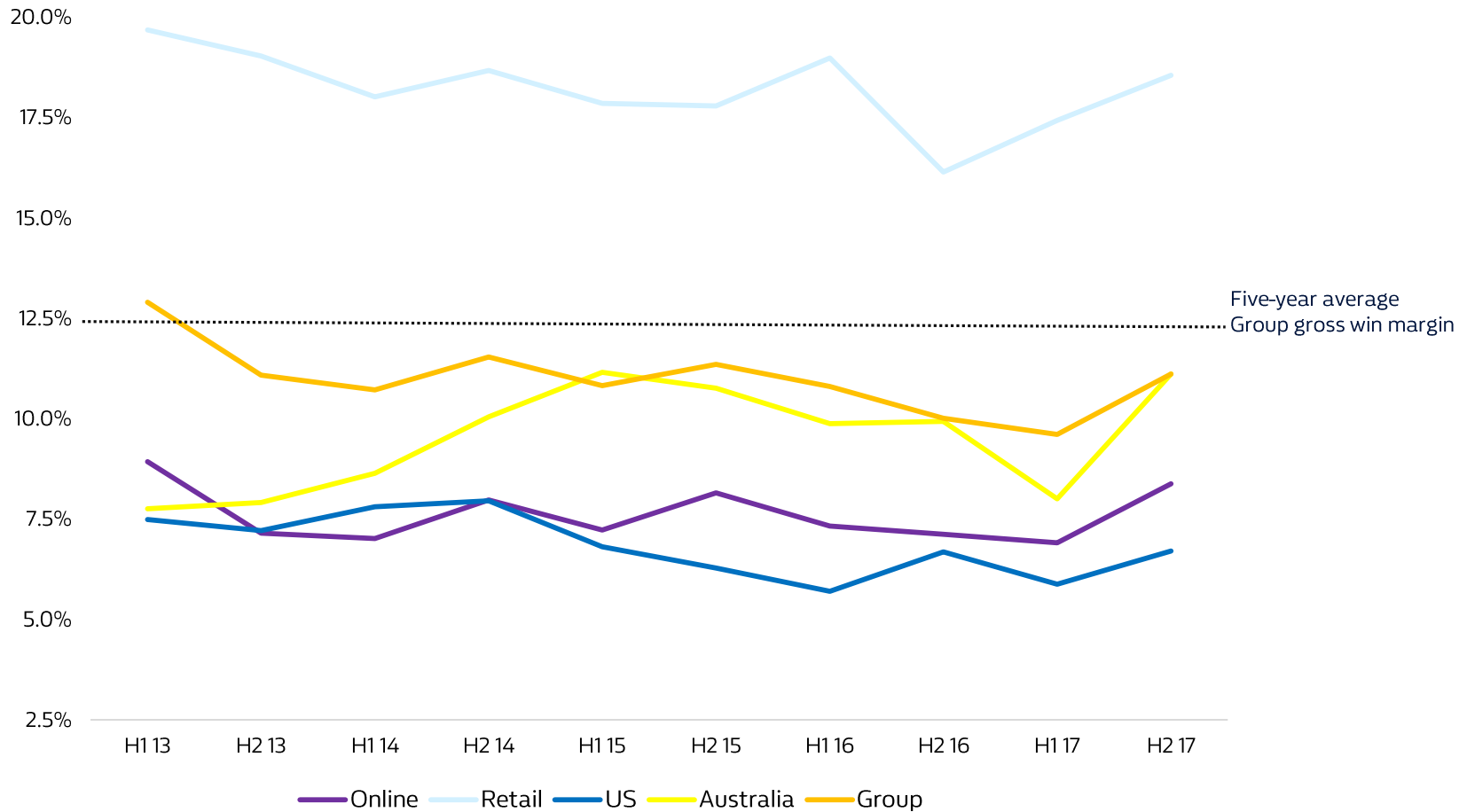
## Operating exceptional items and adjustments – addressing historical issues and reshaping our future

	2017	2016	
Exceptional costs and adjustments	£m	£m	
Australia impairment*	238.3	-	} <b>Historical issues</b>
Indirect taxation	17.1	-	
Onerous contract	10.0	-	
NYX	(7.2)	9.9	
Compliance fines	6.2	-	
Disposal of Stadia operations*	2.5	-	
Corporate transaction costs	-	9.8	
Legal fees	1.3	-	
	<b>268.2</b>	19.7	
Transformation programme	54.4	10.2	} <b>Reshaping our future</b>
Shop closures	7.3	(0.4)	
	<b>61.7</b>	9.8	
Amortisation of acquired intangibles	5.1	6.4	
<b>Total</b>	<b>335.0</b>	<b>35.9</b>	

\*Non cash exceptional items



## Gross win margin: stable year-to-year despite short-term volatility



## Online – positive momentum in lead indicators

Key performance indicators	2017	2016 <sup>1</sup>	%
Unique actives ('000)	<b>2,388.4</b>	2,245.9	+6%
Revenue / unique active (£)	<b>258.3</b>	242.6	+6%
New accounts ('000)	<b>1,010.1</b>	978.2	+3%
Average cost per acquisition (£)	<b>137.3</b>	124.4	+10%

- Return to growth in actives and new accounts
- Positive ARPU trends continued into H2
- Higher CPA reflecting increased marketing investment in H2

<sup>1</sup>The full year 2016 numbers in the table have been restated to include Telephone

## Online – strong performance in both Sportsbook and gaming

	2017 £m	2016 £m	% change	
Sportsbook amounts wagered	4,735.6	4,293.0	+10%	→ Wagering: core markets +12%, other markets flat
- Sportsbook gross win margin	7.6%	7.2%	+0.4 pts	→ Gross win margin in line with historical averages
Sportsbook net revenue	308.3	270.1	+14%	
Gaming net revenue	308.6	274.7	+12%	→ Gaming: core markets +13%, other markets +10%
- Vegas product suite	189.8	167.3	+13%	
- Playtech Casino	95.2	80.9	+18%	
- Poker	5.8	6.5	-11%	
- Bingo	17.8	20.0	-11%	
<b>Net revenue</b>	<b>616.9</b>	<b>544.8</b>	<b>+13%</b>	
Cost of sales	(144.6)	(120.1)	+20%	→ Increased UK revenue mix, horseracing levy extended online (Apr), Remote Gaming Duty applied to gaming free bets (Oct)
<b>Gross profit</b>	<b>472.3</b>	<b>424.7</b>	<b>+11%</b>	
Operating costs	(339.8)	(324.2)	+5%	
- Employee costs	(75.6)	(68.3)	+11%	→ Increased investment in headcount and marketing to support further growth
- Marketing	(138.7)	(121.7)	+14%	→
- Finance charges	(19.0)	(19.3)	-2%	
- Depreciation and amortisation	(35.0)	(37.1)	-6%	
- Other costs incl. recharges	(71.5)	(77.8)	-8%	
<b>Adjusted operating profit</b>	<b>132.5</b>	<b>100.5</b>	<b>+32%</b>	

## Retail – resilient performance

	2017 £m	2016 £m	% change		2017	2016	% change	
Sportsbook amounts wagered <sup>1</sup>	2,310.4	2,325.8	-1%		Average no. of LBOs	2,362	2,372	-0%
- Sportsbook gross win margin	18.0%	17.6%	+0.4 ppts		Average no. of machines	9,313	9,343	-0%
Sportsbook net revenue	415.4	409.3	+1%		Gross win / machine / week <sup>2</sup>	£1,028	£998	+3%
Gaming net revenue	497.7	484.6	+3%		Gaming gross win margin	3.67%	3.58%	+0.9ppts
<b>Net revenue</b>	<b>913.1</b>	<b>893.9</b>	<b>+2%</b>		Resilient wagering performance in a non-tournament year and rolling over higher recycling effect of low margin in Q4 2016			
Cost of sales	(233.6)	(227.0)	+3%		Strong gross win margin benefiting from positive results in Q4 2017			
<b>Gross profit</b>	<b>679.5</b>	<b>666.9</b>	<b>+2%</b>		Restructuring mitigated National Living Wage increase to deliver broadly inflationary levels			
Operating costs	(518.6)	(504.9)	+3%		Increase in live and international horseracing content costs			
- Employee costs	(198.7)	(193.4)	+3%					
- Property costs	(102.1)	(99.8)	+2%					
- Content costs	(76.6)	(72.8)	+5%					
- Depreciation and amortisation	(33.0)	(30.9)	+7%					
- Other costs incl. recharges	(108.2)	(108.0)	+0%					
<b>Adjusted operating profit</b>	<b>160.9</b>	<b>162.0</b>	<b>-1%</b>					

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

2. Excludes free bets

## William Hill US (local currency) – continued strong revenue and profit growth

	2017 \$m	2016 \$m	% change	
Amounts wagered	1,152.7	944.3	+22%	→ Strong wagering growth benefiting from mobile growth of 36% and continued product development
Gross win	72.9	58.8	+24%	
- Gross win margin	6.3%	6.2%	+0.1 ppt	→ Gross win margin in line with historical trends
<b>Net revenue</b>	<b>72.9</b>	<b>58.8</b>	<b>+24%</b>	
Cost of sales	(6.4)	(5.4)	+19%	
<b>Gross profit</b>	<b>66.5</b>	<b>53.4</b>	<b>+25%</b>	
Operating costs	(43.7)	(34.0)	+29%	→ Additional headcount and property costs to support growth
<b>Operating profit \$m</b>	<b>22.8</b>	<b>19.4</b>	<b>+18%</b>	
<b>Operating profit £m</b>	<b>17.7</b>	<b>14.3</b>	<b>+24%</b>	

## William Hill Australia (local currency) – profits protected during ongoing strategic review

	2017 A\$m	2016 A\$m	% change		2017	2016	% change	
Amounts wagered	2,550.3	2,415.4	+6%	<p>Strong wagering growth in H1 but wagering decline in H2 with changes ahead of credit betting ban</p>	Unique active players ('000)	270.4	284.0	-5%
Gross win	237.4	239.3	-1%		Revenue/unique active (A\$)	744.0	721.9	+3%
- Gross win margin	9.3%	9.9%	-0.6 ppts		New accounts ('000)	101.1	117.6	-14%
<b>Net revenue</b>	<b>201.1</b>	<b>205.0</b>	<b>-2%</b>		Cost per acquisition (A\$)	<b>328.4</b>	450.5	-27%
Cost of sales	(52.6)	(54.4)	-3%	<p>Marketing investment focused on nearer-term returns while strategic review undertaken</p>				
<b>Gross profit</b>	<b>148.5</b>	<b>150.6</b>	<b>-1%</b>					
Operating costs	(118.6)	(123.7)	-4%	<p>Increase in other costs with investment in Victoria and New South Wales live streaming horseracing content</p>				
- Employee costs	(29.6)	(26.6)	+11%					
- Marketing	(33.2)	(53.0)	-37%					
- Depreciation and amortisation	(17.3)	(13.9)	+24%					
- Other costs incl. recharges	(38.5)	(30.2)	+27%					
<b>Operating profit in A\$m</b>	<b>29.9</b>	<b>26.9</b>	<b>+11%</b>					
<b>Operating profit in £m</b>	<b>17.5</b>	<b>15.4</b>	<b>+14%</b>					

## Cash flow remains strong

	2017 £m	2016 £m
<b>Cash generation</b>		
Adjusted operating profit	291.3	261.5
Depreciation and amortisation	82.5	80.2
Non-cash share remuneration charge	5.2	6.1
<b>EBITDA</b>	<b>379.0</b>	<b>347.8</b>
Working capital/other	(14.6)	(2.9)
Interest and tax	(64.7)	(69.7)
Pension scheme deficit funding	(9.6)	(9.3)
Capital and investing receipts	14.6	9.4
Capital expenditure	(92.9)	(90.4)
<b>Free Cash Flow</b>	<b>211.8</b>	<b>184.9</b>
Increase in bonds	-	50.0
<b>Uses of cash</b>		
Acquisitions and investments	-	(104.0)
Dividends and share buybacks	(108.1)	(203.4)
Other	-	(1.2)
<b>Net Cash Flow</b>	<b>103.7</b>	<b>(73.7)</b>

EBITDA up 9%

Free cash flow up 15%

Cash capex	2017 £m	2016 £m
Online	43.3	37.3
Retail	28.6	32.3
Australia	9.3	15.7
US	1.9	2.4
IT / other	9.8	2.7
<b>Total capex</b>	<b>92.9</b>	<b>90.4</b>

# Strategic priorities

Philip Bowcock, CEO





## Delivering our three strategic priorities



Grow UK market share



Grow international revenues



Deliver key projects: technology and transformation



## Grow UK market share: Online and Retail

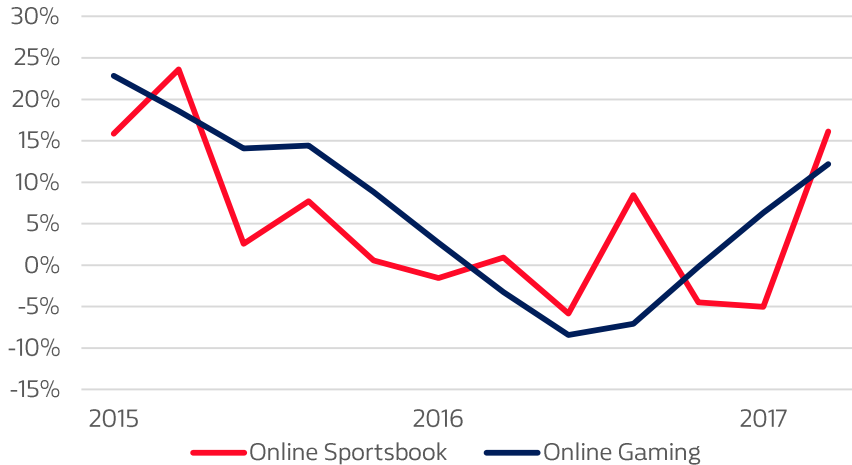


- Growing at or above market rates in both Online and Retail
- UK retail market slightly negative, UK online maturing but currently still growing c10%
- Omni offer leverages benefits across Retail and Online customers
- Continuing marketing, brand, product and technology synergies

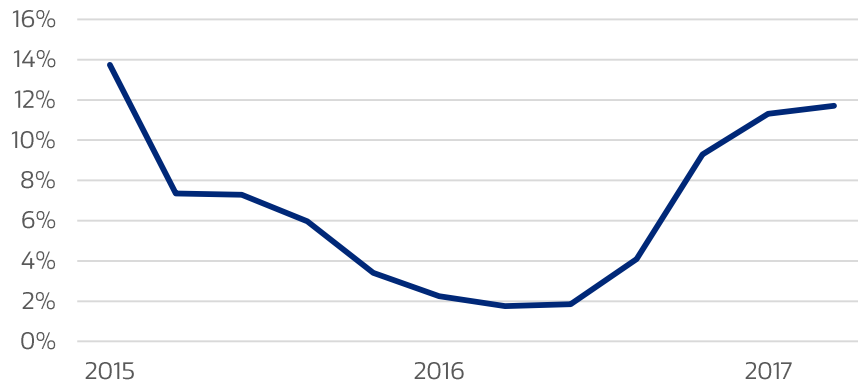


# Grow UK market share: continuous improvement driving growth

Online UK net revenue YoY growth rates



Online UK wagering YoY growth



## Online

- ‘Personalised’ products launched: BetBoost, #YourOdds
- Strong growth in gaming
  - Redesign of all gaming products
  - Reactivation campaigns
  - New style of content
  - UK gaming actives up 34%
  - Cross-sell rate up 4 ppts
- Improved customer service and UX standards
- Desktop migration underway

## Retail

- First full year of new operating structure
- 3,000+ proprietary SSBTs, at least one per shop
- Plus point machines being rolled out
- Plus Card launched to support Retail and omni-channel customers
- New ‘Flex’ gaming cabinet being trialled



## Grow UK market share: smart marketing investment

### Strong H2 performance: Online UK KPIs

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**+15%**

Unique  
actives

**+8%**

Average  
revenue per user

**+37%**

New  
accounts

**+9%**

Average cost  
per acquisition

- Strong trends in lead indicator KPIs in H2
- 14% increase in total Online marketing investment to £138.7m
- Increased customer acquisition via online and social media
  - 32% increase in Facebook spend
  - 46% increase in new accounts across all social media with 4% reduction in CPA
- Reshaping the marketing organisation
- Migrating legacy systems into proprietary UNO single-view platform



# Grow UK market share: Omni approach supports Online and Retail



1. Expand the product range for shop customers

12%

Sportsbook stakes going through SSBTS at year-end 2017

- Density of 1.3 SSBTs per shop
- Ongoing optimisation opportunities within the estate
- Expanded product range
- Outperforming where proprietary SSBT replaced BGT
- Plus Point machine trial

2. Enhance the experience for shop customers

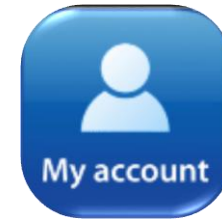


137k

Sign-ups for Plus by year-end 2017

- Engaging customer experience with access to:
  - Live score updates
  - Cash In
  - William Hill TV and radio
- CRM special offers via push notifications
- Improved responsible gambling tracking

3. Quick and easy access to Online funds in shop



24k

Omni wallet sign-ups to date

- Launched at end of November
- Online customers able to deposit, withdraw and bet in shop using their account



## Grow international revenues: uniquely placed in the US



William Hill-sponsored jockey Florent Geroux winning the Pegasus World Cup – the world's richest horse race – on Gun Runner (27 January 2018)

- Nevada market share up to 29% (2016: 26%)<sup>1</sup>
- 57% market share by number of Nevada sports books
- Continued strong mobile performance
  - 17% increase in new mobile sign-ups
  - New app releases
  - Benefit from account top-up options added in 2016
- Expansion into additional territories
  - Iowa race book for Caesars Entertainment
  - Sports book for new Baha Mar casino in Bahamas
- Investing ahead of PASPA decision to prepare for rapid entry into new states

1. Market share by sports betting gross win, derived from Nevada Gaming Control Board data, Jan-Dec 2017



## Grow international revenues: Australia – strategic review ongoing

- Continued product expansion with launch of personalised products such as Price Pump and Rewards driving stronger retention
- Impact of preparations for credit betting ban, effective from 17 February 2018
- Several states anticipating point of consumption taxes
- Marketing focused on near-term returns to protect profits
- Strategic review in response to changing regulatory and tax environment, decision by mid-2018



## Deliver key projects – transformation programme driving fundamental change

### Revenue growth priorities

1. Delivery of the Omni-channel strategy
2. Delivery of accelerated revenue growth
3. Enhanced digital marketing

### Cost efficiency priorities

1. Optimising third-party spend
2. Rationalising IT/back-office functions
3. Driving efficiencies in customer-facing functions

- Delivering both revenue growth and cost efficiencies
- 250 initiatives
- Improved core capabilities to build a sustainable business for the long term
- £25m of in-year efficiencies, £40m annualised run-rate
- Reinvesting savings in marketing, product development and technology

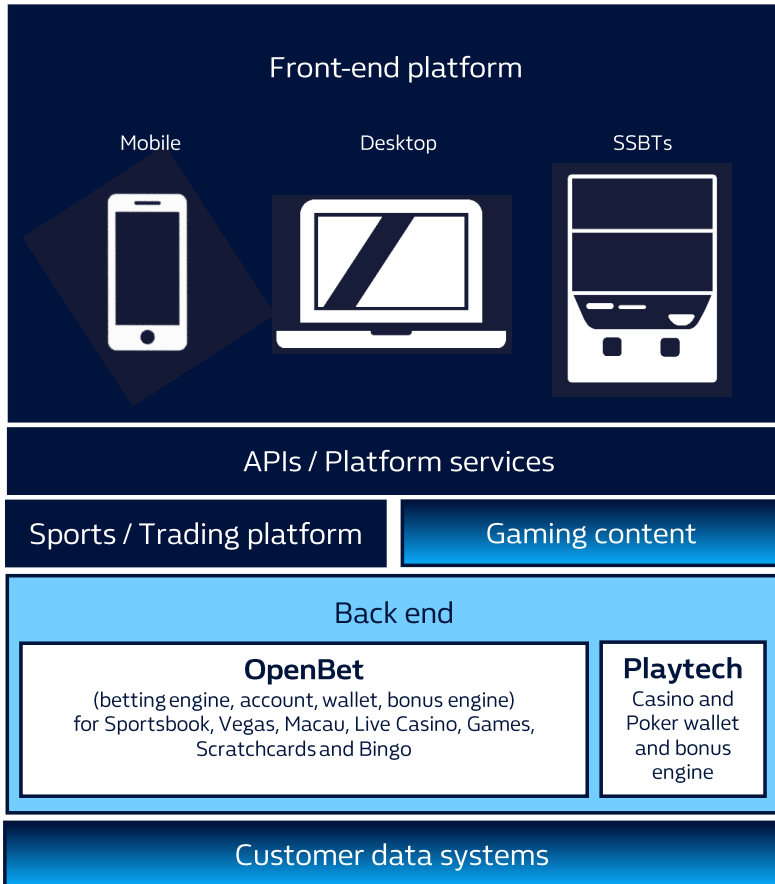
### 2017 achievements

- |   |   |
|---|---|
| SSBT roll-out, Plus launch, Omni wallet launch  | ✓ |
| Programmatic marketing capability established   | ✓ |
| Gaming and cross-sell improvements              | ✓ |
| Accelerated product feature developments        | ✓ |
| Customer journey enhancements                   | ✓ |
| Optimisation of external spend                  | ✓ |
| Agile transformation in product development     | ✓ |
| Rationalisation of footprint, support functions | ✓ |
| Optimisation of marketing spend                 | ✓ |





# Deliver key projects – technology enhancements foundation of growth



## Delivery over last 12 months

Desktop being transitioned to in-house platform  
 At least one proprietary SSBT per shop, 800 third-party SSBTs swapped out

New Trading Automated Platform  
 New gaming machine being trialled

Single wallet to join up OpenBet and Playtech wallets  
 Omni wallet connecting Online to Retail  
 Agreement with Scientific Games on OpenBet plans

Transitioning to proprietary UNO data platform

Proprietary or bespoke William Hill technology
  Third-party technology
  Hybrid approach

## Summary – beginning 2018 in a much stronger position

### **Strong performance**

- Online momentum building in the UK
- Transformation programme increasing efficiency and flexibility
- Re-investment in product, marketing and technology
- Balance sheet flexibility
- Enhanced executive team

### **2018 priorities**

- Online and omni driving further UK growth
- Getting ready for further international expansion
- Creating a sustainable environment for long-term growth
- World Cup



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MEDITERRANEAN  
BAR & BISTRO

*The Iskele*

*William Hill*  
**HILL**

*William Hill*

# Q&A

Philip Bowcock, CEO  
Ruth Prior, CFO

Access  
online funds  
in-shop

Get more with PLUS  
**PLUS**

*The Iskele*

*The Iskele*

# Appendices

Adjusted results	Adjusted results means results before exceptional items and adjustments, as described in note 3 to the financial statements
Amortisation	Where operating expenses, operating profit or EPS are adjusted for amortisation, this pertains to amortisation of intangibles recognised on acquisition
Amounts wagered	This is an industry term that represents the gross takings on sports betting
ARPU	Average net revenue per user
Adjusted earnings per share (EPS)	Adjusted EPS is based upon adjusted profits after tax. Further detail on adjusted measures is provided in note 3 to the financial statements
Basic EPS	Basic EPS is based on an average of 856.9 million shares for 2017 and an average of 871.8 million shares for 2016
Cost per acquisition (CPA)	Marketing costs (including affiliates but excluding FVAs) divided by the number of new accounts recorded in the period
EBITDA	Earnings before interest, tax, depreciation and amortisation. EBITDA for covenant purposes is adjusted earnings before depreciation and amortisation, and share remuneration charges
FVAs	Fair value adjustments. These are principally free bets, which are recorded as a cost between gross win and net revenue
Gross win	Gross win is an industry measure calculated as total customer stakes less customer winnings. It differs from net revenue in that it is stated prior to deductions for free bets and customer bonuses
Gross win margin / net revenue margin	This is a measure, inter alia, of the effect of sporting results on the business. The margin is defined as gross win/net revenue as a percentage of amounts wagered. The margin is also affected by the mix of products with different margins and the amount of concessions or free bets offered to customers
Adjusted operating profit	Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail on adjusted measures is provided in note 3 to the financial statements
OTC	Retail over-the-counter largely constitutes bets placed on sporting events, virtual events and lottery-style numbers games
Net debt for covenant purposes	Borrowings plus counter-indemnity obligations under bank guarantees less cash adjusted for customer funds and other restricted balances. Further detail is provided in note 23 to the financial statements
Net revenue	This is an industry term equivalent to 'Revenue' as described in the notes to the financial statements. It is equivalent to gross win less fair value adjustments, which are principally free bets
New accounts	Customers who registered and deposited within the reporting period
PBIT	Profit before interest and tax
Sportsbook	Bets placed and accepted by Online on sporting and other events, or via OTC and SSBTs in Retail
SSBT	Self-service betting terminal
Unique active players	Customers who placed a bet within the reporting period

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