

# Final results for 52 weeks to 27 December 2011

Ralph Topping, Chief Executive  
Neil Cooper, Group Finance Director



# Agenda

- **Overview**  
**Ralph Topping, Chief Executive**
- Financial highlights  
Neil Cooper, Group Finance Director
- Investing and innovating  
Ralph Topping, Chief Executive
- Q&A



# Another positive performance

- Group net revenue **+6%**
- Operating profit<sup>1</sup> **£275.7m**
- Second year of Online net revenue growth **>20%**
- Mobile Sportsbook bets growth **>500%**
- UK Retail net revenue **+1%**
- Net debt<sup>2</sup> down to **£416m**
- Progress on international expansion

1. Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £3.6m (2010: £3.6m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements

2. Net debt for covenant purposes excluding, *inter alia*, client balances

# Hitting our targets

Sportsbook turnover to equal OTC turnover by 2014 World Cup



**83%**

Sportsbook turnover as a proportion of OTC turnover in current trading period

Sportsbook mobile weekly turnover of £5m a week by mid-2013



**£7.3m**

Average weekly mobile Sportsbook turnover in current trading period

New target: mobile as 40% of Sportsbook turnover

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# Strong underlying earnings growth

52 weeks to	27 Dec 2011	28 Dec 2010	%
Amounts wagered	17,911.4	16,519.8	+8%
Net revenue	1,136.7	1,071.8	+6%
<b>Operating profit<sup>(1)</sup></b>	<b>275.7</b>	<b>276.8</b>	0%
Amortisation	(3.6)	(3.6)	0%
Net finance costs	(32.7)	(53.9)	-39%
Tax	(41.5)	(44.0)	-6%
Non-controlling interest	(31.3)	(26.3)	+19%
<b>Retained profit</b>	<b>166.6</b>	<b>149.0</b>	+12%
<b>Basic, adjusted EPS (p)</b>	<b>24.2</b>	<b>21.7</b>	+12%
Net debt for covenant purposes	415.6	499.4	-17%
<b>Dividend per share (p)</b>	<b>9.6</b>	<b>8.3</b>	<b>+16%</b>

1. Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £3.6m (2010: £3.6m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements
2. Numbers are presented on a pre-exceptional basis
3. Basic EPS is based on 699.0 million average shares for 2011 and 697.9 million average shares for 2010



# Exceptional items

Item	£m
US integration costs	(1.7)
Republic of Ireland closure	(1.9)
Fair-value loss on hedging arrangement	(1.8)
Telephone business asset impairment	(46.6)
<b>Pre-tax</b>	<b>(52.0)</b>
Tax	0.6
<b>Post-tax</b>	<b>(51.4)</b>

# OTC and machines both drive Retail wagering growth

52 weeks to	27 Dec 2011 £m	28 Dec 2010 £m	%
OTC amounts wagered	2,605.4	2,523.0	+3%
Machines amounts wagered	13,034.6	12,240.0	+6%
<b>Total Retail amounts wagered</b>	<b>15,640.0</b>	<b>14,763.0</b>	<b>+6%</b>
OTC gross win	437.2	452.6	-3%
<i>OTC gross win margin</i>	<i>16.8%</i>	<i>17.9%</i>	<i>-1.1 pts</i>
Machines gross win	423.8	389.0	+9%
<b>Total gross win</b>	<b>861.0</b>	<b>841.6</b>	<b>+2%</b>
<b>Net revenue</b>	<b>789.7</b>	<b>783.1</b>	<b>+1%</b>
Cost of sales	(131.2)	(127.0)	+3%
<b>Gross profit</b>	<b>658.5</b>	<b>656.1</b>	<b>+0%</b>
Operating costs	(461.7)	(451.6)	+2%
<b>Operating profit<sup>(1)</sup></b>	<b>196.8</b>	<b>204.5</b>	<b>-4%</b>

1. Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £3.6m (2010: £3.6m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements



# Machine strength continues

- Gross win per machine per week averaging £901
- Quarterly growth rates slowed from 11% in Q1 to 7% in Q4, following Storm roll-out lapping
- Moving to sole supply with Inspired Gaming by mid-2012
- Storm Plus machines now on trial

## 52 weeks to

27 Dec 11    28 Dec 10    %

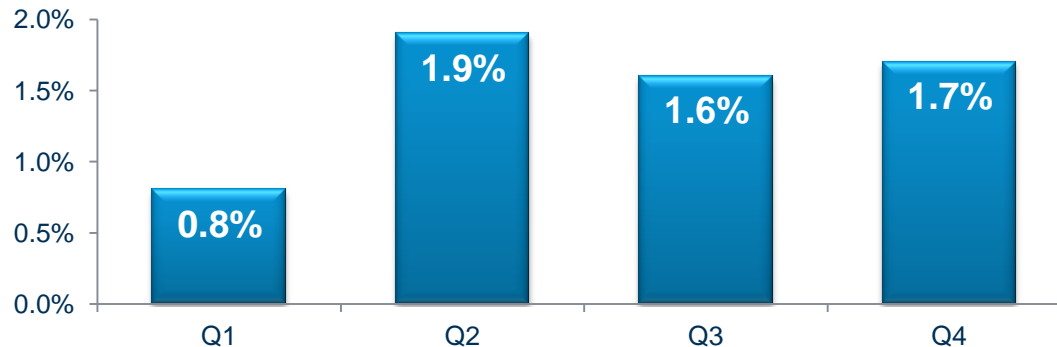
Average number of LBOs	<b>2,374</b>	2,353	+1%
Average number of machines	<b>9,049</b>	8,831	+2%
Gross win per machine per week	<b>£901</b>	£847	+6%
Machine gross win margin	<b>3.25%</b>	3.18%	+0.07 ppts

## Gross win per machine per week (£)



# Positive OTC wagering trends

- Headline 3.3% growth in OTC wagering
- Underlying c1.5% OTC wagering trends through the year<sup>1</sup>



- Gross win margin reduced to 16.8% (2010: 17.9%), impacted by:
  - Football: World Cup rollover and adverse results in 2011/12 season
  - Horseracing: Festivals and Irish racing
    - Non-festival UK horseracing held up, with stakes +2% and gross win +0.1 ppt

1. Underlying adjusted by removing from both data sets weeks impacted by snow (weeks 1-2 and 48-52) and World Cup (weeks 24-28) in prior year

# Retail costs tightly controlled

52 weeks to	27 Dec 2011 £m	28 Dec 2010 £m	%
Employee costs	<b>(192.3)</b>	(195.1)	-1%
Property costs	<b>(93.3)</b>	(90.2)	+3%
Content costs	<b>(56.1)</b>	(52.1)	+8%
Depreciation	<b>(26.2)</b>	(27.3)	-4%
Other costs incl. recharges	<b>(93.8)</b>	(86.9)	+8%
<b>Operating costs</b>	<b>(461.7)</b>	<b>(451.6)</b>	+2%

# All Online verticals show growth

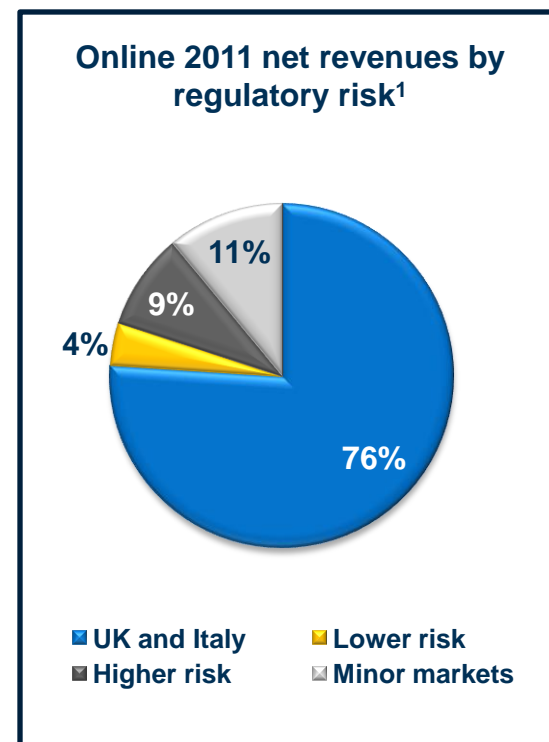
52 weeks to	27 Dec 2011 £m	28 Dec 2010 £m	%
Sportsbook	111.1	81.6	+36%
Playtech Casino	81.4	75.2	+8%
Vegas/Games/Skill	82.2	53.4	+54%
Poker	23.0	21.5	+7%
Bingo	23.6	19.8	+19%
<b>Net revenue</b>	<b>321.3</b>	<b>251.5</b>	<b>+28%</b>
Cost of sales	(28.5)	(18.7)	+52%
<b>Gross profit</b>	<b>292.8</b>	<b>232.8</b>	<b>+26%</b>
Operating costs	(186.0)	(141.7)	+31%
<b>Operating profit<sup>(2)</sup></b>	<b>106.8</b>	<b>91.1</b>	<b>+17%</b>

1. Skill games have been reclassified under Vegas/Games/Skill instead of Bingo and Skill
2. Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £3.6m (2010: £3.6m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements

# William Hill Online – key metrics

52 weeks to	27 Dec 2011	28 Dec 2010	%
Unique active players ('000) <sup>(1)</sup>	1,408.7	1,341.1	+5%
Revenue per unique active player (£)	228.1	187.6	+22%
New accounts ('000) <sup>(2)</sup>	790.7	808.7	-2%
Average cost per acquisition (£) <sup>(3)</sup>	108.6	75.7	+43%
Sportsbook amounts wagered (£m)	1,664.0	1,101.9	+51%
Sportsbook gross win margin	7.0%	8.0%	-1.0 pts
- Pre-match gross win margin	8.7%	9.8%	-1.1 pts
- In-play gross win margin	4.6%	4.8%	-0.2 pts

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



# Business growth and marketing investment drive online cost base

52 weeks to	27 Dec 2011 £m	28 Dec 2010 £m	%	Marketing to net revenue (%)
Employee costs	(36.9)	(27.6)	+34%	<p>28% 27% 26% 25% 24% 23% 22%</p> <p>2010 2011</p>
Marketing	(85.8)	(61.2)	+40%	
Bank charges	(11.4)	(8.6)	+33%	
Depreciation and amortisation*	(9.2)	(7.3)	+26%	
Other costs incl. recharges	(42.7)	(37.0)	+15%	
<b>Operating costs</b>	<b>(186.0)</b>	<b>(141.7)</b>	<b>+31%</b>	

# Telephone turnover, costs fall

52 weeks to	27 Dec 2011 £m	28 Dec 2010 £m	%
Amounts wagered	370.9	457.6	-19%
<b>Gross win</b>	<b>18.9</b>	<b>31.1</b>	-39%
<i>Gross win margin</i>	<i>5.1%</i>	<i>6.6%</i>	<i>-1.5 ppts</i>
<b>Net revenue</b>	<b>18.2</b>	<b>30.3</b>	-40%
Cost of sales	(2.9)	(7.7)	-62%
<b>Gross profit</b>	<b>15.3</b>	<b>22.6</b>	-32%
Staff costs	(2.3)	(5.8)	-60%
Marketing costs	(2.2)	(3.1)	-29%
Other costs incl. recharges	(15.1)	(12.8)	+18%
<b>Operating costs</b>	<b>(19.6)</b>	<b>(21.7)</b>	-10%
<b>Operating (loss)/profit <sup>(1)</sup></b>	<b>(4.3)</b>	<b>0.9</b>	
<b>Active players<sup>(2)</sup></b>	<b>88,100</b>	<b>99,500</b>	-11%

(1) Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £3.6m (2010: £3.6m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements

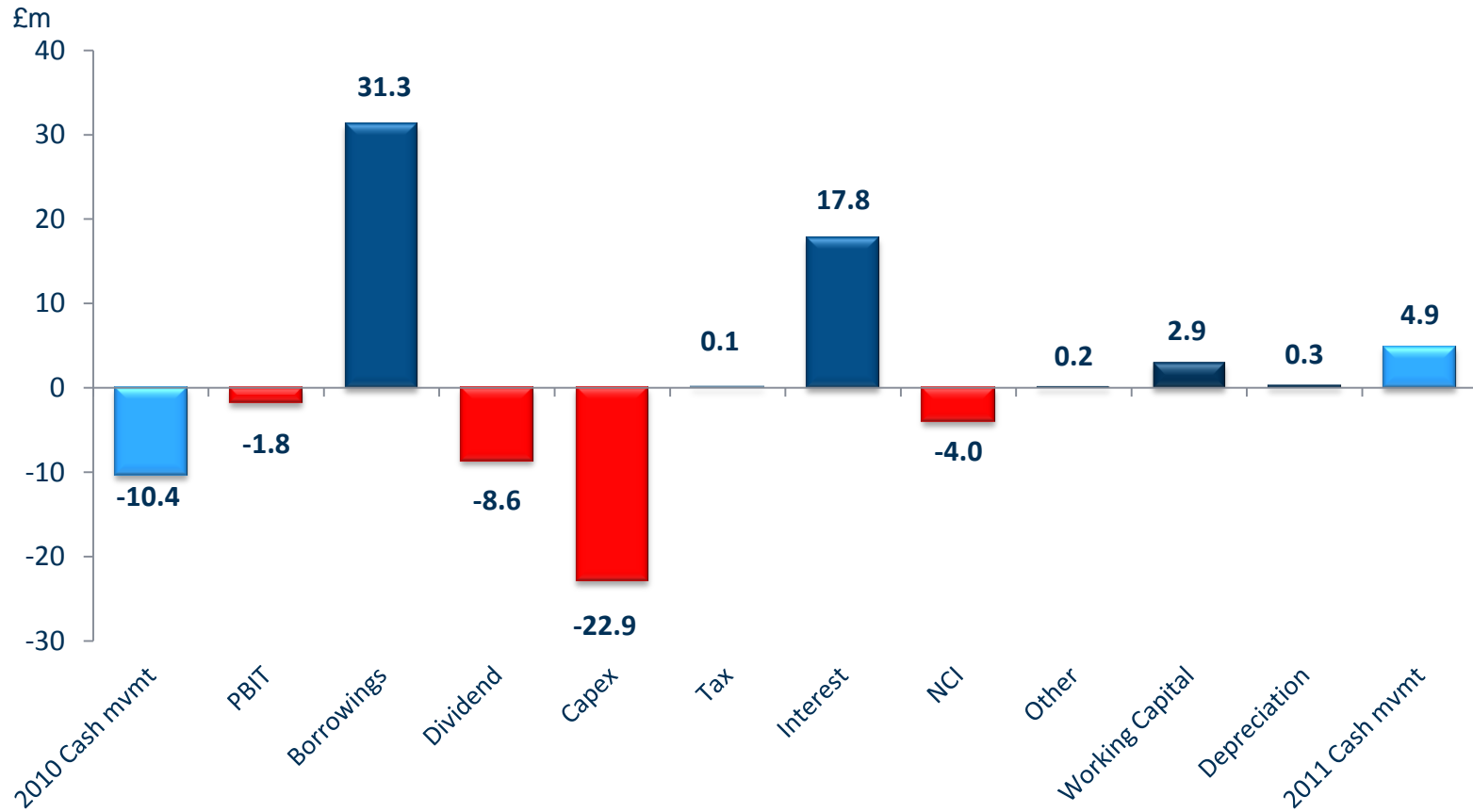
(2) Players who placed a bet during the period

# 2010 refinancing benefits coming through

52 weeks to	27 Dec 2011 £m	28 Dec 2010 £m
Net interest receivable	0.5	0.6
Bank loan interest	(8.3)	(13.8)
Effective interest rate hedges	-	(11.8)
Bond interest	(21.3)	(21.3)
Amortisation of finance fees	(2.2)	(5.7)
Net interest on pension scheme net liability	(1.4)	(1.9)
<b>Total pre-exceptional net interest</b>	<b>(32.7)</b>	<b>(53.9)</b>



# How our uses of cash have changed



# Capex and estate growth

52 weeks to	27 Dec 2011 £m	28 Dec 2010 £m
Retail development <sup>1</sup>	29.2	18.9
William Hill Online	20.3	13.0
Other (including IT)	6.0	4.8
<b>Total capital expenditure</b>	<b>55.5</b>	<b>36.7</b>

- UK estate in year-on-year growth by 1% from 2,342 to 2,371
- Total estate declined by six to 2,371 shops (average growth 1%)
  - 34 UK openings, five UK closures, 20 Rol closures and 15 Rol disposals
  - 24 re-sites
- 2012 capex expected to be c£70m, including refurbishments
- £10-20m adverse working capital swing expected

# Other finance matters

- Effective tax rate of 17.3%
  - Reduction in deferred tax liabilities as UK corporation tax rate reduces by 2%
  - Effective income statement rate expected to be 20% in 2012, c19% in 2013
  - 2011 effective cash tax rate of 21.6%, c22% expected for 2012
- Pension deficit
  - Triennial revaluation now complete
  - The new eight year funding plan agreed at broadly current levels
  - Accounting deficit of £34.1m
  - Fund closed to future accruals in 2011
- Final dividend of 6.7p per share +16%
- Total dividend of 9.6p per share +16%

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# How we see our business

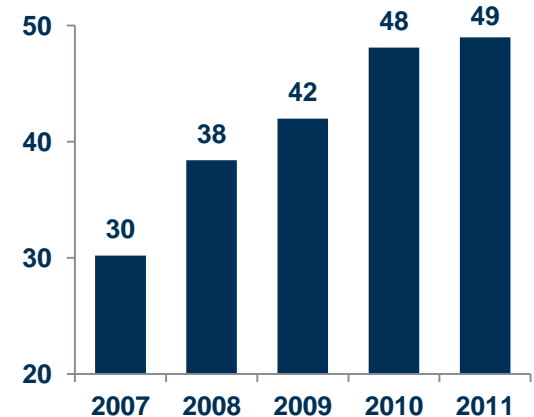


- Brand – The Home of Betting
- Strengths in odds setting, risk management, operational excellence, regulated markets
- Sports betting led
- Cross-sell into gaming
- Strong offering in all channels
- International ambitions with flexible operating model

# Strength of Retail

- 6% growth in amounts wagered
- Growth in OTC stakes, underlying growth in every month in second half
- Strong Saturday growth, OTC turnover +5%, machines gross win +12%
- Football slips +2% in spite of rolling over the World Cup
- Steady machines growth, Storm gross win per machine per week of £921 in FY and £947 in Q4

**Growth in football slips (millions)**

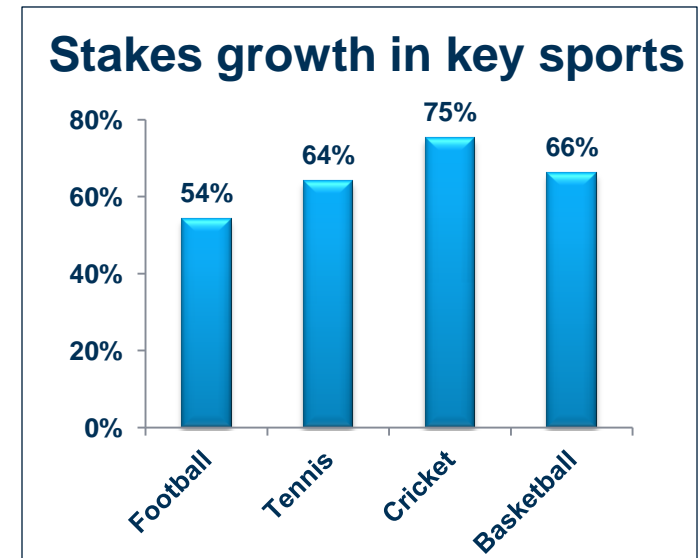


**+17%**

**Growth in football slips versus 2009**

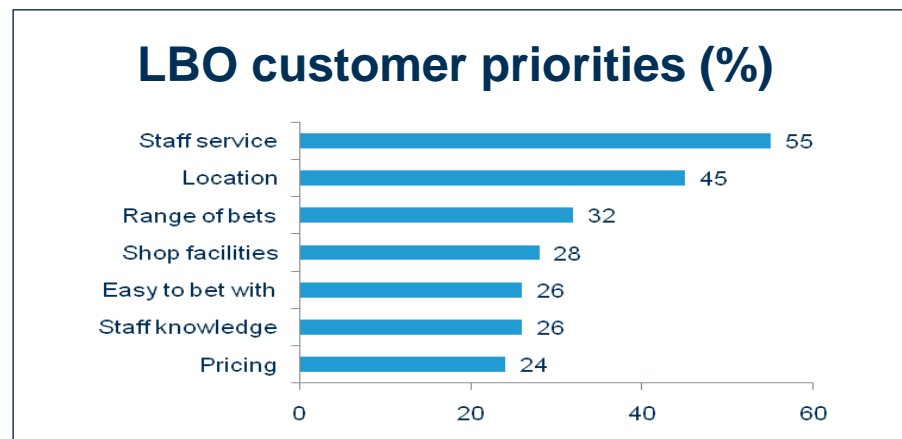
# Growth of Online

- Strong stakes growth in all key sports
- In-play c60% of stakes<sup>1</sup>
- Gaming net revenue +24%
- Mobile gross win +519%
- Mobile 19% of Sportsbook turnover<sup>2</sup>
- Mobile Casino overtaking Download<sup>3</sup>
- UK revenues +35%, underlying non-UK revenues +23%<sup>4</sup>



# Understanding the margin dynamic

- Product mix
  - Retail margin rose to 17-18% with more football turnover
  - Online margin a blend of 4-5% in-play and 8-9% pre-match
- Pricing
  - Only football is priced differently
  - Competitive pricing on the favourite
- Customer behaviour
  - High volume of accumulator bets on football in Retail pushes up margin
  - Retail customers are less price sensitive



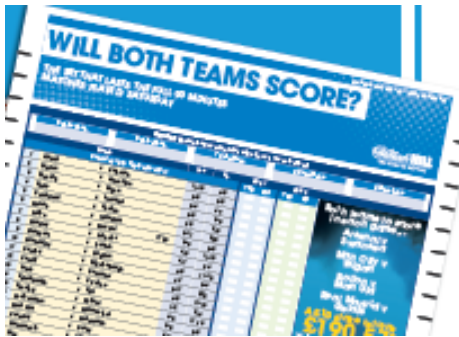


# Clear plan for growth



- Wider product offering
- Greater multi-channel usage
- Increased internationalisation

# Product innovation in 2011



## Market-leading football

- Largest coupon range
- Widest pre-match and in-play online

Retail and Online  
football stakes +31%



## Better horseracing

- Broadcast schedule
- Most alternative markets online

Retail and Online  
horseracing stakes  
+12%



## Broadening in-play

- Five new models launched, NFL, ice hockey, rugby
- Upgrades to football, basketball

In-play stakes +75%  
and bets +97%

# Product innovations – what's next?

- New Inspired contract
  - Storm Plus roll-out
  - Machines marketing and rewards trial
- Video wall trial in 25 shops
- Up to 10 new in-play models



# Channel innovation in 2011



## Mobile Sportsbook

- Top rated mobile Sportsbook
- Launched in App Store in February 2012

Mobile running at 19% of Sportsbook turnover



## Mobile gaming and third party apps

- Mobile Casino driving good growth
- 2.8 million third-party bets

More first deposits into Mobile Casino than download in Jan 2012



## First gaming cross-sell

- Simultaneous launches
- Cross-promotion of Retail/Online customers

Three cross-sold games became best performing games in launch period

# Channel innovations – what's next?

### Get Sportsbook for mobile

- Complete Sports coverage
- Full in-play betting
- Quick links to most popular bets
- Simple design built for ease of use

Available via your mobile browser at:  
<http://mobile.williamhill.com>

Or click the button to get a sms sent to your phone

[Send link to mobile](#)



### Get Casino for Mobile

- Roulette
- Blackjack
- Slots
- Bonuses

Bring the excitement of the Casino direct to your mobile by downloading our amazing games for free.

Click the button to receive your free game via SMS

[Send link to mobile](#)



- Specialist Sportsbook apps
- Gaming apps development
- Self-service betting terminals trial ongoing



Mobile Sportsbook



Mobile Casino

# International investment in 2011



William HILL  
IN GIOCO DAL 1934

1 **Registrati**  
Apri il tuo conto di gioco, è semplice

2 **Deposita**  
metodi di pagamento 100% sicuri

3 **Ricevi bonus**  
Fino a 300€ bonus di benvenuto

IL N°1 INGLESE DEL BETTING È ARRIVATO!  
**ORA SI GIOCA IN GRANDE BONUS DI BENVENUTO FINO A 300€\***

REGISTRATI E GIOCA

Casino  
Bingo  
Poker



- williamhill.it launched with Casino in July 2011
- \$55m impending acquisitions in land-based sports betting

# International investment – what's next?



- Product roll-out on williamhill.it
- Ready for Spain launch
- Completion of licensing process in Nevada
- Small number of core countries
- Selective partnerships and acquisitions
- Multi-channel, regulated markets, sports betting

# Regulatory update

- UK
  - Machine Games Duty
  - Online ‘point of consumption’ regulation, pre-consultation on tax
  - Future funding of Racing
- International
  - Nevada licensing process
  - Spain, Greece, Germany



# “Brains and talent”



Schraga Mor, Tel Aviv

- Tel Aviv and Bulgaria
  - New leaders in place
  - Gaps filled with internal promotions and external appointments
  - Better cross-functional co-operation



Hector Sousa, Bulgaria

- Corporate Development Office
  - Strong operational focus in channels
  - Core team to identify, action and integrate new opportunities
  - Broad experience: City, consultancy, industry

# Current trading – 6 weeks to 7 Feb 12

- Group net revenue **+16%**
- Retail net revenue **+9%**
  - Total amounts wagered **+3%**
  - OTC gross win margin **17.8%**
- Online net revenue **+30%**
  - Sportsbook amounts wagered **+23%**
  - Gross win margin **7.8%**

The Board is confident in the outlook for 2012

# Summary

- Strong, cash-generative business
- Innovate to differentiate – products, channels
- Ambition to compete internationally – multi-channel and/or online
- Good start to 2012



**On the high street, online, on the  
phone ...and on the move**

# APPENDICES

FINANCIAL RESULTS

# Performance by division

52 weeks to	Net revenue			Operating profit <sup>(1)</sup>		
	27 Dec 2011 £m	28 Dec 2010 £m	Change %	27 Dec 2011 £m	28 Dec 2010 £m	Change %
Retail	789.7	783.1	+1%	196.8	204.5	-4%
Online	321.3	251.5	+28%	106.8	91.1	+17%
Telephone	18.2	30.3	-40%	(4.3)	0.9	-
Other	7.5	6.9	+9%	0.6	0.1	-
Associates				2.4	3.3	-27%
Corporate				(26.6)	(23.1)	+15%
<b>Operating profit</b>				<b>275.7</b>	<b>276.8</b>	<b>+0%</b>
Amortisation				(3.6)	(3.6)	+0%
<b>Total</b>	<b>1,136.7</b>	<b>1,071.8</b>	<b>+6%</b>	<b>272.1</b>	<b>273.2</b>	<b>+0%</b>

1. Operating profit is defined as pre-exceptional profit including associates and excluding interest, tax and £3.6m (2010: £3.6m) of Online amortisation relating to trade names, affiliate relationships and non-competition agreements
2. Numbers are presented on a pre-exceptional basis

# Net revenue summary

52 weeks to

27 Dec 2011  
£m

28 Dec 2010  
£m

%

<b>Retail</b>	OTC	437.2	452.6	-3%
	Machines	352.5	330.5	+7%
	<b>Retail total</b>	<b>789.7</b>	<b>783.1</b>	<b>+1%</b>
<b>Online</b>	Sportsbook	111.1	81.6	+36%
	<i>Gaming – Playtech Casino</i>	81.4	75.1	+8%
	<i>Gaming – Vegas/Games/Skill</i>	82.2	53.4	+54%
	<i>Gaming – Poker</i>	23.0	21.5	+7%
	<i>Gaming – Bingo<sup>(1)</sup></i>	23.6	19.8	+19%
	<b>Gaming total</b>	<b>210.2</b>	<b>169.9</b>	<b>+24%</b>
	<b>Online total</b>	<b>321.3</b>	<b>251.5</b>	<b>+28%</b>
<b>Telephone</b>		18.2	30.3	-40%
<b>Other</b>		7.5	6.9	+9%
<b>Total net revenue<sup>(2)</sup></b>		<b>1,136.7</b>	<b>1,071.8</b>	<b>+6%</b>

1. Skill games have been reclassified under Flash-based Casino instead of Bingo and Skill
2. 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

# Operating expenses by division

52 weeks ended	27 Dec 2011 £m	28 Dec 2010 £m	%
Retail	(461.7)	(451.6)	+2%
Online	(186.0)	(141.7)	+31%
Telephone	(19.6)	(21.7)	-10%
Other	(5.9)	(5.9)	+0%
Corporate	(26.6)	(23.1)	+15%
<b>Group operating expenses</b>	<b>(699.8)</b>	<b>(644.0)</b>	<b>+9%</b>



# Operating expenses by cost category

52 weeks ended	27 Dec 2011 £m	28 Dec 2010 £m	%
Employee costs	(309.6)	(291.2)	+6%
Property costs	(101.9)	(99.2)	+3%
Depreciation	(37.8)	(37.5)	+1%
Pictures and data	(56.4)	(52.5)	+7%
Marketing	(100.7)	(75.0)	+34%
Finance charges	(19.0)	(15.6)	+22%
Communications	(10.4)	(8.8)	+18%
Other	(64.0)	(64.2)	+0%
<b>Group operating expenses</b>	<b>(699.8)</b>	<b>(644.0)</b>	<b>+9%</b>

# Cash flow

52 weeks to	27 Dec 2011 (£m)	28 Dec 2010 (£m)
EBITDA*	319.0	319.0
Working capital / other	25.2	18.9
Capital expenditure net of disposals	(53.9)	(34.6)
<b>Cash from operations</b>	<b>290.3</b>	<b>303.3</b>
Cash taxes	(51.6)	(51.7)
Net interest	(47.4)	(65.1)
Distributions to non-controlling interests	(31.0)	(27.0)
<b>Free cashflow</b>	<b>160.3</b>	<b>159.5</b>
Loans treated as investments	(4.1)	-
Exceptional items	(0.5)	3.4
Dividends	(60.9)	(52.3)
SAYE redemptions	0.1	0.3
Capital principal repaid	(90.0)	(734.1)
Capital principal drawn down	-	619.0
Debt facility issue costs		(6.2)
<b>Net cashflow</b>	<b>4.9</b>	<b>(10.4)</b>
Net debt for covenant purposes	415.6	499.4
Net debt:EBITDA (covenant basis)	1.5 times	1.7 times

\* Before share remuneration charges

# Net debt for covenant purposes

	27 Dec 2011 £m	28 Dec 2010 £m
Bank loans	170.0	260.0
Corporate bonds	300.0	300.0
Finance leases	0.3	0.4
Cash	(114.3)	(109.4)
<b>Net debt</b>	<b>356.0</b>	<b>451.0</b>
Obligations under bank guarantees less non-controlling interest share	2.4	0.7
Restricted cash – client balances	49.1	43.4
Restricted cash – non-controlling interest share of cash balances	8.1	4.3
<b>Net debt for covenant purposes</b>	<b>415.6</b>	<b>499.4</b>

- Net debt:EBITDA of 1.5x vs maximum covenant of 3.5x
- EBITDA:net cash interest of 6.5x vs minimum covenant of 3.0x
- BB+/Ba1 stable outlook credit ratings from S&P/Moody's

# Hedging cash flow

	H1 2012	H2 2012	Total
Cash outflow all hedges (£m) <sup>(1)</sup>	5.4	5.6	11.0 <sup>(2)</sup>

1. The amount finally paid will vary depending on movements in the forward curve between now and settlement
2. There is no ordinary P&L impact from these hedges as they have been de-designated. Any valuation movements will be treated as an exceptional item.

# Current trading – 7 weeks to 14 Feb 12

- Group net revenue **+13%**
- Retail net revenue **+5%**
  - Total amounts wagered **+2%**
  - OTC gross win margin **18.1%**
- Online net revenue **+30%**
  - Sportsbook amounts wagered **+24%**
  - Gross win margin **8.1%**

The Board is confident in the outlook for 2012