

Chief Executive Officer's review

Strong momentum positions us well to deliver on 2023 strategic priorities



Mor Weizer
Chief Executive Officer

Overview

Playtech made excellent progress on its strategic priorities throughout 2022, with growth in both the B2B and B2C businesses. As a result, the Group enters 2023 well-positioned to execute on compelling market opportunities across both B2B and B2C.

Playtech's B2B Gambling business remains focused on opportunities in regulated or soon to be regulated markets. The Group continues to target high-growth markets including the US, Latin America and certain parts of Europe. In addition to growing in the attractive Live market, Playtech continues to expand its portfolio of strategic agreements. These helped the B2B segment to deliver revenue growth of 14% (+11% on a constant currency basis) in 2022. At the profit level, B2B Adjusted EBITDA grew a healthy 15% to €160.2 million in 2022 compared to €139.2 million in 2021.

In the US and Canada, Playtech made great strides to establish itself as one of the key players in this market. The long-term opportunity across Playtech's full product suite remains significant. In early 2023, a landmark agreement was signed with Hard Rock Digital to provide Casino and Live, amongst other content, in North America, accelerating our US strategy. In addition, having signed with Parx Casino in 2021 in the US, Playtech grew its footprint with Parx by launching its IMS platform in Pennsylvania and entered Ohio and Maryland in 2023.

Playtech also signed several new deals in the period, including Golden Nugget (Casino and Live in New Jersey and Michigan), and WynnBET (multi-state deal to launch Live and Casino), while 888 and Resorts Digital Gaming both signed up for Casino and Live in New Jersey. Good progress was also made in Canada where Ontario became the first province in Canada to regulate online gambling. This has continued into 2023 with Playtech announcing in February that it has taken an equity investment in NorthStar and extended the scope of its relationship.

Playtech's presence in Latin America continues to go from strength to strength as existing agreements with Caliente in Mexico and Wplay in Colombia continue to perform well. Playtech also opened a new Live Casino facility in Peru as it continues to extend its presence across the region. Looking ahead, the Company is looking forward to growing its presence in the exciting, soon to be regulated Brazil market.

Playtech remains committed to diversifying its B2B division by bringing on new brands and licensees. As well as making progress with new strategic agreements and joint ventures, Playtech also maintained its track record of attracting new brands to its SaaS offering. Playtech launched over 100 brands in the period, with more than 350 new brands now live since launching the SaaS offering back in 2019.

Playtech's B2C Gambling business, Snaitch, recorded another remarkable performance as revenue grew 54% compared to 2022. Adjusted EBITDA, meanwhile, was 39% higher than the previous year, benefiting from retail sites in Italy remaining open throughout the year as well as the strength of online. The online segment continues to see impressive growth, indicating that the addressable market has expanded post-pandemic. Snai maintained its number one market share position (retail and online combined measured by GGR) across Italian sports betting brands in 2022, cementing its reputation for consistent operational and brand strength, whilst also being a fast-growing player in Italy in the online sector when measured by GGR.

The sale of Finalto was completed in July 2022 for cash proceeds of \$228.1 million resulting in a profit on disposal of €15.1 million and represents a significant step forward in the Group's strategy to simplify the Group, allowing it to focus on the high-growth B2B gambling and B2C gambling markets.

Playtech's strong performance in 2022 was underpinned by the energy, enthusiasm and professionalism of the Company's employees. They are the lifeblood of the business and do an outstanding job supporting the Group's customers.

Supporting the Playtech family in Ukraine

It has been more than a year since Russia's invasion of Ukraine and unfortunately the conflict continues to have a devastating impact. While the Group's continuity plans mean that Playtech has experienced minimal disruption to its business activities, the c.700 employees based in Ukraine remain front of mind. Playtech is committed to doing everything it can to ensure the safety of them and their families.

The Board and management team continue to be moved by the generosity and support that the Group's colleagues have demonstrated in maintaining contact with those who remain in Ukraine. Despite the other pressures facing the business last year – including significant corporate activity – they have constantly sought to do whatever they can to provide assistance in the form of ongoing communications, logistics and financial support.

B2B Gambling

Core B2B Gambling

Regulated markets

Playtech's B2B Gambling business remains focused on opportunities in regulated or soon to be regulated markets. The Group continues to target high-growth markets, including the US, Latin America and certain parts of Europe.

Regulated markets delivered revenue growth of 22% (+18% on constant currency basis) compared to FY 2021, driven by strong revenue growth from the Group's partners in Latin America, Holland Casino in the Netherlands, as well as strong growth in other regulated markets such as Poland, Spain and Ireland.

The Americas

The Americas is at the centre of our strategy for Core B2B Gambling. The region maintained its impressive record of growth, with FY 2022 revenue up 43% (+27% at constant currency) compared to FY 2021. This was powered by strong growth from Caliente as well as increasing contributions from other customers, including Parx in the US.

Accelerating the Group's presence in the US remains a key strategic priority for Playtech, as proven by the strides taken last year to capitalise on the favourable regulatory environment. Having signed a strategic agreement with Parx Casino in 2021, Playtech has been increasing its footprint with Parx and this is starting to translate into greater revenue contribution. In 2022, Parx launched its IMS platform in Pennsylvania, which involved a complex migration, and will serve as a useful blueprint for future deals. In addition, Playtech launched its IMS, Casino and POP products in New Jersey, while in 2023, the IMS was rolled out in Ohio and Maryland. Playtech now has a presence with Parx in Michigan, Pennsylvania, New Jersey, Ohio and Maryland. Further product launches in additional states with Parx are expected going forward. Pokerstars also launched the Casino product in New Jersey, while 888 launched Live Casino in Michigan in 2023.

Several new deals were also signed in the US, including Golden Nugget (Casino and Live in New Jersey and Michigan), Rush Street Interactive (multi-state deal for Casino), and WynnBET (multi-state deal to launch Casino and Live), while 888 and Resorts Digital Gaming both signed up for Casino and Live in New Jersey.

In March 2023, Playtech signed a landmark agreement with Hard Rock Digital, the exclusive, global vehicle for online for Hard Rock International, to provide Casino and Live amongst other content, in North America. These products will also be supplied outside of North America in addition to the IMS and services including marketing and operations. As part of the agreement, Playtech has also invested €80 million in exchange for a low single digit % minority equity ownership stake, the proceeds of which will be used to help fund Hard Rock Digital's continued global expansion.



“Playtech's strong performance in 2022 was underpinned by the energy, enthusiasm and professionalism of the Company's employees.”

Chief Executive Officer's review continued

B2B Gambling continued

Core B2B Gambling continued

Regulated markets continued

The Americas continued

Meanwhile, Playtech delivered several significant product launches across core markets. In the newly regulated Canadian province of Ontario, NorthStar launched multiple products. In addition, Bet365 and 888 both went live in Ontario with Casino and Live on the first day the market became regulated. Towards the end of 2022, FanDuel, Mansion and Casumo all launched the Casino and Live products.

In February 2023, Playtech announced an expansion of its partnership with NorthStar. Playtech has taken an equity investment in NorthStar. The proceeds of this investment will be used to accelerate the growth of NorthStar's footprint across Ontario and future regulated markets across Canada. The agreement also expands the scope of Playtech's offering to NorthStar to include operational and marketing services, in addition to the IMS platform, Casino, Live, Poker and Bingo solutions already launched.

Playtech delivered against its commitment to further expand its infrastructure in high-growth markets, such as the US. Having already opened Live studios in New Jersey and Michigan, another Live facility is under construction in Pennsylvania and is expected to open in 2023. Behind the Company's growing physical presence are an increasing number of employees focused on sales, operations and back-office functions, taking head count to more than 130 at the end of 2022.

Following the repeal of PASPA in 2018, each year that passes has seen a growing number of states approve legislation to legalise sports betting. While 2022 saw further progress, California was notable in voting to reject the legalisation of online sports betting and in-person sports betting at tribal casinos and private horse tracks.

This may delay legislation in states that have yet to approve sports betting, but the expectation remains that these states will eventually look to approve legislation. In 2022, Playtech received licences for Pennsylvania, Colorado and Ohio with Maryland received in 2023, taking the total number of US states where Playtech has a licence to nine.

Online casino is allowed at the discretion of individual states. No new states have authorised Online casino in 2022, although there are several states where iGaming legislation is being considered.

Playtech's presence in Latin America continues to go from strength to strength, with existing agreements with Caliente in Mexico and Wplay in Colombia continuing to perform well. Looking further ahead, Playtech is well-positioned to continue its growth and capitalise on other strategic agreements in Latin America in the years ahead.

Playtech also opened a new Live Casino facility in Peru, giving the Company a strong base from which to serve both its existing clients in Latin America and prospective clients in newly regulated markets in the region. Several customers, such as Wplay, Bet365 and BetVictor, have launched tables in the new Live facility with demand proving strong so far. Given the success of legislation in markets like Colombia, Playtech anticipates continued favourable regulation and strong growth in the region in the years to come.

One example of this is in Brazil, where sports betting legislation has been passed and is expected to be implemented in the near future. Brazil is anticipated to be a significant market given the large population and love of sports. The Company has an exciting strategic agreement in place with Galerabet, with economics similar to its other arrangements in Latin America, in anticipation of regulation in this market.

Europe ex-UK

2022 B2B revenue growth in Europe ex-UK of 31% (+31% at constant currency) was driven by strong growth across several countries, including Netherlands, Spain, Poland and Ireland.

The move towards greater regulation in Europe continues to represent significant growth opportunities. The first full year of Playtech's new, expanded long-term strategic software and services agreement with Holland Casino has seen an impressive start. Playtech now supplies Holland Casino with a full turnkey multi-channel technology package, as well as certain ancillary services. The agreement includes the IMS platform, Sports betting, Online Casino, Live Casino, Poker and Bingo products, plus selected operational and marketing services. While growth rates moderated as the year went on, the partnership is continuing to see the benefits of its first mover advantage. It was a key driver of revenue growth in Europe in 2022, illustrating the significant growth opportunities of newly regulated markets. This agreement, as well as the launch of Casino and Poker with Bet365 and Unibet in the Netherlands in 2022, means Playtech is well positioned to capitalise on the newly regulated Netherlands market.

Elsewhere in Europe, the Company invested in its physical infrastructure by expanding its Live facility in Romania. The facility now also includes Blackjack and Poker studios, enabling Playtech to serve its customers with an even wider and more diverse suite of products. In terms of new customers, the Live business launched with, among others, Betsson in Italy and Pokerstars in Greece.

Playtech's Casino business made great progress opening up new territories with its existing customer base, such as Pokerstars and Betsson in Greece, Leo Vegas in Spain, Betway and 888 in Italy, Stoiximan in The Czech Republic, Betano in Bulgaria and Fortuna in Slovakia. This clearly demonstrates the scalability of Playtech's business model.



UK

The UK saw revenue decline 4% (-5% on a constant currency basis) compared to FY 2021, where the positive impact of the reopening of retail stores from mid-April 2021 was more than offset by a decline in revenue from Entain in addition to a slowdown in the online business caused by the uncertain regulatory climate.

The UK Government is currently undertaking a review into existing gambling laws in the UK. In response, several operators are taking pre-emptive measures such as stake limits and affordability checks in an attempt to show regulators that the industry is able to self-regulate.

In December 2020, the UK Government announced a call for evidence to review the existing gambling laws in the UK. Since the initial 16-week call for evidence, which ended on 31 March 2021, the Government has been assessing the evidence presented, alongside other data, with the aim of setting out conclusions and any proposals for reform in a White Paper. Playtech submitted data and evidence relating to the call and will support this wherever possible going forward. The White Paper was due to be published in 2022, but this has been delayed with media reports suggesting it is due to be published imminently.

Playtech remains committed to the UK market and will actively support its customers in implementing any necessary changes following the White Paper's expected publication. Playtech has been actively involved in discussions around safer game design and online advertising for some time. By using its technology and data to support its licensees in safer gambling, the Company is confident that it will remain the go-to platform for regulated markets including the UK.

Other unregulated (excl. Asia)

The Group's strategy to focus on both regulated and regulating markets includes unregulated markets which are expected to regulate in the near future. These are classified in the "Unregulated excl. Asia" line within B2B Gambling. These unregulated markets (excluding Asia) were up 11% year on year (+10% at constant currency) versus 2021, primarily driven by very strong growth in Brazil, offset in part by a decline in Germany, which saw regulatory changes, and Netherlands moving to a regulated market in 2021.

In Canada, recent legislation means that single-game sports betting is now allowed at the discretion of individual provinces. Seven provinces, including the country's largest province, Ontario, began allowing bets to be placed on single-game sporting events. Since then, as of 4 April 2022, Ontario has become the first fully regulated online gambling market in Canada, with iGaming launched as well.

As other provinces across Canada introduce sports betting and iGaming, the market opportunity in North America will continue to grow. In line with the Company's strategy to target newly regulating markets, Playtech signed a strategic agreement with NorthStar Gaming in January 2022.

The Company also took steps to establish its presence in South Africa, a nascent but fast-growing market, which permits sports betting and Live casino. Towards the end of 2022, Playtech launched Casino and Live products with TsogoSun.

Unregulated Asia

Revenue from the Unregulated Asia business declined 18% (-21% on a constant currency basis) compared to 2021. The decline was largely the result of further lockdowns in China during the year. As it stands today, the Asia business is much more diversified in terms of both distributors as well as geographies compared to recent years. The Company incurred a bad debt provision of €15.4 million in H1 22 following continued collection delays in the region.

B2B – Product Developments

Playtech remains committed to diversifying its B2B Gambling division by bringing on new brands and licensees. As well as making progress with new strategic agreements and joint ventures, Playtech also maintained its track record of attracting new customers in both regulated and regulating markets to its SaaS offering. Playtech launched over 100 brands in the period, with more than 350 now live since the launch of its SaaS model in 2019.

In August 2022, Playtech launched *The Walking Dead™ 2*, taking advantage of the exclusive rights it acquired for Online Casino in 2021. A second title is planned to launch in 2023, with both expected to engage and retain a large audience. Alongside partnerships with major licensed brands, Playtech's Casino content strategy continues to focus on the development of original brand suites, known as Playtech power suites, with the likes of *Age of the Gods™* and *Fire Blaze™* producing some of Playtech's most popular slots. *Leprechaun's Luck* became Playtech's top-performing new game of 2022 and was shortlisted for Game of the Year in the 2022 EGR awards.

In terms of other notable product developments, the Live team launched *Safari Riches Live*, a live casino slot game created exclusively for 888. This marks a major milestone as it represents the first time a slot brand developed by 888 has been transformed into a bespoke live casino game. Elsewhere, the Live team also signed up the exclusive global rights to *Jumanji*, including for the US, and plans to launch a game in 2023. Other highlights include *Everybody's Jackpot* and *The Greatest Cards Show*, which have both broken new ground technologically. *Everybody's Jackpot* features first of its kind "Unreal engine" metaverse technology, while *The Greatest Cards Show's* augmented reality and horizontal wheel – a Live sector first – makes it one of Playtech's most sophisticated games yet.



Chief Executive Officer's review continued

B2C Gambling

Playtech's B2C business consists of Snaitech (including HAPPYBET) and the White Label operations, which is primarily Sun Bingo. Overall, B2C revenues grew 48% compared to FY 2021 at constant currency, while Adjusted EBITDA grew 38%.

Snaitech

Italy

Snaitech delivered another year of significant growth in FY 2022, with revenue up 54% compared to the prior year, while Adjusted EBITDA grew 39% versus FY 2021. This exceptional performance was primarily driven by the reopening of retail sites in Italy, which occurred at the end of June 2021 and have since remained open.

As a result, retail sales grew significantly in the period and are within 10% of pre-pandemic levels. This is a good performance given a small proportion of franchise retail shops closed permanently, some customers permanently transitioned to the online channel and new legislation – introduced in January 2020 – that requires customers to present ID card to enter retail shops. At the EBITDA level, the retail segment has now surpassed 2019 pre-pandemic levels on an absolute basis, while EBITDA margins are also higher than 2019 levels driven by an increasing proportion of revenue generated from the higher margin sports betting segment and a lower retail sports pay out in 2022 compared to 2019.

The online business grew 2% in 2022 versus 2021 despite retail shops being reopened in June 2021, suggesting a combination of a proportion of existing retail customers permanently shifting to online in conjunction with new customers being onboarded via the online channel. Adjusted EBITDA margins remained high at 56% in 2022 versus 59% in 2021.

As disclosed at the FY 2021 results, Snaitech has begun the formal sale process of La Maura Racetrack in Italy. €1 million was received on signing in July 2021, with the remaining €19 million expected to be received in instalments in 2024. We have now received €56 million from the sale of "non-core" land since the acquisition of Snaitech in 2018.

Snai maintained its number one market share position (retail and online combined measured by GGR) across Italian sports betting brands in 2022, cementing its reputation for consistent operational and brand strength, whilst also being a fast growing player in Italy in the online sector when measured by GGR.

Finally, the 2023 budget law postponed the expiration of all concessions such that all licenses in Italy, including online and retail, have been extended until December 2024 at a total cost of €24 million in 2023 and €34 million in 2024. Beyond 2024, talks are continuing to find an agreement with local authorities on a common and homogeneous set of rules.

Germany and Austria

HAPPYBET (now reported as part of Snaitech) saw revenue growth of 10% in 2022 compared to 2021. This was primarily driven by the reopening of retail sites and early progress after the Snaitech management team took control of HAPPYBET's operations. The business remains loss making with EBITDA of €-10.8 million in 2022 (2021: €-11.4 million), but strategic and operational measures have been taken.

In 2022, the team at Snaitech has already made good progress upgrading HAPPYBET's technology infrastructure, enhancing the product and services offering, deploying new marketing strategies and activities to increase brand awareness and realising costs synergies between HAPPYBET and Snaitech. This will in time drive the performance of both retail and online. Germany's Interstate Treaty regulated online slots, online poker and sports betting. Playtech has been awarded one of the few available online sports betting licenses in Germany through HAPPYBET and has already launched an online offering. With structural growth drivers and a turnaround strategy being implemented by a strong management team, the Group is confident of its prospects going forward.

Sun Bingo White Label

Sun Bingo White Label saw 5% revenue growth to €65.3 million (2021: €61.9 million) while Adjusted EBITDA was €2.0 million, down from €6.7 million in 2021. As disclosed at H1 2022 results, reported EBITDA includes a €10.4 million payment to terminate an onerous contract with a former service provider. The termination of the agreement has positively impacted the profitability of the business.



"We are committed to growing our business in a sustainable way, that builds long-term value for our stakeholders."



Safer gambling and sustainability

As a technology leader in the gambling sector, we are committed to growing our business sustainably and in a way that builds long-term value for our stakeholders. To meet this ambition we have set out a five-year strategy that sets out a roadmap that moves us towards fully integrating sustainability and responsible business into our culture, strategy and operations.

As I reflect on our sustainability journey over this past year, I am most proud of our efforts to safeguard and support our Ukrainian colleagues and their families. The strength and character shown by our people is truly humbling and inspiring. As the war continues, we remain steadfast in our support to our affected colleagues and their families – continuing to assist them in confronting the ongoing challenges they face in whatever way we can, as well as providing ongoing humanitarian aid across the country.

I am also pleased that we have continued to make progress in all areas relating to sustainability including safer gambling, diversity and climate change. We have taken significant steps to strengthen sustainability governance and accountability, as well as further enhancing our commitments on climate change and gender diversity. Highlights include:

- Strengthening governance with frequent engagement with the Board Sustainability and Public Policy Committee in addition to engagement with our external stakeholder advisory panel.
- Enhancing accountability by extending the application of sustainability-linked remuneration to executive management and selected leaders, focusing on delivery around safer gambling, reducing our environmental impact and diversity and inclusion.
- Expanding our engagement and partnership with our licensees and other partners on safer gambling technology solutions through Playtech Protect whilst also advocating for strong safer gambling policy and standards across regulated and emerging markets.

- Progressing towards our aspiration for workplace equality with female representation within our leadership population increasing to 26%.
- Reinforcing our commitment to contribute to a low carbon future with a significant shift to renewable energy and a formal commitment to the Science Based Target Initiative (SBTi) to set both near-term and net zero targets.

As we look to 2023, we will focus on further embedding sustainability into our culture and key decision-making processes.

Corporate activity

Completion of Finalto sale

Having completed the sale of Finalto to Gopher Investments in July 2022, Playtech has taken a significant step towards simplifying the Group and to focus on its technology-led offering as a pureplay business in the high-growth B2B and B2C gambling markets. The sale was agreed for an enterprise value of \$250 million, although this amount was reduced to \$228.1 million based on the performance of Finalto from 1 January 2021 to completion. Completion of the transaction also triggered payment of a break fee of \$8.8 million which Playtech is required to pay to the Consortium that had previously agreed to acquire Finalto, while profit on disposal of Finalto amounted to €15.1 million. The sale proceeds were partly used to repay the outstanding balance on Playtech's revolving credit facility with the remainder of proceeds used for general corporate purposes.

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Chief Executive Officer

23 March 2023