

# Introduction to Playtech



## OVERVIEW

- **Founded 1999: 11 years experience in >16 year-old industry**
- **Pure B2B software provider: content & technology platform**
- **Over 80 'B2C' licensees, broad range of backgrounds**
  - Online sportsbooks/gaming: Titan, bet365, Betfair
  - Land-based: William Hill, SNAI, Casino Gran Madrid
  - Governmental: Serbian Lottery, RAY (Finnish monopoly)
- **29% interest in William Hill Online (WHO)**
- **Listed on AIM in 2006; International Company of the Year 2010**

## OPERATIONS

- **Over 1,200 staff in 6 key locations**
  - 700+ software R&D team
  - 140+ support service team to our licensees: 24/7
  - 200+ part time bingo chat moderators



### 2010 key locations:

**Isle of Man (HQ):** 11 employees

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**Estonia:** 508 employees in two branches

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**United Kingdom:** 301 employees

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**Israel:** 164 employees

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**Bulgaria:** 155 employees

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## BUSINESS MODEL

- Focus on B2B: no conflicts/ brand marketing costs
- Revenue share model: fully aligns with licensees
- Comprehensive product offering, continual innovation
- Deliver market-leading technology, highly scalable
- Core focus on development of operator tools/content driven by licensees



Bingo network of the year



Best bingo software  
Best bingo innovation



Poker software supplier  
of the year



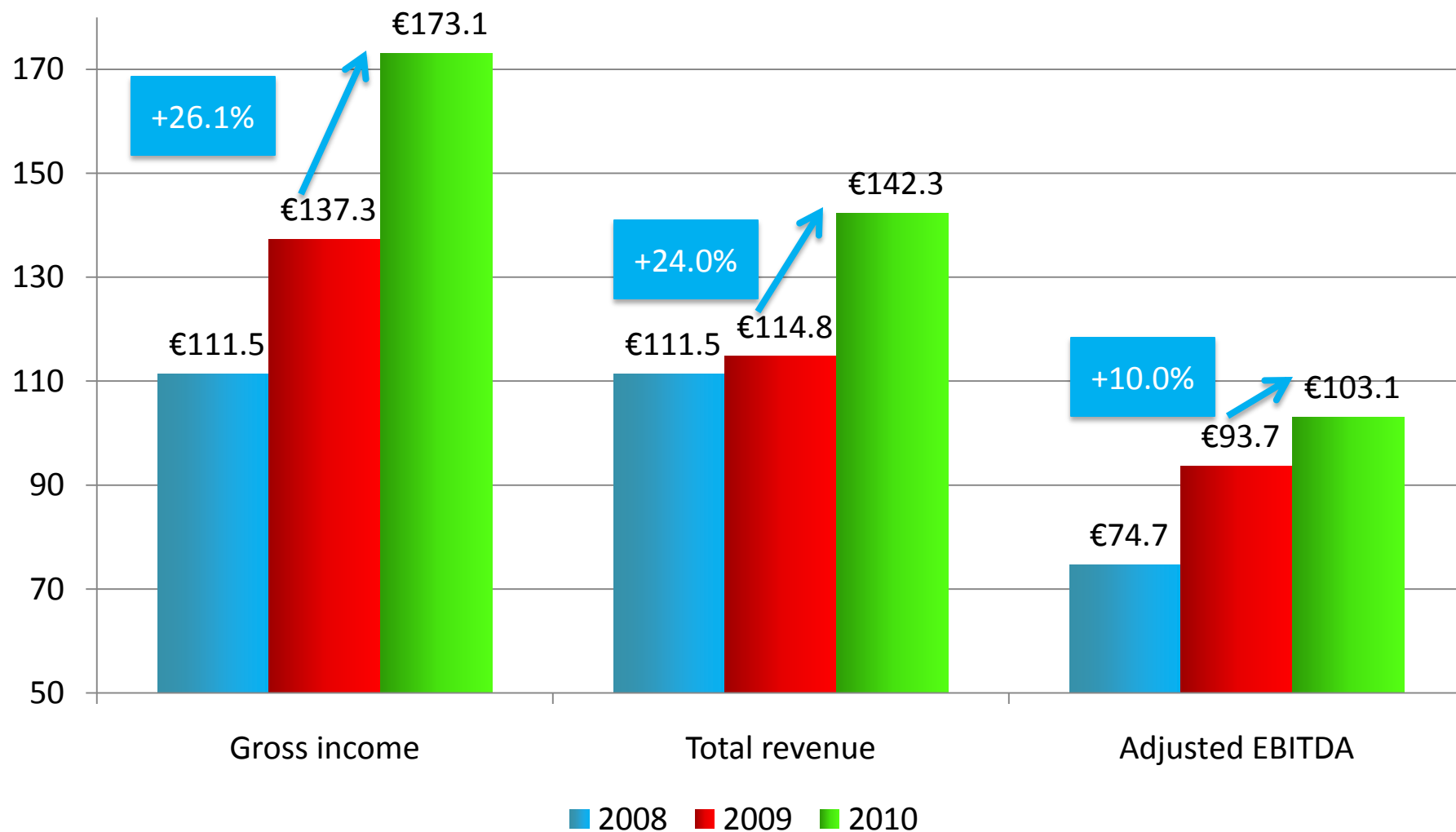
Poker network of the year



## COMPETITIVE ADVANTAGE

- **Superior technology platform, cross-platform capability**
  - Videobet, Live, TV, open platform, integrated mobile
- **Industry-leading player management tools through IMS**
  - Designed to integrate into third-party systems
- **Network strength:** poker and bingo best-of-breed product & superior liquidity
- **Largest casino & games tab library**
- **Unique content & platform offering**
  - Substantial branded content: Marvel, MGM, Paramount, Endemol and more
- **Full range of B2B marketing and ancillary services**
  - Acquisition of PTTS turnkey services

## FINANCIAL HIGHLIGHTS (IN € MILLIONS)



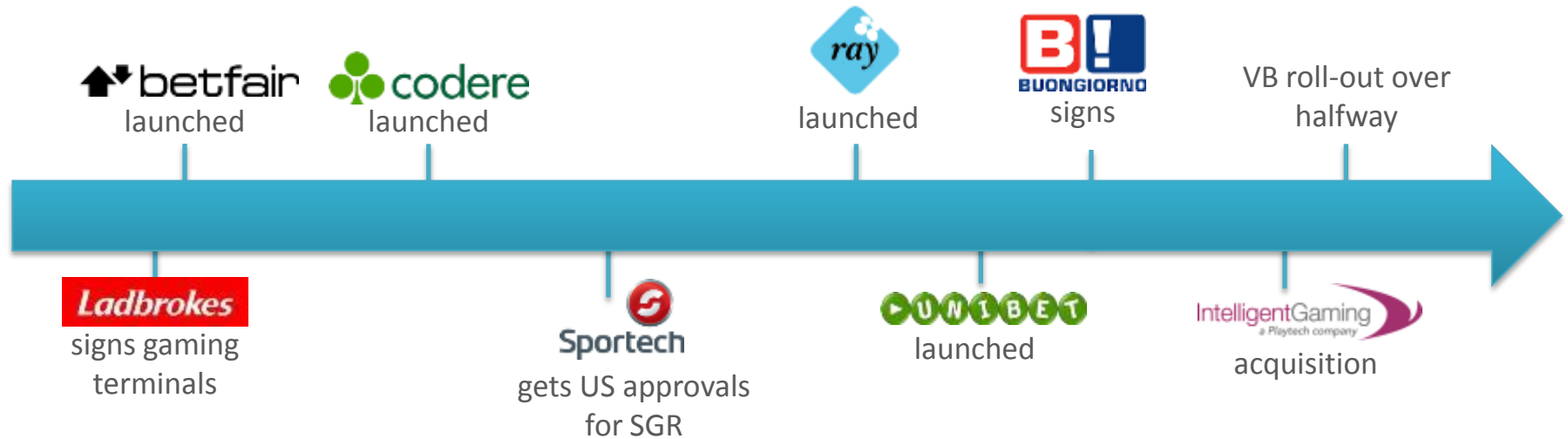
## MARKET OVERVIEW: 2010

- **4 new regulated markets/regulated products**
  - New markets: Estonia, Finland, France
  - New product: Italian bingo Q2 10, casino expected H1 2011
- **Playtech launched in all new segments**
- **Regulated market income**
  - 46% of gross income<sup>(1)</sup>
  - 40% from total revenues
  - Expected to expand off the back of additional regulated markets' activity, e.g. Betfair, RAY, Videobet UK deployment

(1) inc. estimated % from WHO



## MOMENTUM INTO 2011



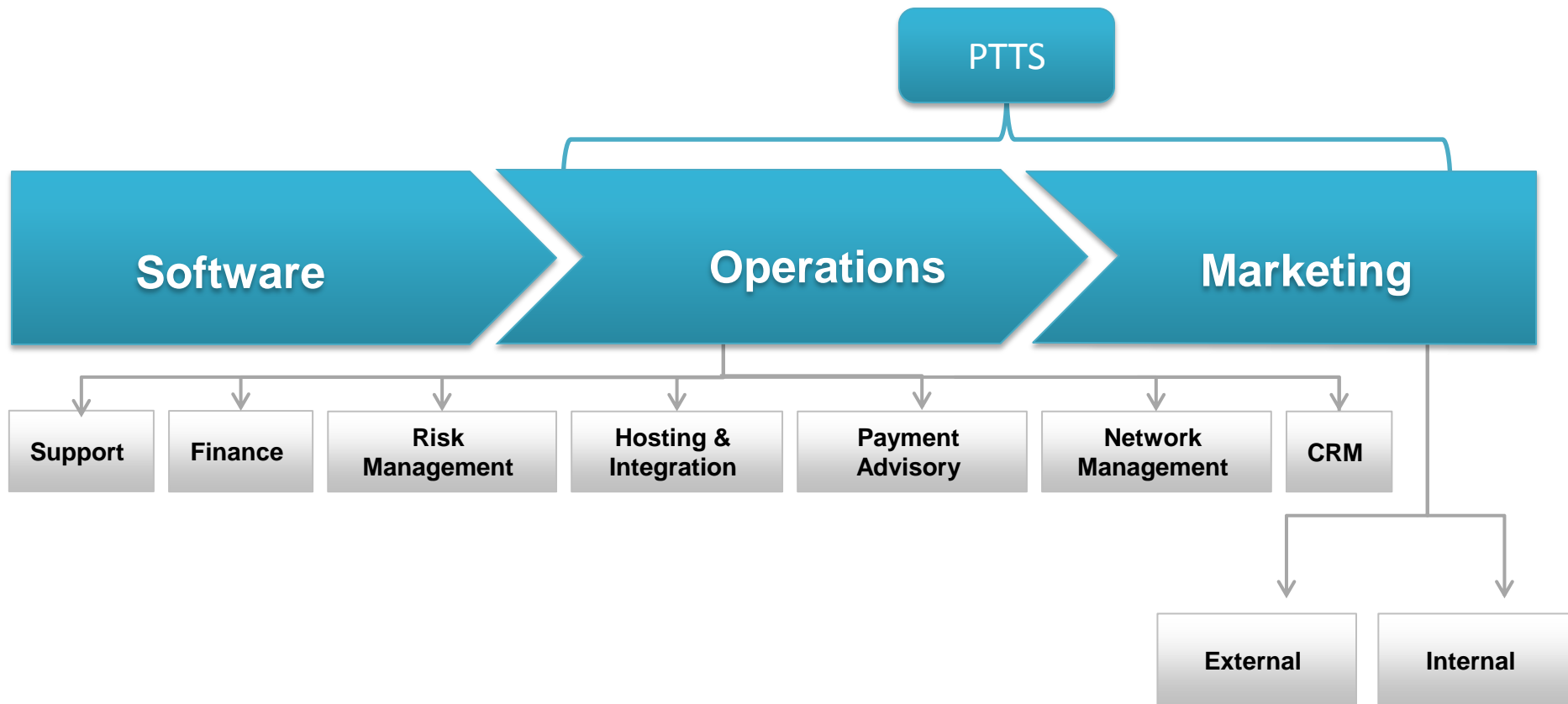
- **Market momentum for regulation is continuing**
  - Key European markets: Spain, Greece, Germany all looking at legislation
  - Additional markets: Denmark, Sweden, Holland, Belgium; E-Europe;
  - Growing momentum in US, principally at state level

## CONSISTENT STRATEGY

- **Targeting operators in newly-regulating markets**
- **Partnering with well-established operators**
- **Proactively leveraging unique cross-platform capabilities**
- **Scale and breadth across all products and networks**
- **Strategic partnerships: global reach and leverage**
- **Maintaining flexibility & opportunism**

## RECENT ACQUISITION: TURNKEY SERVICES 'PTTS'

- Expands offering from single product through to full turnkey
- Turnkey attractive to new entrants seeking single supplier
  - Product neutral: equally valid for sports as for gaming



## TRANSACTION RATIONALE

- **Increasing demand for full turnkey solutions in regulated markets**
- **Positions Playtech for major opportunities in newly-regulated markets**
  - Tenders are already underway in most markets
- **Licensees increasingly looking for broad range of packaged services**
  - Need experienced help in highly competitive markets; first-mover advantages
- **Consolidates position as leading provider of gaming software /services**
- **10 years experience in B2B services based on Playtech software**
  - Quality management team easily integrated into Playtech group

## PLAYTECH TURNKEY SERVICES GROUP

- **4 divisions providing range of important ancillary B2B services**
  - Marketing
  - Operations
  - Payment Advisory
  - Network Management
- **850+ staff, principally based in Bulgaria & Philippines**
- **All licensees use Playtech's software**
- **Revenues: H2 2010 annualised run rate €81.4m**
- **EBITDA: Current run-rate €19.4m**
  - Historic EBITDA margin of 20-23%



## MARKETING & CRM SERVICES

- **One of the largest affiliate networks in the industry**
- **10 years experience in player acquisition & retention techniques**
  - Product neutral: applicable to sports & all gaming products
- **Marketing**
  - External: affiliate management, SEO, SEM, media buying
  - Internal: marketing strategy built to generate higher player value and retention levels
  - Supported by data mining and statistical analysis
- **CRM**
  - Personalisation and localisation for tailored player experience
  - Loyalty programme management and VIP scheme for key player retention
  - Players' communication management: emails, chat, SMS

## ANCILLARY SUPPORT SERVICES

- **Player Support**
  - 24/7 end user support services
  - Multilingual support 15+ languages
- **Finance**
  - Financial transaction monitoring
  - Player payout management
  - Procedure submittal
  - Players Document Review
- **Risk Management**
  - Fraud policy & monitoring
  - Identify suspicious behaviour
  - Monitoring of charge back ratio
- **Hosting and Integration**
  - Co-location hosting services for game servers and player databases
  - Dedicated development/integration teams
- **Payment Advisory**
  - Advisory Services in relation to payment processing providers
- **Network Management**
  - Day-to-day operation of the iPoker network
  - Multilingual chat and dedicated moderation resources

## FINANCIAL OPPORTUNITIES & SYNERGIES

- **Positions Playtech for licensee wins from major new market entrants**
  - E.g. Germany, Spain, Greece, US
- **Turnkey deals deliver incremental software revenues**
  - Software license separate to any services agreement
  - Potential material revenue streams at Playtech's software margins
- **Revenue synergies & economies of scale will drive margin growth**
  - Some central function cost synergies
- **Potential for country-specific JVs with enhanced economics**
  - 2010: WHO generated €15m software royalties & €30m share of profit
- **Additional opportunities to cross-sell to existing licensees**

## CURRENT TRADING

- **Like-for-like growth – over 8%**
  - Daily average revenues first nine weeks vs. 2010
  - Excluding impact of France closure
  - Excluding GTS & VF acquisitions
- **Daily average vs. Q4/10: over 1.0% ahead**

## OUTLOOK

- **Unrivalled product line-up and cross-platform capability**
- **Continuing strength in licensee pipeline & revenue growth**
- **Very well positioned for growth in regulated markets**
  - Limited geographic concentrations in regulating markets
- **Turnkey solution delivers additional revenue stream**
- **Corporate**
  - CFO appointment is a key priority
  - Full List move in 2012 once eligible

## PTTS ACQUISITION COST

- **€140m minimum consideration**
- **Payments of €20-25m in 6 month intervals**
  - No interest charge payable on outstanding balance
  - Implies NPV of less than €130m for initial consideration
  - No PTEC financing requirement expected, out of free cash flow
- **Total consideration capped at €280m, based on 7x FY2014 EBITDA**
  - Similar tranche payment structure for any subsequent consideration
  - Full consideration triggered under certain EBITDA performance conditions
- **Base case projection implies final valuation likely to exceed maximum consideration**

## FINANCIAL EFFECTS ON PLAYTECH

- **Expected to be earnings enhancing immediately**
  - C.13% plus enhancing 2012 and beyond – before adjustment<sup>(1)</sup> and synergies
- **Group EBITDA margins expected to be c.50%**
- **No disruption to current earnings and cash flow profile**
- **Operational synergies identified and yet to be factored in**
- **Net assets of €61.6m – debt free and cash free**

*(1) Earnings pre amortisation of goodwill*



## PTTS DIVISIONS

Division (fee structure)	Revenues € million		Services	Clients
	H2 run rate	%		
Marketing Services (Revenue share)	57.2	70	Affiliate management, media buying, search engine optimisation and market-leading CRM capabilities: VIP mgmt	5 licensees including Imperial, Snai, Mansion, Serbian Lottery
Operational Service (Revenue share, Hosting – fixed price)	13.3	17	Technology hosting, 24/7 multi-lingual customer and technical support, finance and fraud prevention	Over 60 clients, including WHO, Mansion, Imperial, Netplay and Onisac
Payment Advisory (%age deposit)	8.3	10	Payment advisory services	Clients, include Imperial, Partygaming, Mansion and WHO
Network Management (Fixed fee)	2.4	3	Online, interactive multiplayer poker environment , tournament & VIP mgmt	35 - all iPoker licensees,

## MARKETING: AFFILIATE PROGRAMME

- **10 years of affiliate experience**
- **Access to 70,000+ affiliates**
  - More than ten thousand active affiliates each month
  - Entrenched relationships with some of the world's biggest affiliates
- **Global reach with more than 1m websites**
  - Thousands of affiliates receiving ongoing commissions each month
  - Top affiliates earning €100k ++
- **Localised marketing support in 15 languages**
- **More than 20 dedicated Affiliate Managers**

## MARKETING: AFFILIATE PROGRAMME (cont)

- **Proprietary affiliate management platform**
- **Flexible deal structures allowing payment and measurement according to any customer action**
- **Advanced deal engine allowing for custom deal automation**
- **Longstanding affiliate relationships and scale allow for more favourable deal terms with affiliates**
- **Dedicated marketing analysts for campaign and deal optimisation**

## CRM: PLAYER RETENTION

- **Analysing players' behaviour according to multiple criteria**
  - Games played, number and amount of bets placed, place of origin, personal data, source of traffic, payment methods used
- **Loyalty programme management and VIP scheme tailored to key players**
  - Treated by dedicated representatives who know the players personally
- **Players' communication management: emails, chat, text, software messages available 24/7**
- **Customised players' experience by personalising player messages and communications**
- **Flexible Bonus System: custom bonuses**
  - By traffic source, specific games played, "no lose" bets, and cutting edge promotions
- **Advanced Monitoring System: monitoring players' real-time activity**
  - Automatically triggered promotions according to behaviour and segments

## CRM: PLAYER RETENTION (cont.)

- **Segmentation of 7 VIP levels based on Net gaming + Net / Deposit ratio**
  - Including bronze, silver, gold, titanium, platinum and premier
- **Examples of special promotions:**

### **Roulette Players Weekend:**

Bets race, players compete with each other, the top 10 highest bettors receive cash prizes in scale from 1 to 10

### **World Cup Promotions (valid for other special events):**

Each 100 bets placed during a month generate a coupon, then a raffle will give to 10 players All VIP Package for the Final of the World Cup (best stadium seats)

### **Deposit offer based on average deposits:**

Create different segmented groups based on their average deposits, players receive promotion offer for depositing a certain % or more of their average deposits.

### **Refund offer:**

Based on favorite game played during defined period with 10 different segments of players

## SEARCH ENGINE OPTIMISATION

- **Expertise in customised SEO strategy per brand as well as third-party sites**
- **Strong depth of keyword targeting**
- **Leveraging affiliate relationships as well as external agencies for comprehensive approaches and localisation**
- **Close relationship with all other acquisition channels in order to provide an integrated and synchronised process**
- **Generating unique content for SEO purposes**

## SOCIAL MARKETING

- **Experienced and dedicated social marketing team**
- **Ability to measure effectively social marketing campaigns**
- **Capabilities of translating high level marketing strategies into localised languages**
- **Expertise in international and local social media platforms**
- **Developing, launching and maintaining synchronised brands' campaigns online and through social marketing**
- **Vast knowledge in crossing players from social media to real money verticals**