

# Proposed Acquisition of TradeFX Limited

April 2015

- Proposed acquisition of majority stake 91.1% (on a fully diluted basis) in **TradeFX Limited** an **established, profitable and growing** online CFDs and binary options broker
- Majority stake in TradeFX Limited beneficially owned by Teddy Sagi and accordingly represents a related party transaction under the Listing Rules
- **Initial cash consideration of €208m, equating to c.5x annualised run rate EBITDA\***
- **Total consideration capped at €458m, with earn out set at 8x adjusted FY 2017 EBITDA, less initial consideration**
- Remaining 8.9% retained by TradeFX Limited management team who will remain in the business
- Acquisition expected to be significantly earnings accretive immediately after completion



- Established track record of expanding through acquisition into complementary gambling and adjacent industry verticals, including:
  - Real money gaming and services: William Hill Online, Tribeca Poker, VF Bingo, Mobenga, Geneity, and PTTS
  - Adjacent verticals: Social, Live and Casual Gaming
- Strategic priority for any acquisition has been and is to enhance Playtech's existing capabilities or to diversify into dynamic growth markets, with similar characteristics to the gambling industry
- Playtech has been able to accelerate the strategic initiatives of its acquisition targets through the benefit of embedded expertise, as well as revenue and cost synergies
- Identified acquisition targets must provide Playtech with a viable entry point, scale and an established position in the chosen vertical
- **CFDs and binary options identified as a natural vertical and attractive growth market, with a broad range of both organic and acquisition opportunities in this sector**

- The Board adopts a rigorous approach when evaluating acquisition opportunities and each target must demonstrate the following characteristics:
  - Profitable, highly cash generative businesses with a focus on high quality revenue and profit streams
  - Well-invested assets at a strategic or operational inflection point in their development
  - Ability to leverage revenue and cost synergies
  - Strong management with proven track record, incentivised to grow the business post-acquisition
  - Driven by similar DNA, core competencies, with a strong cultural fit
- **Transactions must be highly accretive to existing Playtech shareholders**

- The Board considers that TradeFX Limited provides the best entry point for Playtech into this attractive growth market and that **it satisfies all of Playtech’s acquisition criteria:**

<b>In line with stated strategy</b>	<ul style="list-style-type: none"> <li>• Established business in regulated, high growth industry, with similar fundamentals to the Group’s existing operations and capabilities, with high quality regulated earnings</li> </ul>
<b>Excels in all necessary competencies</b>	<ul style="list-style-type: none"> <li>• CRM and user acquisition capabilities</li> <li>• Proprietary technology being a key differentiator</li> <li>• Product expertise</li> </ul>
<b>Strategy to drive future growth</b>	<ul style="list-style-type: none"> <li>• Well-placed to accelerate TradeFX’s five-pillared growth strategy through Playtech’s established technology and CRM capabilities and expertise</li> </ul>
<b>B2B opportunity</b>	<ul style="list-style-type: none"> <li>• TradeFX’s B2B business is currently underdeveloped relative to its B2C businesses, leaving opportunities to form strategic partnerships in both the CFD and binary option markets</li> </ul>
<b>Strong senior management team</b>	<ul style="list-style-type: none"> <li>• Senior management team will remain with, and are incentivised to drive growth in, the business</li> <li>• Strong technical background, combined with experience of online marketing and customer acquisitions, has led to an emphasis on developing an innovative, efficient offering</li> </ul>
<b>Well known to Playtech</b>	<ul style="list-style-type: none"> <li>• TradeFX well known to Playtech; a trusted seller</li> <li>• Provides a strong cultural, operational and strategic fit</li> </ul>

- An **established, profitable and growing** online CFDs broker and trading platform provider offering services in **more than 100 countries** and in **over 25 languages**
  - **Licensed and regulated** in the EU (Cyprus) and South Africa
  - **Over 500 employees** globally, with offices in **5 countries**
  - **Network of more than 5,000 introducing brokers** and affiliates
- Sophisticated real-time risk management procedures in place
- Offers innovative proprietary technology, utilising **“big data”**
- Revenue generating activity either **locally regulated, passported under European licence framework** or **on-boarded under EU licence**
- Expanding into **new territories**
- Launching **mobile offering**



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1

B2C



Regulated, secured, easy-to-access CFD and FX trading on multiple platforms with full cross-channel experience, supported by award-winning multi-lingual customer service



2

B2B



Keystone Technologies is a one-stop-shop B2B provider, offering a full suite of products (e.g. trading platforms, CRM) and services (e.g. sales, marketing) to online brokers and providers



3

Binary Options



A proprietary platform offering an extensive range of smart, user-friendly binary options products, services and trading tools, made accessible to everyone



- TradeFX has developed a suite of proprietary software, focused on increasing conversion rates, maximizing client lifetime value and improving operational efficiency. These include:
  - **Proactive CRM** - data driven platform that enables call centers to efficiently convert and retain clients. Directing the right sales person to the right client, at the right time, with the right offering.
  - **Intuitive web and mobile CFD trading platform** - allowing for smooth client on-boarding and enhanced engagement
  - **Programmatic media buying platform** - advanced algorithms using machine learning tools
  - **Binary Options Platform** - available on web, mobile and tablet
  - **Business intelligence tools** - used by the CRM, trading platforms, risk management tools and media buying platform
  - **Flexible back-end for all trading platforms** - flexible configuration (spread, risk settings, bonuses, promotions etc.) per instrument, client or segment

# Financials Highlights and Current Trading



## Key financial and operational metrics

\$m	FY12	FY13	FY14
Net Revenue	42.9	77.3	87.8
<i>Growth</i>	NA	80%	14%
EBITDA	6.1	35.3	34.9
<i>EBITDA Margin</i>	14%	46%	40%
<i>Profit before tax</i>	3.5	33.0	31.8
<i>Active customers - core Business CFDs ('000)</i>	36.4	36.7	41.6
<i>FTDs - core Business CFDs ('000)</i>	29.7	27.3	32.4

- Highly cash generative
- High cash conversion from EBITDA
- Attractive EBITDA margins
- Robust balance sheet

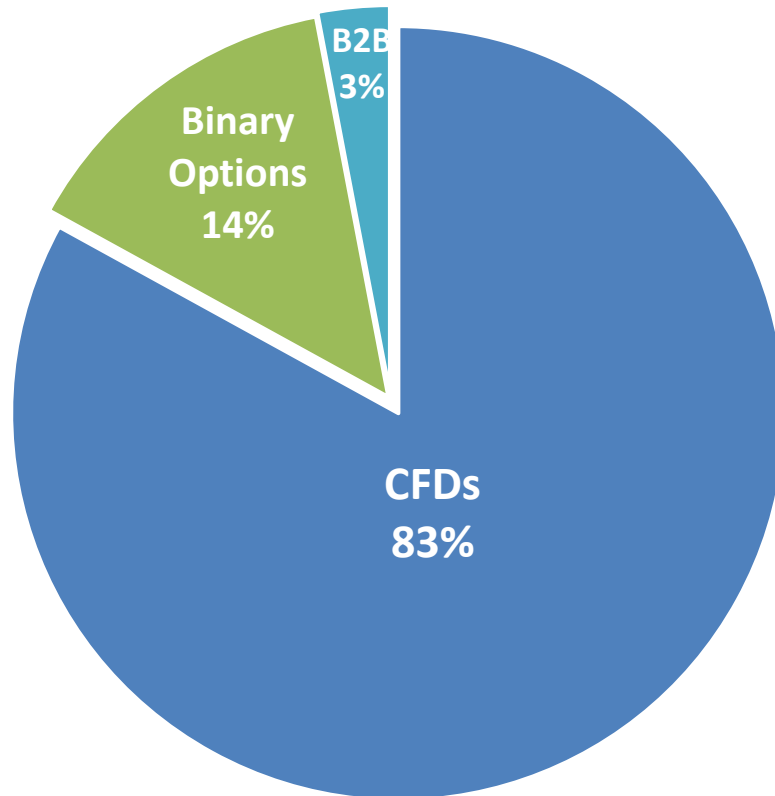
## Current Trading – Q1 2014 vs. Q1 2015 \*

\$m	Q1 2014	Q1 2015*
Net Revenue	14.7	27.2
EBITDA	0.6	12.0
<i>Active customers - core Business CFDs ('000)</i>	20.0	23.9
<i>FTDs - core Business CFDs ('000)</i>	8.4	10.8

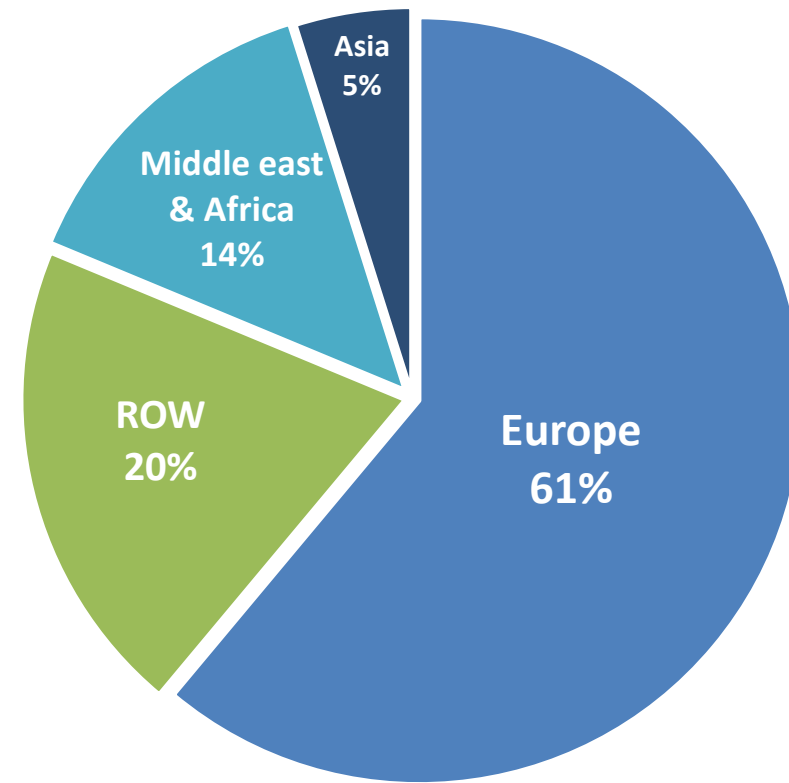
\* Q1 2015 current trading results: actual data until 29 March 2015 (3 trading days short of month end)

\*\* EBITDA actual data to 29 March 2015, with a weighted allocation of costs

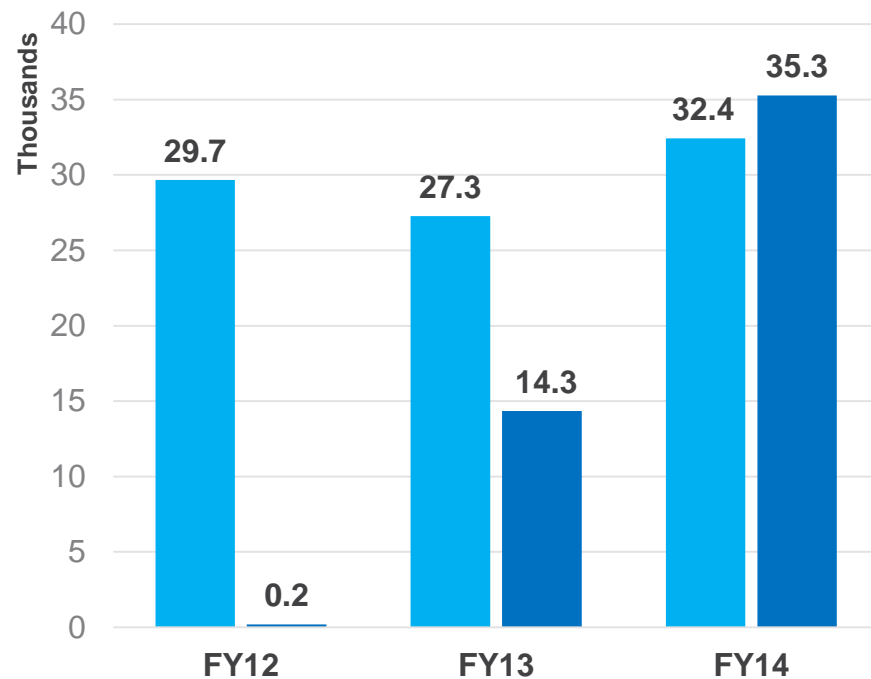
## Revenues by Business Unit FY 2014



## Gross revenue by Region FY 2014

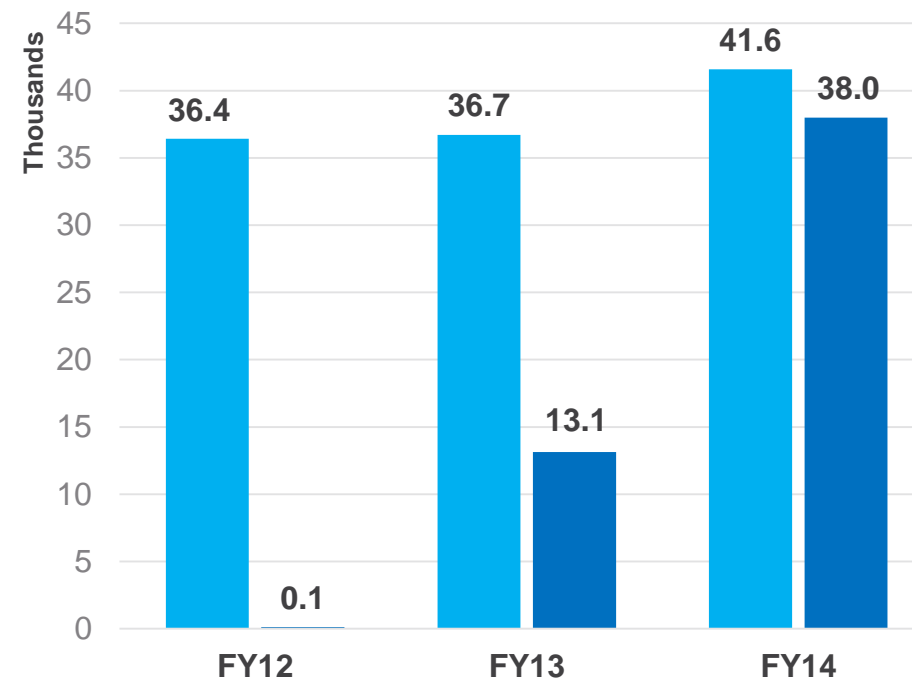


## Number of new Accounts (FTDs)



CFD/FX Binary Options

## Number of Annual Active Customers



CFD/FX Binary Options

*New Accounts:*

*Number of customers depositing for the first time ever*

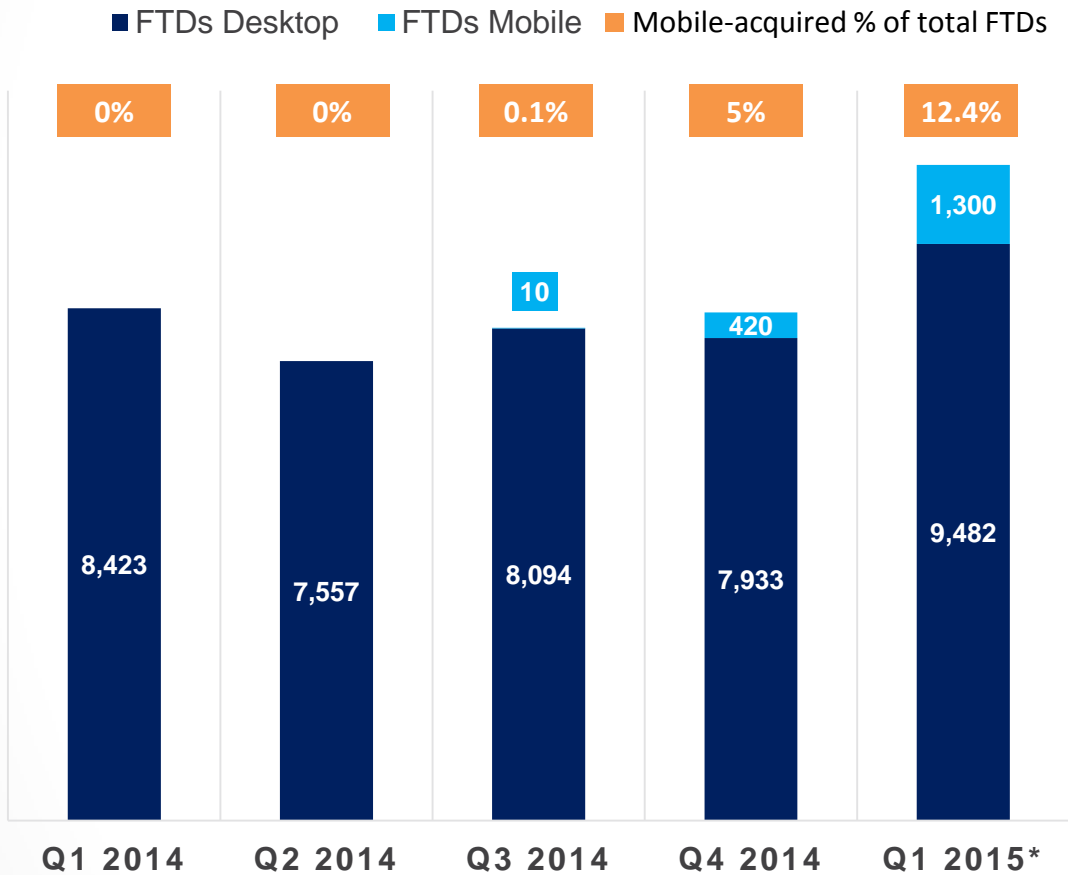
*Active Accounts:*

*Number of customers who make at least one real money trade during the period*

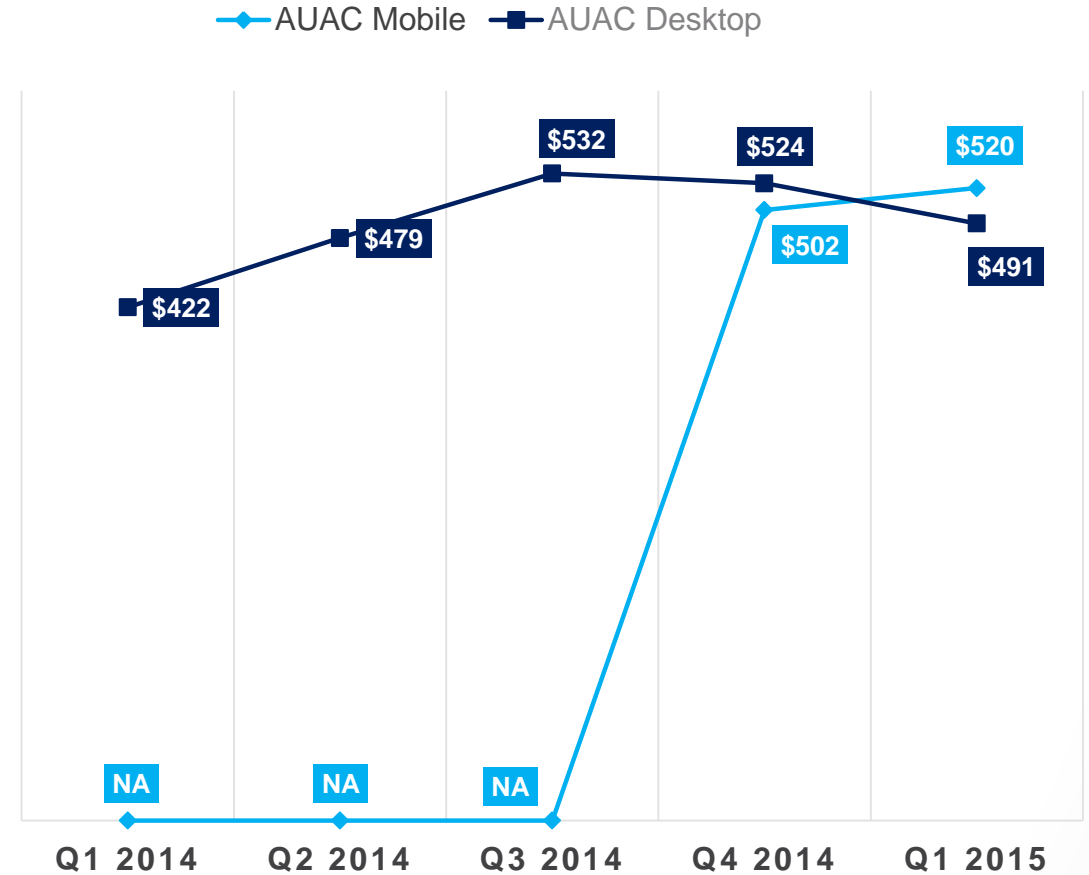
# Mobile-acquired FTDs and AUAC (CFDs/FX)



## Mobile-acquired FTDs as % of total FTDs

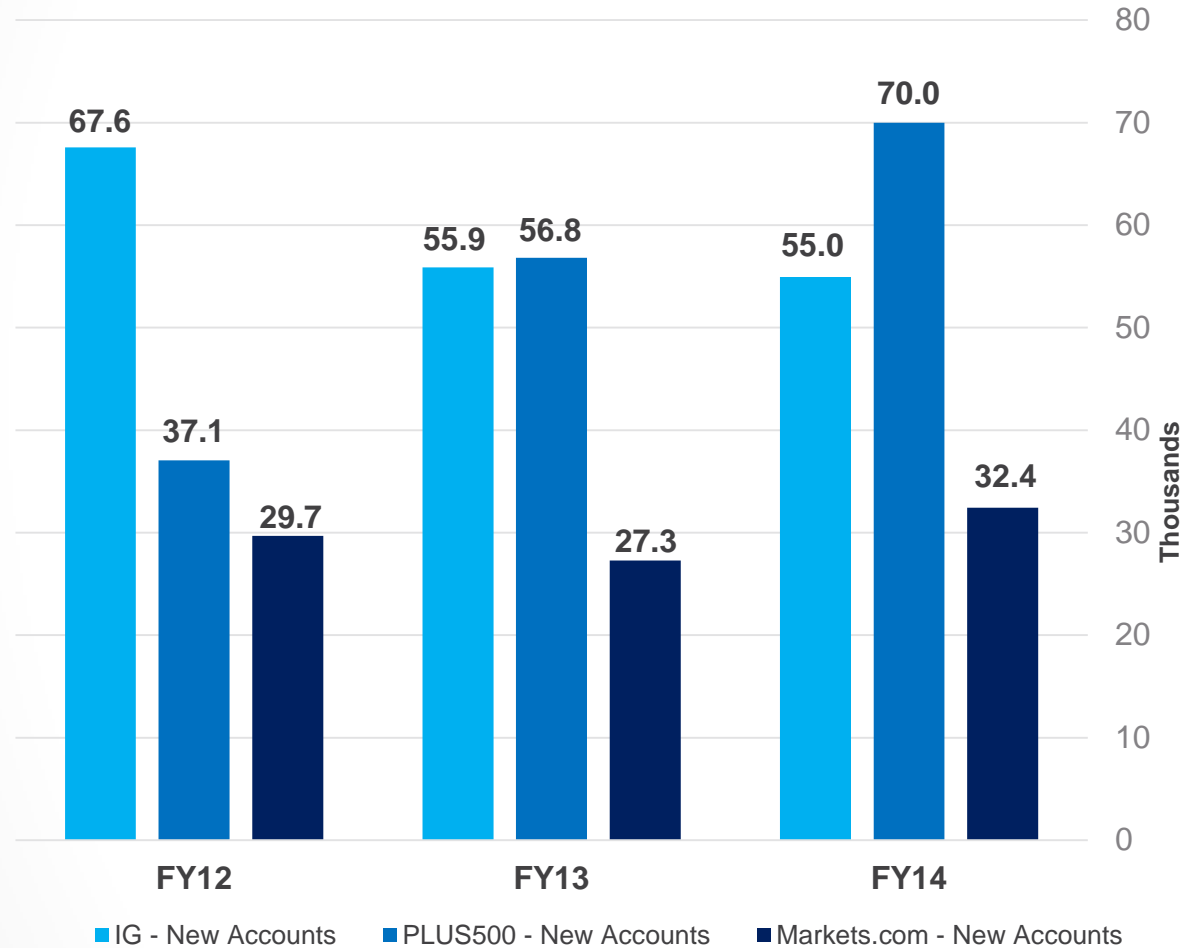


## Average User Acquisition Cost (AUAC) – Mobile vs. Desktop



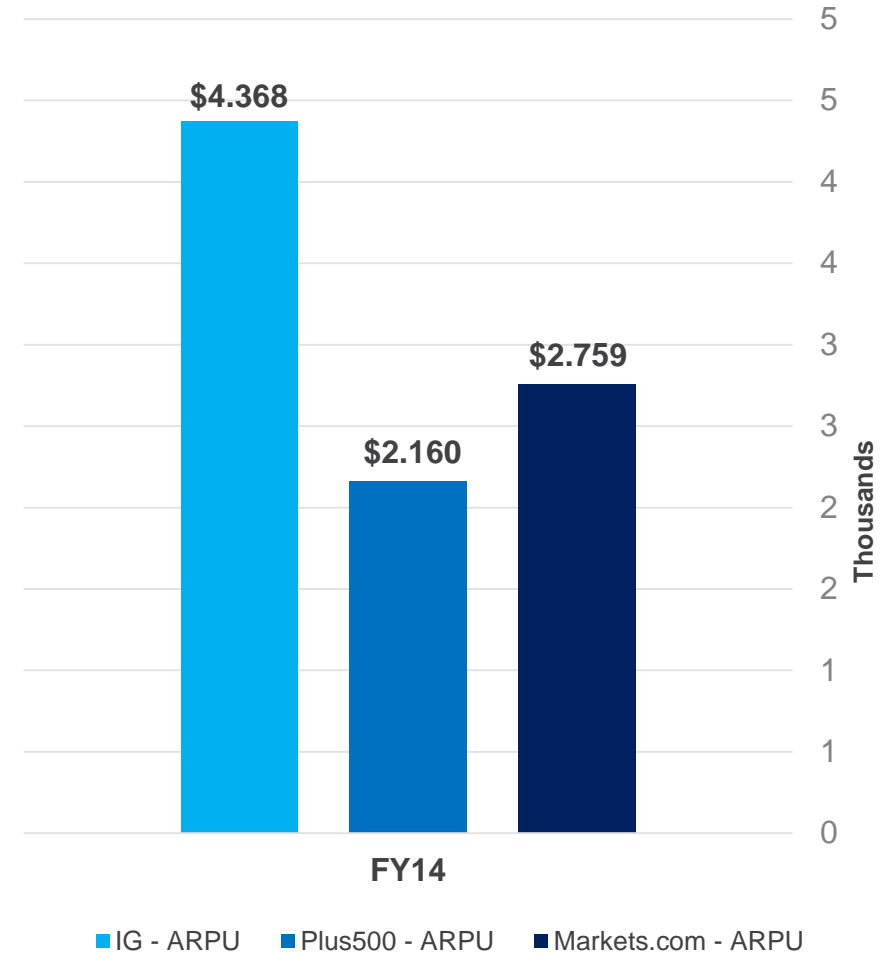
\* Q1 2015 results: actual data until 29 March 2015 (3 trading days short of month end)

## Number of new Accounts



\* Core Business: B2C CFD/FX (excluding B2B and Binary Options)

## Average Revenue Per User - ARPU



**Note:** the IG ARPU has been calculated using an exchange rate of £1:\$1.49

## TradeFX Limited: Five growth pillars

### Mobile

Launched intuitive user-friendly mobile app in Q4-2014

Personalised mobile-based alerts and notification system to increase engagement and ARPU

Mobile as a key acquisition tool

### Geographies

Aggressively expand to new geographies

Deepen penetration in existing geographies (via mobile)

### Data Science

Use of programmatic buying machine to improve marketing ROI

Data driven personalised promotion to increase conversation rate and improve retention

### B2B

Form new strategic partnerships in new markets (e.g. A1FX in Turkey)

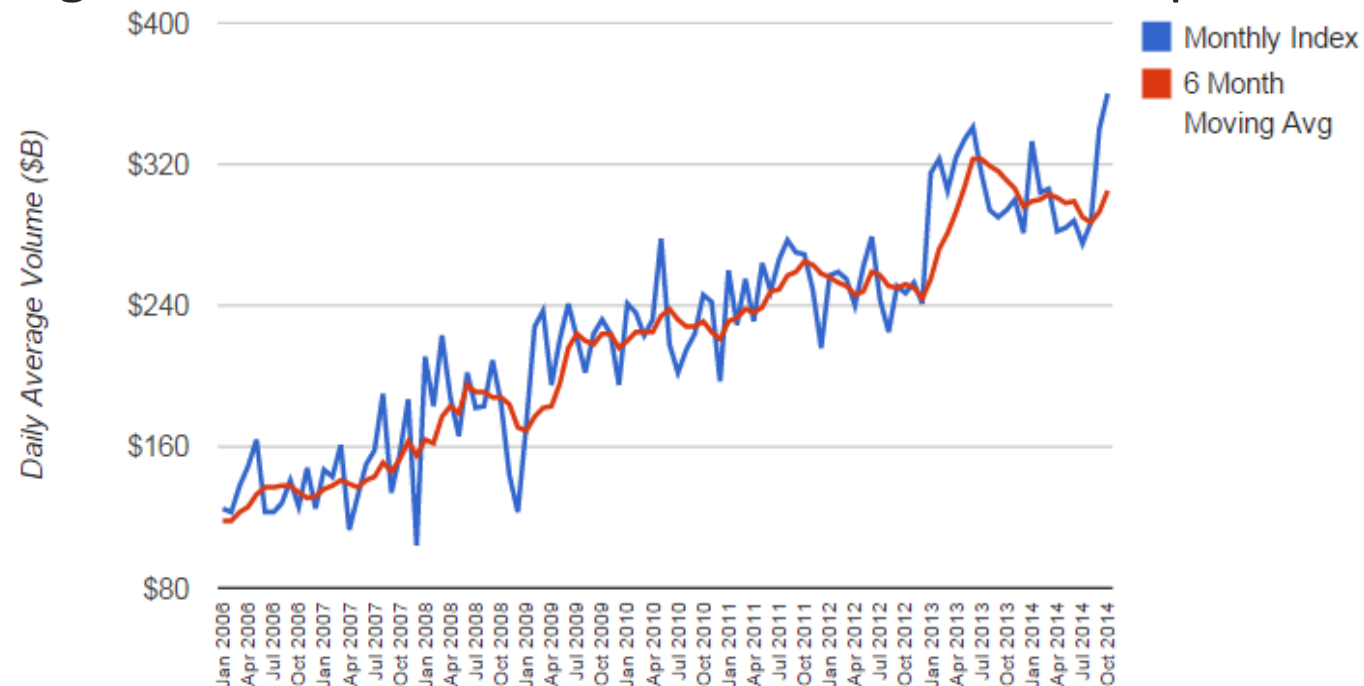
Launch new binary options technology deals

### M&A

Explore selective M&A opportunities across verticals and geographies, capitalising on our B2B, mobile and data science capabilities

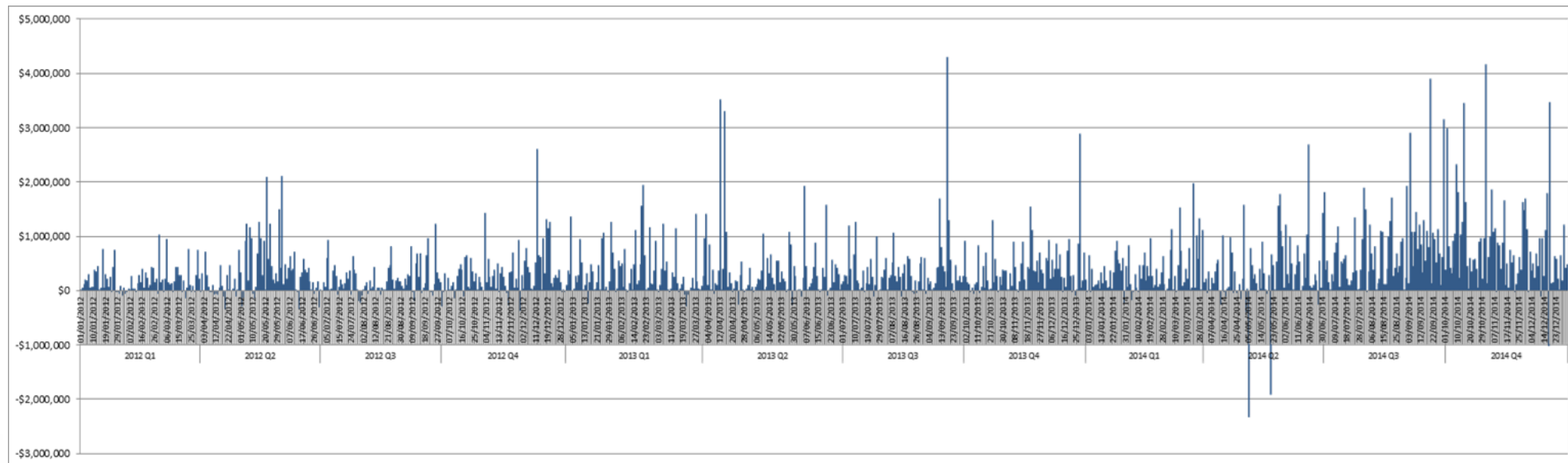
- TradeFX holds option to acquire another mid-size CFD broker
- Will enhance TradeFX offering:
  - Additional accounts
  - Additional know-how
  - Access to incremental large number of introducing brokers
  - Opportunities to create cost synergies through migration to the TradeFX proprietary trading platform and risk management
  - Opportunities to create revenue synergies through the application of the TradeFX technology, mobile offering and binary options

- Global average **daily FX turnover \$5.3tr** (per day) in April 2013 rising from \$4.0tr in 2013 (BIS)
  - Turnover in **EUR/USD rose +18%** (April to October 2014) to **\$805bn per day**
  - Turnover in **USD/JPY rose +23%** (April to October 2014) to **\$430bn per day**
- Retail FX trading accounted for **3.5%** of total and **3.8%** of spot turnover (BIS)



- **Licensed and regulated in EU (CySEC), South Africa (FSB)**
- Maintain collaborative and constructive relationships with all relevant regulatory authorities
- All licensed entities are managed independently, with specific support, financial reporting, risk, compliance, and back office processes tailored to local regulation
- Independent internal/external auditors, local compliance/AML officers and legal advisors
- Customer funds held in segregated accounts with top tier banks such as Credit Suisse and RBS in Switzerland and UK respectively

- **Real-time automated risk monitoring** to enhance capital preservation
- Large pool of accounts, **diversified** across **products** and **geographies**, including real-time risk profile scoring per client - significantly reduces risk concentration
- Multiple location, **specialised risk management team** overseeing the Company's capital position 24/7
- Daily income statement (FY2012-2014) shows consistently positive revenue distribution



- **Consideration based on 8x adjusted EBITDA capped at €458m, comprising:**
  - Initial **all cash consideration** of €208m, to purchase **91.1%** stake (on a fully diluted basis); and
  - Additional cash consideration of up to **€250m** payable in 2018 based on 8x 2017 adjusted EBITDA, net of the initial consideration.
- Management to retain **8.9%** stake (on a fully diluted basis) subject to a call option
  - **Management committed to remain involved with TradeFX for at least 3 years following completion**
  - **Call option** for Playtech over Management stake, exercisable between 2019 and 2021, based on 8x adjusted EBITDA\*, with a valuation cap of **€914m** (equating to €81.3m for 8.9%) for 100% of the business
- **Non-compete subject to limited exceptions**

- Telesphere, owned by a trust of which **Teddy Sagi** is the beneficiary, controls **82.3%** (on a fully diluted basis) of TradeFX Limited, with other founders and management holding the balance of TradeFX
  - Telesphere is selling its entire holding as part of the Transaction
- Transaction is classified as a **related party transaction** under the Listing Rules
- **Transaction is conditional upon approval by the Independent Shareholders at the General Meeting**
  - Brickington unable to vote at General Meeting

- Formal indications of support in respect of shareholder vote sought before launch and before midday on 1 April 2015
- Key dates:
  - Transaction announced on **2 April 2015**
  - Shareholder Circular posted **ASAP thereafter**
  - General Meeting to be convened for **late April 2015**
  - Completion expected within **3 months of announcement**, following Cypriot regulatory approval
  - Long stop date of **30 September 2015**