



Final results for  
the 52 weeks ended 29 December 2009

26 February 2010

# Agenda

- **Introduction** **Ralph Topping, Chief Executive**
- Financial highlights Simon Lane, Group Finance Director
- Operating review Ralph Topping, Chief Executive
- Q&A

# 2009 overview and 2010 outlook

## **A year of transformation and a solid performance**

- William Hill Online operations and products transformed
- 'Storm' machines being rolled out in Retail
- Strengthened Balance Sheet
- Net revenue +4%, EBITA -7%

## **Outlook for 2010**

- Trading conditions continue to be challenging
- World Cup
- Machines growth vs VAT increase
- Address Telephone competitive position
- William Hill Online: invest in marketing and international growth

# Agenda

- Introduction Ralph Topping, Chief Executive
- **Financial highlights** **Simon Lane, Group Finance Director**
- Operating review Ralph Topping, Chief Executive
- Q&A

# Summary of performance

52 weeks to	29 Dec 2009 £m	30 Dec 2008 £m	%	Comments
Net revenue	<b>997.9</b>	963.7	+4%	
<b>EBITA</b>	<b>258.5</b>	<b>278.6</b>	-7%	
Amortisation	<b>(5.5)</b>	-		William Hill Online intangibles
Net finance costs	<b>(55.5)</b>	(62.5)	-11%	7.7% effective interest rate for full year
Tax	<b>(48.5)</b>	(58.3)	-17%	24.5% effective tax rate
Minority interest	<b>(20.6)</b>	-		Playtech share of William Hill Online
<b>Retained profit</b>	<b>128.4</b>	<b>157.8</b>	-19%	
<b>Basic, adjusted EPS (p)</b>	<b>20.6</b>	<b>31.9</b>	-35%	Effect of rights issue
Exceptional items (pre-tax)	<b>(76.6)</b>	77.2		WHO integration, refinancing, hedging
Net debt for cov't purposes	<b>602.6</b>	1,022.1	-41%	£350m rights issue, operating cashflow

Final dividend of 5.0p per share, full-year dividend of 7.5p per share

Notes:

1. Numbers are presented on a pre-exceptional basis
2. 2008 EPS numbers are restated to reflect the rights issue completed in April 2009. Basic EPS is based on 641.3million shares for 2009 and 494.4 million shares for 2008

# Exceptional items

	Item	£m
<b>Cash items</b>	• William Hill Online integration	6.2
	• Refinancing costs	2.9
<b>Total</b>		<b>9.1</b>
<b>Non-cash items</b>	• Ineffective hedging fair-value loss	20.5
	• Telephone goodwill write-off	34.8
	• Impairment of Republic of Ireland assets	8.2
	• William Hill Online integration	4.0
<b>Total</b>		<b>67.5</b>
<b>Total exceptional items</b>		<b>76.6</b>

# Results - Retail

52 weeks to	29 Dec 2009 £m	30 Dec 2008 £m	%	Comments
OTC gross win	459.1	519.6	-12%	Amounts wagered weakness
Machines gross win	343.5	318.3	+8%	Continued strong growth
<b>Total gross win</b>	<b>802.6</b>	<b>837.9</b>	-4%	
<b>Net revenue</b>	<b>757.5</b>	<b>790.7</b>	-4%	
Cost of sales	(125.7)	(135.6)	-7%	
<b>Gross profit</b>	<b>631.8</b>	655.1	-4%	
Staff costs	(189.3)	(188.2)	+1%	All-employee pay freeze
Property – rent	(47.8)	(44.7)	+7%	Rent, development, ROI
Property – other	(39.9)	(35.2)	+13%	Energy costs, repairs, rates
Content costs	(48.9)	(45.8)	+7%	Turf TV and contract increases
Other costs	(103.2)	(101.0)	+2%	Press advertising, depreciation
<b>Operating costs</b>	<b>(429.1)</b>	<b>(415.0)</b>	+3%	
<b>Operating profit</b>	<b>202.7</b>	<b>240.1</b>	-16%	

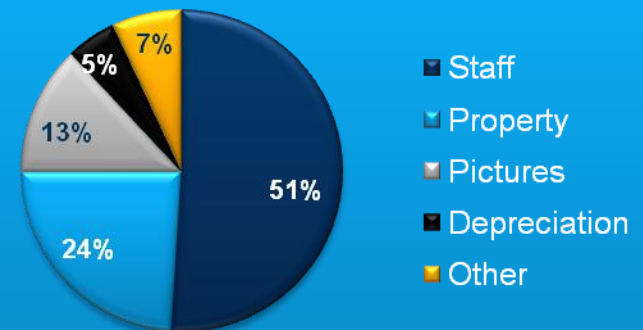
Numbers are presented on a pre-exceptional basis

# Strong cost control in Retail

**Costs up 3.4%** **£14.1m**

- One-off Irish shop closures £2.5m
- UK estate development £3.9m
- Energy costs £3.6m
- Ongoing operations +1.0% **£4.1m**

Split of direct operating costs





# Results - Telephone

52 weeks to	29 Dec 2009 £m	30 Dec 2008 £m	
<b>Net revenue</b>	<b>29.7</b>	<b>39.8</b>	-25%
Cost of sales	(7.0)	(9.2)	-24%
<b>Gross profit</b>	<b>22.7</b>	<b>30.6</b>	-26%
Staff costs	(6.5)	(6.9)	-6%
Marketing costs	(3.7)	(3.3)	+13%
Other costs	(14.3)	(14.5)	-1%
<b>Operating costs</b>	<b>(24.5)</b>	<b>(24.7)</b>	-1%
<b>Operating profit</b>	<b>(1.8)</b>	<b>5.9</b>	

Unlevel playing field

Costs controlled

Reduced turnover, high roller losses

Numbers are presented on a pre-exceptional basis

# Retail and Telephone key metrics

52 weeks to	29 Dec 09	30 Dec 08	
Average number of LBOs	<b>2,324</b>	2,299	+1%
Retail amounts wagered (£m)	<b>13,670.2</b>	13,567.0	+1%
Retail gross win (£m)	<b>802.6</b>	838.0	-4%
OTC amounts wagered (£m)	<b>2,600.5</b>	2,833.0	-8%
OTC gross win margin	<b>17.7%</b>	18.3%	In normal 17-18% range
Average number of machines	<b>8,716</b>	8,549	+2%
Machines amounts wagered (£m)	<b>11,069.7</b>	10,734.7	+3%
Gross win per machine per week	<b>758</b>	716	+6%
Machine gross win margin	<b>3.10%</b>	2.97%	+13 bps
Telephone amounts wagered (£m)	<b>507.7</b>	545.0	-7%
Telephone gross win margin	<b>5.8%</b>	7.3%	-150 bps
Active players <sup>(2)</sup>	<b>113,700</b>	131,500	

(1) Average contribution per machine per week was £570 (2008 - £529)

(2) Players who placed a bet during the period

# Results - William Hill Online

52 weeks to	29 Dec 09 £m	30 Dec 08 £m vs pro forma	
Sportsbook	41.8	42.0	-
Casino	126.7	111.3	+14%
Poker	21.3	24.9	-14%
Bingo and skill	13.7	10.0	+37%
<b>Net revenue</b>	<b>203.5</b>	<b>188.2</b>	<b>+8%</b>
Cost of sales	(24.7)	(26.7)	-8%
<b>Gross profit</b>	<b>178.8</b>	<b>161.5</b>	<b>+11%</b>
Marketing costs	(41.8)	(37.0)	+13%
Other costs	(62.6)	(48.9)	+28%
<b>Operating costs</b>	<b>(104.4)</b>	<b>(85.9)</b>	<b>+22%</b>
<b>Operating profit</b>	<b>74.4</b>	<b>75.6</b>	<b>-2%</b>

For a comparison against William Hill only in 2008, see the appendix

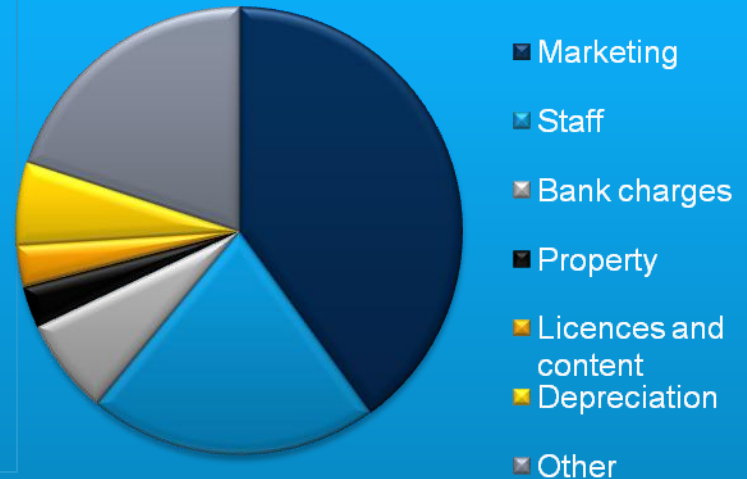
# Investing in an infrastructure for growth

## Costs increase

**£18.5m**

- Staff £4.8m
- Marketing £4.8m
- Gibraltar establishment £2.2m
- Depreciation £5.1m
- Other £1.6m

## Split of direct operating costs



# William Hill Online – key metrics

52 weeks to	29 Dec 09	30 Dec 08 vs pro forma	
Unique active players <sup>(1)</sup>	<b>1,289,800</b>	987,100	+31%
Revenue per unique active player	<b>157.8</b>	190.6	-17%
New accounts <sup>(2)</sup>	<b>665,100</b>	518,200	+28%
Average cost per acquisition (£) <sup>(3)</sup>	<b>63</b>	71	-12%
Sportsbook turnover (£m)	<b>701.0</b>	587.5	+19%
Sportsbook gross win margin	<b>6.6%</b>	7.5%	-0.9 bps

1. Placed a bet within the period
2. Deposited and placed a bet within the period
3. Including affiliates

For a comparison against William Hill only in 2008, see the appendix

# Strong profit to cash conversion

52 weeks to	29 Dec 09 £m	30 Dec 08 £m
EBITDA	300.8	318.6
Working capital / other	(16.6)	(4.6)
Capital expenditure	(36.5)	(53.4)
<b>Cash from operations</b>	<b>247.7</b>	<b>265.1</b>
Cash taxes	(49.3)	(38.1)
Net interest	(59.1)	(46.5)
Minority dividends	(17.4)	-
<b>Free cashflow</b>	<b>121.9</b>	<b>180.5</b>
Acquisitions and JVs	(3.1)	(7.7)
Dividends	(17.5)	(80.8)
SAYE redemptions	1.4	0.7
Borrowings repaid	(693.0)	(85.6)
Cash received on issue of shares	352.1	-
Cash received on corporate bond	297.9	-
Debt facility issue costs	(16.4)	-
<b>Net cashflow</b>	<b>43.3</b>	<b>7.1</b>
Net debt for covenant purposes	602.6	1,022.1
Net debt:EBITDA (covenant basis)	2.2 times	3.2 times

## Comments

Playtech minority interest

Spain JV exited in Jan 2010

Half-year dividend only

£43m of debt repaid from operating cashflow

Rights issue proceeds

Corporate bond proceeds

# Capital expenditure and JV investment

52 weeks to	29 Dec 09 £m	30 Dec 08 £m
Retail development	14.4	23.6
Retail acquisitions	-	1.4
William Hill Online (incl. Sportsbook development)	6.8	15.1
William Hill Online integration	7.2	-
Investment in joint venture	3.1	6.2
Other (including IT)	6.3	12.0
<b>Total capital expenditure</b>	<b>37.8</b>	<b>58.3</b>

Figures prepared on an accruals basis

- 2010 capex expected to be c. £60-65m, including refurbishments

# Strong Balance Sheet through refinancing activities

- Net debt reduced by £419.5m to £602.6m
- Improved debt position through £300m corporate bond
- Net debt:EBITDA reduced to 2.2x

Debt facilities	At interims	Now
Bank facility maturing Feb 2011	£50m	-
Bank facility maturing Jul 2011	£250m	-
Bank facility maturing Mar 2012	£538.5m	£538.5m
Bond maturing Nov 2016	-	£300m
<b>Total facilities</b>	<b>£838.5m</b>	<b>£838.5m</b>

Legacy hedging facilities	
2009	£820m
2010	£640m
2011	£370m
2012	£200m



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# Retail: robust performance in challenging conditions

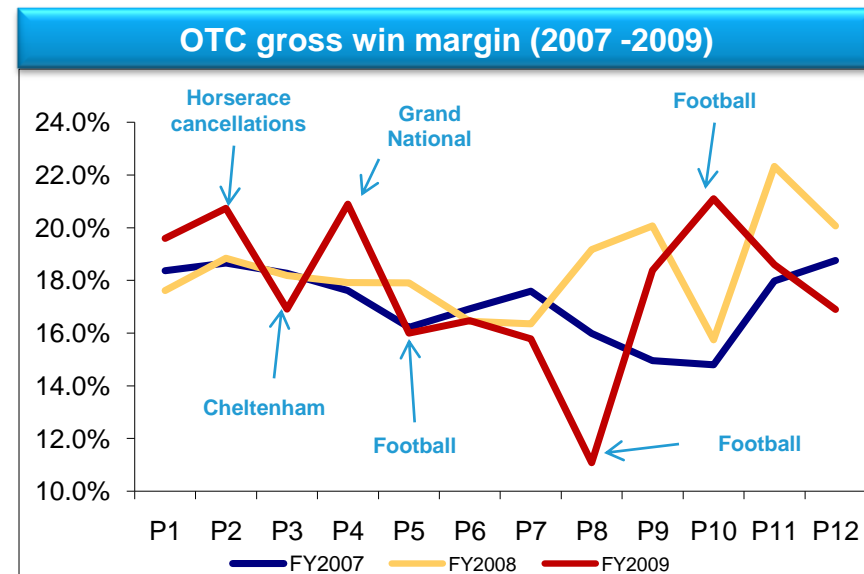
- OTC volumes: softness in amounts wagered
  - Slips -3%
  - Pence per slip -5%
- OTC margins: sporting results normalised, 17.7% in full year
- Strong machines performance +8%
- Good cost control: ongoing operations costs up 1%
- Continued development: estate increased by 23 shops (net)

# OTC overview

- OTC gross win margin returned to usual 17-18% trading range (five-year average 17.1%)

2005	2006	2007	2008	2009
15.9%	16.3%	17.2%	18.3%	17.7%

- Strong football results in Q4
- Horseracing margin 1% weaker throughout 2009, as expected



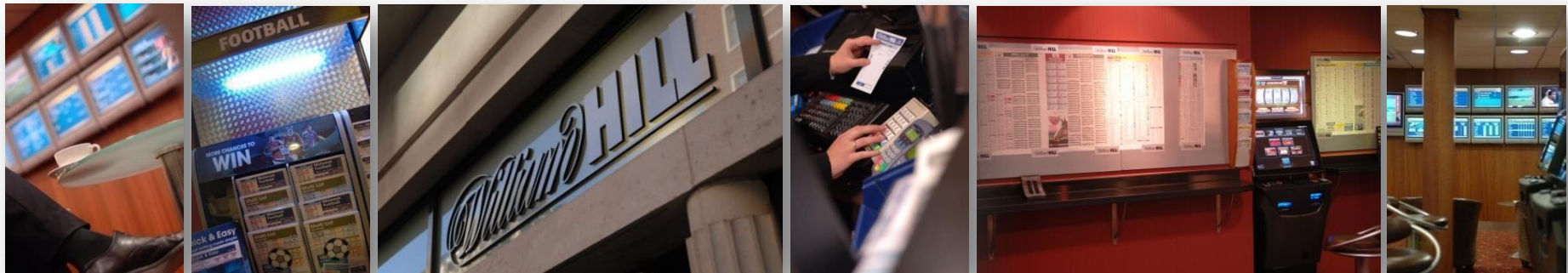
# Continuing good growth in machines

- Machines gross win up 8%
- Margin improvement from 3.0% to 3.1%
- Gross win per machine per week of £758 (2008 - £716)
- 'Storm' roll-out on schedule



# Continuing to enhance the estate

- Estate increased by 23 shops (1%) to 2,342 at 29 December 2009
- 55 new shops opened
- 38 resites and extensions
- 2010 capex plan includes return to refurbishment investment



# Telephone

- Volumes -7%, margins 150 bps lower at 5.8%
- Net revenue down 25%, EBIT loss of £1.8m
- Costs held flat in spite of increased marketing spend
- Committed to continuing to operate a Telephone service
- Review of options for returning to profitability
  - Customer base
  - Cost base
  - Location

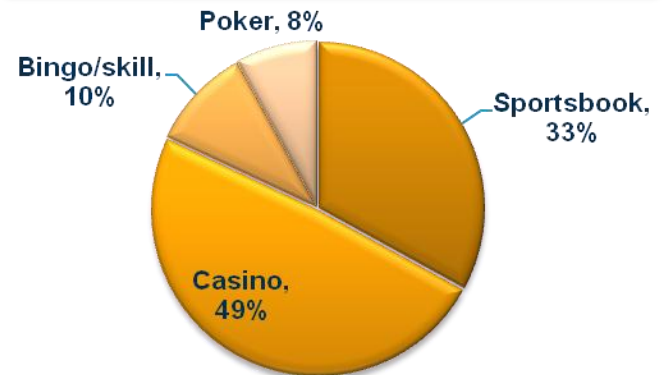
# William Hill Online: one year on

- Good progress in 2009
  - Net revenue +8%
  - New customers +28%
  - Unique active players +31%
- Integration completed
- Best-in-class products
- Grow UK market share and exploit international growth opportunity
- Marketing

## Net revenue by product



## New accounts by product



# Sportsbook

- Strong growth in volumes and accounts

- Turnover +19%
- Net revenue -0.5%
- New accounts +30%
- Unique actives +22%

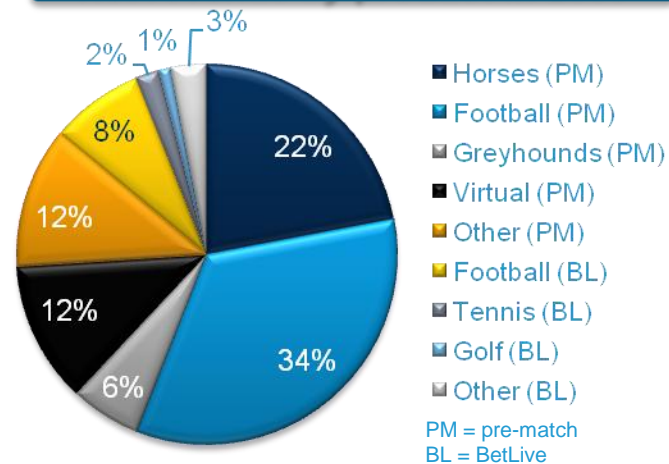
- Margins

- Down 0.9% points to 6.6%
- Current trend shows improving margins

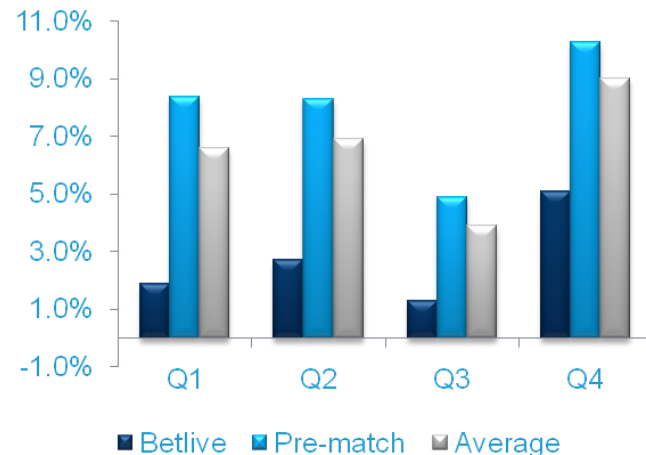
- Initiatives driving growth

- Expansion of in-play markets
- Improving net revenue margin
- Localisation

Net revenue by product in 2009



Net revenue margin in 2009





# Sportsbook in 2010: initiatives to drive growth

## Become market leader in football in-play betting

- In-house models ✓
- Multi-match in-play trading client ✓
- New feeds ✓
- Front-end redesign Q2 2010
- Automation Q2 2010
- 750 matches per week, 100 markets per match Mid-2010

## **Other developments**

- Launch 21 further international sites
- Italy licence
- Roll-out to in-play markets in other key sports

# Continued good gaming performance



## Casino

- Net revenue +14% to £126.7m
- Strong growth in new accounts +39%
- Branded games



## Poker

- Net revenue -14% to £21.3m
- Customer attrition from migration to i-Poker
- £ and € tables launched



## Bingo/skill

- Net revenue +37% to £13.7m
- Launch of social networking to build customer retention
- Dedicated Spanish site launched

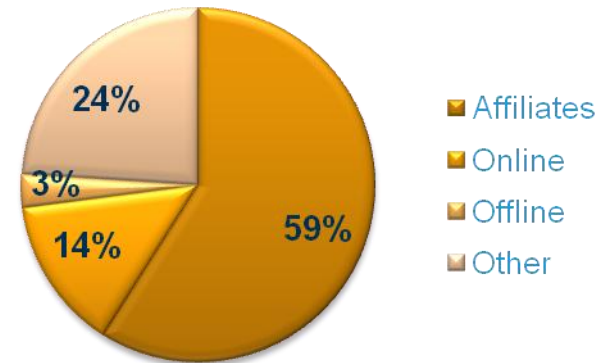
# Exploiting the international growth opportunity

- Positive trend of regulation
- 40% of net revenues from outside UK
- Strengthening the international team
- Enhanced Sportsbook product
- Exploiting established marketing infrastructure

# Marketing

- Establish brand presence
- Reinvest revenues to expand footprint and market share
- On- and off-line activities
  - New Brand & Marketing Director in place
  - CRM and cross-selling potential
- World Cup opportunity
- Disciplined spend – focus on return on investment

## Marketing spend by type



	New accounts	%
Sportsbook	220,500	+30%
Casino	325,700	+39%
Poker	68,100	-18%
Bingo/skill	50,800	+63%

# Group current trading in line with expectations

- Group net revenue down 0.6% in first seven weeks
- Retail\*
  - Gross win -5%
  - OTC amounts wagered -6%
  - OTC gross win -13%
  - Machines gross win +7%
- William Hill Online
  - Net revenue +22%
  - Gaming +8%
  - Sportsbook
    - Amounts wagered +44%
    - Net revenue +74%
    - Continued growth in betting in running
- Benefits of a balanced business

Note: Retail and machine net revenue, which is gross win less VAT on machines, is distorted by the 15% tax rate in 2009. Gross win is provided as giving a clearer picture of underlying performance. Retail net revenue was -6% and machines net revenue was +5%

# Regulation update

- Review of gaming machines taxation
- Prevalence Study
- Dual licensing in UK
- General Election
- Ongoing developments in European online regulation

# Outlook for 2010 and beyond

<b>Overview</b>	<ul style="list-style-type: none"><li>• Trading conditions continue to be challenging</li><li>• World Cup</li></ul>
<b>Retail</b>	<ul style="list-style-type: none"><li>• Economic weakness vs machines growth</li><li>• Increased VAT cost</li></ul>
<b>Online</b>	<ul style="list-style-type: none"><li>• Revenue growth from product developments</li><li>• Reinvestment in marketing / international growth</li></ul>

## Longer-term picture

Maintain position as number one in the UK  
Maintain position as top three online operator in Europe

Appendices



# Summary of performance by division

52 weeks to	Net revenue			Operating profit		
	29 Dec 2009 £m	30 Dec 2008 £m	Change %	29 Dec 2009 £m	30 Dec 2008 £m	Change %
Retail	757.5	790.7	-4%	202.7	240.1	-16%
Online	203.5	125.1	+63%	74.4	54.6	+36%
Telephone	29.7	39.8	-25%	(1.8)	5.9	-131%
Other	7.2	8.1	-11%	0.6	1.2	-50%
JVs				(3.1)	(5.8)	+47%
Associates				2.8	2.9	-3%
Corporate				(17.1)	(20.3)	+16%
<b>EBITA</b>				<b>258.5</b>	<b>278.6</b>	<b>-7%</b>
Amortisation				(5.5)	-	
<b>Total</b>	<b>997.9</b>	<b>963.7</b>	<b>+4%</b>	<b>253.0</b>	<b>278.6</b>	<b>-9%</b>

# Net revenue summary

52 weeks to		29 Dec 2009 £m	WMH only 30 Dec 2008 £m	Pro forma 30 Dec 2008 £m
<b>Retail</b>	OTC	459.1	519.6	519.6
	Machines	298.4	271.1	271.1
	<b>Retail total</b>	<b>757.5</b>	790.7	790.7
<b>Online</b>	Sportsbook	41.8	42.0	42.0
	<i>Gaming – casino</i>	126.7	57.7	111.3
	<i>Gaming – poker</i>	21.3	15.7	24.9
	<i>Gaming – bingo, skill</i>	13.7	9.7	10.0
	Gaming total	161.7	83.1	146.2
	<b>Online total</b>	<b>203.5</b>	125.1	188.2
<b>Telephone</b>		29.7	39.8	39.8
<b>Other</b>		7.2	8.1	8.1
<b>Total net revenue</b>		<b>997.9</b>	<b>963.7</b>	<b>1,026.8</b>

For net revenue, machines are shown net of VAT, Sportsbook and gaming are shown net of fair-value adjustments for free bets, promotions and bonuses

# Group operating expenses by division

52 weeks ended	29 Dec 2009 £m	30 Dec 2008 £m	
Retail	(429.1)	(415.0)	+3%
Online <sup>(1)</sup>	(104.4)	(50.1)	+108%
Telephone	(24.5)	(24.7)	-1%
Other	(5.8)	(5.9)	-2%
Central	(17.1)	(20.3)	-16%
<b>Group operating expenses</b>	<b>(580.9)</b>	<b>(516.0)</b>	<b>+13%</b>

(1) Excluding £5.5m amortisation

# Group operating expenses by cost category

52 weeks ended	29 Dec 2009 £m	30 Dec 2008 £m	
Staff costs	(268.8)	(258.8)	+4%
Property costs	(97.4)	(88.2)	+10%
Depreciation	(35.9)	(35.8)	+0%
Pictures and data	(49.3)	(46.3)	+6%
Advertising/marketing	(54.0)	(23.7)	+128%
Finance charges	(14.1)	(7.0)	+101%
Communications	(8.2)	(8.3)	-1%
Other	(53.2)	(47.9)	+11%
<b>Group operating expenses</b>	<b>(580.9)</b>	<b>(516.0)</b>	<b>+13%</b>

# Results - William Hill Online

52 weeks to	29 Dec 09 £m	30 Dec 08 £m vs WMH only		30 Dec 08 £m Pro forma	
Sportsbook	41.8	42.0	-	42.0	-
Casino	126.7	57.7	+120%	111.3	+14%
Poker	21.3	15.7	+36%	24.9	-14%
Bingo and skill	13.7	9.7	+41%	10.0	+37%
<b>Net revenue</b>	<b>203.5</b>	<b>125.1</b>	<b>+63%</b>	<b>188.2</b>	<b>+8%</b>
Cost of sales	(24.7)	(20.4)	-21%	(26.7)	+8%
<b>Gross profit</b>	<b>178.8</b>	<b>104.7</b>	<b>+71%</b>	<b>161.5</b>	<b>+11%</b>
Marketing costs	(41.8)	(15.4)	-171%	(37.0)	-13%
Other costs	(62.6)	(34.7)	-81%	(48.9)	-28%
<b>Operating costs</b>	<b>(104.4)</b>	<b>(50.1)</b>	<b>-108%</b>	<b>(85.9)</b>	<b>-22%</b>
<b>Operating profit</b>	<b>74.4</b>	<b>54.6</b>	<b>+36%</b>	<b>75.6</b>	<b>-2%</b>

# William Hill Online – key metrics

52 weeks to	29 Dec 09	30 Dec 08 vs WMH only		30 Dec 08 Pro forma	
Unique active players <sup>(1)</sup>	<b>1,289,900</b>	510,000	+153%	987,100	+31%
Revenue per unique active player	<b>157.8</b>	245.4	-36%	190.6	-17%
New accounts <sup>(2)</sup>	<b>665,000</b>	269,300	+147%	518,200	+28%
Average cost per acquisition (£) <sup>(3)</sup>	<b>63</b>	57	-10%	71	-12%
Sportsbook turnover (£m)	<b>701.0</b>	587.5	+19%	587.5	+19%
Sportsbook gross win margin	<b>6.6%</b>	7.5%	-0.9 bps	7.5%	-0.9 bps

1. Placed a bet within the period
2. Deposited and placed a bet within the period
3. Including affiliates