



Playtech BGT Acquisition Announcement

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Key Highlights

Mor Weizer

Chief Executive Officer, Playtech

Welcome

Good morning everybody and thank you for joining us on this call to discuss Playtech's acquisition of BGT which we were delighted to be able to announce this morning. I am Mor Weizer, Chief Executive Officer of Playtech and with me is Ron Hoffman our Chief Financial Officer. I will take you through the key highlights of the deal before handing over to Ron to discuss the financials. We will then be happy to take questions.

The digital future for retail operators

We believe that the future of gaming is for retail operators to digitise their offering. The modernisation and the digitisation of betting shops not only improves the retail experience and drives retail growth, but also adds a whole new channel as it integrates into an online offering extending the reach to a new generation that is looking for a simple and intuitive self-service digital terminal and online formats.

Given our experience in regulated markets the future of gaming will see retail operators fully integrate the land-based and online offer enabling them to create a seamless customer experience. This follows the same trends that we see in other commercial sectors around the world, providing a solution for customers who are more attracted to digital formats.

BGT

BGT is the leading provider of sports betting software and solutions for gaming and sports betting operators in one of the fastest growing verticals of our industry. Like Playtech, it operates a revenue-share model and ensuring that they become a true partner to the customer with greater alignment of risk and reward. Its customer base includes, amongst others, some of the most well-established bookmakers in the UK and Spain, such as BetFred, Codere, Coral, Ladbrokes, Paddy Power, Betfair and William Hill. In addition to BGT's complementary customer base that includes many of the most profitable bookmakers in the UK, the acquisition will provide Playtech with greater penetration into the Spanish and Italian markets with several significant potential new customers in the pipeline.

With many countries continuing the trend towards regulation around the world, and with sports often being the first to be regulated, the acquisition of BGT will maintain Playtech's first-mover position, enabling us to capture the opportunity. BGT's flexible and advanced technology and proven track record ensures that it will be able to further expand into different markets and continue to grow its terminal and customer base rapidly.

BGT's main product is its proprietary software for self-service betting terminals, known as SSBTs. Its offering combines best-in-class technology with a digital terminal that revolutionises the traditional over-the-counter experience, at times generating more than double the volumes of other SSBT providers. The acquisition of BGT provides Playtech with the ability to further cement its position as the only company that will have ePOS and till systems focused on SSBTs all integrated with the world's leading online platform and products.

It also enhances Playtech's sports offering which will enable us to realise the potential of a true omni-channel offering for the benefit of the consumers and operators alike. Outdated sports systems that offer one or two elements and are focused on risk and odds management are simply not as relevant in today's omni-channel world. BGT's highly sophisticated technology will enable Playtech to drive the seamless integration of off-and-on-line gaming with its own platform and offer the combined product suite from the outset.

With that I will hand over to Ron for the financials.

Financials

Ron Hoffman

Chief Financial Officer, Playtech

Thank you Mor, and good morning everyone. As Mor mentioned, BGT's business model is predominantly based on a revenue share of the gross win margin from each SSBT. When BGT supply only software to the SSBTs it enjoyed a similar percentage stake to that currently enjoyed when Playtech supplies software. With a higher rate if BGT also helps to finance the hardware. At the end of 2015 BGT provided approximately 24,000 SSBTs with betting software to licenced operators predominantly in the UK and Ireland, Spain, Austria and Germany. This number is forecast to increase significantly over the coming years driven primarily by the roll-out of new SSBTs with both existing and new customers.

In 2015 BGT generated €41.6 million of fully-regulated revenues with over three quarters of these revenues coming from the SSBT software segment. On a proforma basis regulated revenues from Playtech's Gaming Division would increase to circa 45% in 2015. BGT generated adjusted EBITDA of €12.9 million in 2015 and €12.5 million adjusted EBITDA in the first six months of 2016. However, BGT does convert a lower percentage of EBITDA into cash due to a higher capex ratio and a higher effective tax rate.

Playtech acquired 90% of the issued share capital of BGT for €138 million with the remaining 10% retained by Amin Sageder, BGT's founder and CEO who will remain with BGT for at least three years from completion. Playtech has the call option to purchase the remaining 10% of BGT at a valuation of 6x BGT's 2019 EBITDA with Mr Sageder having certain put options over his 10% holding at the same valuation. Mr Sageder may also be entitled to an additional payment of €5 million subject to the achievement of certain operational milestones. We acquired BGT on a forecast 2016 EBITDA multiple of less than 7x, a higher attractive multiple for an asset of this quality, which has a track record of significant growth and which is forecast to continue to achieve significant growth going forward in both revenues and profits, including margin expansion.

The acquisition is expected to generate high single-digit earnings accretion for Playtech in the first full-year of ownership. To help with modelling the acquisition on a full-year basis in 2016 BGT's depreciation and amortisation charge is expected to be circa €6 million with the business paying a headline corporation tax rate of circa 25%. With that, I will hand back to Mor.

Summary

Mor Weizer

Chief Executive Officer, Playtech

Thank you, Ron. To summarise SSBTs and ePOS systems that digitise retail betting businesses from one of the fastest-growing areas for betting companies and one of the most important elements of a true omni-channel offering. BGT's product portfolio will enhance the Playtech ONE omni-channel offering which enables players to enjoy a seamless anywhere anytime gaming experience across any product channel and device, all using the single account and wallet. It will also allow Playtech to establish itself in different soon-to-be-regulated markets ahead of new regulations to ensure the successful launch of its partners as soon as it is allowed.

We also see a significant opportunity to extend the current relationship that BGT has and establish itself as a strategic partner to many retail bookmakers who we know are keen to ensure that retail operations remain at the forefront of technology and offering. With that, we would now be pleased to take any questions and so I will hand over to the operator.