

Key trends in our industry

Increasing regulation

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Almost every country around the world already has land-based gambling legislation in place.

Governments are now responding to customer demand for digital by introducing online regulations, providing the industry with both challenges and opportunities.

In the US there has been a recognition that a prohibition on sports betting is no longer constitutional or effective at stopping such betting and a huge new legal market is opening up with a diversity of new regulation on a state-by-state basis.

Other markets such as the UK, Italy and Australia have seen regulatory tightening with greater restrictions being introduced, most recently with the decision to limit stakes on B2 gaming products in betting shops to £2.



£2

B2 gaming product stakes are to be limited to £2 in betting shops

Migration to digital

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Today, only 12% of total worldwide gambling happens online¹. However, the continued shift by customers from retail channels towards online and mobile is unmistakable.

Across different sectors and in virtually all countries there is a migration to digital taking place. Operators must adapt to this if they are to thrive.

Competitors in the digital betting market include traditional land-based companies who have moved online and companies that began life online.

National and sometimes state markets vary significantly in terms of whether digital is permitted and if so how it is regulated, but the trend is towards greater acceptance of digital and greater regulation.

¹ H2GC.



Customer expectations

see p 21

The wider migration to online is so widespread beyond the sector and across the world that consumers have become accustomed to enjoying a seamless online experience in all areas of their lives.

This means that our customers' expectations are not just set by those within our industry, but are influenced by some of the most successful and pervasive tech companies in the world, like Amazon and Facebook.

Consumers expect to be able to easily search for what they want on mobile devices and reach the content they want straight away and with the same ease, whether they are on social media or a betting app.

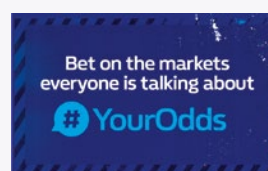
Data-driven personalisation

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The effective utilisation of data is key for personalisation that enables customers to only get offers they want and to enjoy an online experience that is specifically designed for them.

Tailoring the customer experience to each individual through data profiling makes it possible to make bespoke offers and personalised marketing.

The effective use of data is crucial if gambling companies are to stay relevant in an ever more competitive environment where consumers expect online offerings to adapt to their preferences.



Protection of personal data

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As technological capabilities for the use of data have become increasingly sophisticated, people have increasingly demanded assurances from companies that they will properly safeguard these data and use them in a responsible way.

This has been reflected in the General Data Protection Regulation (GDPR) brought into law in the UK in 2018.

Companies across many sectors of the economy have historically often failed to meet customers' and regulators' expectations.

This is an issue that transcends our industry, but it is clear that only companies that protect personal data, reassure consumers and win their trust will succeed.

3 million

Data of over 3 million customers protected

Customer protection

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It is in everybody's interest for gambling companies to meet and exceed the expectations placed upon them by society.

There are general measures that all good corporate citizens need to take, such as complying fully with GDPR data protection requirements.

Others are industry-specific, including more sophisticated ways to determine whether a customer may be at risk of gambling-related harm.

In both cases customers need to believe that a company is behaving in an ethical and responsible way or they can easily take their business elsewhere.



Internationalisation

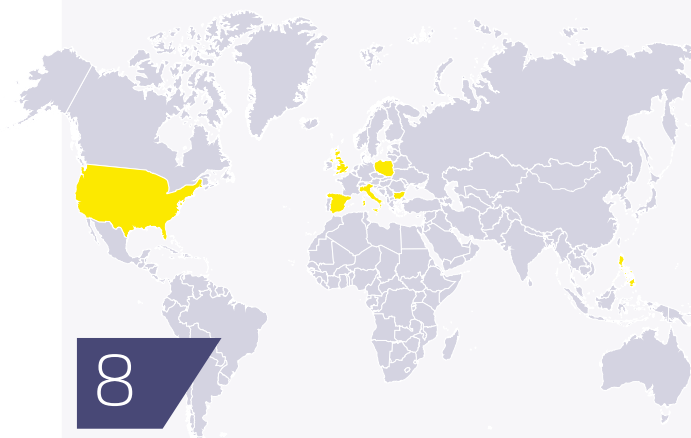
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The biggest players in today's industry have an increasingly international focus.

This is a response to the growing importance of scale in the industry, as well as a result of the dynamic regulatory environment.

An internationally diversified business spreads regulatory risk, can be best placed to capitalise on opportunities presented by new markets and enables the cost of common capabilities to be shared across operations, thereby reducing the costs of operating in each one.

William Hill operations



8

We have a presence in eight countries and take revenues in over 100

Consolidation

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There has been substantial consolidation across the industry in recent years, particularly in the UK.

However there was no new consolidation of major UK betting industry participants in 2018 as the focus was more on regulatory change.

Last year much M&A was focused on businesses seeking to build capability to capitalise on the sports betting opportunity in the US and to internationally diversify businesses.

This contrasted with M&A in previous years, much of which aimed for value creation through UK consolidation and opportunities for cost synergies.



c£242m offer to acquire Mr Green

See detailed market analysis by business area in the divisional overview.

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