

# Interim results 2015

27 August 2015

# AGENDA

Highlights

Financial review

The Financials division

Operational and  
strategic review

Q&A



Alan Jackson  
Chairman



Ron Hoffman  
Chief Financial Officer

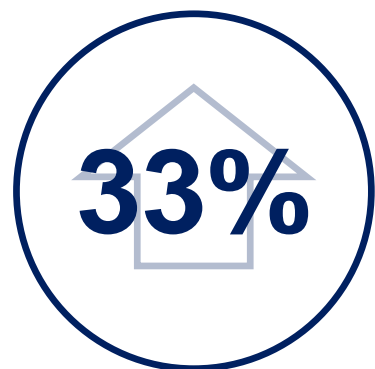


Mor Weizer  
Chief Executive Officer

# DELIVERING ON OUR STRATEGY

- Continued strong underlying growth in the Gaming division
- Creation of the Financials division through strategic M&A
- Strong financial performance across all key metrics
- Performance and momentum provides confidence in continued strong growth for the remainder of 2015 and beyond

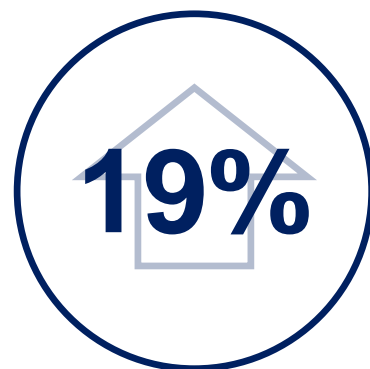
# STRONG FINANCIAL PERFORMANCE



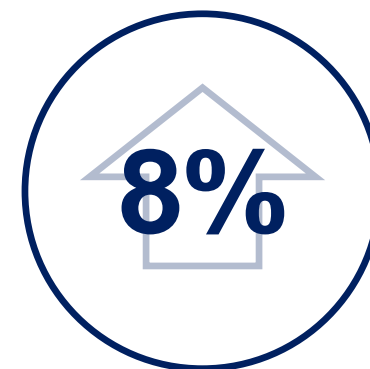
Total revenue  
up 33%



Adjusted EBITDA  
up 16%



Adjusted EPS  
up 19%



DPS  
up 8%

# AGENDA

Highlights

Financial review

The Financials division

Operational and  
strategic review

Q&A



**Alan Jackson**  
Chairman

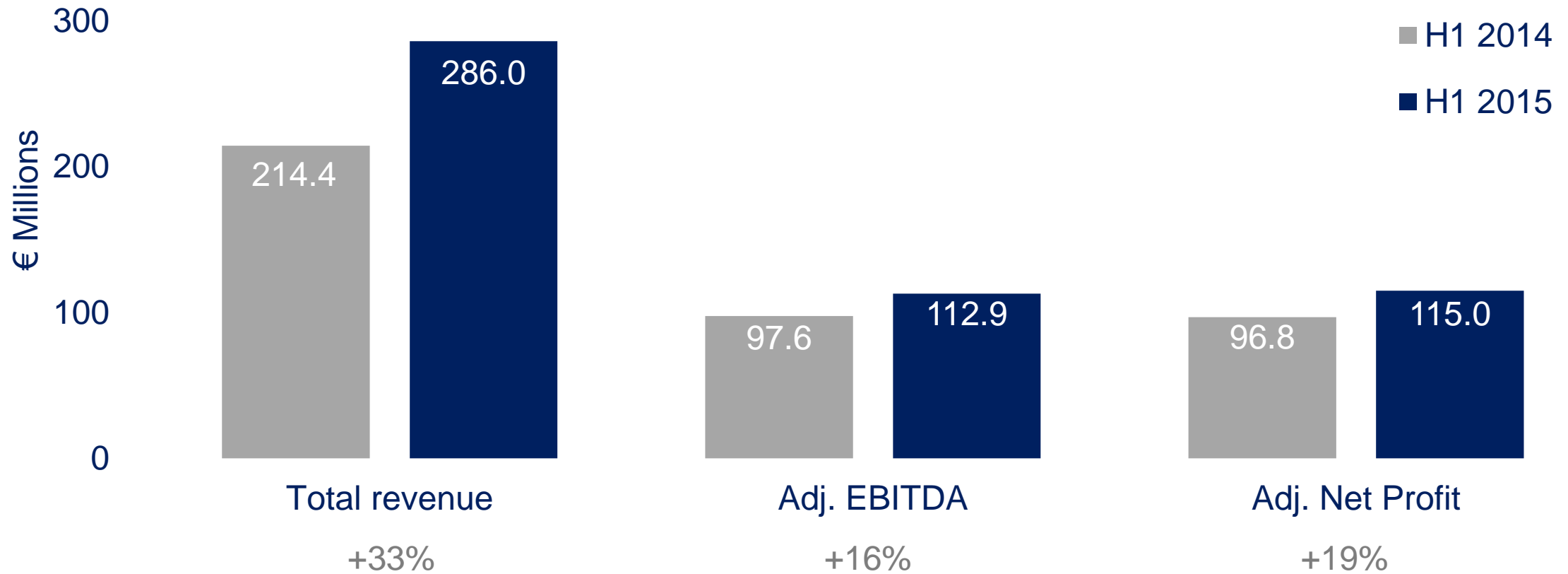


**Ron Hoffman**  
Chief Financial Officer



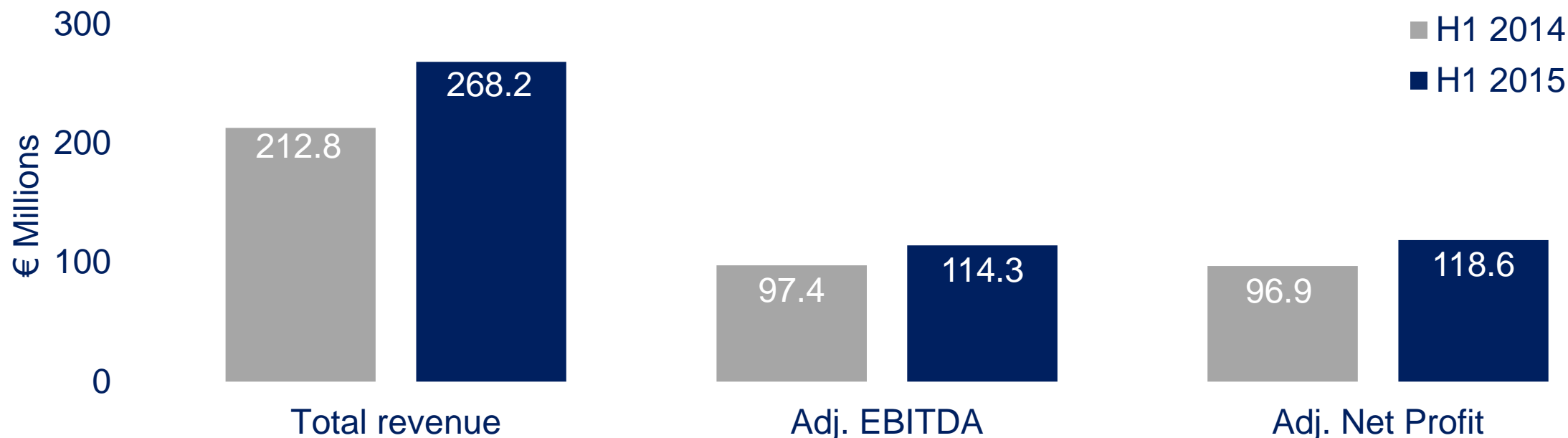
**Mor Weizer**  
Chief Executive Officer

# RESULTS SUMMARY



# UNDERLYING RESULTS

STRONG GROWTH ON AN UNDERLYING BASIS



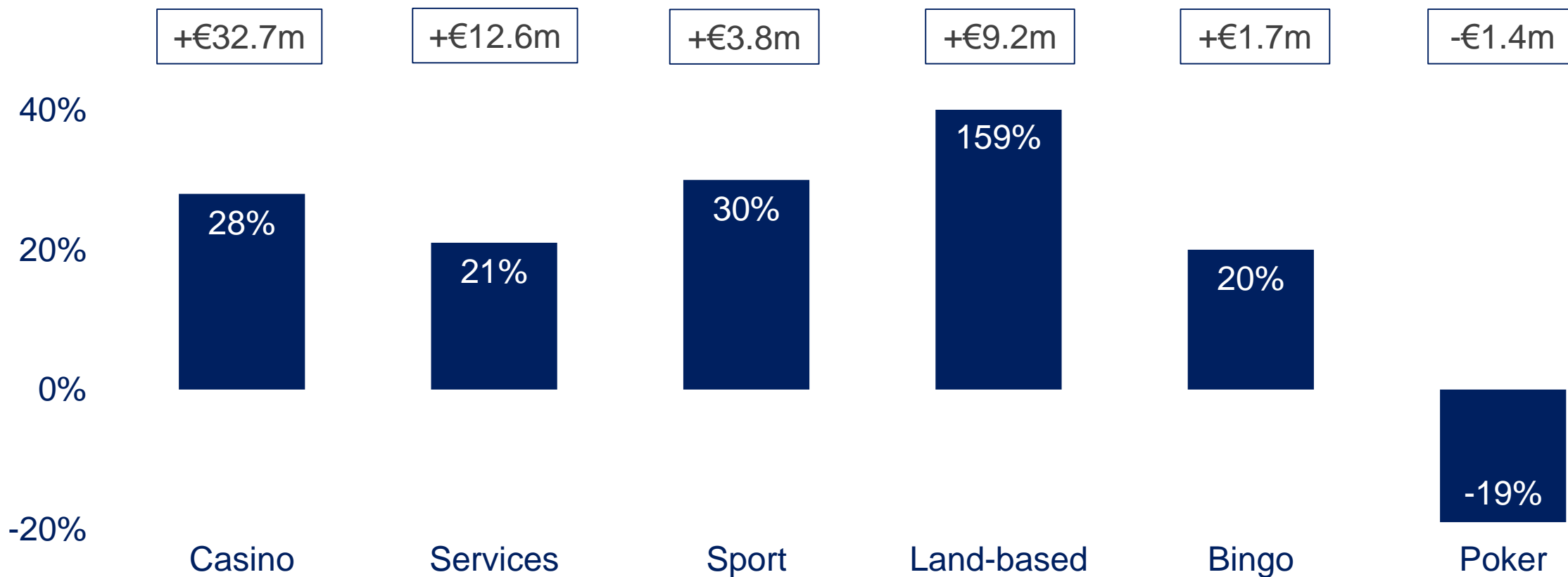
*Excl. acqs / POC*    **+29%**  
*Excl. white-label*    **+25%**  
*At CC*    **+10%**

**+26%**  
**+32%**  
**+10%**

**+40%**  
**+46%**  
**+9%**

# REVENUE GROWTH BY VERTICAL

A STRONG PERFORMANCE ACROSS KEY VERTICALS IN H1



# PERFORMANCE OF MARKETS LIMITED

A GOOD HALF BOTH FINANCIALLY AND FOR KPIs

## Performance in H1 2015

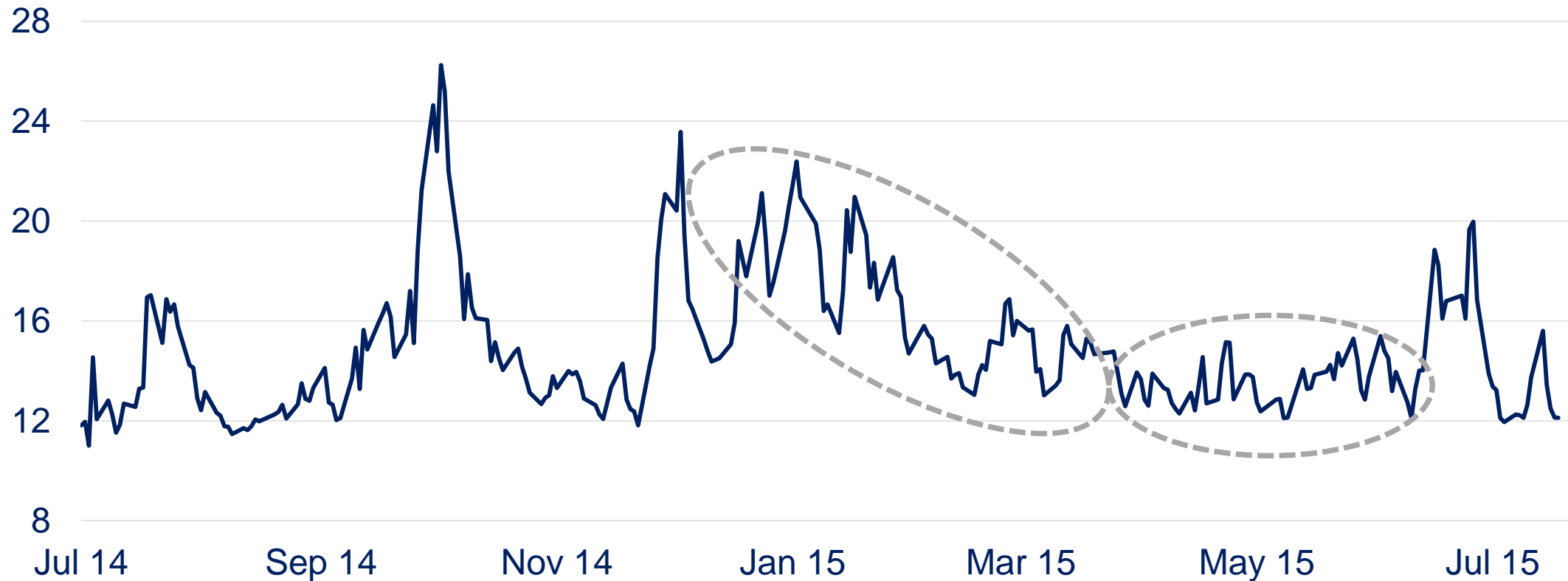
\$m	H1 '15	H1 '14	Chg
Net revenue	48.2	30.2	60%
Actives – CFDs (000s)	36.0	26.7	34%
FTDs – CFDs (000s)	22.2	16.0	39%

## Performance in May and June 2015

\$m	2015	2014	Chg
Net revenue	11.6	12.3	-5%
Actives – CFDs (000s)	21.7	17.9	21%
FTDs – CFDs (000s)	7.4	5.0	47%

# LOW MARKET VOLATILITY IN MAY AND JUNE

MARKETS' REVENUES IMPACTED IN FINAL TWO MONTHS OF H1

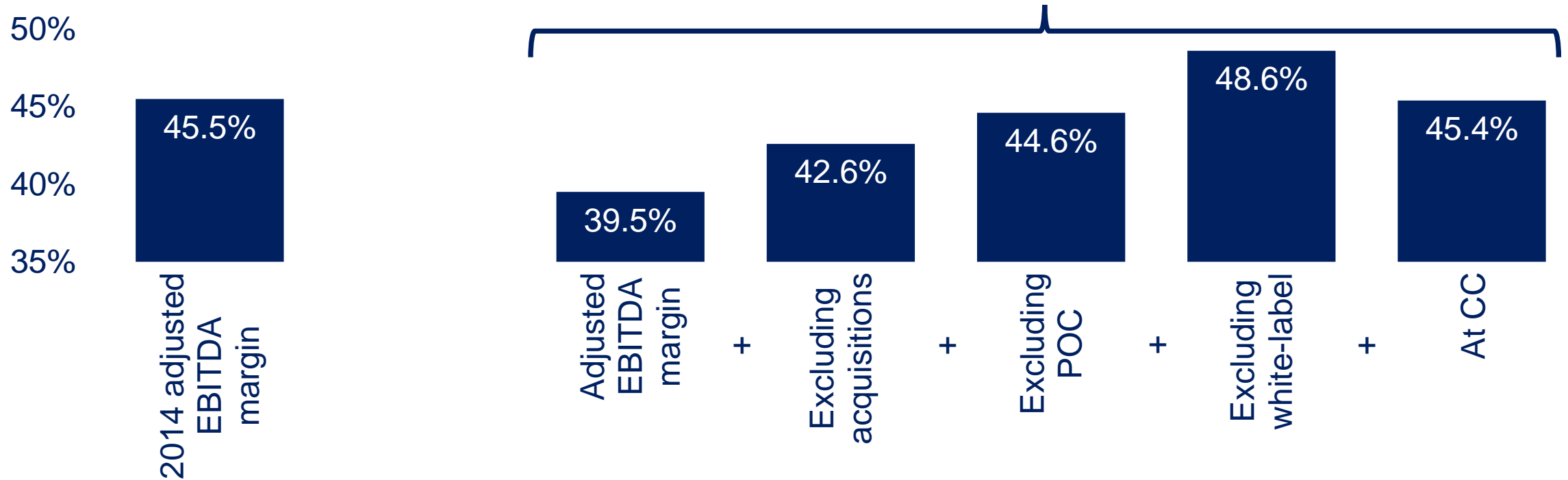


Source: Chicago Board Options Exchange SPX Volatility Index

# MARGIN ANALYSIS

MARGINS IMPACTED BY ACQUISITIONS, POC AND WHITE-LABEL

2015 EBITDA margin



# COST ANALYSIS

€m	H1 2015		H1 2014	
Adj. operational costs	173.1		116.8	
Revenue-driven costs	28.8	10%	17.1	8%
<b>Adj. operational costs excluding revenue-driven costs</b>	<b>144.3</b>		<b>99.7</b>	
Employee-related costs	84.9	59%	62.7	63%
Cost of services	20.7	14%	14.4	14%
Admin and office costs	13.7	10%	10.5	11%
Other costs	11.2	8%	7.4	7%
Marketing – white-label / B2C	7.0	5%	-	-
Travel, exhibitions and marketing	6.7	5%	4.8	5%

# CASHFLOWS

## HIGH CASH GENERATION AND CASH CONVERSION

- Operating cash inflows of €96.4m in H1
- Further inflows from financing activities
  - net proceeds of €313m through an equity placing to fund future acquisitions
  - €240m of new debt facilities
- Net cash outflows from investing activities totaled €301.8m including
  - €177m of this related to acquisitions made in the period including TradeFX and YoYo Games
  - €16m related to the investment in structured agreements and other equity-accounted associates
  - €84m related to investment in shares in Ladbrokes and Plus500
- Strong operating cashflows support 19% increase in H1 total dividend payout

# BALANCE SHEET

## RETAINING SIGNIFICANT FINANCIAL FLEXIBILITY

- Over €1bn committed on strategic M&A in the first half
- Total assets more than doubled to stand at c.€2bn
- Maximum earn-outs totalling c.€260m
- €240m of new facilities and net proceeds of €313m from equity placing
- Financial flexibility retained
  - Gross cash expected at year end
  - Potential for future further debt funding

# AGENDA

Highlights

Financial review

The Financials division

Operational and  
strategic review

Q&A



**Alan Jackson**  
Chairman



**Ron Hoffman**  
Chief Financial Officer



**Mor Weizer**  
Chief Executive Officer

# GLOBAL FINANCIAL TRADING

**Increased acceptance of CFDs  
as an asset class**

**Absence of similar investment products**

**Increase in global online penetration**

**Technological advances**

**Increased investment appetite  
by retail customers globally**

**Facilitate access to financial markets  
/ ease of access**

# STRATEGIC RATIONALE

- High growth and regulated industry
- Leveraging our infrastructure and existing expertise
  - similar business fundamentals, many financial trading founders are from gambling backgrounds
  - financial trading has similar attributes, maximise revenue per user, minimise cost per acquisition
  - driven by online marketing, CRM expertise, and technology
- Scale advantages in becoming one of the largest B2C providers in the space
- Highly accretive, substantial free cash flow conversion

# THE FINANCIALS DIVISION

A MARKET LEADER IN B2C MARKETS



## The Financials division in numbers in 2014

- Total revenues of \$375m
- Adjusted EBITDA of \$198m
  
- 170,000 active customers
- 110,000 FTDs
- Significant geographical and product diversity with 7 regulatory licenses

# MARKETS LIMITED: A SINGLE DIVISION

- Operating a multi-brand B2C business
- Significant technological advantages providing a competitive edge
- Centralised back-office infrastructure to support the activity across the business
- Combined optimised marketing strategy
- Benefitting from multi-licensing and geographical diversity
- Expand product offering

# REPORTING OF PERFORMANCE

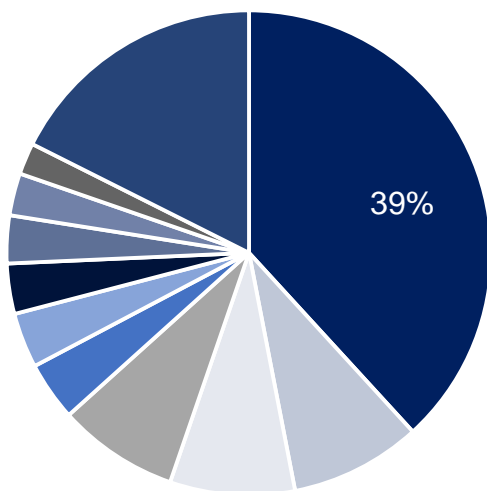
KPIs TO BE REPORTED FOR THE FINANCIALS DIVISION AS A WHOLE

P&L	Other KPIs
Revenues	Actives
EBITDA	FTDs
Geography (Europe, Asia, ROW)	

# A DIVERSIFIED BUSINESS

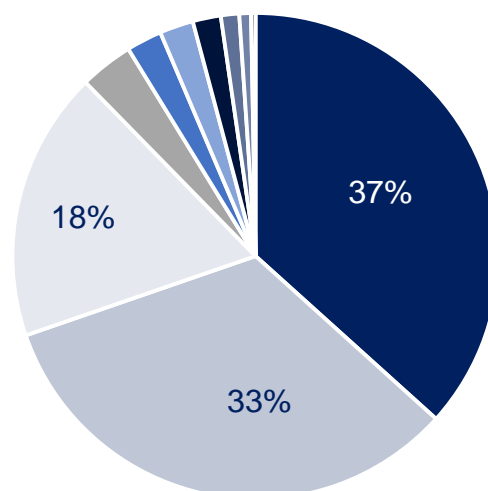
€800M OF PRO-FORMA GROUP REVENUES IN 2014 WITH 60% REGULATED

### 2014 revenue by customer



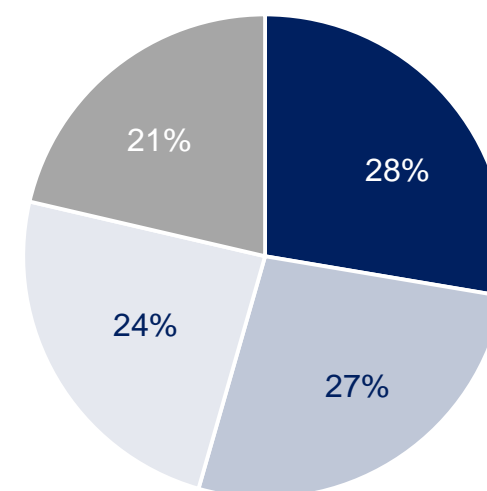
- Financial trading customers
- Gaming - customer 1
- Gaming - customer 2
- Gaming - customer 3
- Gaming - customer 4
- Gaming - customer 5
- Gaming - customer 6
- Gaming - customer 7
- Gaming - customer 8
- Gaming - customer 9
- Gaming - other customers

### 2014 revenue by product



- CFDs
- Services
- Casino
- Sport
- Land-based
- Binary options
- B2B - Financial trading
- Bingo
- Poker
- Other

### 2014 revenue by geography



- Rest of World
- Asia
- Mainland Europe
- UK

# AGENDA

Highlights

Financial review

The Financials division

Operational and  
strategic review

Q&A



**Alan Jackson**  
Chairman



**Ron Hoffman**  
Chief Financial Officer



**Mor Weizer**  
Chief Executive Officer

# KEY DRIVERS OF GAMING PERFORMANCE

## CONTINUING GROWTH FROM REGULATED MARKETS

- Strong growth across regions and product verticals
- Growth split between new business and existing licensees
- Regulated revenues growing faster than .com revenues
  - contributing 80% of incremental H1 Gaming growth (at CC)
  - 40% of H1 2015 Gaming revenues (H1 2014: 35%, H2 2014: 38%)
  - increasing majority of European revenues from regulated markets

# OPERATIONAL HIGHLIGHTS

- Continued progress with Playtech ONE Omni-Channel offering
  - launched first Omni-Channel HTML5 front-end solution with Ladbrokes
  - Omni-Channel offering continuously extended and upgraded to including additional retail components
- Good progress made with structured agreements
- Strong momentum across Europe, Latin America and elsewhere
- Merger of Gala Coral and Ladbrokes announced in July
  - £75m consideration under marketing services agreement, conditional on completion
  - shareholding in Ladbrokes increased to 9.7% evidencing strategic alignment

# STRATEGY IN GAMING REMAINS THE SAME

## FOCUS ON REGULATED MARKETS

- Supporting the organic growth of existing licensees
- Extending existing relationships to new products, new services and new territories
- Signing new licensees
- Structured agreements
- M&A

# A UNIQUE OFFERING

PLAYTECH'S TECHNOLOGY AND EXPERIENCE IS UNRIVALLED

- Playtech's IMS driven omni-channel offering is a key differentiator and unique proposition
- Unmatchable resource and investment dedicated to R&D
- Largest content portfolio in the industry
- Big data analysis from 120 licensees
- Maintaining the largest independent liquidity pools in both bingo and poker



# CONTINUED INNOVATION

## EXTENDING OUR LEAD

- Mobile is yesterday's story
- Industry needs to align itself with the information age
- Getting a lot more from the same
- Omni-channel is more than just integrated products... it's a holistic approach
- Customer centric approach is in the “doing” not just in the “talking”

# MAKING BUSINESSES MORE INTELLIGENT

AN ENTIRE SUITE OF TOOLS TO ENHANCE OPERATIONS

Game Advisor	Churn Detection
Optimiser	BI Reporting
Smart Installer	LTV Prediction
Segmentation	RTP Monitoring

- Tools designed to increase LTV, lower churn rates and improve the customer journey
- Based on advanced algorithms and benchmarks against big data from customers with similar profiles
- All integrated into the IMS including marketing and CRM systems
- All information and operational flows are fully automated – proactive vs reactive approach
- A fully personalised solution enhancing the player experience
- Strong results from licensees who have launched so far

# MAKING BUSINESSES MORE INTELLIGENT

## GAME ADVISOR

“To improve the customer journey and ensure that the player is being advised of the games that best fit them using a fully personalised approach based on the player’s characteristics, increasing life time value of customers and reducing churn rates”

**+15% to +31%**

increase in average player value

**+7% to +17%**

increase in average no. of sessions

**+10% to +20%**

increase in average session length

# MAKING BUSINESSES MORE INTELLIGENT

## CHURN DETECTION

“To reduce the churn rates and increase LTV (by retaining the players). Playtech BI collects the player’s data, analyses this and based on an algorithm assigns a churn probability (between 0 and 1), after factoring multiple variables of players activity, to each player and update the licensees’ IMS with the information.”

**+70%**  
**to**  
**+80%**

Accuracy of predicting two events:

- which players will churn
- which players will not churn

The accuracy is the percentage of players predicted to leave (who did leave) plus the players predicted to continue playing (who did)

# MAKING BUSINESSES MORE INTELLIGENT

## OPTIMISER

“Provides licensees with a tool to run real-time web personalisation & optimisation. With a short and easy integration licensees can run optimisation campaigns within minutes without the need of developers or IT.”



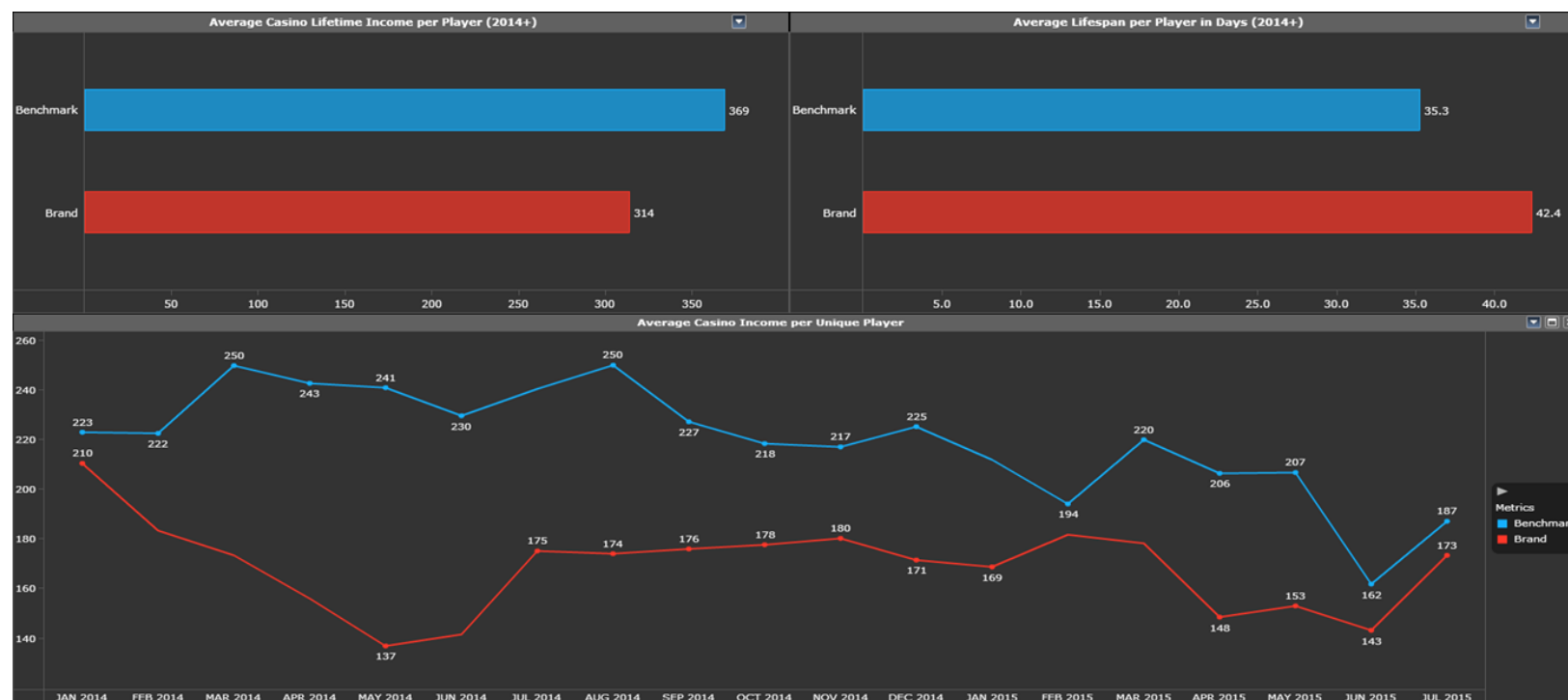
# MAKING BUSINESSES MORE INTELLIGENT

## BI REPORTING AND BENCHMARKING

“Provides users with the ability to slice and dice data from various products.

Playtech BI collects player’s data, analyses & aggregates it, and provide reporting interface to the user

Users can run their own data analysis with the tool, explore information and view statistics in a very intuitive and easy to use tool.”



# MAKING BUSINESSES MORE INTELLIGENT

## SMART INSTALLER

“To provide licensees with a smart installer tool that can increase conversion and prevent churn with each smart installer customised specifically to the requirements of each licensee and brand.”

The installer has the capability to run marketing campaigns, survey players, run fully automated AB tests etc.”

**69%**

increased in sign-ups

**16%**

increase in FTDs

# NEW BUSINESS PIPELINE

PLAYTECH IS THE NATURAL CHOICE IN REGULATED MARKETS

- Strong pipeline with significant opportunities across CEE, Latin America, Africa and elsewhere – new licensees and structured agreements
- Sports remains an untapped market with significant potential as the gateway to other products and deployment of omni-channel
- Continued focus on regulated markets
- Ability to offer full product suite, including Sports, together with full turnkey solution are key differentiators

# CAPITAL ALLOCATION

M&A REMAINS A KEY PART OF OUR STRATEGY

- Continued focus on M&A to augment organic growth
  - strengthening existing positions in key areas such as sports, mobile, content
  - extending to new product areas such as advanced marketing technologies and capabilities
  - extending our geographical reach
- Both strategic opportunities and bolt-on acquisition
- Good M&A pipeline both in Gaming division and Financials division

# CURRENT TRADING AND OUTLOOK

MOMENTUM FOR REMAINDER OF 2015 AND BEYOND

- Strong current trading in both Gaming and Financials divisions
- Strong pipeline in Gaming division
- Clear plans for Financials divisions
- Financial flexibility retained for further M&A to augment organic growth

# AGENDA

Highlights

Financial review

The Financials division

Operational and  
strategic review

Q&A



**Alan Jackson**  
Chairman



**Ron Hoffman**  
Chief Financial Officer



**Mor Weizer**  
Chief Executive Officer

# Appendices



# GAMING MOBILE PENETRATION

INCREASE FROM 15% TO 20% OF SOFTWARE REVENUES IN H1

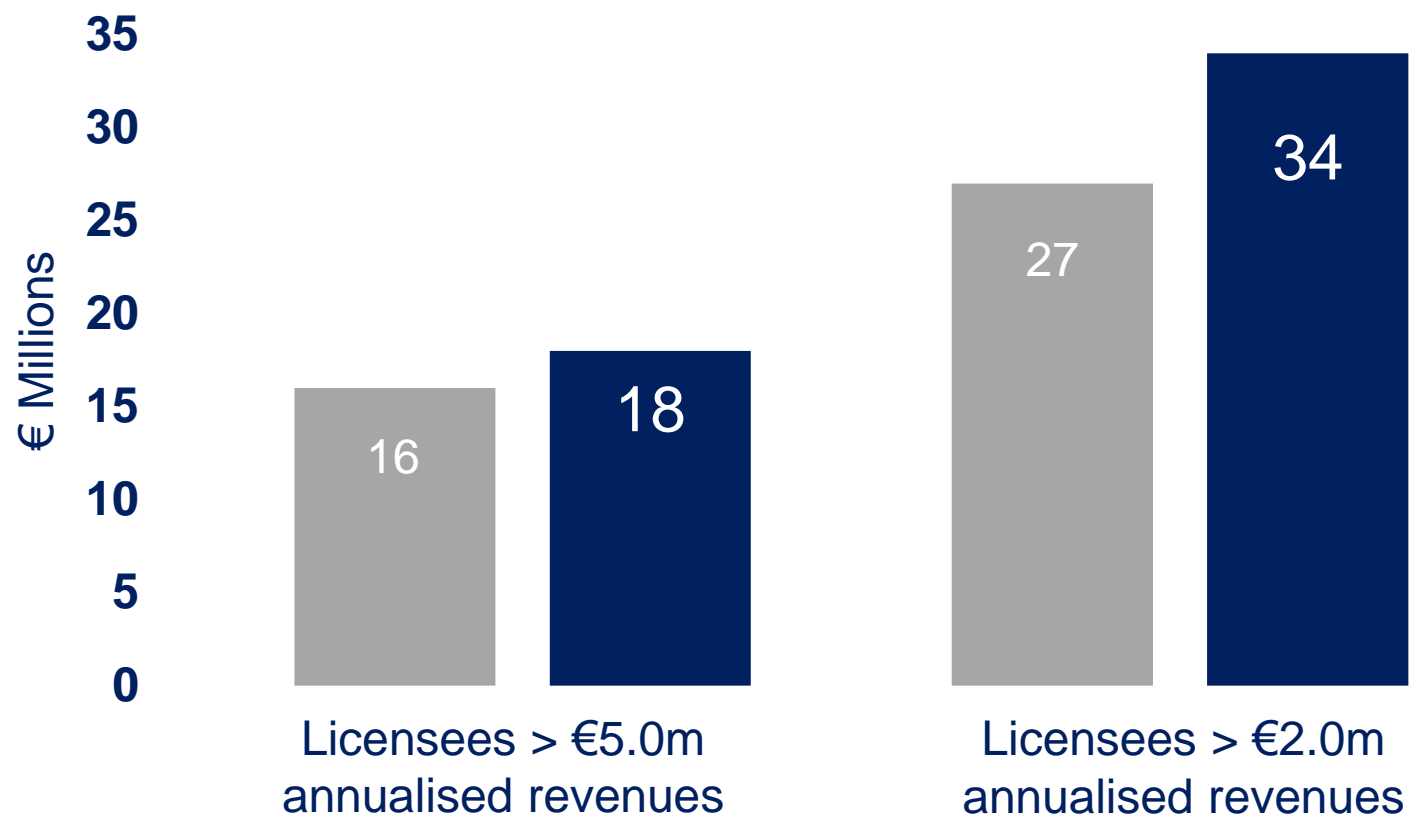
PRODUCT VERTICAL	H1 2014 (€M)	H1 2015 (€M)	GROWTH %
Casino	10.4	19.9	94%
Sports	10.2	13.4	29%
Bingo	1.1	1.7	51%
Poker	0.1	0.2	234%
<b>Total</b>	<b>21.8</b>	<b>35.2</b>	<b>64%</b>

# REGULATORY SPLIT OF GAMING GROWTH

REGULATED MARKETS DRIVING 80% OF H1 GAMING GROWTH AT CC

<b>Growth (ex acq)</b>	<b>26%</b>		
<b>Regulated</b>	42%	Existing	25%
		New business	17%
<b>.com</b>	18%	Existing	16%
		New business	2%

# GAMING CUSTOMER CONCENTRATION



Licensees	H1 2014	H1 2015
Top 5	54%	53%
Top 10	75%	72%
Top 15	83%	81%

# Thank You

