Q3 TRADING STATEMENT

23 October 2015

Key strategies progress in challenging Q3

William Hill PLC (LSE: WMH) (William Hill or the Group) announces the following unaudited trading update for the 13 weeks ended 29 September 2015 (Q3, the period or the quarter) and the 39 weeks ended 29 September 2015 (year-to-date or YTD). The comparable period is the 13 weeks ended 30 September 2014 (Q3 2014) unless otherwise stated.

	Statutory percentage change							
	Q3				YTD			
	Online	**Retail**	**Australia**	**Group**	**Online**	**Retail**	**Australia**	**Group**
Sports betting amounts wagered	**+2%**	**+2%**	**-31%**		**+7%**	**-2%**	**-29%**	
Gross win margin	8.6%	16.6%	10.2%		7.7%	17.5%	10.9%	
Gross win margin change	-0.8 ppts	-3.1 ppts	0.0 ppts		-0.1 ppts	-1.0 ppts	+1.8 ppts	
Net revenue	**-3%**	**-8%**	**-36%**	**-9%**	**+3%**	**-5%**	**-19%**	**-3%**
- OTC / Sportsbook	-9%	-14%			+3%	-8%		
- Machines / Gaming	+2%	-2%			+4%	-1%		
Operating profit[1]	**-37%**	**-31%**	**-91%**	**-39%**	**-27%**	**-17%**	**-35%**	**-22%**

Overview

- Year-on-year results significantly impacted by swing from outstanding gross win margin in Q3 2014 to a less strong gross win margin in Q3 2015 and additional £23m in new or increased rate UK gambling duties

- Online:
  - Good sports wagering and gaming net revenue growth in core markets of UK, Spain and Italy
  - Overall trading growth diluted by decline in non-core markets
  - Project Trafalgar delivers enhanced mobile sports betting experience

- Retail:
  - 3% growth in turnover, after adjusting for impact of 2014 exceptional shop closures, offset by weaker than expected gross win margin
  - Continuing strong cost control
  - Content strategy drives improving trends in gaming machines

- Australia:
  - Rate of turnover decline reducing in local currency
  - Q3 gross win margin lower than expected reflecting adverse sporting results
  - Continued good momentum in William Hill brand recognition, new accounts and unique actives
  - William Hill becomes first-ever betting partner for the Australian Open

James Henderson, Chief Executive Officer of William Hill, commented:

"Q3 was always going to be a tough quarter given last year's World Cup and very strong gross win margin, allied to £23m of additional gambling duties this year. The quarter also featured weaker than expected sporting results impacting Retail, the US and Australia, and the drag effect of the non-core market decline in Online. The growth in Online's core markets – the UK, Italy and Spain – remains strong for both betting and gaming. Whilst good operating cost discipline has partially offset the weaker than expected results and non-core market impacts, the Board now expects full-year operating profit to be around the bottom of the analyst consensus range (£290.9m to £312.1m, company-compiled).

"Overall, I am pleased with the strategic progress we are making across the business, particularly around Project Trafalgar and the William Hill brand in Australia.

"Online's core markets grew strongly again. UK amounts wagered was up 7% and gaming net revenue was up 15%. In local currency terms, Spain and Italy have also seen good double-digit growth in both sports turnover and gaming net revenue. The non-core markets' weakness relates to factors including exchange rates, market closures and regulatory changes, which remain a feature of the evolving online market.

"Through Project Trafalgar we have launched a much improved mobile experience across all iOS devices, and we're on track to complete our williamhill.com roll-out this year. This major technology project is supporting faster product innovation, a better mobile-led customer experience and much improved data to drive an ever more personalised customer service.

"In Retail, we saw 3% growth in turnover, excluding the impact of last year's exceptional shop closures. We have a strong focus on gaming content, including more new game launches, and saw year-on-year gross win (after adjusting for exceptional closures) turning positive in September.

"In Australia, the rate of turnover decline slowed in the quarter as we rolled over our early client management activities, and we're preparing to migrate tomwaterhouse.com customers to William Hill around the end of the year. The William Hill brand continues to gain in prompted and spontaneous awareness levels and our new mobile app – the first significant upgrade in some years – is being well received. We are also making good progress in building our product range, including our first-to-market in-play offer."

Online (35% of year-to-date Group revenue)

	Q3 % change	YTD % change
Sportsbook amounts wagered	**+2%**	**+7%**
Gross win margin	8.6%	7.7%
Gross win margin movement	-0.8 ppts	-0.1 ppts
Online net revenue	**-3%**	**+3%**
Sportsbook net revenue	-9%	+3%
Gaming net revenue	+2%	+4%
Cost of sales	+175%	+161%
Operating costs	-6%	-3%
Operating profit[1]	**-37%**	**-27%**

The increase in Sportsbook amounts wagered reflected quarterly growth of 7% in the UK market, 12% (24% in local currency) in Italy and 2% (13% in local currency) in Spain. In non-core markets, amounts wagered declined 14%. In-play wagering grew 2% and pre-match wagering grew 3%. During Q3, we revised our in-play tennis client base, which resulted in lower in-play turnover growth but an improved gross win margin compared with the first half of the year: total in-play gross win margin was 5.8% in Q3 versus 5.1% in H1 and tennis gross win margin was 4.3% in Q3 versus 3.2% in H1.

The Sportsbook gross win margin was 0.8 percentage points lower than the strong margin recorded in Q3 2014. Compared to H1 2015, the period saw favourable football results but weaker horseracing results. Within the year-on-year margin, in-play margin was unchanged but the pre-match gross win margin was 1.5 percentage points lower at 11.1% (Q3 2014: 12.6%).

Gaming net revenue has shown continued growth in the quarter, driven by our proprietary Vegas product suite, which accounted for 60% of total gaming net revenue in the period. Within this, net revenue from our Vegas product suite increased by 19% whilst non-Vegas Casino, Bingo and Poker declined by 17%, 5% and 28%, respectively. UK gaming net revenue grew 15%, Italy 15% (27% in local currency) and Spain 40% (55% in local currency), benefiting from the launch of slots in June 2015. Non-core markets fell 40% continuing a negative trend seen in H1.

Growth, therefore, remains strong in our areas of focus, namely our core markets and our differentiated product verticals of Sportsbook and the Vegas product suite.

The cost of sales increase reflects increased duties, with £18m of POCT charged in the period. Operating costs decreased by 6%. Marketing fell 11%, with the majority of the decline arising from lower online affiliate costs. Marketing to net revenue was 19% in the period (Q3 2014: 20%). Other expenses fell 3% benefiting from a swing in staff incentive levels and reduced bank charges.

Retail (56% of year-to-date Group revenue)

	Q3 % change	YTD % change
Over-the-counter (OTC) amounts wagered	**+2%**	**-2%**
Gross win margin	16.6%	17.5%
Gross win margin movement	-3.1 ppts	-1.0 ppts
Retail net revenue	**-8%**	**-5%**
OTC net revenue	-14%	-8%
Gaming machine net revenue	-2%	-1%
Cost of sales	+3%	+3%
Operating costs	-4%	-3%
Operating profit[1]	**-31%**	**-17%**

The following commentary is presented on a reported basis or, where stated, on an adjusted basis after stripping out the 108 exceptional shop closures in H2 2014.

Over-the-counter (OTC) wagering grew 2% in the quarter (3% adjusted), against a comparator period that included two weeks of World Cup betting. The OTC gross win margin in Q3 2015 was weak in absolute terms and well below the very strong comparator period and, as a result, OTC net revenue fell. Gaming machine net revenue declined 2% or 1% on an adjusted basis, with performance levels broadly similar to those seen in Q2 following the introduction of the £50 journey in April 2015. Encouragingly, trends at the end of the quarter have been stronger. We continue to implement our content improvement strategy, with new B3 content launched, on average, every two weeks since May. Gross win per machine per week was 1% lower at £911 (Q3 2014: £921).

We opened three shops in the period and closed three. At the period end, there were 2,364 shops open.

The increased cost of sales included an additional £5m of duties from the increased MGD rate. Operating cost control in Retail remains strong and the quarterly cost outturn benefited from a swing in the levels of staff incentives and the rollover of the exceptional estate closure programme.

William Hill Australia (6% of year-to-date Group revenue)

	On a statutory reporting basis		On a local currency basis	
	Q3 % change	YTD % change	Q3 % change	YTD % change
Amounts wagered	**-31%**	**-29%**	**-18%**	**-22%**
Gross win margin	10.2%	10.9%	10.2%	10.9%
Gross win margin movement	0.0 ppts	+1.8 ppts	0.0 ppts	+1.8 ppts
Net revenue	**-36%**	**-19%**	**-24%**	**-11%**
Operating costs	-20%	-12%	-4%	-3%
Operating profit[1]	**-91%**	**-35%**	**-89%**	**-30%**

The following William Hill Australia narrative is provided on a local currency basis.

As expected, the performance of William Hill Australia continues to reflect the transition this business is undergoing, with the reshaping of the customer base and trading policies and the migration to the William Hill brand. Amounts wagered fell by 18% in Q3, reflecting these changes. While the client management and trading policy changes have driven an underlying improvement in the gross win margin, this was not fully evident in the period as the gross win margin was impacted by weaker sports results. Net revenue declined faster than wagering as we increased the volume of free bets to support the mobile launch and our innovative in-play product. Reported results have also been affected by a 19% decline in the Australian dollar year-on-year.

The William Hill brand has continued to see activity growth, with new accounts up 15% and actives up 10% since the launch of the brand in February. However, we continue to see declines in the legacy tomwaterhouse.com and Centrebet brands, reflecting the reduced marketing investment in these brands. We plan to migrate tomwaterhouse.com customers to the William Hill brand around the end of this year.

Positively, we are making good progress on our goal to build a market-leading product range: wagering and actives on our first-to-market in-play product are ahead of internal expectations and we offered more markets than any other bookmaker on 'Grand Final Day' for the NRL and AFL finals at the beginning of October. Our new mobile offer – the first significant upgrade in some years – is also being well received. This now allows us to release new products across all devices more frequently. The iPhone app was launched on schedule in September, ahead of the peak Spring Carnival period. Significant improvements have been made, including easier placing of accumulator bets and display of multiple markets.

Today we have announced that William Hill is the first-ever official betting partner of the Australian Open tennis tournament, Australia's largest annual sporting event. Tennis is a key product for in-play and William Hill Australia will continue to extend its product range to include the ability to live-stream matches and bet in-play around these events.

Other divisions (3% of year-to-date Group revenue)

William Hill US continues to grow with amounts wagered up 35% in Q3 and 45% year-to-date. Gross win was 16% lower in Q3 and 15% higher year-to-date. The gross win margin was 4.7% in the quarter driven by weaker American Football results in September (Q3 2014: 7.6%). Operating costs were 6% higher in Q3 and 18% year-to-date. The division made a small operating loss in the quarter.

Telephone made a small operating loss in Q3 against a small profit in Q3 2014. Amounts wagered were up 6% in the quarter with a weaker gross win margin, down 2.4 percentage points to 4.6% (Q3 2014: 7.0%). Operating costs were 8% lower in Q3 and 12% lower year-to-date.

Corporate overheads were lower in the quarter, again benefiting from reductions in staff incentive accruals.

NeoPollard Interactive LLC, the online lottery joint venture between NeoGames (in which William Hill owns a 29.4% stake) and Pollard Banknote, has been awarded a contract by the Virginia Lottery to provide online lottery and gaming services. The new contract is for an initial term of five years and may be renewed for five successive one-year periods. The estimated contract value, including renewal options is $10m.

RESPONSIBLE GAMBLING AND REGULATORY UPDATE

We continue to progress our responsible gambling strategy. We have facilitated an industry wide self-exclusion trial in Glasgow which will be rolled out nationally in the coming months. We are also utilising algorithms to identify potentially problematic player behaviour, sending targeted messages to Retail and Online customers aimed at bearing down on gambling-related harm.

HM Treasury and the Home Office have published their national risk assessment of the money laundering and terrorist financing risk in the UK as part of the Government's preparedness for implementing the 4th EU Money Laundering Directive. Retail betting and gaming were classed as low risk activities. HM Treasury is now commencing a consultation process to determine how the Directive should be applied to the retail betting sector.

The Scotland Bill received a further reading at Committee stage in July 2015. Whilst a number of opposition amendments to the draft legislation have been proposed seeking further powers over gambling matters, the Government has signalled its intention for the Bill to remain intact. We will continue to monitor the Bill's progress through the legislative process.

The Australian Government has commissioned a review of the Interactive Gambling Act 2001 (IGA), with a particular focus on offshore operators offering gambling services into Australia. This may encompass live betting, which under the terms of the IGA is legal via a telephone service but illegal via the internet. We remain confident that our innovative in-play product complies with the law as it stands. Currently, the review of the IGA is expected to conclude in December 2015. However, submissions have not yet been requested.

Reference notes

1 Operating profit/loss is defined as pre-exceptional profit/loss before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

Enquiries

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Analyst and investor conference call

James Henderson, Chief Executive Officer, and Neil Cooper, Group Finance Director, will host a conference call for analysts and investors at 8.30 a.m. BST today. Dial-in details for the call are:

Telephone: +44 (0) 20 3059 8125
Password: William Hill

An archive of the call will be available until 30 October 2015. Dial-in details for the archive call are:

Telephone: +44 (0) 121 260 4861
Passcode: 1788141#

An audio webcast of the call will be available at www.williamhillplc.com.

Notes to editors

William Hill, The Home of Betting, is one of the world's leading betting and gaming companies, employing around 16,000 people. Founded in 1934, it is the UK's largest bookmaker with around 2,360 licensed betting offices that provide betting opportunities on a wide range of sporting and non-sporting events, gaming on machines and numbers-based products including lotteries. The Group's Online business (www.williamhill.com) is one of the world's leading online betting and gaming businesses, providing customers with the opportunity to access William Hill's products online, through their smartphone or tablet, by telephone and by text services. William Hill US was established in June 2012 and provides land-based and mobile sports betting services in Nevada, and is the exclusive risk manager for the State of Delaware's sports lottery. William Hill Australia is one of the largest online betting businesses in Australia after the Group acquired Sportingbet and tomwaterhouse.com in 2013. It offers sports betting products online, by telephone and via mobile devices. William Hill PLC is listed on the London Stock Exchange. The Group generates revenues of c£1.6bn a year.

Cautionary note regarding forward-looking statements