

# William Hill US

Business and regulatory update

10 May 2017



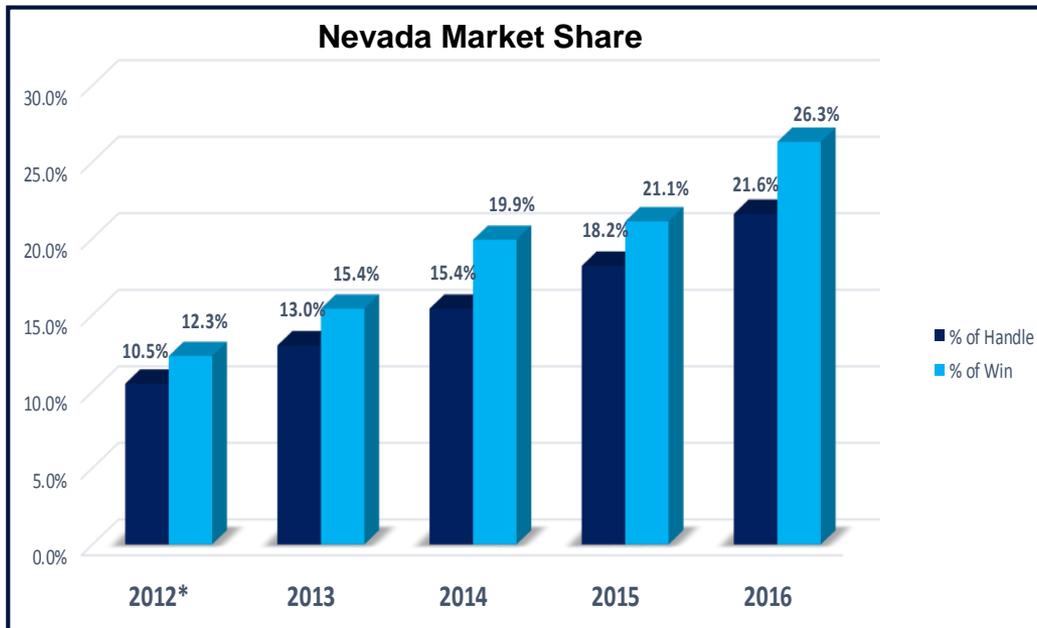
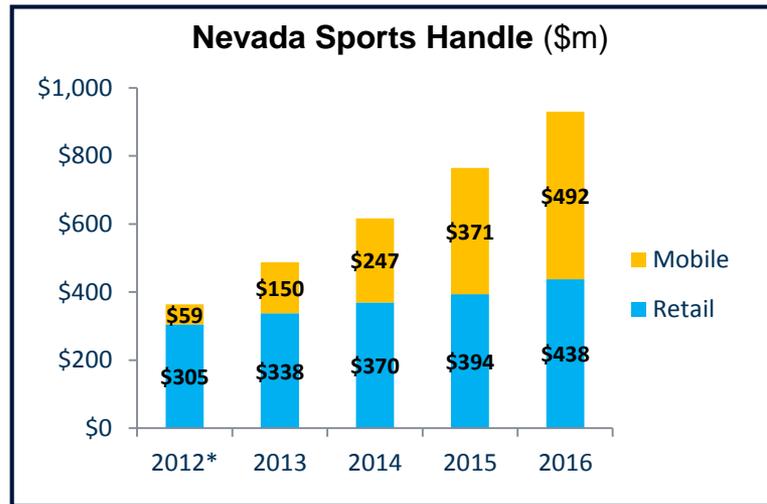
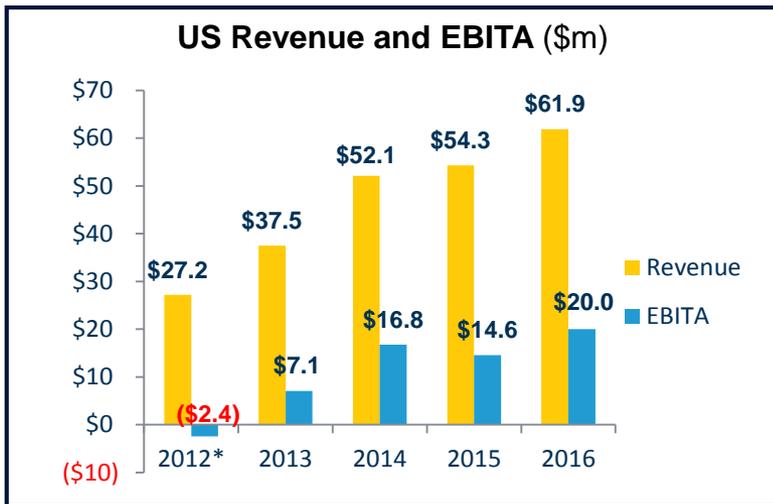
## Then and now...

- Operate 55% of Nevada's retail sports books
- New mobile app launched late last year
  - 2016 mobile revenue +56%
  - Mobile was 53% of handle
- Virtual racing launched
- Brand and reputation are strong
- Well positioned to take advantage of U.S. sports betting expansion opportunities

	2012	2017
Number of sports books	100	109
Nevada market share of sports win (2016)	12%	26%
Mobile as a % of handle	16%	53%
InPlay as a % of handle	0%	22%
Delaware handle	\$18m	\$40m
Number of Delaware retailers	34	105
Number of full-time employees	375	420
2016 operating profit <sup>1</sup>	-\$2.4m	\$19m*

1. Before central recharges

# William Hill has grown Nevada market share by 114%



\* 2012 is shown on a pro forma basis

# Key recent accomplishments

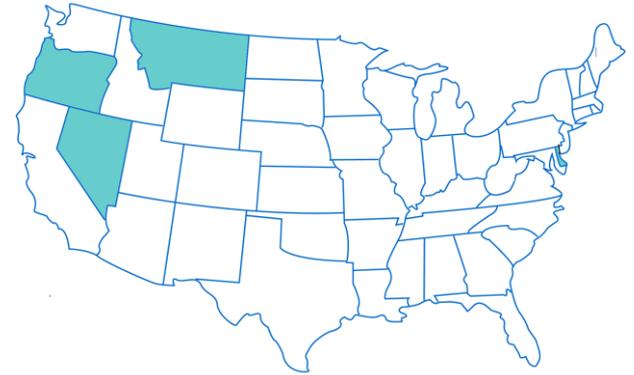
- ✓ Launched new mobile app in 2016 with all new UX and betslip feature
- ✓ Opened Silver Legacy and Circus Circus Reno race and sports books in August 2016
- ✓ Launched virtual racing in 13 venues following successful field trial
- ✓ Recently extended the Delaware Lottery contract
- ✓ 30% increase in March Madness basketball tournament handle in 2017
- ✓ Opened Riverside race and sports book in Laughlin in April 2017
- ✓ Opened race book in Iowa for Caesars Entertainment at Horseshoe Casino in April 2017



# Current US legal framework

## At the behest of the major professional sports leagues, the Professional and Amateur Sports Protection Act ("PASPA") became law in 1992

The leagues argued that the spread of legal sports betting would compromise the integrity of the games



PASPA prohibits state-sponsored sports betting with the exception of four states, known to have permitted some form of sports betting prior to the law being enacted:

- **Nevada has a broad exemption and offers a full sports betting product**
- **Delaware offers parlay wagering on NFL football only**
- **Montana is sparsely populated and has a limited fantasy offering**
- **Oregon stopped offering lottery-type games in attempt to lure NCAA tournament games**
- **Horse and dog racing are excluded from PASPA and pari-mutuel wagering is legal in many states**

Rather than stopping the spread of sports betting, PASPA has created a vast illegal market, estimated at up to \$380 billion per year\*

New Jersey has been challenging PASPA since 2011 and the U.S. Supreme Court is currently considering whether to hear the latest case

## Federal Wire Act of 1961

Among other things, prohibits transmission of sports bets across state lines

**Kennedy Signs Bills In Blow  
At Gambling, Racketeering**

## Wagering Paraphernalia Act

Prohibits transporting supplies used for sports betting across states lines

## Unlawful Internet Gambling Enforcement Act (UIGEA)

Prohibits banks from processing illegal online gambling transactions

These laws would still apply even if PASPA is overturned



- A public referendum to legalize sports betting passed by a 2-1 margin in 2011. New Jersey then enacted a bill in 2012 to legalize sports betting at racetracks and casinos
- Following a Federal District Court decision, New Jersey filed an appeal with the Third Circuit, arguing that PASPA violates the U.S. Constitution because it violates New Jersey's sovereign rights
- The Third Circuit ruled 2-1 in favor of the sports leagues in Sept. 2013 and upheld the constitutionality of PASPA
  - PASPA prevents New Jersey from authorizing sports betting by law, but does not prevent a state from repealing its prohibitions against sports betting in whole or in part
- In response, a new law was passed in October 2014 that removed New Jersey's prohibitions against sports betting for casinos and racetracks
- The Third Circuit, following an en banc hearing, upheld the constitutionality of PASPA and struck down New Jersey's most recent attempt to work around it by a 9-3 vote
  - New Jersey filed for review by the U.S. Supreme Court. The Court invited the Solicitor General to file a brief and a decision on whether to hear the case is expected in June

# A shifting landscape

# The attitudes of the sports leagues are changing with respect to sports betting

- NBA Commissioner Adam Silver’s 2014 New York Times op-ed was a turning point in support of legalized sports betting
  - Traditionally, the major sports leagues have been against legalized sports betting
- Since the op-ed piece, Silver has spoken in favor of sports betting many times, but has not taken any significant action; many NBA teams receive sponsorship dollars from DFSB sites
- Major League Baseball Commissioner Rob Manfred has spoken publicly of an evolving stance on legalized gambling by the league
- The Major League Soccer commissioner has also recently spoken in favor of legalized gambling
- Several NFL owners have recently been quoted anonymously speaking favorably about legalized sports betting, but the commissioner remains opposed (at least publicly)

## The New York Times

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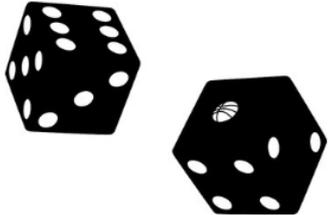
The Opinion Pages | OP-ED CONTRIBUTOR

### Legalize and Regulate Sports Betting

N.B.A. Commissioner Adam Silver: Allow Gambling on Pro Games

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By ADAM SILVER NOV. 13, 2014




BETTING on professional sports is currently illegal in most of the United States outside of Nevada. I believe we need a different approach.

For more than two decades, the National Basketball Association has opposed the expansion of legal sports betting, as have the other major professional sports leagues in the United States. In 1992, the leagues supported the passage by Congress of the Professional and Amateur Sports Protection Act, or Pasma, which generally prohibits states from authorizing sports betting.

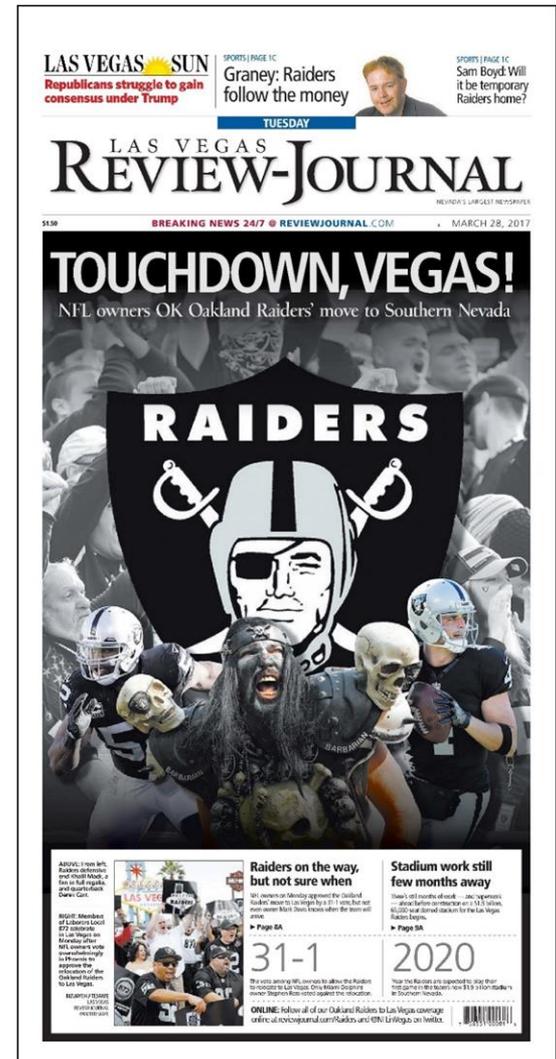
But despite legal restrictions, sports betting is widespread. It is a thriving underground business that operates free from regulation or oversight. Because there are few legal options available, those who wish to bet resort to illicit bookmaking operations and shady offshore websites. There is no solid data on the volume of illegal sports betting activity in the United States, but some estimate that nearly \$400 billion is illegally wagered on sports each year.

# Professional sports teams coming to Las Vegas, showing further softening of the leagues' stance on gambling

- The NFL owners recently approved 31-1 the move of the Oakland Raiders to Las Vegas

Commissioner Goodell said the league will not seek to block wagering in Nevada "in large part because you have the regulatory environment there, which actually could be beneficial in this case...We'll study it further, but I think at this point in time that's not our position" (ESPN, April 7, 2017)

- An NHL team will start to play in Las Vegas this year and, to date, the league has not expressed objection to wagering on the team's games in Nevada



- At William Hill's urging, the American Gaming Association ("AGA") has made the pursuit of legalized sports betting its primary objective
  - William Hill is an AGA board member and a member of its Sports Betting Task Force
  - The AGA seeks a legislative repeal of PASPA
- The AGA has begun lobbying efforts this year; it spent 2016 on a substantial public relations campaign to build broad industry and public support of legalized sports betting and on education efforts around the illegal market
- The AGA has been meeting with the sports leagues and has hired consultants to help in dealings with them
- The AGA has been successful in gathering various allies from law enforcement organizations



**AMERICAN  
GAMING  
ASSOCIATION**



- Daily Fantasy Sports Betting (“DFSB”) sites have intensified the momentum toward legalized sports betting due to the inconsistency with PASPA
- DraftKings and Fan Duel continue dominate with a near 100% market share between them; they recently announced a merger, subject to the Federal Trade Commission approval
- The NBA and MLB have equity positions Fan Duel and DraftKings and teams receive substantial sponsorship money
- Last year, several state attorneys general issued opinions that DFSB is illegal gambling. Following intense lobbying efforts, 10 states passed laws permitting DFSB
- Hard to reconcile DFSB laws with PASPA



- President Donald Trump, who formerly owned casinos in Atlantic City, spoke favorably about sports betting during New Jersey's window to enact a sports betting law
- Since taking office, he has been more measured in his comments
- The administration is more likely to address sports betting later in his first term



## Trump comments on sports betting

### NBC TV - 1993

*"It's vital to keeping your taxes low, it's vital to the senior citizens, and it's vital to putting the bookies out of business"*

### Colin Cowherd radio - November 2016

*"I'm okay with it because it's happening anyway. Whether you have it or you don't have it, you have it... it's all over the place."*

### Westwood One radio - February 2017

*"Well, what I'd do is I'd sit down with the commissioners. I would be talking to them, and we'll see how they feel about it. Some would not want it, and probably others — and I've read others maybe do. But I would certainly want to get their input and get the input from the various leagues, and we'll see how they feel about it. I'd also get the input from lots of law enforcement officials, because, obviously, that's a big step."*

*"So we wouldn't do it lightly, I can tell you. It will be studied very carefully. But I would want to have a lot of input from a lot of different people."*

# How we're positioned

## Nevada

Many Nevada operators have casinos in other jurisdictions throughout the US; we have existing relationships with many of them



## New Jersey

Our deal with Monmouth Park racetrack gives us exclusive sports betting rights for 50 years and a 50/50 profit share. Legislation would allow sports betting at racetracks and casinos

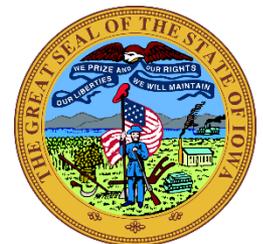


## Delaware

A repeal of PASPA would enable the Delaware Lottery to immediately offer a full sports betting product. Contract was recently extended

## Iowa

Recently opened a race book at Caesars Entertainment's Horseshoe Casino in Council Bluffs, Iowa



Questions?

*William* **HILL**