

# William Hill PLC

## Trading statement

19 January 2012

William Hill PLC (LSE: WMH) (William Hill or the Group) announces a trading update for the 13 weeks from 28 September to 27 December 2011 (fourth quarter) and the unaudited 52 weeks to 27 December 2011 (full year). The Group has also announced today that it has awarded a contract to Inspired Gaming Group for sole supply of gaming machines to William Hill's licensed betting offices (*see separate announcement*).

### Fourth quarter

Retail performance in the last quarter of 2011 saw 11% growth in year-on-year over-the-counter (OTC) amounts wagered whilst machines gross win growth also continued strongly in the quarter, up 7% year-on-year (gross win per machine per week: £924). This strong performance helped to offset a weaker OTC gross win margin of 17.0%, which was two percentage points below the comparator (2010: 19.0%). Poor football results, particularly on low stake multiple selection bets, proved to be a drag on margin, especially in November, and horseracing margin was below its normal range.

Online net revenues grew strongly in the quarter, with year-on-year Sportsbook amounts wagered growth in line with the trends seen in previous quarters and a gross win margin in line with the previous year's fourth quarter. Sportsbook, Casino and Bingo all showed year-on-year net revenue growth, with Poker declining in the quarter.

### Full year

The Group's performance in 2011 is in line with market expectations, with net revenue expected to be up 6% and Operating profit<sup>(1)</sup> expected to be around £274m, compared to £276.8m in the prior year, which benefitted from a lower effective machines taxation rate and an exceptionally high margin World Cup.

#### *Online*

With year-on-year net revenue growth of 28%, William Hill Online has now delivered its second consecutive year of +20% net revenue growth. Sportsbook amounts wagered grew by 51% and has more than doubled since 2009. Sportsbook net revenue grew by 36%, despite the presence of an outstanding World Cup in the prior year comparatives, with a gross win margin of 7.0% for the year as a whole (2010: 8.0%). Online gaming net revenue grew by 24%, with all verticals in growth.

The Group continues to make good progress in expanding its mobile offering and this was reflected in a c500% increase in Sportsbook bets.

Operating profit<sup>(1)</sup> for the year is expected to be c17% ahead of the prior year at around £106m, with a non-controlling interest for Playtech of £7.4m for the quarter and £31.3m for the year as a whole.

#### *Retail*

Retail amounts wagered grew overall by 6% in 2011 with OTC and machines showing growth of 3% and 6%, respectively.

However, OTC gross win margin at 16.8% was both outside the normalised range of 17% to 18% and below the prior year (2010: 17.9%), with football results in the second half of 2011 impacting margin performance. Retail net revenue grew by c1% for the year despite the weaker margin, benefitting from machines gross win growth of c9% (gross win per machine per week: £901). Retail expenses grew by only 2% and Operating profit<sup>1</sup> declined by c4% to around £196m.

## *Telephone*

The Telephone channel as a whole delivered an Operating loss<sup>(1)</sup> of around £4m in 2011, impacted by losses to a high-staking client predominantly on football betting. Despite cost savings arising from the move offshore in the early part of 2011, amounts wagered has continued to decline, as have gross win margins. Whilst the Group sees a long-term future for its Telephone operation, current and future anticipated levels of performance do not support the asset values held on the balance sheet. Accordingly, the Group expects that it will make a c£47m exceptional non-cash write-down of the remaining Telephone balance sheet goodwill together with other associated assets linked to this channel.

## *Taxation*

The Group expects that its 2011 effective pre-exceptional tax rate will be around 17.5% versus previous guidance of 19%. The majority of this improvement is driven by the release of prior year provisions that are no longer deemed to be necessary. Further guidance on effective tax and cash tax rates for 2012 will be provided in the Group's final results announcement.

Ralph Topping, Chief Executive, commented:

“This is a very positive performance, particularly in a year without a significant international football tournament and with a c£9m increase in VAT payments as a result of the rate change.

“Going into 2011, we were – like many businesses with a strong presence in the UK – predicted to face a challenging consumer backdrop but our overall performance shows we've seen the benefit of being a predominantly low ticket leisure activity. November was certainly a very good month for our football clients betting on small stake, high return multiple bets, which comprise the largest part of our Retail football business but football betting in 2011 overall continued to show wagering growth in both Retail and Online.

“As a multi-channel gambling company with a strong management team, we continue to be well placed to leverage the benefits the William Hill brand brings us. I believe there are more opportunities to grow in the UK with investment in marketing and in new technology and innovation taking place in all our channels. There are also good opportunities for the business beyond our traditional roots as more governments open up to regulated gambling. We will, therefore, continue to invest in taking our brand and our capabilities beyond the UK in 2012 and future years.”

## **Final results announcement**

The Group will announce its final results for the 52 weeks ended 27 December 2011 on 24 February 2012.

Notes:

(1) Operating profit/loss is defined as pre-exceptional profit/loss including associates and excluding interest, tax and amortisation relating to Online trade names, affiliate relationships and non-competition agreements.

William Hill, The Home of Betting, is one of the world's leading betting and gaming companies, employing more than 15,000 people. Founded in 1934, it is now the UK's largest bookmaker with over 2,370 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](http://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 £1bn a year.

## **Enquiries:**

### **William Hill PLC**

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**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:

Tel (UK): 0800 634 5205

Tel (international): +44 20 8817 9301

Passcode: 6441225

An archive of the call will be available after the call until 26 January 2012. Dial-in details for the archive call are:

Tel (UK): 020 7769 6425

Tel (international): +353 1 436 4267

Passcode: 6441225#

An audio webcast of the call will be available at [www.williamhillplc.co.uk](http://www.williamhillplc.co.uk).