

WILLIAM HILL PLC TRADING STATEMENT

Improved margin in Q4 with progress on key initiatives

17 January 2014

William Hill PLC (LSE: WMH) (William Hill or the Group) announces a trading update for the 13 weeks from 2 October 2013 to 31 December 2013 (Q4) and the unaudited 52 weeks to 31 December 2013 (full year). The reported comparator periods are the 14 weeks and 53 weeks ended 1 January 2013. For comparison purposes, 13 week and 52 week data are provided, for which the results relating to the week ending 1 January 2013 have been removed.

Ralph Topping, Chief Executive of William Hill, commented:

“Q4 proved a strong end to the year as we enjoyed continued momentum in Sportsbook with 38% more wagered in Q4 on a 13 week basis than last year. This demonstrates our competitive strength in Online ahead of the expected introduction of the Point of Consumption tax in December 2014. We made good progress on key initiatives in the quarter: improving our mobile gaming offer, rolling out the Eclipse gaming machine to over a third of our estate and continuing to enhance Australia’s digital capabilities. It is also pleasing to see a turnaround in the profitability of our US business in our first full year of ownership.”

Q4

Q4 saw strong underlying net revenue growth from sports betting with above average gross win margins in Retail over-the-counter (OTC) and strong wagering growth from Online Sportsbook. Online gaming net revenue growth rates improved through the period benefitting from improvements to mobile gaming and the Retail estate saw the ongoing roll-out of the Eclipse gaming machine.

		13 weeks of 2013 (unaudited) vs 14 weeks of 2012	13 weeks of 2013 (unaudited) vs 13 weeks of 2012
Online	Total net revenue	+6%	+14%
	Sportsbook amounts wagered	+26%	+38%
	Sportsbook net revenue	+24%	+30%
	Gaming net revenue	-7%	+2%
Retail	Total net revenue ¹	+6%	+13%
	Underlying total net revenue ¹	-2%	+4%
	OTC amounts wagered	-10%	-2%
	OTC net revenue	-1%	+4%
	Machines net revenue ¹	+16%	+24%
	Underlying machines net revenue ¹	-4%	+3%

The following commentary compares Q4 2013 with the equivalent 13 weeks of 2012 for underlying comparison purposes.

In Online, net revenue increased 14%. Sportsbook amounts wagered continued to grow strongly, up 38%. With a gross win margin of 8.1% reflecting an improvement on the 6.3% seen in Q3 (2012 Q4: 8.4%), net revenue increased 30%. Mobile continues to perform well with Sportsbook mobile stakes 92% higher than in 2012 and a gross win margin of 9.7%. Gaming net revenue was up 2%, with underlying 13 week growth of 4% after adjusting for market closures. Our investment programme is enabling the delivery of a high quality mobile gaming experience, with further product launches and the implementation of key enablers such as ‘single sign on’ and multiple payments. Mobile gaming net revenue was 199% higher than in 2012 and increased to 23% of Online’s total gaming net revenue.

In Retail, net revenue¹ grew 13%. Adjusting for Machine Games Duty (MGD), it was up 4%. OTC net revenue was up 4% with amounts wagered down 2% but the gross win margin up strongly by 1.2 percentage points to 20.3%. Gaming machine net revenue was up 24%; on an underlying basis¹, it was up 3%. Gross win per machine per week was up from £918 in 2012 to £920. The Eclipse cabinet

was installed in 834 shops at the period end and the rollout is on track to be completed by the end of Q1 2014.

In Australia, the Sportingbet and tomwaterhouse.com businesses were both impacted by poor results in the peak Spring Carnival period, with 42% of favourites winning the group races through the carnival compared with 18% in 2012. Activities under the previously outlined operational improvement plan are progressing well with work continuing to improve the user experience, the digital capabilities and the marketing mix. In Q4, whilst the year-on-year decline in Sportingbet first time deposits (FTDs) was similar to that reported in Q3, a successfully refocused retention and reactivation programme saw the number of unique actives only 2% below the comparative quarter. By improving the effectiveness of the marketing investment, we have also seen a significant reduction in cost per acquisition compared with the half-year position. tomwaterhouse.com continues to deliver growth in both FTDs and unique actives. Positively, it recorded its first monthly profit in December 2013, ahead of the planned migration onto the Sportingbet platform and operational integration in H1 2014.

William Hill US had a strong quarter, ending our first full year of ownership, with amounts wagered up 34% (13 week basis +47%) and net revenue more than 150% (13 week basis over 250%) ahead of Q4 2012 following an 8.3% gross win margin, recovering from the very weak comparative in 2012 (4.2%, 13 week basis 3.4%).

Full year

On a full year basis, Group net revenue¹ increased 16% (52 week basis +18%). Adjusting for MGD, it was up 10% (52 week basis +12%). Within this, Retail net revenue¹ was up 8% (52 week basis +10%) or flat adjusting for MGD (52 week basis +2%) and Online net revenue was up 10% (52 week basis +12%).

Group Operating profit² is expected to be around £334m. Full year defined amortisation is now expected to be c£11m following a fair value adjustment for depreciation on assets acquired in Australia leaving Group EBIT before exceptional items at around £323m.

Exceptional items are expected to total £18.6m; in line with previous guidance with the exception of a fall in value of £1.4m on our investment property portfolio. Group net debt for covenant purposes stood at around £800m at 31 December 2013.

SIS, our associate company, announced that, as a result of the loss of certain outside broadcast contracts, it will be winding down that division during 2014. As a result, we do not expect to generate operating profit from this source during 2014.

Fiscal and regulatory developments

Regulation around gaming machines in Retail remains a source of political debate. The health surveys for England and Scotland, published in December 2013 and September 2013 respectively, provided an independent, up-to-date view on problem gambling. The Scottish survey showed no change to the prevalence levels while the English survey indicated an average of 0.5% of people could be classified as problem gamblers, which is a lower number than that indicated by previous prevalence surveys in England and Wales (0.8% in 2010, 0.6% in 2007 and 0.6% in 1999).

In the UK, the Department of Culture, Media and Sport completed its triennial review of gaming machine stakes and prizes. It noted that 'there was little material based on robust evidence received from those concerned about the social impact of B2 machines'. As a result, there was no change to B2 or B3 category gaming machines ahead of the completion of research being undertaken by the Responsible Gambling Trust (RGT). The RGT is conducting an ongoing research programme commissioned from NatCen Social Research to understand how people behave when playing gaming machines offering high stakes and prizes and what helps people play responsibly. Along with other major operators, we have provided unprecedented levels of data to support this research. The RGT is also commissioning primary research and expects to publish its report on both pieces of research in autumn 2014.

William Hill is an 80 year old company with one of the most respected bookmaking brands on the UK high street. We are committed to the implementation of the ABB's new Code for Responsible

Gambling by March 2014. In addition, we and the industry will continue to work with both Government and the Regulator to look at additional harm reduction measures, such as increasing the level of responsible gambling messaging in advertising, to supplement the Code. We believe that a harm reduction strategy should be informed by facts, academic research and a proper economic impact assessment.

Current trading

Online Sportsbook has continued to show strong wagering growth, up 48% in the first two weeks of 2014. However, football results in week 2 were highly unfavourable with an unusually high number of odds-on favourites winning. Driven by the impact of this on our otherwise very attractive accumulator business, we recorded a c£13m loss in the week. There is no certainty that we can recoup this shortfall to internal expectations but based on previous experience of such customer-friendly outcomes, such as 'Dettori Day' in 1996, we anticipate a positive benefit from increased customer confidence, particularly with so much of the season ahead and with the 2014 World Cup to come.

Final results announcement

The Group will announce its final results for the 52 weeks ended 31 December 2013 on 28 February 2014.

Notes:

1. Group and Retail net revenue performance numbers are flattered by the transition from VAT and Amusement Machine Licence Duty to Machine Games Duty on 1 February 2013. Underlying numbers are provided in the narrative, adjusting the prior year from the date of introduction of MGD to reflect the current tax regime.
2. Operating profit is defined as pre-exceptional profit before interest and tax, before the amortisation of specifically identified intangible assets recognised on acquisitions.

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 on Friday, 17 January 2014. Dial-in details for the call are:

UK telephone: 0800 368 0649
International: +44 (0) 20 3059 8125
Passcode: William Hill

An archive of the call will be available after the call until Friday, 31 January 2014. Dial-in details for the archive call are:

Telephone: +44 (0) 121 260 4861
Passcode: 555 5606#

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 now the UK's largest bookmaker with around 2,400 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 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. The Group acquired the Sportingbet Australia business in March 2013 and tomwaterhouse.com in August 2013, which are two of the leading online corporate bookmakers in Australia, offering sports betting products online, by telephone and via mobile devices. William Hill PLC is listed on the London Stock Exchange and became part of the FTSE100 in May 2013. The Group generates revenues of almost £1.5bn a year.