Capital Markets Day

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Overview

Philip Bowcock

CEO, William Hill

Welcome

Good afternoon, everybody and welcome to William Hill's Capital Markets Day. You will have seen the two announcements that we made this morning: one, the normal trading update, and the second, an outline of today's presentation. Clearly, this afternoon is going to be focused on the ambitions and the goals that we have as an organisation. It is important that I say 'we,' because it is not just mine. It is not just the individuals who are going to talk to you today, but this is about the whole of the William Hill organisation.

Recent History

Whilst I was thinking about today, I was reflecting on what seems like a very long three years that I have been in the business. I was talking to an institutional shareholder recently. He said to me, of all the stocks that he covers, William Hill has probably been through the most turbulent times over the last two to three years. That is both internally and externally.

Internal

If we think about the internal, we have been through the transformation programme. The transformation programme, while it really focused our online division, it really did touch every aspect of our organisation, and it has really changed the culture and the way we do things. I will talk a little bit more about that, and I know Ulrik will.

External

He also talked about the external factors, and the external factors that we have been facing into. The ones in the UK are very clearly known, whether it is the Triennial, whether it is remote gaming duty, and so on and so forth. But we have also had, when we had the Australia Business, we were facing into regulation and tax there. Also, we had the changes in regulation in the US as well. So, there has been an awful lot going on.

Delivered

However, for me what is really terribly important over the last two/three years is actually what we have delivered, and we have not as an organisation been standing still. In Online, we now have a product which is fit for purpose. We have market share which is backing growth, which Ulrik will talk about. We have a culture which is different: a continuous improvement culture. We have relocated offices. We have closed our Tel Aviv office. We have opened a technology hub in Krakow. We have a new digital and marketing hub in London. An awful lot has been going on.

US market

In the US, it is not just about what we have done since the Supreme Court decision, but in the lead-up to that. Joe will talk about how he took three businesses that were loss making and turned them into a business which now had a third of the market share in Nevada and is the leading sports book operator in the US.

Retail

In retail, we have been facing into the Triennial and the Triennial process. But we now have an organisation under Nicola which is really, really fit and ready to take on the challenge that the two-pound decision leaves us with.

Australia

It would be remiss of me if I am talking about the last two to three years not to talk about Australia. We sold Australia. I personally do not like selling businesses, but it was the right decision. We had a business which was subscale, single-digit market share in a country where regulation and tax were only going in one direction. So, the decision was the right decision.

Certainty

So, we now have some certainty, which is nice. We have certainty about the US regulation. We have certainty about the triennial and the timing thereof. But we also have a certainty that we are overly dependent as an organisation on the UK for our revenue streams. We know we have the US coming, and we are going to talk about that. But the proposed acquisition of Mr Green really gives us that diversification. So, as I say, when the UK government or regulator coughs, we do not catch a terrible cold.

Challenges

There are still come challenges out there. But for me, challenges, if we are a well-run, well-organised, flexible organisation, also turn themselves into opportunities.

So, the challenge for Joe and the US team is how quickly and where and how US will regulate. When will New York go? Will it be retail? Will it be tethered? Will it be purely online? So we have to be able to adapt in that market.

How will the customer react to the two-pound decision? How will our mitigation actions actually play out and how quickly, again, can we adapt those? We have the challenge of diversification. Mr Green, as I have said, gives us a step in the right direction. But we need to build on it. We need to use that as our vehicle into even more international growth.

We do have the challenge of regulation. We need to be leading the agenda when it comes to regulation and responsible gambling. Lyndsay will touch on that later, because it has hurt us as an industry over the last five years. There is no doubt about it.

Future

That leads us to today. In five years' time, this business will be a very, very different business to where we are today, and we need to look beyond the short-term challenges and short-term headwinds that we face and that we spoke about on the call this morning to see where we will be.

We are really targeting to be a digitally led, internationally diversified gaming and gambling business, with that ambition to double our profits by 2023.

We need to think about three very different businesses in different phases of their evolution. Online, it is about growing market share in the UK and it is about that diversification into international markets. For retail, it is about growing market share. We think we can win in the new two-pound world, but it is about running it as a really, really efficient business and driving for cash. In the US, it is about continuing our current leadership position as a sports book operator in the US and making sure we maintain that position.

Objectives for Today

Today, we want to show you the confidence that we have as a management team in our ability to deliver. That for me is key today. We will go through each of the three businesses. Then Ruth will pull it all together, because I know there is a lot of information that you have already had in today's announcement. But there is going to a lot more information given today. So, Ruth will pull it all together, so you get a clear view of the numbers.

We are going to start with the US. We have spoken about being the market leader, and we are going to take you through the three pillars that I have always spoken about: market access, operational excellence and brand. First comes market access. Without market access, there is no business. You have to have those licences. So, Crispin is going to talk about the size of the prize, what we have done to access that market and what further opportunities lie ahead.

US Market Overview

Crispin Nieboer

Corporate Development Director, William Hill

Opening Remarks

Good morning, everybody. So, I know from the call this morning, there are lots of questions regarding scale and access with regards to the US. In the next few slides, I am going to set out how this market will dwarf every other, and how William Hill is best set to win.

Market Estimates

Forecasts

If you look at the leading three forecasters to the left of the screen, you will see that market forecasts range for revenue between $5 billion and $19 billion. This depends on the number of states that those forecasters believe will regulate and also depends on how many of those states they believe will be retail only and how many will be retail and online. Eilers & Krejcik are somewhere in the middle at a range of $7-16 billion. We have used Eilers throughout this presentation as the basis for our forecasts. We have also excluded Nevada from our forecasts in this presentation, as we are focusing exclusively on incremental business.

Implied revenue

Putting the Eilers' numbers into context and turning to the right-hand side of the slide, you will see that at $4.9 billion, the first 17 states William Hill already has access to, Eilers & Krejcik are forecasting those states to be worth between $2.5-4.9 billion, putting it on a par with the UK.

Spend per capita

One other KPI I would draw you to on this slide is the spend per capita. Taking the Eilers & Krejcik numbers and looking at purely the 17 states William Hill already has access to and the $4.9 billion upper number, this would imply a spend per capita of only $67 on the top side. That compared very favourably with the existing implied spend per adult in both Australia and the UK. So, there is room there for upside as well.

Market Access

So, whether it $5 billion or whether it is $19 billion, how do you get access? The first thing you need to know about the US is that it is completely different to Europe.

Access control

It is all about relationships, and particularly, relationships with commercial casinos. Retail is key. Most states will regulate retail well in advance of mobile, and the licence holders want someone with a strong track record in retail. You also cannot assume that there will be multiple licences in all states for all casinos, or 'skins', as multiple licences are known in the parlance. There may just be one licence awarded per casino per state in some states. So, if you are dependent on skins for access, you will miss out in those circumstances.

Now, the reason we are closing more deals that anyone else is because we have the strongest track record in all the areas that matter. Whether it is retail, product, trading, technology or time-to-market, we have the best reputation given our unique long-term experience in the US.

Early Mover States

So, how is it unfolding? If we break down Eilers & Krejcik's headline number of $7-16 billion, the first seven states are responsible for $1.4 billion. We are live or have deals to go live in six of those seven. Four of those are retail only at present and three will be retail and online.

New Mexico

Just to point out, one of the oddities on this page is New Mexico, and to bring up a point that is mentioned in the second footnote. In New Mexico, sports betting has not actually been authorised yet by the local government there. But one of the local tribal casinos decided to launch anyway. We are 100% confident that we will enter that and have access into that market as soon as the state authorities give the okay to do so.

Second Wave of States

Looking beyond this, it starts to get more interesting. After the first seven states, we forecast 20 more states to regulate in the following 24 months. The revenue forecast for those varies between $3.7 billion and $7.5 billion, again, excluding Nevada. And again, that depends on how much retail-only business the forecasters expect versus retail and online. Now, we at William Hill believe that most states will, in fact, be a combination of online and retail. So, under the Eilers & Krejcik methodology, that would imply a number more towards $7.5 billion than $3.7 billion.

Access Routes

Let us look at access routes. Access to these 27 states is not going to be straightforward for everybody. In seven of these states, access is controlled by racetracks, tribal casinos and lotteries. So, the big regional casino chains will not give you access in those states. To gain access, you need to prove to these independent licence holders that you have the experience and the credentials required.

Progress to Date

In terms of our progress to date, as I have mentioned, we have access to 17 states with a value of up to $5 billion. But we are 100% confident that we will carry on gaining access in all future states that open.

Proven Partner

So, why are we so confident? If you compare William Hill to all the alternative options available, we have the strongest credentials. In terms of relevant experience and assets, we are the most trusted partner. Joe is going to talk more about the feedback we get from our partnerships in terms of that trusted characteristic.

Retail and mobile track record in full sports book

Looking left to right, we have a proven retail and mobile track record in full sports book, rather than just horseracing. We have unparalleled knowledge of US sports betters. In fact, some of our team have over 11 years' experience working in sports betting the US, which is a very rare thing, I can tell you. Our product and trading teams have been delivering industry-leading margins for years now.

Proprietary technology

On proprietary technology – Joe and Ruth are going to talk more about this – we are building our new tech platform for the US. This new platform is modern. It is modular. It is built on an API-centric architecture, and it allows for features such as real-time data analytics on customer experience. That is something very rare indeed in Europe, but even rarer in the US.

Brand and marketing expertise

We are an industry leader in global marketing for sports betting. Sharon will tell you more about our capabilities stateside and how we are leveraging our global experience at buying traffic at scale and driving up ROI using customer data analytics and modern marketing technology.

Regulatory experience

We are a leader in regulations. From our early foundations in Nevada, we are highly respected by regulators in the US.

Time to market

Lastly, time to market, we are proven to roll out at speed. We are live in every state that is legal, and we have rolled out 16 sports books in five months.

So, this is why I say we are so trusted.

Eldorado's Exclusive Partner

What about that deal with Eldorado, and why do I think it is such a great deal for William Hill? Also, why did we chose it over other options we had? Philip often talks about flexibility and control in the way that we approach the US market. I think this deal really delivers on both.

Let us look, first of all, at what we received in our share of the deal. We received 13 licences in the 27 states that I have already mentioned, but we also get access in any states they expand into. Now, for those of you that know Eldorado Resorts, you will know how acquisitive and fast-growing they are.

We also get access to their 23 million customer database for CRM and marketing purposes. We get the first sports book licence in every state they are in, so we are not reliant on skins. And we also share in the economics on any sports-book skins sales that they do, where they will also need our consent. We also get the first skin on casino.

Finally, whilst they are exclusive to us, we are not exclusive to them. Meaning, in some states where Eldorado is present, if we choose to partner with another casino, we are free to do so.

In return, they invested with us and received 20% in our US business, $50 million of restricted stock in our PLC business, and a share of profits on all business undertaken on their licences.

Concluding Remarks

In conclusion, this gives us really strong alignment of interests, but retains that crucial control and flexibility. Since we announced Eldorado, we have not stopped there, obviously. Joe will tell you more about this. We have announced deals with Golden and also with IGT, taking us to the 17 states and counting.

So, now you know how big this market is and how William Hill is in pole position, I am going to hand you over to Joe who is going to talk to you about strategy and execution.

US Strategy

Joe Asher

CEO, William Hill US

My History

Thanks, Crispin. Hello, everybody. I thought I would start by telling you a little bit about myself and how I came to William Hill, and then we can talk about the business. So, my dad was a gambler. I grew up in Delaware, and I started going to the racetrack as early as I can remember. I started shooting dice in the back of a butcher shop when I was nine-years old. I learned to count cards in blackjack when I was ten. I read a book by a fellow named Ken Uston who really had the first in-depth card-counting system publicised. I started going to the Atlantic City casinos to try that out when I was 14. I started working at the racetrack in Delaware when I was 16. I became the youngest race caller in America when I still a teenager. That is how I paid my way through school; I was working at the racetrack. Then, I kind of went a little bit askew and went to law school and practised law at Skadden, Arps, for a number of years. But I just did not want to do that for the rest of my life and wanted to come back to my first love, which was the gambling business.

So, fast forward, I wound up in Las Vegas. I moved out there in 2006 and started a bookmaking company. We started working on it in 2007, including a fellow, who is still with us today, Dan Shapiro. Opened for business in 2008. Sold the business to William Hill in 2012 when William Hill came into the US.

It was really a great set of acquisitions when you look back at it. They bought three small businesses for $49 million. We had been beaten down by a tough economy and by cut-throat competition. They came from the outside with cash. It was a great time to be buyer and a tough time to be a seller, but so it goes. So, that was the origin of the William Hill US business.

Six Years of Strong Growth

Market share

Over the ensuing six years, we have had quite a run. When we started, the combined businesses had 12% of the market. We measure the market based on revenue. It is something that the Gaming Control Board reports on a monthly basis, and the day that the report came out, you can be assured that we are pretty well focused on it. So, we started at 12%, and I remember a couple of years ago, we had an analyst presentation. I was over. Well, I think at the time we were about 25%, and somebody said, 'Well, how high do you think you can get it?' I had not really thought about that before, but I sort of thought about it and I said, 'Well, we could probably get it to 30% in a few years.' Then, of course, I became completely obsessed with getting to that number. And we are now at 33%. There is still room to grow.

We are going to be adding another half dozen locations in Nevada from a retail perspective. Much of the growth, of course, has been mobile and in play. Mobile, we have by far the leading market share. Now, two-thirds of our business in Nevada is on mobile. We have done a really good job of growing that business consistently with product and with payments, in particular, and pretty good marketing around it.

In-play has basically gone from 0% to 37% over the last couple of years. And there is still some room to grow around that. We have taken a very methodical approach to it, introducing a few markets, then some more markets, then some more markets, so as to not overwhelm the customer in the early days.

Profit

It is a nice trajectory of how you see the profit. I think all the businesses were loss-making at the time of acquisition and now, this year, we are on track to make $40-45 million in EBITA, which is the measurement that we typically focus on. One of the other reasons is we have consistently outperformed the state with respect to margin. Year after year, we have been beating the state averages by about 25%.

So, we feel really good about the business that we have built and the team that we have built. We have some really great people whom I get to work with on a consistent basis. They are dedicated and focused, and they are the reason we have had the success that we have had.

Goal

Of course, it is not really where we are, it is where we want to be. Our objective is straightforward, really. It is to be the market leader. What else would you aspire to, for sure? We are the market leader today, but it is important that we are the market leader, two, three, four, five and ten years from now. That is what we are focused on. The keys to that: Crispin talked a little bit about market access, the operational excellence and the brand.

Market Access

Eldorado

You have heard about the Eldorado deal. One of the things that I would mention about the Eldorado deal. Do you know how many meetings we actually had with Eldorado when we were negotiating our deal with them? A pretty significant deal for both sides. We actually had a grand total of zero meetings. We knew them. They knew us. They knew what I looked like. We knew what they looked like. We just did it all by telephone over the course of a period of time over the summer. But they knew us. They trusted us.

This was a relationship that was built on trust. We have been running their sports books for them in Reno since the business started in 2012. Gary Carano will text me about not liking the font on the odds board in the casino, or how can he deposit more money to his mobile account when he is out in the Elko area, or whatever the issue may be. So, that has been a really strong relationship that manifested itself in the partnership that we struck.

Golden

Similarly, with Golden. Golden is a very prominent operator of taverns throughout the Las Vegas valley and elsewhere in Nevada. They have what is called a distributed gaming business or a route business. We have operated sports books for them in a small town outside Las Vegas called Pahrump, going back to 2012. They recently bought four new casinos, including the Stratosphere, that iconic space needle-type property on the Las Vegas strip.

Frankly, we were not sure what they were going to do after they did that, because Stratosphere and the Arizona Charlie's properties and the Aquarius in Loughlin, they had already run their own sports books. One could have thought maybe they will just decide to take it in house, take the tavern business back. We use those taverns to fund deposits in our mobile accounts. You can go into any of these taverns – there are about 70 of them, I suppose between theirs and their partners – and you can fund your William Hill mobile account with cash in these taverns, which is something obviously a lot of customers prefer. They do not want to use credit cards.

So, we were not actually sure what they were going to do. But I actually ran into Blake Sartini at the hockey game one night and told Blake, 'Look, we really ought to get something done.' And sure enough, at the end of the process we did.

What has been important about that deal in particular, of course, is Golden has a property in Maryland. So, it gave us access into Maryland, which we think is going to be a significant market also, and into Montana as well.

IGT

The IGT deal, Crispin talked about. Again, largely a relationship-driven sort of thing. I had gotten to know Renato Ascoli through the AGA board meetings. When the Rhode Island RFP was issued by the state, we reached out to them to see if we could bid on it together. Frankly, with respect to that, I have to tell you, IGT probably could have won that RFP no matter who they partnered with. They are the incumbent lottery provider for many years in Rhode Island. They actually have a large footprint in Rhode Island going back to the GTECH days. So, they were in a pretty good spot – for sure in the pole position – and so we were really excited when they decided to partner with us.

'Switzerland' strategy

Then, of course, there is the 'Switzerland' strategy, as we call it, to fill in the gaps. Where either Eldorado or Golden or IGT cannot provide us access, we will try to fill in those gaps as we can.

Operational Excellence

Operationally, as I say, I think we have proven our excellence in the Nevada market and that is why these folks have trusted us and done these deals with us.

Digital

On the digital side, while we have operated digitally in Nevada with the mobile app since the beginning, we are putting a real focus into it as we grow the market and grow the business outside Nevada. We have a presence in New Jersey which will continue to be built out. And we will talk a little bit more about tech in a moment.

Retail

The other thing is the ability to get up and running in a number of states very quickly. We were the first up in Delaware – post-PASPA – through the lottery. We were the first to open in New Jersey at Monmouth Park. We are open in a dozen locations in Mississippi once we got licensed down there in August. We are open in West Virginia as well. And in the coming weeks, we expect to open in Pennsylvania. We just were licensed conditionally in Pennsylvania last week. And the Rhode Island lottery business should get going over the next several weeks as well. So, the team has been working incredibly hard and done a really, really great job in getting us up and running in these various states.

Brand and marketing

I will come back to brand, because I want to say a little bit more about that. And then Sharon is going to come up as well and speak to brand and marketing. But I think we have done a pretty good job in establishing the brand, and we intend to continue to do that as we move forward.

The one thing worth mentioning – it is mentioned on the slide – I do think there is room in the business for a media partnership, because obviously the media companies have content and customers. I think you will see media partnerships being struck in this business as we move forward.

Rapid Progress Since PASPA

I will not go through all of the things that we have done since the Supreme Court ruled back in May. There is a lot on this slide, and actually we had to cut out a lot to make it somewhat readable. But what I think is really interesting here are the photos on the left-side of the screen that I would call your attention to. On the top, you have Governor Carney making the first bet in Delaware on 5th June. Then, about a week and a half later, Governor Murphy comes to New Jersey to make the first bet. A little unfortunate that Governor Christie's term expired given that he was the guy who really drove this forward in the courts for years and years. But Governor Murphy got to come and make the first bet.

I think this speaks to the cultural difference, to some extent, between the US and the UK, and the growing acceptance of sports betting and gambling more generally in the US. It probably is a bit of a contrast to what you have here in the UK. You have the governors of these two states showing up to make the first bet. I cannot think when a new casino opened up in a state of the governor coming out to throw the dice at the craps tables, or to play a hand of blackjack or to pull the lever on a slot machine to open a new casino. And yet, the governors feel comfortable form a political perspective showing up and placing their bets. In the case of

Governor Carney, he bet on the Phillies to beat the Cubs, and they won that night. Governor Murphy, you will hear his bet. It is on a video that Sharon has prepared. One is live. One he lost. But that is okay. But the point is they came out to place the first bets.

I will just briefly touch on, that is a photo of, they call that the dasher board. These are signs around the hockey rink. This is at a Devil's game. But the NHL just allowed teams to do sponsorships with the sports betting companies. We were pretty excited when both the Golden Knights and the Devils decided to deal with us right off the bat, because they were looking for bluechip partners that they could trust in this space. And so we are happy with those partnerships as well.

As you can see, a fair bit has been done over the ensuing five-and-a-half months since the Supreme Court rules.

Flexible Operating Model

Now, this next slide is pretty complicated. There is more to it than this. But they told me I should break it down, because it was too complicated. The reason it is complicated, frankly, is because the landscape is complicated, and our business is pretty complicated. So, it is important to understand that. We are okay with it, because we understand it, but it is complex.

Individual casino/racetrack deals

You are familiar with William Hill as a B2C brand, like we have here in the UK with the storefront shops or online. That is the business we have in Nevada and in New Jersey. It is the William Hill brand. But in order to exploit that brand, we have to partner with others. So, in Nevada, we have 108 contracts with various casino operators, six more, as I mentioned earlier, to come over the next several months. The contracts are signed, but we have to get approved by the Gaming Control Board.

Multi-state licensed operators

With those contracts come the licences to operate mobile in the State of Nevada, because you have to go into a casino to sign up for your mobile account. We have done a pretty good job of making it convenient for customers to do so within that regulatory construct.

In New Jersey, you can register remotely for a mobile account, and for good reason, really. All of the casinos are concentrated in Atlantic City. They are not dispersed like they are in Nevada, and you have a couple of racetracks such as Monmouth Park outside. But you can sign up for mobile online, and that creates a different landscape for mobile, for sure, including a very different set of marketing costs in particular, and marketing requirements.

Lotteries

Then there is the lottery model. We have been operating for about a decade in Delaware where we are the risk manager for the state. But it is the lottery brand. We provide a service to the state, having won an RFP with SY Games back in 2009 with my old company, Brandywine.

Rhode Island is similar. IGT has the relationship with the lottery, but in those states, the state itself is the counterparty really to the transaction. So, it is a different set of requirements.

Mississippi, different still. In Mississippi, under the state law, the casino operators are the sports books operators. They use our technology and our trading at a dozen locations in Mississippi, but it is actually the casino employees whom we had to train, and who actually operate those sports books. Mobile in Mississippi is legal on premises only, not off premises. At some point, if it becomes legal to bet mobile in Mississippi off premises, you would think the license would flow from those commercial casinos.

Model Drives Requirements

So, there are various operating models, and that leads to even further requirements. Now, you can see why they told me to break up the slide a little bit, because there is a lot to it. Obviously, we have split it up here between retail and digital. But they are not such a clean separation, quite frankly. There is a lot of overlap between the two of them. And there are a lot of important things to do around the partners and marketing the partners' properties and marketing with our partners, both retail and online, and all the other things that flow from that, whether it is cash handling in a retail environment, whether it is the acquisition and digital marketing from the online platform, and then all the regulatory requirements that flow from that.

I think the point here is, yes, it is very, very complicated. Like I said, we are okay with that, because we actually understand it. And we think that it serves to help us in the marketplace, because we have the ability to operating in these circumstances.

Retail Experience

I want to talk a moment about retail. Retail is another thing that is really fundamentally different in the US than in the UK. In the US, the retail sports book experience is communal, and some of these sports books can be quite large. To be sure, there are some that are small, but others can be over 10,000 square feet. You can drink, unlike here in the UK where you cannot drink in the betting shops. In the UK, it is probably more transactional – more come in, place your bet and leave. Some people might linger, but not as much of the gathering place as you have in the US.

One of the key things I think about retail in the US is it helps gain trust with consumers for online, because they can see the brand. They can see the employees. They know where their physical location is. I think that is a helper for us in the online business.

This photo here is kind of a neat photo. This is the sports book that we have at the Ocean Resort: the William Hill sports book at the Ocean in Atlantic City. This was a few weeks ago for the Mcgregor-Khabib fight. The place was absolutely packed. Thankfully, the fire marshal does not appear to have been in the audience. But it shows you the energy that these sports books create in the US and why they are so important to our partners, because they drive attention to the property. This is not a betting shop located down the stairs. This is in the heart of the casino floor. You see the bar at the far end of the picture. Upstairs there are some VIP rooms, and there is also a broadcast studio where there is a popular radio sports betting talk show that is broadcast from the property.

So, these locations are profitable off the bat. Retail will continue to be a profitable business in the US, and it really helps drive the mobile business as well.

Mobile Business

The next thing I wanted to talk about, of course, was that mobile business. On the left, you see our Nevada app. On the right is the one we have launched in New Jersey. A little bit different, both proprietary.

In Nevada, one of the things I think we have done really well is focusing on ease of execution, just transactional execution. A few clicks and you can get your bet down. That has been a key differentiator for us in the market, and that is why we have far and away the largest mobile share in Nevada.

On the right is the New Jersey app. What we decided to do was to marry the European front end, or a modified version of it, called Trafalgar, many of you would have heard of. We did some work to American-ise it, I guess, for the US market is the way I would put it, then married it to the CBS backend. That is what we went live with.

A little bit of a hang-up in the Apple store, which led to us not getting through the Apple store until the very end of September. We and a number of others were held up. Apple decided to do a policy review of gambling apps, which was unfortunately timed from our perspective. But we made it through it and were live at the end of September.

In both places, the customer feedback has been pretty good. But we know that CBS is just not scalable enough and not robust enough to take us to where we need to go as the market expands and evolves in the US. So, that is why we have decided to put a lot of focus, attention, effort and money into a new tech platform.

New Technology Platform

The new tech platform is really being built with components that we already have. It is our existing front end. It is a betting engine that we already own. And the PAM from NeoGames that Crispin was so instrumental in getting that deal done for us: those are the key core component parts.

We feel good about the timeline on this, because we already actually have them talking to each other and making simulation wagers. So, subject to regulatory approval, we feel pretty good about the timeline. What this is going to give us is enhanced analytic capability that we just do not have with CBS, enhanced marketing capabilities, as well. And it is going to be modular, so we have the ability to utilise different aspects of it and integrate to different tech stacks as required. In particular, I am thinking about our partners might use different casino systems that they want us to integrate with – both Golden and Eldorado, of course, and other partners in our other jurisdictions.

We think that this new tech platform is going to greatly facilitate our ability to do it. Of course, the big advantage to this is, from a fundamental perspective, we believe in owning and controlling our own technology. I think that has been a big reason for the growth that we have had in Nevada, and going forward having the ability to own the technology, control the product roadmap, do what we think needs to be done on the timescale that we want to do it and set the priorities, whether they be one state over another state or what have you; that is obviously much more easily done when you control the technology.

Brand

The last thing I want to talk about is brand, and then I am going to hand it over to Sharon to tell you a little bit more about it. I thought I would start with a little bit of a refresher on how we got to this point.

Some of you might have been at Christopher's restaurant back in 2012 before we actually closed. I actually came over to do a presentation to a group of folks, and frankly, Ralph did not really know me enough to trust me to do it, but he did. It seemed to have turned out okay. But one of the questions I was asked at that time was, 'Well, what is the brand going to be in the US? You have these three brands that have been in the market for some time'. I said, 'That is a great question', because the Leroy's brand has been active in Nevada for a couple of decades now – pretty well known. The Lucky's brand, which was my company – or Lucky was my dog. She was a puppy when I started the company. She is an old lady today, but she is still in pretty good shape. That was a brand near and dear to my heart. And the Cal Neva brand is pretty widely known in northern Nevada. It is not particularly original. Cal meaning California, Neva being Nevada, but it was a pretty well-known brand in northern Nevada.

So, we have these three brands that among each one has a lot of merit to it. What we are going to do is spend a lot of time studying the issue, and we will do some focus groups. At the end of that process, it will be William Hill, right? And so, it was, and we decided to use the William Hill brand.

At the time, William Hill had a brand recognition in the State of Nevada of 1%. Seriously, 1% of the people in the State of Nevada knew the William Hill brand. They were familiar with the winery in northern California called William Hill that made a cabernet and a merlot and a few other things. Nobody had heard of the gambling company, William Hill. It was just not known to folks in Nevada. So, we literally were starting from zero. If you would go to a cocktail party and told somebody you worked at William Hill, you would just get this blank stare.

Now, fast forward to today, and without really spending a whole lot of money, I have to tell you, around the marketing, but just being smart about it, tactical about it and working hard, we have grown that market share to now, where it is very widely known throughout the state. You tell somebody you work for William Hill, they are just as likely to pull out their phone and show you the app on their phone, or to tell you where their favourite retail location is. It is a very widely-known brand, which is why the Golden Knights came to us as soon as they were able to do deals with sports betting companies.

We have already built a brand. So, yes, we need to build a brand in these other states, and we are doing so, as Sharon is going to tell you. But we have already done it starting from scratch, so we feel really good about our ability to do that going forward.

Sharon is going to come up and speak. Sharon has a great background. She would be too humble to tell you about, so I will brag a little bit about her. She worked at ESPN and NBC and some of these iconic companies in the media landscape in New York, and then was working at Madison Square Garden, which is one of the iconic sports brands in America. They own the New York Rangers, the New York Yankees, and what they call anyway, the world's most famous arena. Sometimes people debate that with me and say it is really Wembley.

But Madison Square Garden is a pretty incredibly well-known brand in the US. So, we were really excited when we were able to pry Sharon away from them to come and lead our marketing efforts here.

Without further ado, Sharon.

William Hill US Brand

Sharon Otterman

Chief Marketing Officer, William Hill US

Opening Remarks

Thank you. After years of being in the sports content business and being on the sports team side of sports betting, the sports content side of sports betting, I was so excited to get to William Hill over the last couple of months. But as a marketer, I actually had to do my own research to understand the customer journey.

I live in New York City. I go online. I decide I am going to get a bookie, because that is how people were betting in the US before PASPA was repealed. So, I go through a process in New York City to go get a bookie. I look online. I go on Craigslist. I go to these blogs and everyone tells me, you go to this bar in midtown Manhattan. I look up: what do I do when I get to this bar? They said, 'When you walk into the bar, there is going to be a really young guy. He is going to be a college kid. He is going to be all excited. He is going to be in the front of the bar. He cannot wait to take your money. Really, really excited.' Do not trust him.

If you go around to the back of the bar on the right, there is a European, older guy sitting there. He will teach you how to bet, a line of credit. It will all be okay. I would trust him with your money. I was like, 'Oh, that is the decision I made. I am so excited.'

The Consumer

If you look at that analogy, very similar to what is happening in the US market, where consumers are deciding where to bet; where they are going to trust their money to. They clearly have a desire to bet. I will show you in a couple of minutes a video showing what it does look like in these crowded sports books where the market is really, really excited. They are learning where to bet and who to trust with.

But one of the best things and the funniest things about the market as we learn about this guy is understanding that he actually does not know how to bet yet. So, I am going to show you a little video to see how knowledgeable he is in sports betting.

[VIDEO]

We love these guys. So, now they are deciding where they should actually go bet.

Differentiating Ourselves

How do we differentiate ourselves? We have been around a long time, and consumers like that. When you ask a consumer what their needs are around sports betting, they want to put their money, and they want to get their money out. Remember, this was an illegal market for a long time. So, trust and where they put their money is really, really important to them.

They have this fear about the algorithm. That an algorithm will actually be deciding their bets versus people. So, it is really important for people to be part of the business. Joe mentioned the importance of retail, which is really, really important. What we are doing with our New Jersey Devil's hockey sponsorship is we have a William Hill sports lounge. We demo the product for folks. We are going to be in shopping malls during Thanksgiving to show people the product.

Huge Asset in William Hill Brand

So, it is really, really important, the demonstration of it and the people that are behind the business. They are scared that the house could win. They want to make sure, again, that people are setting the odds and they understand that they can win. So, when we talk to consumers about our heritage and our scale and we tell them that there is a European coming to this state that is 84 years old and takes a million bets a day, that resonates with them and that sense of trust is really, really important.

In states where we cannot use our name as the main brand, being an ingredient brand is going to be really important. Intel did this very well with their well-known Intel Inside campaign. Just the way that they were speed inside of a computer, we are going to be that trust inside the casino or the racetrack. So, really, really important.

As Joe mentioned about increasing awareness, we have increased awareness already in New Jersey by tripling the awareness by just going out and talking about our trust and our differentiation and our heritage and scale.

US Sports Television Landscape

One other thing about the US marketplace is that the media marketplace is really, really big. Americans consume a ton of sports. They watch a lot of sports on TV, but also, every platform. So, as a media buyer in that market, really easy to reach the consumer, and really easy to reach them in lots of different ways. We are not going to get locked out of certain properties. We can definitely outsmart versus outspend, which is really important.

New Jersey Betting

So, over these last six months, it has been fun to see sports betting catch on in New Jersey. I thought what better way is that you get to see it yourself from a video. So, here is opening day at Monmouth Park and Oceans in Atlantic City.

[VIDEO]

I am going to throw it over to Philip now.

US Review Wrap-up & Digital Introduction

Philip Bowcock

CEO, William Hill

US Review Wrap-up

Thank you very much indeed, Sharon. Now, you understand far more about the American landscape: the size of the prize, the complexity of the operating models that are out there and how understanding the consumer is essential. We spoke, and we saw the New Jersey consumer. The Mississippi consumer is going to be very, very different from the New Jersey, that I can assure you. I think also what you should have gained from the last few minutes is actually, fundamentally, the team understands the US market, and it has the experience which is second to none. That, for me, is a key, key ingredient in how successful we are going to be in the US and why we have the belief that we will be and continue to be and will continue to be the market leader.

Digital Introduction

We are now going to move on to digital and Ulrik. Ulrik is going to talk to us about our goals in the UK about growing ahead of the market, about diversification into international markets, and about that doubling of profitability. Before Ulrik comes up, I just want to tell you a couple of words about Ulrik, for those of you who do not know him.

Ulrik has picked up the baton from Crispin in the eight months since he has been here and is really driving through the continuous improvement culture that was established, as I said, under Crispin. He brings with him some real international experience. He spent six years at Betsson, so he not only really understands our industry, but he also understands our industry internationally outside of the UK. In his time at Betsson, he grew top-line and bottom-line double digits every year in every one of those six years.

As a result, on the back of the announcement last week of Mr Green, he is ideally suited and positioned to not only drive growth through that business, but also to lead the integration. He knows the business. He knows the people; a lot of them used to work for him. He knows the culture. Last, but by no means least, he speaks the language. So, in English, Ulrik.

Digital

Ulrik Bengtsson

Chief Digital Officer, William Hill

Opening Remarks

Thank you, Philip. When I was the CEO of Betsson, I always looked at William Hill with some envy. I was really jealous of this great brand: the trust, the heritage, the authority in sports betting. But equally, I could not help also thinking that there was this unlocked potential in the digital experience and in the online product. So, now when I am here a few years later, I guess from now on, I have no one else to blame than myself if we cannot unlock some of that potential.

Opportunity

Only 12% of total gambling today happens online. That means the opportunity is endless. Even looking down a few years from now, we are not going to be above 25% totally. So, we have a huge opportunity in front of us. Almost perpetual growth in our industry. What we need to do is to make sure that we are positioned for that and that we play in the right markets.

William Hill has been through a lot. We have been through the transformation as Philip had talked about. We really transformed our company to be truly competitive in an online space. Through that transformation, we have done a lot of great things. We managed to stop the fall in market share. We have grown underlying activity. Some of the top-line growth we are seeing is actually driven by underlying activity now. We brought in a lot of good people and capabilities to the company. I think we have raised the digital IQ across the group significantly.

Now, we are in a rapidly changing environment that requires a lot from us. So, before we go to strategy and internationally what we are going to do, I wanted to sort of give you a little bit of a flavour of the backdrop that we are facing.

Product Remains Key

As I said, product. It is all about product, product and product. If you look at what happened here in the end of 2016 and beginning of 2017 when we started to sort of break the fall in market share and managed to grow market share and claw some of this back again, that has been very much driven by improvements in our product.

What is product?

What is product? What are we talking about? When we talk about product, what is that? Well, to us, what is really important around the product is the things that matter to the customer. So, what is really important to the customer when we talk about product?

You can see here, speed of placing a bet, simple navigation, good offers, winnings paid quickly, reliability, etc. These are the things that our customers are telling us are really important. There are other things, as well. In all of those areas, almost, we have made improvements. Not always big improvements, but we have made improvements. And that is clearly showing in the numbers as we are here today.

Now, as a conclusion here, what this leads us to understand and really needs that we are acting on is that if we are going to continue to get market share and continue to grow our top-line, we need to continue to invest in product.

When we do that, one thing we need to bear in mind is that the expectations around the product experience today is not really set by us. It is set by all the other touch points that our customers are having online today. So, whether it is Amazon, Google, YouTube or what have you. When they then come back to us as William Hill, they will expect the same slickness, same experience, same smooth registration process, as easy to navigate to a product, as easy to complete your purchase in our case, placing your bet. Money in, money out should be super easy. All these things.

I think as an industry, we are increasingly waking up to the fact that this is our reality. On William Hill in the last months, we have done a lot of work, and on the back of this reorganised how we work with products. How we work with product management, how we work with product development and how we really put those customer insights in the front seat when we make decisions and prioritise what to do. This is easy to say, but it is actually quite complicated. There are a lot of moving parts to this but keeping it really, really laser-focused on the customer is super important.

UK Landscape is Changing

The big thing, as you all know, in the UK is the regulatory landscape that we are facing. No news here. We are facing increased taxes and we are facing a more and more complicated regulatory situation. The taxes lead us to the conclusion that we need to rebase our cost structure. Ruth will come back to that a little bit, but in our Online business, to be lean enough and fit for purpose going forward we need to have a different cost structure to be able to absorb these things.

On the compliance bit, it is really the changing requirements on us when it comes to things like source of funds. We are moving rapidly into affordability conversations, responsible gambling, etc. etc. The processes and routines we have around that we have had to significantly change on the back of the fine and also in the last few months to be fit for purpose. That leads to having to close down some of our traditionally very valuable players. That as a consequence is changing the makeup of our customer base. This is important. William Hill historically has been really good at the VIP high-end segment and as we now grow our volume, our mass market and close down some of those traditional high-value players, the whole mix of our database is changing. It is changing quite rapidly.

You see the lines here. Our total non-VIP growth is really healthy. It looks good, but we have the top line on the right here which is the VIP spend per head which is really going down because we are taking the highest-value players out. This is a dynamic that we are well into now. All the way through 2018 we have seen this. We are going to see it continue into 2019 before it tapers off and we have rebased everything in 2020.

International Markets Present an Opportunity

Operationally, we have done a lot of good things. One thing that we have not really managed in the last 12-18 months is diversifying our revenue streams and moving internationally, growing internationally and expanding internationally. If you remember my 12% and you look at, these are the ten biggest gambling markets in Europe, only one of those has more than 50% online penetration of total gambling. Only one. I would be very surprised if that is the case in five years from now, very surprised. For us, coming back to my first point, we need to be in the right place, play in the right markets and have the right products to be able to capture that. That is what we are working on now. We are going to talk to you about international a little bit later, but just to capture the setting on that.

Vision and Strategic Goals

Before I get into a lot of the details I wanted to talk to you about goals, ambition and strategy. As I said, if you scale and peel everything away around William Hill, there is one thing left, and that thing is really the brand. It is great to hear Sharon here talk about the trust behind William Hill and how the trust behind the William Hill brand is travelling across geographies in markets where we have barely been present. How well it resonates with customers all over the world. For us it is a unique thing. The trust, the heritage, is something very few others can match. William Hill was a real person. You bet with William Hill not at William Hill. The credibility around all of this is something almost no one else can match. It is at the core and a core asset for us.

What we want to do is keep building this, and I think we can do much better in amplifying that asset. We want to build the world's most trusted digital gambling brand in the US, rest of Europe and in the UK. We think in the environment we are in, trust is becoming increasingly important among our consumers. It is a core asset for William Hill and very hard to replicate.

We need to grow. We are nothing without growth, and the ambition we have set is to reach £1 billion in revenue for our Online business by 2023. That implies roughly 10% annual growth over time. It is not a forecast for next year, but stretched out over the five-year period: that is the ambition level we are having. The way to do that is coming back to product, product, product and the experience, and not forgetting in all the things we do that it is supposed to be fun to gamble. We want to make sure our products excite and engage our customers in a safe and easy-to-use way. We are going to measure this through a whole range of net promoter measurements and various touchpoints in our product to make sure that we are always on track to deliver this.

The final pillar, given some of the backdrop I have given you, is that we need to increase our operational efficiency. We are already embarking on cost restructuring projects in the Online business. They are going to take out significant cost next year, and also 2020. This is needed because what we wanted to do is to double the profits also in our Online business by 2023. If you calculate that with Mr Green included, on top of Mr Green it is about 13% CAGR additionally to the money we are getting in the Mr Green acquisition.

How We Will Do It – The Opportunities

Exactly how is this going to be done? I know you want the really easy answer on that question. The problem is, there is no silver bullet. It is a complicated business we are in. There are a lot of buttons to press, a lot of levers to pull, and I will give you some of the main themes here that I think are important for us to be able to reach that growth and that profitability.

Before I start doing that, I am going to digress a little bit. Last year in November, about this time, I received an email from SAS, the Scandinavian Airline Systems. The headline was, 'Do you want to go home for Christmas?' I thought it was pretty good. Someone in the marketing department did a good job, good copy, we are all happy so far. I looked at that and I opened the mail. Then I go, 'This is odd', because I booked my flight home for Christmas, home being Sweden, already in September. How can they not know that? How is it possible that in 2017, they do not know that I have already booked that with them?

Laying over that I have been a Loyalty member with SAS since 1997, they should have a pretty good view of my flying patterns by now, you would think. The opportunity for them to be very targeted and direct with this is enormous. They completely failed on that. Obviously, when it comes to airlines, I do not have a lot of choice. There are a couple of other ones but at the end of the day, it is what it is.

Online, when the power completely shifts to the consumer, they have zero tolerance for this. They know that we know. At the click of a button they would be somewhere else: Bet365, Sky Bet, Betsson, whatever. There is no room for that sort of sloppiness. When we talk about the growing mass market base that we are now having and it is really exciting for us that we grow our total volume in the way that we are doing, the opportunity to be more precise in what we say, to whom and at what time, and to increase the lifetime value of every single one of those customers, is massive. When we talk about growing going forward, we have done a lot of growth on the back of activity, but there is a huge opportunity to grow on lifetime management here.

For us to capture all of that we are re-architecting our data capability, because this is a lot about data. We are building in advance our decision engine that can allow us to talk to the right customers at the right point in time and optimises value and communication. That is one of the key drivers in terms of the growth.

The other key driver is international. We talked about that. Obviously Mr Green as an acquisition gives us a head-start on this and a really good position to grow from. I will come back to Mr Green a little bit later. There are also organic things we are doing in our international space. Big markets for us, as you know, are Spain and Italy. We are spending a lot of time and a lot of our product development resources at the moment to do two key things.

One thing is to launch a single wallet in Italy and Spain, a single wallet being the key driver for growth in European gambling for a long time and also William Hill UK during last year it fuelled a lot of our growth. A seamless experience for the customer, a seamless wallet between gaming and betting, is very important. You could argue that we should have had that a while ago. We did not but we are getting it next year. The second piece is rolling off the legacy Mobenga front-end which has been putting some barriers in the way for us when it comes to rapidly rolling out improved experiences. That is also one of the key projects coming into next year for our international, Spanish and Italian product. On the back of that we also will launch a whole range of new content on our Spanish site. I am pretty bullish about the opportunity we have to grow organically in Spain next year and coming into 2020.

The customer experience generally around our products, we are back to product, product, product. We have done a lot. There is more to do when it comes to navigation, settlement, registration, all the bits and bobs of our Sportsbook and our current product. We have the teams really, really laser-focused on these key customer journeys now to make sure they are not only fit for purpose but they are actually world-class to the extent we can get there.

Marketing efficiency, on the operational efficiency and operational leverage piece we do realise it is our biggest cost, biggest line item. We need to be more efficient and we have done a lot of stuff around marketing efficiency. We have brought in a lot of new tools but there is still a lot for us to do. Just a couple of weeks ago we launched the first real programmatic user case using programmatic capabilities. A whole range of those cases showed uplifts of 20-40% in deposits on these audiences compared to a reference group. There is again a huge opportunity for us to be more efficient with our spending and get more out of every single pound that we spend.

Finally, all of this is about talent. We need to have the capabilities in the company. We need to have the talent pool, people who are excited, people who know and have done this before. We have come a long way in the capability building in William Hill Online and it is looking really, really solid at the moment. It is a key thing for us to continue to be able to attract key talent.

The Proposed Acquisition of MRG Accelerates our International Expansion

Now, Mr Green, what it does fundamentally is it accelerates our growth plans internationally. It plays down a marker for everyone to see that we are serious about our strategy, we are serious about international and we are serious about diversifying revenue. We are really about executing this now. It is the first step of executing on our strategy.

It gives us an increase in our international share. It gives us a number of new markets, a number of new licences, and it also gives us a ready-to-go international hub to run our international business from. You might not think that is such a big thing. Why do you not just start an office in Malta and off you go? However, historically the way we have done this at William Hill is that we have had our international people in the same place and being the same people as our UK guys. When the guys running that massive UK business are also asked to focus on driving a Spanish or Swedish or Danish business, it is really hard to get the focus right. By splitting up international and our UK business into two parts and having the UK business being run out of Gibraltar and our international business now being run from Malta in the former Mr Green offices, it really gives us a different level of focus.

At the stroke of a pen we also get people who have done this before. They have grown internationally. They know how to launch in new markets. They had a platform that is rigged to take on new licences. We are really excited about the opportunity that this brings, not only for the Mr Green brand going forward but also the spill over on the William Hill international piece going forward. It is a huge opportunity here.

The brand is really strong. It is the number one casino brand in Germany, number three casino brand in Austria, number four or five in Sweden. It is actually the number ten casino brand in the UK. It is a really well-positioned, well-managed brand that we can do a lot with. Not only again Mr Green standalone, but also from a cross-sell perspective from William Hill. I think the opportunity for us to reach new target audiences further out in segments, younger audiences with Mr Green, to people who normally would not have listened to William Hill messages, is huge. It is a great acquisition and it fits like a glove to us, perfect strategic fit for where we are at this point in time and about the right size we believe, as well.

Having said all of that, I think we are really well positioned. We have a lot of the capabilities that we need. We have many more tools in our toolbox and we have a really robust plan on how we are going to do this going forward. The next few years are going to be super-exciting at William Hill, so watch this space.

Summary

Philip Bowcock: I would summarise what Ulrik has just been talking about in two ways. One is building upon the work that we have already done in the UK, that continuous improvement culture. However, also seeing a step-change in the international arena and really utilising Mr Green as the catalyst in order to drive that step-change.

Next we move on to Retail, and we clearly have considerable change coming our way in the Retail environment with the FOBT decision in October 2019. However, I think it is very important to realise that Nicola and the team in Retail have lived with uncertainty throughout the three years of the triennial process taking place. What Nicola and the team have done, and we ought to recognise it, is she has driven what I believe to be an extremely professional and I think the best run betting retail organisation in the country.

We have three clear goals: increasing market share, Nicola will talk about there is still a prize to be won there; diversifying our revenues away from roulette and managing our cost base. Effectively what we want to do and will do is run this business for cash going forward. As I said, given the work that has taken place over the last three years I do think we are best-placed to take those three goals and run with them.

Remodelling Retail

Nicola Frampton

Managing Director, UK Retail, William Hill

The Triennial Review Outcome Will See Stakes on B2 Games Cut to £2 From October 2019

It does not seem like a year since I saw some of you in Leeds. Probably quite a lot has happened and changed in that period. Retail is definitely quite a tough place to be right now and although we now have certainty over the date it has been a very uncertain period for the business. As they say, when the going gets tough, the tough get going. My team are super-tough. We have been through an awful lot in the last few years and we are ready to face into this. We will definitely come out of it smaller, but I think we will also come out of this substantially stronger.

As I said, the good news is that we have an implementation date to work to. The important thing to understand here actually is that roulette is the most popular game in Retail by far. The £2 stake restriction will effectively spoil the enjoyment of playing roulette in Retail for the vast majority of customers. The important thing here is, nobody can tell you exactly what is going to happen and how customers in shop are going to respond to this. I cannot tell you. My competitors cannot tell you. Importantly, our customers cannot tell you or me, because actually I have been out there and spoken to them. I have asked them and we said, 'What would you do?' They do not really know because it is a completely unprecedented change in restriction. It is unlike anything we have ever seen before, and I cannot create an environment where I can test it out to see what would happen, which is what you would normally do in a trial and control situation.

What I can tell you is some will go online. What I can tell you is some will go to casinos. Some will quite happily find substitute products and other things that they are happy playing with. Some will probably adapt eventually. Ultimately though, as I said, it is pretty unprecedented and it is really hard for me to predict with any degree of precision exactly what is going to happen in Retail over the next few years.

With that in mind, all of the numbers I am going to give you today are within a range. It will give you a sense of what we think the impact will be. The impact assessment has been developed in consideration of everything that was pulled together during the triennial analysis and also informed to a lesser extent by the things that we saw happen and what we saw customers do with the £50 journey that was implemented in April 2015. Based on this we have estimated that roughly half of the current gaming gross win will be lost to the business. That is on an unmitigated basis, just to be super-clear. That is the baseline assumption.

There will be obviously quite a few opportunities for us to mitigate and improve that situation. We have made assumptions about how much of this we think will be offset by customer adaptations to new products and substitutions, etc. However, also, we have made quite a lot of assumptions around how we will capture the volume that is released back into the market as a result of industry-wide shop closures. The net of all that, our approximation that Retail profit will probably reduce by around £70-100m on a full-year basis. Now, Ruth will give a lot more information around that. That is all I am really going to say on the numbers for now.

It does mean however that up to 900 of our shops will become unprofitable and therefore at risk of closure. We have already guided on that. There will be exceptional costs associated with closures as we bring them in, in the region of £40-60m, and that again is dependent on exactly how many shops we actually end up closing. I have got to be honest. I am feeling a bit Mr Green or Mrs Green myself with envy at the opportunity that my colleagues here and here have with their growth engines. I am thinking, 'Why am I facing into this?' It is a challenge and it all sounds a bit grim. It all sounds a bit grim, but I am an optimist.

We Are Well Placed to Deal With It

Do not forget that today the Retail market, not the whole market but the Retail market, is worth about £3bn per annum. After the £2 stake restriction it will still be a sizeable market. We have estimated about £1-1.5bn a year. That is because retail is still, and I will always say this, an important channel for customers. The holy trinity in the betting shop is around cash, it is around people feeling in control, and it is around community. I do take on board the point Joe made earlier. I would love to have a betting shop as full as those photos, I really would. There is a lot of coming and going in a betting shop but actually, I do not think we should underestimate the times people spend in there just chatting and having a bit of banter. That is why 38% of all the regular betters today use retail at some point. Three quarters of those actually use retail solely. That is one million people this week will be using a betting shop, and we welcome over 300,000 of those each week into William Hill betting shops. We are punching above our weight. That is the most of any high-street bookmaker and that is the reason we are confident that we can really capitalise on that market share opportunity as the market adjusts.

Our profit per shop figures are about 5% higher than our biggest competitor. We also have a comparatively low proportion of gaming revenue in the mix by about 2% or 3%. These are all going to be incremental gains. There is no silver bullet to this but each of these things adds up to put us in a real position of strength. You have heard from the two growth engines. I am still the cash machine. You know this, I know this. Retail generates a lot of cash and even post-£2, you should expect us to be delivering between £65m and £85m to the Group on a consistent basis. That is a lot of money in anybody's eyes. That is why I am feeling pretty optimistic. I think we are really well placed to respond to this.

Foundations for a Sustainable Future

Now, the reason we are in that great position, everyone talks about retail is detail, the detail has got us to that place. However, actually for me, Retail is just as much if not more about the people. I got all my people together in Bolton about two or three days after the £2 triennial result was announced and they were really, really positive about this. Back in the day when the National Lottery was introduced in the 1990s, that had a pretty catastrophic effect on the betting shop environment at the time. We responded to that positively and we responded to that well. A lot of the people in that picture there were around about then, because we have a fantastically diverse team. We have people that have been around for 30 years, 20 years, and ten years. I am nearly at ten years, and I intend to hit my ten-year anniversary. I am just saying, I am going to be here on my ten-year anniversary. We also have some new people and some new blood. People are still interested and attracted to come to work in William Hill Retail.

I saw something on Facebook, Generation X, I use Facebook, not Instagram or Snapchat or all those lovely things that make you look pretty. It was a little picture and I saved it to my iPhone. It said that being positive in a negative situation is not naïve, it is leadership. Those people in that picture there are the people who have got the self-confidence, the self-belief, the right attitude to lead our business positively through the opportunity that the triennial will produce for us over the next couple of years. I do think it is an opportunity. It is not going to go away. We need to face into it, but there are definitely opportunities for us as a result of this substantial change.

People are obviously important, but so will be having a really attractive retail experience offering a wide range of engaging betting opportunities and products through a really well-optimised shop portfolio. This is our strategy, and you might go, 'Really? It does not look that amazing to me.' However, it is really simple. Meghan Trainor put it really well. We need all the right shops in all the right places. I would sing it but I am tone deaf.

We will retain our existing customers with lots of innovation and new products. I am not going to give loads and loads of detail on that today because actually some of it is pretty commercially sensitive and if I was listening in to this today I would be desperate to hear what I have got to say. I am not going to say some of it. Privately I will have a chat with you all by all means. There are two key aspects to this. Firstly, getting that new product and those diversified revenues out there into the market, but also achieving the maximum market share grab by having all the right shops in all the right places.

With an Extensive and Flexible Estate We Have Scope to Manage Change While Gaining Market Share

I am going to cover a little bit about that because I imagine that the current retail estate is probably something that is concerning. I think it is fair to say, it is a bit like any 50-year-old, and I count myself in that, that after a while you get a bit flabby and a bit big and there are a few things that you wish you had taken care of many years ago. I think our Retail estate is a bit like that. It absolutely needs to evolve. It needs to sort out its shape and it needs to sort out its size. That is something that we are ready to do.

We have an awful lot of insight into our Retail estate, an incredible amount. You would be amazed at the amount of depth and breadth of information about that estate that we have put together over the last 12 months. We know where they are, what condition they are in, who they compete with, what condition they are in, everybody's staffing models and who has what. We have stacks of information about our leases, etc. And that is going to really help us with our decision on where to trade and where to close.

And as a result of all of that, we basically have three buckets at the minute. Now I am not saying those buckets are fixed and I am not saying we are closing 900 shops. Just to be clear, I am saying 900 shops have become unprofitable. There are shops that will be monopoly shops that are already borderline loss making, that they have no chance, and they are in the 'we will close these' bucket. There are shops however, that will continue to make a substantial profit regardless of this change, and they are in the bolt. And then there is the bucket in the middle where we need to fight for them, we need to make sure that they are well placed, they are well positioned, and make a judgement about how we can respond and deal with what response our customers give and what reaction our competitors give.

And we have the flexibility to do that, because 60% of that estate, that large estate, is either freehold, is holding over, or has a lease break within three years by the end of 2021. So that is an awful lot of flexibility for us to have to be able to basically decide how fast or slow or when we do and we do not want to close, and wrapped around all that is a lot of work going on at the moment with our landlords. So we are in really good shape in terms of what we do with the footprint.

Sports Betting

Now obviously, sports betting is going to become a dominant revenue generator again and I am really pleased about that, actually. We need a strong sportsbook offering, we need an omnichannel offering, because that is still going to be a key part of our offer. So we have invested in a second channel and we are investing in a new-look, lower-cost gantry to help bring all that sports content to life in the shops.

But guess what? And most of you know this already because I have told you so many times, we have the best SSBTs in the industry, and nobody has an SSBT like ours. Everyone else has got one version and we have ours. And I know that my competitors are drooling over it and I have talked to some of my ex competitors' employees who have said that is the bit that everybody is afraid of, and I would be afraid if I did not have them.

They are amazing. They underpin everything that we can do in terms of breadth and depth of content, in terms of sports betting product innovation, in terms of omnichannel. They are brilliant. And we put 100 out before World Cup; we put 400 out, we just completed the roll-out of a further 500 this month and there will be another 100 out there by the end of the year.

Now, that might strike fear into the hearts of the capital-concerned amongst you, because it is a lot of money and one of the things that we look at very, very closely is our machine weekly average in terms of their turnover. Because it is irrelevant the number of machines we have; I am not growing just because I am putting more machines out there. It gives you a sense of customer adoption. And they are 60% higher year on year in terms of turnover through them than they were last year, every single machine.

That says customers love them, to me. Do not know what it says to you guys, but that is what it says to me. Customer adoption is really strong. It gives us lots of insight into what they like to play, how they like to play, and allows us to really utilise the Plus programme. They account for 15% now of all of my sports betting and over 50% of my football betting.

Now, clearly the capital investment has been I suppose a risk arguably, but we have kept a really close eye on what the tipping point was between the cost of the capital, the depreciation, versus what we would have paid in rev share. And I am really happy to be able to say that I have saved about £5 million a year. That is the delta between the rev share model that we had and the depreciation cost. I think that is pretty decent in its own right, frankly. Plus I am keeping all that money in William Hill one way or another.

So they will be a key part of where we will go to help with our mitigation strategy from a substitution point of view.

Gaming

And last but by no means least, let us look at gaming. We finally have a date, which I am really pleased about. We have had a strategy now for probably three, four years about shifting the mix more towards slots and B3, and that has been really successful. Over the period we have gone from 29% B3 to 38%. That is changing customer behaviour. It is been difficult but we have achieved it, and that is a really good place for us to be in at this point in time.

We are well progressed with trialling the new cabinet, which you can see the image of there. It is the Flex 4 Curve, and it really lends itself to B3. And that is what the trials are telling us, that slots players really engage with it, it brings the games to life and so we are really confident that that is going to do something good for us as well.

We are doing a lot of work around new content, new titles. A lot of it will be exclusive to William Hill, and a lot of it is built by some very clever people who work in my team that can actually work out what features of the game are really attractive to customers and then we build those into the next game and the next game. And our new content has been exceeding our expectations in terms of how quickly the hockey stick to the maturity of that game actually occurs. So, really happy with that.

Conclusion

So ultimately in conclusion, I am standing here saying I am really confident about the future. I think our ambition is bold in terms of market share, but we can double down on the strong foundations and the really good place that we are in. We have a leading position on market share; we have a leading position on profitability and I will remind you again, we generate a lot of cash.

So there is quite a lot of money, Joe, Ulrik, spend it well. Crispin, you are always out there with your blooming wallet. I mean, look, it is great, but I still feel like I have a really important role to play here, helping with all this, and that is one of the things that really excites me.

Retail reinforces the brand strength, it gives us the high street presence. Never know what might happen with advertising, and we might really welcome having those windows in those shop fronts there to utilise in the future.

We are number one, the number one customer choice in the high street now, and we intend to stay that way. And we will do that by giving our customers, our competitors' customers, a really fun, a really engaging and a really safe betting experience.

So on that note, I think that is a great segue into handing over to Lyndsay who is going to talk to you now about sustainability and our 'Nobody Harmed' agenda.

Sustainability

Lyndsay Wright

Director of Strategy and Sustainability, William Hill

Preamble

Thank you, Nicola. I am sure you would agree, Nicola has done an amazing job of talking to you about how we are facing into one of the toughest challenges and really making it an opportunity. And actually, I want to do the same.

Most of you will have seen our 'Nobody Harmed' ambition, and when we went live in July, one of the questions I got asked a lot was, is this not just going to cost the business? Let us be clear, this is already costing us, and Ruth will show you that very clearly in a moment.

The Challenges of Public Mistrust

What is important to us is to have a healthy, long-term relationship with our customers and knowing that if we do not make these changes, it will be done to us. People have always gambled. They always will, because they love it; betting on two flies on a wall, if not on the 14.30 at Uttoxeter. And most of us in the room are not old enough to remember, but before betting shops were legalised, illegal gambling was widespread and pervasive.

This has to be a regulated industry, and we embrace that. But we just had the £2 answer to the Triennial question, and that was done to us, so we are making sure it does not happen to us again. Because on the one hand, people love gambling, but on the other, the gambling industry is so mistrusted. 63% of people think we are irresponsible, and trust in gambling has been meaningfully declining for more than five years. What is worse, the biggest decline has been amongst gamblers, our customers. So we have to listen to that.

So we did the research. We have been out, we have talked to 3,000 people and we have looked at the media coverage. Both pieces of analysis tell us the same thing, there are a lot of things people are concerned about, a lot of issues they associate with gambling. Think of this as Whac-A-Mole. A challenge pops up over here, we deal with it; another one pops up over here.

You will have heard this phrase twice already today: there is no silver bullet to changing people's perception. And because of that, our response has to be big, it has to be bold and it has to be overarching.

So for us at William Hill, this was a moment of truth. We are one of the oldest bookmakers, and actually we are the most trusted betting brand. So we have listened, we have heard and this is what we are doing.

Nobody Harmed by Gambling

It is time for leadership and action and ambition, an ambition that nobody is harmed by gambling. The harm gambling can cause matters to us. It is important to us that everyone enjoys their gambling. And what we have is four focus areas and nine initial commitments.

This is about looking after our customers and helping our customers know how to look after themselves. Giving them the tools and the data to be well informed; raising awareness; helping them know what good gambling looks like for them, because the right answer to the question, can I afford this, is in their hands.

We want to spot risks really quickly. Problem gambling is a spectrum of behaviour and the earlier we spot a problem, the greater the chance of getting back in control. And when they are experiencing harm, the right support needs to be there.

And this is also about our colleagues, 16,000 William Hill people, up and down the country, many of them face to face with our customers every day, and we want to support them to do this really well.

What you can see here is that we do a lot. We are already doing a lot. We are a big business, so while we are offering customers a great experience, we can also have an impact at scale. And what we are doing at the moment is learning. Tomorrow, we are holding a crowdsourcing event. We have about 100 people from organisations as diverse as financial services, technology, local communities, with people who have suffered from gambling-related harm and those who treat them, and we are looking for solutions together.

And there is one big issue to address. Advertising has gone too far. We know that. Industry spend on TV has increased from £50 million to £200 million in the last five years, and when I sit in a meeting with an investor and he tells me his nine-year-old son is talking to his friends about 3/1 for Salah to score the next goal, it has gone too far. So we are coming together as an industry to change this.

There is a lot more I could tell you if we had a bit more time, but I really would urge you to go and have a look at the website to get more detail on what we are doing on this.

Everybody is looking at us. Every single industry is under scrutiny these days and we do kid ourselves if we think we are any different. But these are also really exciting times because markets are opening up, and more and more of them will move in the same direction as the UK. More than that, they are looking at the UK for best practice, and with our heritage, we lead that. We know, as a team, for William Hill to be sustainable, we have to lead the agenda and we have to strike the right balance between commercial goals and customer protection. And that is what we are doing.

Now let me hand over to Ruth.

Financial Guidance

Ruth Prior

Chief Financial Officer, William Hill

Opening Remarks

Thank you, Lyndsay. Right, the numbers. I have the job of taking all of that complexity and trying to put it into something simple. I think you have known all of these moving parts to the jigsaw for some time, but perhaps today I can help you bring the modelling assumptions that we are using for '19 and '20, so that we can start to shape for you what we think the business looks like over that period, and hopefully we can all get to the same baseline.

Excitement

What I would really like to start with though, is the excitement that we all feel around our five-year ambition. Hopefully, you have heard today the realism that is baked behind this. To increase profits to 2020, to double them or as our brokers like me to say at least double them, for those of you who can add up as we go, requires Ulrik to deliver his 13% CAGR plan ambition, and Joe to be in every state with a 15% or more market share. And I will come on to explain how we have modelled those in a little bit. But I think this is eminently doable. I would not put it on a page, in front of all of you, if I did not.

Strategy and Ambition

So let us just remind ourselves of our overall strategy and ambition. So we are going to build a digitally led, internationally diverse business of scale. That is very different from where we have been.

We are focused on three businesses that are really in different stages of maturity.

Digital growth in the UK: we have come a long way in the last two years. We are going to take that learning; we have bought Mr Green; we are going to diversify internationally. Ulrik has the experience to lead that for us.

Growing a business of scale in the US. You have heard Joe's experience, what he has done in Nevada. The opening up there, it is real, it is coming; we are ready.

And I think you have heard from Nicola; I would not want to go up against her, I really would not. But we do have some tough choices to make in our retail operation and we will make them. We will make them together.

And we do want to lead and advocate for change around sustainability, and lead that not just in the UK, but as other markets mature.

Now before I go on to guidance, this is the slide that I just want people to look at. With the FOBT decision and also the increase in remote gambling duty, over the last five years, it has impacted the bottom line by nearly £250 million because we have not been listening, we have not been responding. We have lost the ability to debate and to influence. We have to get that back by raising the bar, and that is what our Nobody Harmed ambition is about, because we need to start to have the right to advocate again. We need to be able to ask for a level playing field with on and offshore companies. We need to be able to ask for a level playing field between different products in the UK. So that is just there to remind us why it is so important, not just for our customers, but for you as investors, and it is why the CFO has been pushing and pushing this agenda.

Guidance

So, to guidance. Let me start with top level, and then we will go into each division in a bit more detail.

So, Online, we know we now have the headwinds of remote gaming duty which will come in, in October. That has a £20 million annual impact. You will have seen from our trading statement this morning, we do have some regulatory further headwinds from improving the way that we do our customer due diligence.

So next year 2019, EBIT will be flat. We will be back to double-digit growth in 2020, even though we will have to absorb the £15 million of RGD. That will be partly balanced, because we do think there is mitigation from the Triennial and going online.

Mr Green will add £25 million of EBITDA and we will see synergies of at least £6 million, which are cost synergies, from 2021.

US: loss-making next year, between break-even and -20, because not only are we investing in marketing, we need to invest in people and technology. And again, I will come on to giving you more clarity around that. We would hope to be break-even in 2020, although if another big mobile state comes online like New York, we may find that that break-even point comes under pressure as we invest in marketing.

And retail, so the full-year EBIT impact from Triennial is £70-100 million. As Nicola has said. We think that will be fully mitigated in 2020. £40 million, so adversely, more adversely impacted in 2019 because actually trying to get mitigation actions for one quarter is going to be quite hard. Again, I will just talk in more detail around that.

Online

So to Online. Can Ulrik grow double digit, is the question. For the next two years we believe that we will grow revenue 1 to 2 percentage points above the market. Now the market figures on here are H2GC. We think the UK number is a little light, but these are the current projections.

So where is that growth coming from? In the UK, our actives are growing double digits. We actually have our UK engine growing well, if you strip out the customer due diligence impact. We have been investing in product, marketing tools and methodologies. So our UK business underpins that, but our international aspirations we overlay on top. So as Ulrik said, we will be splitting our Online team. We will have the UK focus in Gibraltar and our international focus in Malta.

Mr Green obviously adds into that number, and we also believe there will be revenue synergies that we have not yet quantified.

There was another headwind next year of £20 million, as I said, from the regulatory measures, so this is mainly the customer due diligence. I talked about the remote gaming duty and the online benefits from Triennial.

We will continue to see marketing to net revenue of 22% to 23%, and we will continue to see capex at £40 to £50 million a year. That capex though, will be spent more on the international side, as Ulrik said earlier. For instance, he is replacing the Mobenga platform for the Spanish market at the moment. And also as Ulrik mentioned, he is really restructuring his Online division, and we will see £10 million of cost savings over two years.

A little bit more information about the Mr Green numbers. The guidance here is the consensus, market consensus for that business that we are sharing with you now. And as I say, no revenue synergies have yet been quantified, but we do believe they are there in the sportsbook and also from the multi brand.

The US

So to the big question around the US. $300 million: it is the question I have been asked by everybody that I have talked to so far. So if we take the states that are currently legal and we have a presence in, which is all of them, apart from New Mexico who seem to have gone a bit rogue, we believe that within five years that will be worth $4 billion of wagering to William Hill.

If you then overlay the states that we believe will come online in that period, and assume we have access to each of those states – that is one of our stated goals, is to be in every state, and Joe is working on that actively – then $11 billion of wagering.

Now obviously, how you get to EBITDA from there is a myriad of assumptions. It depends on the state, whether it is retail, whether it is mobile, tethered mobile, which tax rate, how much competition. So we have modelled bottom up, and that is the number that we believe is there for us to go and get.

On the left-hand side, again, it is slightly difficult on screen to read, but by 2023 we think the split between retail and mobile is 25/75. But often starting, as Joe said earlier, you start in retail then you go mobile, other than some of the big states like New Jersey. So that is the long-term view, and we are more than happy to talk in more depth around this.

Modelling

So how do we model? On this page, is lots of assumptions that we are using at the moment. When I guide now for the US, it will only be for those states that are legal and that we are in. So at the moment that is Nevada, Mississippi, West Virginia, Delaware, Rhode Island, Pennsylvania and New Jersey. And I am beginning to now recognise these two letters. It is easier than spelling Mississippi, Massachusetts.

Anyway, so what we look at is, is a state going to be retail or mobile? If it is going to start retail, when does it go mobile, because it will go mobile. Is it tethered, is it not tethered? What market share do we believe we can get? What is the size of the market? Crispin has already given you the sizes that we think.

Now those market shares that I have put along the top here is what we think we will get next year. We are already at 33% in Nevada. Mississippi I think we are just about there. West Virginia, I think we might do a little bit. We are better than that at the moment, but I think with other openings that is where we will end. Delaware and Rhode Island are lottery states where we are the sole provider, and New Jersey, we are not yet at that 20; we are about 27 I think for retail and lower for mobile. But as Sharon kicks in her marketing efforts, that is where we believe we can get to.

The other things you need to know are the tax rates, the growth rates once you have annualised for the next two years, the splits, and then what we think the margins are. And then the only other difference that you really need to know is about marketing. So in retail states, or tethered mobile states like Nevada, marketing tends to be middle single digits as a percentage of revenue, whereas in New Jersey, where it is very much a mobile and competitive state, we will be spending 40% to 70% of revenue on marketing, and you should expect that for the other big mobile states like New York.

So those are the sorts of things you need to know to be able to model the US.

Looking ahead

Again, just so that we can all try and get on the same page for next year, this is how I think it will shape out. So our, what we call pre-expansion business or our Nevada business broadly will continue to grow, 10% we hope. No reason not to believe that.

Our new retail business, our new retail states will also be profitable in year one.

Mobile, so this is basically New Jersey: loss making. I do not like to call it loss making, I like to call it in investment phase. So that is in its investment phase. We need to get that brand awareness and drive the growth.

The bit that I think a lot of us are forgetting about, here it is called central investment. This is the foundation. We have a foundation in Nevada but we need a bigger foundation because the US is a big opportunity. So in that number we are building a technology team in the US to support the new platform build out. We are building the digital marketing team. We have more compliance people. We have customer services.

So 200 to 250 people are being recruited and we are in that phase now. And we would anticipate that we would recruit in 2020 as well as more states open up. So this is sort of setting the foundations for the next phase of growth. And that is how you get to the break-even, to the loss of 2020. The other number that I would like to point out here is the new platform: we have £40 million in 2019 and £30 million in 2020. I am a huge supporter of having our own technology that is flexible, the best product, that is scalable in the US. I think it will serve us well and become a real USP in time.

Retail Guidance – Individual Businesses

Actually, I thought Nicola did a better job of this than I can. In effect, our guidance has not changed from what we talked to you about at half-year. There are some things on this slide that I do want to point out, so that we all get to the right place. The underlying sports book, we are seeing that the market will be down about 3%. We have also seen the impact in gaming of the Triennial decision; the second half has been a lot softer compared to the first half in 2018 by about £10 million.

However, we do come to basically the same numbers in 2021, when we have fully mitigated, that we have talked to you about before. The number I want you concentrate on though, is the number for 2019. Since both the Triennial and £2 stake come in in quarter four, a lot of the mitigation activity will only really start to kick in at that point, and it is only at that point that we will start to see customer behaviour changes. We do not think we will see many competitor moves in that last quarter. At the moment, we are assuming that quarter four will see no mitigation or limited mitigation. We are calling out that we think that that could have a £35–55 million impact; then will flow into the numbers that we have talked about before over 2020 and 2021.

As Nicola always talks about, we are still very cash generative over the three-year period, depending on how well we use our capex, whether the exceptionals are all really needed, and how well we mitigate and get the new products in, use the SSBT, we can still see that this is a business that will be producing £100–200 million of cash. It also gives us the presence on the high street and the brand recognition if and when some of the changes to advertising come through.

Strong and Flexible Balance Sheet

Our net debt to EBITDA will be 1.3 times, even post the Mr Green acquisition. I have recently refinanced the RCF, so that is secure; the other debt facilities are at least 18 months out.

The Group's financial covenants under the RCF are the same as the previous one, so net debt to EBITDA not more than 3.5 times, and EBITDA to net cash interest not less than 3 times.

As you know, our policy is to keep our balance sheet net debt to EBITDA between 1–2 times. However, I clearly have the flexibility if I need it to go up to 3.5 times. I think it will be fair to say that we think we will need some of that flexibility, but we would always come back down to 1–2 times within 18 months.

Underpin Added to Consistent Dividend Policy

You will have seen from the RNS this morning that we are going to continue to keep our dividend policy at 50% of adjusted earnings. As we mentioned before at the half-year, that is going to be calculated pre-US expansion costs in 2018. However, from 2019 it will be calculated post-US expansion costs. Obviously, with the change in earnings in retail and that we are in the investment phase of the US, that ultimately does mean that the dividend will be lower even though the policy has not changed. We are therefore going to put an underpin into the policy of £0.08, so it will never be lower than £0.08. The dividend times stay the same.

Capital Allocation

Net debt to EBITDA is the norm at 1–2 times, at least an £0.08 dividend, and everything has to be a whack plus plus. In terms of capital, our focus will be the US expansion. We do need to restructure our retail business, so that will be our next priority. We believe that the Mr Green acquisition is a really good one; it gives us a platform to build a really strong international business. We will look to do bolt-on M&A when it is feasible.

The ambition is there; the transition phase is hopefully clearer.

Summary

Philip Bowcock

CEO, William Hill

Wrap-Up

I know it is a lot of information to assimilate, I hope you have found and will find it valuable. What we very clearly have is the three businesses that we have spoken about, all at different phases of their evolution. I think it is very important that we all look beyond the short-term headwinds that we are facing into, and the potential that we have in the organisation.

I would like to finish on one thing: all this that we are talking about today would not be possible without the people. You have seen today a cohesive, collaborative and enthusiastic group of individuals. The important thing for me, is it is not just those people who have been up here today presenting. We have three other members of the Exec here, we have Karen, who looks after HR, Terry, who looks after trading, and Paul, who looks after IT: they will be available to take questions as well.

We do not operate in silos; we may have these three very different businesses, but actually, we all come together for the common good and to benefit each other. The one example I was thinking about whilst Nicola was talking was SSBTs. As we were developing those SSBTs for our retail environment there was huge collaboration with our Digital Division: a lot of the technology, the customer journeys, and so on, and so forth, came out of the Digital Division. Those people who have developed the SSBTs are actually in Las Vegas on Monday to talk to Joe about how we can utilise that technology with those ways of thinking in the future. It is not just the people in the Exec; it is the teams that sit below, and it is all of our colleagues who all together believe in this ambition, and without that, we will not get there.

Q&A

Ed Young (Morgan Stanley): I have two questions, if that is okay. The first one is on the estimated $300 million profit number for the States. If I take the midpoint of the market size that you have given, it looks like you are talking about 15% market share and maybe a sort of 20% margin. I just wonder if you can talk through that algorithm: what gives you confidence around getting to 15% – that is quite a strong market share – in what should be a competitive market. On the other side, what gives you confidence in a 20% or so margin, given you are talking about maybe 40–70% of revenue being spent on marketing? Can you talk through those two elements and how that might effect in maturity as we go forward?

Philip Bowcock: I think when we think about market share, there are going to be a number of winners when we come to the online market; this is not going to be one or two, there are going to be a number of people out there. If we add in as well the retail 15% seems a highly achievable ambition. We think of what we do in Nevada at the moment, we have 33%; we think of where we already are in New Jersey, we are probably in excess of that at the moment. It is difficult because the numbers are immature. I think that 15% seems an entirely achievable number. I do not know if you want to comment on the margin?

Ruth Prior: I think one of the things that when you are modelling this, it is a portfolio of different states, different tax rates: some are retail; some are mobile; some are tethered mobile; some will require the 40–70%, although that I think will come down to a more normalised level of around 30%; and some of it will require marketing of mid-digits. When you put it all together, the portfolio effect is what you get, and that is how you get to that £300 million. Therefore, you cannot assume that everything looks like New Jersey, and you cannot assume that everything looks like Nevada. You have to actually step through state by state and the access that is available in each of those states, and the regulation that will be available as well, as to what you are allowed to do.

Joe Asher: I do not want to take up time unnecessarily, but 15% – when you are talking about a company that is 33% in an extremely competitive market – does not seem overly ambitious, when you layer in places like the lottery jurisdictions where it is 100%, so that seems reasonable.

The margin question is the one that is going to continue to evolve over time: where do marketing costs start; where do they then trickle down; it is about spending efficiently as opposed to throwing dollars down a drain; and then it is about tax rates, which are obviously uncontrollable, to a large degree. However, thus far, except Pennsylvania, which has been the outlier, the other states have seemed to have taken a reasonable approach.

Ed Young: Thanks. Then my second one, I wondered if Sharon might be able to expand a little bit on the sort of balance between building the brand and direct customer acquisitions. You spoke a little bit – and, Joe, you did as well – about building up Nevada from nothing to where it is now, clearly the number for the New Jersey start-up is quite sizeable. Do you see that as a shop window for the rest of the States; or, how do you view the balance between those two factors as you look at marketing?

Sharon Otterman: I think there has always been a lot of talk in the past of digital marketing and awareness marketing: there is no such thing any more, they are really both. Digital allows you to tell your story and get your message out in a very efficient way, and there is the other medium – TV, radio – and it is a big market in the US. We are not making that bifurcation to say, this is the medium that we tell the story in, and this is the medium that we do customer acquisition in; it is all one continuous flow, and we are just going to be smart on how we do it and create really good attribution models for success.

On the partnership marketing piece of it, we are going to be partnering with our retailers. They have great databases and they already have a great set of consumers, so we do not have to make that kind of marketing expense in those markets because we are leveraging assets that already exist.

Patrick Coffey (Barclays): Two again, please. Just on the brand: Joe, you mentioned about media partners, and when we were over there a month ago, everyone was talking about media partnerships. Can you maybe just talk us through what you mean when you think about a media partnership in the future? When I think about William Hill online, and market share online up against some big competitors in a different position with their brands and their databases, etc., 15% is quite a big number relative to the UK where single brands rarely get over 10%. Can you maybe just talk us through your thoughts around media partnerships?

Joe Asher: Certainly you have two aspects to it: you have the national media brands and then you have the regional networks with the RSNs, as we call them in the US. Obviously, the first place you look is to those that are heavily invested into sports today – you have brands like ESPN or Comcast, NBC, Fox, T&T, and others – and I certainly think they have a role to play in this space, and it is to be determined how that evolves. With the RSNs, you have them in the various markets as well. What those look like and how quickly they come together I think is a big question mark right now. However, certainly, we, and others, are acutely focused on that.

Patrick Coffey: Thanks. And second question is just around, Lyndsay, the work on responsible gambling generally. When you think about the US, how do you think William Hill can take a leading position there, because, again, when you go over there no-one talks about problem gambling; no-one talks about responsible gambling. How can William lead that debate, which is pretty important?

Lyndsay Wright: It is a great question – and actually, funnily enough, Sharon and I were talking about it over lunch. I think it plays into the whole question of trust, and Sharon has talked a lot about the heritage that goes being William Hill. It starts with pieces like education. However, even in a market like that, we are already getting customers saying, what we would really like to be able to do is do things like set our limits at the very beginning; because the more in control early, the better it is for you as a customer for the long-term, which is exactly the sort of behaviour we really want to encourage in the UK. Actually, the discussions are already ongoing, because Sharon sees this as a core part of what she thinks is really important to the customer already.

Joe Asher: Patrick, I do want to disagree slightly with the premise of your question that nobody is talking about it, because I am talking about it. I went on CNBC shortly after PASPA was overturned and started talking about it, because my dad was a problem gambler, so I understand the issue; and I talk about it as well at a number of industry events, as well. I do think, certainly, we are talking about it; we continue to talk about it, and we are going to lead in this space.

Mike Campbell (Whitman Howard): Just two quickly on Mobenga. You mentioned moving away from Mobenga; was that just Spain or is that other markets? That is the first question.

Ulrik Bengtsson: It is Spain and Italy, primarily.

Mike Campbell: Can you give us just a bit of a feel for what sort of percentage of revenues that would be for, say, online?

Ulrik Bengtsson: That are currently going through Mobenga? Have we disclosed Spanish and Italian numbers? It is only the Spanish and Italian revenue.

Philip Bowcock: It is Spain and Italy, so it is not a material part of the numbers.

Mike Camphill: That is all, thank you.

Gavin Kelleher (Goodbody): Just two for me on the US. I think it was Sharon, or maybe Joe, made a comment that you would outsmart as opposed to outspend competitors in terms of marketing. Can you just, I know you do not want to give away anything competitively, but just how you would do that in the US?

Sharon Otterman: It is a great question. It is all about targeting the consumer and really knowing who your consumer is and where they are in that journey. We have been from the beginning mapping that customer journey, understanding the targeting, leveraging the databases, and the propensity modelling of who those consumers are and how do you bring them through the funnel. When you are smart about that, you are smart about how many customers you are reaching and what is the right level of frequency. In the US, when the mistakes have been made about outspending, they have actually had too much frequency against those messages and they have not been smart about the targeting. We are very conscious about that balance of reaching frequency.

Gavin Kelleher: Just one follow-up. Just on the databases, I am not too sure how much work you have done or you are getting from the likes of Eldorado, or you will get from Eldorado. How much crossover do you think they have with a sportsbetter, because they may be very slot-focussed or not very sports betting-focussed at the moment?

Sharon Otterman: This market in the US is so big, and so it is a lot bigger when you think about the sports fandom that exists and then wanting to be entertained, and in this case about being entertained, about testing your knowledge. We do think that there is crossover, and we also think of using it for propensity modelling; that folks who like these things, they also like these things, and there is an opportunity. Now with all the digital properties, it is much easier to start with a consumer in the database and find like-minded folks along the way.

Gavin Kelleher: Perfect, thanks.

Richard Stuber (Numis): Two questions, please; the first is on the US business. I know it is very early days, but any sort of break down in terms of how much of the customers are of mass market, how much are VIPs, any indication there. I guess that leads on to any sort of funds issues in the US at all. Secondly, is there any anecdotal evidence to suggest how offshore bookmakers have faired over the last six months; have you heard of them going out of business or anything like that, just a sense of how the US growth is incremental and how much is substitution.

Philip Bowcock: I will let Joe deal with the offshore piece. However, we are not going to give; it is too early days to talk about levels of VIP and everything else.

Joe Asher: What I would say is around the source of funds, obviously we deal with these issues daily, there are regulations in place under federal law that we are incredibly mindful of. Our general view of course is that every customer is important, but no customer is that important; so, we are very mindful of that. As issues come up, as they would in any business, I like to think that we are pretty quick at addressing them.

The offshore stuff, it is hard to really know, of course, because that is one of the main issues in the offshore market, is the lack of transparency. Anecdotally, I would tell you that early on: it is offshore, and it it also what I would call the street 'bookies' or the bookies around. Early days of New Jersey, we would hear from customers that they were betting with us instead of their bookie. We had a little campaign around ‘break up with your bookie’ from a marketing perspective that we are utilising. Tax rates, of course, will continue to be very important in that regard.

Richard Stuber: In terms of international, Mr Green obviously opens you up to several more markets. I know some of your competitors have talked about being the podium position to get the critical mass to make it worthwhile. Do you think you have to invest in some of those other markets more so, or are you happy with the foundations which Mr Green gives you?

Ulrik Bengtsson: They do invest in those markets, so we will continue to invest at the levels they are currently doing, which seems to be working very well. I think one of the things I learned doing a lot of these bolt-ons in my old life is really not to do too many dramatic changes and break things. We are going to be pretty slow on this, and let them keep running the business they way they are doing it; it is working very well.

Alistair Ross (Investec): Hi guys, a couple from me. Just in terms of the Italian advertising brand, I see one of the pieces of guidance is a growth rate of 8% and 13% in 2019 and 2020 for Italy in online specifically. I know these are not your estimates, but how do you see the Italian advertising brand impacting?

Philip Bowcock: I will let Ulrik answer it specifically, but you are right, those are not our numbers. Clearly, we need to see how the evolution plays out, as advertising comes off and now what the market does. I do not know of you want to add anything to that, Ulrik?

Ulrik Bengtsson: Yeah, I think it is really early days; I do not think anyone really knows what is going to happen to the market growth in Italy under this. I think there are a couple of things that is clear. One thing is, it would be an advantage to have an offline presence, a retail presence, which we do not have. I think it is also beneficial to be a well-known European or global sports book authority, which we are. I think we have some tabling on the fact that we actually are William Hill and not a smaller brand, but again really early days.

Alistair Ross: Can you just give us what proportion of revenue? I have the market share stats, but it looks like roughly £65 million of revenue is at risk, which is circa 10% of online or something like that?

Philip Bowcock: You can make your own assumption about that, we do not give any details.

Alistair Ross: Just going back to Ed's question on market share of 15% in the US, I think you guys are doing about 11% in the UK at the moment in obviously a highly competitive market. However, it feels to me like you are almost retracting from the UK to a degree, so sort of the 888 strategy where you are pulling marketing to a degree and you are focussed on the US. Is that right, or, are you heavily focussed on the UK and growing in the UK still?

Philip Bowcock: No. I think to give the ambition of growing ahead of the market, and actually gaining market share in the UK – that we have spoken about – shows that we are not giving up and we are not retrenching out of the UK at all; there is a huge amount of focus that continues on the UK. What we will do is, we will utilise the experience we have in the UK, whether it is to go into the international arena or it is to go into the US, and that is what we will do, and we will continue to do that. We are not retrenching out of the UK, no.

Alistair Ross: Lastly, in terms of source of funds, it has been an issue since 2015, it seems to be much more of an issue now than ever before; it feels to me like it is an ongoing issue until what sounds like the end of 2019, or quarter one, quarter two 2019, I think, when I last spoke to you a couple of months ago. Just in terms of what proportion, I guess, of online revenue is now driven by high-value customers?

Philip Bowcock: I think we had that question this morning, and I did not answer it this morning, and I am not going to answer it now. I think what I would say is, I think there is a difference in the regulatory environment that we sit in now to where we were three or four years ago. I was speaking to one individual at the break, and I think the number was either £28 million or £48 million in fines have been levied by the Gambling Commission over the last 12–18 months. I think there has been a demonstrable change, and we, William Hill, and the industry, have had to adapt to that.

Tal Grant (Credit Suisse): Thanks for taking the question. Just wondering on online, because, Ruth, you mentioned you thought you were doing quite well in online. Obviously, in the first half online growth was good. In Q3, I think you said underlying – so, excluding the enhanced due diligence measures – you would have been flat; your competitors were doing 20–30% growth in online in Q3, so just wondering what has changed between H1 and Q3 apart from the enhanced due diligence?

Philip Bowcock: I do not know whether competitors have come out and said 20–30% growth; I would be surprised if actually everybody was growing 20–30%.

Tal Grant: Well, GVC, Paddy Power and Betfred have reported.

Philip Bowcock: I think they are good numbers. I think we are doing the right thing with our active base, and we will continue to do that. I cannot comment on other people's numbers; I can just comment on what we are doing.

Tal Grant: Okay, but if you are telling us you are going to gain market share in the future.

Philip Bowcock: That is our ambition, yes.

Tal Grant: What is going to change from Q3 where you must have lost market share, even excluding enhanced due diligence measures?

Philip Bowcock: I think this is about continuing to do the right things that we have been doing. It is continuing to drive the actives; it is continuing to drive the digital marketing that Ulrik spoke about; it is continuing to do all of the good things that we are doing, and we are seeing the active base growing. That is for me the litmus test as to whether we are growing; so, our actives in our mass market are growing.

Tal Grant: Okay. Finally, not commenting on other competitors, but do you think some of your competitors are behind where you are in terms of the enhanced due diligence stuff or have you caught up to them now?

Philip Bowcock: I do not know because it is very difficult to say. From everything we hear, anecdotally, I think we are all doing broadly the same things.

Tal Grant: Okay, thanks.

Joe Thomas (HSBC): You are pulling back your marketing spend; as part of the guidance I think you are saying 22–23%, compared to about 24–25% at the moment. What makes you think that that is tolerable in a market that remains competitive; or, perhaps you think it is becoming less competitive. Any comments on that?

Secondly – in fact, all my questions relate to the online business – we keep hearing a lot about the weakness in online being driven by the anti-money laundering source of funds stuff and that the underlying business is healthy; but, how would you suggest from the outside we monitor that and actually can get a sense of it, because getting customers signed up, they might not ultimately be profitable ones?

And then the final question is about operational gearing in the online business. I see you have £10 million of cost savings dropping out, but is there anything else that you point to there that it going to get you to that 13% CAGR versus the 10% CAGR in the revenue number that you are talking?

Ulrik Bengtsson: From the top, so the marketing spend, you are right – very observant – it is coming down a couple of percentage points, one to two. I think that is what we talked about where we had the conversation about marketing efficiency, and all the investments we are doing into the programmatic, what have you, improved SEO, and the affiliate structures. Somehow we need to make that count, and that is where it needs to count, so we need to do more, or the same, or a little bit less.

Second question, which was on – remind me again?

Joe Thomas: It was about the underlying business.

Ulrik Bengtsson: The underlying and how you measure that. I think the active base is a good measurement; the active base and how that develops over time. As we spoke about earlier, the big opportunity for us is to monetise that growing active base over time and how do we get one, two, three, four, five, 10% more out of every single one of those customers. Obviously, we track in incredible detail the profitability of those customers on the first, second, third month, etc.; but the real value is in the back end of the lifetime.

Philip Bowcock: And the last one was operational gearing.

Ulrik Bengtsson: We need to restructure the cost base, we need to take some hard decisions on people and reorganise and restructure that – that is the £10 million – and there might be more of that hopefully over time; but, then it is also efficiencies in marketing, as we spoke about.

Joe Thomas: Can you just give more colour on that marketing efficiency?

Philip Bowcock: I think Ulrik has spoken about it. He has spoken about the attribution, the programmatic that we have been talking about today, that is really where this is driving to: it is taking what we have done before, and doing more of the same.

I think, just to pick up on one thing, which is the KPIs. The KPI that I look to on a Monday morning when I am thinking about the weekend results; clearly, I would like to know actually what margin we have made. However, fundamentally, the number I ask – whether it is Ulrik or Terry – is always the actives: how many people have we got active in our ecosystem on a Saturday, on a Sunday, whether it is sports or whether it is gaming; that to me is the key number that I look to, because that for me is the litmus test.

Daria Fomina (Goldman Sachs): I have two questions, if I may: one actually has two parts. The first question on the split, so your £300 million target for the US, can you split it into offline, online, mobile? In relation to that, the side question, on the payments friction in the US, it is clearly not as easy as it is in the UK in terms of the online payments processing. Is that problem over in New Jersey; did it have any impact on the online; do you think it will? That is my first A and B question.

The second question, on the market share, is in terms of the take up of skins in the States, like New Jersey, that are already up and running, do you think that we might see a longer stage of fragmentation of market share? You mentioned some of the first numbers in terms of your market share in those states, because it took a while for the UK market to reach the consolidation stage. Will you expect the same in the US? I guess it is a continuation of the discussion of your 15% target. How quickly do you think you can get there or do you think you will normalise quite quickly?

Philip Bowcock: I will let Joe take those. I think the answer to the first one around the split between retail, tethered and free, I think it is almost impossible to give; we have made some assumptions as to where we think we will go which we put up on the screen. It is almost impossible.

Joe Asher: On the fragmentation point around New Jersey and skins, a couple of thoughts around that. To some extent, I do not know if you are all familiar with our Presidential elections or the process, imperfect though it may be, but Iowa plays an outsized role; so, you have the Iowa caucuses, and all these candidates go to Iowa, because they have to do well in Iowa in order to move on to the next state. To some extent, I think some folks are looking at New Jersey like the Iowa caucuses; so, a bunch of people are going out into New Jersey and are going to contest New Jersey, and that state is particularly susceptible to that because of the skins model where everybody gets their primary licence and then two skins to do what they want with – to sell – and they become fairly commoditised in New Jersey. Therefore, there will be some fragmentation for some period of time in New Jersey. Obviously, the difficult part is predicting how long that lasts, and when people end their campaign if you will, or start to focus elsewhere, and some people will focus on one particular area or do one particular thing: the tribe that opened up in New Mexico, it is a guy who has one sportsbook in Nevada and he says he just wants the scraps and will be perfectly happy. So, you may see people try to focus on little things. However, clearly over time the major players will emerge, and certainly I think will have the staying power to continue to progress there.

Daria Fomina: Sorry, just on the payment system, do you think that the frictions there will help you with protection from the smaller players for some time at least?

Joe Asher: Yes. One of the places we have clearly excelled in Nevada is through payments, be it the retail locations we have, the kiosks in the Golden taverns, as I mentioned, Sightline, something called PayNearMe, where you can deposit in 7-11s, which are convenient stores. There will continue to be difficulty with credit card processing for a period of time, but I do think you are going to see that start to ease just because of the sheer size of the market and the attention and energy around the market. In the US, I do not know what the percentage of it is, but you have Chase, Citibank, Wells Fargo and Bank of America – if they are not 80% of the credit cards in people's wallets they are close to it – and until you get the major banks to process, it will continue to have friction, but I think you are going to start to see movement around that area, for sure, post-PASPA.

Dave Holmes (Merrill Lynch): I just wanted to touch on the Mr Green acquisition, obviously, that gives you some exposure in Germany. I appreciate we talked about this briefly the other day, but how do you think about the regulatory environment there?

Ulrik Bengtsson: We have exposure to Germany as William Hill today, so that has not really changed with this acquisition.

Dave Holmes: Obviously it increases it, just what is the view on the German regulatory environment?

Philip Bowcock: I think the view is that, everyone has been talking about regulation in Germany for a number of years, certainly, longer than I have been in the industry. Germany is taxed, so it is quasi-regulated. I think the general belief is it will take some time to unwind, and as it unwinds it is likely to get regulated, is I think certainly our view of life.

Heidi Richardson (UBS): Just two on the US, specifically around your 2019 guidance, the what look to be quite ambitious 20% market share numbers with New Jersey. If you do not reach 20% is that baked into your 2019 consensus; if you do not reach 20% is that going to mean we should be thinking about a much bigger loss? Secondly, in your more general theme around the £300 million of EBITDA, do you think you will be able to hold onto 80% of the US business in that scenario or do you think there will be more deals to be done that will see your share of it dilute over time?

Ruth Prior: Our guidance in H1 I am happy with, irrespective of whether we get to this 20%, because we will have some flexibility around how much we spend on marketing. However, we are already, I think our two properties – and Tropicana has just come on – but we are already in retail at 27% I think. Obviously, we were late in the App Store, for reasons that were beyond our control, and we are really only just kicking in the marketing campaign – I think we have gone from 5% to 17% recognition – so, we do not see any reason why we should not go for that kind of market share, and that is what we will drive for.

Philip Bowcock: When we think about the £300 million, the £300 million is for the whole organisation, the whole of William Hill, so it is not just for our 80%. I think as and when there is an opportunity to do anything with anybody else, because of the flexibility we have, we can do something with somebody else and retain control – which for me is vitally important; we will look at that in the round, and we will see actually, does that transaction or that additional partnership create additional value for us, over and above where we are now. It may be de-risking as well, but we will look at the overall package and say is that the right thing for us to be doing.

[END OF TRANSCRIPT]