

Presentation of results

The Directors believe that in order to best represent the trading performance and results of the Group, the reported numbers should exclude certain non-cash and one-off items including amortisation of intangibles on acquisitions, professional costs on acquisitions, finance costs on acquisitions, and additional various non-cash charges.

The Directors believe therefore that Adjusted EBITDA and Adjusted Net Profit more accurately represent the trading performance of the business and are the key performance metrics used by the Board when assessing the Group's financial performance. A full reconciliation between the actual and adjusted results is provided in Note 5 of the financial statements.

Given the significant fluctuations in exchange rates in the period, the underlying results are presented in respect of the above measures after excluding acquisitions and on a constant currency basis to best represent the trading performance and results of the Group.

Overview

2016 has seen Playtech once again deliver a strong financial performance with total reported revenues and Adjusted EBITDA up 12% and 20% respectively compared to 2015. In addition, Playtech executed its M&A strategy, investing cash of €240 million in acquisitions including BGT, Quickspin, ECM and CFH, whilst returning €296 million to investors through progressive dividends, a special dividend and a €50 million share buy back programme.

Significant fluctuations in currency exchange rates, mainly in Sterling, due to macro-economic events had a material effect on the financial results of the year across all key metrics. On a constant currency basis, revenues, Adjusted EBITDA and Adjusted Net Profit, increased by 20%, 32% and 42% respectively. When further excluding the effect of acquisitions, reflecting the underlying performance of the business, revenues, Adjusted EBITDA and Adjusted Net Profit increased by 13%, 28% and 48% respectively.

Current presentation

	2015 €m	2016 €m	Change	Constant currency change
Casino	308.7	354.6	15%	23%
Services	155.6	151.6	-3%	4%
Sport	32.2	30.9	-4%	2%
Land-based	29.8	57.1	92%	108%
Bingo	20.5	17.8	-13%	-1%
Poker	11.2	9.1	-19%	-17%
Other	12.1	21.9	81%	89%
Gaming division	570.1	643.0	13%	21%
Financials division	60.0	65.6	9%	11%
Total revenue	630.1	708.6	12%	20%

Future presentation

	2015 €m	2016 €m	Change	Constant currency change
Casino	328.8	374.1	14%	22%
Services	155.6	151.6	-3%	4%
Sport	34.5	58.4	69%	82%
Land-based	—	—	—	—
Bingo	20.5	19.8	-3%	10%
Poker	11.2	9.1	-19%	-17%
Other	19.5	30.0	54%	62%
Gaming division	570.1	643.0	13%	21%
Financials division	60.0	65.6	9%	11%
Total revenue	630.1	708.6	12%	20%

The percentage of total regulated revenues for the Gaming division increased by 1% in 2016 to 42% with Sun Bingo launched towards the end of the third quarter of the year, together with the acquisitions of BGT and ECM, all contributing fully regulated revenue streams to our top line.

Adjusted EBITDA was up 20% in the period, or 32% at constant currency and 28% when further excluding acquisitions. Group Adjusted EBITDA margin increased from 40% in 2015 to 43%, and from 40% to 44% at constant currency, despite a greater contribution from lower margin areas of the business such as white-label, the Financials division and casual. This improved margin is a result of tight cost control to create sustainable efficiencies across all areas of the business as well as improved commercial terms in Asia, which increased revenues with no material additional cost.

Playtech continues to be highly cash generative and once again delivered strong operating cash flows of €251.4 million, representing high conversion from Adjusted EBITDA. When excluding cash movements, which are not reflected in Adjusted EBITDA, such as movements in jackpot liabilities, customer security deposits and changes in client equity, cash from operating activities represented a 94% conversion to Adjusted EBITDA.

Playtech has a very strong balance sheet with cash and cash equivalents of €544.8 million at the end of the year, or Adjusted Gross cash of €392.0 million net of cash held on behalf of client funds, progressive jackpot and security deposits. Together with the available-for-sale investments, which stood at €230.3 million at year end, Playtech has considerable available resources to execute its strategy.