

## William Hill PLC

### Strong first quarter performance

20 April 2012

William Hill PLC (LSE: WMH) (William Hill or the Group) announces its Interim Management Statement for the 13 weeks ended 27 March 2012 (the period or Q1). All comparisons are with the equivalent 13-week period in 2011 (Q1 2011).

#### Key financial highlights

- Group net revenue grew by 12%
- Retail net revenue grew by 5%
- Online net revenue grew by 33%
- Group Operating profit<sup>1</sup> was 19% higher

#### Key operational highlights to date

- Roll-out of Storm Plus to additional 500 shops underway
- c190,000 Sportsbook mobile app downloads from launch in the Apple App Store, with 30% of customers being brand new to William Hill
- Mobile gaming expanded with Bingo launch
- Ground-breaking sponsorship deal for williamhill.com and the Football Association as first bookmaker to be an official England supporter and betting partner of the FA Cup

Ralph Topping, Chief Executive, commented:

"I am pleased by our strong performance in the first quarter. Sportsbook wagering grew by 31%, OTC wagering saw underlying growth after taking into account adverse weather during the quarter and sports results contributed to a strong margin. Our investments in marketing and innovations continue to deliver benefits, with our Sportsbook exceeding £50m in turnover in a single week for the first time during the quarter and mobile turnover reaching almost £11m in a single week. Our mobile performance is now benefitting from our Sportsbook app being available in the Apple App Store, giving us access to thousands of new customers who have never bet with William Hill before, highlighting the growth potential of these new channels and their importance to our multi-channel offering. With positive underlying trends at this relatively early stage in the year, the Board remains confident in its expectations for the full year."

#### Trading overview

##### *(a) Group performance*

The Group saw strong year-on-year profit growth in the first quarter of the year, with net revenue up 12% and Operating profit<sup>1</sup> up 19%. This was driven by an excellent margin performance from Retail together with continued strong growth from William Hill Online.

The Group's net debt for covenant purposes stood at £355m at the end of the period (£416m as at 27 December 2011).

##### *(b) William Hill Online*

William Hill Online continued to perform strongly, delivering 33% year-on-year growth in net revenue over the period.

Sportsbook net revenue was 58% higher than in Q1 2011 with amounts wagered up 31% and the gross win margin above the expected average at 8.8% (Q1 2011: 7.3%). Strong momentum in mobile betting continued, with amounts wagered up more than 370% in the period. Bets placed via mobile devices accounted for around 19% of total Sportsbook turnover in Q1.

Gaming net revenue grew 19%. Casino net revenue was up 26%, comprised of 37% growth in Playtech Casino and 16% in Vegas Casino games. Bingo net revenue was up 7%. Poker performance was down 8%.

Mobile continues to increase in importance as penetration of smartphones and handheld devices grows. The Sportsbook app was launched in the Apple App Store in February and has consistently ranked in the top five free sports apps, having been downloaded around 190,000 times in the quarter. Bingo was launched as a mobile site during the period.

Operating costs grew in line with internal expectations, up 29%, with marketing investment totalling 26% of net revenue for the quarter. William Hill Online delivered an Operating profit<sup>1</sup> of £38.3m, up 29% on the prior year. Playtech's non-controlling interest was £10.8m.

#### *(c) Retail*

Retail produced another robust performance with growth of 2% in amounts wagered, 5% in net revenue and 8% in Operating profit<sup>1</sup>. This benefitted from gross win growth from both OTC and gaming machines.

Whilst OTC amounts wagered were 2% lower, this was distorted by bad weather in February, with 8% fewer horseracing fixtures in Q1 than in the equivalent period last year. Excluding the impacted weeks, underlying OTC amounts wagered demonstrated resilience, up 0.7% on Q1 2011. OTC net revenue was 5% higher, benefitting from a strong gross win margin of 19.4% (Q1 2011: 18.1%).

Machines gross win and net revenue were both up 5% in the period. Gross win per machine per week was £918 (Q1 2011: £885).

In January, the Group announced that Inspired Gaming Group would be the sole machine supplier to the Retail estate. The roll-out of the new multi-screen Storm Plus machines to the 21% of shops currently not supplied by Inspired is underway and will be completed by the end of the first half. Trials of Storm Plus in 100 shops have shown a significant out-performance compared with the existing Storm estate.

Operating costs increased by 4%, in line with management expectations. Operating profit<sup>1</sup> grew by 8%.

#### *(d) Telephone*

Telephone net revenue fell by 4%. Amounts wagered fell by 22% following the cessation of certain high staking client activity. However, gross win margin was 7.3% (Q1 2011: 5.5%), which is in line with underlying historic trends excluding this client activity.

### **Fiscal and regulatory developments**

The UK government announced in March that Machine Games Duty will be levied at a rate of 20% of gaming machine gross profit from 1 February 2013. At this point, it will replace Amusement Machine Licence Duty and VAT, which is currently levied on machines revenue. This change in the tax regime would have cost the Group an additional c£13m based on 2011 performance.

In the same Budget, the UK Government confirmed its intention to apply a 'point of consumption' (POC) tax to the remote gambling industry. It indicated that it currently expects to apply a 15% gross profits tax as from December 2014. However, the exact timing and rate will be reviewed and there will be further consultations on implementation. The Group's view remains that there is no demonstrable need for the proposed POC regulation based on consumer protection, which is the Government's justification and that rigorous enforcement would be required to avoid market distortion.

The Government also announced an additional reduction of one percentage point to the corporation tax rate in 2012, on top of the 1% previously announced. This will take the statutory corporation tax rate to 24% from 1 April 2012 and to 23% in 2013 following a further 1% reduction in 2013. As a result, the Group has revised its effective tax rate guidance for 2012 from 20% to 17%, reflecting an increased deferred tax credit as well as the statutory tax rate reduction. The effective cash tax rate for

the year is expected to reduce from 22% to around 21%. For 2013, the effective tax rate is expected to be around 18% and the cash tax rate around 20%.

### **Nevada update**

The Nevada licensing application to complete William Hill's US acquisitions is progressing well and remains within the timetable guided. Playtech is required to produce a submission to the regulator as a key supplier and partner, which we anticipate imminently.

### **Outlook**

The strong performance across the business in the first quarter is pleasing, albeit benefitting from a gross win margin above the normalised and expected range. With positive underlying trends at this relatively early stage in the year, the Board remains confident in its expectations for the full year.

### **Notes**

<sup>1</sup> Operating profit 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.

<b>Enquiries</b>		
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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 8.15 a.m. BST. Dial-in details for the call are:

UK telephone: 0800 634 5205  
International: +44 20 8817 9301  
Passcode: 7131813

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

UK telephone: 020 7769 6425  
Telephone: +353 1 436 4267  
Passcode: 7131813#

An audio webcast of the call will be available at [www.williamhillplc.com](http://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 15,000 people. Founded in 1934, it is now the UK's largest bookmaker with around 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 £1.1bn a year.