

# William Hill PLC

Corporate presentation | May 2017

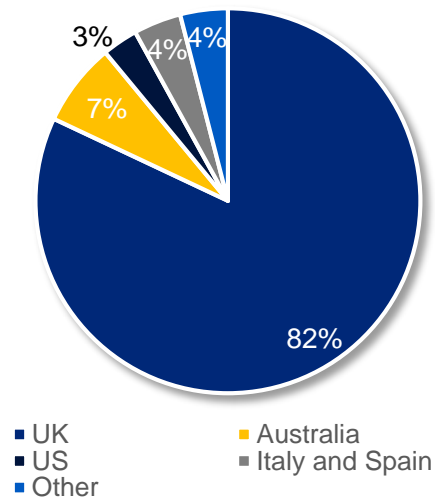


*William* **HILL**

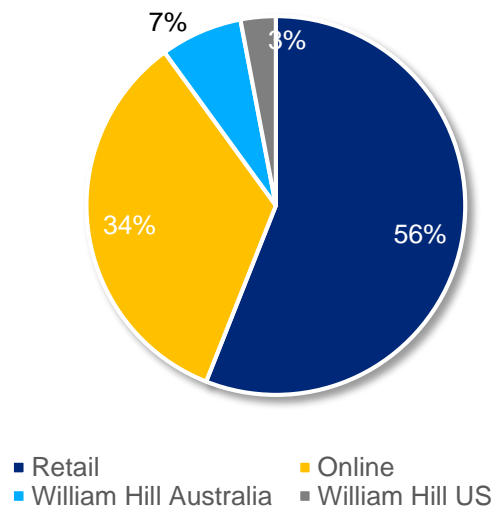
## William Hill at a glance

- One of the world's leading multi-channel betting and gaming companies
- Scale operation with highly cash-generative Retail business funding digital and international investment
- c16,000 employees in ten countries
- Successful multi-channel model: 59% land-based and 41% digital
- UK-focused with increasing international reach: 85% UK and 15% international

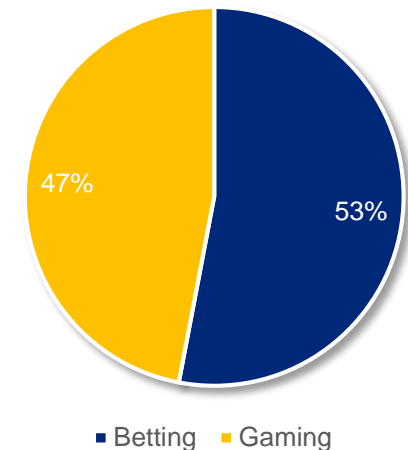
Revenue by geography



Revenue by business segment



Revenue by product type

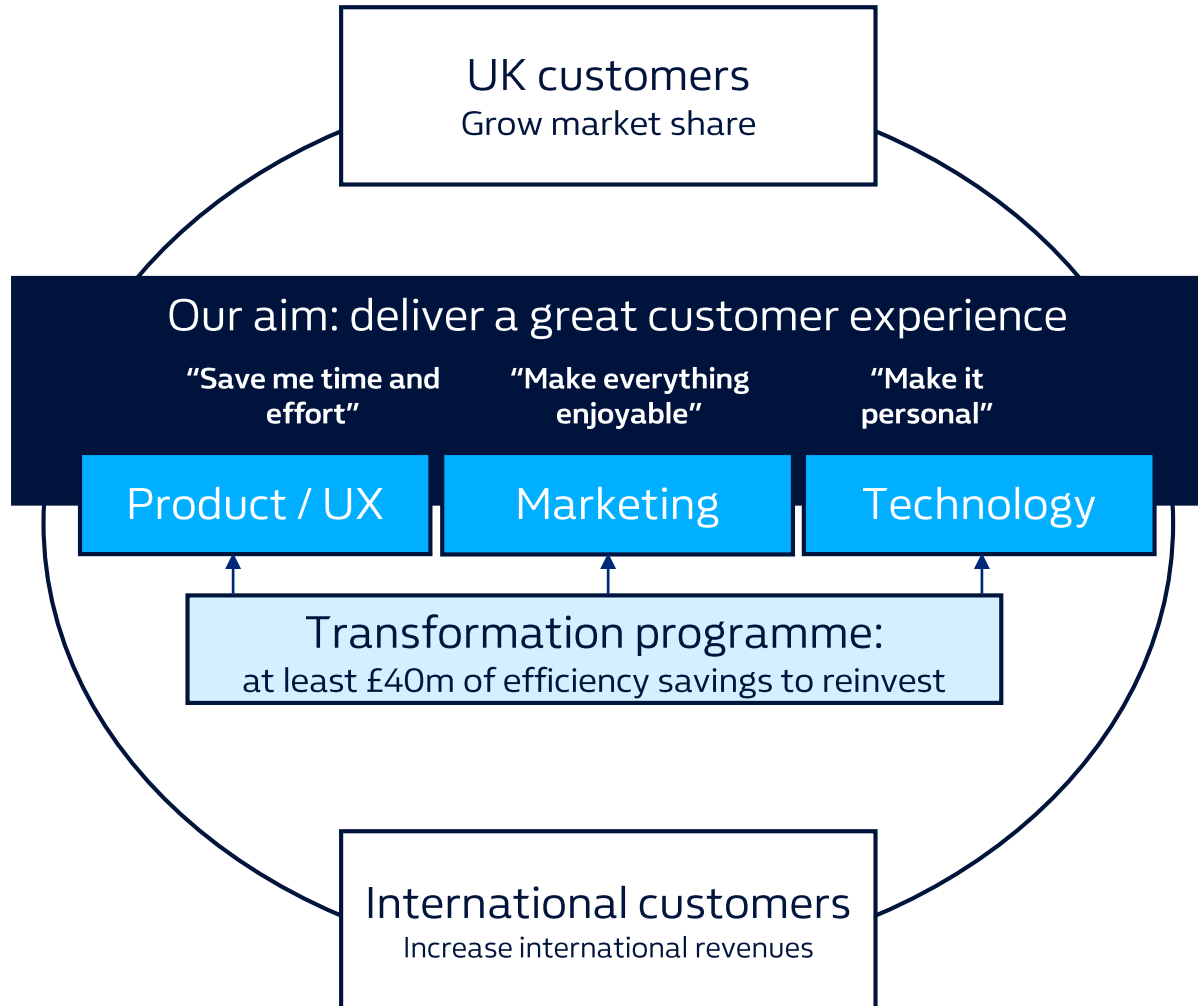


Note: Pie charts show 2016 full-year position

## Latest trading update, May 2017

- Growth in wagering and net revenue across all four divisions
- Online Sportsbook amounts wagered up 9% and gaming net revenue up 8% following product improvements
- Retail Sportsbook amounts wagered up 2% and gaming net revenue up 4%
- Double-digit wagering growth in Australia and US
- On track to deliver annualised £40m of cost efficiencies, largely for reinvestment, by end of 2017
- In line with market expectations for 2017 assuming normalised margins

# Investing for growth: our approach



## Investing for growth: our approach



## Our three strategic priorities...



Grow UK market share



Grow international revenues



Deliver key projects: technology and transformation



# Grow UK market share



Improve on-boarding rates and everyday processes

- Native Android, desktop
- Gaming on-boarding
- Registration / landing pages
- Cashier UX upgrade
- Customer Services touch points

Increase engagement, retention and visit frequency

- Gaming upgrades
- Cross-sell
- Single wallet
- One Minute Markets
- Vegas back-end redevelopment

Increase lifetime values

- #YourOdds
- Segmented offers
- Relevant messaging

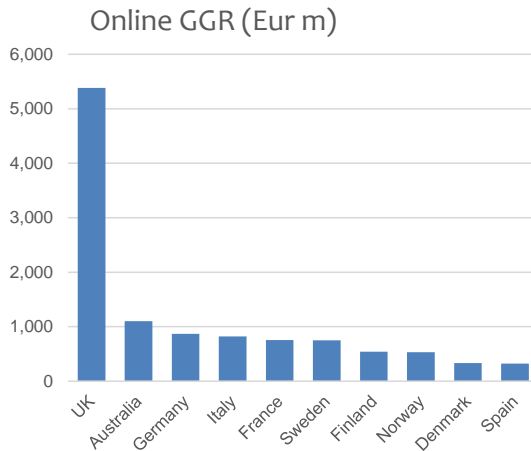
- SSBT product expansion, UX improvements
- SSBT Plus Point
- Bet Tracker app

- UK omni-wallet

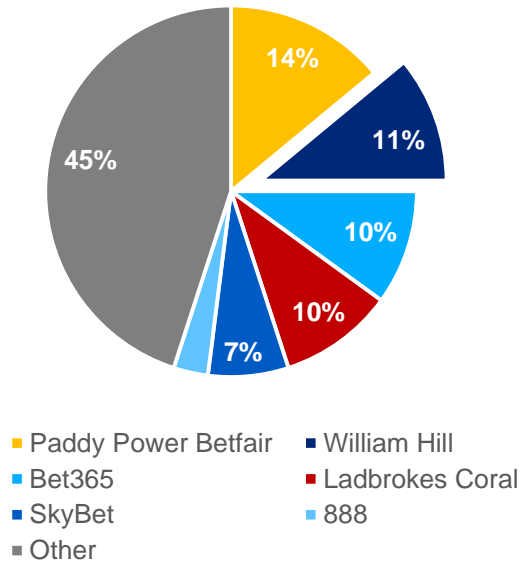
# Online

- Competitive position in rapidly growing online gambling markets
- Top 3 positions in core regulated markets – UK, Italy, Spain
- Track record of differentiation supported by proprietary technologies
- Large-scale investment in marketing and high-brand awareness and consideration
- £544.8m net revenue and £100.5m adjusted operating profit in 2016

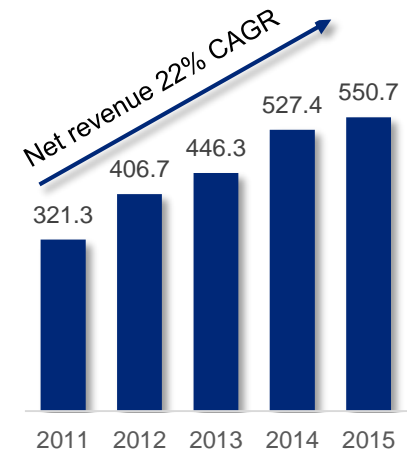
**UK is the largest online market<sup>1</sup>**



**UK online market share<sup>2</sup>**



**Net revenue growth**



1. H2GC  
 2. Gambling Compliance Research Services, 2015 UK market share (October 2016). Pro forma combination of Paddy Power + Betfair share and Ladbrokes + Coral share



# Online: returning to growth



## Q2 Sportsbook enhancements

- UX across the mobile site
- Bet Suggestions
- In-app messaging
- Live score pushes
- Cross-sell
- Betting shop TV
- Cash In
- Search
- Enhanced prices
- Languages

## Other improvements so far...

- Fast-loading gaming lobby in Sportsbook
- Casino, Live Casino and Games redesigns
- Customer funnel optimisation
- Removed loss-leading campaigns
- Reduced bonus abuse
- More investment in programmatic marketing
- Offer Club launched

## The key priorities

- Upgrading Sportsbook ✓
- Upgrading gaming Ongoing
- Improving key customer journeys Ongoing
- Initial improvements to acquisition ✓
- Marketing efficiencies ✓

## Encouraging early signs in 2017 YTD<sup>1</sup>

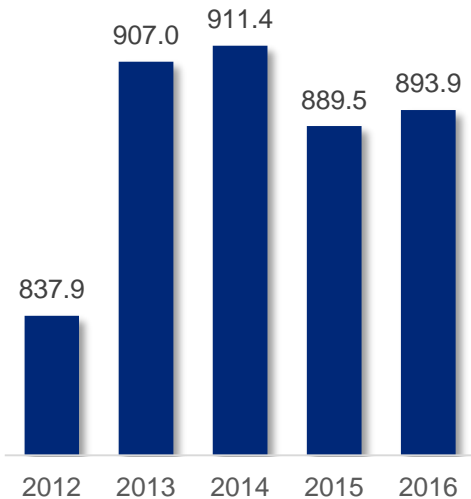
- UK Sportsbook amounts wagered growth +10%
- UK Gaming net revenue growth +8%
- Registration conversion rate +17% (H2 v H1)
- Increase in value of new accounts (Q4 16 v Q4 15) +29%

1. Seven weeks to 14 February 2017

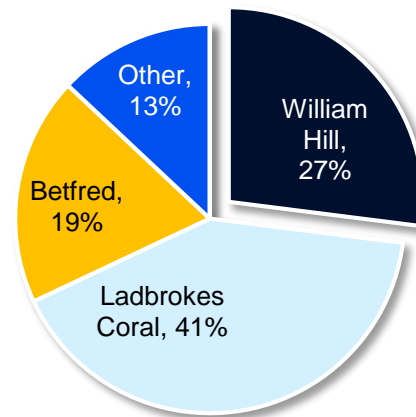
## UK Retail

- Largest business segment, representing 56% of revenue
- Second largest operator with 2,375 LBOs<sup>1</sup>, equivalent to 27% market share<sup>2</sup>
- 46% betting (OTC) and 54% gaming (machine)
- £893.9m net revenue and £162.0m adjusted operating profit in 2016
- Resilient, cash-generative business

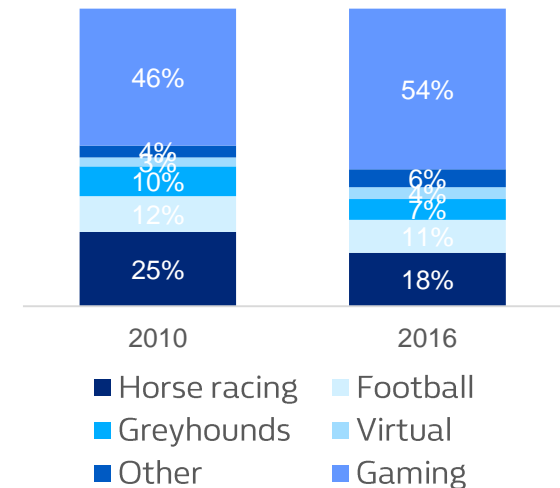
Delivering revenue growth against challenging economic backdrop



UK Retail market share by shops<sup>3</sup>



Evolving product mix (gross win)



1. Licensed betting offices
2. Gambling Commission Industry Statistics April 2010-March 2015 (June 2016)
3. Based on pro forma position from the Gambling Commission Industry Statistics, taking into account the merger of Ladbrokes Coral and the disposal of 322 shops to BetFred and 38 shops to other operators

## Retail: multi-channel strategy

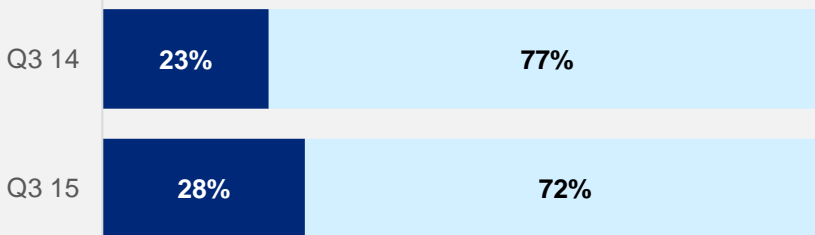
Expansion of total betting population

- 6.49 million in 2010<sup>1</sup>
- 8.46 million in Q3 2016<sup>2</sup>

Multi-channel opportunity

- 70% of spend is by Retail customers with online operators
- Omni-channel customers spend, on average, 1.8 times what a single channel customer spends

### William Hill Retail's regular customers



13%

William Hill Retail +  
William Hill Online

## Modernising Retail's operating model

- First major organisational change in a decade
- Increasing focus on the customers
- Bringing management support closer to shop teams
- Implementation planned for 1 Jan 17
- Offsets cost of National Living Wage

## Multi-channel priorities

- Proprietary self-service betting terminal developed, new format being trialled
- Expanding the product range
- Mobile web app for 'post bet' experience, including Cash In
- Single wallet by end 2017



Sources:

1. TGI 2009 (April 2009 – March 2010), TGI 2010 (January 2010 – December 2010)
2. Kantar Betscope survey, Q4'15 – Q3'16 Report



## Grow international revenues

### William Hill Australia

- Challenger brand, product led
- Marketing increase from 26% to 28% of net revenue
- 2017: strong racing focus, personalisation programme

### William Hill US

- Positioned for regulatory change
- 2017: mobile development, wider footprint

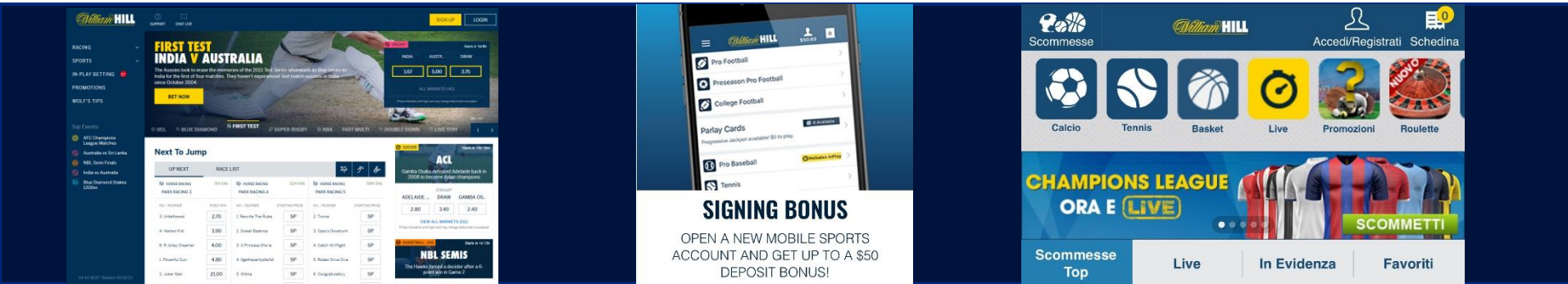
### Italy and Spain

- Focus on profitable growth
- 2017: continued marketing investment but UK is priority

### Rest of World

- Ultimately requires OpenBet 2 global platform
- Opportunistic in the near-term approach using existing and/or third-party systems for organic entry without distracting from UK focus

## 4. Refocus the international growth and expansion



### Australia

- Double-digit growth in amounts wagered
- Continuing rapid product launch schedule
- TW.com and Centrebet customers migrated
- Niche price-led product using legacy Centrebet capability

### US

- Further market share gains, 21% of sports wagering, 26% of sports gross win
- Five new sports books opened
- New mobile app launched, mobile now 52% of amounts wagered
- Virtual racing launched, continued in-play roll-out
- Agreement with Caesars to operate race book in Iowa

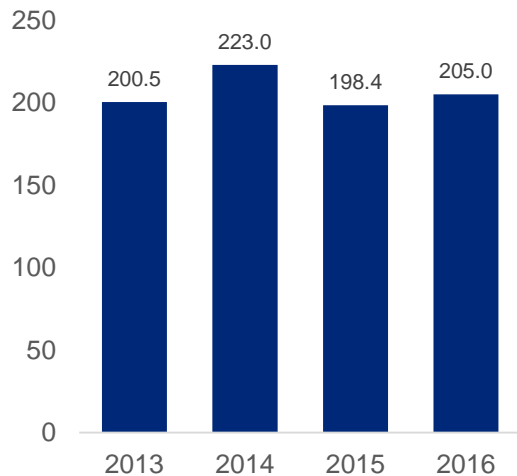
### Italy and Spain

- Continued good growth in net revenue in both markets
- Strong gaming net revenue growth following product expansion
- £1.8m profit in 2016

## William Hill Australia

- High per capita spend on gambling
- Attractive growth market with online betting growing at 14% CAGR over next few years<sup>1</sup> but narrow regulatory regime with only pre-match betting allowed online, no in-play, no gaming
- Structural growth drivers in core areas of expertise – fixed odds, sports betting, mobile
- Established through acquisition of Sportingbet, Centrebet, tomwaterhouse.com
- £113.8m net revenue and £15.4m adjusted operating profit in 2016

### Net revenue since acquisition (A\$)



1. H2GC

### Key changes over the last 18 months

- Moved to **William Hill brand**
- Launched **in-play**, extensive new **product pipeline**
- **Client management** changes
- Up-weighted spend significantly in **IT / Product**

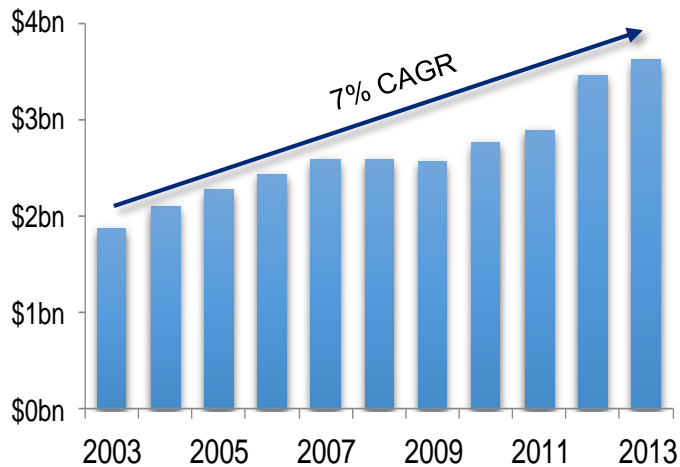
### Our strengths today

- ✓ Proprietary technology
- ✓ Rapid product delivery
- ✓ Cost-effective locations
- ✓ Flexible marketing budget
- ✓ One global brand

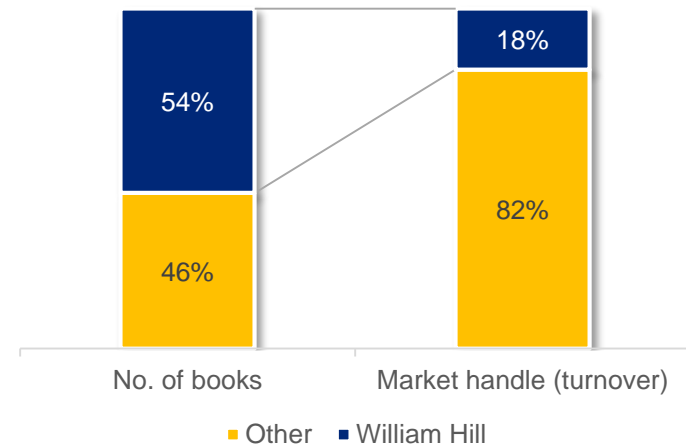
## William Hill US

- Land-based sports betting permitted in four states, two are active: Nevada, Delaware
- Nevada: 192 casinos with sports books, 108 outsourced to William Hill, 26% market share by gross win
- Continuous product innovation: in-play, mobile, virtual betting
- Also exclusive risk manager for Delaware state lottery
- £43.7m net revenue and £14.3m adjusted operating profit in 2016

Nevada sports handle<sup>1</sup> growth



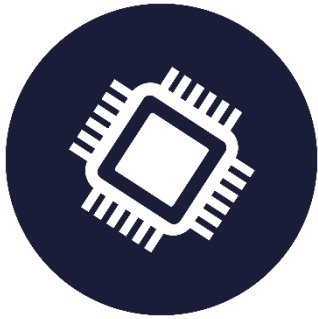
Nevada sports book market share



1. Handle is defined as the total amounts wagered. Data from UNLV Center for Gaming Research March 2013



## Deliver key projects: technology and transformation



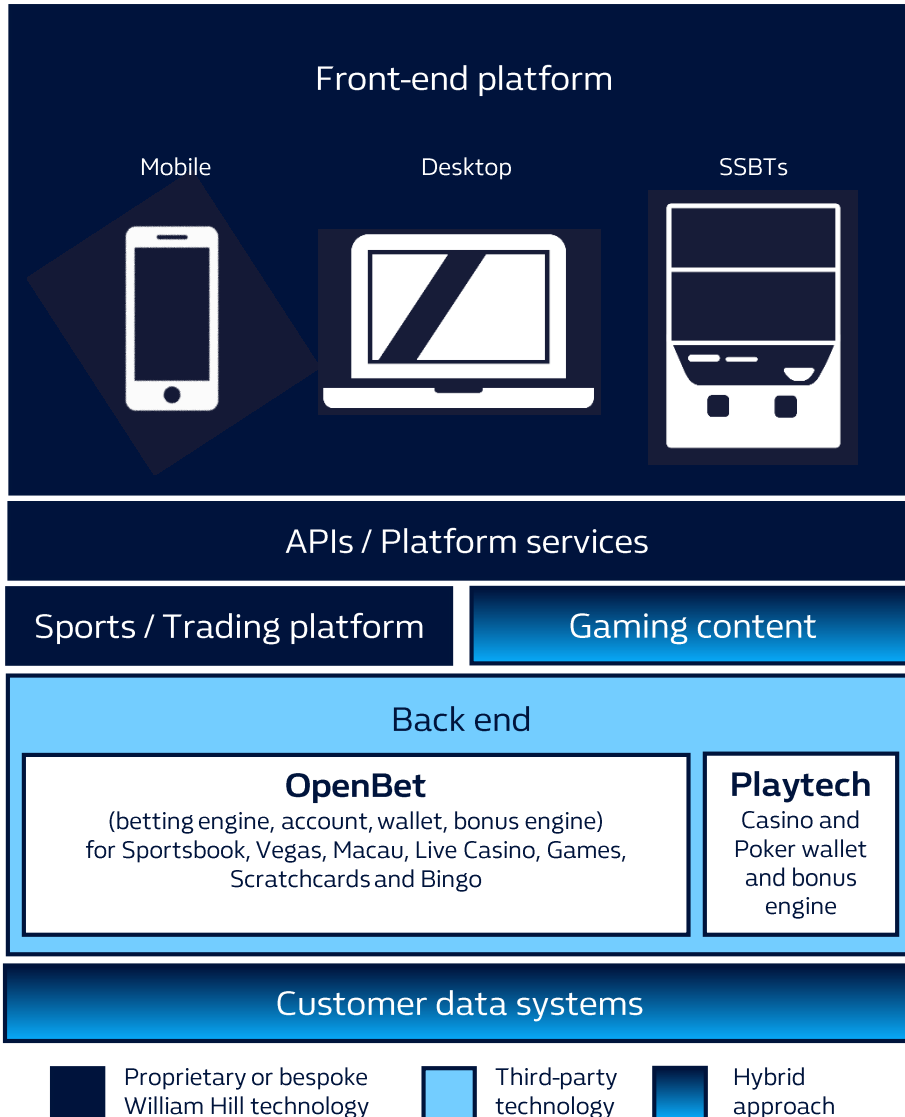
Building a global technology platform alongside OpenBet



At least £40m of annualised efficiencies by the end of 2017



### 3. Global technology platform

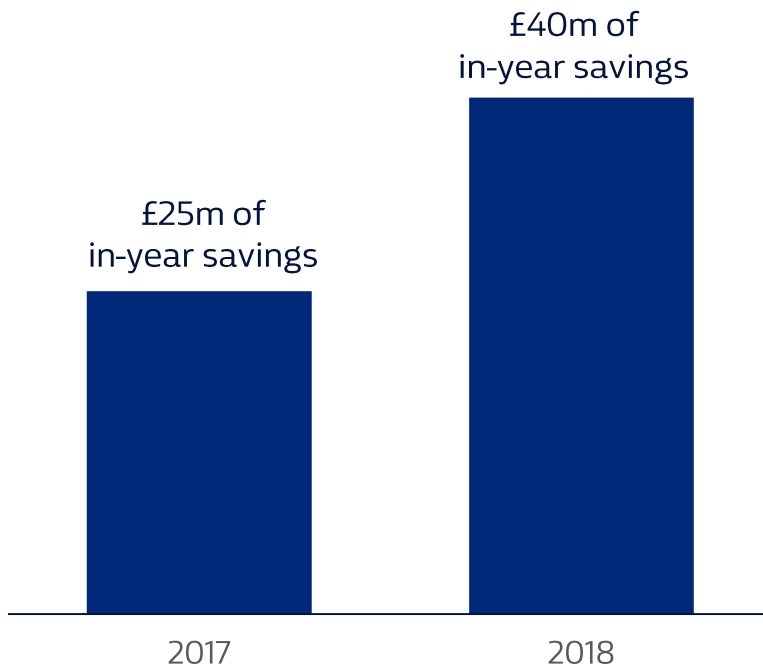


- Front-end controlled through in-house platform
- Development capability enhanced with Grand Parade acquisition / integration
- Differentiated content through proprietary Trading and Vegas platforms
- Three-year programme with NYX / OpenBet to build new global technology platform
- Data sources consolidated into 'Uno' platform to give single customer view



## Deliver key projects: transformation

Expected phasing of efficiency savings



- Priority areas
  - Digital marketing
  - External spend
  - IT
  - Customer service
  - Organisation
  - Revenue generation
  
- Estimated cost savings target increased to £40m
- Cost to implement c£40m (1x full-year benefit)
- Reinvesting in product, marketing, technology



## Deliver key projects: transformation

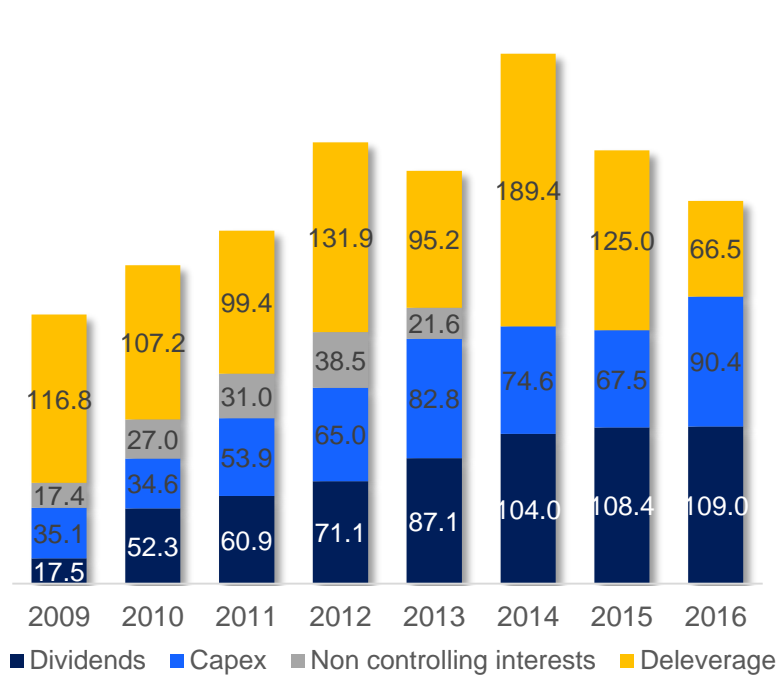
Digital marketing	<ul style="list-style-type: none"> <li>• £10m of £18m opportunity already delivered (e.g., keyword search optimisation and affiliate marketing)</li> <li>• Efficiencies reinvested back into the business with more to come</li> </ul>
External spend	<ul style="list-style-type: none"> <li>• Overhauling supplier network – reviewing preferred partners, reducing excess supply base</li> <li>• Process improvements</li> </ul>
IT	<ul style="list-style-type: none"> <li>• Rationalising large IT contracts and long tail of contracts</li> <li>• Re-thinking data centre footprint to unlock synergies</li> </ul>
Customer service	<ul style="list-style-type: none"> <li>• Resolving pain points in customer service to provide best-in-class experience for customers</li> <li>• Simplify journeys to reduce service volumes</li> </ul>
Organisation	<ul style="list-style-type: none"> <li>• Improving organisational effectiveness (e.g., driving accountability, upskilling, improving processes)</li> <li>• Re-allocate resources towards high priority growth areas</li> </ul>

## Regulatory update

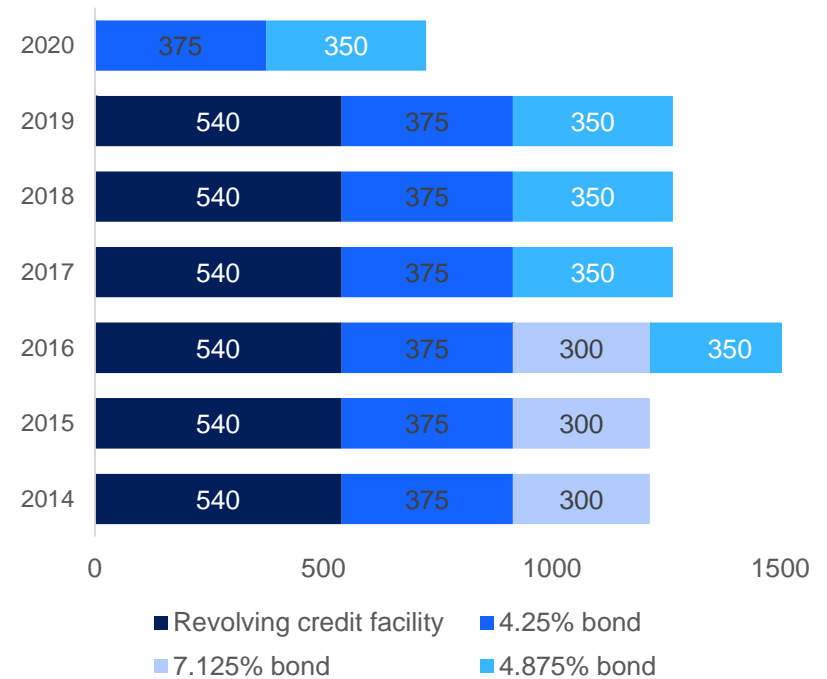
Market	Regulatory area	Current status
UK	Triennial Review	<ul style="list-style-type: none"> <li>• Submissions made in December 2016</li> <li>• Government response initially expected in spring, now delayed post Elections</li> </ul>
Australia	National Consumer Protection Framework	<ul style="list-style-type: none"> <li>• Interactive Gambling Amendment Bill awaiting enactment in Q1 17</li> <li>• Framework being developed among States and Territories to address consumer protection measures, including credit betting</li> </ul>
US	Legalisation of sports betting	<ul style="list-style-type: none"> <li>• Various challenges currently being made to enforceability of PASPA 1992</li> </ul>

# Strong free cash flow and solid balance sheet

## Strong cash generation (£m)



## Diversified sources of debt funding (£m)



Around 1.5x dividend cover

Net debt/EBITDA 1.8x vs covenant of 3.5x

1. Capital expenditure net of disposals

## Summary

- Market-leading UK multi-channel betting and gaming business
- Diversifying through digital and international growth opportunities
- Clear investment strategy – product, marketing, technology
- Transformation programme increasing efficiency and supporting re-investment
- Strong free cash-flow and balance sheet

# Appendices

Adjusted results	Adjusted results means results before exceptional items and adjustments, as described in note 3 to the financial statements
Amortisation	Where operating expenses, operating profit or EPS are adjusted for amortisation, this pertains to amortisation of intangibles recognised on acquisition
Amounts wagered	This is an industry term that represents the gross takings on sports betting
ARPU	Average net revenue per user
Adjusted earnings per share (EPS)	Adjusted EPS is based upon adjusted profits after tax. Further detail on adjusted measures is provided in note 3 to the financial statements
Basic EPS	Basic EPS is based on an average of 871.8 million shares for 2016 and an average of 880.9 million shares for 2015
Cost per acquisition (CPA)	Marketing costs (including affiliates but excluding FVAs) divided by the number of new accounts recorded in the period
EBITDA	Earnings before interest, tax, depreciation and amortisation. EBITDA for covenant purposes is adjusted earnings before depreciation and amortisation, and share remuneration charges
FVAs	Fair value adjustments. These are principally free bets, which are recorded as a cost between gross win and net revenue
Gross win	Gross win is an industry measure calculated as total customer stakes less customer winnings. It differs from net revenue in that it is stated prior to deductions for free bets and customer bonuses
Gross win margin / net revenue margin	This is a measure, inter alia, of the effect of sporting results on the business. The margin is defined as gross win/net revenue as a percentage of amounts wagered. The margin is also affected by the mix of products with different margins and the amount of concessions or free bets offered to customers
Adjusted operating profit	Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. We previously referred to this metric as 'Operating profit' and have updated its naming to clarify that it is an adjusted measure. Further detail on adjusted measures is provided in note 3 to the financial statements
OTC	Retail over-the-counter, which includes self-service betting terminals, largely constitutes bets placed on sporting events, virtual events and lottery-style numbers games
Net debt for covenant purposes	Borrowings plus counter-indemnity obligations under bank guarantees less cash adjusted for customer funds and other restricted balances. Further detail is provided in note 23 to the financial statements
Net revenue	This is an industry term equivalent to 'Revenue' as described in the notes to the financial statements. It is equivalent to gross win less fair value adjustments, which are principally free bets
New accounts	Customers who registered and deposited within the reporting period
PBIT	Profit before interest and tax
Sportsbook	Bets placed and accepted online on sporting and other events, or via OTC and SSBTs in Retail
SSBT	Self-service betting terminal
Unique active players	Customers who placed a bet within the reporting period



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