

2014 Final Results

Interview with James Henderson, CEO

Financial results

Q: You've announced a record set of results. So what have been the big drivers of this performance?

A: Well, we've made really good progress on our strategy to diversify. Digital now represents 40% of revenues, and International is 18%, so two really good performances in those areas. In regards to Retail, the profit was just shy of the previous year. And that's very important for the Group, because it's a very cash-generative part of our business. In regards to Online, double-digit growth, both in revenues and profits, and Australia and America doubled their profits from the previous year, so a really strong performance.

Q: Now you had a good World Cup. But some of the other sporting results have gone against you. Just how reliant is your business on favourable sporting results?

A: Yes, we are reliant on good results. I mean, we had three really poor loss-making weeks in the course of the year, which set us a little bit back. But we probably had our best Q3 ever, which offset those loss-making weeks. And I think the best way to summarise our year is that our overall margin for football - where the volatility was - came out with the same margin as we had the previous two years. So it was very, very important that we did that. And that was all the other breadth and depth of markets that we have contributing to that margin.

But we've also got to remember that actually gaming makes up circa 50% of our revenues as well. So that does offset volatility that we have around the sporting results.

Online and technology strategy

Q: Online is an increasingly important part of your business. But how much of that is down to changing consumer preferences, and how much of it is down to your drive and your focus on it?

A: Yes, I think it's important to note first and foremost, that the betting population has grown from 6m to 8m over the last four years. And that's because of the advent of the iPhone and the tablet. But it's not just about the device which people are betting on. It's making sure that you have the breadth and depth of markets for the people to be able to bet on. And I think that's the important thing to note.

And the colleagues that we have working online have done a great job in making sure that we provide an experience that you can't get anywhere else.

And that's really been behind the success of our Online business over the last few years.

Q: You talk about 'differentiation through technology' in these results. What exactly does that mean? And how significant is Project Trafalgar?

A: Well, it's very difficult to differentiate yourself when more or less everybody is using the same suppliers. What we want to do is be able to differentiate and give the customer an experience that they can't get anywhere else. We've been very successful over the last few years in doing that in regards to our Vegas platform, and sports betting.

But Project Trafalgar will take it one step further. What it will give us, or what it will give the customer, is a consistent experience whatever device they choose to bet on. It will also speed up the site, and it will allow us to make changes in a much quicker timeline based on customer experience.

International strategy

Q: You've made some significant changes to your Australia business this year. Can you tell us a little bit about that, and how significant it is?

A: Yes, we have made a number of significant changes. We've changed the management team. It's now led by Tom Waterhouse. We've taken the IT in-house. We've redefined the marketing spend. We've also looked at the client base. So we've done a lot of good work, but we've also taken the decision - the right decision - to be able to rebrand as well, because we need to drive top line growth.

Although profits doubled over the course of the year, the rebrand plus all those changes will allow us to make good headway in a very competitive market.

Q: So that's Australia. But how are your other international businesses performing?

A: Very well. In Italy and Spain we are going to achieve profitability by the end of the year, as previously guided. In America we've almost doubled our profits year on year; a very strong performance. And we watch with interest all the talk and all the legislation around opening up the American market, which is very interesting, particularly the comments made by Adam Silver, the NBA Commissioner.

Omni-channel strategy

Q: Now you're talking a lot about your online business. Does that mean you're focusing less on your high street presence now?

A: Absolutely not. I mean, retail is incredibly important to the Group. It's cash-generative, and it's still our most profitable channel. So it is incredibly important to us. And 66% of our retail customers only use shops. So it's very important that one of our key pillars of the strategy is that we drive through the

omni-channel, which uses the best of Online and the experience or the accessibility of the Retail division as well.

Q: And can you remind us about the omni-channel strategy? What exactly it is, and how it's progressing?

A: We've got a lot of rich content and product in the Online business, as we have in Retail. But it's about combining that, so that wherever you are as a William Hill customer, wherever you want to have a bet, then it will be a much more consistent experience from a product and a content perspective. And already we're starting to see some changes. We've got the video walls, which are now becoming more and more like the website. We've got the content in regards to TV. Retail's TV has now been placed online. And we've also got things like Tip Adviser now coming into Retail. So we're making good progress in that area.

M&A

Q: There's been a fair bit of consolidation in the online gambling space, and lots of speculation about you and 888. How do you see the industry evolving? What part is William Hill going to play in any industry consolidation?

A: There's been lots of speculation since point of consumption was introduced in December in regards to whether there'll be consolidation at the bottom end of the market, or the top end of the market. I think it will take a good sort of 12 to 18 months to play out, because I think if you get to the starting line, that you will persevere and invest in marketing to give you as good a chance of success.

What part will William Hill play in that consolidation? I'll always look at things that will accelerate our strategy, which is, you know, omni-channel, which is diversification, international revenues, and technology as well.

888 in particular was an opportunity to accelerate our technology strategy and if there are any other M&A opportunities out there that will allow us to do that, then obviously we'll be looking at those as well.

Responsible gambling

Q: What role are you playing to help promote responsible gambling? And overall, do you think the industry's doing enough?

A: There's been a lot of activity over the last 12 months. Worked very well with the DCMS and with our regulator, the Gambling Commission. There are a number of things that have been introduced over the course of the year. First and foremost, the ABB Code, which was introduced at the beginning of last year. 'Set Your Limits' which we've now gone from voluntary to mandatory. We formed the Senet Group, which is an independent body that will look over the sector. The RGT research that came out in December, which was able to identify marks of harm, which will allow us to couple that with data to be able

to get the tools to be able to intervene as appropriate for those customers that are potentially at risk.

So a lot of good work, and it's really just the beginning of the journey, because there'll be lots more upcoming over the course of the next 12 to 18 months and beyond.

Outlook

Q: Looking ahead now, overall, what's the outlook for 2015?

A: Our strategy is very clear: that's omni-channel, technology, international diversification. Rest assured there will be a number of opportunities upcoming over the course of the year, as I said, as the sector grows in the point of consumption environment, and we as a Group are best place to capitalise on those. You can guarantee 2015 will be an incredibly interesting and busy year for us.

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