Chief Financial Officer's review

Record performance with continued strength in B2B and B2C

Overview

Group performance

Overall, Playtech had an excellent 2022, with Adjusted EBITDA of €405.6 million (2021: €317.1 million), an increase of 28% (22% on a constant currency basis) compared to 2021. Similarly, reported EBITDA increased by €91.2 million to €372.5 million (2021: €281.3 million). Total reported revenue from continuing operations was €1,601.8 million (2021: €1,205.4 million), representing a 33% increase (31% on a constant currency basis) compared to 2021. The excellent overall results in 2022 were driven by continued strength in the Group's online businesses as well as retail reopening following pandemic-related closures in parts of 2021 in many of the Group's markets.

Chris McGinnis
Chief Financial Officer

The strong performance was driven by both the B2C and B2B divisions. In B2C, Snaitech had an excellent 2022 performance as the strong results in its online business continued and its retail shops were open for the entirety of 2022, following the pandemic-related closures for most of H1 2021. This led to B2C Adjusted EBITDA of €245.4 million, an increase of 38% compared to 2021.

In B2B, the results were driven by strong growth in regulated markets, with revenues growing by 22% from €378.7 million to €461.6 million (18% on a constant currency basis), led by Caliente in the Americas and Holland Casino in Europe, validating the strategy of focusing on opportunities in regulated and soon to be regulated markets.

Reported and adjusted profit

Adjusted profit before tax from continuing operations increased by 79% to €215.4 million (2021: €120.4 million), driven by the rise in Adjusted EBITDA, decrease in depreciation and amortisation and increase in finance income due to favourable EUR/USD FX movements.

Reported profit before tax from continuing operations decreased to €95.6 million (2021: €605.0 million), mainly due to the €583.2 million of unrealised fair value gains on derivative financial assets recognised in the prior year with the current year fair value gain being only €6.0 million.

This led to a total post-tax reported profit from continuing operations of €40.6 million (2021: €686.7 million).

Balance sheet, liquidity and financing

The Group continues to maintain a strong balance sheet with Adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, of €272.4 million as at 31 December 2022 (31 December 2021: €434.3 million). The decrease is a result of fully paying down the outstanding Revolving Credit Facility (RCF) balance of €166.1 million in July 2022, as well as the €330.0 million part repayment of the 2018 Bond, offset by the €223.9 million cash consideration received on the disposal of Finalto and the positive cash generation due to the performance of the Group during the year. The Group now has a reduced leverage position with net debt decreasing by €332.6 million to €275.2 million as at 31 December 2022 (31 December 2021: €607.8 million). Net debt/Adjusted EBITDA was 0.7x as at the year end, a significant improvement to the ratio at 31 December 2021 of 1.9x.

Finalto sale

The sale of the Finalto division to Gopher Investments completed in July 2022. The final cash proceeds from the disposal were $228.1 million (€223.9 million), which includes an enterprise value of US$250 million offset by a completion accounts adjustment.

Playtech used part of these proceeds to repay its RCF in full in July 2022 with the remainder used for general corporate purposes.

Group summary (continuing operations)[3]

	2022 €'m	2021 €'m
B2B Gambling	**632.4**	554.3
B2C Gambling	**983.1**	663.7
Intercompany	**(13.7)**	(12.6)
Total Group revenue from continuing operations	**1,601.8**	1,205.4
Adjusted costs	**(1,196.2)**	(888.3)
Adjusted EBITDA from continuing operations	**405.6**	317.1
Reconciliation from EBITDA to Adjusted EBITDA:		
EBITDA	**372.5**	281.3
Employee stock option expenses	**8.0**	13.1
Professional fees	**15.7**	14.4
Fair value change of redemption liability	**(4.3)**	1.3
Ukraine employee support costs	**3.3**	—
Onerous contract	**10.4**	—
Provision for other receivables	**—**	1.2
Charitable donation	**—**	3.5
Settlement of legal matter	**—**	2.3
Adjusted EBITDA	**405.6**	317.1
Adjusted EBITDA margin	**25%**	26%

Overall, the Group's total revenue from continuing operations increased by 33% to €1,601.8 million (2021: €1,205.4 million), mostly driven by retail reopening following COVID-19 related restrictions which impacted H1 2021 in many of the Company's main markets, including Italy, as well as its continued growth in regulated B2B markets.

In B2B, revenue increased by 14% from €554.3 million in 2021 to €632.4 million in 2022, driven by Mexico, where Caliente continued its strong growth, as well as increases seen in other countries such as the Netherlands, Poland and Brazil, partly offset by a decrease in the UK and Asia.

The Group's total reported revenues from its B2C operations increased by 48% to €983.1 million (2021: €663.7 million). Snaitech had an excellent performance as the strong results in its online business continued and its retail shops were open for the entirety of 2022, following the pandemic-related closures for most of H1 2021.

The Group's Adjusted EBITDA from continuing operations increased to €405.6 million (2021: €317.1 million), representing a 28% and 22% increase on an actual and constant currency basis, respectively. Adjusted EBITDA margin decreased by only 90bps in 2022 versus 2021 due to a change in channel mix, with the return of the lower margin retail segment for the full year 2022, versus closures during the first half of 2021 due to COVID-19, as well as increased bad debt provision in the B2B business in Asia, recognised in H1 2022.

The Group's total reported EBITDA increased by 32% to €372.5 million (2021: €281.3 million). The adjusted items between reported and Adjusted EBITDA are explained in Note 10 of the financial statements.

28%

Growth in Group Adjusted EBITDA

Divisional performance

B2B Gambling

B2B Gambling revenue

	2022 €'m	2021 €'m	Change %	Constant currency %
Regulated – Americas	**144.7**	101.3	43%	27%
Regulated – Europe (excluding UK)	**184.6**	141.4	31%	31%
Regulated – UK	**126.7**	132.1	(4)%	(5)%
Regulated – Rest of the world	**5.6**	3.9	44%	44%
Total regulated B2B revenue	**461.6**	378.7	22%	18%
Unregulated excluding Asia	**103.6**	93.7	11%	10%
Total core B2B revenue	**565.2**	472.4	20%	16%
Asia	**67.2**	81.9	(18)%	(21)%
Total B2B Gambling revenue	**632.4**	554.3	14%	11%

Overall, B2B Gambling revenues increased by 14% (11% on a constant currency basis), largely due to an increase in the regulated B2B business.

Core B2B Gambling revenues[2] increased by 20%, driven by an increase in regulated markets in the Americas and Europe (excluding the UK), as well as unregulated markets (excluding Asia) of 43%, 31% and 11% respectively (27%, 31% and 10% respectively on a constant currency basis). This was offset by a 4% decrease in revenues from UK (5% on a constant currency basis), and an 18% (21% on constant currency basis) decline in revenues from Asia.

The increase in the Americas was primarily driven by Mexico, due to revenue growth from Caliente while in Europe (excluding the UK) the growth was driven by the Netherlands, Poland, Spain and Ireland. The increase in the Netherlands was driven by the expanded long-term strategic software and services agreement with Holland Casino, which successfully launched in October 2021. In unregulated markets excluding Asia, the increase was driven by very strong growth in Brazil, offset in part by a decline in Germany, which saw regulatory changes in 2021, and the Netherlands moving to a regulated market. Asia revenue decreased mainly due to the lockdowns in China and other parts of Asia in the period, whereas in the UK our partnership with Entain continues to reduce in scope.

B2B Gambling costs

	2022 €'m	2021 €'m	Change %
Research and Development	**87.5**	78.2	12%
General and Administrative	**82.6**	67.2	23%
Sales and Marketing	**16.8**	13.5	24%
Operations	**285.3**	256.2	11%
Total B2B Costs	**472.2**	415.1	14%

Total B2B Revenue and Costs			
B2B revenue	**632.4**	554.3	14%
B2B Costs	**(472.2)**	(415.1)	14%
Total B2B Adjusted EBITDA	**160.2**	139.2	15%
Margin	**25%**	25%	

Chief Financial Officer's review continued

Divisional performance continued

B2B Gambling continued

B2B Gambling costs continued

Research and Development (R&D) costs include, among others, employee-related costs and proportional office expenses. Expensed R&D costs increased by 12% to €87.5 million (2021: €78.2 million), driven by the increase in employee-related costs. Capitalised development costs were 39% of total B2B R&D costs in 2022, which is in line with the prior year.

General and Administrative costs include employee-related costs, proportion of office expenses, consulting and legal fees, and corporate costs such as audit and tax fees and listing expenses. These costs increased by 23% to €82.6 million (2021: €67.2 million), due to a new bonus scheme provision for employee retention, increase in consulting fees and post COVID-19 costs.

Sales and Marketing costs increased by 24% to €16.8 million (2021: €13.5 million), mainly due to increased marketing activity following the end of the COVID-19 crisis as well as higher bonus provisions.

Operations costs include costs relating to infrastructure and other operational projects, IT and security and general day-to-day operational costs, including employee and office-apportioned costs and branded content fees. These costs increased by 11% to €285.3 million (2021: €256.2 million), driven mainly by an increase in employee related costs relating to live operations and the provision of additional B2B services, mainly under the Group's structured agreement arrangements, as well as sport hardware costs.

B2B Adjusted EBITDA

Total B2B Adjusted EBITDA increased by 15% to €160.2 million (2021: €139.2 million), while EBITDA margin remained steady at 25% (2021: 25%). The B2B Adjusted EBITDA in the period was impacted by the €15.4 million doubtful debt provision in Asia recognised in H1 2022 (2021: €7.5 million), which was offset by the increase in performance from Brazil and Mexico and more generally the sports product.

B2C Gambling

	2022 €'m	2021 €'m	Change
Snaitech			
Gambling revenue[1]	**899.8**	584.7	54%
Gambling costs	**645.6**	402.1	61%
Adjusted EBITDA	**254.2**	182.6	39%
Margin	**28%**	31%	
Sun Bingo White Label			
Gambling revenue	**65.3**	61.9	5%
Gambling costs	**63.3**	55.2	15%
Adjusted EBITDA	**2.0**	6.7	(70)%
Margin	**3%**	11%	
HAPPYBET			
Gambling revenue	**20.1**	18.2	10%
Gambling costs[2]	**30.9**	29.6	4%
Adjusted EBITDA	**(10.8)**	(11.4)	5%
Margin	**NA**	NA	
B2C Adjusted EBITDA	**245.4**	177.9	38%
Margin	**25%**	27%	

1 Includes intercompany revenue from HAPPYBET of €2.1 million (2021: €1.1 million).

2 Includes intercompany costs from Snaitech of €2.1 million (2021: €1.1 million).

Snaitech

Snaitech revenues increased 54% from the prior year to €899.8 million (2021: €584.7 million), with operating costs seeing a similar increase of 61% to €645.6 million (2021: €402.1 million). The retail network in Italy was shut for almost the entirety of H1 2021 due to the COVID-19 pandemic. The relaxing of COVID-19 restrictions at the end of June 2021 enabled retail sites to reopen, which drove the increase in revenues and costs in 2022. The online segment continues to see impressive growth, indicating that the addressable market has expanded post-pandemic.

Snaitech's Adjusted EBITDA increased by 39%, while revenue increased 54%. As a result, Snaitech's Adjusted EBITDA margin decreased 300 bps to 28% (2021: 31%), due to the return of the lower margin retail business.

Sun Bingo White Label

Revenue from the Sun Bingo business increased by 5% to €65.3 million (2021: €61.9 million). However, operating costs within Sun Bingo increased by 15% to €63.3 million (2021: €55.2 million). The main reason for the increase is that, following the commencement of the new contract with News UK, the cost structure of the business changed. From July 2021, Playtech incurs the marketing costs (previously they were recharged to News UK) and furthermore, there is now a brand fee being charged by News UK (previously this was covered by the minimum guarantee).

This led to Adjusted EBITDA of €2.0 million (2021: €6.7 million). Adjusted EBITDA still includes the unwinding of the minimum guarantee prepayment of €5.4 million in the current year (2021: €11.9 million) over the new period of the contract which was renegotiated in 2019.

On a reported basis Playtech incurred a one-off cost of €10.4 million in H1 2022 to terminate an onerous contract with a service provider. The termination of the agreement will improve the profitability of the business going forward.

HAPPYBET

The Sport B2C business, saw year-on-year revenue growth of 10% to €20.1 million (2021: €18.2 million), with costs increasing by 4%. The business remains loss making, with Adjusted EBITDA loss in the current period of €10.8 million (2021: loss of €11.4 million). The small improvement is primarily driven by the reopening of retail sites and early progress after the Snaitech management team took control of HAPPYBET's operations.

Below EBITDA items

Depreciation and amortisation

Reported and adjusted depreciation decreased by 3% to €41.5 million (2021: €42.9 million). After deducting amortisation of acquired intangibles of €42.0 million (2021: €34.8 million), Adjusted amortisation decreased by 9% to €67.8 million (2021: €74.5 million) as the Italian gaming machine licences useful life has been extended to June 2023 at no cost. The remainder of the balance under depreciation and amortisation of €18.8 million (2021: €16.9 million) relates to IFRS 16 Leases and the recognition of the right-of-use asset amortisation.

Impairment of tangible and intangible assets

The reported impairment of tangible and intangible assets of €38.5 million (2021: €21.6 million) mostly relates to:

- the impairment of the Eyecon cash-generating unit (CGU) of €13.6 million, driven by the fact that its operations are highly concentrated in the UK online market which has seen a slowdown due to the uncertain regulatory climate;
- the impairment of the Quickspin CGU of €7.0 million, given the risk the CGU bore from the proportion of revenues being generated from the Group's B2B customers choosing to operate in areas with geopolitical tension, and the resulting 1% increase on the post-tax discount rate of the CGU to mitigate that factor;
- the impairment of the Bingo VF CGU of €12.5 million (2021: €6.4 million) due to slower than expected growth in the business, following plans to recover from the termination of a significant licensee in the prior year; and
- the impairment of the IGS CGU of €5.6 million, which was severely affected by COVID-19 and until recently had not managed to bring revenue up to pre-COVID-19 levels with the business suffering from cancelled or postponed projects.

The prior period impairment of €21.6 million mainly relates to:

- €12.3 million impairment resulting from the disposal of some real estate in Milan. The recoverable amount (being net sales proceeds as per the binding sale agreement) was compared to the property's net book value which led to the impairment;
- €6.4 million impairment in the Bingo VF cash-generating unit mainly driven by the termination of one of the biggest customer contracts; and
- €2.7 million of development workforce aborted projects.

Finance income and finance costs

Reported and adjusted finance income of €11.6 million (2021: €1.1 million) mainly relates to a €9.2 million foreign exchange gain, driven primarily by the favourable movement in the USD to EUR rate during 2022. In the prior year, this was an overall loss of €0.5 million and hence included in finance costs. The remainder of the finance income is interest received.

Reported finance costs includes interest payable on the bonds and other borrowings, bank facility fees, bank charges, interest expense on lease liabilities, the movement in contingent consideration and redemption liabilities, fair value loss of convertible loans and expected credit losses on loan receivables. Reported finance costs increased by 8% to €73.0 million (2021: €67.7 million), mainly due to the €3.0 million (2021: €Nil) fair value loss on the GameCo convertible loan immediately before it was converted to equity and the first time recognition of €1.6 million of expected credit losses on the loans receivable. This was offset by a reduction in the movement in contingent consideration and redemption liability to €0.1 million (2021: €4.8 million). Adjusted finance costs increased by 11% to €69.9 million (2021: €62.9 million). The difference between adjusted and reported finance costs is the movement in contingent consideration and redemption liability of €0.1 million (2021: €4.8 million) and fair value loss of the GameCo convertible loan of €3.0 million.

Unrealised fair value changes of derivative financial assets

The unrealised fair value changes of derivative financial assets of €6.0 million (2021: €583.2 million) is due to the recognition of the fair value of the various call options held by the Group in Latin America which fall under the definition of derivatives within IFRS 9 Financial Instruments. Further details on the fair value of the various call options are disclosed in Note 20, which includes a significant judgement made in relation to the valuation of the Playtech M&A Call Option.

Taxation

A reported tax expense from continuing operations of €55.0 million (2021: tax credit of €81.7 million) arises on a profit before tax of €95.6 million (2021: €605.0 million) compared to an expected charge of €18.2 million based on the UK statutory rate of 19%. The key items for which the reported tax charge has been adjusted are the provision of €8.4 million in respect of overseas tax audits and the reversal of deferred tax liabilities of €8.3 million in respect of intangibles assets acquired through business combinations.

The Group's reported effective tax rate for the current period is 39.5%. This rate is higher than the UK statutory rate of 19%. The key reasons for the differences are profits of subsidiaries located in territories where the tax rate is higher than the UK statutory tax rate (which predominately relates to Snaitech based in Italy) and expenses not deductible for tax purposes including professional fees, impairment of intangible assets and loss on disposal of subsidiaries.

The total adjusted tax expense is €54.9 million (2021: tax credit of €7.2 million) which arises on an adjusted profit before tax of €215.4 million (2021: €120.4 million). The total adjusted tax expense of €54.9 million consists of an income tax expense of €20.4 million (2021: tax charge of €14.6 million) and a deferred tax expense of €34.5 million (2021: deferred tax credit of €21.8 million). The total adjusted deferred tax expense mainly consists of a deferred tax expense of €44.7 million relating to the Snaitech group including the use of Snaitech tax losses and a credit of €16.7 million relating to UK tax losses for which a tax benefit is recognised in the current year.

The Group's effective adjusted tax rate for the current period is 25.5%. This rate is higher than the UK statutory rate of 19% as there are profits within subsidiaries located in territories where the tax rate is higher than the UK statutory tax rate (which predominately relates to Snaitech based in Italy).

Chief Financial Officer's review continued

Discontinued operations

Casual and Social Gaming segment

On 11 January 2021, the Group entered into an agreement for the disposal of the remainder of the business, namely "YoYo", for a total consideration of $9.5 million resulting in a profit on disposal of €7.6 million. This business has now been fully disposed.

The Adjusted EBITDA relating to the Casual and Social Gaming business was €Nil in both periods being presented as operations were completely wound down in 2020.

Finalto (formerly TradeTech Group)

Finalto was disposed of in July 2022 with cash proceeds of $228.1 million (€223.9 million) and transaction costs of €1.6 million resulting in a profit on disposal of €15.1 million.

In terms of performance, revenue up until the point of disposal was €74.5 million (2021 full year revenue: €46.6 million). The improved performance was due to higher market volatility during 2022, which in turn increased both Reported and Adjusted EBITDA to €24.4 million for the period up to the point of disposal (2021 full year loss: €30.9 million) and €33.8 million (2021 full year loss: €23.0 million), respectively.

Adjusted profit

	2022 €'m	2021 €'m
Reported profit from continuing operations attributable to the owners of the Company	**40.6**	686.7
Employee stock option expenses	**8.0**	13.1
Professional fees	**15.7**	14.4
Fair value change and finance cost on redemption liability and contingent consideration	**(4.2)**	6.1
Ukraine employee support costs	**3.3**	—
Onerous contract	**10.4**	—
Charitable donation	**—**	3.5
Settlement of legal matter	**—**	2.3
Provision for other receivables	**—**	1.2
Fair value change of equity instruments	**0.3**	1.6
Fair value change of derivative financial assets	**(6.0)**	(583.2)
Fair value loss on convertible loans	**3.0**	—
Amortisation of intangibles on acquisitions	**42.0**	34.8
Impairment of tangible and intangible assets	**38.5**	21.6
Loss on disposal of subsidiary	**8.8**	—
Deferred tax on acquisitions	**(8.3)**	(9.1)
Deferred tax on reorganisation	**—**	(63.6)
Deferred tax on asset held for sale	**—**	(1.8)
Tax related to uncertain positions	**8.4**	—
Adjusted Profit from continuing operations attributable to the owners of the Company	**160.5**	127.6

The reconciling items in the table above are further explained in Note 10 of the financial statements. Reported profit before tax from continuing operations was €95.6 million (2021: €605.0 million), mainly due to the €583.2 million of unrealised fair value gains on derivative financial assets recognised in the prior year with the current year gain being only €6.0 million.

Adjusted EPS (in Euro cents)

	2022 €'m	2021 €'m
Adjusted basic EPS from continuing operations	**53.5**	42.8
Adjusted diluted EPS from continuing operations	**51.5**	40.9
Basic EPS from profit attributable to owners of the Company	**29.2**	226.3
Diluted EPS from profit attributable to owners of the Company	**28.1**	216.2
Basic EPS from profit attributable to the owners of the Company from continuing operations	**13.5**	230.3
Diluted EPS from profit attributable to the owners of the Company from continuing operations	**13.0**	220.1

Basic EPS is calculated using the weighted average number of equity shares in issue during 2022 of 300.1 million (2021: 298.2 million). Diluted EPS also includes the dilutive impact of share options and is calculated using the weighted average number of shares in issue during 2022 of 311.9 million (2021: 312.1 million).

Cash flow

Cash conversion (including discontinued operations)

Playtech continues to be cash generative and delivered operating cash flows of €410.9 million (2021: €314.6 million after adjusting for the €89.6 million deferred payment of gaming duties in Italy). The increase is primarily due to Snaitech's retail locations being fully operational in 2022 as opposed to the prior period where COVID-19 related restrictions meant retail sites were closed for most of H1 2021, as well as a better performance from the rest of the business, including Finalto, compared to the prior year.

	2022 €'m	2021 €'m
Adjusted EBITDA (including discontinued operations)	**439.4**	294.1
Net cash provided by operating activities	**410.9**	225.0
Deferred payment of gaming duties	**—**	89.6
Net cash provided by operating activities after deferred payment of gaming duties	**410.9**	314.6
Cash conversion	**94%**	107%
Change in jackpot balances and security deposits	**(3.6)**	(10.5)
Change in client deposits and client funds	**15.3**	(21.7)
Professional fees	**24.4**	21.5
ADM security deposit (Italian Regulator)	**11.5**	(1.7)
Adjusted net cash provided by operating activities	**458.5**	302.2
Adjusted cash conversion	**104%**	103%

Adjusted cash conversion at 104% (2021: 103%) is shown after adjusting for the deferred payment of gaming duties in the prior year, as well as jackpots, security deposits, client deposits and client funds, professional fees and ADM security deposit.

Adjusting for the above cash fluctuations is essential in order to truly reflect the quality of revenue and cash collection. This is because the timing of cash inflows and outflows for gaming tax duties in Italy, jackpots, security deposits and client funds only impact the reported operating cash flow and not Adjusted EBITDA, while professional fees are excluded from Adjusted EBITDA but impact operating cash flow.

Cash conversion (excluding discontinued operations)

	2022 €'m	2021 €'m
Adjusted EBITDA	**405.6**	317.1
Net cash provided by operating activities	**382.7**	227.6
Deferred payment of gaming duties	**—**	89.6
Net cash provided by operating activities after deferred payment of gaming duties	**382.7**	317.2
Cash conversion	**94%**	100%
Change in jackpot balances and security deposits	**(3.6)**	(10.5)
Change in client funds	**(9.4)**	(1.5)
Professional fees	**15.7**	14.4
ADM security deposit (Italian Regulator)	**11.5**	(1.7)
Adjusted net cash provided by operating activities	**396.9**	317.9
Adjusted cash conversion	**98%**	100%

If we exclude the impact of Finalto cash flow, the adjusted cash conversion reduces to 98% (2021: 100%).

Cash flow statement analysis

Net cash outflows used in investing activities totalled €358.3 million (2021: €127.6 million) of which:

- €30.4 million (2021: €16.7 million) relates to loans granted. Of the total granted in 2022, €18.0 million (2021: €8.1 million), relates to the Galera Group which has a total loan facility of $45 million (refer to Note 20) and €8.4 million is related to NorthStar;
- €54.0 million (2021: €49.6 million) was used in the acquisition of property, plant and equipment;
- €10.1 million (2021: €7.2 million) was used in the acquisition of intangible assets;
- €61.3 million (2021: €57.4 million) was spent on capitalised development costs;
- €29.2 million relates to the payment for the acquisition of LSports (Note 20A) and contingent consideration paid to Wplay of €1.0 million (2021: €4.2 million relates to the payment of the call option held for Ocean Holdings Ltd and contingent consideration paid to Wplay of €4.1 million); and
- net cash outflow in relation to the Financial segment disposal of €169.8 million (2021: Cash inflow of €10.7 million mostly relating the disposal of the casual business).

Net cash outflows used in financing activities totalled €566.9 million (2021: €218.4 million) of which:

- €36.7 million (2021: €39.4 million) relates to interest payments on bond loans and bank borrowings;
- €166.1 million (2021: €150.0 million) related to the repayment of the RCF;
- in 2022 €330.0 million related to the part repayment of the 2018 Bond;
- €5.9 million (2021: €0.7 million) are payments of contingent consideration and redemption liability; and
- €28.2 million (2021: €28.3 million) is principal and interest lease liability payments.

Balance sheet, liquidity and financing

	2022 €'m	2021 €'m
Cash and cash equivalents	**426.5**	575.4
Cash held on behalf of clients, progressive jackpots and security deposits	**(154.1)**	(141.1)
Adjusted gross cash and cash equivalents (excluding assets and liabilities held for sale)	**272.4**	434.3
Loans and borrowings (RCF)	**—**	167.1
Bonds	**547.6**	875.0
Gross debt (excluding liabilities held for sale)	**547.6**	1,042.1
Net debt (excluding assets and liabilities held for sale)	**275.2**	607.8
Adjusted EBITDA	**405.6**	317.1
Net debt/Adjusted EBITDA ratio	**0.7**	1.9

Cash

The Group continues to maintain a strong balance sheet with total cash and cash equivalents, excluding cash held for sale, of €426.5 million at 31 December 2022 (2021: €575.4 million). Adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, decreased to €272.4 million as at 31 December 2022 (2021: €434.3 million), due to the €166.1 million RCF repayment, €330.0 million part repayment of the 2018 Bond, both offset by the net proceeds from the Finalto disposal as well as the solid performance of the Group during 2022.

Financing

The Group's total gross debt decreased to €547.6 million as at 31 December 2022 (2021: €1,042.1 million), with net debt, after deducting Adjusted gross cash, decreasing to €275.2 million (2021: €607.8 million).

The Group issued a five-year senior secured note of €530.0 million (3.75% coupon), which was raised in October 2018 to support the acquisition of Snaitech and is maturing in October 2023. During the year, the Group made a €330.0 million partial repayment of the 2018 Bond. The remaining outstanding balance of €200.0 million is expected to be repaid through cash resources and/or proceeds from the Group's RCF and/or new financing.

The Group has also issued a seven-year senior secured note to the value of €350.0 million (4.25% coupon, maturity 2026), which was raised in March 2019.

Finally, the Group also has an RCF which has been restructured during the year. The revised facility is now €277.0 million (previously €317.0 million) and is available until October 2025, with an option to extend by 12 months. As at the reporting date the credit facility drawn amounted to €Nil (2021: €167.1 million).

Chief Financial Officer's review continued

Balance sheet, liquidity and financing continued

Net debt

Net debt decreased in the period by €332.6 million to €275.2 million as at 31 December 2022 (2021: €607.8 million), while net debt/Adjusted EBITDA was 0.7x (31 December 2021: 1.9x).

Finalto sale

The sale of the Finalto division to Gopher Investments, which was first presented by the Group under discontinued operations at 31 December 2020, completed in July 2022. The cash proceeds from the disposal were $228.1 million (€223.9 million), which includes an enterprise value of US$250 million, offset by a completion accounts adjustment.

Playtech used part of these proceeds to repay its RCF in full in July 2022.

Contingent consideration

Contingent consideration and redemption liability decreased to €2.9 million (2021: €11.0 million) mostly due to the completed payment relating to Eyecon Limited, Wplay and Statscore. The existing liability as at 31 December 2022 comprised the following:

Acquisition	Maximum payable earnout (per terms of acquisition)	Contingent consideration and redemption liability as at 31 December 2022	Payment date (based on maximum payable earnout)
AUS GMTC PTY Ltd	€46.7 million	€2.1 million	Q4 2025
Other	€0.8 million	€0.8 million	Various

Going concern

In adopting the going concern basis in the preparation of the financial statements, the Group has considered the current trading performance, financial position and liquidity of the Group, the principal risks and uncertainties together with scenario planning and reverse stress tests completed for a period of no less than 15 months from the approval of these financial statements.

At 31 December 2022, the Group held total cash (excluding cash included in assets held for sale) of €426.5 million (2021: €575.4 million) and Adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, of €272.4 million (2021: €434.3 million).

Furthermore, the Group has reduced its total debt to €547.6 million (2021: €1,042.1 million), as a result of using the Finalto proceeds to fully repay its RCF (31 December 2021: €167.1 million), and a €330.0 million partial repayment of its 2018 Bond. The rest of the 2018 Bond of €200.0 million is repayable in October 2023, and the Directors are confident that the company will be able to settle this amount. During 2022, the RCF was restructured with a new facility of €277.0 million being available until October 2025, with an option to extend by 12 months. As at 31 December 2022 the RCF is fully undrawn.

The payment related to the renewal of the Italian concessions is expected to be incurred in 2025 and therefore is outside of the going concern period.

Management concluded that the risk of a covenant breach over the next 15-month period from the date of releasing this report is low and as such, has a reasonable expectation that the Group will have adequate financial resources to continue in operational existence.

1 Adjusted numbers relate to certain non-cash and one-off items, as well as material reorganisation and acquisition related costs. The Board of Directors believes that the adjusted results represent more closely the consistent trading performance of the business. A full reconciliation between the actual and adjusted results is provided in Note 10 of the financial statements.

2 Core B2B Gambling refers to the Company's B2B Gambling business excluding unregulated Asia.

3 Totals in tables throughout this statement may not exactly equal the components of the total due to rounding.

Chris McGinnis
Chief Financial Officer
23 March 2023