



Solid performance in a year of transformation

We have delivered a solid performance in a year characterised by significant volatility in sporting results and tough economic conditions. Group net revenue was up 4% to £997.9m and pre-exceptional earnings before interest, tax and amortisation (EBITA) was down by 7% to £258.5m. Earnings per share (EPS) was lower but reflects the increased number of shares in issue following the rights issue as well as the EBITA decline.

Overall, 2009 was a year of transformation across the Group. At William Hill Online we have integrated the assets acquired from Playtech, expanded our operations and transformed our product offering. In Retail, we will complete the roll-out of the 'Storm' cabinets in the first quarter of 2010, delivering state-of-the-art gaming machines across much of the estate. We also have a stronger balance sheet, with a substantially lower net debt position, diversified sources of funding and longer maturities.

Results

Retail

Overall, our Retail business delivered a robust performance in the challenging economic environment. Over-the-counter (OTC) gross win/net revenue declined by 12% as a result of a fall in amounts wagered and a higher than usual margin in the 2008 comparator year. This was partially offset by a continuing good performance from gaming machines, up 8%, and continuing tight cost control. EBIT fell by 16% to £202.7m.

Online

William Hill Online made good progress in 2009, integrating the Uniplay assets we acquired from Playtech in December 2008, expanding these operations and building a competitive product portfolio. Against this backdrop, we delivered a good financial performance, with net revenue up 8% on a pro forma basis, and significant growth in new accounts and the number of unique active players. As we are investing in growing this business, operating and marketing costs increased by £18.5m. EBITA was 36% higher year-on-year but 2% lower on a pro forma basis at £74.4m.

Telephone

Telephone has continued to be impacted by an uneven playing field benefitting offshore competitors and betting exchanges. Net revenue declined by 25% and we recorded an operating loss of £1.8m. We are committed to continuing to operate this business and are reviewing our options for returning this channel to an acceptable level of profitability.

£602.6m

Net debt was reduced by £419.5m to £602.6m through the rights issue and operating cash flow.

2.2

Our net debt: EBITDA ratio has reduced from 3.2 times to 2.2 times.

Net revenue		£m
+4%		
Group KPI		
2007		933.6
2008		963.7
2009		997.9

Net revenue for Retail was lower because OTC amounts wagered declined as a result of the economic conditions. Telephone was impacted by the competitive position. However, William Hill Online's net revenue grew by 8% on a pro forma basis and by 63% compared with William Hill's standalone business.

Operating profit (pre-exceptional)		£m
-9%		
Group KPI		
2007		286.7
2008		278.6
2009		253.0

Group operating profit declined as a result of the lower net revenue contributions from Retail and Telephone, partially offset by William Hill Online, and increased costs. This reflects the tough macro-economic environment.

Earnings per share (basic, adjusted)		p
-35%		
Group KPI		
2007		33.4
2008		31.9
2009		20.6

The decline in EPS reflects a combination of the reduced operating profit and the increased number of shares in issue following the one-for-one Rights Issue. The number of average shares for 2009 was 641.3 million, compared with the adjusted number of 494.4 million in 2008.

Refinancing

During 2009, we completed a series of refinancing activities that have strengthened our balance sheet by reducing our debt levels and diversifying our sources of funding. In February 2009, we entered into new bank debt facilities and undertook a one-for-one Rights Issue to raise £350m, which filled the funding gap left by the reduced bank debt facilities. In November 2009, we completed our debut corporate bond issue, raising £300m that has been used to pay down bank debt to diversify our sources of funding. We reduced our net debt for covenant purposes by £419.5m to £602.6m.

Dividend

The Board has approved a second interim dividend, in lieu of a final dividend, of 5.0p per share (2008 – no final dividend), payable on 1 April 2010 to those shareholders on the register at 12 March 2010. This is calculated on the number of shares in issue at 29 December 2009 which, excluding shares held in Treasury and adding expected option maturities, totals 697.2 million. This brings the total dividend relating to the 2009 year to 7.5p per share (2008 – 7.75p per share). As we continue to be highly cash generative, our policy is to pay a dividend at approximately 2.5 times dividend cover, reducing over time to approximately 2.0 times.

Board changes

In May 2010, Neil Cooper will be joining us as Group Finance Director. He has highly relevant experience from his previous roles with Bovis Homes PLC and Whitbread plc, both in the leisure sector and in terms of managing the financial aspects of a complex, multi-site business. Neil succeeds Simon Lane, who was Group Finance Director for almost four years. I would like to thank Simon for his important contribution, particularly on the refinancing, and wish him every success.

In January 2010, we announced that I plan to stand down as Chairman by the end of 2010, once a replacement has been found. I have been with the Group as a director since 1999 and Chairman since 2004. The process is underway to find a new Chairman, who will work with the Board, Ralph and the William Hill team to build on the strong platform that has been established over recent years.

Finally, I would like to thank all our colleagues for their hard work in 2009 and for delivering a solid performance in challenging circumstances, and also to thank my Board colleagues for their support throughout my time as Chairman.

Charles Scott
Chairman