

# William Hill PLC

## Final results 2019

26 February 2020



### A well-executed year of transition

William Hill PLC (LSE: WMH) (William Hill or the Group) announces its final results for the 52 weeks ended 31 December 2019 (the period or 2019). Comparatives relate to the 53 weeks ended 1 January 2019.

	Statutory results <sup>1</sup>			Adjusted results <sup>1</sup>		
	52 wks to 31 Dec 19 £m	53 wks to 1 Jan 19 £m	Change %	52 wks to 31 Dec 19 £m	53 wks to 1 Jan 19 £m	Change %
Net revenue	1,581.7	1,621.3	-2%	1,581.7	1,621.3	-2%
Adjusted operating profit <sup>2</sup>	-	-	-	147.0	233.6	-37%
Profit/(loss) before interest and tax	12.9	(687.9)	-	-	-	-
(Loss)/profit before tax	(37.6)	(721.9)	-95%	96.5	200.2	-52%
(Loss)/earnings per share (EPS) (p) <sup>3</sup>	(3.1)	(83.6)	-	10.7	20.6	-48%
Dividend per share (p)	8.0	12.0	-33%			

### Financial results

- Group net revenue fell 2% to £1,581.7m
- Adjusted operating profit<sup>2</sup> from existing operations fell 37% to £147.0m, ahead of management expectations, following the implementation of the £2 stake limit
- Exceptional charge and adjustments of £134.1m, primarily in relation to the closure of shops and redundancies, leading to a statutory loss before tax of £37.6m
- Operating cash flow fell 7% to £183.0m reflecting the 37% reduction in adjusted operating profit<sup>2</sup>, offset by the reclassification of lease expenses under IFRS 16
- Net debt for covenant purposes<sup>4</sup> increased, as anticipated, to £535.7m, reflecting the acquisition of Mr Green, the impact on adjusted operating profit<sup>2</sup> of the £2 stake limit and disciplined investment in the US expansion, resulting in net debt/EBITDA of 2.4x
- Full year dividend of 8p is confirmed

### Operational highlights

- Safer Gambling
  - Committed to protecting our customers; signed up to the Safer Gambling Commitments in November 2019, significant increase in accounts setting deposit limits
  - Self-regulatory measures implemented in 2019 including the 'whistle-to-whistle' advertising ban and the voluntary levy for research, education and training
- Online
  - UK maintained market share; three consecutive quarters of growth<sup>5</sup> in line with the market
  - UK absorbed £13m impact from the increase in Remote Gaming Duty
  - International net revenue fell 3% on a pro forma basis<sup>6</sup>, impacted by regulatory headwinds and legacy product
  - Mr Green performed in line with expectations and achieved cost synergies of £4m
- Retail
  - Decisive response to the £2 stake limit, closing 713 shops
  - Net revenue fell 13% on a like-for-like basis<sup>7</sup>, at the better end of our expectations
  - Sportsbook staking increased 6% with average weekly staking on SSBTs increasing 17% both on a like-for-like basis<sup>7</sup>
- US
  - US net revenue increased 38%, capturing nationwide market share of 24%
  - US Expansion net revenue tripled and Nevada grew for the seventh consecutive year
  - New purpose-built digital platform live; 55% of all US wagers handled through our online channels
  - Preparations to incorporate the operation of Caesars and CG Technology sports books are well underway which we anticipate will occur in the first half of 2020, pending regulatory approval
  - CBS media partnership established; grants exclusive rights to promote William Hill across CBS Sports' digital properties, a unique integration of sports betting, media, product and technology

**Ulrik Bengtsson, Chief Executive Officer, commented:**

“2019 was a year of transition during which we executed on our ambition to diversify internationally with the acquisition of Mr Green and the continued strong growth of our US business. The Group delivered a strong operating performance, ahead of our expectations and against a challenging regulatory backdrop.

“We move into 2020 in a stronger position. Almost a quarter of revenue is now generated outside the UK compared to 15% in 2018. We made positive progress with our digital platform, launching our purpose-built platform in the US and product developments in the Online business in 2019. We will invest in our proprietary technology as we continue to improve the competitiveness of our customer offering. We have also made great progress embedding a culture of safer gambling across the Group.

“This is an exciting time to be William Hill’s CEO. Our industry is evolving and this brings great opportunities, underlining the importance of our efforts to reposition the business. We look forward to building on these foundations with a renewed focus on customer, team and execution.”

**Notes:**

1. Both the statutory and adjusted results include the performance of Mr Green since the acquisition completed in January 2019.
2. Adjusted operating profit/loss is defined as profit/loss from continuing operations before interest and tax, excluding exceptional items and other defined adjustments. Further detail on adjusted measures is provided in note 3 to the financial statements within our 2019 Annual Report.
3. Basic EPS is based on an average of 873.0 million shares for 2019 and an average of 857.0 million shares for 2018. Adjusted EPS is based upon adjusted profits after tax.
4. Net debt for covenant purposes and EBITDA for covenant purposes are non-statutory measures. The basis of the calculation is as described in note 25 to the financial statements within our 2019 Annual Report, with the addition of the EBITDA of Mr Green for the full rolling 12 month period.
5. Reported on a pro forma basis, assuming Mr Green was consolidated into the Group at the end of January 2018 and also adjusting Q4 2018 so that it is on a 13 week basis given 2018 was a 53 week period.
6. Where pro forma results are stated, this assumes Mr Green was consolidated into the group at the end of January 2018, in order to provide a more meaningful comparator period. Further detail on pro forma results are provided in note 18 to the financial statements within our 2019 Annual Report.
7. Where like-for-like (LFL) results are stated, this adjusts the 2018 comparative for shops closed during 2019.
8. Broker research, CIA country profiles, U.S. Census Bureau, H2 Gambling Capital.
9. Results in the Online operating review table are presented on an adjusted basis including Mr Green’s results post acquisition on 28 January 2019.
10. The US Existing business has now been simplified to contain only revenues from Nevada, with all revenues from Delaware now recognised in US Expansion. 2018 results are restated to reflect this change.
11. 24 states is contingent on the completion of the acquisition of Caesars by Eldorado. Excluding the inclusion of Caesars, William Hill US has access to 18 states. When referring to states this includes Washington D.C.

OAM: Additional Regulated Information  
William Hill LEI: 213800MDW  
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**Enquiries**

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**Analyst and investor presentation**

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Meeting	Wednesday 26 February 2020 at 9.30 am GMT Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED
Live conference call	Tel: +44 (0) 20 3936 2999. Access code: 302959
Archive conference call	Tel: +44 (0) 20 3936 3001. Access code: 697204#. Available until 5 March 2020
Video webcast	<a href="http://www.williamhillplc.com">www.williamhillplc.com</a>

**Debt investor conference call**

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Live conference call	11.30 am GMT. Tel: +44 (0) 20 3936 2999. Passcode: 058293
Archive conference call	Tel: +44 (0) 20 3936 3001. Passcode: 140092#. Available until 5 March 2020

## **About William Hill**

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William Hill PLC is one of the world's leading betting and gaming companies, employing c12,000 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 12 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. 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**

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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.

## OVERVIEW

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We have made good progress on the commitment made in 2018 to develop William Hill into a digitally led, internationally diverse sports betting and gaming business of scale with a strong online position and access to fast-growing markets, particularly the US.

### Performance summary

2019 was a year of transition, although it was not without its challenges. To accelerate our international diversification, we acquired Mr Green giving us an established hub in Malta, with relevant teams and capabilities, from which to grow our international business. Mr Green also gives us a strong market position in a number of European markets, for example Denmark and Sweden. Our UK Online business has stabilised, growing in line with the market for three consecutive quarters<sup>5</sup> and maintaining market share. We achieved this through a relentless customer focus and investing in both product and service.

The implementation of the £2 stake limit on B2 gaming products in April 2019 led us to remodel the Retail estate and close 713 shops in the third quarter which impacted the profitability of Retail by £67m. The UK Online business absorbed the increase in the Remote Gaming Duty which impacted profitability by c£13m and regulatory developments in the International Online business restricted growth. These events underline the challenging trading environment due to regulatory pressures and reinforces the importance of our drive to diversify the business geographically.

We continued to invest in our biggest opportunity, the US, where one in every four sports bets is made through William Hill. Following the Supreme Court's decision to overturn the Professional and Amateur Sports Person Act (PASPA) in May 2018, the opportunity for William Hill US is significant. By the end of 2019, 14 states were live and we are in nine of them, more than any other sports betting operator. We will continue to leverage our recently launched, purpose-built US technology platform and market access partnerships, most notably with Eldorado Resorts, Inc. ("Eldorado") which is expected to complete its proposed acquisition of Caesars Entertainment ("Caesars") in the second quarter of 2020. Market estimates suggest that the US could generate between US\$5bn and US\$19bn<sup>8</sup> of sports betting revenues by 2023, depending on the speed and nature of state-by-state regulation, and William Hill is well positioned to participate with market leading access secured in 24<sup>11</sup> states.

### Delivering on our strategy

At our capital markets day in 2018 we laid out our ambition to be a digitally led, internationally diverse business of scale which remains unchanged. At the time we set out a number of strategic objectives: to drive digital growth, remodel the UK and grow scale in the US while developing a culture of customer protection and self-regulation. We have already made material progress towards achieving our objective to remodel Retail. The business responded with conviction to the regulatory challenges and is once again ready to focus on the future.

To accelerate the delivery of our ambition, we will increase the operational emphasis, holistically across the Group, on the keys to our success: **Customer, Team and Execution**. We will achieve this through five strategic priorities that will be implemented Group-wide: **competitive customer offering, a collaborative and agile team, revenue growth, operational efficiency and scale**.

### Customer

Create a '**competitive customer offering**' through continuous innovation, increasing personalisation and best-in-class customer support while protecting our customers.

We have a clear product mission to delight our customers and we have already automated our customer support functions leading to an all-time high customer satisfaction score. The immediate future will be about product, with five areas of operational focus:

- Brilliant Basics. Be a market leader on app performance for the customer moments that matter: Deposits, Withdrawals, Login, Settlement, Registration;
- Establish a sustainable competitive advantage through faster innovation, a focus on football and in-play experience, provide a rich gaming experience and enable flexibility and scalability in the US;
- Exceed our customer's service expectations through faster response times based on a combination of automated back office, increased self-service and high-touch service when necessary;
- Promote Safer Gambling activities through innovation, including Real Time Monitoring, UK customer dashboards, unified Safer Gambling tools for the UK & International;

- US technology platform evolution, introducing sophisticated trading capability at scale.

## **Team**

We will build capability around a '**collaborative and agile team**'. We have introduced a Chief Product and Technology Officer who will have end-to-end accountability for driving our customer offering across all divisions. The new role of Chief Operating Officer will focus our key business support operations into a single, customer centric function.

We are streamlining our processes, evolving our ways of working and investing in our people to ensure we reach our long-term goals. Improvements have already been made within engagement and we will continue to develop the end-to-end employee experience to attract, retain and motivate our people. During the coming year we will further simplify the operating model to enable collaboration and facilitate a focus on execution. We are building skills programmes and talent academies to ensure we are future-proofed.

## **Execution**

Our focus on customer and team will be supported by the execution of three key drivers; *revenue growth, operational efficiency and scale*.

### **Revenue Growth**

Revenue growth will be achieved by growing our International and US businesses and maintaining share in the UK, where we expect to perform in line with the market. Our intention to provide personalised customer experiences and targeted real-time engagement to drive share of wallet will be enabled by robust customer data analytics delivered in parallel with cost optimisation, driving operational leverage to improve our operating profit. Each division has a clear plan in place to drive revenue growth:

- Online UK:
  - Maintain UK market share by optimising the yield of existing customers through the new Smart Data Platform and continuous product enhancements.
- Online International:
  - Accelerate growth in the Nordics by capitalising on the launch of Sweden, improving content in Denmark and increasing localised marketing;
  - Grow Spain & Italy by monetising recent product improvements and launch Mr Green in Spain.
- US:
  - Capitalise on the competitive customer experience and products that will be supported by the new technology platform;
  - Improve marketing return on investment;
  - Leverage our partnerships to accelerate our expansion as the states continue to legalise and regulate.

### **Operational Efficiency**

We will evolve our operating models, through a culture of continuous improvement, to deliver simplified ways of working, increased automation and improved marketing efficiency.

In 2019 we commenced an Operating Model review to drive automation, improve location footprint and remove duplication of efforts, and this will continue throughout 2020. We defined a set of initiatives within our Customer Service operations, including robotic process automation to substantially improve service quality and consequently reduce costs. Further in 2019 we launched the Smart Data Platform and analytics tools that will allow us to make timely decisions and ensure greater efficiency from our marketing efforts going forward.

### **Scale**

We will generate economies of scale by using selected core platform components and processes across multiple divisions and selective non-organic opportunities. As we invest in our proprietary technology, our Global Trading Platform and Smart Data Platform will be utilised across the Group. As we evolve our business, we will optimise our technology blueprint, location strategies and core back office operations to ensure we maximise the benefits of scale.

## **Safer gambling**

Throughout 2019 we responded to regulatory change across all regions, facing into the challenges in Europe, the opportunities in the US and continuing to drive forward with safer gambling measures. At the start of the year we set ourselves the objective of increasing the number of online customers that set deposit limits by 50% and we have delivered on that target.

In July we agreed to increase our funding for research, education and treatment, in collaboration with industry peers. This will see a ten-fold increase in our financial support for safer gambling measures in the next five years with our contribution rising from 0.1% of UK gross gambling yield (GGY) to 1% by 2023. In August, the voluntary whistle-to-whistle ban on advertising around live sports matches came into effect with the intention to reduce exposure to under 18s. We are pleased to note this has been a successful initiative with analysis revealing a 97% reduction in sports gambling adverts seen by children.

In November the launch of a new representative body, the Betting and Gaming Council, was accompanied by the announcement of a package of Safer Gambling Commitments, a comprehensive set of measures intended to deliver long-term benefits to minimise the harm caused by gambling. We, along with many of our peers, have committed to prevent underage gambling, increase support for treatment, strengthen our advertising and marketing codes of practice, protect our customers and create a culture of safer gambling. At William Hill that journey is already well advanced.

In January 2020 the Gambling Commission announced that the use of credit cards to gamble in the UK would be banned from April 2020, a restriction which extends to e-wallets funded by credit cards. A small proportion of deposits, approximately 5%, are taken through credit cards online and our retail outlets accept cash and debit cards only. We will continue to engage with the Gambling Commission and wider stakeholders as we have done increasingly over the past few years.

Our aim is that all of our customers play safely and within their means. To support this goal, we have continued to invest in personnel, IT systems and rigorous processes to ensure our customers are appropriately protected. With the support of technology we closely monitor patterns of play, provide our players with tools they can use to remain in control and, where appropriate, we will enforce a break in play. As we continue to embed customer protection and self-regulation at the heart of our culture, we will develop tools and processes that ensure we protect our customers from gambling related harm. There is more to do with respect to customer protection but the progress that has been made at William Hill and by the industry is real.

## **Board changes**

During 2019 we reshaped our board to reflect our intention to be digitally led and internationally diverse. We welcomed Gordon Wilson, Jane Hanson and Lynne Weedall to the board as non-executive directors, bringing with them experience in technology, international expansion, regulation and compliance and cultural change. In September Philip Bowcock stepped down and Ulrik Bengtsson was appointed Chief Executive Officer (CEO).

In January 2020, Ruth Prior, Chief Financial Officer (CFO), notified the board of her intention to step down to return to the private equity sector. She has supported the Group through considerable change and we thank her for all she has done for the Group. More recently we announced the appointment of Adrian Marsh as William Hill's new CFO. Adrian is a proven CFO of a FTSE listed company with M&A, deal execution and multi-sector finance experience in US and European markets and we are delighted to welcome him to the Group. The effective date of Adrian's appointment to the Board and Ruth's departure will be announced in due course.

## **Outlook**

2019 was a year of transition during which we laid the foundations to deliver our long term ambition to be a digitally led, internationally diverse business underpinned by our commitment to safer gambling. We are on track to perform in line with our expectations for 2020, assuming normalised gross win margins and a stable regulatory landscape. We will continue to manage our leverage carefully as we balance the investment opportunities available to us against the potential for regulatory developments across the Group.

More specifically, the growth of Online, the stabilisation of Retail and the continued strong growth of the US are addressed in more detail in each of the divisional outlook statements.

## OPERATING REVIEW

The commentary below on divisional performance addresses adjusted results, reflecting the basis on which they are reported internally and in our segmental analysis. An explanation of our adjusted results, including a reconciliation to the statutory results, is provided in note 3 to the financial statements within our 2019 Annual Report.

The following narrative, unless stated otherwise, relates to the 52-week period to 31 December 2019, with comparatives relating to the 53-weeks ended 1 January 2019.

### Online<sup>9</sup> (47% of Group revenue)

	FY 2019 £m	FY 2018 £m	Change	Pro forma <sup>6</sup>
<b>Sportsbook amounts wagered</b>	<b>4,528.4</b>	<b>4,702.8</b>	<b>-4%</b>	<b>-6%</b>
Gross win margin	8.0%	8.0%	+0.0ppts	+0.0ppts
UK net revenue	481.0	484.0	-1%	-3%
International net revenue	257.3	150.4	+71%	-3%
Sportsbook net revenue	307.6	318.7	-3%	-6%
Gaming net revenue	430.7	315.7	+36%	-1%
<b>Online net revenue</b>	<b>738.3</b>	<b>634.4</b>	<b>+16%</b>	<b>-3%</b>
Cost of sales	(202.4)	(154.1)	+31%	
Operating costs	(417.1)	(350.1)	+19%	
<b>Adjusted operating profit<sup>2</sup></b>	<b>118.8</b>	<b>130.2</b>	<b>-9%</b>	

The following commentary is presented on a pro forma<sup>6</sup> basis unless otherwise stated.

At the end of January 2019 we completed the acquisition of Mr Green and, as a consequence, 35% of Online statutory revenues are now delivered outside the UK compared to 24% in 2018. The integration has enabled us to operate from two distinct hubs; Gibraltar now focuses on all UK operations while all International operations are conducted from Malta. The integration has progressed well, Mr Green has performed in line with our expectations, and we have delivered £4m of cost synergies in 2019 against our Year 3 target of c£6m.

During 2019 we repositioned our brand and marketing proposition to modernise the appeal of William Hill and focus on betting and gaming as a shared experience. The Anthony Joshua-led campaign, which successfully increased brand recognition, was followed by the 'Brotherhood' campaign which encourages moderate and social gambling. The new campaign unified our sportsbook and gaming position, delivered positive shifts in brand perception and increased marketing efficiency.

Aligned with these campaigns, and to reflect the more mature nature of the UK Online market, we redirected our UK marketing activity to deliver return on investment with a focus on yield rather than volumes. As a consequence, in the UK we saw unique active users decrease by 14% while average revenue per user (ARPU) increased by 13%.

FY 2019 Pro forma <sup>6</sup>	UK	International
Net revenue	-3%	-3%
Unique actives	-14%	+2%
Average revenue per user	+13%	-4%

Online UK continued to experience headwinds during the first quarter from the enhanced customer due diligence actions taken in 2018. However, we were encouraged to see three consecutive quarters of growth<sup>5</sup>, in line with the market, and market share maintained.

UK sportsbook amounts wagered declined, driven predominantly by horseracing, while the gross win margin increased by 0.3 percentage points, supported by favourable results, particularly towards the year end. Gaming net revenue fell as we implemented customer protection measures and reflected self-exclusions across acquired brands. In combination this led to a fall in Online UK net revenue of 3% in the year.

Online International grew unique active users 2% and ARPU fell 4% as we continued to pursue a traditional growth strategy in international markets. International experienced a number of regulatory headwinds during

2019, most notably the introduction of a new regime in Sweden, an advertising ban in Italy and the closure of Switzerland.

Online International sportsbook amounts wagered were stable although gross win margin fell 0.4 percentage points due to poor sports results and legacy product limitations. International gaming net revenue was stable. As a result, Online International net revenue fell 3%. During the second half, customers adjusted to accommodate the new regulatory landscape and we saw early signs of a recovery in Sweden.

On a statutory basis, taking into account the acquisition of Mr Green, gaming net revenue increased 36% and total net revenue increased 16%.

Cost of sales increased 31% as we absorbed the increase in UK Remote Gaming Duty from 15% to 21% which was applied on 1 April. Operating costs increased 19%, reflecting the incorporation of Mr Green, resulting in an adjusted operating profit<sup>2</sup> of £118.8m, down 9%.

We continued to enhance our customer offering with product and service improvements, embedding player protection processes and tools across the platform. International launched new developments in the fourth quarter, as planned, with a new sportsbook front end and single wallet solution in Spain and further product launches are planned in Italy in 2020. We are pursuing a modular platform architecture. The new Smart Data Platform is already in use as part of our purpose-built US platform and we expect to see it deployed in the UK in 2020.

### Online Outlook

At the time of the Mr Green acquisition, the UK facing gaming business was subject to an investigation arising from systemic compliance failings following a corporate evaluation undertaken by the Gambling Commission in summer 2018. Since we completed our acquisition we have implemented enhanced policies and processes designed to ensure that the business meets all requisite compliance standards. We made a provision of £3m for a fine from the Gambling Commission relating to the failings identified and we expect to conclude a regulatory settlement with the Gambling Commission in line with the provision imminently.

The UK credit card ban will take effect on 14 April 2020; we take c5% of Online UK deposits through credit cards and we will be working with our payment providers to ensure compliance ahead of this deadline. We anticipate the impact on adjusted operating profit<sup>2</sup> will be in the range of £5m to £10m, based on the current information regarding e-wallet payments.

The Online business will return to growth, assuming a stable regulatory landscape. As we enter a UEFA European Football Championship year, and continue to deliver product launches to advance our customer offering, we will grow net revenue in line with the market in the UK and reach high-single digit net revenue growth in the International business.

### Retail (45% of Group revenue)

	FY 2019 £m	FY 2018 £m	Change	Like-for-like <sup>7</sup>
<b>Sportsbook amounts wagered</b>	<b>2,161.6</b>	<b>2,195.9</b>	<b>-2%</b>	<b>+6%</b>
Gross win margin	18.5%	18.2%	+0.3ppts	+0.3ppts
Sportsbook net revenue	400.0	398.9	+0%	+8%
Gaming net revenue	317.0	496.3	-36%	-30%
<b>Retail net revenue</b>	<b>717.0</b>	<b>895.2</b>	<b>-20%</b>	<b>-13%</b>
Cost of sales	(162.2)	(226.6)	-28%	
Operating costs	(471.6)	(518.3)	-9%	
<b>Adjusted operating profit<sup>2</sup></b>	<b>83.2</b>	<b>150.3</b>	<b>-45%</b>	

The £2 stake limit on B2 gaming products was implemented on 1 April 2019 and, as expected, materially impacted the retail business. As a result we took decisive action to remodel the estate, closing 713 shops in the third quarter to ensure the best possible future for our business, colleagues and customers. As a consequence, the following commentary will focus on like-for-like<sup>7</sup> (LFL) results related to the remaining estate of 1,568 shops.

Against this backdrop Retail produced a robust performance in 2019. LFL<sup>7</sup> Retail net revenue declined 13% overall as customers substituted gaming activities with more sports betting.



LFL<sup>7</sup> Sportsbook wagering was up 6% with material increases seen in greyhounds, other sports and virtual products. Total Sportsbook gross win margin was up 0.3 percentage points to 18.5%, benefiting from a strong end to the year, especially in football. Sportsbook LFL<sup>7</sup> net revenue increased 8%, although on a statutory basis sportsbook net revenue was flat due to the shop closures.

In Gaming, LFL<sup>7</sup> net revenue fell 30%, driven by the £2 stake limit. During the course of the year gaming revenues began to settle as our customers adjusted to the new limits and the fourth quarter result was ahead of our expectations.

Our proprietary Self Service Betting Terminals (SSBTs) accounted for 19% of all sports betting and 62% of all football wagering. We redistributed the SSBT inventory from our closed shops across the remaining estate, increasing density from 1.6 to 2.4 machines per shop. We now have over 3,700 machines and the average amount wagered per machine per week increased 17% in 2019.

We took an exceptional charge of £95.1m relating to continuing costs incurred as part of the mitigation strategy regarding shop closures, redundancy costs and other related costs. We continue to closely manage the mitigation of our outstanding property costs, as we maintain our disciplined cash focus in Retail, anticipating an exceptional cash impact of c£70m.

We agreed the sale of 35 shops in Northern Ireland and the Isle of Man to BoyleSports in January 2020. These actions constitute part of the planned mitigation activities and, as such, the financial impact is included in our expectations for the coming year.

Operating costs reduced 9%, primarily as a result of the shop closures and we continue to focus on managing controllable costs to offset the impact of inflation and the National Living Wage.

Adjusted operating profit<sup>2</sup> fell 45% to £83.2m, ahead of our original expectations of £50-70m, driven partly by the strong gross win margin, resilient gaming net revenue and successful migration and retention of our customers from closed shops.

The average number of shops fell 11% to 2,087 (2018: 2,333), primarily as a direct result of the shop closures. The revised estate, following the shop closures and sale of Northern Ireland and the Isle of Man, will be 1,533 shops located across the British Isles.

## **Retail outlook**

With the £2 stake limit implemented and the planned shop closures completed we now have certainty regarding our Retail business and we are uniquely positioned to focus on the future. It remains early in the evolution of the UK licenced betting office (LBO) industry and we anticipate the total UK betting shop industry will continue to reduce. Assuming a normalised gross win margin, and reflecting an additional quarter of operations impacted by the £2 stake limit when compared to 2019, we expect adjusted operating profit<sup>2</sup> in 2020 to be in the range of £60m to £70m.

## **William Hill US (8% of Group revenue)**

Throughout 2019 we made material progress towards our strategic objective to grow a business of scale in the US. There are currently 14 states where sports betting is live and we are operational in nine of them, having launched in New Mexico, Iowa and Indiana during the year, capturing 24% of the regulated nationwide market. In November we ceased operating in Pennsylvania although we expect to resume taking wagers following the anticipated completion of the acquisition of Caesars by Eldorado during the first half of 2020, subject to regulatory approval. We now have market access secured in 24<sup>11</sup> states, a purpose-built digital platform and a strong local team operating from East and West coast locations.

Numbers referenced in the following commentary are presented on a local currency basis.

The regulatory landscape is complex and changing as the US evolves towards what we expect will be a primarily online market in the long term. However, at the current time, only nine of the states that are live are online and William Hill US offers online wagering in Nevada, New Jersey, Iowa and Rhode Island. During 2019 William Hill US handled US\$2.9bn of gross amounts wagered, either directly or indirectly, and 55% was placed through online channels.

In 2019 we committed to generating adjusted operating profit<sup>2</sup> of US\$0m to -US\$20m in the combined US business. We are pleased to report that the US performed ahead of expectations and delivered adjusted operating profit<sup>2</sup> of US\$1.6m driven by strong wagering growth, disciplined investment and the gain generated from the sale of the equity interest in The Stars Group.

## US Existing<sup>10</sup>

	On a statutory reporting basis			On a local currency basis		
	FY 2019 £m	FY 2018 £m	Change	FY 2019 US\$m	FY 2018 US\$m	Change
<b>Amounts wagered</b>	<b>1,282.1</b>	<b>1,084.5</b>	<b>+18%</b>	<b>1,640.2</b>	<b>1,442.8</b>	<b>+14%</b>
Gross win margin	6.6%	7.2%	-0.6ppts	6.6%	7.2%	-0.6ppts
<b>Net revenue</b>	<b>83.6</b>	<b>78.4</b>	<b>+7%</b>	<b>106.9</b>	<b>104.3</b>	<b>+2%</b>
Cost of sales	(8.0)	(7.4)	+8%	(10.3)	(9.8)	+5%
Operating costs	(48.5)	(39.7)	+22%	(61.8)	(52.6)	+17%
<b>Adjusted operating profit<sup>2</sup></b>	<b>27.1</b>	<b>31.3</b>	<b>-13%</b>	<b>34.8</b>	<b>41.9</b>	<b>-17%</b>

During 2019 the US Existing business delivered its seventh consecutive year of growth, providing sports betting at 114 locations. We saw amounts wagered grow 14% to US\$1.6bn of which 69% were placed through digital channels. Gross win margin normalised to 6.6%, 0.6 percentage points lower due to strong sports results in the prior year. As a result, net revenue grew 2%.

We maintained market share of 32% across Nevada. Operating costs increased 17% as we expanded our Nevada base, primarily due to increased staff and property costs. As a consequence, adjusted operating profit<sup>2</sup> fell 17% on a local currency basis.

In the fourth quarter we agreed to acquire the sports book assets of CG Technology, more commonly known as Cantor, subject to regulatory approval. This brings access to a number of marquee sites on the Las Vegas Strip, including The Cosmopolitan of Las Vegas, The Venetian and The Palazzo.

## US Expansion<sup>10</sup>

	On a statutory reporting basis			On a local currency basis		
	FY 2019 £m	FY 2018 £m	Change	FY 2019 US\$m	FY 2018 US\$m	Change
<b>Amounts wagered</b>	<b>512.5</b>	<b>164.4</b>	<b>+212%</b>	<b>655.0</b>	<b>212.5</b>	<b>+208%</b>
Gross win margin	7.1%	6.7%	+0.4ppts	7.1%	6.7%	+0.4ppts
<b>Net revenue</b>	<b>42.8</b>	<b>13.1</b>	<b>+227%</b>	<b>54.8</b>	<b>16.9</b>	<b>+224%</b>
Cost of sales	(5.3)	(1.6)	+231%	(6.8)	(2.0)	+240%
Operating costs	(63.6)	(43.4)	+47%	(81.2)	(56.9)	+43%
<b>Adjusted operating loss<sup>2</sup></b>	<b>(26.1)</b>	<b>(31.9)</b>	<b>-18%</b>	<b>(33.2)</b>	<b>(42.0)</b>	<b>-21%</b>

During 2019 the US Expansion business handled US\$1.3bn of gross amounts wagered, nearly half of the US\$2.9bn transacted across the whole of William Hill US. In our capacity as a sports book operator we directly handled US\$655m of gross amounts wagered, an increase of more than 200% as we took sports bets in three new states and opened nine retail sports books. Gross win margin increased 0.4 percentage points to 7.1%. As a result, net revenue increased 224%, including the income from our service provider activities which increased 280%.

The expansion business delivered a blended market share of 20%, with leading retail market share of 35% and number three digital market share of 9%. Our disciplined growth strategy saw operating costs increase 43% as we continued to grow the local team and expand our New Jersey presence. As a result adjusted operating losses<sup>2</sup> decreased to US\$33.2m, an improvement of 21%.

Under the terms of an agreement by Eldorado with The Stars Group (TSG) in 2018, granting TSG certain second skin access rights for sports betting using the Eldorado casino licences, Eldorado and William Hill share the economic benefit of equity and revenue share payments related to those access rights. In 2019, William Hill's beneficial interest in the initial equity received by Eldorado was sold, generating a gain of US\$13.5m. The value of this interest is reflected in the US Expansion net operating costs.

We launched our purpose built, proprietary technology platform in New Jersey in time for the beginning of the NFL season as planned. The new platform gives us a market-leading technology solution with the flexibility and scalability to support our US growth ambitions.

Our partnerships are key to our success in the US. In January 2019, we entered a partnership with Eldorado to be their exclusive sports book provider, sharing in all economics related to sports betting. Eldorado is a leading casino entertainment company in the United States, currently owning or operating 23

properties in 11 states and a loyalty club with c10 million members. Under the terms of the deal, Eldorado received a 20% stake in William Hill US.

We were pleased to see Eldorado announce the proposed acquisition of Caesars Entertainment in June 2019 where William Hill's exclusive sports betting rights across retail and mobile will carry forward to the acquired company. If completed, Eldorado will be the largest owner and operator of US gaming assets. We estimate the profit contribution possible from additional retail operations at Caesars casinos would be cUS\$20m-US\$35m of annual EBITDA within three years.

In October 2019 we formed an exclusive partnership with Monumental Sports and Entertainment to open a sports book at the Capital One arena in Washington D.C. In addition, we established official sports betting partnerships with the National Basketball Association (NBA) and the National Hockey League (NHL).

More recently, during February 2020 we announced a strategic media partnership with CBS Sports, making William Hill the official sports book and wagering data provider across all CBS Sports' platforms. The partnership grants William Hill exclusive rights to promote our brand across CBS Sports' broad range of digital properties, including through CBS Sports Fantasy, one of the largest fantasy platforms in the world, resulting in highly efficient customer acquisition and another major step forward for our US expansion. With more than 80m users per month, the partnership enables a unique integration of sports betting, media, product and technology and includes opportunities to feature William Hill data, odds and markets across CBS television programming. Initial integrations will kick-off in March with a full rollout planned for the fantasy football season.

### **US outlook**

We are encouraged by the momentum in the number of states regulating sports betting. We are increasingly confident of the potential size of the market and see it falling comfortably within a US\$5bn to US\$19bn<sup>8</sup> range within the first five years post PASPA.

Our US business is well placed to capitalise on the market leading access we have secured to 24<sup>11</sup> states, which altogether would cover a population of c200m people. Preparations are well underway to bring the operation of the existing Caesars and Cantor sports books into the William Hill network, subject to regulatory approval. We will continue to develop our proprietary technology platform to enable a best-in-class customer experience as well as the ability to roll out quickly to new states as they regulate. The partnership with CBS Sports, across multiple media platforms, enables efficient nationwide customer acquisition. In combination the building blocks for continued strong revenue growth are now in place.

A number of additional states are preparing to regulate sports betting in 2020 and we anticipate we will launch in up to eight new states and we will continue to incur start-up costs. However, we anticipate the overall US business will be broadly breakeven in 2020.

Going forward we will report the combined US Existing and US Expansion business as William Hill US.

## FINANCIAL REVIEW

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### Overview

The difference between statutory results and adjusted results<sup>1</sup> is due to exceptional items and other defined adjustments. These principally relate to £99.8m of costs relating to our mitigation strategy following the implementation of the £2 stake limit on B2 gaming products in April 2019, including the costs associated with the 713 shop closures in the third quarter. It also includes corporate transaction and integration costs of £8.2m predominantly relating to the acquisition of Mr Green in January 2019, £5.2m of dual running costs associated with the transition of the Group's land-based data centres into the cloud and £18.2m of amortisation of acquired intangibles. In the previous period, this principally related to an impairment charge of £882.8m recognised in the Retail division following the original announcement of the £2 stake limit on B2 gaming products.

Further detail on adjusted results is provided in note 3 to the financial statements.

The analysis below considers only continuing operations unless specifically stated otherwise. In the previous period, the Group disposed of William Hill Australia, the Australia segment, in April 2018. This was classified as a discontinued operation and therefore not included within the comparative in the below analysis. The Group acquired Mr Green in January 2019. The analysis does not include Mr Green performance before acquisition date unless the financials are specifically stated as pro forma.

The Group's revenue declined by 2% or £39.6m to £1,581.7m, with the decline in Retail revenue following the implementation of the £2 stake limit offset by revenue growth in the US and Online divisions, including the revenue recognised from Mr Green. The prior period was also a 53-week trading period compared to 52-weeks in the current period.

With costs of sales decreasing by 2%, this led to gross profit of £1,203.8m, a decrease of 3% or £31.9m. Net operating expenses declined by £732.7m (38%) on a statutory basis, mainly reflecting movements in exceptional items and adjustments with £882.8m impairment charge of the Retail segment recognised in the previous period.

On an adjusted basis, net operating expenses grew by £58.8m (6%) to £1,056.8m. This includes the costs of Mr Green, as well as increased investment costs in the continued expansion in the US business since PASPA was overturned in May 2018. This led to a decrease in the Group adjusted operating profit<sup>2</sup> of 37% to £147.0m.

On a statutory basis, net finance costs have increased by 49% or £16.5m, primarily due to parallel running of bonds with a new £350m bond issued in May 2019 and due to the implementation of the new IFRS 16 Leases accounting standard. We recognised a total tax credit of £10.6m on a loss before tax of £37.6m. This represented an effective tax rate of 28.2% (2018: 0.8%). A lower amount of non-deductible expenditure attributable to exceptional costs in 2019 together with a release of prior year tax provisions no longer required have contributed to a larger tax credit this year. Loss after tax for the period was £27.0m (2018: loss after tax £716.1m). This was driven by the exceptional items across both periods with £99.8m cost relating to the mitigation strategies as a result of the £2 stake limit on B2 gaming products in the current period and with £882.8m impairment charge of the Retail segment in the previous period. This corresponds to a loss per share<sup>3</sup> of 3.1p (2018: loss per share of 83.6p). On an adjusted basis, profit after tax decreased by 47%, or £82.3m, to £93.8m with a corresponding 48%, or 9.9p, decrease in basic earnings per share<sup>3</sup> to 10.7p.

We continued to generate strong operational cash flow in the period, despite the drop in adjusted operating profits due to the implementation of the £2 stake limit on B2 gaming products, with net cash flow from operating activities of £183.0m. This was a decrease of £14.1m or 7% compared to the previous period. The acquisition of Mr Green and continued investment in capital expenditure and the expanding US business has led to an increase in net debt<sup>4</sup> to £535.7m compared to £308.1m in the prior period. This, coupled with a reduction in EBITDA for covenant purposes<sup>4</sup> due to reduced operating profits as a result of the £2 stake limit on B2 gaming products, led to an increase in net debt to EBITDA for covenant purposes<sup>4</sup> to 2.4 times (2018:1.0 times).

The commentary below on divisional performance reflects adjusted results, since that is the basis on which they are reported internally and in our segmental analysis. An explanation of our adjusted results, including a reconciliation to the statutory results, is provided in note 3 to the financial statements. The current period was a 52-week period compared to a 53-week comparative. This has not been adjusted for in the analysis below.

### *Divisional performance*

Online revenues of £738.3m grew 16% following the acquisition of Mr Green offsetting regulatory impacts in both the UK and International markets. The increase in remote gaming duty in the UK from 15% to 21% at a cost of c£13m coupled with inflationary cost pressures resulted in adjusted operating profit of £118.8m, 9% lower YoY. The Online division also benefited by c£8m through the treatment of software depreciation on acquisition being classified as an adjusted item.

Retail revenue fell £178.2m or 20% as gaming machines decreased by 36% due to the implementation of the £2 stake limit on B2 gaming products and Sportsbook remained flat with a 2% decrease on staking offset by a 0.3%pt increase in margin. On a like-for-like ("LFL")<sup>7</sup> basis sportsbook staking grew 6% as shops benefited from both substitution of customer spend from gaming machines into sports and customers migrating from closed shops across the industry. Adjusted operating profit<sup>2</sup> of £83.2m was down £67.1m or 45% YoY as a result of the lower revenues offset by the closure of loss making shops and a c£7m benefit from the rental costs of the closed shops being classified as exceptional costs for the three month period between announcing the closure and them closing.

Our US division, which comprises the US Existing segment (with all operations existing before PASPA was overturned in May 2018 excluding Delaware) and the US Expansion segment (with all operations in new jurisdictions since PASPA was overturned including Delaware) saw revenue growth of 38% to £126.4m. The US Existing segment, with growth at 7%, has experienced seven consecutive years of growth. The US Expansion segment benefited from the opening of three new states in the year, which resulted in revenues of £42.8m, growth of 227%. US Revenue includes service provider revenue, which represents net profit share where William Hill US provides sportsbooks to the operator. Adjusted operating profit<sup>2</sup> in the US was £1.0m, an increase of £1.6m from 2018 following the contribution from new states, disciplined investment across the Expansion segment and the £10.3m income from the sale of shares held in The Stars Group, which we were entitled to as part of our agreement with Eldorado (see note 11 to the financial statements).

### *Exceptional items and adjustments*

Exceptional items and adjustments amounted to £120.8m after tax, a decrease of £771.4m compared to the prior period, which included an impairment charge of the Retail division of £882.8m following the announcement of the stake limit on B2 gaming products being reduced from £100 to £2.

The largest exceptional item in the year at £99.8m relates to the triennial mitigation restructuring programme following the implementation of the £2 stake limit on B2 gaming products.

£95.1m of the £99.8m relates to costs in the Retail division, the majority associated with the planned shop closures of which £47.3m was an impairment charge against the relevant right-of-use lease assets. The remaining costs in the Retail division relate to other costs of closure, onerous costs and redundancy costs.

This programme is expected to last through 2020 with cash costs of c£70m relating to the Retail segment. This has increased from the costs disclosed previously, as we are not expecting to receive the amount of cash inflows from certain asset disposals in the Retail division as we previously estimated.

The accounting costs incurred to date during 2018 and 2019 of £104.4m are greater than the expected cash costs to deliver the programme, which include potential mitigation strategies through the sale of freehold properties and any savings from early exit from lease arrangements. The accounting and cash costs will converge but will not equal each other by the end of 2020 when the programme ends as mitigation strategies will continue to be realised after 2020.

£3.5m of costs relate to the final elements of the Transformation programme that commenced in 2016. This programme has now ended. The total incurred since 2016 is £99.3m. This programme delivered a range of cost optimisation and business model initiatives which continue to underpin the future growth in the business. The costs incurred in 2019 were less than expected, in part due to a profit on disposal of the previous Group head office, Greenside House, and in part due to a higher than expected proportion of cost being capitalised. Corporate transaction and integration costs of £8.2m have been incurred in relation to the Mr Green acquisition as well as the partnership with Eldorado.

In 2019 we recognised an exceptional cost of £5.2m relating to dual running costs as we move our land-based data centres into the cloud. The dual running costs treated as exceptional are specifically those costs relating to our land-based data centres that will no longer be incurred once the migration to the cloud

is complete. These dual running costs are expected to be incurred until 2021 at a total of c£15m split equally across the three-year programme.

Adjustments totalled a net charge before tax £18.2m (2018: £2.5m). This related to amortisation charges on acquired intangibles, which have increased due to the additional intangibles recognised in the period from the acquisition of Mr Green and the partnership with Eldorado Resorts.

### *Taxation*

On a statutory basis, the Group recognised a tax credit of £10.6m on losses before tax of £37.6m, giving an effective tax rate of 28.2% (2018:0.8%). The tax credit and therefore the tax rate is adversely impacted by the non-deductibility of certain exceptional costs (principally the impairment of the lease right-of-use asset).

On an adjusted basis, the Group recognised a tax charge of £2.7m on adjusted profits before tax of £96.5m, giving an effective tax rate of 2.8% (2018: 12.0%). This rate is lower than the UK statutory rate, primarily as a result of operating in territories with lower tax rates such as Gibraltar and Malta. The rate also benefits this year from the release of provisions previously held for uncertain tax positions and which have been offset by the recognition of a provision for additional tax payable following a potential change, with retrospective effect, in specific UK tax legislation.

The Group's adjusted effective tax rate for 2020 is now expected to be c9%.

### *Earnings per share*

Basic EPS<sup>3</sup> was a loss per share of 3.1p compared to a loss per share of 83.6p in the prior period. This reflected the current period loss after tax made of £27.0m including £99.8m of exceptional costs relating to the mitigation strategies following the implementation of the £2 stake limit on B2 gaming products, compared to a loss after tax of £716.1m, due predominantly to the £882.8m impairment of the Retail segment. Adjusted EPS<sup>3</sup> decreased by 48% to 10.7p, due to the 47% decrease in adjusted profits after tax to £93.8m.

Of the statutory loss after tax of £27.0m, a loss of £26.9m related to equity holders of the company and £0.1m loss related to non-controlling interest. This predominantly relates to the 20% stake in William Hill US held by Eldorado Resorts created as part of our partnership agreement which completed in January 2019, in addition to certain non-controlling interests created as part of the acquisition of Mr Green.

### *IFRS 16 Leases*

We have applied the new IFRS 16 Leases accounting standard for the first time in 2019. This standard has a material impact on the financial statements as it leads to most leases being recognised on the Statement of Financial Position as a right of use asset and a lease liability. The lease cost will change from an in-period operating lease expense to recognition of depreciation of the right-of-use asset and interest expense on the lease liability.

We have adopted the modified retrospective transition approach and therefore comparative periods are not restated.

The impact of IFRS 16 in 2019 is to increase depreciation by £43.5m and interest expense by £5.1m while reducing other administrative expenses by £45.8m. This includes the impact of the reduced Retail estate after 713 shop closures in the third quarter. This therefore leads to an increase in profit before interest and tax of £2.3m and an increase in loss before tax of £2.8m in the period.

On the Statement of Financial Position, we hold a lease right-of-use asset of £129.6m within property, plant and equipment within non-current assets, which has been reduced by a £47.3m impairment against the relevant lease assets from the 713 shop closures in the third quarter. We also hold lease liabilities of £163.2m split between current and non-current liabilities.

## *Statement of Financial Position*

Intangible assets have increased by £409.8m compared to 1 January 2019 to £1,095.9m. The increase relates in part to the acquisition of Mr Green with intangible assets of £114.5m recognised on acquisition across brands (£83.9m); customer relationships (£12.8m); acquired tech platform (£16.3m) and other software intangibles (£1.5m), in addition to goodwill on acquisition of £153.0m. The increase also relates to an asset recognised of £138.0m representing exclusive access to licences and markets as part of the partnership with Eldorado Resorts. This asset is amortised over the 25-year life of the agreement.

Property, plant and equipment has increased by £115.2m compared to 1 January 2019 primarily due to the recognition of the right-of-use lease asset on implementation of IFRS 16 Leases. Deferred tax assets increased by £31.6m to £43.5m primarily as a result of recognising the benefit of current year tax losses and other deductions for companies that are anticipated to make profits in the foreseeable future. These increases, alongside the increase in intangible assets, resulted in an increase in non-current assets of £549.8m to £1,487.6m compared to 1 January 2019.

Within current assets and current liabilities we have recognised net assets held for sale of £6.6m relating to the Group's 35 shops across its Northern Ireland and Isle of Man operations. We have agreed to dispose of these operations with the sale expected to complete in full in Q1 2020.

Total current liabilities have increased by £352.9m to £782.2m compared to 1 January 2019. This increase mainly relates to the transfer of the £203.2m outstanding on the 2020 Notes from non-current to current and the recognition of the current portion of the IFRS 16 lease liability (£37.5m). In addition the increase relates to provisions of £76.9m relating in part to a provision acquired with Mr Green relating to a gaming tax liability in Austria (£53.7m) and in part the remaining provision on the costs of closure associated with the 713 shops closed in the third quarter (£17.4m). Note the relevant lease liabilities on the 713 shop closures continue to be presented within lease liabilities as opposed to provisions.

Non-current liabilities increased by £118.6m compared to 1 January 2019 following the recognition of lease liabilities under IFRS 16 of £125.7m. Borrowings decreased by £26.2m reflecting the part early settlement and part transfer to current liabilities of the 2020 £375m bond, offset by the £350m 2026 bond issued in the period. Deferred tax liabilities increased by £17.5m to £81.3m reflecting the acquisition of Mr Green's balances.

Net assets of £320.2m is an increase of £21.3m compared to 1 January 2019. Of the £320.2m, £312.9m relates to total equity attributable to equity holders of the parent whereas £7.3m relates to non-controlling interest, relating to the 20% stake in William Hill US held by Eldorado Resorts after the completion of our partnership agreement in January 2019 and certain small minority interest holdings acquired as part of the acquisition of Mr Green.

## *Cash flow and net debt*

Operating cash flows were £183.0m, higher than the adjusted operating profit<sup>2</sup> of £147.0m primarily due to the reclassification of the costs associated with leases, which are now presented as cash from financing activities since the implementation of the IFRS 16 Leases accounting standard in the current period. This was £14.1m (7%) lower than the prior period, reflecting the 37% reduction in adjusted operating profits, offset by the reclassification of lease expenses in the current period.

We issued a new £350m corporate bond in the period with £171.6m used to repurchase part of the outstanding 2020 Notes. The Group returned £90.9m to shareholders through dividends and the costs associated with leases were £46.7m in the period. Overall, this led to a cash inflow from financing activities of £30.7m.

We completed the acquisition of Mr Green in the period with a net cash outflow of £173.7m in the period in addition to the £19.2m in H2 2018. This includes the cost of the acquisition of the shares in Mr Green of £244.8m net of the cash acquired of £51.9m.

We invested £94.6m on capital expenditure in the period with disposals of property, plant and equipment of £6.1m. This includes investment in our proprietary technology platform in New Jersey, which launched in time for the beginning of the NFL season, as well as the new sportsbook front end and single wallet in Spain.

Overall, this led to a cash outflow of £48.5m in the period, compared to a cash inflow of £192.6m in 2018, mainly driven by the disposals of the Australia operations and NYX investments in the prior

period. This reduced the cash and cash equivalents balance to £459.4m (2018: £510.5m) with cash excluding customer balances and restricted cash reducing £49.3m or 12% to £371.5m.

Net debt for covenant purposes<sup>4</sup> has increased from £308.1m at 1 January 2019 to £535.7m at 31 December 2019, reflecting the cash outflows in the period from the acquisition of Mr Green and the mitigation strategy to the implementation of the £2 stake limit on B2 gaming products. The rolling 12 month EBITDA for covenant purposes<sup>4</sup> fell 28% from £312.7m in the prior period to £226.2m for the current period, reflecting the decrease in adjusted operating profit after the implementation of the £2 stake limit on B2 gaming products from 1 April 2019. This EBITDA for covenant purposes removes the impact of IFRS 16 Leases accounting standard. This led to an increase in the net debt to EBITDA for covenant purposes ratio to 2.4x (2018: 1.0x).

The Board has continued with the 8p underpin of the dividend during this period of transition.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

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We have reviewed our risk profile as set out in the 2019 Annual Report and considered the risks facing the Group in the 2020 financial year. The key risks are identified as:

- Regulatory, political and legal risk;
- Strategic risk;
- Market/financial risk;
- Operational risk; and
- Tax changes.

Further information is available on pages 59 to 61 of the 2019 Annual Report, which will shortly be available on our corporate website at [www.williamhillplc.com](http://www.williamhillplc.com).

## **RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE FINAL RESULTS ANNOUNCEMENT**

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The directors confirm that, to the best of their knowledge:

- The 2019 Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- The Group financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Article 4 of the IAS Regulation (in the case of the consolidated financial statements) and United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) (in the case of the parent company financial statements), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report and risk sections of the 2019 Annual Report, which represent the management report, include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

This responsibility statement is approved by the Board of directors and is signed on its behalf by:

U. Bengtsson  
Chief Executive Officer  
26 February 2020

R. Prior  
Chief Financial Officer  
26 February 2020



# William Hill PLC

## Consolidated Income Statement

for the 52 weeks ended 31 December 2019

	Notes	52 weeks ended 31 December 2019			53 weeks ended 1 January 2019		
		Adjusted £m	Exceptional items and adjustments (note 3) £m	Statutory total £m	Adjusted £m	Exceptional items and adjustments (note 3) £m	Statutory total £m
<b>Revenue</b>	2	<b>1,581.7</b>	<b>-</b>	<b>1,581.7</b>	1,621.3	-	1,621.3
Cost of sales	2	<b>(377.9)</b>	<b>-</b>	<b>(377.9)</b>	(389.7)	4.1	(385.6)
<b>Gross profit</b>	2	<b>1,203.8</b>	<b>-</b>	<b>1,203.8</b>	1,231.6	4.1	1,235.7
Other operating income		<b>16.1</b>	<b>-</b>	<b>16.1</b>	5.7	-	5.7
Other operating expenses	3	<b>(1,073.8)</b>	<b>(134.1)</b>	<b>(1,207.9)</b>	(1,006.6)	(925.6)	(1,932.2)
Share of results of associates		<b>0.9</b>	<b>-</b>	<b>0.9</b>	2.9	-	2.9
<b>Profit/(loss) before interest and tax</b>	2	<b>147.0</b>	<b>(134.1)</b>	<b>12.9</b>	233.6	(921.5)	(687.9)
Investment income		<b>3.0</b>	<b>-</b>	<b>3.0</b>	4.7	-	4.7
Finance costs	4	<b>(53.5)</b>	<b>-</b>	<b>(53.5)</b>	(38.1)	(0.6)	(38.7)
<b>(Loss)/profit before tax</b>	2	<b>96.5</b>	<b>(134.1)</b>	<b>(37.6)</b>	200.2	(922.1)	(721.9)
Tax	3,5	<b>(2.7)</b>	<b>13.3</b>	<b>10.6</b>	(24.1)	29.9	5.8
<b>(Loss)/profit for the period from continuing operations</b>		<b>93.8</b>	<b>(120.8)</b>	<b>(27.0)</b>	176.1	(892.2)	(716.1)
<b>Profit for the period from discontinued operations</b>		<b>-</b>	<b>-</b>	<b>-</b>	4.5	(0.7)	3.8
<b>(Loss)/profit for the period from continuing and discontinued operations</b>		<b>93.8</b>	<b>(120.8)</b>	<b>(27.0)</b>	180.6	(892.9)	(712.3)
<b>Attributable to:</b>							
Equity holders of the parent				<b>(26.9)</b>			(712.3)
Non-controlling interests				<b>(0.1)</b>			-
<b>(Loss)/earnings per share from continuing and discontinued operations (pence)</b>							
Basic	7	<b>10.7</b>		<b>(3.1)</b>	21.1		(83.1)
Diluted	7	<b>10.7</b>		<b>(3.1)</b>	20.9		(83.1)
<b>(Loss)/earnings per share from continuing operations (pence)</b>							
Basic	7	<b>10.7</b>		<b>(3.1)</b>	20.6		(83.6)
Diluted	7	<b>10.7</b>		<b>(3.1)</b>	20.4		(83.6)

**William Hill PLC****Consolidated Statement of Comprehensive Income**

for the 52 weeks ended 31 December 2019

	52 weeks ended 31 December 2019 £m	53 weeks ended 1 January 2019 £m
Loss for the period	(27.0)	(712.3)
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Actuarial remeasurements in defined benefit pension scheme	(2.0)	(27.3)
Tax on remeasurements in defined benefit pension scheme	0.3	4.7
Gains on fair value through other comprehensive income financial assets:		
Changes in fair value reclassified to profit and loss on disposal of investments in NYX	–	0.4
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences:		
Translation of foreign operations	(4.0)	(5.2)
Reclassified to profit and loss on disposal of Australian operations	–	84.3
<b>Other comprehensive (loss)/income for the period</b>	<b>(5.7)</b>	<b>56.9</b>
<b>Total comprehensive loss for the period</b>	<b>(32.7)</b>	<b>(655.4)</b>
<b>Attributable to:</b>		
Equity holders of the parent	(32.6)	(655.4)
Non-controlling interests	(0.1)	–
	<b>(32.7)</b>	<b>(655.4)</b>

# William Hill PLC

## Consolidated Statement of Changes in Equity

for the 52 weeks ended 31 December 2019

	Attributable to equity holders of the parent								Total equity £m
	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Accumulated losses £m	Non-controlling interests £m	
<b>At 1 January 2019</b>	<b>88.7</b>	<b>689.4</b>	<b>6.8</b>	<b>(26.1)</b>	<b>(88.0)</b>	<b>6.6</b>	<b>(378.5)</b>	<b>–</b>	<b>298.9</b>
Loss for the financial period	–	–	–	–	–	–	(26.9)	(0.1)	(27.0)
Actuarial remeasurements in defined benefit pension scheme	–	–	–	–	–	–	(2.0)	–	(2.0)
Tax on remeasurements in defined benefit pension scheme	–	–	–	–	–	–	0.3	–	0.3
Exchange difference on translation of foreign operations	–	–	–	–	–	(4.0)	–	–	(4.0)
<b>Total comprehensive loss for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(4.0)</b>	<b>(28.6)</b>	<b>(0.1)</b>	<b>(32.7)</b>
Purchase and issue of own shares	–	–	–	–	(0.5)	–	–	–	(0.5)
Transfer of own shares to recipients	–	–	–	–	1.5	–	(1.5)	–	–
Partnership with Eldorado (note 11)	1.3	20.5	–	–	–	–	110.3	5.9	138.0
Credit recognised in respect of share remuneration	–	–	–	–	–	–	4.5	–	4.5
Tax credit in respect of share remuneration	–	–	–	–	–	–	1.4	–	1.4
Acquisition of Mr Green (note 13)	–	–	–	–	–	–	–	1.5	1.5
Dividends paid (note 6)	–	–	–	–	–	–	(90.9)	–	(90.9)
<b>At 31 December 2019</b>	<b>90.0</b>	<b>709.9</b>	<b>6.8</b>	<b>(26.1)</b>	<b>(87.0)</b>	<b>2.6</b>	<b>(383.3)</b>	<b>7.3</b>	<b>320.2</b>

	Attributable to equity holders of the parent								Total equity £m
	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Own shares held £m	Hedging and translation reserve £m	Accumulated losses £m	Non-controlling interests £m	
At 26 December 2017	88.7	689.4	6.8	(26.1)	(97.0)	(72.5)	473.4	–	1,062.7
Loss for the financial period	–	–	–	–	–	–	(712.3)	–	(712.3)
Actuarial remeasurements in defined benefit pension scheme	–	–	–	–	–	–	(27.3)	–	(27.3)
Tax on remeasurments in defined benefit pension scheme	–	–	–	–	–	–	4.7	–	4.7
Exchange difference on translation of foreign operations	–	–	–	–	–	(5.2)	–	–	(5.2)
Exchange differences reclassified to profit and loss on disposal of Australian operations	–	–	–	–	–	84.3	–	–	84.3
Changes in fair value reclassified to profit and loss on disposal of investments in NYX	–	–	–	–	–	–	0.4	–	0.4
<b>Total comprehensive profit/(loss) for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>79.1</b>	<b>(734.5)</b>	<b>–</b>	<b>(655.4)</b>
Purchase and issue of own shares	–	–	–	–	–	–	–	–	–
Transfer of own shares to recipients	–	–	–	–	9.0	–	(7.8)	–	1.2
Other shares issued during the period	–	–	–	–	–	–	–	–	–
Credit recognised in respect of share remuneration	–	–	–	–	–	–	5.5	–	5.5
Tax charge in respect of share remuneration	–	–	–	–	–	–	(1.6)	–	(1.6)
Dividends paid (note 6)	–	–	–	–	–	–	(113.5)	–	(113.5)
At 1 January 2019	88.7	689.4	6.8	(26.1)	(88.0)	6.6	(378.5)	–	298.9

## William Hill PLC

### Consolidated Statement of Financial Position

as at 31 December 2019

	Notes	31 December 2019 £m	1 January 2019 £m
<b>Non-current assets</b>			
Intangible assets	14	1,095.9	686.1
Property, plant and equipment	15	265.0	149.8
Interests in associates		24.5	23.3
Investments	8	0.4	21.4
Deferred tax assets		43.5	11.9
Retirement benefit asset		48.4	40.5
Loans receivable		9.9	4.8
		1,487.6	937.8
<b>Current assets</b>			
Trade and other receivables		45.0	61.7
Cash and cash equivalents		459.4	510.5
Freehold property held for sale		0.7	–
Investment property held for sale		1.7	1.7
Disposal group asset held for sale	12	10.1	–
		516.9	573.9
<b>Total assets</b>		<b>2,004.5</b>	<b>1,511.7</b>
<b>Current liabilities</b>			
Trade and other payables		(421.8)	(387.3)
Corporation tax liabilities		(20.3)	(18.8)
Derivative financial instruments		(19.0)	(14.9)
Borrowings	9	(203.2)	–
Lease liabilities	16	(37.5)	–
Provisions	17	(76.9)	(8.3)
Disposal group liabilities held for sale		(3.5)	–
		(782.2)	(429.3)
<b>Non-current liabilities</b>			
Borrowings	9	(693.5)	(719.7)
Lease liabilities	16	(125.7)	–
Provisions	17	(1.6)	–
Deferred tax liabilities		(81.3)	(63.8)
		(902.1)	(783.5)
<b>Total liabilities</b>		<b>(1,684.3)</b>	<b>(1,212.8)</b>
<b>Net assets</b>		<b>320.2</b>	<b>298.9</b>
<b>Equity</b>			
Called-up share capital		90.0	88.7
Share premium account		709.9	689.4
Capital redemption reserve		6.8	6.8
Merger reserve		(26.1)	(26.1)
Own shares held		(87.0)	(88.0)
Hedging and translation reserves		2.6	6.6
Accumulated losses		(383.3)	(378.5)
Total equity attributable to equity holders of the parent		312.9	298.9
Non-controlling interests		7.3	–
<b>Total equity</b>		<b>320.2</b>	<b>298.9</b>

## William Hill PLC

### Consolidated Cash Flow Statement

for the 52 weeks ended 31 December 2019

	Notes	52 weeks ended 31 December 2019 £m	53 weeks ended 1 January 2019 £m
<b>Net cash from operating activities – continuing operations</b>	10	<b>183.0</b>	197.1
<b>Net cash from operating activities – discontinued operations</b>	10	<b>–</b>	1.0
<b>Investing activities</b>			
Dividends from associates		1.4	8.2
Interest received on cash and cash equivalents		1.5	2.4
Proceeds on disposal of property, plant and equipment		6.1	0.7
Proceeds on disposal of investment property		–	1.7
Amounts drawn down on loan facility made available to NeoGames		(5.0)	(4.7)
Net proceeds on sale of Australian operations		–	141.6
Net proceeds from sale of NYX investments		–	100.7
Acquisition of Mr Green & Co AB – net of cash acquired	13	(173.7)	(19.2)
Investment in and subsequent disposal of Featurespace		2.1	(1.3)
Purchases of property, plant and equipment		(10.7)	(41.9)
Expenditure on intangible assets		(83.9)	(75.4)
<b>Net cash (used in)/from investing activities – continuing operations</b>		<b>(262.2)</b>	112.8
<b>Net cash used in investing activities – discontinued operations</b>		<b>–</b>	(2.9)
<b>Financing activities</b>			
Proceeds on issue of shares under share schemes		–	1.2
Purchase of own shares		(0.5)	–
Debt facility issue costs		(1.5)	(3.1)
Proceeds on issue of 4.75% senior unsecured notes due May 2026	9	350.0	–
Amount paid on redemption of existing senior unsecured notes	9	(171.6)	–
Existing senior unsecured notes redemption costs		(8.1)	–
Lease liabilities – principal payments		(46.7)	–
Dividends paid	6	(90.9)	(113.5)
<b>Net cash from/(used in) financing activities – continuing operations</b>		<b>30.7</b>	(115.4)
Net (decrease)/increase in cash and cash equivalents in the period		(48.5)	192.6
Changes in foreign exchange rates		(2.2)	0.9
Transferred to disposal group held for sale		(0.4)	–
Cash and cash equivalents at start of period		510.5	317.0
<b>Cash and cash equivalents at end of period</b>		<b>459.4</b>	510.5

## 1. BASIS OF ACCOUNTING

### GENERAL INFORMATION

William Hill PLC is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 1 Bedford Avenue, London WC1B 3AU. The nature of the Group's operations and its principal activities are set out in the Strategic Report within the Annual Report and note 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with our accounting policies.

### BASIS OF ACCOUNTING

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB. The Group financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

The Group financial statements have been prepared on the historical cost basis, except where certain assets or liabilities are held at amortised cost or at fair value as described in our accounting policies. The accounting policies adopted are set out in the Annual Report.

The financial statements set out in this preliminary announcement do not constitute the Company's statutory accounts for the 52 week period ended 31 December 2019 or 53 week period ended 1 January 2019, but are derived from those accounts. The auditor has reported on those accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company has published full financial statements that comply with IFRS on 26 February 2020.

### ADOPTION OF NEW AND REVISED STANDARDS

In preparing the Group financial statements for the current period, the Group has adopted a number of new IFRSs, amendments to IFRSs and IFRS Interpretations Committee (IFRIC) interpretations. The standards that do not have a material effect on the results or net assets of the Group are listed in an appendix to the Annual Report. IFRS 16 'Leases' does have a material impact on the Group's financial statements.

#### IFRS 16 'Leases'

IFRS 16 'Leases' has replaced IAS 17 'Leases' in its entirety. The distinction between operating leases and finance leases for lessees is removed and it results in most leases being recognised on the Statement of Financial Position as a right-of-use asset and a lease liability. For leases previously classified as operating leases, the lease cost has changed from an in-period operating lease expense to recognition of depreciation of the right-of-use asset and interest expense on the lease liability. The Group's previously classified operating leases include rentals payable by the Group for certain of its LBOs and office properties and amounts payable for the use of certain office and computer equipment and vehicles.

The Group has applied IFRS 16 using the modified retrospective approach. A lease liability has been recognised equal to the present value of the remaining lease payments discounted using an incremental borrowing rate. A right-of-use asset has been recognised equal to the lease liability adjusted for prepaid and accrual lease payments. The Group has applied the below practical expedients permitted under the modified retrospective approach:

- exclude leases from measurement and recognition where the lease term ends within 12 months from the date of initial application and account for these leases as short-term leases;
- apply a single discount rate to a portfolio of leases with similar characteristics – the weighted average of the discount rates used on transition was 2.76%;
- adjust the right-of-use asset on transition by any previously recognised onerous lease provisions;
- use hindsight to determine the lease term if the contract contains options to extend or terminate; and
- exclude initial direct lease costs in the measurement of the right-of-use asset.

### STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

A complete list of standards that are in issue but not yet effective is included with our full accounting policies in an appendix to the Annual Report.

### GOING CONCERN

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic Report, including the Financial Review, and in notes 24 and 25 to the Group financial statements within the Annual Report.

As highlighted in notes 24 and 25 to the Group financial statements, the Group meets its day-to-day working capital requirements from the positive cash flows generated by its trading activities and its available cash resources. These are supplemented when required by additional drawings under the Group's revolving credit bank loan facilities, which are committed until October 2023. Currently these facilities are undrawn and the Group holds a cash balance of £371.5m (excluding customer balances and other restricted cash of £87.9m). The outstanding balance of the Group's 2020 £375m bond of £203.4m (note 9) is repayable within the next 12 months and is shown as a current liability. The Group issued a new £350m bond in May 2019 and is using these proceeds in part to refinance this debt, which alongside the undrawn facilities and existing working capital, will be used to meet this current liability.

Whilst there are a number of risks to the Group's trading performance, as summarised in the 'Managing our risks' section on pages 59 to 61, the Group is confident of its ability to continue to access sources of funding in the medium term. The Group's strategic forecasts, based on reasonable assumptions, indicate that the Group should be able to operate within the level of its currently available and expected future facilities and its banking covenants for the period of the strategic forecast. After making enquiries and after consideration of the Group's existing operations, cash flow forecasts and assessment of business, regulatory and financing risks and the potential risks and impacts of Brexit, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

## CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in the key accounting policies above and in the Statement of Group Accounting Policies included on pages 186 to 192 in the financial statements within the Annual Report, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical accounting judgements

The directors assess there are no critical accounting judgements that have a significant effect on the amounts recognised in the financial statements.

### Exceptional items and adjustments

The Group separately reports exceptional items and adjustments in order to calculate adjusted results, as it believes these measures provide additional useful information on underlying performance and trends to shareholders, together with an understanding of the effect of non-recurring or large individual items upon the overall profitability of the Group. These adjusted results are not recognised results under IFRS and may not be directly comparable with those used by other companies.

The classification of adjusting items requires significant management judgement after considering the nature and materiality of a transaction. The Group's definitions of adjusting items are outlined within both the Group accounting policies and note 3. These definitions have been applied consistently year on year. Note 3 provides further details on current year adjusting items and their adherence to Group policy.

### IFRS 16 'Leases'

IFRS 16 'Leases' has replaced IAS 17 'Leases' in its entirety. The directors have addressed the key judgements, including the assessment of the lease term at the point where the lessee can be reasonably certain of its right to use the underlying asset.

Across the Retail estate, the Group has recognised a right-of-use lease liability of £121.3m at 31 December 2019. Given the recent unprecedented regulatory change with the implementation of the £2 stake limit on B2 gaming products in the Retail business on 1 April 2019 and the decision the Group has taken to close 713 shops in the third quarter of 2019, the directors have determined the lease term under IFRS 16 across the Retail shop estate as the next available break date as the current uncertainty means the Group is not 'reasonably certain' that any lease break will not be exercised.

### Mr Green valuation of intangibles

The Group acquired Mr Green & Co AB (Mr Green) on 28 January 2019 for £244.8m. As part of the purchase price allocation the Group recognised separately identifiable acquired intangibles comprising brands (£83.9m); customer relationships (£12.8m) and platform software (£16.3m). Goodwill of £153.0m was recognised on acquisition. See note 13 for additional information.

The Group exercised judgement in determining the intangible assets acquired and their fair value on the Mr Green business combination, with the support of external experts to support the valuation process, where appropriate. The judgements made are based on recognised valuation techniques such as the "relief from royalty" method for brands, recognised industry comparative data and the Group's industry experience and specialist knowledge.

### Eldorado Resorts, Inc. partnership

On 6 September 2018, the Group announced a partnership between William Hill US and Eldorado Resorts, Inc. (Eldorado). This partnership agreement obtained all regulatory clearances on 29 January 2019.

This agreement led to William Hill US becoming the exclusive partner in the provision of betting services conducted through all retail and online channels and gaming services in online channels at or attached to all current and future Eldorado properties. As part of the agreement, Eldorado received 13,430,434 William Hill PLC shares, which are subject to an initial 3-5 year lock-up period, as well as a 20% shareholding in William Hill US and 40% of betting and gaming profits generated in respect of Eldorado properties. The agreement is for an initial 25-year term.

The directors have made the following critical accounting judgements related to the Eldorado partnership:

- The partnership agreement represents a share-based payment transaction and is therefore accounted for under IFRS 2 'Share Based Payment' as opposed to a Business Combination under IFRS 3;
- The exclusive access and use of gaming licences meet the criteria for recognition of an asset;
- The assets acquired were all identifiable with no unidentifiable assets acquired as part of the partnership that would be recognised in the Consolidated Income Statement on inception under IFRS 2; and
- The equity consideration disposed of is an equitable cost for the asset acquired and therefore the asset has been valued based on the fair value of the equity consideration disposed of.

This led to the Group recognising an intangible asset of £138.0m with the value representing both the shares in William Hill PLC valued at £21.8m based on the share price on the date of completion of the agreement, and £116.2m (\$153.0m) value attributable to 20% of the William Hill US business.

Further detail on the partnership with Eldorado is provided in note 11.

### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

### Impairment of goodwill and intangible assets with indefinite lives

Determining whether goodwill and intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash-generating units to which the goodwill or intangible assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Note 12 to the Group financial statements within the Annual Report provides information on the assumptions used in these financial statements, as well as the degree of sensitivity to changes in assumptions.

In 2018, the Group recognised an impairment of £882.8m in the Retail segment due to the reduced expected future cash flows as a result of the announcement of the £2 stake limit on B2 gaming products in the Retail business. This impairment was based on the

estimate at the time that this would lead to a reduction in the Retail segment's annualised adjusted operating profit (including mitigation measures) of c£70-100m.

The £2 stake limit was implemented from April 1 2019, which led to the Group taking the decision to close 713 shops in the third quarter of 2019. A regulatory change of this nature is unprecedented and although the Group now has nine months of trading since implementation to aid estimation of the future cash flows, the full impact of this change will not be fully known until some years after implementation. In particular, assumptions surrounding the rate of closures of competitor shops are outside of the control of the Group and will have a significant impact on the expected future cash flows of the segment.

The Group performed an impairment review of the intangible assets with indefinite lives remaining in the Retail segment and adjudged that there were no further impairments (or reversals of the previous impairment charge recognised). As the impact becomes more fully known in time, this could result in further impairments (or reversals of the existing impairment charge) of assets in the Retail segment. Refer to note 12 to the Group financial statements within the Annual Report for an analysis of the sensitivity of the impairment to a range of reasonably possible changes in assumptions.

#### Retirement benefit costs

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension scheme depends on the selection of certain assumptions which include discount rate, inflation rate and mortality assumptions. Differences arising from actual experience or future changes in assumptions will be reflected in subsequent periods. Note 34 to the Group financial statements of the Annual Report provides information on the assumptions used in these financial statements, including a sensitivity analysis of the principal assumptions used to measure scheme liabilities.

#### Dilapidations provisions

As a result of the implementation of the £2 stake limit on April 1 2019, the Group took the decision to close 713 shops in the third quarter of 2019. The Group has provided for onerous costs and costs of closure with a remaining provision held at 31 December 2019 of £17.4m. Within this provision, £12.1m relates to dilapidations and shop strip out cost provisions which have been estimated using a best estimate cost per square foot and exit date on each lease. The actual results may differ as lease exits are negotiated with any changes to the amount provided recognised in the Consolidated Income Statement as part of the Triennial mitigation restructuring cost classified as an exceptional item.

Based on management's knowledge and experience and third party advice, the directors believe a range of possible values for the dilapidations provisions as at 31 December 2019 would be £7.7m – £18.6m.

## 2. SEGMENT INFORMATION

The Board has reviewed and confirmed the Group's reportable segments in line with the guidance provided by IFRS 8 'Operating Segments'. The segments disclosed below are aligned with the reports that the Group's Chief Executive Officer and Chief Financial Officer as Chief Operating Decision Makers review to make strategic decisions.

The Retail segment comprises all activity undertaken in LBOs including gaming machines. The Online segment comprises all online and telephone activity, including sports betting, casino, poker and other gaming products along with telephone betting services. The US Existing segment includes the results of Mr Green since the Group's acquisition in January 2019, as the Chief Operating Decision Makers review the Online business as a whole when making decisions regarding the allocation of resources between segments. The US Expansion segment comprises all activity undertaken in Nevada and the Bahamas locations, before the Supreme Court overturned PASPA in May 2018. The US Existing segment includes all operations in remaining US locations where gambling has been regulated following the Supreme Court's overturning of PASPA. There are no inter-segmental sales within the Group.

Segment performance is shown on an adjusted basis, with a reconciliation from adjusted operating profit to statutory results for clarity. Information for the 52 weeks ended 31 December 2019 is as follows:

	Retail £m	Online £m	US Existing <sup>1</sup> £m	US Expansion <sup>1,2</sup> £m	Other £m	Corporate £m	Group £m
Direct revenue	717.0	738.3	83.1	32.4	–	–	1,570.8
Service provider revenue	–	–	0.5	10.4	–	–	10.9
<b>Revenue</b>	<b>717.0</b>	<b>738.3</b>	<b>83.6</b>	<b>42.8</b>	<b>–</b>	<b>–</b>	<b>1,581.7</b>
GPT, duty, levies and other costs of sales	(162.2)	(202.4)	(8.0)	(5.3)	–	–	(377.9)
<b>Gross profit</b>	<b>554.8</b>	<b>535.9</b>	<b>75.6</b>	<b>37.5</b>	<b>–</b>	<b>–</b>	<b>1,203.8</b>
Depreciation	(48.4)	(3.8)	(3.3)	(2.6)	–	(8.5)	(66.6)
Amortisation	(9.4)	(41.8)	(2.5)	(1.0)	–	(2.7)	(57.4)
Other administrative expenses	(413.8)	(371.5)	(42.7)	(60.0)	0.2	(45.9)	(933.7)
Share of results of associates	–	–	–	–	–	0.9	0.9
<b>Adjusted operating profit/(loss)<sup>3</sup></b>	<b>83.2</b>	<b>118.8</b>	<b>27.1</b>	<b>(26.1)</b>	<b>0.2</b>	<b>(56.2)</b>	<b>147.0</b>
Operating exceptional items and adjustments	(95.1)	(18.7)	(2.1)	(5.1)	–	(13.1)	(134.1)
<b>(Loss)/profit before interest and tax</b>	<b>(11.9)</b>	<b>100.1</b>	<b>25.0</b>	<b>(31.2)</b>	<b>0.2</b>	<b>(69.3)</b>	<b>12.9</b>
Investment income	–	–	–	–	–	3.0	3.0
Finance costs	(3.5)	(0.1)	(0.5)	(0.3)	–	(49.1)	(53.5)
<b>(Loss)/profit before tax</b>	<b>(15.4)</b>	<b>100.0</b>	<b>24.5</b>	<b>(31.5)</b>	<b>0.2</b>	<b>(115.4)</b>	<b>(37.6)</b>



- Both the US Existing and US Expansion segments operate within the William Hill US business but are currently reviewed separately by the Chief Executive Officer and the Chief Financial Officer, being the Chief Operating Decision Makers.
- Results from the state of Delaware were previously split between US Existing and US Expansion. The approach has changed and now all Delaware results are presented in US Expansion to provide a clearer presentation, this had an adjusted operating profit impact of £1.3m in the prior period.
- Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail on adjusted measures is provided in note 3.

At 31 December 2019	Retail £m	Online £m	US Existing £m	US Expansion £m	Other £m	Corporate £m	Group £m
<b>Statement of Financial Position information</b>							
Total segment assets	593.2	739.3	100.3	189.1	–	339.1	1,961.0
Total segment liabilities	245.1	302.2	65.3	22.0	–	947.2	1,581.8
Included within total assets:							
Goodwill	–	344.3	22.9	–	–	–	367.2
Other intangibles with indefinite lives	326.6	–	–	–	–	–	326.6
Interests in associates	–	1.7	–	–	–	23.1	24.8
Capital additions	6.0	54.8	19.1	19.1	–	5.6	104.6

Assets and liabilities have been allocated by segment based on the information reviewed by the Group's Chief Executive Officer and Chief Financial Officer. Corporate assets and liabilities include net borrowings and the net defined benefit pension asset as well as any assets and liabilities that cannot be allocated to a particular segment other than on an arbitrary basis. The above analysis excludes corporation tax, deferred tax-related balances and balances related to the disposal group held for sale.

Capital additions in the above table are stated on an accruals basis.

Segment information for the 53 weeks ended 1 January 2019:

	Retail £m	Online £m	US Existing <sup>1</sup> £m	US Expansion <sup>1,2</sup> £m	Other £m	Corporate £m	Group £m
Direct revenue	895.2	634.4	78.2	10.4	0.2	–	1,618.4
Service provider revenue	–	–	0.2	2.7	–	–	2.9
<b>Revenue</b>	<b>895.2</b>	<b>634.4</b>	<b>78.4</b>	<b>13.1</b>	<b>0.2</b>	<b>–</b>	<b>1,621.3</b>
GPT, duty, levies and other costs of sales	(226.6)	(154.1)	(7.4)	(1.6)	–	–	(389.7)
Gross profit	668.6	480.3	71.0	11.5	0.2	–	1,231.6
Depreciation	(22.0)	(0.6)	(1.4)	(0.3)	–	(0.2)	(24.5)
Amortisation	(10.2)	(38.4)	(0.3)	(0.2)	–	–	(49.1)
Other administrative expenses	(486.1)	(311.1)	(38.0)	(42.9)	0.1	(49.3)	(927.3)
Share of results of associates	–	–	–	–	–	2.9	2.9
<b>Adjusted operating profit/(loss)<sup>3</sup></b>	<b>150.3</b>	<b>130.2</b>	<b>31.3</b>	<b>(31.9)</b>	<b>0.3</b>	<b>(46.6)</b>	<b>233.6</b>
Operating exceptional items and adjustments	(886.0)	3.2	(3.6)	–	–	(35.1)	(921.5)
<b>(Loss)/profit before interest and tax</b>	<b>(735.7)</b>	<b>133.4</b>	<b>27.7</b>	<b>(31.9)</b>	<b>0.3</b>	<b>(81.7)</b>	<b>(687.9)</b>
Investment income	–	–	–	–	–	4.7	4.7
Finance costs	–	–	–	–	–	(38.7)	(38.7)
<b>(Loss)/profit before tax</b>	<b>(735.7)</b>	<b>133.4</b>	<b>27.7</b>	<b>(31.9)</b>	<b>0.3</b>	<b>(115.7)</b>	<b>(721.9)</b>

- Both the US Existing and US Expansion segments operate within the William Hill US business but are currently reviewed separately by the Chief Executive Officer and the Chief Financial Officer, being the Chief Operating Decision Makers.
- Results from the state of Delaware were previously split between US Existing and US Expansion. The approach has changed and now all Delaware results are presented in US Expansion to provide a clearer presentation, this had an adjusted operating profit impact of £1.3m in the prior period.
- Adjusted operating profit is defined as profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail on adjusted measures is provided in note 3.

As at 1 January 2019	Retail £m	Online £m	US Existing £m	US Expansion £m	Other £m	Corporate £m	Group £m
<b>Statement of Financial Position information</b>							
Total segment assets	819.7	432.3	86.5	23.2	–	138.1	1,499.8
Total segment liabilities	72.2	236.5	40.4	17.0	–	764.1	1,130.2
Included within total assets:							
Goodwill	–	193.2	23.5	–	–	–	216.7
Other intangibles with indefinite lives	332.8	–	–	–	–	–	332.8
Interests in associates	–	–	–	–	–	23.3	23.3
Capital additions	24.4	53.6	20.4	9.1	–	2.2	109.7

Revenues and non-current assets by geographical area are as follows:

	Revenues		Non-current assets	
	52 weeks ended 31 December 2019 £m	53 weeks ended 1 January 2019 £m	31 December 2019 £m	1 January 2019 £m
United Kingdom	1,197.9	1,379.5	711.5	598.8
USA	126.4	91.5	222.7	56.8
Rest of the World	257.4	150.3	553.4	282.2
	1,581.7	1,621.3	1,487.6	937.8

Revenue information is based on the location of the customer. Non-current asset information is based on physical location (for property, plant and equipment) or primary operating location of the company using the asset (for all other assets).

### 3. EXCEPTIONAL ITEMS AND ADJUSTMENTS

#### Adjusted results

The Group reports adjusted results, both internally and externally, that differ from statutory results prepared in accordance with IFRS. These adjusted results, which include our key metrics of adjusted operating profit and adjusted EPS, are considered by the directors to be a useful reflection of the underlying performance of the Group and its businesses, since they exclude transactions which impair visibility of the underlying activity in each segment. More specifically, the directors judge that visibility can be impaired in one or both of the following instances:

- a transaction is of such a material or infrequent nature that it would obscure an understanding of underlying outcomes and trends in revenues, costs or other components of performance (for example, a significant impairment charge); or
- a transaction that results from a corporate activity that has neither a close relationship to our businesses' operations nor any associated operational cash flows (for example, the amortisation of intangibles recognised on acquisitions).

Adjusted results are used as the primary measures of business performance within the Group and align with the results shown in management accounts, with the key uses being:

- management and Board reviews of performance against expectations and over time, including assessments of segmental performance (see note 2 and the Strategic Report within the Annual Report);
- Remuneration Committee assessments of targets and performance for management remuneration purposes (see pages 93 to 119 within the Annual Report);
- in support of business decisions by the Board and by management, encompassing both strategic and operational levels of decision-making; and
- assessments of loan covenant compliance, which refer to adjusted results.

The Group's policies on adjusted measures have been consistently applied over time, but they are not defined by IFRS and, therefore, may differ from adjusted measures as used by other companies.

The Consolidated Income Statement presents adjusted results alongside statutory measures, with the reconciling items being itemised and described below. We discriminate between two types of reconciling items: exceptional items and adjustments.

#### Exceptional items

Exceptional items are those items the directors consider to be one-off or material in nature that should be brought to the reader's attention in understanding the Group's financial performance.

#### Adjustments

Adjustments are recurring items that are excluded from internal measures of underlying performance and which are not considered by the directors to be exceptional. This relates to the amortisation of specific intangible assets recognised in acquisitions. This item is defined as an adjustment as the directors believe it would impair the visibility of the underlying activities across each segment as it is not closely related to the businesses' or any associated operational cash flows. The amortisation of specific intangible assets recognised in acquisitions is recurring and recognised over their useful life.

Exceptional items and adjustments as follows:

	Exceptional items £m	Adjustments £m	52 weeks ended 31 December 2019 £m	Exceptional items £m	Adjustments £m	53 weeks ended 1 January 2019 £m
<b>Operating</b>						
<b>Cost of sales</b>						
Indirect taxation <sup>1</sup>	–	–	–	4.1	–	4.1
<b>Other operating expenses</b>						
Impairment of Retail segment <sup>2</sup>	–	–	–	(882.8)	–	(882.8)
Transformation programme restructuring costs	(3.5)	–	(3.5)	(31.2)	–	(31.2)
Triennial mitigation restructuring costs	(99.8)	–	(99.8)	(4.6)	–	(4.6)
Disposal of Australian operations <sup>3</sup>	–	–	–	(0.6)	–	(0.6)
Guaranteed minimum pension equalisation <sup>4</sup>	–	–	–	(1.4)	–	(1.4)
Legal fees	(0.4)	–	(0.4)	(0.6)	–	(0.6)
Disposal of investments in NYX <sup>5</sup>	–	–	–	(0.4)	–	(0.4)
Portfolio shop closures <sup>6</sup>	1.2	–	1.2	0.3	–	0.3
Corporate transaction and integration costs	(8.2)	–	(8.2)	(1.8)	–	(1.8)
Dual running costs	(5.2)	–	(5.2)	–	–	–
Amortisation of acquired intangibles	–	(18.2)	(18.2)	–	(2.5)	(2.5)
	<b>(115.9)</b>	<b>(18.2)</b>	<b>(134.1)</b>	<b>(919.0)</b>	<b>(2.5)</b>	<b>(921.5)</b>
<b>Non-operating</b>						
Costs in respect of refinancing <sup>7</sup>	–	–	–	(0.6)	–	(0.6)
	–	–	–	(0.6)	–	(0.6)
<b>Total exceptional items and adjustments before tax</b>	<b>(115.9)</b>	<b>(18.2)</b>	<b>(134.1)</b>	<b>(919.6)</b>	<b>(2.5)</b>	<b>(922.1)</b>
Tax on exceptional items and adjustments	11.4	1.9	13.3	37.6	0.3	37.9
Exceptional tax items <sup>8</sup>	–	–	–	(8.0)	–	(8.0)
<b>Total exceptional items and adjustments</b>	<b>(104.5)</b>	<b>(16.3)</b>	<b>(120.8)</b>	<b>(890.0)</b>	<b>(2.2)</b>	<b>(892.2)</b>

1. The Group previously accrued for certain indirect taxes that it expected to pay following clarifications on tax interpretations in certain jurisdictions. The retrospective element was presented as exceptional within cost of sales in light of the material scale and one-off nature of the charge. In 2018, the Group reached tax settlements within certain jurisdictions which led to a release of previously accrued balances. The release was treated as exceptional consistent with the original expense.

2. In 2018, as a result of the conclusion of the Triennial Review and the announcement of the maximum stakes on B2 gaming products reducing to £2, management recognised an impairment of the assets of the Retail segment. This was presented as an exceptional item due to its material and one-off nature.

3. On 23 April 2018, the Group sold its Australian operations to CrownBet Holdings Pty Ltd. The resulting loss on disposal of £0.6m was classified as an exceptional item in 2018 due to its one-off nature.

4. Following the judgement in the Lloyds case on 26 October 2018, the need to equalise for the effect of differences in guaranteed minimum pensions (GMP) between males and females was made more certain and consequently an allowance for the effect of GMP equalisation was made in 2018. The Scheme's Actuary estimated that the potential GMP equalisation cost as at 1 January 2019 was £1.4m, which is included within the defined benefit obligation. This was recognised as a past service cost within exceptional items in 2018.

5. On 5 January 2018, the Group completed the disposal of its investments in NYX. Accumulated fair value movements recognised in other comprehensive income were reclassified to profit and loss on disposal on completion. This was classified as an exceptional item in 2018 due to the one-off nature of the disposal with the previous movements in this investment classified within adjustments.

6. During 2017, as part of the ongoing Group-wide transformation programme, the Group performed a full strategic review of its shop estate. This review led to the closure of 25 shops with a provision made for onerous leases and other costs of closure. This strategic review was a one-off exercise leading to a material expense and, therefore, the directors judged the cost to be exceptional. During the period, the Group negotiated the early exit of certain leases, resulting in a reversal of the provisions held in respect of those leases.

7. In 2018, the Group entered into £390m of revolving credit facilities, replacing the existing revolving credit facilities. The remaining capitalised balance of finance fees on the terminated facilities, which was being expensed over the life of the replaced facilities, were expensed and recognised as an exceptional item given the one-off nature of the charge.

8. In 2018, the Group recognised an exceptional tax provision of £8.0m in respect to potential additional tax payable relating to a change, with retrospective effect, in specific non-UK tax legislation.

### Transformation programme restructuring costs

This is a continuation of the substantial corporate restructurings the Group commenced in 2016, encompassing cost optimisation and business model initiatives. This is part of a Group-wide programme, which has completed this year. This programme, for which costs include fees for external advisers, provisions for onerous property leases and the cost of staff redundancies, is substantial in scope and impact. These costs do not form part of recurring operational or management activities that the directors would consider part of our underlying performance. For these reasons, the directors judge the directly attributable costs to be exceptional. As the programme has closed, no further costs will be incurred from 2020. Further detail has been provided in the Financial Review.

### Triennial Review mitigation restructuring costs

In May 2018, the results of the Triennial Review were announced with a reduction in the maximum stake on B2 gaming products in retail to £2. In November 2018, the Government announced that the £2 maximum stake on gaming products would be implemented in April 2019, with an increase in Remote Gaming Duty from 15% to 21% to compensate for the loss of machines gaming duty. The significant impact of these regulatory changes has led to a Group-wide restructuring programme expected to last until 2020. This includes costs such as shop closures, staff redundancies and fees for external advisers.

£95.1m of the cost recognised in the period relates to costs associated with the closure of 713 shops, £47.3m relates to an impairment charge against the relevant right-of-use assets and £47.8m relates to other costs of closure, onerous costs, redundancy

costs and other related costs. The remaining £4.7m relates to other Group-wide costs as a part of the cost-saving restructuring programme.

The programme is due to last until 2020. We previously expected the cash costs of the programme to be c£75m, of which c£60m relates to the Retail segment and c£15m of cost from the Group-wide cost-saving programme initiated as a specific result of the Triennial Review decision. We now expect the cash cost relating to the Retail segment to be c£70m and the total cash cost of the programme to be c£80m with the increase reflecting anticipated cash inflows from certain asset disposals in the Retail division being lower than previously estimated. The costs recognised to date across 2018 and 2019 of £104.4m are greater than this cash cost, as they do not include a range of mitigation strategies such as any savings from early exit from lease arrangements and the potential sale of freehold properties.

The directors assess these costs as exceptional as they are both material and not considered part of recurring operational or management activities that are part of the Group's underlying performance.

#### Legal fees

These represent fees in respect of specific legal action following the 2012 acquisition of businesses in Nevada, USA. These were classified as exceptional given they are material in the context of the US Existing segment and due to the potential for damages and fees being awarded to the Group, which would be treated as an exceptional gain due to their material scale and one-off nature. The potential damages were previously disclosed as a contingent asset.

During the period, the Group acquired CG Technology, who were the counterparty in the legal action. The damages and fees to be awarded to the Group by CG Technology would be treated as a reduction in consideration to be paid for the acquisition. As such, there will be no further legal fees in respect of this case and the previous potential gain will be recognised on completion of the acquisition in 2020.

#### Corporate transaction and integration costs

In 2019, the Group completed both the acquisition of Mr Green and its strategic partnership with Eldorado. The costs relating to these corporate transactions incurred in 2018 were recognised as exceptional and these costs continue to be recognised on a consistent basis in 2019. The Group will continue to incur integration costs surrounding Mr Green in 2020 and these costs will continue to be presented as exceptional given their one-off nature that would otherwise distort an understanding of the Group's underlying cost base.

#### Dual running costs

During the period, the Group has embarked on a project to move its land-based data centres into the cloud. This is a transformational programme that is expected to last until 2021 and the Group has classified the dual running costs of this programme as exceptional because the dual running costs are deemed to be a one-off incremental cost to the business. The costs of developing or migrating into the cloud have been treated as underlying. Further, the costs are considered material, both in aggregate and in each individual year of the programme. The cost of the programme is expected to be c£15m, broadly split equally between the three years.

## 4. FINANCE COSTS

	52 weeks ended 31 December 2019 £m	53 weeks ended 1 January 2019 £m
Interest payable and similar charges:		
Bank loans, bonds and overdrafts	46.6	36.4
Amortisation of finance costs <sup>1</sup>	1.8	1.7
Interest on lease liabilities	5.1	–
	<b>53.5</b>	<b>38.1</b>

1. The above does not include exceptional finance costs of £0.6m as detailed in note 3 for the prior period.

## 5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES FOR CONTINUING OPERATIONS

The tax charge/(credit) comprises:

	52 weeks ended 31 December 2019 £m	53 weeks ended 1 January 2019 £m
Current tax:		
UK corporation tax	3.1	21.8
Overseas tax	10.0	3.1
Adjustment in respect of prior periods	(7.5)	2.0
Total current tax charge	5.6	26.9
Deferred tax:		
Origination and reversal of temporary differences	(15.7)	(33.0)
Adjustment in respect of prior periods	(0.5)	0.3
Total deferred tax credit	(16.2)	(32.7)
Total tax on (loss)/profit on ordinary activities for continuing operations	<b>(10.6)</b>	<b>(5.8)</b>

The effective tax rate in respect of adjusted results was 2.8% (53 weeks ended 1 January 2019: 12.0%). The effective tax rate in respect of statutory results was 28.2% (53 weeks ended 1 January 2019: 0.8%).

The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows:

	52 weeks ended 31 December 2019			53 weeks ended 1 January 2019		
	Adjusted £m	Exceptional items and adjustments £m	Statutory total £m	Adjusted £m	Exceptional items and adjustments £m	Statutory total £m
(Loss)/profit before tax	96.5	(134.1)	(37.6)	200.2	(922.1)	(721.9)
Tax on Group (loss)/profit at standard UK corporation tax rate of 19% (2018: 19%)	18.3	(25.5)	(7.2)	38.0	(175.2)	(137.2)
Different tax rates in overseas territories	(12.8)	1.9	(10.9)	(20.1)	1.1	(19.0)
Losses not recognised for deferred tax	1.5	–	1.5	–	–	–
Accrual of liabilities for uncertain tax positions	3.1	–	3.1	11.2	–	11.2
Impact of future changes in tax rate	(1.2)	1.0	(0.2)	0.3	3.8	4.1
Tax on share of results of associates	(0.5)	–	(0.5)	(0.5)	–	(0.5)
Adjustment in respect of prior periods	(7.7)	(0.3)	(8.0)	(5.7)	8.0	2.3
Non-deductible expenditure	2.0	9.6	11.6	0.9	132.4	133.3
Total tax (credit)/charge	2.7	(13.3)	(10.6)	24.1	(29.9)	(5.8)

The benefit for tax rates in overseas territories reflects the lower effective tax rate on profits earned in Gibraltar and Malta. The tax credit in respect of prior periods reflects the routine closure of prior period tax returns with tax authorities and the release of provisions previously held for uncertain tax positions of £11.2m, offset by the recognition of a provision for additional tax payable following a potential change, with retrospective effect, in specific UK tax legislation. The exceptional tax charge arising in respect of non-deductible expenditure relates to the impairment of the lease right-of-use asset and the costs of acquiring Mr Green.

The Group's effective tax rate for 2020 is expected to be c9%.

## 6. DIVIDENDS PROPOSED AND PAID

	52 weeks ended 31 December 2019 Per share	53 weeks ended 1 January 2019 Per share	52 weeks ended 31 December 2019 £m	53 weeks ended 1 January 2019 £m
Equity shares:				
Current period interim dividend paid	2.7p	4.3p	23.2	36.7
Prior period final dividend paid	7.7p	8.9p	67.7	76.8
	10.4p	13.2p	90.9	113.5
Proposed final dividend	5.3p	7.7p	46.7	66.6

The proposed final dividend of 5.34p will, subject to shareholder approval, be paid on 4 June 2020 to all shareholders on the register on 24 April 2020. In line with the requirements of IAS 10 'Events after the Reporting Period', this dividend has not been recognised within these results.

The Group estimates that approximately 874 million shares will qualify for the final dividend.

Under an agreement signed in November 2002, the William Hill Holdings 2001 Employee Benefit Trust agreed to waive all dividends. Shares held in treasury also do not qualify for dividends. Details of shares held by the William Hill Holdings 2001 Employee Benefit Trust and held in treasury are given in note 30 to the financial statements in the Annual Report.

## 7. (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share figures for the respective periods are as follows:

	52 weeks ended 31 December 2019			53 weeks ended 1 January 2019		
	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options	Diluted
<b>Statutory (loss)/profit attributable to equity holders of the parent (£m)</b>						
Continuing operations	(26.9)	–	(26.9)	(716.1)	–	(716.1)
Discontinued operations	–	–	–	3.8	–	3.8
<b>Total</b>	<b>(26.9)</b>	<b>–</b>	<b>(26.9)</b>	<b>(712.3)</b>	<b>–</b>	<b>(712.3)</b>
<b>Weighted average number of shares (million)</b>	<b>873.0</b>	<b>4.8</b>	<b>877.8</b>	<b>857.0</b>	<b>7.3</b>	<b>864.3</b>
<b>(Losses) per share (pence)</b>						
Continuing operations	(3.1)	–	(3.1)	(83.6)	–	(83.6)
Discontinued operations	–	–	–	0.4	–	0.4
<b>Total</b>	<b>(3.1)</b>	<b>–</b>	<b>(3.1)</b>	<b>(83.1)</b>	<b>–</b>	<b>(83.1)</b>

The earnings per share figures for the adjusted results are as follows:

	52 weeks ended 31 December 2019			53 weeks ended 1 January 2019		
	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options	Diluted
<b>Adjusted profit (£m)</b>						
Continuing operations	93.8	–	93.8	176.1	–	176.1
Discontinued operations	–	–	–	4.5	–	4.5
<b>Total</b>	<b>93.8</b>	<b>–</b>	<b>93.8</b>	<b>180.6</b>	<b>–</b>	<b>180.6</b>
<b>Weighted average number of shares (million)</b>	<b>873.0</b>	<b>4.8</b>	<b>877.8</b>	<b>857.0</b>	<b>7.3</b>	<b>864.3</b>
<b>Earnings per share (pence)</b>						
Continuing operations	10.7	–	10.7	20.6	(0.2)	20.4
Discontinued operations	–	–	–	0.5	–	0.5
<b>Total</b>	<b>10.7</b>	<b>–</b>	<b>10.7</b>	<b>21.1</b>	<b>(0.2)</b>	<b>20.9</b>

An adjusted earnings per share, based on adjusted profits (as described in note 3), has been presented in order to highlight the underlying performance of the Group. The basic weighted average number of shares excludes shares held by the William Hill Holdings 2001 Employee Benefit Trust and those shares held in treasury, as such shares do not qualify for dividends. The effect of this was to reduce the average number of shares by 26.8 million (53 weeks ended 1 January 2019: 28.0 million).

The diluted loss per share is the same as the basic loss per share as the potentially dilutive share options are considered antidilutive, as they would reduce the loss per share and therefore they are disregarded in the calculation.

## 8. INVESTMENTS

### The Stars Group (TSG) shares

As part of the Group's agreement with Eldorado, completed on 29 January 2019, the Group is entitled to 50% of equity interest in any third party issued as consideration of any betting skins.

In November 2018, TSG announced an agreement with Eldorado to give TSG certain options to operate online betting and gaming in states where Eldorado operates casino properties. As part of this agreement, TSG offered Eldorado upfront equity interest of \$25m (with potentially an additional \$5m of equity upon exercise of the first option by TSG). A further equity stake may be provided after five years, based on TSG's net gaming revenue generated in markets accessed via Eldorado. The Group will also receive the first \$25m of revenue share payable by TSG and the majority of the revenue share thereafter.

The Group was therefore entitled to 50% of the \$25m of equity interest in TSG. During the period, the Group received and sold all of its shares for a total of \$13.5m (£10.3m). These shares were classified as fair value through profit or loss and therefore the gain on sale of these shares has been recognised within other operating income.

The Group also holds other investments in unquoted shares of £0.4m (1 January 2019: £0.1m).

## 9. BORROWINGS

	31 December 2019 £m	1 January 2019 £m
Borrowings at amortised cost		
Bank loans	–	–
Less: expenses relating to bank loans	(2.6)	(2.9)
£375m 4.25% Senior Unsecured Notes due 2020	203.4	375.0
Less: expenses relating to £375m 4.25% Senior Unsecured Notes due 2020	(0.2)	(0.8)
£350m 4.875% Senior Unsecured Notes due 2023	350.0	350.0
Less: expenses relating to £350m 4.875% Senior Unsecured Notes due 2023	(1.2)	(1.6)
£350m 4.75% Senior Unsecured Notes due 2026	350.0	–
Less: expenses relating to £350m 4.75% Senior Unsecured Notes due 2026	(2.7)	–
<b>Total Borrowings</b>	<b>896.7</b>	<b>719.7</b>
Less: Borrowings as due for settlement in 12 months	(203.2)	–
<b>Total Borrowings as due for settlement after 12 months</b>	<b>693.5</b>	<b>719.7</b>
The gross borrowings are repayable as follows:		
Amounts due for settlement within one year	203.4	–
In the second year	–	375.0
In the third to fifth years inclusive	350.0	350.0
After more than five years	350.0	–
	<b>903.4</b>	<b>725.0</b>

### Bank facilities

At 31 December 2019, the Group had the following bank facilities:

Committed revolving credit facilities (RCF) of £425m (1 January 2019: £390m) provided by a syndicate of banks, expiring in October 2023. At the period end, £nil of these facilities were drawn down (1 January 2019: £nil).

An overdraft facility of £5m, of which £nil was drawn down at the period end (1 January 2019: £nil).

#### *£425m Revolving Credit Facilities*

Borrowings under the RCF are unsecured but are guaranteed by the Company and certain of its operating subsidiaries.

Borrowings under the facilities incur interest at LIBOR plus a margin of between 1.10% and 2.50%, determined by the Group's consolidated net debt to EBITDA ratio as defined in the facilities' agreement (note 25 to the Group financial statements within the Annual Report). A utilisation fee is payable if more than a certain percentage of the loan is drawn. A commitment fee, equivalent to 40% of the margin, is also payable in respect of available but undrawn borrowings.

Upfront participation and arrangement fees plus associated costs incurred in arranging the RCF have been capitalised in the Statement of Financial Position and are being amortised on a straight line basis over the life of the facilities.

#### *Overdraft facility*

At 31 December 2019, the Group had an overdraft facility with National Westminster Bank plc of £5m (1 January 2019: £5m). The balance on this facility at 31 December 2019 was £nil (1 January 2019: £nil).

#### **Senior Unsecured Notes**

##### *(i) £375m 4.25% Senior Unsecured Notes due 2020*

In June 2013, the Group issued £375m of senior unsecured notes and used the net proceeds to repay £275m borrowed under a Term Loan Facility used to part fund the acquisition of Sportingbet plc's Australian business and Playtech's stake in Online, with the remainder of the notes used to reduce outstanding amounts under the Group's RCF. The notes, which are guaranteed by the Company and certain of its operating subsidiaries, bear a coupon of 4.25% and mature in June 2020.

On 30 April 2019, the Company invited holders of its 2020 notes to tender such notes for purchase subject to the successful completion of the issue of the new 2026 notes. Since this condition was met, the Company was able to repurchase £170.2m of the 2020 notes. A further £1.4m was subsequently redeemed through a reverse enquiry leaving £203.4m outstanding.

##### *(ii) £350m 4.875% Senior Unsecured Notes due 2023*

On 27 May 2016, the Company issued £350m of corporate bonds and used the net proceeds to refinance the Company's existing debt and for general corporate purposes. The bonds, which are guaranteed by the Company and certain of its operating subsidiaries, were issued with a coupon of 4.875% and mature in September 2023.

##### *(iii) £350m 4.75% Senior Unsecured Notes due 2026*

On 1 May 2019, the Company issued £350m of senior unsecured notes and used the net proceeds to refinance the Company's existing debt and for general corporate purposes. The bonds, which are guaranteed by the Company and certain of its operating subsidiaries, were issued with a coupon of 4.75% and mature in May 2026.

Finance fees and associated costs incurred on the issue of bonds have been capitalised in the Statement of Financial Position and are being amortised over the life of the respective bonds using the effective interest rate method.

## **10. NOTES TO THE CASH FLOW STATEMENT**

	52 weeks ended 31 December 2019 £m	53 weeks ended 1 January 2019 £m
Profit/(loss) before interest and tax	12.9	(687.9)
Adjustments for:		
Share of results of associates	(0.9)	(2.9)
Depreciation of property, plant and equipment	66.6	24.5
Amortisation of intangibles	75.6	51.6
Impairment of Retail segment and right-of-use lease assets	47.3	882.8
Provision for LBO closures	43.9	–
Guaranteed minimum pension equalisation	–	1.4
Gain on disposal of property, plant and equipment	(3.2)	(0.1)
Vacant property provisions including gains on early settlement of vacant property leases	–	(0.3)
Cost charged in respect of share remuneration	4.5	5.5
Defined benefit pension cost less cash contributions	(8.6)	(8.5)
Fair value movements on investment property	–	0.1
Fair value movements on derivative financial instruments	4.1	2.0
Loss on disposal of Australian operations	–	6.8
Operating cash flows before movements in working capital:	242.2	275.0
Decrease/(increase) in receivables	14.8	(2.6)
Decrease in payables	(26.8)	(28.4)
Cash generated by operations	230.2	244.0
Income taxes paid	(3.1)	(11.3)
Interest paid	(39.0)	(35.6)
Interest paid on leases	(5.1)	–
<b>Net cash from operating activities – continuing operations</b>	<b>183.0</b>	<b>197.1</b>
<b>Net cash from operating activities – discontinued operations</b>	<b>–</b>	<b>1.0</b>

## 11. ELDORADO RESORTS, INC. PARTNERSHIP

On 6 September 2018, the Group announced a partnership between William Hill US and Eldorado Resorts, Inc. (Eldorado). This partnership agreement obtained all regulatory clearances on 29 January 2019.

This agreement led to William Hill US becoming the exclusive partner in the provision of betting services conducted through all retail and online channels and gaming services in online channels at or attached to all current and future Eldorado properties. As part of the agreement, Eldorado received 13,430,434 William Hill PLC shares, which are subject to an initial 3-5 year lock-up period, as well as a 20% shareholding in William Hill US and 40% of betting and gaming profits generated in respect of Eldorado properties. The agreement is for an initial 25-year term.

William Hill Plc issued 13,430,434 ordinary shares to Eldorado with a nominal value of 10p each. Shares were issued at a premium of 152.77p per share, making a total of 162.77p per share.

The sale of William Hill US shares has been treated as a partial disposal of a 20% stake in a previously wholly-owned subsidiary and accounted for as an equity transaction, with a non-controlling interest created. William Hill US has retained 80% of the enhanced business, retaining strategic and operational control. The non-controlling interest has been recognised as a proportionate share of the William Hill US net assets.

The partnership agreement represents a share-based payment transaction and is therefore accounted for under IFRS 2 'Share Based Payment'. All rights arising from the partnership with Eldorado Resorts, pertaining to exclusive access and use of gaming licences obtained by Eldorado, have been recognised as an intangible asset, with a useful life of 25 years. Under IFRS 2, the Group have determined that the equity consideration disposed of is an equitable cost for the asset acquired and therefore have valued the asset based on the fair value of the equity consideration disposed of. As such, at inception the Group recognised an intangible asset of £138.0m with the value representing both the shares in William Hill PLC valued at £21.8m based on the share price on the date of completion of the agreement, and £116.2m (\$153.0m) value attributable to 20% of the William Hill US business. This was based on a third-party valuation of \$765m for the US business as a whole at inception and estimates of risk-adjusted cash flows provided by management using their best estimate at that point in time. These future cash flows involve a high degree of judgement about which states will regulate retail and/or online gaming and when. It also includes estimates on the market size of each state and the expected market share William Hill US would be expected to obtain.

This third-party valuation produced a range of values of \$675m to \$890m, providing a range of the 20% holding of \$135m to \$178m.

At inception, 20% of the book value of William Hill US was recognised as non-controlling interest with the difference between the value of the intangible asset and the non-controlling interest recognised directly in equity.

## 12. DISPOSAL GROUP HELD FOR SALE

On 12 January 2020, the Group agreed to sell its Northern Ireland and Isle of Man operations to BoyleSports Limited. These operations have been classified as a disposal group held for sale and presented separately in the Consolidated Statement of Financial Position. The Northern Ireland operations were disposed on 7 February 2020 and the Isle of Man operations are expected to be disposed of in the first quarter pending regulatory approvals. The estimated proceeds less costs to sell are expected to be greater than the book value of the disposal group and therefore the disposal group held for sale is carried at book value as at 31 December 2019.

The major classes of assets and liabilities comprising operations classified as a disposal group held for sale are as follows:

	31 December 2019 £m
Cash and cash equivalents	0.4
Intangible assets – licences	6.2
Property, plant and equipment	1.3
Lease assets	1.8
Trade and other receivables	0.4
<b>Disposal group assets held for sale</b>	<b>10.1</b>
Lease liabilities	(2.1)
Trade and other payables	(0.4)
Deferred tax liabilities	(1.0)
<b>Disposal group liabilities held for sale</b>	<b>(3.5)</b>
<b>Net assets of disposal group held for sale</b>	<b>6.6</b>

In addition to the disposal group held for sale, 48 freehold properties, which were closed as part of the 713 shops shut in the third quarter, were transferred to asset held for sale in the period and held in current assets. These assets are held at the combined net book value of £0.7m as the fair value less costs to sell is greater than the carrying amount on a shop-by-shop basis.

## 13. MR GREEN & CO AB ACQUISITION

On 28 January 2019, the Group completed the acquisition of Mr Green & Co AB (Mr Green), acquiring 98.5% of the issued share capital. Mr Green is a fast-growing, innovative iGaming group with operations in 13 markets and brands including Mr Green and Redbet. Mr Green holds remote gambling licences in Denmark, Italy, Latvia, Malta, United Kingdom, Ireland and Sweden. Mr Green has leading gaming and casino products supported by a fast growing sportsbook. The acquisition is expected to strengthen the Group's Online business and drive further online penetration.

During the period post-acquisition, the Group acquired the further 1.5% of the issued share capital of Mr Green & Co AB for £3.7m.



Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£m
Net assets acquired:	
Cash and cash equivalents	51.9
Intangible assets	114.5
Property, plant and equipment	5.5
Deferred tax assets	0.3
Trade and other receivables	5.4
Trade and other payables	(32.4)
Provisions	(43.9)
Corporation tax liabilities	(0.1)
Lease liabilities	(2.8)
Deferred tax liabilities	(5.1)
<b>Net identifiable assets acquired</b>	<b>93.3</b>
Less: Non-controlling interest	(1.5)
Add: Goodwill	153.0
<b>Total consideration</b>	<b>244.8</b>
	£m
Purchase consideration:	
Cash paid	244.8
Less: cash and cash equivalents acquired	(51.9)
<b>Net consideration</b>	<b>192.9</b>

The goodwill is attributable to Mr Green's assembled workforce, its strong position and profitability from trading in iGaming and synergies expected to arise in Online after the Group's acquisition. The goodwill has been allocated to the Online CGU. The amount of goodwill that is expected to be deductible for tax purposes is £nil.

Acquisition-related costs and integration costs of £7.2m have been recognised as exceptional (see note 3).

Intangible assets comprised of separately identifiable acquired intangibles that comprised brands, customer relationships and platform software.

The fair value of acquired trade receivables is £5.4m. The gross contractual amount for trade receivables due is £5.4m.

The provision acquired of £43.9m relates to a contested gaming tax liability in Austria (note 23 to the Group financial statements within the Annual Report).

The Group has chosen to recognise the non-controlling interests at its fair value.

The acquired business contributed revenue of £136.9m, adjusted profit of £13.1m and statutory profit before tax of £1.7m to the Group from 29 January 2019 to 31 December 2019. If the acquisition had occurred on 2 January 2019, the contributed consolidated revenue, adjusted profit and statutory loss after tax for the period ended 31 December 2019 would have been £148.6m, £11.5m and £0.3m respectively.

For comparative purposes, the results for the period of February-December in the prior period are shown in note 18 to the Group financial statements within the Annual Report.

## 14. INTANGIBLE ASSETS

	Goodwill £m	Licences £m	Brands, trade names and customer relationships £m	Acquired technology platforms £m	Market access and exclusivity £m	Computer software £m	Total £m
<b>Cost:</b>							
At 26 December 2017	1,000.7	484.3	159.8	11.0	–	382.2	2,038.0
Additions	–	–	–	–	–	78.1	78.1
Impairment losses	(680.7)	(151.5)	–	–	–	–	(832.2)
Disposals	(59.5)	–	(3.6)	–	–	(57.3)	(120.4)
Effect of foreign exchange rates	(2.2)	–	0.3	–	–	(3.1)	(5.0)
At 1 January 2019	258.3	332.8	156.5	11.0	–	399.9	1,158.5
Additions	–	–	–	–	138.0	94.6	232.6
Additions via acquisition	153.0	–	96.7	16.3	–	1.5	267.5
Disposals	–	–	–	–	–	(22.0)	(22.0)
Transfer to disposal group held for sale	–	(6.2)	–	–	–	–	(6.2)
Effect of foreign exchange rates	(2.7)	–	(1.9)	(0.2)	(2.4)	(2.0)	(9.2)
<b>At 31 December 2019</b>	<b>408.6</b>	<b>326.6</b>	<b>251.3</b>	<b>27.1</b>	<b>135.6</b>	<b>472.0</b>	<b>1,621.2</b>
<b>Accumulated amortisation:</b>							
At 26 December 2017	41.6	–	152.1	11.0	–	256.0	460.7
Charge for the period	–	–	2.5	–	–	52.4	54.9
Disposals	–	–	(1.5)	–	–	(40.0)	(41.5)
Effect of foreign exchange rates	–	–	0.3	–	–	(2.0)	(1.7)
At 1 January 2019	41.6	–	153.4	11.0	–	266.4	472.4
Charge for the period	–	–	8.0	5.1	5.2	57.3	75.6
Disposals	–	–	–	–	–	(22.0)	(22.0)
Effect of foreign exchange rates	–	–	(0.4)	(0.1)	(0.1)	(0.1)	(0.7)
<b>At 31 December 2019</b>	<b>41.6</b>	<b>–</b>	<b>161.0</b>	<b>16.0</b>	<b>5.1</b>	<b>301.6</b>	<b>525.3</b>
<b>Net book value:</b>							
<b>At 31 December 2019</b>	<b>367.0</b>	<b>326.6</b>	<b>90.3</b>	<b>11.1</b>	<b>130.5</b>	<b>170.4</b>	<b>1,095.9</b>
At 1 January 2019	216.7	332.8	3.1	–	–	133.5	686.1

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Fixtures, fittings and equipment £m	Right-of-use asset £m	Total £m
<b>Cost:</b>				
At 26 December 2017	390.4	149.8	–	540.2
Additions	12.6	24.7	–	37.3
Impairment losses	(38.6)	(12.0)	–	(50.6)
Disposals	(8.8)	(0.5)	–	(9.3)
Effect of foreign exchange rates	–	0.3	–	0.3
At 1 January 2019	355.6	162.3	–	517.9
Additions	11.7	–	218.4	230.1
Additions via acquisition	–	1.9	3.6	5.5
Impairment losses	–	–	(47.2)	(47.2)
Disposals	(97.8)	(7.1)	–	(104.9)
Transfers to disposal group held for sale	(1.0)	(0.3)	(1.8)	(3.1)
Transfers to freehold property held for sale	(0.7)	–	–	(0.7)
Effect of foreign exchange rates	(0.1)	–	–	(0.1)
<b>At 31 December 2019</b>	<b>267.7</b>	<b>156.8</b>	<b>173.0</b>	<b>597.5</b>
<b>Accumulated depreciation:</b>				
At 26 December 2017	237.1	112.6	–	349.7
Charge for the period	17.7	6.8	–	24.5
Disposals	(5.2)	(0.7)	–	(5.9)
Effect of foreign exchange rates	–	(0.2)	–	(0.2)
At 1 January 2019	249.6	118.5	–	368.1
Charge for the period	16.3	6.9	43.4	66.6
Disposals	(94.8)	(7.1)	–	(101.9)
Effect of foreign exchange rates	–	(0.3)	–	(0.3)
<b>At 1 January 2019</b>	<b>171.1</b>	<b>118.0</b>	<b>43.4</b>	<b>332.5</b>
<b>Net book value:</b>				
<b>At 31 December 2019</b>	<b>96.6</b>	<b>38.8</b>	<b>129.6</b>	<b>265.0</b>
At 1 January 2019	106.0	43.8	–	149.8

## 16. IFRS 16 'LEASES'

IFRS 16 'Leases' has replaced IAS 17 'Leases' in its entirety. The distinction between operating leases and finance leases for lessees is removed and it results in most leases being recognised on the Statement of Financial Position as a right-of-use asset and a lease liability. For leases previously classified as operating leases, the lease cost has changed from an in-period operating lease expense to recognition of depreciation of the right-of-use asset and interest expense on the lease liability. The Group's previously classified operating leases include rentals payable by the Group for certain of its LBOs and office properties and amounts payable for the use of certain office and computer equipment and vehicles.

The Group has applied IFRS 16 using the modified retrospective approach. A lease liability has been recognised equal to the present value of the remaining lease payments discounted using an incremental borrowing rate. A right-of-use asset has been recognised equal to the lease liability adjusted for prepaid and accrued lease payments. The Group has applied the below practical expedients permitted under the modified retrospective approach:

- exclude leases from measurement and recognition where the lease term ends within 12 months from the date of initial application and account for these leases as short-term leases;
- apply a single discount rate to a portfolio of leases with similar characteristics – the weighted average of the discount rates used on transition was 2.76%;
- adjust the right-of-use asset on transition by any previously recognised onerous lease provisions;
- use hindsight to determine the lease term if the contract contains options to extend or terminate; and
- exclude initial direct lease costs in the measurement of the right-of-use asset.

The following reconciliation to the opening balance for the lease liabilities as at 2 January 2019 is based upon the operating lease obligations as at 1 January 2019:

	£m
<b>Minimum lease payments under operating leases at 1 January 2019</b>	<b>228.9</b>
Short-term and low-value leases not recognised as liabilities	(21.8)
<b>Gross lease liabilities as at 2 January 2019</b>	<b>207.1</b>
Effect of discounting using the incremental borrowing rate at 2 January 2019	(16.9)
<b>Present value of lease liabilities at 2 January 2019</b>	<b>190.2</b>
Present value of finance lease liabilities under IAS 17 as 1 January 2019	–
<b>Lease liabilities recognised as at 2 January 2019</b>	<b>190.2</b>

The cumulative impact of the changes made to the Consolidated Statement of Financial Position as at 2 January 2019 for the adoption of IFRS 16 is summarised as follows:

	1 January 2019 (as previously reported) £m	IFRS 16 adoption effect £m	2 January 2019 £m
<b>Non-current assets</b>			
Property, plant and equipment	149.8	196.1	345.9
<b>Non-current assets</b>			
Trade and other receivables	61.7	(5.9)	55.8
<b>Total assets</b>	<b>1,511.7</b>	<b>190.2</b>	<b>1,701.9</b>
<b>Current liabilities</b>			
Lease liabilities	–	(43.7)	(43.7)
<b>Non-current liabilities</b>			
Lease liabilities	–	(146.5)	(146.5)
<b>Total liabilities</b>	<b>(1,212.8)</b>	<b>(190.2)</b>	<b>(1,403.0)</b>
<b>Net assets</b>	<b>298.9</b>	<b>–</b>	<b>298.9</b>

The impact of the adjustments made to adjusted results in the Consolidated Income Statement for the 52 weeks ended 31 December 2019 due to the adoption of IFRS 16 is summarised as follows:

	£m
Decrease in Other operating expenses	45.8
Increase in Depreciation	(43.5)
<b>Profit before interest and tax</b>	<b>2.3</b>
Finance costs	(5.1)
<b>Loss before tax</b>	<b>(2.8)</b>

A schedule detailing a maturity analysis of the contractual undiscounted cash flows is as follows:

	£m
Due within one year	52.8
Due between one and two years	41.4
Due between two and three years	32.2
Due between three and four years	24.5
Due between four and five years	17.8
Due beyond five years	52.6

## 17. PROVISIONS

Provisions comprise:

	Triennial mitigation £m	Other property £m	Other restructuring costs £m	Indirect tax provision £m	Legal provision £m	Total £m
As at 1 January 2019	–	7.4	0.9	–	–	8.3
Provision assumed on acquisition (note 13)	–	–	–	43.9	3.0	46.9
Charged/(credited) to profit or loss						
Additional provisions recognised	43.9	–	–	9.8	–	53.7
Unused amounts reversed	(0.2)	(1.2)	–	–	–	(1.4)
Total charged/(credited) to profit or loss	43.7	(1.2)	–	9.8	–	52.3
Provisions utilised	(26.3)	(1.8)	(0.9)	–	–	(29.0)
<b>As at 31 December 2019</b>	<b>17.4</b>	<b>4.4</b>	<b>–</b>	<b>53.7</b>	<b>3.0</b>	<b>78.5</b>

### Triennial Mitigation

As part of the Triennial Review mitigation restructuring programme (note 3), the Group recognised a provision relating to the associated costs of closure of 713 shops within the period. These costs were fully provided for in the period, with £15.8m held within current liabilities and £1.6m within non-current liabilities.

### Other property

The Group has property provisions relating to costs for LBOs that have ceased to trade as part of normal trading activities outside of the specific Triennial Review mitigation restructuring programme.

### Other restructuring costs

As part of the transformation programme (note 3), the Group had previously recognised certain provisions for staff severance.

### Indirect tax provision

As part of the acquisition of Mr Green & Co AB, the Group acquired a provision relating to a gaming tax liability in Austria, where the Austrian tax authority believes that foreign gaming companies should be liable to pay gaming taxes in Austria. Post-acquisition, the Group has continued to provide for the gaming taxes, including interest, assessed by the Austrian tax authority until this matter is resolved.

### Legal provision

At the time of our acquisition of Mr Green & Co AB, the UK facing gaming business was subject to an investigation arising from systemic compliance failings following a corporate evaluation undertaken by the Gambling Commission in summer 2018. Since we completed our acquisition we have implemented enhanced policies and processes designed to ensure that the business meets all requisite compliance standards. The provision corresponds to a fine from the Gambling Commission relating to the failings identified and we expect to conclude a regulatory settlement with the Gambling Commission in line with the provision imminently.

## **ABBREVIATIONS AND GLOSSARY**

### **Adjusted operating profit**

Profit before interest and tax, excluding exceptional items and other defined adjustments. Further detail on adjusted measures is provided in note 3.

### **Amounts wagered**

This is an industry term that represents the gross takings on sports betting.

### **ARPU**

Average net revenue per user.

### **Direct revenue**

Direct revenue is measured at the fair value of consideration received or receivable from customers and represents amount received for goods and services that the Group is in business to provide, net of discounts, marketing inducements and VAT.

### **EPS**

Earnings per share.

### **EBITDA**

Earnings before interest, tax, depreciation and amortisation.

### **FVAs**

Fair value adjustments. These are principally free bets, which are recorded as a cost between gross win and net revenue.

### **Gross gambling yield (GGY)**

This is an industry term that represents total stakes less prizes or winnings.

### **Gross win**

Gross win is an industry measure which is calculated as total customer stakes less customer winnings. This measure is non-statutory and differs from net revenue as net revenue is stated after deductions for free bets and customer bonuses. It is used by management to evaluate the impact of sporting results and customer activity on performance.

### **Gross win margin**

This is an industry measure that represents gross win as a proportion of amounts wagered.

### **OTC**

Over-the-counter.

### **MGD**

Machine Games Duty. A duty charged by the UK Government on gaming machine net revenue.

### **Net debt for covenant purposes**

Net debt less certain restricted cash items of which the largest is balances in customers' accounts. This is not a statutory measure and may differ from loan covenant measures used by other companies.

### **Net revenue**

This is an industry equivalent to Revenue as described in the Statement of Group Accounting Policies in the Annual Report.

### **New accounts**

Customers who registered and transacted within the reporting period.

### **PASPA**

Professional and Amateur Sports Protection Act 1992.

### **PBIT**

Profit before interest and tax.

### **RGD**

Remote Gaming Duty, which is charged by the UK Government at 21% of gross win on sports and gaming.

### **Service provider revenue**

Service provider revenue is receivable from third party operators where the Group provides sportsbooks and gaming services to the operator.

**Sportsbook**

Bets placed and accepted online on sporting and other events, or via OTC and SSBTs in Retail.

**Sports books**

The dedicated sports betting areas operated within casinos in the US.

**SSBT**

Self-Service Betting Terminal.

**Unique active players**

Customers who placed a bet within the reporting period.