

# H1 2017 results

26 weeks ended 27 June 2017.

2 August 2017

*William* **HILL**



William Hill was proud sponsor of the Anthony Joshua v. Wladimir Klitschko Championship bout in April 2017

## Overview

- Group net revenue +3%, in spite of rolling over EURO 2016 and weak gross win margins
- Good progress on strategic priorities
- Adjusted operating profit of £129.5m, down 1%
- Strong confidence in delivering a good outturn for the full year
- Balance sheet remains strong with net debt for covenant purposes of £604.6m, 1.7x EBITDA
- Adjusted EPS up 7%
- Interim dividend increased 4% to 4.26p per share, reflecting Board's confidence in delivery of strategic priorities

These results are primarily presented on an adjusted basis. An explanation of adjusted measures is provided in the glossary and full details are provided in note 3 to the half-year results, which are available on the corporate website at [www.williamhillplc.com](http://www.williamhillplc.com). The following industry terms are used throughout this presentation: amounts wagered, net revenue, gross win and gross win margin. These are explained in the glossary at the end of the presentation.





# Financial review

Mark Summerfield, Interim CFO

*Defi Du Seuil, ridden by Richard Johnson, goes on to win the JCB Triumph on Gold Cup Day of the 2017 Cheltenham Festival.*



## Group income statement

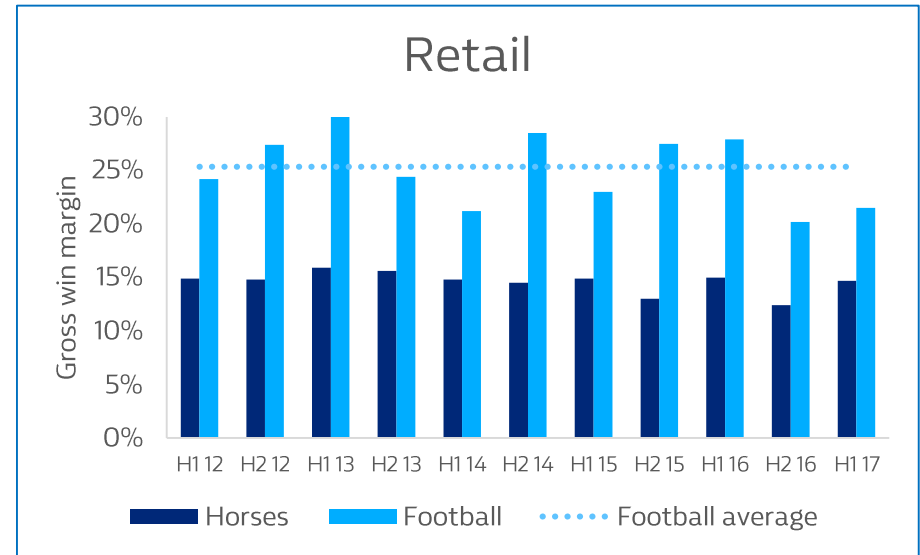
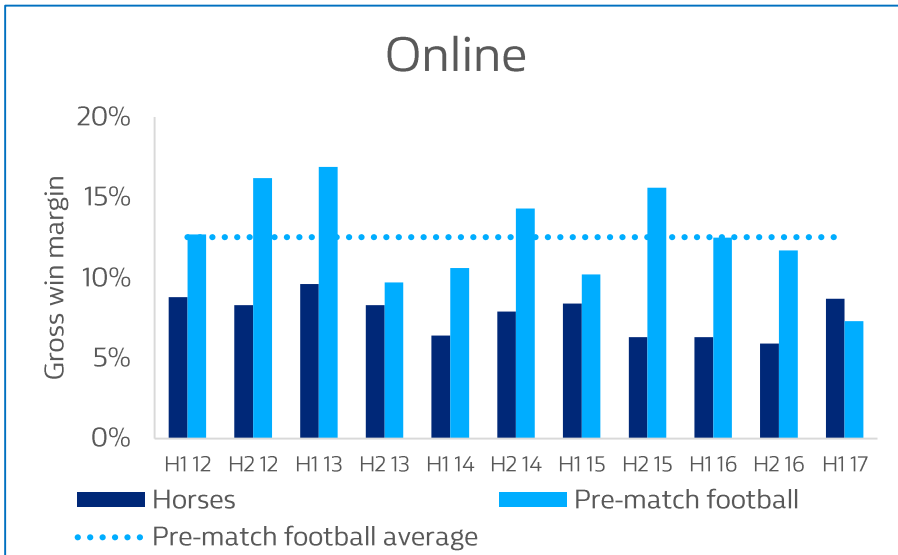
	H1 2017 £m	H1 2016 £m	% change	
Net revenue	837.0	814.4	+3%	
Adjusted operating profit	129.5	131.1	-1%	Restructuring costs and fair value adjustment on classifying Stadia as a disposal group held for sale
Exceptional items	(15.4)	(1.9)	+711%	
Operating adjustments	(5.1)	(7.2)	-29%	Amortisation and fair value movements
Non-operating adjustment	2.8	0.5	+460%	Finance income on NYX investment
Adjusted net finance costs	(18.3)	(21.8)	-16%	Lower interest charge on corporate bond, issued in May 2016 and used to pay off £300m bond that matured in November 2016
Profit before tax	93.5	100.7	-7%	
Tax	(12.1)	(16.0)	-24%	Effective tax rate on adjusted results of 13.7%; FY guidance of 14%
<b>Profit after tax</b>	<b>81.4</b>	<b>84.7</b>	<b>-4%</b>	
EPS (p)	9.5	9.7	-2%	
Adjusted EPS (p)	11.2	10.5	+7%	
Dividend per share (p)	4.26	4.10	+4%	
Net debt for covenant purposes	604.6	586.2	+3%	Net debt to EBITDA of 1.7x (H1 2016: 1.7x)

This slide provides an overview of results with both adjusted and statutory measures. The following slides on divisional performance reflect adjusted results, since that is how performance is managed and reported internally.

## Good underlying performance excluding EURO 2016 period

		% change to Week 23	% change to Week 26
<b>Online</b>	Amounts wagered	+13%	+11%
	Sportsbook gross win %	0.0 pts	-0.4 pts
	Sportsbook net revenue	+9%	-1%
	Gaming net revenue	+9%	+10%
	<b>Total net revenue</b>	<b>+9%</b>	<b>+5%</b>
<b>Retail</b>	Amounts wagered	+3%	+2%
	Sportsbook gross win %	-1.5 pts	-1.6 pts
	Sportsbook net revenue	-5%	-7%
	Gaming net revenue	+4%	+3%
	<b>Total net revenue</b>	<b>-1%</b>	<b>-2%</b>

# Gross win margins hit by football results



	Historical trends (H1 12 – H1 17)			
	H1 17	Average	Low	High
Pre-match football	7.3%	11.1%	7.3%	16.9%
Horses	8.7%	7.9%	6.3%	9.6%
Total	6.9%	7.4%	6.9%	8.9%

	Historical trends (H1 12 – H1 17)			
	H1 17	Average	Low	High
Football	21.5%	25.0%	21.2%	33.2%
Horses	14.7%	15.0%	14.7%	15.9%
Total	17.4%	18.3%	17.4%	19.7%

# Online income statement

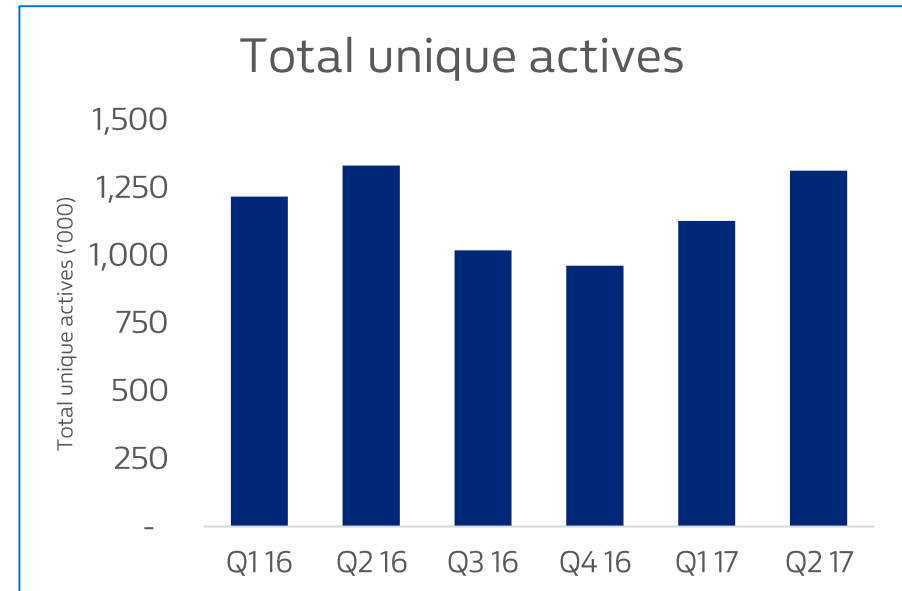
	H1 2017 £m	H1 2016 £m	% change	
Sportsbook amounts wagered	2,485.0	2,235.9	+11%	UK wagering +13% Italy and Spain (local currency) wagering +9%
- Sportsbook gross win margin	6.9%	7.3%	-0.4 ppts	Weak gross win margin: Jan-Apr 7.5%, May-Jun 5.8%
Sportsbook net revenue	139.1	139.9	-1%	
Gaming net revenue	150.9	137.3	+10%	Sportsbook free bets equivalent to 1.3% of amounts wagered (H1 2016: 1.1%), +36%
- Vegas product suite	92.9	83.0	+12%	
- Playtech Casino	45.7	40.2	+14%	UK gaming net revenue +9%
- Poker	3.0	3.4	-12%	Italy and Spain gaming net revenue (local currency) +8%
- Bingo	9.3	10.7	-13%	
<b>Net revenue</b>	<b>290.0</b>	<b>277.2</b>	<b>+5%</b>	
Cost of sales	(69.2)	(62.0)	+12%	Additional UK revenue and new horseracing levy
<b>Gross profit</b>	<b>220.8</b>	<b>215.2</b>	<b>+3%</b>	
Operating costs	(163.6)	(171.8)	-5%	
- Employee costs	(37.5)	(32.0)	+17%	Increased headcount for customer experience and data
- Marketing	(67.4)	(69.7)	-3%	Marketing to net revenue at 23% (H1 2016: 25%)
- Finance charges	(11.0)	(12.6)	-13%	
- Depreciation and amortisation <sup>1</sup>	(17.4)	(19.1)	-9%	
- Other costs incl. recharges	(30.3)	(38.4)	-21%	Other costs benefiting from efficiency initiatives and timing
<b>Adjusted operating profit</b>	<b>57.2</b>	<b>43.4</b>	<b>+32%</b>	

1. Excludes £0.5m of Online amortisation relating to acquired intangibles (H1 2016: £0.7m)

## Online KPIs

Online <sup>1</sup>	H1 2017	H1 2016	%
Unique actives ('000)	<b>1,705.6</b>	<b>1,772.2</b>	-4%
Revenue / unique active (£)	<b>170.1</b>	<b>156.4</b>	+9%
New accounts ('000)	<b>557.2</b>	<b>615.1</b>	-9%
Ave. cost per acquisition (£)	<b>120.9</b>	<b>113.3</b>	+7%

- KPI trends in line with expectations given changes over last 18 months
- Actives and new accounts
  - Down while rolling over H1 16 changes
  - In growth in Q2 (excl. EURO 2016 period)
- Good ARPU growth in spite of weak margins
- CPA improving through Q2 as we feel the benefit of marketing changes



1. The H1 2016 numbers in this table have been restated to include Telephone



# Retail income statement

	H1 2017 £m	H1 2016 £m	% change
Sportsbook amounts wagered	1,204.2	1,184.7	+2%
- Sportsbook gross win margin	17.4%	19.0%	-1.6 ppts
Sportsbook net revenue	210.0	225.0	-7%
Gaming net revenue	250.1	242.2	+3%
<b>Net revenue</b>	<b>460.1</b>	<b>467.2</b>	<b>-2%</b>
Cost of sales	(118.5)	(116.4)	+2%
<b>Gross profit</b>	<b>341.6</b>	<b>350.8</b>	<b>-3%</b>
Operating costs	(260.7)	(256.4)	+2%
- Employee costs	(100.1)	(97.4)	+3%
- Property costs	(52.5)	(52.6)	-0%
- Content costs	(38.6)	(36.2)	+7%
- Depreciation and amortisation	(16.6)	(14.8)	+12%
- Other costs incl. recharges	(52.9)	(55.4)	-5%
<b>Adjusted operating profit</b>	<b>80.9</b>	<b>94.4</b>	<b>-14%</b>

	H1 2017	H1 2016	% change
Average no. of LBOs	2,376	2,371	+0%
Average no. of machines	9,370	9,336	+0%
Machine density	3.94	3.94	0%
Gross win / machine / week <sup>1</sup>	£1,027	£998	+3%
Machine gross win margin	3.62%	3.55%	+0.07 ppts

Wagering +2% in spite of rolling over EURO 2016, with 6% more racing fixtures and benefit of SSBTs

Weak gross win margin: Jan-Apr 18.0%, May-Jun 16.3% with poor football results but good Cheltenham

Restructuring absorbed National Living Wage increase to within inflationary levels

Increase in content costs with additional horseracing fixtures and international racing content

1. Excludes free bets

## William Hill Australia (local currency)

	H1 2017 A\$m	H1 2016 A\$m	% change
Amounts wagered	1,479.5	1,156.6	+28%
Gross win	118.3	114.2	+4%
- Gross win margin	8.0%	9.9%	-1.9 ppts
<b>Net revenue</b>	<b>97.4</b>	<b>93.2</b>	<b>+5%</b>
Cost of sales	(28.8)	(24.3)	+19%
<b>Gross profit</b>	<b>68.6</b>	<b>68.9</b>	<b>-0%</b>
Operating costs	(67.5)	(61.6)	+10%
- Employee costs	(14.6)	(16.5)	-12%
- Marketing	(24.3)	(24.4)	-0%
- Depreciation and amortisation	(7.7)	(6.0)	+28%
- Other costs incl. recharges	(20.9)	(14.7)	+42%
<b>Adjusted operating profit in A\$m</b>	<b>1.1</b>	<b>7.3</b>	<b>-85%</b>
<b>Adjusted operating profit in £m</b>	<b>0.6</b>	<b>3.9</b>	<b>-85%</b>

Strong wagering growth but gross win margin impacted by poor horseracing results and attracting lower margin horseracing customers

Free bets 1.4% of amounts wagered (H1 2016: 1.8%)

Increase in other costs with investment in Victoria and New South Wales live streaming horseracing content

	H1 2017	H1 2016	% change
Unique active players ('000)	189.1	190.9	-1%
Revenue/unique active (A\$)	515	488	+6%
New accounts ('000)	53.2	52.0	+2%
Cost per acquisition (A\$)	456	468	-3%

## William Hill US (local currency)

	H1 2017 \$m	H1 2016 \$m	% change
Amounts wagered	526.3	465.0	+13%
- Gross win margin	5.9%	5.7%	+0.2 pts
<b>Net revenue</b>	<b>30.9</b>	<b>26.5</b>	<b>+17%</b>
Cost of sales	(2.5)	(2.3)	+9%
<b>Gross profit</b>	<b>28.4</b>	<b>24.2</b>	<b>+17%</b>
Operating costs	(18.9)	(15.0)	+26%
<b>Adjusted operating profit \$m</b>	<b>9.5</b>	<b>9.2</b>	<b>+3%</b>
<b>Adjusted operating profit £m</b>	<b>7.6</b>	<b>6.4</b>	<b>+19%</b>

Wagering benefited from 21% mobile growth. Mobile represented 56% of wagering (H1 2016: 52%)

Increased operating costs include higher staff costs and increased healthcare costs



## Cash flow and net debt

	Cash £m	Restricted cash £m	Debt £m	Net debt <sup>1</sup> £m
<b>Opening position at 27 December 2016</b>	<b>215.5</b>	<b>(108.6)</b>	<b>(725.0)</b>	<b>(618.1)</b>
Profit before interest and tax	109.0			109.0
Depreciation and amortisation	43.3			43.3
Share remuneration	2.2			2.2
Pension contribution	(4.8)			(4.8)
Interest and tax	(28.1)			(28.1)
Working capital	(2.7)	0.3		(2.4)
FV movements on derivatives	(3.5)			(3.5)
Other	(0.1)			(0.1)
<b>Net cash generated from operations</b>	<b>115.3</b>	<b>0.3</b>		<b>115.6</b>
Capital expenditure	(32.2)			(32.2)
Dividends paid	(71.6)			(71.6)
Foreign exchange	(0.6)			(0.6)
Other	0.6	1.7		2.3
<b>Closing position at 27 June 2017</b>	<b>227.0</b>	<b>(106.6)</b>	<b>(725.0)</b>	<b>(604.6)</b>

Capex	H1 2017 £m	H1 2016 £m
Online	15.4	19.4
Retail	5.6	5.7
Australia	5.0	8.1
US	1.0	0.6
IT / other	5.2	9.8
<b>Total capex</b>	<b>32.2</b>	<b>43.6</b>

1. For covenant purposes



# Strategy update and operating review

Philip Bowcock, CEO



#YourOdds set a new record when more than 90,000 bets were placed on the Champions League final



## Good progress against our three strategic priorities



Grow UK market share



Grow international revenues



Deliver key projects: technology and transformation





## Grow UK market share: Online

### UK metrics to Week 23 (prior to EURO 2016 comparator period)



- Reported numbers to week 26: UK wagering up 13% in H1, UK gaming net revenue up 9%
- Continued product improvements for Sportsbook and Gaming
- Further UX enhancements improving conversion rates on key journeys
- Increased marketing efficiency
- Growing both actives and new accounts



## Grow UK market share: product improvements

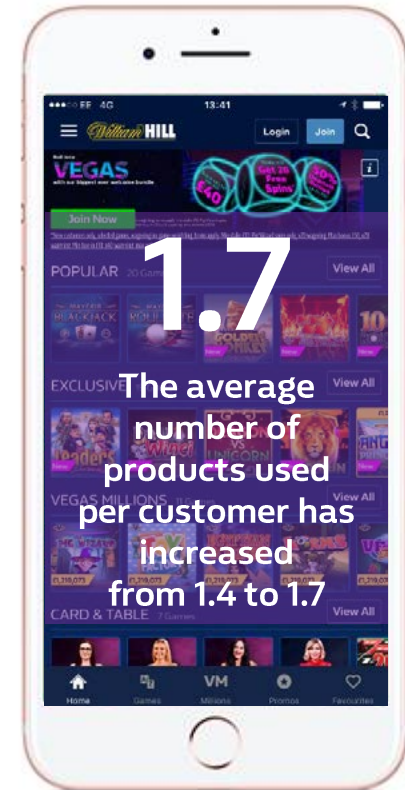


### Sportsbook

- Growth driven by 19% increase in turnover per active
- Flat Sportsbook net revenue is strong performance given margin and EURO 2016 headwinds
- New Android app launched, submitted to Google Play
- Further product enhancements, including integration of #YourOdds and acca function in Top Bets into iOS app

### Gaming

- Strong improvement in cross-sell
- Completed programme to redesign all five casino verticals
- Strong reactivation campaigns around marquee events
- Rapid game release schedule – 95 games launched, Vegas accelerated to one new game a week





## Grow UK market share: marketing improvements



- Increased marketing efficiency, e.g., Pay Per Click (PPC) spend down 12% but new accounts from PPC up 13%
- Reinvesting efficiencies in c15% increase in marketing
- Strong increase in acquisition via PPC and social media around high profile events
- Better quality new customers being acquired
- New assets: ITV racing, St Leger sponsorship, BT Sports, The Sun, The Mirror, Google Play, App Store paid search
- Foundations in place for programmatic marketing for the football season
- Enabled by migration to UNO, our proprietary data platform

Notes:

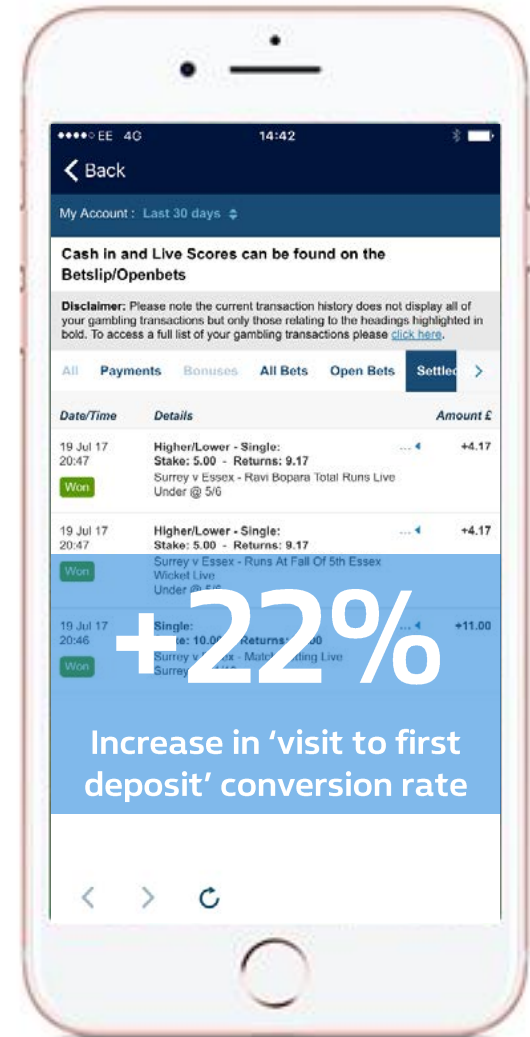
- The numbers on this slide relate to Online overall, not just the UK portion of Online.
- 'PV3' is defined as the average net revenue generated by a new customer in their first three months





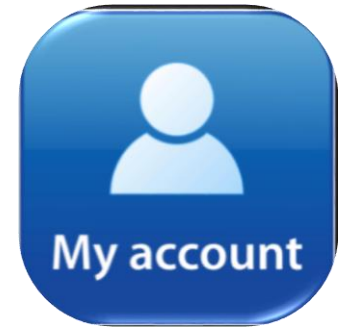
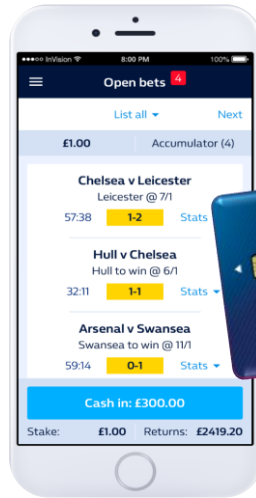
## Grow UK market share: Online Customer / UX

- Continued improvements to key customer journeys
  - Better retention, reactivation and acquisition
- Improved landing pages supporting PPC efficiency
- Age verification (AV) process improved through nudge notifications and electronic submission process
  - AV pass rate increased from 87% to 97%
- Forgotten login – key pinch point fixed
  - 91% completion rate for new journey vs 33%
  - Call centre contacts about logins down 53%
- Complete redesign of Cashier





## Grow UK market share: Omni roadmap



### Bring our expanded product range to shop customers

- Expanded SSBT product range with horseracing and cricket
- Popular football coupons and #YourOdds added
- Swap out 800 BGT units in H2
- At least one William Hill SSBT per shop in 2017

### Enhance the ride

- Card links SSBT transactions and app provides:
  - Bet Tracker
  - Live score updates
  - Cash In
- Push notifications – CRM campaigns achieving high redemption rate
- 80,000 sign-ups so far

### Quick and easy ways to use Online funds in shop

- Rollout of omni wallet commences in H2 17



## Grow international revenues: Australia

- Continuing to launch more new features than competitors, supporting product-led strategy
- Diversification through gamification
  - Lottery launched in June
- Regulation
  - Government proposal in Interactive Gambling Act Amendment to ban credit betting; six-month implementation period if passed
  - Point of consumption tax live in South Australia. The Federal Government is considering a national framework (implemented by the States)

**William HILL**

**PRICE PUMP**

**Pump up the odds of your racing bet**

Horse racing | Greyhounds | Harness racing

**44,000+**

**New Price Pump users in first three months**

\*Excludes SA residents and non-eligible clients.





## Grow international revenues: US

- Further land-based expansion
  - Iowa race book opened
  - Riverside sports and race book in Nevada
- Continued strong mobile performance
  - 22% increase in new mobile sign-ups
- Supreme Court to review New Jersey case relating to PASPA federal ban
  - Case likely to be heard this year



William Hill race book opened April 2017 in Iowa for Caesars Entertainment at Horseshoe Casino



## Deliver key projects: transformation

On track to deliver £25m of in-year savings, £40m of annualised savings by year-end  
Reinvesting in marketing and product development

### Digital marketing

- Digital marketing cost savings delivered
- Re-invested in high ROI programmes

### External spend

- Substantial supplier savings in-year from optimising supplier base and renegotiation of contracts

### IT

- Renegotiation of IT contracts
- Rationalisation of data centre footprint over two years
- Efficiency through ways of working

### Customer service

- Service volumes reduced through improved UX of key customer journeys

### Organisation

- Rationalising our footprint, reducing number of locations
- Tel Aviv to close in Q2 18, building out Kraków as dev. centre, consolidating London footprint to co-locate marketing and tech and access talent pools

## Summary

- Delivering good growth in UK Online and Retail
- Reinvesting in product, marketing and technology to drive further growth
- Focused management of Australia
- Good optionality in the US
- On track to deliver £40m annualised efficiency saving
- Transformation programme delivering long-term benefits
  - Improved revenues
  - Greater cost efficiency
  - Better organisational effectiveness



# Q&A

Philip Bowcock, CEO

Mark Summerfield, Interim CFO

A photograph of Roger Federer in mid-air, performing a jump serve on a tennis court. He is wearing a white Nike tennis outfit and white sneakers with pink accents. The background shows a large crowd of spectators in the stands, and a green wall with a white line is visible. The image is partially obscured by a large, dark blue, textured graphic on the left side.

Roger Federer wins his 8th Wimbledon title after defeating Marin Cilic in the final at the 2017 Wimbledon Championships



# Appendices

## Glossary

Adjusted operating profit	Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail on adjusted measures is provided in note 3 to the half-year results
Adjusted results	Adjusted results means results before exceptional items and adjustments, as described in note 3 to the half-year results
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 half-year results
Basic EPS	Basic EPS is based on an average of 856.8 million shares for 2017 and an average of 871.8 million shares for 2016
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 operating profit before depreciation and amortisation, and share remuneration charges
Free bets	Free bets 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 is different 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
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 in the 2016 Annual Report
Net revenue	This is an industry term equivalent to 'Revenue' as described in the Statement of Group Accounting Policies in the 2016 Annual Report. 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 over-the-counter 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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