

WILLIAM HILL PLC

Trading statement

Strong performance and positive strategic developments

29 January 2013

William Hill PLC (LSE: WMH) (William Hill or the Group) announces a trading update for the 14 weeks from 26 September 2012 to 1 January 2013 (Q4) and the unaudited 53 weeks to 1 January 2013 (full year). The comparator periods are the 13 weeks and 52 weeks ended 27 December 2011. For underlying comparison purposes, 13 and 52 week comparative data is provided throughout the text as well as in a table at the end of the statement, for which the results relating to the specific week ending 1 January 2013 have been removed.

Full year key financial highlights

- Group net revenue grew by 12% (52 week basis +10%) and Operating profit¹ was up 20% (52 week basis +18%)
- Online net revenue grew by 27% (52 week basis +24%)
- Retail net revenue grew by 6% (52 week basis +4%)

Q4 strategic highlights

- Recommended offer made for Sportingbet's Australian and Spanish licensed online businesses
- Initiated valuation process under call option to acquire Playtech's 29% stake in William Hill Online

Ralph Topping, Chief Executive of William Hill, commented:

"Q4 delivered a strong end to an already good year in 2012. Performance was robust in Retail and profits continued to grow strongly in Online, with sporting results going in our favour in both channels. It was a pleasing end to an important year for William Hill, a year in which we have made substantial strategic progress. With both the acquisition of Sportingbet's online business in Australia and the current Playtech call option process expected to conclude during early 2013, the Group continues to enhance its already strong platform for the continued development of the business."

Q4

The last quarter of 2012 saw a continuation of the good performance seen earlier in 2012, supported by a strong gross win margin result. Over the counter (OTC) gross win margin was 18.5% (13 week basis 19.1%) against 17.0% in Q4 2011. OTC football margin was 26.9%, versus 24.1% in the prior year, and OTC horseracing margin continues to show modest momentum, although OTC staking levels in December suffered from further weather-related fixture cancellations. Very strong OTC margin growth in November also impacted staking levels. Retail net revenue was up 12% on the comparator period (13 week basis +5%), with total amounts wagered up 7% (13 week basis flat) and OTC amounts wagered up 5% (13 week basis down 4%).

Online continued to perform strongly, with net revenue up 29% (13 week basis +20%) on strong Sportsbook and Casino growth. Sportsbook margin was 8.4% on a 13 week basis versus 7.6% in the comparable period and versus a normalised expected margin of around 7%.

Full year

The Group's performance in 2012 was strong, with net revenue expected to be up around 12% (52 week basis +10%) and Operating profit¹ expected to be around £330m (52 week basis c£326m). Group net debt for covenant purposes continues to reduce ahead of the proposed Sportingbet acquisition and stood at around £340m at 1 January 2013.

Online

William Hill Online saw its third consecutive year of above 20% net revenue growth at +27% (52 week basis +24%). Sportsbook net revenue grew 50% from a combination of 36% growth in amounts wagered and a strong gross win margin of 7.9% (2011: 7.0%) versus a normalised expected margin of around 7%. Gaming net revenue was up 14%, with a good performance from both Playtech Casino and Vegas Casino.

Online's mobile offering was further enhanced by the launch of a Sportsbook iPad app in December together with a number of new mobile gaming and virtual sports sites and apps in the second half. Mobile Sportsbook turnover was more than 260% higher than in 2011 and accounted for around one-third of all Sportsbook turnover in December. Online achieved a record weekly mobile turnover of almost £20m in the final week of the year, benefitting from a strong football programme.

Operating profit¹ for the year is expected to be c36% ahead (52 week basis +33%) of 2011 at around £145m (52 week basis c£142m). Playtech's non controlling interest was £12.3m for Q4 and £41.2m for the full year.

Retail

OTC amounts wagered fell by 1% (52 week basis -3%), impacted by weather-related horse race fixture cancellations (7% fewer fixtures on 52 week basis), weak trading through August and reduced recycling levels. Despite this, OTC net revenue was up 7% (52 week basis +6%) with gross win margin – at 18.2% – above the normalised 17-18% range and 1.4 percentage points ahead of the comparator period. Machines net revenue grew 5% (52 week basis +3%) with gross win per machine per week of £911 (52 week basis £914) (2011: £901). Retail expenses grew by 6% (52 week basis +4%).

Telephone

The Telephone channel delivered a modest Operating profit¹ against an Operating loss¹ of £4.3m in 2011 as a result of an improved gross win margin, the benefit of a provision release and reduced operating costs.

William Hill US

Integration of the three US land-based sports betting businesses acquired by the Group in June 2012 was successfully completed on schedule in September. Performance was impacted by weak sporting results, particularly the NFL in November, and as a result delivered a modest Operating loss¹.

Proposed acquisition of Sportingbet's Australian and Spanish businesses

On 20 December 2012, the Group announced the proposed acquisition of Sportingbet's Australian business and the grant of a call option over Sportingbet's Spanish business for total cash consideration of £454m. The proposed acquisition is being made as part of a recommended offer for Sportingbet by William Hill and GVC Holdings plc. It is in line with William Hill's strategy to develop the Group's multi-channel operations, to increase its exposure to attractive licensed markets, and to diversify geographically.

The licensed Australian betting market is one of the largest in the world and has demonstrated high growth rates with an increasing proportion of online business. Sportingbet's Australian business is a leading online corporate bookmaker in Australia, comprising two well-established local brands, Sportingbet and Centrebet. The proposed acquisition of the "miapuesta" brand will allow William Hill to achieve critical mass more quickly in the licensed Spanish market.

The proposed acquisition is expected to complete by the end of the first quarter of 2013 and to be enhancing to underlying earnings² in the first full year after completion. Post-tax return on invested capital is expected to meet prospective weighted average cost of capital in the third full year of ownership.

Playtech call option

On 29 November 2012, the Board commenced the contractual valuation process ahead of the potential exercise of its option to acquire the minority stake in William Hill Online. This valuation process will end in February 2013, after which time William Hill has a short period to determine whether it will exercise its option at the value determined by the process. There can be no certainty that the option will be exercised. If not exercised, the Group has a further option right in two years' time.

Fiscal and regulatory developments

As previously highlighted, the period saw a number of marketplace developments for William Hill Online that have resulted in the closure of operations to customers from certain markets in 2012. The total adverse impact of these closures on an annualised basis is expected to be in the range £7-9m Operating profit¹. Greek trading also benefitted from a one-off accrual release in the first half of 2012. Whilst this impact included the closure of our sports betting website to German customers, we continue to take German gaming business while monitoring developments closely. The total impact of closing this German gaming business would be a further c£6m Operating profit¹ per annum on current trends.

On 15 January 2013, the Department for Culture, Media and Sport (DCMS) published its response to the CMS Select Committee's review of the 2005 Gambling Act. As part of the reintroduced triennial review of stakes and prizes on gaming machines, a consultation began in January and is set to close in April 2013. In addition, DCMS has asserted its commitment to regulation of online gambling on a 'point of consumption' basis and has asked the CMS Select Committee to review the draft bill published on 3 December 2012.

Final results announcement

The Group will announce its final results for the 53 weeks ended 1 January 2013 on 1 March 2013.

Unaudited 53-week and 52-week comparison

		53 weeks of 2012 (unaudited) vs 52 weeks of 2011	52 weeks of 2012 (unaudited) vs 52 weeks of 2011
Group	Total net revenue	+12%	+10%
	Operating profit ¹	£330m	£326m
Online	Total net revenue	+27%	+24%
	Sportsbook net revenue	+50%	+48%
	Sportsbook amounts wagered	+36%	+33%
	Sportsbook gross win margin	7.9% (+0.9 ppts)	7.9% (+0.9 ppts)
	Gaming net revenue	+14%	+11%
	Operating profit ¹	+36%	+33%
Retail	Total net revenue	+6%	+4%
	OTC net revenue	+7%	+6%
	OTC amounts wagered	-1%	-3%
	OTC gross win margin	18.2% (+1.4 ppts)	18.3% (+1.5 ppts)
	Machines net revenue	+5%	+3%
	Gross win per machine per week	£911	£914
	Operating expenses	+6%	+4%

Notes:

1. The Group defines operating profit/loss as pre-exceptional profit/loss before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.
2. Underlying earnings stated before transaction and integration costs and the amortisation of intangible assets associated with the proposed acquisition.

Analyst conference call

Ralph Topping, Chief Executive, and Neil Cooper, Group Finance Director, will be hosting a conference call for analysts at 8.30 a.m. GMT. Dial-in details for the call are:

UK telephone: 0845 634 0041
International: +44 20 8817 9301
Passcode: 9703521

An archive of the call will be available after the call until Tuesday, 12 February. Dial-in details for the archive call are:

Telephone: +44 (0) 20 7769 6425
Passcode: 9703521#

An audio webcast of the call will be available at www.williamhillplc.com.

Notes to editors

William Hill, The Home of Betting, is one of the world's leading betting and gaming companies, employing more than 16,000 people. Founded in 1934, it is now the UK's largest bookmaker with around 2,390 licensed betting offices that provide betting opportunities on a wide range of sporting and non-sporting events, gaming on machines and numbers-based products including lotteries. William Hill Online (www.williamhill.com) is one of Europe's leading online betting and gaming businesses, providing customers with the opportunity to access William Hill's products online, through their mobile, by telephone and by text services. William Hill PLC is listed on the London Stock Exchange and generates revenues of over £1.2bn a year.