

*William* HILL



# 2016 half-year results

26 weeks ended 28 June 2016 | 5 August 2016

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# Agenda

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## Welcome

Gareth Davis, Chairman

## Operating and financial review

Philip Bowcock, Interim CEO

## Q&A

Philip Bowcock, Interim CEO

Crispin Nieboer, MD, Online

Nicola Frampton, Director, UK Retail





# Operating and financial review

Philip Bowcock | Interim CEO



# Performance overview

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- Trading in line with operating profit guidance of £260-280m<sup>1</sup>
- Strong EURO 2016 mitigates impact of Cheltenham losses
- Early progress on Online turnaround:
  - Sportsbook mobile user experience redesigned in time for EURO 2016
  - Mobile web and apps localised for four markets
- Revenue and profit growth in Retail, ahead of target with SSBT roll-out
- 12% turnover growth in Australia, profit improvement expected to follow
- 49% profit growth in US
- Investing in technology strategy
  - c£90m invested in NYX with new OpenBet agreement to deliver enhanced technology platform
  - £13.6m acquisition of Grand Parade brings award-winning digital development and user experience expertise in-house
- Net debt for covenant purposes increased to £586.2m, 1.7x EBITDA
- £60m share buyback
- Interim dividend maintained at 4.1p per share reflecting the Board's confidence in the business

1. For further information, refer to the 'Further information in relation to Guidance' section in the 2016 half-year results announcement

# EURO 2016 <sup>(1)</sup>

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	H1 2016	2016 total tournament	2012 total tournament	% change ('16 vs '12)
Retail OTC amounts wagered	£20.0m	£30.1m	£35.3m	-15%
Sportsbook <sup>(2)</sup> amounts wagered	£73.8m	£102.9m	£55.7m	+85%
<b>Total amounts wagered</b>	<b>£93.8m</b>	<b>£133.0m</b>	<b>£91.0m</b>	<b>+46%</b>
Retail OTC gross win	£7.6m	£11.5m	£5.6m	+105%
Sportsbook <sup>(2)</sup> gross win	£16.5m	£24.6m	£4.6m	+435%
<b>Total gross win</b>	<b>£24.1m</b>	<b>£36.1m</b>	<b>£10.2m</b>	<b>+254%</b>
Retail OTC margin	37.9%	38.3%	15.8%	+22.5 pts
Sportsbook <sup>(2)</sup> margin	22.4%	23.9%	8.3%	+15.6 pts
<b>Total margin</b>	<b>25.7%</b>	<b>27.2%</b>	<b>11.3%</b>	<b>+15.9 pts</b>

# Group income statement

	H1 2016 £m	H1 2015 £m	% change	
Net revenue	814.4	808.1	+1%	• Net revenue +1%, operating costs +6%
Operating profit	131.1	155.7	-16%	
Net finance costs	(21.8)	(19.9)	+10%	• £350m corporate bond issued in May
Profit before tax	109.3	135.8	-20%	
Tax	(16.8)	(26.2)	-36%	• Effective tax rate of 15.4%
<b>Adjusted profit after tax</b>	<b>92.5</b>	<b>109.6</b>	<b>-16%</b>	
Exceptional items and adjustments (net of tax)	(7.8)	(40.1)	-81%	• Includes restructuring charges, amortisation of intangibles recognised on acquisitions, gains on early settlement of certain shop closure provisions and NYX investment fair value charges • 2015 included Australian brand accelerated amortisation
Basic, adjusted EPS (p)	10.5	12.5	-16%	
Basic EPS (p)	9.7	7.9	+23%	
Dividend per share (p)	4.1	4.1	0%	

# Online income statement and KPIs

	H1 2016 £m	H1 2015 £m	% change																					
Sportsbook amounts wagered	2,235.9	2,256.8	-1%	<table border="1"> <thead> <tr> <th>Online (excluding Telephone)</th> <th>H1 2016</th> <th>H1 2015</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Unique actives ('000)</td> <td>1,772.2</td> <td>1,849.2</td> <td>-4%</td> </tr> <tr> <td>Revenue / unique active (£)</td> <td>153.5</td> <td>151.4</td> <td>+1%</td> </tr> <tr> <td>New accounts ('000)</td> <td>615.1</td> <td>742.1</td> <td>-17%</td> </tr> <tr> <td>Ave. cost per acquisition (£)</td> <td>111.7</td> <td>82.8</td> <td>+35%</td> </tr> </tbody> </table>	Online (excluding Telephone)	H1 2016	H1 2015	%	Unique actives ('000)	1,772.2	1,849.2	-4%	Revenue / unique active (£)	153.5	151.4	+1%	New accounts ('000)	615.1	742.1	-17%	Ave. cost per acquisition (£)	111.7	82.8	+35%
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- Sportsbook gross win margin	7.3%	7.2%	+0.1ppts																					
Sportsbook net revenue	139.9	141.0	-1%																					
Gaming net revenue	137.3	145.6	-6%																					
- Vegas product suite	83.0	83.6	-1%																					
- Playtech Casino	40.2	44.5	-10%																					
- Poker	3.4	5.5	-38%																					
- Bingo	10.7	12.0	-11%																					
<b>Net revenue</b>	<b>277.2</b>	<b>286.6</b>	<b>-3%</b>	<ul style="list-style-type: none"> <li>UK wagering -0.7%</li> <li>Italy and Spain wagering +22%, total net revenue +26%</li> </ul>																				
Cost of sales	(62.0)	(64.1)	-3%	<ul style="list-style-type: none"> <li>Improving gross win margin: P1-4 6.3%, P5-6 9.3%</li> </ul>																				
<b>Gross profit</b>	<b>215.2</b>	<b>222.5</b>	<b>-3%</b>																					
Operating costs	(171.8)	(157.9)	+9%	<ul style="list-style-type: none"> <li>Staff costs includes headcount for UX, BI, international</li> </ul>																				
- Employee costs	(32.0)	(28.3)	+13%	<ul style="list-style-type: none"> <li>Marketing 25% of net revenue, H1 weighting for EURO 2016</li> </ul>																				
- Marketing	(69.7)	(62.4)	+12%																					
- Finance charges	(12.6)	(13.9)	-9%																					
- Depreciation and amortisation <sup>1</sup>	(19.1)	(15.7)	+22%																					
- Other costs incl. recharges	(38.4)	(37.6)	+2%																					
<b>Operating profit</b>	<b>43.4</b>	<b>64.6</b>	<b>-33%</b>																					

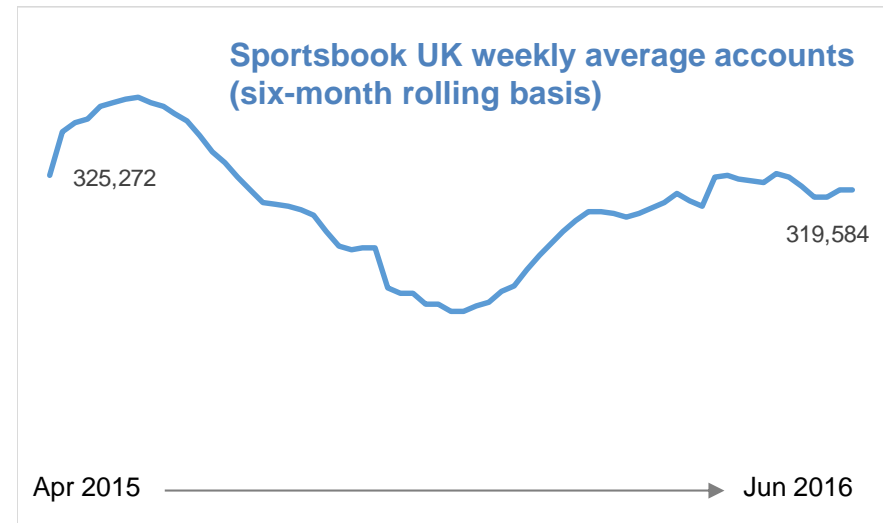


# Online update

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## Underlying wagering performance

- Tennis -2 pts
- Market closures -1 ppt
- Time-outs/automatic self-exclusions -1 ppt
- Underlying growth rate +3%
- UK underlying growth rate +3%



## Other operating updates

- Gaming performance
  - Focus for next phase of UX improvements – lobby, funnel, cross-sell
  - Impact of market closures and regulatory changes
- Time-outs / automatic self-exclusions
  - Slight changes to average weekly accounts and return rates

# Retail income statement and KPIs

	H1 2016 £m	H1 2015 £m	% change
OTC amounts wagered	1,184.7	1,229.9	-4%
OTC gross win	225.0	219.7	+2%
- OTC gross win margin	19.0%	17.9%	+1.1ppts
Machines gross win	242.3	229.3	+6%
Total gross win	467.3	449.0	+4%
<b>Net revenue</b>	<b>467.2</b>	<b>448.9</b>	<b>+4%</b>
Cost of sales	(116.4)	(110.7)	+5%
<b>Gross profit</b>	<b>350.8</b>	<b>338.2</b>	<b>+4%</b>
Operating costs	(256.4)	(247.7)	+4%
- Employee costs	(97.4)	(92.5)	+5%
- Property costs	(52.6)	(51.8)	+2%
- Content costs	(36.2)	(35.4)	+2%
- Depr. and amortisation	(14.8)	(14.7)	+1%
- Other costs incl. recharges	(55.4)	(53.3)	+4%
<b>Operating profit</b>	<b>94.4</b>	<b>90.5</b>	<b>+4%</b>

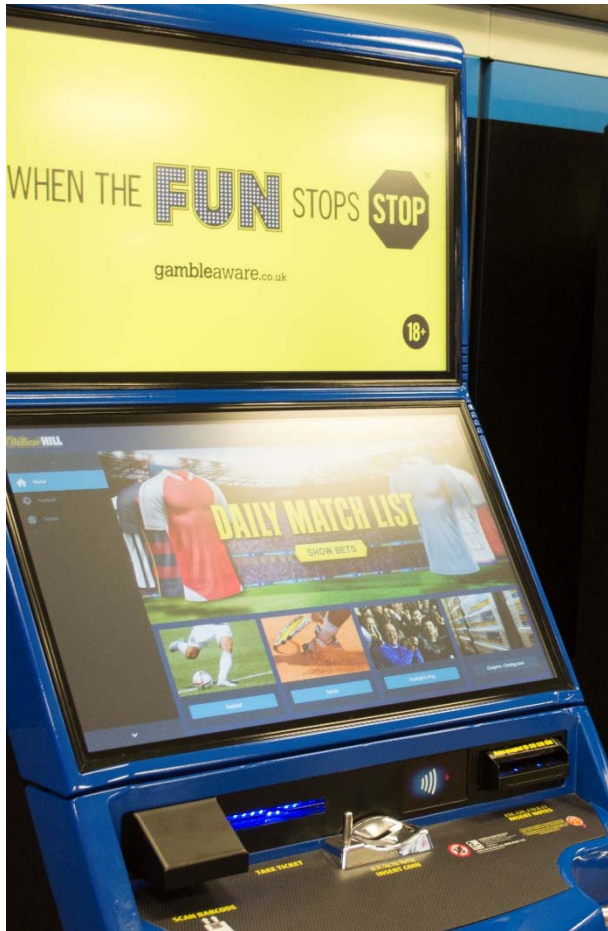
	H1 2016	H1 2015	% change
Average no. of LBOs	2,371	2,362	+0%
Average no. of machines	9,336	9,294	+0%
Machine density	3.94	3.93	+0%
Gross win / machine / week <sup>1</sup>	£998	£949	+5%
Machine gross win margin	3.55%	3.47%	+0.08 ppts

- Wagering impacted by higher than average gross win margin

- Restructured Gaming Operations team driving strong growth, better content management

# Proprietary self-service betting terminal rolling out

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- Only major operator with proprietary SSBT
- 800 rolled out, ahead of 500 target for EURO 2016
- Performing in line with expectations
- Roll-out further 1,200 before year-end
- Focus on content roadmap from H2



# Australia income statement and KPIs

	H1 2016 A\$m	H1 2015 A\$m	% change
Amounts wagered	1,156.6	1,022.9	+13%
Gross win	114.2	114.2	0%
- Gross win margin	9.9%	11.2%	-1.3 pts
<b>Net revenue</b>	<b>93.2</b>	<b>103.4</b>	<b>-10%</b>
Cost of sales	(24.3)	(23.9)	+2%
<b>Gross profit</b>	<b>68.9</b>	<b>79.5</b>	<b>-13%</b>
Operating costs	(61.6)	(60.3)	+2%
- Employee costs	(20.4)	(17.2)	+19%
- Marketing	(24.4)	(26.0)	-6%
- Depreciation and amortisation	(6.0)	(4.9)	+22%
- Other costs incl. recharges	(10.8)	(12.2)	-11%
<b>Operating profit in A\$m</b>	<b>7.3</b>	<b>19.2</b>	<b>-62%</b>
<b>Operating profit in £m</b>	<b>3.9</b>	<b>9.8</b>	<b>-60%</b>

	H1 2016	H1 2015	% change
Unique active players ('000)	190.9	204.7	-7%
Revenue/unique active (A\$)	488	505	-3%
New accounts ('000)	52.0	40.6	+28%
Cost per acquisition (A\$)	468	641	-27%

- Double-digit growth in turnover

- Industry-wide poor horseracing results in H1

- Australian Open sponsorship in H1 2016
- William Hill brand launch in H1 2015

# Australia update

## Rapid product delivery

- 31 product initiatives delivered in H1

## Focus on William Hill brand

- William Hill (ex-Centrebet) turnover +28% and new accounts +38%
- Successful tomwaterhouse.com migration
- Centrebet migration to be completed in H2



## Regulatory risks are increasing the importance of scale

- NT 'click to call' ban temporarily on hold
- New government's position on 'click to call' and credit betting to be confirmed
- SA POCT July 2017
- Greyhound ban: New South Wales and ACT

# US income statement

	H1 2016 \$m	H1 2015 \$m	% change
Amounts wagered	465.0	355.5	+31%
Gross win	26.5	24.3	+9%
- Gross win margin	5.7%	6.8%	-1.1 pts
<b>Net revenue</b>	<b>26.5</b>	<b>24.3</b>	<b>+9%</b>
Cost of sales	(2.3)	(2.0)	+15%
<b>Gross profit</b>	<b>24.2</b>	<b>22.3</b>	<b>+9%</b>
Operating costs	(15.0)	(15.8)	-5%
<b>Operating profit \$m</b>	<b>9.2</b>	<b>6.5</b>	<b>+42%</b>
<b>Operating profit £m</b>	<b>6.4</b>	<b>4.3</b>	<b>+49%</b>

- Continued strong growth in wagering

- Gross win margin affected by weaker baseball results

- First to launch Virtual Racing
- Working on next generation kiosk, leveraging SSBT development



# William Hill today

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## Iconic brand

- Trusted brand, The Home of Betting
- International resonance

## Retail resilience

- Highly cash generative
- Complementary to Online

## Online leadership

- Large-scale UK business
- High-quality revenues
- Improved mobile offering
- Underpinned by bespoke / proprietary technology

## International growth

- Top three operator in Australia, Italy, Spain
- Optionality from leading US position

## Opportunity for 'self-help'

- Modernising Retail's operating model
- Other potential efficiencies across the Group

# Our focus areas

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1. Maintain the pace of Online's turnaround
2. Deliver our technology roadmap
3. Drive increased efficiencies across the Group
4. Refocus the international growth and expansion

# 1. Online UX and product – H1 delivery

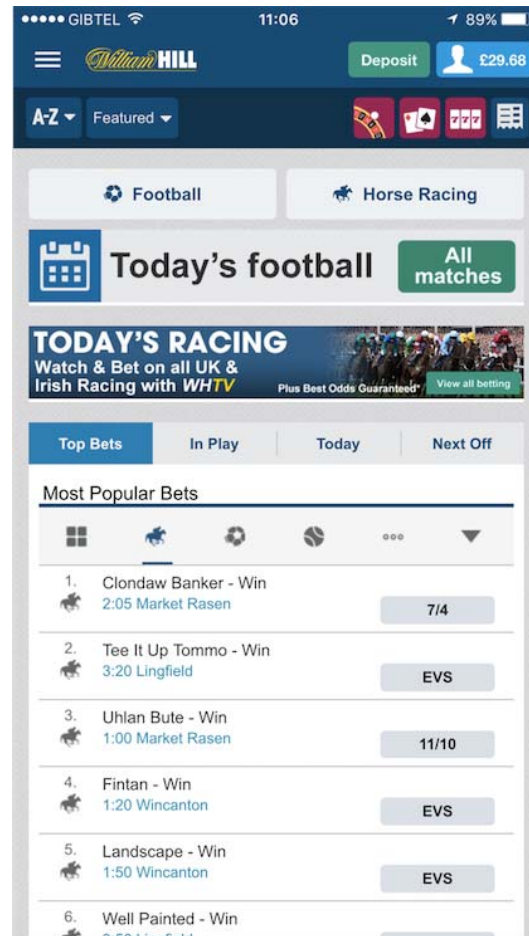
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- Increased velocity** —————> 7 app releases  
115 sports releases  
19 account releases
- ‘Close the gap’** —————> Faster app load times  
Partial Cash In  
Fastest live score push notifications  
Redesigned betslip  
Market templates, stronger acca journeys
- Differentiating features** —————> Search functionality on the bottom menu  
Watch-and-bet with William Hill Betting TV  
New football scoreboards  
Enhanced bets  
Push bet suggestion on in-play event pages  
In-app messaging  
Cash In 90-minute availability
- International** —————> Four language sites  
Four translated iOS Sportsbook apps  
Launch in German App Store

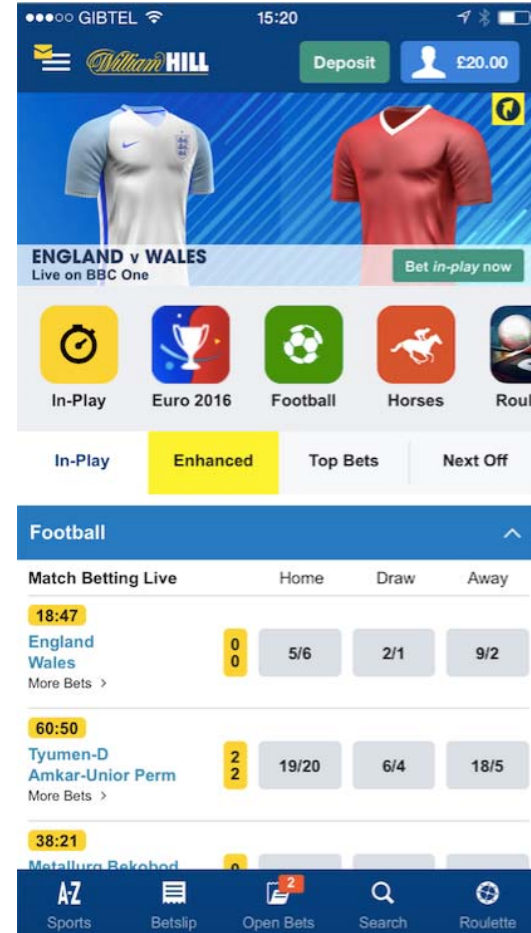


# 1. Online UX and product: Q2 Sportsbook redesign

Before:  
Oct 2015



After:  
EURO 2016  
redesign



# 1. Online UX and product – next priorities

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## Focus on key customer experiences



- Landing pages
- Registration conversion
- Deposit conversion
- Password reset
- Speed
- Navigation

## Focus on gaming



- Enhanced content release schedule
- Lobby redesign
- Cross-sell journey
- Single wallet

## Further Sportsbook enhancements



- Additional streaming
- Partial Cash In on other sports

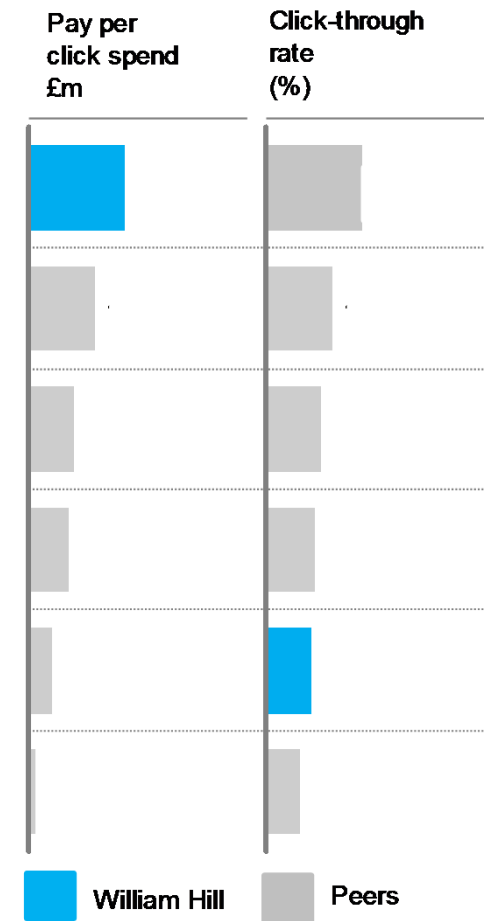
# 1. Online: digital marketing

## Operating efficiencies improved

- Strong progress on account management
- Loss-leading campaigns removed, refocusing affiliates
- Reducing bonus abuse and improving margin
  - Sportsbook FVAs halved from 1.3% of turnover in Q1 to 0.8% in Q2
- New data platform being implemented

## What's next?

- Automate more account management processes in H2
- Further FVA optimisation – gaming and sports
- Optimise PPC spend
- Change the marketing mix, e.g., programmatic marketing
- Focus on 'retrial' in early stages of the football season



Source: McKinsey

## 2. Deliver our technology roadmap

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### Developing the best UX in the market

£13.6m Grand Parade acquisition



- Expertise used by many major operators
- Team of 200 developers / UX experts, 'backfilling' existing resource gaps
- Leverages Trafalgar platform
- Initial priorities
  - Catch up on product pipeline
  - 'OpenBet 2' project
  - Desktop refresh
  - One-minute markets UX
  - Omni-wallet

### Delivering our new, flexible platform

Ten-year commercial agreement with OpenBet and c£90m NYX investment to support acquisition



- Three-year plan to develop 'OpenBet 2' back-end platform
- 'One platform' approach for the Group
- Supports international expansion
- 6% 'implied' coupon on NYX convertible and potential upside

### 3. Drive increased efficiencies across the Group

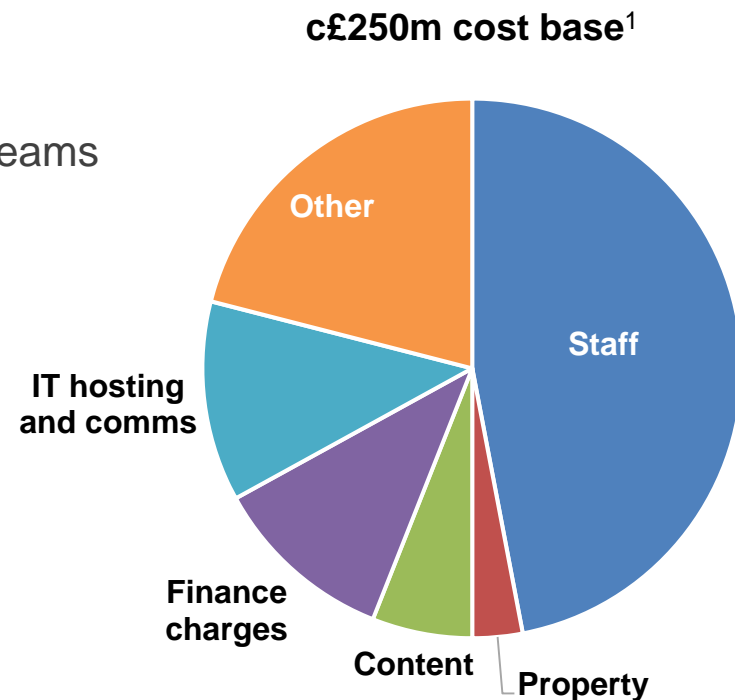
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#### Modernising Retail's operating model

- First major organisational change in a decade
- Increasing focus on the customers
- Bringing management support closer to shop teams
- c£12m exceptional cost
- Consultation process underway, implementation planned for 1 Jan 17
- Staff cost increases remain within manageable levels for the medium term

#### Other opportunities

- Identify 'self-help' measures to improve efficiency and drive cost savings, e.g., optimise back office functions





## 4. Refocus the international growth and expansion

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### Diversify sources of revenue internationally

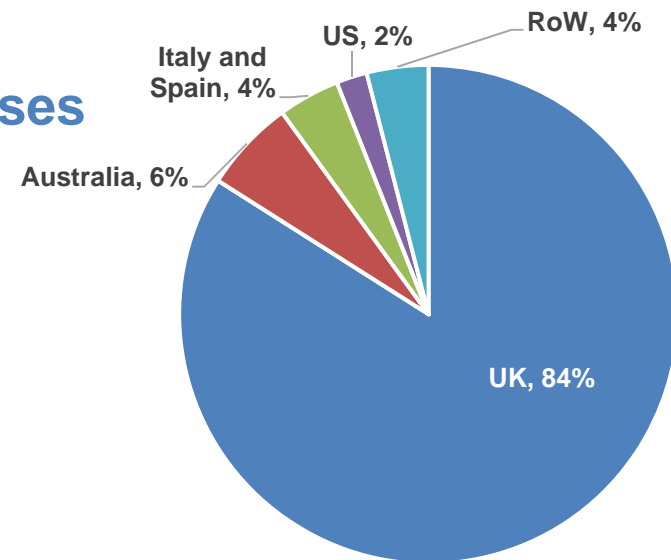
- Reduce reliance on UK
- Reduce impact of fiscal, regulatory and economic changes

### Optimising current international businesses

- Ensure appropriate focus and resources
- Right product, marketing, management team
- Optimise returns, e.g., localisation

### New market opportunities

- Risk-based approach to evaluating markets
- Regulated and less developed markets
- Maintain capital discipline
- Flexible approach: technology platforms, organic growth, bolt-on acquisitions



# Summary

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- Four profitable divisions with strong fundamentals
- Significant amount of work delivered in H1
- Robust balance sheet and strong cash generation
- Clear priorities in place
- Motivated team determined to be market-leading again

# Q&A

Philip Bowcock | Interim CEO  
Crispin Nieboer | MD, Online  
Nicola Frampton | Director, UK Retail





# Appendices



# Cash flow and net debt

	Cash £m	Restricted cash £m	Debt £m	Net debt <sup>(1)</sup> £m
<b>Opening Position at 29 December 2015</b>	<b>282.1</b>	<b>(95.3)</b>	<b>(675.0)</b>	<b>(488.2)</b>
Profit before interest and tax	122.0			122.0
Depreciation & Amortisation	41.4			41.4
Share remuneration	3.1			3.1
Pension contribution	(4.9)			(4.9)
Interest & Tax	(23.1)			(23.1)
Working Capital	25.5			25.5
FV movements on derivatives	5.0			5.0
Ante post liabilities	(1.5)			(1.5)
Other	(1.2)			(1.2)
<b>Net cash generated from operations</b>	<b>166.3</b>			<b>166.3</b>
Purchase of own shares	(60.2)			(60.2)
Issue of £350m Guaranteed notes due 2023	350.0		(350.0)	0.0
Investments	(90.7)			(90.7)
Capital expenditure	(43.6)			(43.6)
Dividends paid	(73.4)			(73.4)
Foreign exchange	4.3			4.3
Other	1.1	(1.8)		(0.7)
<b>Closing Position at 28 June 2016</b>	<b>535.9</b>	<b>(97.1)</b>	<b>(1,025.0)</b>	<b>(586.2)</b>

Capex	2016 £m	2015 £m
Online	19.4	16.5
Retail	5.7	5.3
Australia	8.1	2.5
US	0.6	0.2
IT / other	9.8	3.0
<b>Total capex</b>	<b>43.6</b>	<b>27.5</b>



# Glossary

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Adjusted results	Adjusted results means results before exceptional items and adjustments, as described in note 3 to the half-year statement.
Amortisation	Where operating expenses, operating profit or EPS are adjusted for amortisation, this pertains to amortisation of intangibles recognised on acquisition.
Amounts wagered	In this presentation, this represents the gross takings in Retail OTC, Telephone, US, Australia and Online Sportsbook.
ARPU	Average net revenue per user.
Basic, adjusted EPS	This is based upon adjusted profit for the period.
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 and net revenue	Gross win is calculated as the total amount that the Group retains from customers' stakes after paying out any winnings. Net revenue is the primary measure for all divisions. This is gross win less fair-value adjustments for free bets, promotions and bonuses, which are used extensively in digital operations but less so in Retail.
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.
Operating profit	Adjusted profit before interest and tax.
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. For further explanation, refer to p125 of the 2015 Annual Report and Accounts.
New accounts	Customers who registered and deposited within the reporting period.
PBIT	Profit before interest and tax.
Unique active players	Customers who placed a bet within the reporting period.