

## Overview of our Gaming division

# Our business model

Our business model and strategy help create a sustainable and responsible cycle of value creation for our shareholders.

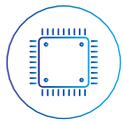
### Our assets



#### Our services

Our market leading services offer all-encompassing solutions across all platforms for our clients.

See more on pages 22 to 23



#### Our software

We continually invest in innovative software, encouraging access to best-in-class products for all of our customers.

See more on pages 14 to 15



#### Our people

Our people make Playtech the success it is and will be in the future. Inclusion and freedom of ideas and identity are central to what we do.

See more on pages 50 to 55



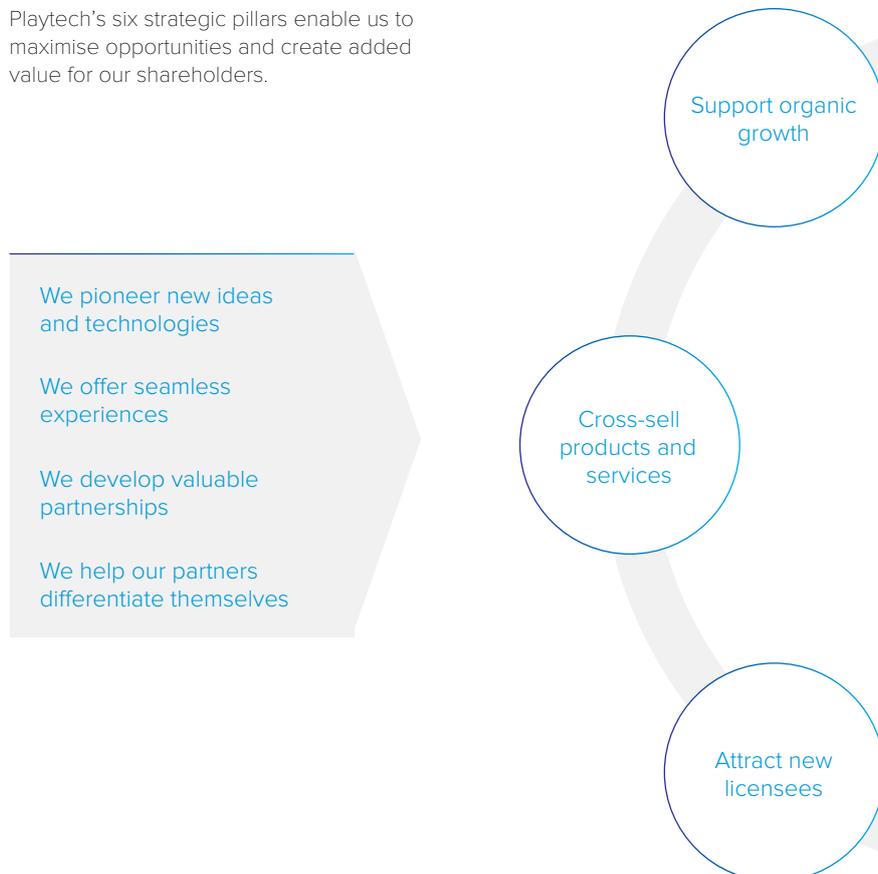
#### Our financial strength

Playtech has a proven track record of driving shareholder returns through efficient use of capital – augmenting growth through investment in technology and strategic M&A.

See more on pages 38 to 45

### What we do and how we do it

Playtech's six strategic pillars enable us to maximise opportunities and create added value for our shareholders.



We pioneer new ideas and technologies

We offer seamless experiences

We develop valuable partnerships

We help our partners differentiate themselves

Support organic growth

Cross-sell products and services

Attract new licensees

### Our strategy

#### Support organic growth

The depth and breadth of Playtech's offering means that we are able to partner with our licensees to deliver some of the most successful and innovative online businesses in the world. In 2016, Playtech achieved organic revenue growth of 13%, ahead of the growth of the underlying global market.

#### Cross-sell products and services

Playtech's industry leading IMS and BI management systems allow licensees to enhance their customer journey, service and ultimately, their cross-sell ability e.g. Ladbrokes Coral Group and Paddy Power Betfair. In partnering with our licensees, we can support them in entering new product verticals and new geographical markets.

#### Attract new licensees

The value of Playtech's market leading offering is reflected in the continued momentum of attracting new licensees every year. Playtech has an impressive track record of adding five to ten new licensees every year – attracted by our unique omni-channel offering and the quality of software and technology.

Increasing product, service and distribution capabilities

Improve quality of earnings

Acquisitions remain key

#### Risk management

Our risk management framework provides a structured and consistent process for identifying, assessing and responding to risks, throughout the business.

See more on pages 46 to 48

#### Regulation and responsible business

Responsible business practices are critical to protecting our licences to operate, and to delivering long-term commercial success.

See more on pages 50 to 55

#### Governance

High standards of corporate governance contribute to Playtech's continued success.

See more on pages 56 to 91

#### Increasing product, service and distribution capabilities

Playtech's philosophy is to offer all product verticals across all distribution channels. Playtech invests to expand its offering to support its licensees with new technologies, avenues to market and products e.g. Playtech Live, virtual racing and casual gaming.

#### Improve quality of earnings

A strategic focus for Playtech remains to continue to grow its regulated revenue. This has been increasing steadily in the last few years and in 2016 the proportion of regulated revenues at Group level stood at 42%. In 2016 Playtech launched Sun Bingo and created the new Playtech BGT Sports division which should result in growth of regulated revenue in 2017.

#### Acquisitions remain key

Playtech has an outstanding acquisition track record, investing in new technology, exciting content, and new products. Companies have mostly been acquired on an earn-out basis, enabling Playtech to leverage its existing business and licensee base to create strong synergies. Playtech is focused on making further, similar bolt-on and larger acquisitions.

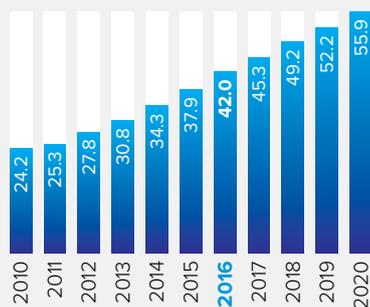
Given the Group's ability to generate cash and the strength of its balance sheet, the Board will continue to target acquisitions which enhance the Group's technology, content and services whilst also growing regulated revenue.

# Overview of our Gaming division continued

## Responding to our market

### The market trends

#### Total online gambling market (€bn)



#### Global online gambling market 2016 by region



- Europe: 47%
- Asia/Middle East: 28%
- North America: 12%
- Oceania: 6%
- Latin America/Caribbean: 5%
- Africa: 2%

#### Forecast compound annual growth rate of mobile interactive gambling between 2016 and 2020



Source: H2 Gambling Capital.

### The online gambling market

The online gambling market offers a constantly growing and dynamic market place. H2 Gambling Capital estimated that in 2016 Gross Gambling Revenues (GGR defined as amounts staked less prizes) for casino, poker, bingo, sports betting, skill based gaming and lotteries, grew by approximately 11% to €42bn from €38bn in 2015. H2 Gambling Capital predicts this is in addition to a compound annual growth rate of 10% from 2016 to 2020.

#### Geographical development

The UK remains the most mature and largest online market by player location, data from H2 Gambling Capital shows that in 2016 the UK accounted for 14% of the overall interactive market. China and Japan are the next largest markets with 10% and 11% respectively. Europe remains the leading and largest segment, comprising 47% of the overall market. Europe alone is forecast to grow at a compound annual growth rate of 13% from 2015 to 2018.

### Drivers of market growth

In line with the growth of e-commerce across all consumer and leisure related sectors globally, the online gaming market continues to benefit from the transition of land-based revenue to online revenue. Improved broadband penetration and capacity, faster mobile data transfer rates, improved smartphone penetration, a growing number of market participants, along with increased marketing expenditure by operators through a wide range of marketing channels are all driving factors for growth in the industry. In addition, the growing trend of greater acceptance of online gambling as a mainstream leisure pastime is contributing to increasing regulatory regimes appearing globally.

#### Regulation

Regulation remains a key opportunity for growth in geographical markets. Moving from a predominantly .com regime to a regulated regime presents numerous challenges to operators and suppliers but also creates opportunities, potentially opening up new product verticals and increased marketing activity for operators. A combination of factors determine whether the opportunity will be attractive in the long term; including tax rate, product availability and technical requirements. Playtech is uniquely placed given its strength, geographic diversity and technical acumen to manage these challenges and continue to be the leading supplier in regulated markets.

Europe continues to lead the regulatory movement, with the Czech Republic, Poland and Portugal recently regulated. Holland, Switzerland and Sweden are expected to regulate in the near future. In Latin America, Brazil is a big opportunity, whilst Peru and Uruguay are reviewing historic positions. Finally, Asia and the Indian sub-continent remain interesting and lucrative markets.

## How we respond

### Mobile

The number of mobile devices in use continues to grow every day. In the gambling sector increasing numbers of players are choosing mobile sports betting and gaming for the convenience it brings. Playtech is at the forefront of mobile development with 33% of revenues generated from mobile devices in 2016. This represents an increase from 22% in 2015 and 16% in 2014. It is forecast that mobile interactive gambling will enjoy a compound annual growth rate of 15% between 2015 and 2020.

### Convergence of online and land-based

In line with other consumer and leisure lead sectors a significant industry trend in gambling is the growing convergence of land-based and online market segments. This is principally a result of many of the new entrants in regulated online markets being existing land-based gaming, betting and lottery operators. These operators already have a substantial local presence, well-recognised brands, existing player databases and are familiar with the local regulatory environment. Historically separate in their philosophy and systems, there has been a fundamental shift in both segments towards common techniques for player attraction and retention, such as VIP levels and loyalty schemes. Operators are becoming more aware of the importance of player retention and of incentivising the player on an individual basis regardless of channel. The retention of players and the ability to cross-sell them on to other products provides an opportunity for operators, but also presents substantial technical challenges for them. Playtech has focused much of its recent development efforts on ensuring that it is able to deliver functionality, player management and content across the full range of distribution channels, and to capitalise on this trend of convergence.

### Leading the competition

#### Maintaining and extending our leadership

The single most realistic alternative to partnering with Playtech is for operators to utilise their own proprietary platform together with proprietary and third-party software. Playtech believes this is an increasingly unsustainable and costly business model. Whilst currently accounting for around 30% of the total online gambling market and the trend has been for this to decrease. Playtech enjoys significant scale advantages by being able to leverage operating and development costs of more than 140 licensees, including the top ten European and UK online gambling operators. Playtech's strategy is to offer all product verticals across all distribution channels on an integrated platform that offers a single wallet and sign-on. Playtech is also the only supplier that can offer sophisticated marketing and operational services to drive player acquisition and retention via a modular range of flexible approaches from a full turnkey solution to equity joint ventures or structured agreements. This enables operators to offer their players a true omni-channel approach across land-based/digital/mobile channels, providing the ultimate player experience.

### Barriers to entry

#### Scale

The rapid growth and increased scale of Playtech has enabled the development of a superior platform, more relevant software and more products than other suppliers. New B2B operators or licensees are not able to undertake significant product development as they lack economies of scale. This is even more apparent in new channels coming to market such as mobile, or new products such as virtual racing. Games such as bingo or poker rely on liquidity to satisfy player demand. Networked casino games can also provide significant jackpot opportunities.

### Technology

The Playtech operating system is agnostic, allowing upgrades and new features to be rolled out to every operator from a single platform. This enables all operators the benefit of a more advanced offering. Playtech's R&D costs vary from year to year, but are typically around 17% of overall software revenue. This development cost is shared across the licensee base, and the revenue share model offered by Playtech is cost effective when compared to self-development, and allows licensees to remain at the cutting edge of the market. Operators also benefit from product development through two-way feedback with Playtech.

### Experience

As Playtech's scale has increased over the 18 years since its incorporation, its knowledge, expertise and offering in all markets have enabled operators to grow their businesses and to diversify into new markets more quickly.

### Liquidity

Playtech offers greater liquidity in the bingo and poker markets, and can provide highly progressive jackpots for casino players.

### Services

Other barriers to entry are Playtech's expertise in the services environment (marketing, hosting and affiliates) and increasingly longer-term supply contracts and established relationships with licensees.



## Overview of our Gaming division continued

# Our omni-channel philosophy

Consumers today live and play in a world without restrictions and so do we. A user's experience should be the same no matter what the content, where it is accessed from, when it is played, or on whatever device they play on. The industry term for this is omni-channel. Only Playtech can deliver this – play any game, on any platform and on any device using a single account and a single wallet, anywhere and at any time. This is what we call Playtech ONE.

### Playtech ONE

Playtech ONE allows an operator and its customers, a seamless, anytime, anywhere experience across any product, any channel and any device using a single account and single wallet.

Our pioneering innovation has enabled licensees to bridge the retail-online-mobile gap, giving their customers what they want, when they want it, in any location or time and on whatever hardware they choose to use.

Operator results speak for themselves. We offer and enable them with all the tools and technology; they present their players with the ultimate gaming experience; and they generate improved results.

## How omni-channel works

