FINANCIAL TIMES

March 30th, 2021

GWM asks William Hill Board to seek new shareholder approval for acquisition by Caesars Entertainment on ESG grounds

Hedge funds hit out at William Hill over disclosure around takeover

GWM and HBK tell board they had not been given enough information over Caesars deal

By **Alice Hancock** MARCH 30 2021

Since the deal valuing William Hill at 272p per share was agreed, gambling stocks have risen on US growth and an uptick in online betting during lockdown © REUTERS

Two hedge funds have accused the board of William Hill of failing to disclose information about the bookmaker's takeover by the casino group Caesars as they push for shareholders to have a second vote on the deal.

GWM Asset Management and HBK Capital Management have written to the bookmaker's board ahead of a court hearing to approve the deal on Wednesday. They argued that shareholders did not have enough information to approve William Hill's £2.9bn takeover by Caesars when it was voted on in November.

GWM, which revealed its intention to contest the takeover on Monday, said in a letter seen by the Financial Times that the board had failed to disclose "potentially material" information about Caesars' ability to terminate its joint venture with William Hill in the US should another acquirer attempt to buy the UK bookmaker.

The hedge fund said that had this been revealed to shareholders, it may have voted differently and that it also prevented a possible auction for the company that could have resulted in it selling for a higher price.

Since the deal, which values William Hill at 272p per share, was agreed, gambling stocks have risen due to the fast growth of the US market and an uptick in online gambling during lockdowns.

The US is seen as one of the fastest-growing and most valuable gambling markets in the world after a Supreme Court ruling allowed states to legalise sports betting in 2018.

Last week HBK, which has a 10 per cent exposure to William Hill, sent a public letter to the board arguing that it had "led the market to believe that no rival bid for William Hill would ever be possible".

GWM has exposure to just over 1 per cent of William Hill shares through derivative trades, but said it wanted to contest the deal on the grounds that it was "contrary to the spirit of the UK takeover code".

William Hill revealed in September that it had been subject to a bidding war between Las Vegas-based Caesars and the private equity group Apollo Global Management. Caesars was able to cut its US joint venture with William Hill should the bookmaker be bought by one of a list of "restricted acquirers" that Caesars could decide.

According to HBK, William Hill did not disclose until the day of the shareholder vote that Caesars could in fact only add six names to the list and that it could substitute just one of those names every six months.

William Hill declined to comment. However, in a letter from its chair Roger Devlin to GWM, it said that "provisions of these type [sic] are commonplace in joint venture arrangements (and accordingly well understood by the market)" and that the board rejected any suggestion that the list had been used by Caesars as a "poison pill".

Tyler Tebbs, co-head of event-driven equities at Louis Capital, said while the hedge funds were protecting their position, the wider corporate governance perspective was significant.

"The board should have disclosed that Caesars only has the ability to throw anyone into the blacklist once every six months. It can't necessarily block everyone — which is what their original statement suggested," he said, adding that from an ESG perspective, the funds were "doing the right thing".

Two people with knowledge of the letters said that other hedge funds had also voiced their concerns to the bookmaker's board. None of these voted at the shareholder meeting in November.

Of William Hill's largest shareholders, Société Générale said it held the position on behalf of clients and therefore did not take a view. Credit Suisse declined to comment. HG Vora Capital Management did not respond to a request for comment.

One person close to the Done brothers, William Hill's second-largest shareholder, said that Betfred founder Fred Done was aware of the dispute but was "going to leave them to it".