

WILLIAM HILL PLC TRADING STATEMENT

A record year for William Hill with operating profit up 11%

20 January 2015

William Hill PLC (LSE: WMH) (William Hill or the Group) announces a trading update for the 13 weeks from 1 October 2014 to 30 December 2014 (Q4) and the unaudited 52 weeks to 30 December 2014 (full year). The reported comparator periods are the 13 weeks and 52 weeks ended 31 December 2013.

Key highlights:

- Full-year Group net revenue up 8% and operating profit¹ up 11% to c£371m
- Continued year-on-year gaming growth in Q4 in both Online and Retail
- Q4 sports betting revenue progression impacted by customer-friendly results
- US profits ahead of expectations in Q4 and full-year
- Australian quarterly profit growth benefits from positive margin swing
- Continued commitment to responsible gambling: 'Set Your Limits' facility to be extended in January; Senet Group advertising campaign underway; and responsible gambling week planned for 26 January to 1 February 2015

	Statutory percentage change				
	Q4 2014				YTD
	Retail	Online	Australia	Group	Group
Sports betting amounts wagered	-1%	+16%	-19%		
Gross win margin	17.7%	6.8%	9.9%		
Gross win margin change	-2.6 %pts	-1.3 %pts	+2.3 %pts		
Net revenue	-6%	+3%	+9%	-2%	+8%
- OTC / Sportsbook	-14%	-5%			
- Machines / Gaming	+3%	+11%			
Operating profit¹	-13%	-6%	+59%	-7%	+11%

James Henderson, Chief Executive Officer of William Hill, commented:

"Overall it's been a good performance in 2014 for the Group, driven by both the continued development of our UK-facing operations and our international diversification, together with a successful World Cup. On a full-year basis, operating profit¹ from Online, William Hill Australia and William Hill US all continued to grow very strongly and Retail delivered another resilient performance, benefiting from effective cost control.

"In Q4, generally weaker sporting results in December impacted our revenue progression, as did a very tough November comparative, but gaming continued to grow. In particular, Boxing Day – one of the busiest days in our year – was a very good day for the customer with all but one of the top ten football favourites winning that day. Yet, in spite of that, our performance means we've delivered our best ever full-year operating profit result. Notwithstanding a difficult start to the new year with highly unfavourable football results in week 3, we remain in a strong position going into 2015. Online is very well positioned as the new Point of Consumption Tax regime starts and we continue to diversify successfully, with 18% of our revenues now coming from outside the UK.

"Separately, we have announced today our intention to rebrand our Australian operations to the William Hill brand. William Hill Australia's potential has been significantly improved as a result of our management changes, the restructuring of our operations, increased marketing effectiveness, enhanced user experience and the ongoing expansion of the product range. Using the William Hill brand in Italy, Spain and the US, alongside the UK, has already proved highly successful. I believe now is the right time to adopt the William Hill brand in Australia. The previous introduction of the 'powered by William Hill' branding in that market has seen awareness build and the complete change will further improve our competitiveness, bring greater

focus to our marketing and IT investment and gives us a strong global brand to compete at the highest level in this attractive market.”

Q4

Q4 saw falls in sports betting net revenue in Retail over-the-counter (OTC) and Online Sportsbook. Gross win margins were softer due to unfavourable football and horse racing results, particularly relative to a strong margin in Q4 2013. Amounts wagered were down 1% in OTC (up 1% after adjusting for the exceptional portfolio of shops closed during H2) and up 16% in Sportsbook, with in-play wagering up 27% and pre-match up 8%. Mobile continues to perform strongly and was more than 50% of Sportsbook amounts wagered during the quarter.

Gaming continued to deliver growth, benefiting from strong mobile gaming revenues in Online, increasing by 86% and representing 38% of gaming revenues, and from the performance of the Eclipse machines in the Retail estate. The Eclipse cabinets are now available in 70% of the Group's shops and we are on track to complete the roll-out to the remainder of the estate in Q2 2015. Gross win per machine per week was up from £920 in 2013 to £974.

William Hill Australia benefited from better results in the peak Spring Carnival period in 2014 compared with 2013. On a local currency basis, amounts wagered were down 13% and net revenue was up 15%. The amounts wagered and gross win margin trends were also impacted by the reshaping of the customer base as we respond to increased race field fees. Unique actives were up 9% in Q4, driven by successful retention and reactivation programmes and with new accounts down 4%. Full-year pro forma cost per acquisition was down 25% at A\$352.

William Hill US ended the year with another strong quarter: amounts wagered up 20%, net revenue up 18%, a gross win margin of 8.1% (Q4 2013: 8.3%) and operating profit¹ up 14%.

Telephone delivered a small operating loss¹ in the quarter.

Full year

On a full-year basis, Group net revenue increased 8%. Within this, Retail was slightly ahead, Online increased 18%, William Hill Australia was up 41% (11% on a pro forma local currency basis), William Hill US increased 30% and Telephone was down 28%.

Group operating profit¹ is expected to be around £371m. Full-year pre-exceptional defined amortisation is now expected to be c£9m. The Group expects its pre-exceptional effective tax rate for 2014 to be 20% and for 2015 to remain at 19%.

Exceptional items are expected to total £39m before tax and before the impact of the Australian rebranding (outlined below). As well as the items previously disclosed, this includes an indirect tax debit of £10m relating to a provision for potential European indirect tax liabilities. Separately the Group expects an exceptional corporation tax credit of £15m following the successful finalisation of a tax matter. Group net debt for covenant purposes stood at c£603m at 30 December 2014 (31 December 2013: £796m).

Australia brand update

The Group today announces that, following a review of its branding strategy in Australia, the Board has concluded that there is potential to drive substantial longer term value from rebranding all of its existing Australian trading operations under the William Hill brand, which it expects to commence in February 2015.

William Hill Australia currently operates the Sportingbet, Centrebet and tomwaterhouse.com brands in the Australian online sports betting market. This rebrand will enable William Hill to focus its brand media and other marketing support on promoting a single brand name, enabling more cost-effective marketing and more focused IT investment, and reducing brand confusion. Sportingbet customers will migrate in the first quarter of 2015 with Centrebet customers being migrated later in the year and tomwaterhouse.com customers expected to migrate in early 2016. The Group intends to invest an incremental £5m in marketing and other costs to launch the William Hill brand in 2015.

As a consequence of this rebranding, the relevant intangible brand assets held on the Group balance sheet will be charged to the Group income statement partly in 2014 and partly in 2015, via accelerated amortisation, with an expected charge of up to cA\$205m (£108m), offset by a cA\$62m (£32m) deferred tax credit: c£76m in total. The incremental non-cash charge will be treated as an exceptional item given the scale and non-recurring nature of this change.

Fiscal and regulatory developments

On 1 November 2014, Online was licensed by the Gambling Commission to provide online gambling services in the UK. On 1 December 2014, the 'Point of Consumption Tax' was implemented, charging 15% gross profits tax on Online's UK revenues.

Separately, the EU has implemented an EU VAT directive charging VAT on electronic services on a place of consumption basis as from 1 January 2015. Whilst, generally, gaming and betting is exempt from VAT under European law, the exact nature of VAT legislation differs country by country. Accordingly, the Group expects to see an additional c£5m per year indirect tax payable as a result of this change as well as arising from other European market indirect tax changes.

In December 2014, the Responsible Gambling Trust (RGT) published the results of its two-year gaming machine research programme. This set out to determine whether it is possible to distinguish between harmful and non-harmful gaming machine play and identifying measures to limit harmful play without impacting on those who do not exhibit harmful behaviours. The key conclusions of the research were: that it is possible to identify harmful patterns of play; that an holistic approach to identifying harm is required through understanding behaviour and patterns of play; and that further work is required to lead to more targeted campaigns tackling harmful behaviour. The researchers further concluded that no single approach is the answer to harm minimisation measures, problem gambling is found at all staking levels and problem gamblers use multiple products. The RGT recommended that 'it would be inadvisable to rush to policies on the basis of these foundational studies'.

The Senet Group, which was created in September 2014 as an independent industry watchdog, will launch a responsible gambling advertising campaign on 26 January focusing on education. The industry is also sponsoring Responsible Gambling Week, a new initiative which will run from 26 January to 1 February 2015 to raise the profile of the importance of responsible gambling.

From the end of January 2015, we will be extending our 'Set Your Limits' facility to require all gaming machine customers to decide whether or not to set time or spend limits when starting their gaming machine session. Mandatory time and spend limits will apply in the case of those customers who do not set their own limits. This applies to all Senet Group members.

Outlook and current trading

Notwithstanding a difficult start to the new year with highly unfavourable football results in week 3, the Board is confident we remain in a strong position going into 2015. Online is very well positioned as the new Point of Consumption Tax regime starts and we continue to diversify successfully, with 18% of our revenues now coming from outside the UK.

Final results announcement

The Group will announce its final results for the 52 weeks ended 30 December 2014 on 27 February 2015.

Notes:

1. Operating profit / loss is defined as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

Analyst conference call

James Henderson, Chief Executive, and Neil Cooper, Group Finance Director, will be hosting a conference call for analysts at 8.30 a.m. GMT on Tuesday, 20 January 2015. Dial-in details for the call are:
Tel: +44 20 3059 8125

Passcode: William Hill

An archive of the call will be available after the call until Tuesday, 3 February 2015. Dial-in details for the archive call are:

Tel: +44 (0) 121 260 4861

US tel: 1 866 268 1947

Passcode: 0099 413#

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 17,000 people. Founded in 1934, it is the UK's largest bookmaker with around 2,360 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. The Group's Online business (www.williamhill.com) is one of world's leading online betting and gaming businesses, providing customers with the opportunity to access William Hill's products online, through their smartphone or tablet, by telephone and by text services. William Hill US was established in June 2012 and provides land-based and mobile sports betting services in Nevada, and is the exclusive risk manager for the State of Delaware's sports lottery. William Hill Australia is one of the largest online betting businesses in Australia after the Group acquired the Sportingbet Australia business in March 2013 and tomwaterhouse.com in August 2013, two of the leading online corporate bookmakers in Australia, offering sports betting products online, by telephone and via mobile devices. William Hill PLC has been listed on the London Stock Exchange since 2002. The Group generates revenues of c£1.6bn a year.