

Technology leadership driving long-term growth

Mor Weizer
Chief Executive Officer

Strategy update

The industry as a whole has been in transition in recent years. As further jurisdictions regulate, operators and suppliers have had to adjust to higher taxation and greater oversight and legislation. In addition, the increase in the number of regulated territories has also led to more competition across the industry. Playtech believes that a balance between regulated and unregulated markets is still beneficial as unregulated markets remain high margin and highly cash generative.

Playtech also considers it essential to have a cornerstone presence in multiple regulated jurisdictions to diversify its risks, particularly from a regulatory perspective. Playtech has achieved this diversification through the strength of its B2B technology business in various markets, its unique position in Italy with Snaitech and through the success of its agreement with Caliente in Latin America.

Looking at the entirety of the Group, Playtech has a four-pronged business:

- Core B2B Gambling
- B2C Gambling
- Asia
- TradeTech

Core B2B Gambling: Playtech's Core B2B Gambling technology business comprises its B2B customers outside of Asia. The strategic focus of Playtech's Core B2B Gambling business is on higher margin regulated opportunities with Sports, Casino and Live Casino being of greatest importance. Playtech will continue to support existing licensees with new technologies and better tools and provide them with greater flexibility in running their businesses.

While Playtech's Core B2B business possesses a very strong set of assets, over the past 18 months the Company has been adjusting to the evolving industry landscape. The Company believes that a significant portion of its addressable market has

been untapped. It also believes that there are a number of fast-growing markets with low online penetration where the market opportunity is sizeable.

Playtech estimates that there are over 1,000 brands globally today that previously did not use a single Playtech product or service. Playtech has been strategically investing in R&D to evolve and improve its technology and allow a faster and cheaper time to market for its licensees, in order to access previously untapped commercial opportunities and markets.

Playtech has componentised the IMS platform, allowing it to offer a more agile and flexible technology solution to licensees that previously would not have been able to access the value-add data-driven services and capabilities, which are Playtech's source of success.

This strategy has delivered more than 50 new brands through 2019. Playtech is excited about extending its reach to new customers and to new markets for existing customers in the coming years.

Playtech's intention to continue accessing opportunities includes new customers in both existing regulated markets and newly regulated markets, through structured agreements and joint ventures depending on commercial suitability and market dynamics.



“As a technology specialist, Playtech’s vision is to be the global leader in safer products, data analytics and player engagement solutions – partnering with our licensees to deliver safe and sustainable entertainment for the benefit of all stakeholders.”

B2C Gambling: Playtech's B2C business comprises Snaitech in Italy, the HPYBET B2C sport business in Germany and Austria, and white label operations such as Sun Bingo.

Snaitech had an outstanding 2019 operational performance, which excluding the Italian taxation headwinds, achieved impressive growth in adjusted EBITDA. Snaitech achieved the leading market share position in total online revenue (betting and gaming) in H2 2019, leveraging the strength of its brand and retail presence in the initial months of the advertising ban in Italy. Snaitech is an exciting part of the Group given the significant growth achieved which is expected to continue in online. Playtech intends to continue to leverage Snaitech's local expertise and powerful brand awareness to capture market share in Italy going forward.

Asia: Playtech's B2B gambling activity in Asia is different and separate from the rest of the Company. Playtech operates a different model whereby it provides content and certain services to the market principally on a distribution model basis. Operating in unregulated markets it is also higher margin and more highly cash generative compared to other parts of the Group.

TradeTech: TradeTech had a disappointing 2019 performance but Playtech continues to believe that TradeTech is an attractive asset and is currently reviewing the strategic options for this business.

Strategic review of underperforming assets

Playtech is in the process of undertaking a strategic review of its underperforming assets. The strategic review of the Casual Gaming business was completed in 2019. It is now a discontinued operation and is expected to be disposed of in the near future.

An impairment loss of €23.7 million related to Casual Gaming was recognised in 2019. TradeTech had a disappointing 2019 performance. Management is currently reviewing the strategic options for this business and a €90.1 million impairment loss has been recognised in 2019.

Regulation

Regulation continued to be a major influence on the gambling industry throughout 2019 with further markets regulating and the evolution of regulation within individual existing markets.

Playtech is committed to raising industry standards and facilitating a fairer, safer and more sustainable sector and continues to actively promote regulation in existing, future and emerging markets. Effective regulation should ultimately lead to a safer gambling experience. To read more about regulation please see pages 46 and 47.

Safer Gambling

As a technology specialist, Playtech's vision is to be the global leader in safer products, data analytics and player engagement solutions – partnering with our licensees to deliver safe and sustainable entertainment for the benefit of all stakeholders. In 2019 we developed a new five-year Safer Gambling and Sustainability strategy that underpins our commitment and aspiration to sustainable business. We welcome the call for raising standards and support the policies designed by regulators to create a safer, fairer and more sustainable industry whilst supporting the long-term success of the sector.

Playtech continues to invest in and deploy technology, data and engagement solutions to help our licensees and the industry provide a safer gambling journey and environment. In 2019 Playtech completed the integration of BetBuddy into IMS and the Engagement 360 platform, implemented enhancements to its front-end design and initiated deployment to licensees. We are combining BetBuddy with our real-time player engagement and messaging platform, Player Journey, to help operators more effectively identify player risk and deliver highly personalised messaging to empower players to make safer decisions.

Playtech has invested in research to better understand and assess how we can use our data to extend our knowledge of sustainable product design, safety and smart labelling. The initiative has included the development of safe game design principles, our risk assessment framework and a new game labelling project aimed at raising player awareness of slots volatility and promoting safer gambling messaging. Playtech is leveraging partnerships with external experts including City, University of London's Research Centre for Machine Learning, to explore the relationship between game features, consumer behaviour and potential harm.

We are sharing our research, data analytics expertise and insights with a wide range of stakeholders including trade bodies, research organisations and academics. We are committed to working in collaboration with operators and partners to help raise and shape industry standards, share best practices and explore the role that technology can play in helping to address the most pressing challenges facing the gambling world today.

In 2020 Playtech will launch its 'Sustainable Success' five-year safer gambling and sustainability strategy. The strategy will support our long-term ambition to be the most trusted and innovative global leader in safer gambling products, data analytics and player engagement solutions.

We are delighted to announce that as part of the sustainable success strategy Playtech will be investing £5 million in five key areas with charity and social enterprise partners that provide research, programmes and support to promote 'healthy online living'. Building on work the Group has done in 2018 and 2019 Playtech will contribute expertise, research and financial support in five areas including preventative education and research into digital solutions and tools. The Group recognises that as the technology specialist in the industry it has a duty to extend Playtech's expertise, experience and technology to help build a sustainable, safe and 'entertainment first' industry for the benefit of all stakeholders.

“Playtech is committed to raising industry standards and facilitating a fairer, safer and more sustainable sector.”

Gambling division review

B2B Gambling

Operational momentum continued across B2B Gambling during 2019 with new customer wins, new launches and further product enhancements.

Playtech signed over 50 new brands through 2019 including Grupo Solverde in Portugal and Swiss Casinos in Switzerland. Following the extended and expanded contract with GVC in early 2019, Playtech rolled out its products to many GVC brands throughout the year. Countries launched include UK, Italy, Greece, Belgium, Brazil, Georgia, Spain and Denmark.

In Casino, Playtech rolled out a new suite of games called Kingdoms Rise, offering tailor-made jackpots and in-game tokens that players can use to complement their own game play style. In addition to new product deliverables such as in-game messaging, tokens and an interactive map as a navigation tool for players, the Kingdoms Rise suite was used as a vehicle to demonstrate our newly introduced Capped and Daily Jackpot configurations that can be networked or localised.

Playtech's Live Casino business had a strong year through the continued delivery of high-end progressive products and driving player engagement through leading games, features and tools. The business continued to leverage the broader Playtech offering through unrivalled cross-product jackpots and cross-vertical tools such as the Engagement 360 platform. Playtech also continued to increase its overall network capacity for its Live Casino offering. Product innovations included the industry's first Live Slots game with free spins introduced for the first time, as well as Quantum Blackjack, the industry's first multiplier blackjack game.

Sport continued its strong operational performance in 2019 with new customer wins, expanded business with existing customers as well as further product enhancements. The results also included multiple hardware sales which extended Playtech's scale and boosted revenue in the period.

PBS extended its agreement to supply GVC's Ladbrokes Coral retail business with the software for its self-service betting terminals (SSBTs) throughout the UK and also expanded its presence with GVC in Belgium. Latin America remains a key growth region within B2B Sport. PBS signed a major new agreement with Wplay in Colombia, including Sportsbook and Virtuals and also further extended the contract with Sportium Colombia. Growth in Mexico continued with PBS rolling out further retail bet entry points with Caliente and Sorteos Torrefiel.



Sustainability Strategy 2020 – 2025

In 2019, Playtech defined a new five-year Safer Gambling and Sustainability strategy that underpins our commitment and aspiration to sustainable business. We developed the strategy through a 12-month process of research, analysis and engagement with stakeholders including investors, licensees, gambling charities, advocacy groups, employees and third-party experts. Detail on these commitments can be found on page 49.

▶ Read more about Playtech's Sustainability strategy in the Sustainability section, which can be found on pages 48 to 61.

PBS continued to innovate in 2019. Bet Recommender, the AI algorithmic engine which suggests relevant content to customers on the SSBT, was rolled out to operators. Match Acca, which enables users to combine multiple markets within the same event to create an accumulator bet with one specific price, continued to grow in both retail and digital channels.

Bingo performance in 2019 was in line with expectations. The Bingo business continued to work with existing customers such as Buzz Bingo who continue to grow as a key partner. Buzz Bingo added 'Buzz Trivia', 'Buzz Live' and a Playtech 'Casino' tab to their portfolio in 2019. Going forward, the division will focus on growing in territories outside of the UK such as Italy and Austria, as well as on omni-channel projects with Playtech's key Bingo licensees who have a retail estate.

Poker remains an important part of the Playtech ONE offering, with a continuously growing proposition through strategic investment in product. Operating in both unregulated and regulated markets via EU liquidity sharing, the business is well-positioned to maximise potential opportunities and mitigate the impact of potential regulatory changes elsewhere. Playtech's Poker business had strong results in Spain and Italy in 2019. From a product perspective, Playtech developed a 5 card Omaha game and a Football Stars Speed Poker game which offers a shared jackpot with the Sporting Legends casino game.

Gambling division review continued

B2C Gambling

Snaitech

The acquisition of Snaitech has created an integrated gaming company across retail and online and has given Playtech a cornerstone presence in the largest gambling market in Europe. Playtech is utilising its omni-channel technology stack to capture the online growth opportunity in Italy, where online market penetration remains low at approximately 10% of the total market (Source: H2GC).

Snaitech had an outstanding operational performance in 2019 against the backdrop of substantial legislative headwinds in the form of taxation increases across the entire Italian gambling industry. Underlying EBITDA grew 24%

compared to annualised 2018 results when excluding the impact of the taxation increases and the World Cup benefit from 2018 figures.

In 2018, the government in Italy approved an advertising ban for all forms of gambling which took effect from 1 July 2019. We continue to expect Snaitech to be relatively better positioned than online-only competitors given the strength of its retail brand and presence. The effects and enforcement of the advertising ban are being monitored closely since its introduction. Since the introduction of the advertising ban Snaitech has gained market share and become the number one player in overall online (betting and gaming) in H2 2019. Playtech expects Snaitech to continue to benefit from the advertising ban going forward by further strengthening its market position in online.

Playtech is closely monitoring the negative impact of COVID-19.

“Snaitech achieved outstanding operational performance in 2019 despite substantial legislative headwinds.”

TradeTech Group – Playtech's Financials division

TradeTech had a challenging 2019 due to both record low volatility in Q1 together with difficult market conditions in September and October that impacted all market-making activities, including risk and execution, B2C and its turnkey offering. TradeTech was also negatively impacted by the introduction of European Securities and Markets Authority's ("ESMA") product intervention measures.

TradeTech launched a new strategy for its B2C business in June which is showing positive initial indications. Since launch KPIs have been strong including higher first deposits, higher redeposit ratios, and higher customer lifetime value (CLV). This resulted in improved revenues and EBITDA for the B2C business in H2 following the launch of the new strategy.

The CFH business within TradeTech performed well in 2019 and continues to grow by increasing customers and volumes and enters 2020 with a strong pipeline.

Following the challenging market movements in September and October, TradeTech changed its approach to market risk, in order to deliver a more sustainable and predictable revenue stream going forward. The nature of this business means there will always be some exposure to market conditions and volatility but TradeTech has changed its approach to cater for further diversification in its risk book, and reduced the potential for a significant negative impact on revenues in a specific period.

2020 has started strongly in all areas of the business. Our focus for 2020 will be on growth and sustainability of our revenues together with delivering synergies by merging certain functions across the various TradeTech businesses.

TradeTech will also be aiming to optimise the efficiency of its balance sheet in order to enable release of cash currently tied up in the business.

Mor Weizer
Chief Executive Officer
26 February 2020

Our awards

Another outstanding year of recognition

In 2019 Playtech won a number of industry awards, recognising our products across various verticals as well as recognising the individual excellence of our people.

Supplier Innovation of the Year Award

In February, Playtech scooped the coveted and hotly-contested Supplier Innovation of the Year Award at the Gaming Intelligence 2019 Awards. The award was given for Playtech's Playtech Open Platform (POP), GPAS and Marketplace technology, which together combine to form a ground-breaking new gaming ecosystem for operators. POP aims to be the ultimate in content aggregation technology, while GPAS provides a platform for developers to create their own content. Marketplace acts as the platform in which to discover content. This award, one of the most widely watched at the event, capped off a hugely successful night for Playtech.



Playtech scores triple win at Gaming Intelligence Awards

In fact, Playtech scooped a hat-trick of award wins at the Gaming Intelligence 2019 Awards. Three Playtech employees were also named on the GI Hot 50 list, making it a successful night at the awards which honour the most successful and innovative operators and suppliers in the gambling industry. Playtech triumphed in the Supplier Innovation Award, Bingo Supplier of the Year and Poker Supplier of the Year categories, while Edo Haitin, Peter Mares and Fabio Schiavolin were recognised in the Hot 50. This was the second time in consecutive years that Playtech had won three awards, and it meant eight awards and ten Hot 50 entries in five years.



Double victory for Playtech at Women In Gaming Awards

As it celebrated its tenth anniversary, the highly-regarded Women in Gaming Diversity Awards honoured two of Playtech's employees with awards. Playtech's Head of Corporate Responsibility, Lauren Iannarone, was awarded the coveted Industry Achiever Award, one of the ceremony's prestigious awards, while Valeria Russo of Quickspin triumphed in the Star of the Future category. This was the fifth consecutive year Playtech had been recognised at these awards, with eight wins in that time.



Playtech Bingo triumphs at WhichBingo Award

It was a double celebration for the Playtech Bingo team in June at the WhichBingo Awards as they took the honours for Best Bingo Software and Best New Bingo Game. For the latter award, Playtech triumphed thanks to Age of the Gods Bingo which beat out tough competition in a hotly contested category. The WhichBingo Awards honour the leading operators and technology providers in the online Bingo industry.



EGR's B2B Awards honour Playtech Bingo

Also in June, Playtech's Bingo team won the decorated Bingo Supplier of the Year award at the EGR B2B awards. The Awards is one of the industry's biggest dates in the diary, and this award was the 17th by Playtech across all categories in the past five years. It also marked a successful year for Playtech's Bingo team, who had also triumphed in the same category in the year before.

“Taken as a whole, these technologies are transforming Playtech's offering to operators and, more broadly, could prove to be revolutionary for the gambling industry. This award just confirms the potential importance of this work.”