



CHAIRMAN'S AND CEO'S PRESENTATION
ANNUAL GENERAL MEETING
11 May 2016

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CHAIRMAN'S SCRIPT

WELCOME AND INTRODUCTION

[CHAIRMAN]

Good morning, Ladies and Gentlemen. It gives me great pleasure to welcome you as shareholders to the 14th Annual General Meeting of William Hill and I am delighted that you could all join us today.

As a point of order I should let you know that we're not expecting any fire alarm tests today so should the alarm go off please make your way to the exits in an orderly fashion.

[INTRODUCE DIRECTORS]

Let me start by introducing you to the Board of Directors. On the platform with me are:

James Henderson – Chief Executive Officer.

Philip Bowcock – our new Chief Financial Officer, who was appointed last November.

And our Non-executive Directors:

Sir Roy Gardner, Georgina Harvey, Ashley Highfield, David Lowden and Imelda Walsh.

And finally we have Luke Thomas, Company Secretary.

As usual, I would like to give you our view of William Hill's progress in the last 12 months and then James will update you on the progress we have made against our strategy before we move onto the formal business of today's meeting.

In profit terms, 2015 was always going to be challenging as the Group had to pay £87m in additional UK gambling duties for the Point of Consumption Tax and the increased rate on the Machine Games Duty. In

fact, you may be interested to know that our total contribution to the UK Exchequer in 2015 was more than £320m, and it's gone up by more than a third in one year.

As a result, operating profit was 22% lower at £291m, but that would have grown 2% excluding those additional duties.

At the same time, we have made good operational progress against our three strategic pillars of omni-channel, technology and international, which James will talk to shortly. These are helping to diversify the business over time, with 41% of our revenues coming from our digital businesses and 15% from outside the UK.

Turning to the four principal businesses in turn.

Retail continues to be a very resilient business. During my six years as Chairman, many people have predicted the death of Retail but it remains a popular channel among customers, with 72% of our regular Retail customers only using betting shops.

Retail had a challenging year, with the '£50 journey' for higher-staking gaming machine customers impacting revenues and costs being higher because of the increased MGD tax. Overall, then, operating profit was 11% lower. We have updated on performance in the first 17 weeks of 2016 today. While amounts wagered were down 3%, overall revenue was up 2% because we had good Premier League results and gaming machines grew 4%.

As I'm sure you're aware, the industry is waiting to see the outcome of the Ladbrokes and Coral merger. We have made submissions to the CMA as part of that process and expect a decision in the summer. In the meantime, we continue to increase our own estate marginally, opening 25 new shops and closing 16 in 2015.

Turning to Online.

Overall, Online's revenues grew 4% last year, with our core markets of the UK, Italy and Spain growing 11% and the rest of the world declining 27%. Profits came down from £178m to £127m as a result of the Point of Consumption Tax, which cost an additional £66m.

After several years of double-digit growth, it is disappointing to see the business slow and, as I'm sure you appreciate, Online is a key focus area for all of the Board at this point.

Last year, Online's principal focus was on launching a new mobile website and new apps, under our Trafalgar project. This was a significant step forward in controlling our own technology, which is an important part of how we differentiate William Hill's customer offering. However, we had some initial glitches and the team has worked hard to address those, taking advantage of the Trafalgar platform to make changes rapidly and frequently.

At the same time, however, our performance was being dragged down by significant revenue declines in our non-core markets and we are not satisfied with our growth rate in the highly competitive UK market.

So coming into the new year, James and the Board felt this was the right moment to change Online's leadership and I'm pleased to announce today that we have confirmed Crispin Nieboer as its new Managing Director. Crispin has a very strong track record in online gaming having first worked for ITV and Sky before establishing his own poker business. He joined William Hill's Corporate Development Office in 2013 and has most recently developed the Online Shoreditch innovation hub. He's been Interim MD since mid-January and I think I speak for all my Board colleagues when I say he has clearly demonstrated to us his knowledge, insight and leadership since then. So I'm pleased he's taking on this big role.

As you will have seen from our trading update in March, Online is facing some further headwinds.

Since October, we have provided additional self-exclusion measures to customers and we're seeing around two to three thousand customers a week take advantage of these. At the current run rate, that lost revenue will cost us, in profit terms, £20-25m this year. This, I'm afraid, ladies and gentleman, is the price we pay for being in a highly regulated market. If I take a long-term perspective, I can see the upside in this because it will mean only the very biggest companies – like William Hill – will be able to remain competitive. However, as one of the biggest in the market, it does mean we are being disproportionately impacted today.

You will also have gleaned from the headlines that Cheltenham was unusually unfavourable to us this year, with four loss-making days. Those factors coming together led to us to decide to give you visibility on these challenges sooner rather than later.

At the same time, Crispin has highlighted some areas of weakness for Online that need to be addressed – in particular, how we acquire new customers, manage our existing customer base, grow internationally and give our mobile customers the fastest and easiest betting experience. Under Crispin's leadership, the business will be focused on three priority areas:

- Product enhancements, like more in-play markets and Cash In functionality;
- More efficient marketing, particularly in acquiring new customers and incentivising our longer term customers; and
- International expansion, taking advantage of opportunities as they arise in other markets.

In some areas, we can move quickly to make changes but others may take 12 to 18 months to come to fruition so this will continue to be a key focus area for the Board for some time to come.

Looking beyond these shores, I'm pleased to report that, after a tough 2015, our Australian business is showing some positive signs of growth. During the year, we undertook two major changes: first, we closed down business that had become unprofitable as a result of increased horseracing duties; and, second, we started the process of rebranding under William Hill.

The brand launch has surpassed our expectations and our brand recognition levels have rapidly overtaken many of our competitors'. However, focusing our marketing spend on William Hill impacted our legacy brands. Overall, then, our turnover came down 20% on a local currency basis, but our gross win margin saw a structural improvement that meant the revenue decline was slower, down 11%. We continued to invest in marketing and technology, so profits were 41% lower.

More importantly, looking into 2016 we have good signs of growth. Looking at today's update, you can see that Australia has now returned to growth with turnover up 10% in local currency. Our 'lead indicators' for the William Hill brand are also strong, with wagering up 22%, actives up 1% and new accounts up 46%. So we're expecting a better performance this year.

The US business continues to go from strength to strength. Joe Asher, our US CEO, recently provided an update to the City and he highlighted how our market share in Nevada has increased from 12% to 21% in three years, and we've moved from a \$2m loss in 2012 to almost \$15m profit in 2015. The US remains a very interesting opportunity, with ongoing challenges to the federal ban on sports betting and a lot more noise about the subject across media and in political circles, so we are watching that one with interest.

Overall, therefore, Group net revenue was 1% lower and basic, adjusted earnings per share were 17% lower. And as at the end of week 17 this year, Group net revenue was down 3%. Long term, the Board remains very confident in the Group's prospects for growth. For that reason, we decided to increase the dividend payout from 40% to 50%, and it is our intention to continue to target that new level in future. The Board approved a final dividend of 8.4 pence per share, giving a total dividend of 12.5 pence per share, an increase of 2.5%.

During the year, we also reviewed the Group's capital structure and uses of cash. The Group remains highly cash generative. Having considered what we want to invest in organic growth, potential M&A opportunities, competition and the potential for disruptive regulatory and tax changes, we concluded that it is appropriate for William Hill to maintain net debt at around one to two times our EBITDA levels. We

believe, therefore, that the Group can increase its capital efficiency without compromising its ability to continue investing in growth, and announced a return of up to £200m to shareholders via a share buyback. As of today, we have completed almost £60m of that return and remain on track to complete it within the specified 12 months.

So, finally, let me record the Board's thanks to all our William Hill colleagues for their work through a challenging time for the Group.

Thank you for your attention. I would now like to hand over to James, who will update you on our progress against our strategic priorities.

JAMES HENDERSON

Thank you, Gareth, and good morning ladies and gentlemen.

As Gareth said, 2015 was a challenging year in many ways and there's no doubt that some of those challenges have been prevalent during the course of this year, too. Strategically, however, we continue to make good progress and have achieved a number of milestones in the last year.

You will recall from my presentation last year that we have three strategic priorities, all of which are helping us to become a more diversified – and therefore, increasingly robust – business over time.

The three strategic pillars are:

- Our 'omni-channel' strategy, which focuses on using our unique UK footprint across our Retail estate and Online customer base to target the increasing proportion of customers who are using both channels to bet;
- International growth, which is a clear opportunity for William Hill to reduce its reliance on the UK and enter markets where our brand and business model can flourish; and

- Technology, which underpins both these strategies by enabling us to take more control of our destiny and to bring customers a differentiated experience and, where possible, a degree of exclusivity.

Starting with omni-channel. As Gareth said, the vast majority of our regular Retail customers only bet in shop; however, an increasing proportion of them – 28% in fact – are now using both the shops and online.

Our strength in both channels mean we're already capturing about 45% of those customers in the William Hill brand, which means there's plenty more to go for.

A key priority to increase this percentage is via our self-service betting terminal, which will bring, amongst other things, Online's great product range into the shops. We are the only company to have developed our own terminal, which will allow us to not only offer a unique experience but also remove the need to share our revenue with a third party. Customer feedback has been really positive – notably around access to statistics, in-play and the Cash-In functionality. We've also made the football range much broader, the user experience easier and providing access to popular online functionality like Top Bets. The plan – which, by the way, is fully on track – is to have 500 SSBTs before the start of the EUROs and around 2,000 by the year-end.

We're also exploring ways to enable customers to use their account funds in either channel through a single wallet. We already know there's plenty of demand for this type of facility as last year we processed £40m worth of transactions through Cash Direct, which allows customers to deposit and withdraw their online funds in shop. All being well, it's expected that phase one of this key project will be delivered before the end of this year.

The second pillar is international diversification.

Starting with Australia. During the last 12 months it's been all about the brand, product and user experience.

Moving to the William Hill brand last February was a big decision but it has certainly turned out to be the right one. The chart on this slide shows that our brand awareness has grown faster than we could possibly have expected. We're now in the top three and well on our way to challenging TAB and Sportsbet.

We've also improved the product and user experience, with a highly rated app and a much broader product range, including in-play supported by our Global Trading Platform. As a result, we recorded really strong growth from the William Hill brand during the Australian Open, which, incidentally, was the first time any bookmaker had been a betting partner for a Grand Slam tournament. During the Tennis, turnover was up 200%, in-play turnover up more than 680%, plus, we had about 1,000 new customer sign-ups a day, with 75% of them going on to bet on other products.

We've also just launched our Cash Card and the all-important Cash-In functionality will follow shortly thereafter. In addition to these two key products, we have a packed pipeline of product ready to be delivered between now and the end of the year. It's taken a lot of work by the team but this is now a highly competitive business in a very attractive and fast-growing market.

Elsewhere, the US business continues to go from strength to strength, with around half of our turnover now coming from mobile. In Italy, our strong growth means we're now profitable with Spain not that far behind. We continue to expand our product range in both markets and hold top three positions in both.

Last August we expanded into online lotteries by acquiring 29% of NeoGames for \$25m, a challenger business that's winning contracts in both Europe and the US. This takes us into a whole new product vertical and one that can move faster in the US than online gaming, as 44 US states already have land-based lotteries and 41 of them can offer online lotteries without having to introduce further legislation.

Since the acquisition, NeoGames has won another contract in Virginia and launched a draw-based game solution, making it even more competitive.

Finally, turning to technology, where we have probably made the most progress since last year's AGM.

Having more control of our technology is key to bringing our customers a differentiated experience. So far, we've developed a bespoke trading platform for our betting product and added Macau and Mayfair to our successful Vegas gaming product.

Last year, we took a big step forward by taking control of our front-end. This is where we can most differentiate – by controlling our own customer interfaces, like our desktop site, mobile site and mobile apps.

Now, we're leading the market with tools like touch login, messaging and top bets. We're also improving load times. We've reduced the bet acceptance delay to just one second for top European leagues versus three seconds for key competitors. We've improved mobile registration to get a 10% better conversion rate and cross-sell from the Trafalgar Sportsbook into gaming has also increased. We've launched Virtual on Android for the first time and have increased the number of languages available, making us more competitive in other markets.

Delivering so much so quickly has been made possible by controlling the Trafalgar front-end ourselves. We've massively accelerated our release schedules, with eight iOS app releases since October and around 20 web releases a week.

At the same time, we've been reviewing solutions for the back-end, the engine room for the site, which includes functions like the e-wallet and the betting engine. We've worked with OpenBet since 2008 and are very reliant on their system, but we needed more flexibility.

We considered three routes for this solution – buying a company, building it internally or constructing a different deal with OpenBet. That third route was our most cost effective and least risky one, and I'm, therefore, delighted with the agreement we recently announced with NYX Gaming.

We've signed a ten-year commercial agreement that will see us build a new, bespoke back-end platform over the next three years. At the same time, we supported NYX's acquisition of OpenBet by investing £80m in ten-year convertible preference shares and £10m in NYX equity. I'm confident this will be a good investment in its own right, quite apart from the benefit we get from the commercial agreement.

Finally, let me just touch on the question of responsible gambling as this continues to be a major focus for the Group.

Throughout last year, we continued to build on the firm foundations I talked about the last time we were together.

In the shops, we've just launched a cross-operator self-exclusion scheme to increase the effectiveness of that system. On the gaming machines, we've implemented the £50 journey for customers staking over £50 a spin on the gaming machines, extended the 'Set Your Limit' features and started to use algorithms to identify 'at-risk' play.

We've launched a responsible gambling hub for Online customers, which include the new automatic self-exclusion and time-out functions. And, we continue to work with Senet, particularly around responsible gambling awareness campaigns and advertising restrictions.

Problem gambling rates in this country are low by international standards and appear to be stable at this point but we are not complacent and continue to work closely with the Gambling Commission, the Responsible Gambling Trust and the Government to ensure we are delivering the right measures to the right customers at the right time.

So, overall, I believe we've made some significant steps in the last 12 months that puts our business on a much firmer footing for years to come.

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