



*William* HILL

# THE HOME OF BETTING

William Hill PLC corporate presentation

December 2015

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# Good operational progress despite regulatory and tax headwinds

- Good progress on strategic priorities
- Many moving parts in results
  - World Cup 2014 rollover
  - 108 exceptional shop closures in H2 2014, average estate falls 3%
  - £54m Point of Consumption Tax payments
  - £13m of increased MGD rate cost
  - £50 journey implementation and impact
- Confident transition through Point of Consumption disruption
  - Online UK growth continues to be good
  - Key UK marketing contracts secured for 2015/16
- International divisions making good operational progress
- Extending into emerging online lotteries market by acquiring 29.4% NeoGames stake for \$25m



41% of Group net revenue came from our digital<sup>1</sup> businesses in H1 (H1 2014: 40%)

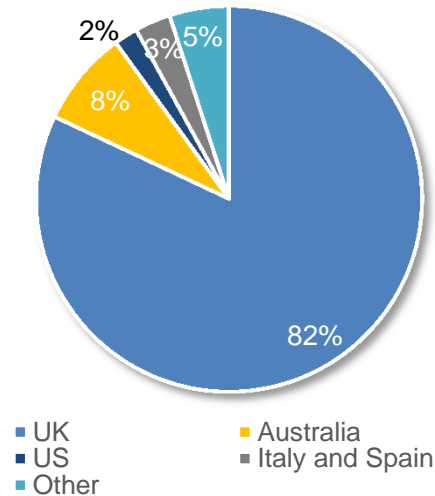


16% of Group net revenue came from international markets in H1 (H1 2014: 17%)

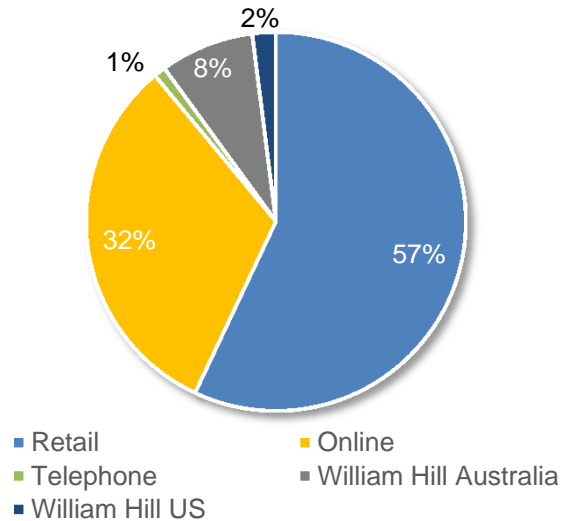
# William Hill at a glance

- One of the world's leading multi-channel betting and gaming companies
- 16,000 employees in nine countries
- A balanced business: 54% betting and 46% gaming
- Successful multi-channel model: 60% land-based and 40% digital
- UK-focused with increasing international reach: 82% UK and 18% international

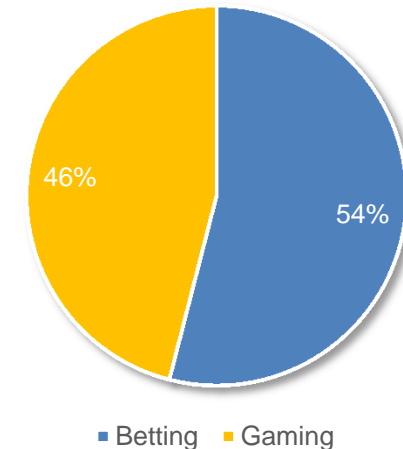
Revenue by geography



Revenue by business segment



Revenue by product type



# Our strategic priorities

## OMNI-CHANNEL

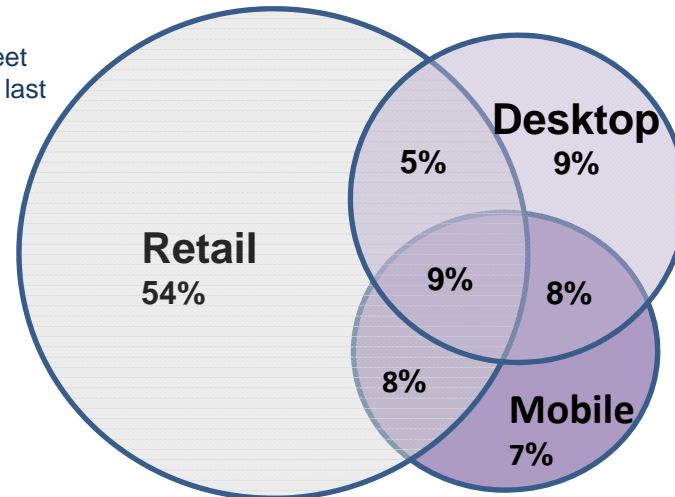
- Expansion of total betting population from 6.49 million in 2010<sup>1</sup> to 8.12 million in Q1 2015<sup>2</sup> with increasing prevalence of multi-channel use
- William Hill best placed as no.1 in Retail and no.1 in Online
- Already successful in gaming launches
- Higher yields, higher retention, lower CPA

## INNOVATION, TECHNOLOGY AND DATA

## INTERNATIONAL

### Retail

Used High Street bookmakers in last 12 months<sup>2</sup>  
**c6,058,000**



### Online (desktop + mobile)

Used online bookmakers in last 12 months from a PC or mobile device<sup>2</sup>  
**c3,657,000**

Sources:

1. TGI 2009 (April 2009 – March 2010), TGI 2010 (January 2010 – December 2010)
2. Kantar Market Sizing tracker Q1'14– Q1' 15 , (16.7% of UK adult population 18+ of 47,800,000)

# Our strategic priorities

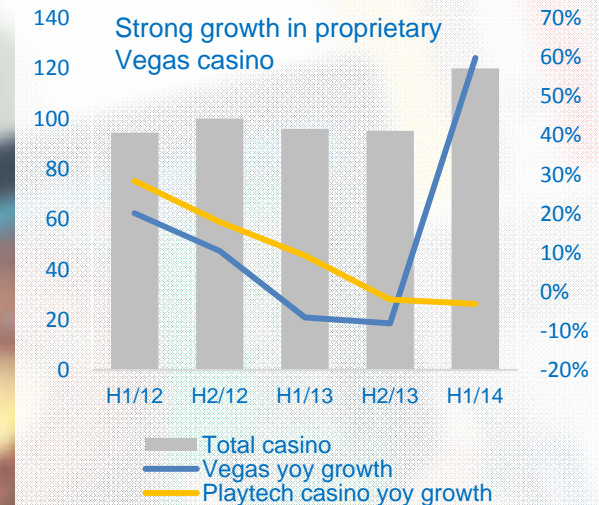
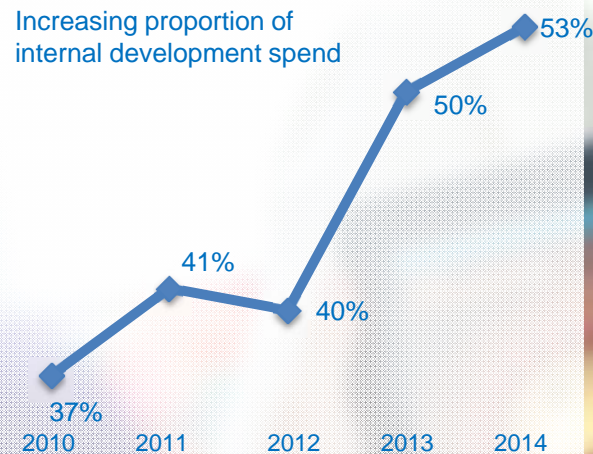
OMNI-CHANNEL

- Blend of internal and external excellence and innovation
- Strong in-house track record: Trading platform and Vegas
- Project Trafalgar implementation underway
- 'WH Labs Accelerator' programme launched
- Improved data management, more personalisation

INNOVATION,  
TECHNOLOGY AND DATA

Investing in internal technology capabilities<sup>1</sup>

INTERNATIONAL



1. Company data

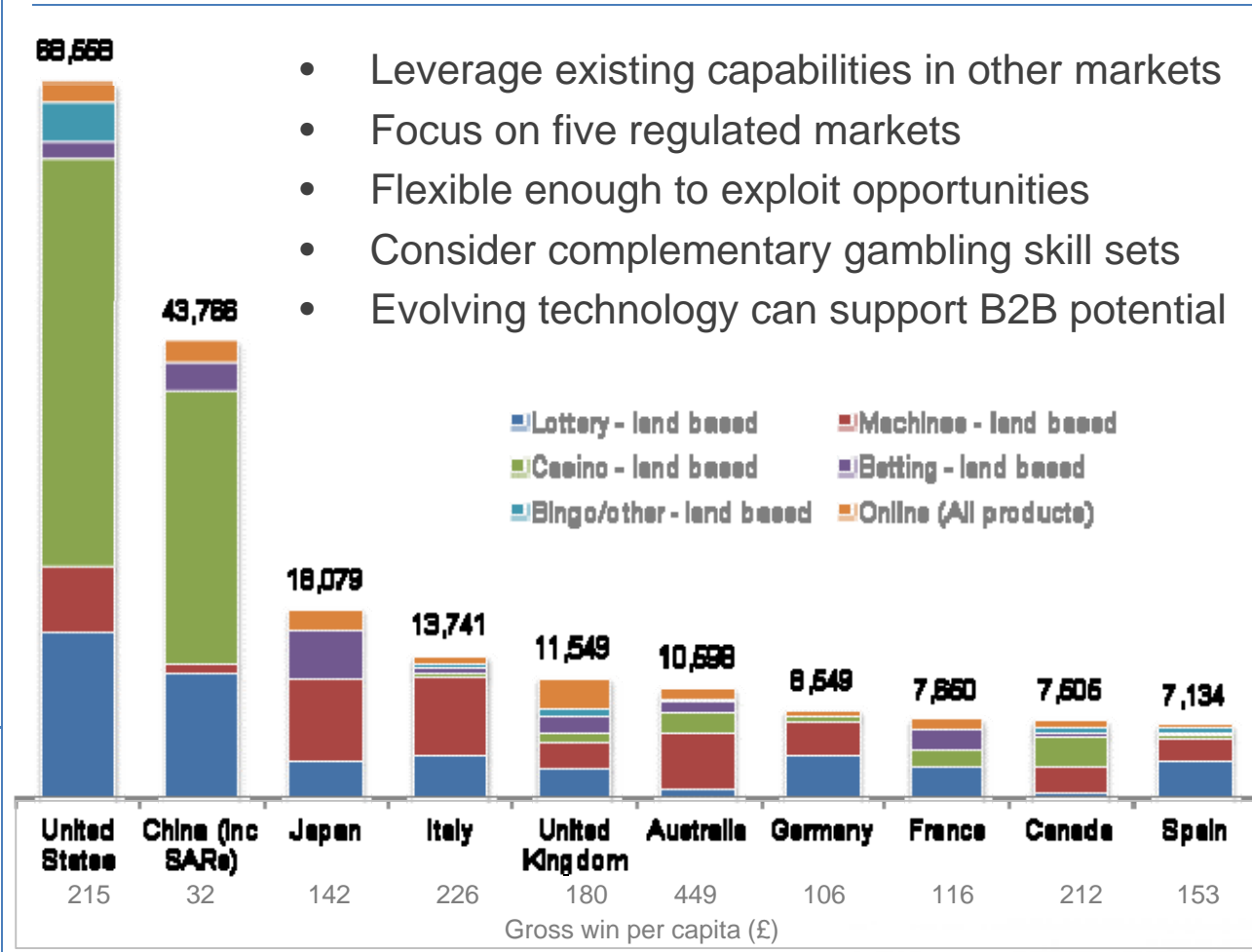
# Our strategic priorities

OMNI-CHANNEL

INNOVATION,  
TECHNOLOGY AND DATA

INTERNATIONAL

Top ten gambling markets by gross win (2013, £bn)<sup>1</sup>



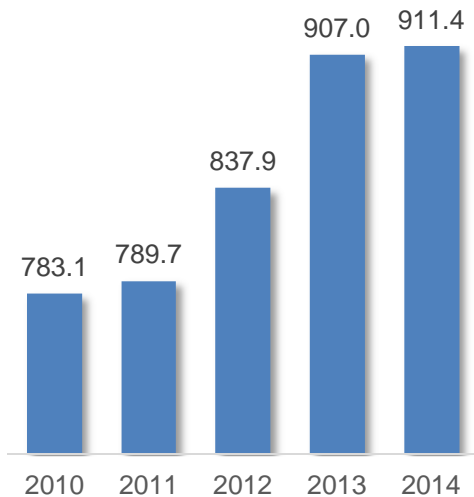
- Leverage existing capabilities in other markets
- Focus on five regulated markets
- Flexible enough to exploit opportunities
- Consider complementary gambling skill sets
- Evolving technology can support B2B potential

7 1. H2GC Global Gambling Data (February 2014); population data (Wikipedia)

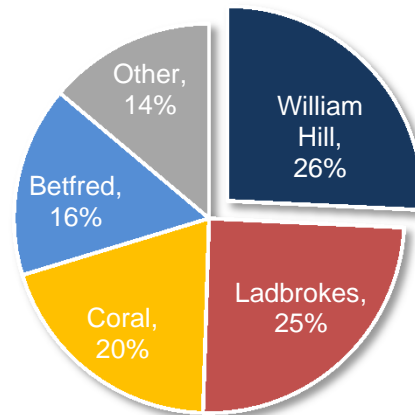
# UK Retail

- Largest business segment, representing 57% of revenue
- Market leader with 2,360 LBOs<sup>1</sup>, equivalent to 26% market share<sup>2</sup>
- 49% betting (OTC) and 51% gaming (machine)
- £911.5m net revenue and £193m operating profit in 2014
- Resilient, cash-generative business

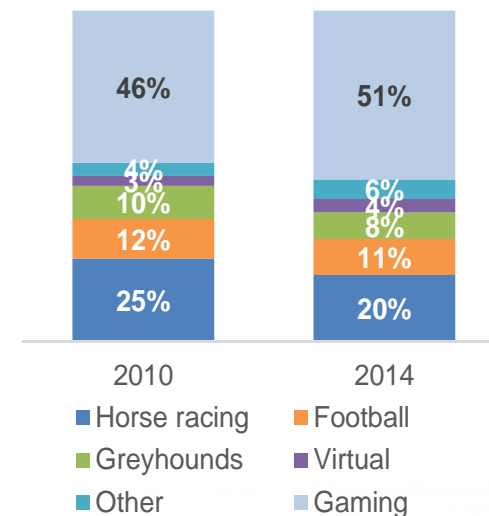
Delivering revenue growth against challenging economic backdrop



Leader in UK retail bookmaking<sup>3</sup>



Evolving product mix (revenue)



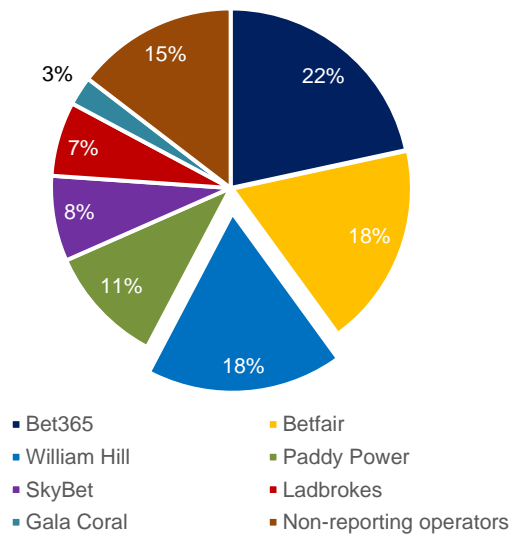
1. Licensed betting offices  
 2. Gambling Commission Industry Statistics April 2012-March 2013



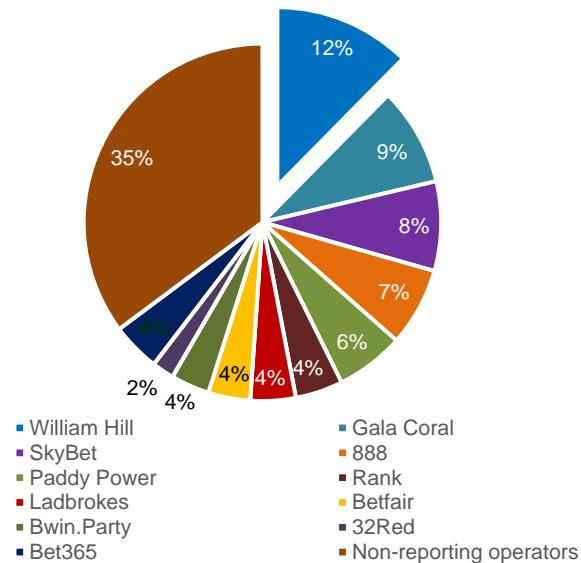
# Online

- c1,250 employees across seven countries, 32% of Group revenue
- Market leader with 15% market share by revenue in the UK<sup>1</sup>
- 48% betting (Sportsbook) and 52% gaming (casino, bingo, poker)
- £527m net revenue and £178m operating profit in 2014
- Well-positioned under UK Point of Consumption Tax change

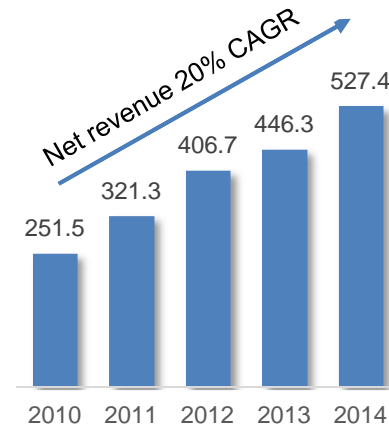
UK betting market share



UK gaming market share



Net revenue growth

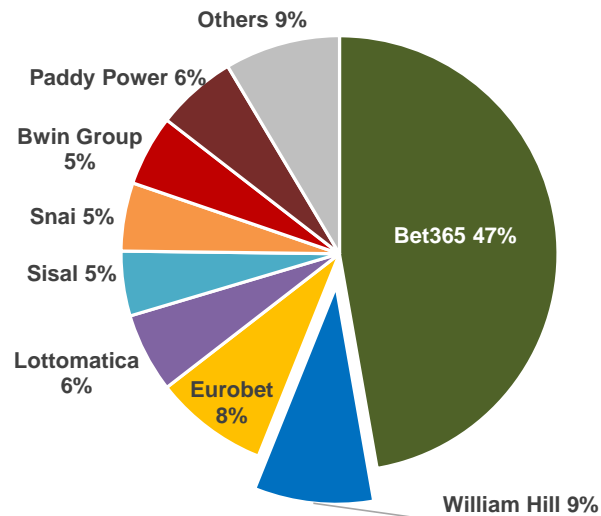


1. 2014 data from Gambling Compliance Research Services, March 2015  
 2. 2009 to 2013 CAGR, UK data from H2GC

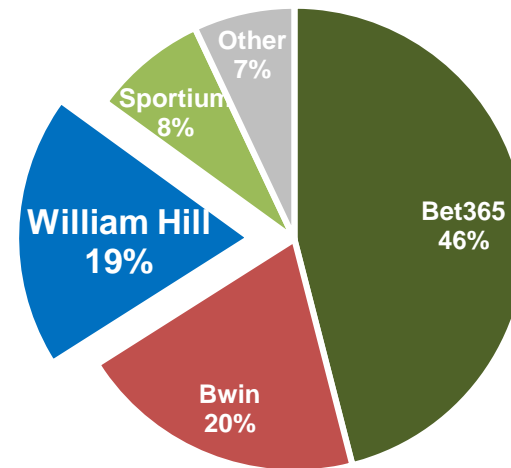
# Italy and Spain

- Mobile already generating 47% of net revenue
- Strengthening brand awareness: No. 1 in Italy, No. 2 in Spain<sup>1</sup>
- Strong market share gains
- Italy expected to be profitable at end 2015, Spain following thereafter

Italy online sports market share by turnover<sup>2</sup>



Spain online sports market share by turnover<sup>3</sup>

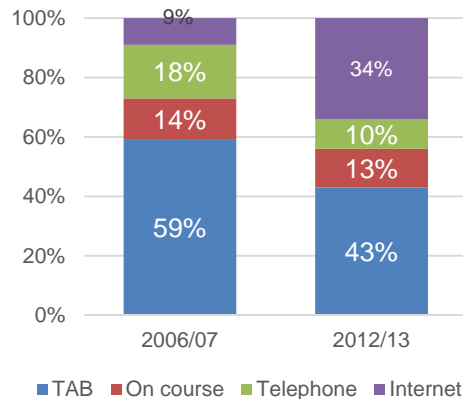


1. European Brand Study, July 2015  
2. Agimeg and AAMS, July 2015  
3. DGOJ, company estimates

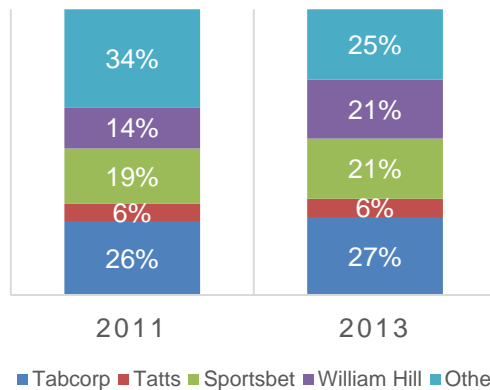
# William Hill Australia

- Attractive growth market with high per capita spend on gambling
- Online betting projected to grow at 14% CAGR over next few years
- Structural growth drivers in core areas of expertise – fixed odds, sports betting, mobile
- Established through acquisition of Sportingbet, Centrebet, tomwaterhouse.com
- Rebranding as William Hill
- A\$223m net revenue and A\$45m operating profit in 2014 (pro forma)
- Potential for long-term regulatory expansion in online in-play and gaming

**Online is growing as a proportion of overall betting<sup>1</sup>**



**The market is consolidating**



**Clear strategy for a competitive market**

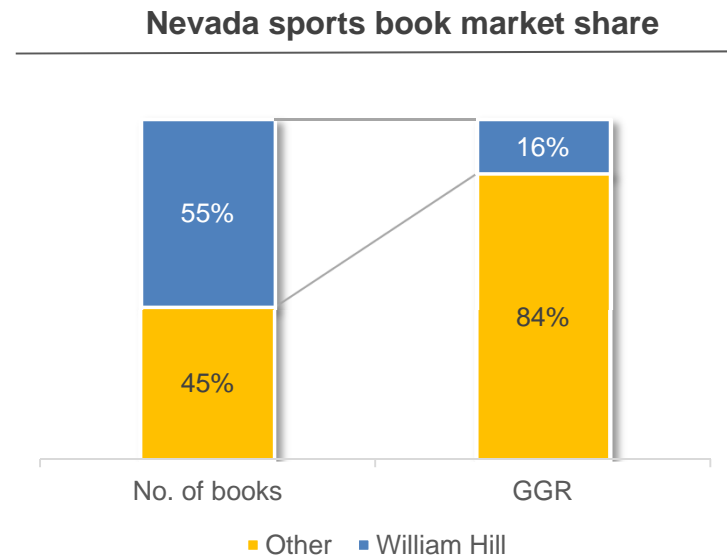
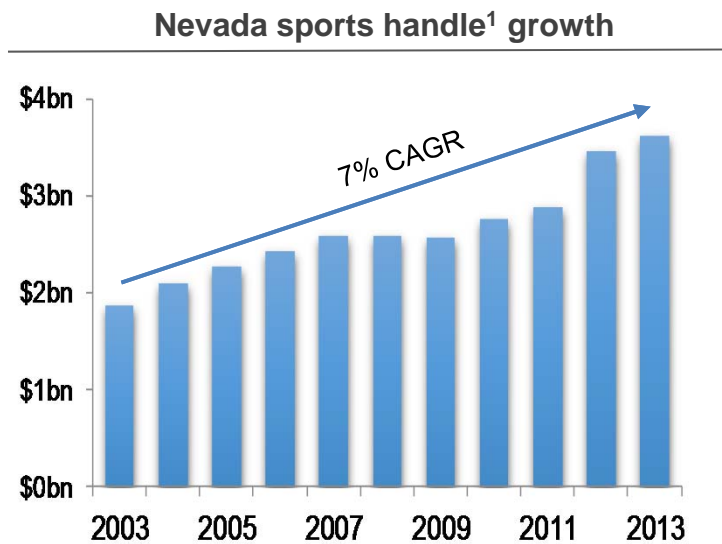


11 1. NSW and Victoria thoroughbred turnover, Australian Racing Board Fact Book



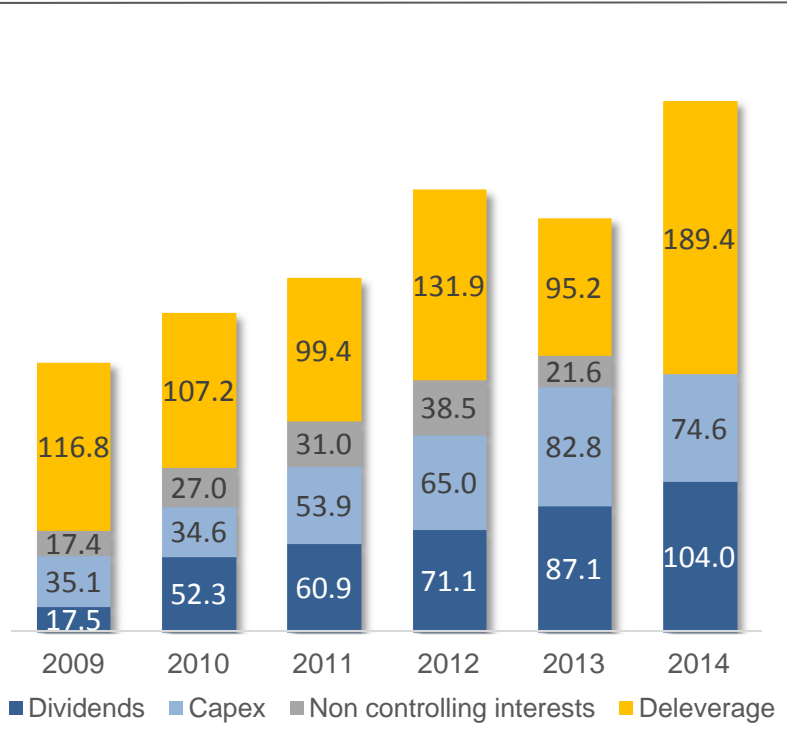
# William Hill US

- Land-based sports books and mobile offering in Nevada, with B2B opportunities
- Exclusive risk manager for Delaware state lottery
- Full gaming licence, well-positioned to exploit growth opportunities
- Strong performance since integration
- \$49m net revenue and \$16m operating profit in 2014



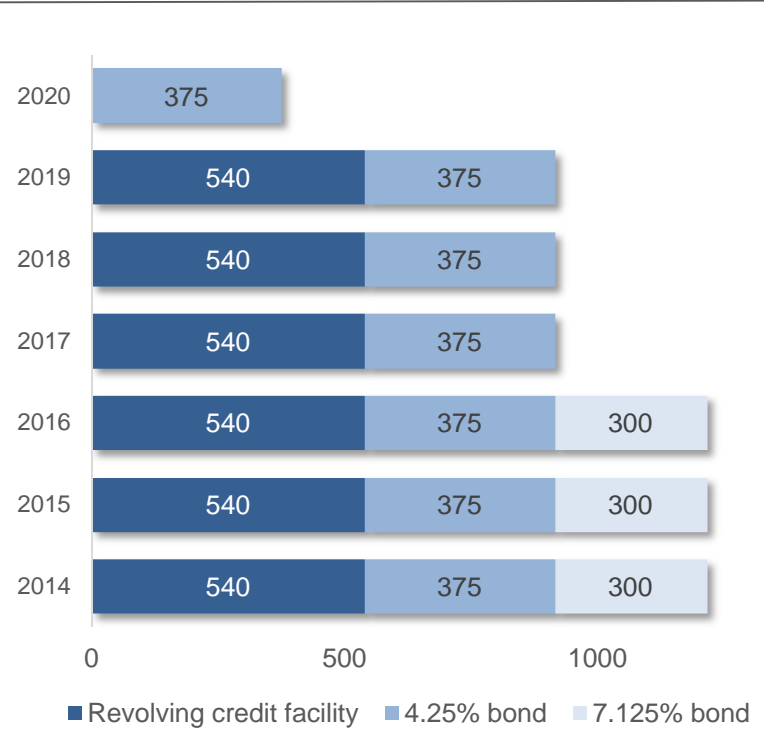
# Strong free cash flow and solid balance sheet

Strong cash generation (£m)



Around 2.5x dividend cover

Diversified sources of debt funding (£m)



Net debt/EBITDA 1.3x vs covenant of 3.5x

# Regulatory update

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- £50 journey implemented 2 April 2015
- Point of Consumption Tax implemented December 2014
- Consultations on the Horserace Betting Levy, contributions from offshore operators and possible replacement with a betting right
- 4<sup>th</sup> EU Money Laundering Directive adopted by European Parliament, HM Treasury assessed Retail bookmaking as low risk
- Sui generis planning use class implemented in H1 2015
- Summer Budget: National Living Wage, corporation tax changes and 'Use and Consumption' review of VAT rules on UK advertising

# Compelling investment proposition

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Market leading UK multi-channel betting and gaming business

Capitalising on fast-growing digital opportunity

Further diversification through international expansion

Strong free cash flow and balance sheet