



29 November 2022

888 Holdings Plc
("888" or "the Group")

Launch of updated strategy for sustainable value creation at Capital Markets Day

Plan focused on delivering shareholder returns, driven by rapid deleveraging and improved profit margins, supported by accelerated and increased cost synergies

888 (LSE: 888), one of the world's leading betting and gaming companies with internationally renowned brands including 888, William Hill, Mr Green and SI Sportsbook, will today hold a Capital Markets Day ("CMD") in London, beginning at **2pm (GMT)**.

The CMD will comprise a series of presentations from members of 888's executive leadership team. The presenters will outline the enlarged Group's updated strategy and priorities, including its key growth opportunities, financial targets, and an update on the anticipated cost synergies following the acquisition of the non-US assets of William Hill ("William Hill") (which completed in July 2022).

KEY FINANCIAL HIGHLIGHTS: INCREASED COST SYNERGIES AND NEW MID-TERM FINANCIAL TARGETS

In connection with the CMD, 888 will present a series of new **financial targets for 2025**, consisting of:

- **Revenue of above £2 billion:** Refined strategic focus on a smaller number of key markets, with clear targets to drive greater market share and build sustainable long-term market leadership positions;
- **Adjusted EBITDA margin above 23%:** Focus on building scalability into the enlarged Group's operating model, using the benefits of unified proprietary technology and operations to drive higher profit margins;
- **Adjusted net debt / EBITDA of less than 3.5x:** Extremely disciplined approach to capital allocation, with a focus on leverage reduction to less than 3.5x by end of 2025; and
- **Adjusted EPS of at least 35p:** Strong focus on core equity growth drivers to deliver the benefits of the enlarged Group.

In addition, the Group will announce both **an acceleration and increase in anticipated cost synergies**, with:

- An increase in the pre-tax cost synergy target to approximately £150 million (previously at least £100 million), of which approximately £34 million are expected to be capital expenditure related synergies (previously £15 million); and
- An acceleration of delivery, with approximately £87 million operating cost synergies expected to be achieved in 2023 (previously £54 million).

KEY STRATEGIC HIGHLIGHTS: AN UPDATED STRATEGIC ROADMAP TO DRIVE SHAREHOLDER RETURNS

At the CMD, the Group's management team will present its evolved strategic roadmap following the acquisition of William Hill and reflecting the Group's current operating and macroeconomic environment. The Board believes this roadmap provides a clear direction for the next phases of the Group's evolution, while continually aiming to drive shareholder returns.

The fundamental rationale for the acquisition is as compelling as ever and provides robust foundations for the Group's next decade of growth:

- The enlarged Group is **one of the world's leading online betting and gaming groups** with significantly increased scale, greater revenue diversification and an increased proportion of regulated and taxed revenues;
- The acquisition has given the Group **stronger positions across its core markets** of the UK, Italy, and Spain;
- The combination of the two businesses has **significantly strengthened the Group's brand portfolio** which now includes the iconic William Hill brand and popular Mr. Green brand alongside the award-winning 888 brand and SI Sportsbook brand;
- The enlarged Group benefits from a **larger combined talent pool** and a high-quality management team with significant industry experience formed from the best of both businesses; and
- The business has **an attractive retail proposition in the UK**, which is highly complementary to its online business.

However, since announcing the acquisition in September 2021 there have been material external changes that the Group must address:

- **The Group's operating environment has become more challenging.** Global macroeconomic conditions are shifting and key countries in which we operate are facing increasingly high inflation, energy costs hikes, higher interest rates, and, in some cases such as the UK, potential further regulatory changes.
- **The Group is more exposed to the effect of higher interest rates given our current levels of debt.** The ultimate structure of the William Hill acquisition resulted in the Group's net debt being higher than was anticipated when the acquisition was initially announced. This has left the Group more exposed to changes in interest rates (36% of gross debt is fixed and 64% has floating rates), which has in turn impacted its ability to reinvest excess cash flow in accelerating growth in the short term. In the coming weeks and months, the Group may look to access debt capital markets, using proceeds to repay up to £347m (equivalent) of bank loans which were drawn to redeem the William Hill 2026 Notes.
- **Overall market growth rates across the Group's key online markets have moderated.** At the outset of the global COVID-19 pandemic in 2020, consumers around the world rotated overnight towards e-commerce and digital forms of entertainment. This in turn drove significantly higher growth rates for the Group over the course of 2020 and 2021 compared to what it had achieved previously. Since 2020, the 888 organisation increased operating costs to manage the greater number of customers as well as increasing regulatory and player protection requirements. The William Hill organisation experienced the same trends, which were compounded by corporate M&A activity distracting its focus and allowing operational inefficiencies to creep in. Across the organisation this means the Group needs to readjust the cost base and its priorities to reflect the wider market environment.

888's updated strategic framework seeks to build on its fundamental strengths and address these challenges through swift actions and a clear plan, enabling the Group to realise its strong potential. The roadmap is based around three phases:

- **Position (2022):** Today we are a newly combined business with world-class brands and market-leading positions across some of the most attractive betting and gaming markets globally. However, today the Group operates across multiple platforms and multiple teams, with brands that are often competing against each other. These factors currently result in certain inefficiencies, leading to profit margins lower than industry peers. Additionally, financial leverage is significantly above our mid-term target of 3x.
- **Plan (2023-2025):** With clear strategic priorities of integration and market focus, we will create a more streamlined business focused on more select markets where the Group's combination of high-quality products, exceptional brands, and proven operating capabilities provide strong potential to create additional market-leading positions. The integration to a single global technology platform will deliver a scalable and efficient business model, operating at higher profit margins. A highly disciplined capital allocation plan will target net debt / EBITDA of less than 3.5x by end of 2025.
- **Potential (2025+):** With a powerful platform for future growth, scaled business operations, and a robust and defensible suite of competitive advantages, the Board believes the Group will be well positioned to deliver strong, long-term, and sustainable growth.

KEY EQUITY GROWTH LEVERS:

At the CMD the Group will also outline its clear framework to drive enhanced shareholder returns, with a 2025 target of at least 35p of Adjusted EPS supported by the following key levers:

- **Revenue growth:** every 1-point improvement in revenue growth is estimated to be worth approximately 1p to EPS. The Group will outline its approach to focus on a smaller number of the most attractive markets globally in order to deliver its revenue growth plans.
- **Adjusted EBITDA margin:** every 1-point improvement in adjusted EBITDA margin is estimated to be worth approximately 3p to EPS. The Group has clear levers to pull to drive higher margins, including integration synergies, optimisation of operations, a new brand strategy, and increased focus on key markets.
- **Debt reduction:** every £100 million in debt reduction is estimated to be worth approximately 2p to EPS. The Group's capital allocation model will prioritise debt reduction with a clear plan to reach 3x adjusted net debt / EBITDA.
- **Debt optimisation:** every 100bps in the cost of debt is estimated to be worth approximately 3p to EPS, with some flexibility in the debt structure enabling the Group to potentially capture the future benefits of deleveraging.

CURRENT TRADING AND OUTLOOK:

Since the Q3 Trading Update on 18 October 2022, the Group has continued to trade broadly in line with Board expectations, with customer friendly results in October leading to slightly lower than expected betting revenues.

As previously announced, revenues in the first nine months of 2022 were £1,393 million. Adjusted EBITDA for the same period was approximately £217 million, with Q3 adjusted EBITDA margin of approximately 16%.

For the full year 2022, the Group expects proforma revenue of approximately £1.85 billion and Adjusted EBITDA in the range of £305-315 million.

Q4 2022 adjusted EBITDA is expected to be in the range of £88-98 million, which reflects significant cost mitigation actions taken during H2 2022 together with the successful delivery of initial synergies.

In 2023, the group expects an Adjusted EBITDA margin of at least 20%.

Itai Pazner, CEO of 888, commented:

"Today we set out our approach to unlocking the significant benefits of the combination of 888 and William Hill and I am pleased to share a more detailed view of our strategic direction and priorities.

As a newly combined business we have significant scope for improving our operating model and delivering efficiencies. Over the next two years we plan to fully integrate our business – creating a bigger, stronger and better organisation with higher profit margins. We are focused on building a customer-led business with a portfolio of world class brands that provide complementary offerings, supporting our ambitions to drive market share growth in some of the most attractive betting and gaming markets in the world. This will be enabled by a scalable, unified proprietary technology stack that will underpin our product and content leadership focus.

While our financial leverage is currently higher than our mid-term target, our streamlined operations and capital discipline will give us a clear path to deleverage to less than 3.5x by the end of 2025.

Our long-term potential remains exciting. Building our unified tech platform will present us with real future growth opportunities as we take advantage of our world class brands, product and content leadership, and customer excellence to set our business for the next decade of growth."

Attending the CMD

To register your interest in attending the CMD today please email ir@888holdings.com. A live webcast of the event will be available at <https://stream.brrmedia.co.uk/broadcast/637ba385b9c242479d555b58> and presentation materials will be made available at the Group's corporate website shortly after 2pm GMT.

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About 888 Holdings Plc:

888 Holdings plc (and together with its subsidiaries, "888" or the "Group") is one of the world's leading betting and gaming companies. In 2022, the Group acquired the international (non-US) business of William Hill to create a global industry leader. Headquartered in Gibraltar, and listed in London, the Group operates from 15 offices around the world and employs over 12,000 people globally.

The Group's mission is to lead the gambling world in creating the best betting and gaming experiences, bringing unrivalled moments of excitement to people's day-to-day lives. It achieves this by developing state-of-the-art technology and content-rich products that provide fun, fair, and safe betting and gaming entertainment to customers around the world.

The Group owns and operates internationally renowned brands including 888casino, 888sport, 888poker, William Hill and Mr Green. In addition, the Group operates the SI Sportsbook brand in the US in partnership with Authentic Brands Group.

Find out more at:

<http://corporate.888.com/>

<http://williamhillgroup.com/>

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