

WILLIAM HILL PLC Q1 2015 TRADING UPDATE

23 April 2015

William Hill PLC (LSE: WMH) (William Hill or the Group) announces a trading update for the 13 weeks from 31 December 2014 to 31 March 2015 (Q1) (unaudited). The reported comparator period is the 13 weeks ended 1 April 2014 (Q1 2014).

Key highlights:

- Group net revenue up 1%. Operating profit¹ down £16m (-19%) following additional £20m cost from Point of Consumption Tax (POCT) and increased rate of Machines Games Duty (MGD)
- Sports betting revenues impacted by largest ever loss-making week in January
- Continued strong growth in mobile gaming, up 48%, to 37% of gaming net revenue
- William Hill brand launched in Australia: migration of Sportingbet customers successfully completed
- William Hill US continues to deliver strong wagering growth
- Gaming machine '£50 journey' implemented as planned by 2 April 2015

Q1 summary results on a statutory basis

	Retail	Online	Australia	US	Group
Sports betting amounts wagered	-4%	+16%	-22%	+42%	
Gross win margin	17.6%	7.0%	10.2%	6.8%	
Gross win margin change	0.0 ppts	-0.1 ppts	+1.5 ppts	-1.9 ppts	
Net revenue	-2%	+9%	-11%	+10%	+1%
- OTC / Sportsbook	-4%	+11%			
- Machines / Gaming	+1%	+8%			
Operating profit¹	-0%	-38%	-39%	+1%	-19%

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

"After a weak January, we saw improved wagering trends over the remainder of the quarter. Online wagering grew 20% in February and March, and 29% for the Cheltenham festival. Gross win margins were below our expected trading range for what is typically a stronger quarter, impacted by – amongst other things – our largest ever loss-making week in Week 3.

"In Retail, the underlying revenue trend remained resilient and we are on track to complete the Eclipse gaming machine roll-out in Q2. Operating profit benefited from the changes we made to the staffing model in April 2014 as well as from the reduction in costs driven by shop closures.

"As expected, Group operating profit was impacted by a £20m increase in gambling duties following the introduction of POCT in December 2014 and the increase in the MGD rate in March 2015. However, we are well positioned to benefit as the UK online market evolves following the introduction of POCT, with our ongoing technology investments expected to benefit both product and customer experience and with a substantial marketing commitment.

"Our international strategy continues to progress. In Australia, the migration of Sportingbet customers to williamhill.com.au has been successfully completed, with over 95% of Sportingbet VIP clients transacting on the site since launch and with both first time deposits and unique actives showing post-migration increases against Sportingbet last year. William Hill US continues to perform strongly, with wagering on a local currency basis 30% ahead of last year.

"Looking forward, as the end of the football season draws closer, we have not as yet made up the shortfall arising from the £14m loss in Week 3 given the relatively weak first quarter sports betting margin. Outwith sporting results, we are making good progress on our key projects for the year, including in-house development of our responsive design front-end through Project Trafalgar, an enhanced bonus engine to further increase the competitiveness of our proprietary Vegas casino platform and the completion of our Eclipse machine roll-out in Retail."

Q1 performance

After a slow start to the year, Retail's performance improved in February and March in both wagering and gaming. Excluding the 108 shops that were closed last year in response to the planned increase in MGD, over-the-counter (OTC) wagering was down 2% (-4% reported), OTC gross win fell 2% (-4% reported) and gaming machines net revenue was up 4% (+1% reported). Overall, gross win per machine per week was 4% higher at £965 (Q1 2014: £926). Retail operating costs were 4% lower, reflecting the staffing model changes applied to approximately two-thirds of the estate from April 2014 and benefiting from the shop closures. The average number of shops was 2,361 (Q1 2014: 2,431), with one shop opened and two closed in the period.

Online Sportsbook wagering growth rates also improved in February and March and totalled 16% for the quarter. At 7.0%, Sportsbook's gross win margin was 0.1 percentage points behind last year and was lower than our expected Q1 trading range, impacted by – amongst other things – customer friendly football results in Week 3; this resulted in 11% growth in Sportsbook net revenue. Gaming net revenue was broadly in line with internal expectations at +8%, with Casino up 10%, Bingo up 8% and Poker down 32%. Mobile gaming net revenue increased 48%. Cost of sales increased to 22% of net revenue (Q1 2014: 9%) following the introduction of the UK POCT. Operating costs were 11% higher, in line with expectations.

The following William Hill Australia narrative is provided on a local currency basis. Wagering reduced 20%, primarily affected by the reshaping of the client base following the increases in race field fees in July 2014. Net revenue fell 8% as the improvement in the gross win margin from 8.7% to 10.2% did not fully offset the wagering decline and free bets increased as planned following the launch of the William Hill brand. Cost of sales was 6% higher, including higher race field fees. Operating costs were 4% lower, with the expected higher marketing costs offset by synergies from the tomwaterhouse.com integration in April 2014. Operating profit¹ was down 37%. We completed the migration of Sportingbet customers to williamhill.com.au and launched the William Hill brand through a TV advertising campaign ahead of the start of the NRL and AFL season.

William Hill US wagering continued to grow very strongly, up 30% on a local currency basis. Gross win growth was flat as sporting results, driven by the Super Bowl, were less favourable than in 2014.

Telephone delivered a small operating loss¹ in the quarter, impacted by a weaker gross win margin down 1.1 percentage points and the additional cost of POCT.

Overall, Group net revenue increased 1% and operating profit¹ was £16m lower, impacted by £20m of additional Online, Telephone and Retail taxation.

Fiscal and regulatory developments

In March, we started to roll out the '£50 journey' for our Retail gaming machines and the technical changes were made to the machines on schedule by 2 April 2015. This will provide greater scrutiny of customers' staking at higher levels on the gaming machines with a view, ultimately, to improving analysis of customer behaviour and identifying and working with customers who appear to be showing signs of harmful behaviour. We undertook extensive off-site training of our Retail colleagues ahead of the roll-out and proactively engaged with customers in advance of the official launch.

Machine Games Duty increased from 20% to 25% of gaming machine net revenue on 1 March 2015.

In his Budget speech, the UK Chancellor announced his intention to introduce a 'racing right'. No further detail on the intended structure or rate has been provided.

The Department for Communities and Local Government implemented revised planning regulations in March, putting licensed betting offices into a separate, *sui generis* use class. As a result, we are now required to seek planning permission to convert a unit of another planning type into a betting shop. This is likely to increase the number of planning applications taken to appeal and, although it is premature to assess the long-term impact on our current new shop opening programme, we do expect to see a short-term impact on shop opening numbers.

We note the comments in the recently published pre-election manifestos relating to gambling. We await further clarity following the outcome of the General Election.

Notes:

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

Analyst conference call

James Henderson, Chief Executive Officer, and Neil Cooper, Group Finance Director, will be hosting a conference call for analysts at 8.30 a.m. BST, today, 23 April 2015. Dial-in details for the call are:

Tel: +44 (0) 20 3059 8125

Password: William Hill

An archive of the call will be available after the call until 30 April 2015. Dial-in details for the archive call are:

Tel: +44 (0) 121 260 4861

Passcode: 069 6441#

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

Enquiries

William Hill PLC

James Henderson, Chief Executive Officer

Tel: +44 (0) 20 8918 3614

Neil Cooper, Group Finance Director

Lyndsay Wright, Director of IR

Brunswick

Simon Sporborg / Aideen Lee / Oliver Hughes

Tel: +44 (0) 20 7404 5959

Notes to editors

William Hill, The Home of Betting, is one of the world's leading betting and gaming companies, employing around 16,000 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 (www.williamhill.com.au) 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.