

William Hill PLC

Trading Statement and covenant waiver



15 May 2020

William Hill PLC (LSE: WMH) (William Hill or the Group), one of the world's leading betting and gaming companies, provides a trading update for the unaudited 17 weeks to 28 April 2020 and COVID-19 update.

In response to the COVID-19 pandemic we have acted swiftly and responsibly to protect our customers and colleagues and to ensure the future of William Hill. We have implemented decisive mitigation strategies to minimise cash outflow, reduce our cost base, and preserve our long-term growth opportunities.

- **Strong performance achieved in international markets, led by growth in gaming, reflecting continued investment in product enhancements.**
- **Material impact from the absence of live sport and social distancing requirements leading to the closure of the UK and US retail estates.**
- **Revolving Credit Facility (RCF) covenants waived for 2020 and reset for 2021, cash burn reduced to c.£15m per month and liquidity in excess of £700m.**
- **Well positioned across the Group to 'power up' quickly as live sporting events resume and health considerations permit.**

To aid transparency we have split this trading update into two parts: weeks 1-10 (pre-Coronavirus) and weeks 11-17 (Coronavirus). For completeness and historical comparison, the full figures for the 17-week period can be found at the end of this statement.

Weeks 1-10: Pre-Coronavirus (period to 10 March):

In GBP¹

	Total net revenue	Gaming net revenue	Sportsbook amounts wagered	Sportsbook gross win margin	Change in gross win margin
Online	+16%	+9%	-6%	10.0%	+2.2 ppts
Online UK	+7%				
Online International	+35%				
Retail Like-for-like ²	-3%	-30%	+17%	21.0%	+2.0 ppts
US	+30%		+26%	7.4%	+0.3 ppts
Group	-5%	-24%	0%		

Prior to the impact of the Coronavirus pandemic, disruption to sporting activities and the closure of the retail estate as a result of social distancing requirements, the Group generated a robust performance across all business areas.

- In line with our ambition to diversify internationally, 29% of revenue was generated outside the UK compared to 20% during the same period last year;
- Online International net revenue grew 35% driven by a strong performance in gaming. Mr Green, which was launched in Spain during the period, and new product developments - a new sportsbook front end and a single wallet - have gained traction in Italy and Spain. On a pro forma³ basis Online International grew 11%;
- Online UK grew in line with expectations as net revenue grew 7% or 6% on a pro forma³ basis. During the period, both NPS and customer satisfaction scores saw material increases reflecting the launch of a new gaming front end and improvements made to the user experience;
- Retail like-for-like² growth, which was impacted by the implementation of the £2 stake limit on 1 April 2019, was resilient as customers continued to substitute gaming with sports betting;
- Our US business continued to perform strongly driven by positive momentum in sportsbook wagering and gross win margin expansion.

Weeks 11-17: Coronavirus-impacted (period 11 March to 28 April):

In GBP¹

	Total net revenue	Gaming net revenue	Sportsbook amounts wagered	Sportsbook gross win margin	Change in gross win margin
Online	-21%	+6%	-56%	8.3%	+0.1 ppts
Online UK	-33%				
Online International	+5%				
Retail Like-for-like ²	-85%	-82%	-83%	13.8%	-4.8 ppts
US	-90%		-86%	5.4%	-0.9 ppts
Group	-57%	-33%	-70%		

- Online sports wagers declined although less than anticipated as our customers continued to place bets on alternative products such as table tennis and emerging market football;
- Online UK was materially impacted by the reduction in sporting activity with some substitution from sports betting into gaming;
- Online International benefitted from continued strong growth in gaming, some substitution from sports betting and increasing traction from product developments launched late last year;
- UK and US retail have been effectively closed for the period;
- In the US, where we offer online sports betting in four states, we continued to take wagers on alternative activities. Product development has accelerated throughout the period and we will be launching online casino in the second half of the year.

During this time all of our shop colleagues have been furloughed and we are topping up payments to ensure they receive 100% of their pay.

Mitigating activities, financial position and bank covenants

Given the absence of live sports content and social distancing requirements across our major geographies, we took decisive action as the COVID-19 pandemic unfolded to reduce cash outflow and operating costs, retain liquidity and secure financial flexibility.

We have reduced monthly cash outflow to c.£15m through the following actions:

- Reducing staff costs by deferring recruitment, cancelling salary increases and all bonus payments and incentive schemes for 2020, furloughing employees and utilising government support schemes, including business rate relief;
- A reduction in marketing spend;
- Thoughtful supplier management including cost deferrals and reductions.

At the end of the reporting period the Group's unrestricted liquidity was in excess of £700m. As the COVID-19 pandemic began to unfold, RCF facilities totalling £425m were fully drawn down to maximise liquidity and a number of strategies were implemented to retain cash within the business:

- The suspension of dividend payments until further notice;
- The deferral of non-essential capital expenditure;
- Rigorous working capital management.

In order to provide maximum financial flexibility for the Group through this challenging period, we are pleased to have agreed a covenant waiver with our lending group of banks:

- A covenant waiver has been granted up to and including December 2020;
- Thereafter, the net debt covenant has been amended to 4.5x in June 2021 and 4.0x in December 2021, returning to 3.5x in June 2022.

We conclude the period in a strong financial position with significant headroom. The outstanding amount on the 2020 bond of £203m is scheduled for repayment in June and we have ensured that capital expenditure related to growth opportunities has been preserved, enabling us to press ahead with our plans to grow the US business and continue to develop our product. In collaboration with our partners, suppliers and colleagues, we have ensured the business is positioned to bounce back quickly and strongly when conditions return to normal.

Customer protection and regulatory activity

We acted early to undertake additional safer gambling measures, including a six-fold increase in the volume of responsible gambling messages sent to our customers. Where relevant we have implemented safer gambling 'guard rails' to ensure player safety and we will continue to take decisive action to protect our customers.

In the UK we are fully committed to adhering to the COVID-19 pledges put in place by the Betting and Gaming Council (BGC) on 27 March which build on the actions already made to safeguard our customers. We, along with the UK's other largest betting and gaming operators, voluntarily adopted the TV and radio gaming advertising ban which will remain in place until 5 June.

The UK credit card ban came into force on 14 April 2020 and we implemented the ban on time and in full. We saw no material drop off in deposits and we will be able to gauge the longer-term impact more accurately when sports betting resumes.

We welcome the Gambling Commission's publication of their research on 12 May 2020 which confirmed there was no evidence of an increase in problem gambling behaviours during the Covid-19 lockdown. The Gambling Commission also published formal guidance for online operators during lockdown and we will review the measures that we have already implemented against that guidance, to ensure we are taking sufficient action to protect our customers and are following that guidance.

Outside the UK, the regulatory environment remains fluid with a variety of measures adopted across Europe. We saw developments in Spain, Latvia and Sweden restricting advertising and proposing further consumer protection measures. We have also seen ongoing regulatory activity (both in licencing and payment processing) in Germany and The Netherlands.

We continue to keep a close watch on, and engage with, regulatory activity but clearly uncertainty remains in this area.

Scenario analysis

As Government restrictions begin to relax and sporting events gradually recommence, we will continue to monitor developments closely. Our plan to 'power up' the business is designed to be flexible and responsive, with customer and colleague welfare our highest priority.

We are planning for a staged opening of the UK retail estate in the second half of 2020 and we are carefully monitoring developments across the US in the nine states where we have retail activities.

In our previous update on the 16 March 2020 we outlined a scenario where limited sporting activity until the Autumn, and one month of shop closures, would lead to a reduction in EBITDA of £100m to £110m. As a consequence of the COVID-19 mitigation activities, we are performing ahead of the initial scenario which now incorporates three months of shop closures.

Furthermore, each additional month of shop closures will now lead to a reduced EBITDA impact of £12m to £15m, assuming the continuation of Government support for furloughed workers, approximately half of the initial estimate of £25m to £30m.

In light of the limited visibility regarding the nature and duration of COVID-19 related restrictions, we are withdrawing all future guidance.

As attention turns to the resumption of sports activities, we note some encouraging recent updates:

- Football, which accounts for approximately half of Online UK sportsbook, is expected to recommence in May as the German Bundesliga returns to play behind closed doors;
- Horseracing, which contributes nearly a third of Online UK sportsbook, has resumed in France and is expected to return behind closed doors in the UK in June;
- While this is clearly an evolving situation, there are positive signs that some sports organisations are considering the resumption of live sports behind closed doors as early as this summer.

Ulrik Bengtsson, CEO, commented:

“William Hill has overcome many challenges in its 86-year history, and I am exceptionally proud of the team and their response to the COVID-19 pandemic. We have worked hard to protect them, and in turn they have done the same for our customers.

“We reacted quickly to the cancellation of sports activities and the closure of our retail estate. We took immediate measures to save costs, reduce cash outflow and minimise non-essential expenditure by negotiating with our suppliers, cancelling pay rises and executive bonuses and suspending the dividend. We have preserved liquidity and amended the terms of our net debt covenant, leading to significant, balance sheet headroom. This will enable us to continue to invest for growth, most notably in the US, as plans there to roll out sports betting continue apace.

“Our ambition to build a digitally led, internationally diverse business of scale is proving beneficial during the disruption as our international online business has performed very strongly. We have accelerated product developments in the US in particular to ensure we are well positioned when sports activity reopens. Our product development teams elsewhere have also excelled themselves during this period of remote working, deploying a range of important new products, most notably a gaming front end to improve navigation and speed for the UK market.

“We remain focused on player safety employing ever more customer protection. We are taking care of our teams, securing as many employment opportunities as possible and we are ready to power up the business as soon as COVID-19 restrictions permit.

*“Our strategy for the Company remains a simple one – to win with our **customers**, build agile collaborative **teams**, and get things done - **execution**. We are developing products that we are proud of and that will improve William Hill’s competitiveness for the long term.”*

Analyst conference call

Ulrik Bengtsson, CEO, Ruth Prior, CFO, and Matt Ashley, CFO (Designate), will host a conference call for analysts at 8:00 a.m. BST today. Dial-in details for the call are:

Telephone: +44 20 3936 2999

Participant code: 037434

A replay of the call will be available until 22 May 2020. Dial-in details for the replay are:

Telephone: +44 20 3936 3001

Replay code: 086999

Trading for the consolidated 17-week period to 28 April 2020

In GBP ¹	Total net revenue	Gaming net revenue	Sportsbook amounts wagered	Sportsbook gross win margin	Change in gross win margin
Online	-1%	+7%	-28%	9.5%	+1.5 pts
Online UK	-11%				
Online International	+21%				
Retail Like-for-like ²	-35%	-47%	-29%	20.2%	+1.4 pts
US	-16%		-19%	7.2%	+0.5 pts
Group	-27%	-27%	-31%		

Notes

1. Growth rates are based on statutory results unless stated otherwise.
2. Like-for-like (LFL) presents the cumulative results for the period on a same-shops basis (excluding those permanently closed in the prior and current year but including those temporarily closed due to Covid-19).
3. Where pro forma results are stated, this assumes Mr Green was consolidated into the Group at the beginning of January 2019, in order to provide a meaningful comparison.

OAM: Additional Regulated Information
William Hill LEI: 213800MDW41W5UZQIX82

Enquiries

William Hill	Louise Turner-Smith, Director of Investor Relations Alison Cole, Director of Corporate Communications	Tel: +44 (0) 20 7612 3251 Tel: +44 (0) 20 7612 3233
Brunswick	Andrew Porter / Samantha Chiene	Tel: +44 (0) 20 7404 5959

About William Hill

William Hill PLC is one of the world's leading betting and gaming companies, employing c.12,000 people. Its origins are in the UK where it was founded in 1934, and where it is listed on the London Stock Exchange. The majority of its £1.6bn annual revenues are still derived from the UK, where it has a national presence of licensed betting offices and one of the leading online betting and gaming services. William Hill's European Online business is headquartered in Gibraltar and Malta, and is licensed online in 10 countries following the acquisition of Mr Green & Co AB in January 2019. In 2012, it established William Hill US with a focus on retail and mobile operations in Nevada and became the largest sports betting business in the US. Following the ruling in May 2018 by the Supreme Court that the federal ban on state sponsored sports betting was unconstitutional, William Hill US has expanded and continues to expand as new states regulate sports betting. It is now operating in nine states: Delaware, Indiana, Iowa, Mississippi, Nevada, New Mexico, New Jersey, Rhode Island and West Virginia in addition to Washington DC. Eldorado Resorts, Inc. currently owns shares representing 20% of the share capital of William Hill US Holdco, Inc., the holding company of William Hill US.

Cautionary note regarding forward-looking statements

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout these results and the information incorporated by reference into these results and include statements regarding the intentions, beliefs or current expectations of the directors, William Hill or the Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of William Hill and the industry in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond William Hill's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in these results and/or the information incorporated by reference into these results. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Group and the development of the industry in which it operates, are consistent with the forward-looking statements contained in these results and/or the information incorporated by reference into these results, those results or developments may not be indicative of results or developments in subsequent periods. Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation (596/2014), the Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Rules), William Hill does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.