Very strong financial results

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Chief Financial Officer

Overview

Group performance

Overall, Playtech had a very strong 2021. Despite the challenges that came with the pandemic, particularly in the first half of the year, Adjusted EBITDA for 2021 was €317.1 million driven by strong performances from B2B online and Snaitech. The strong results are despite the lockdowns in Italy in 2021 lasting three months longer than initially expected.

The performance of the Group varied across the year. In H1 the results were negatively impacted by Snaitech retail locations in Italy being closed due to government restrictions while in H2 Snaitech's retail operations were open for the entire period. The Group's online businesses in B2B and B2C performed very well across the full year.

The online performance, particularly in B2C, also benefited from a full sporting calendar in 2021 as many events were postponed or cancelled in Q2 2020 at the onset of the pandemic. Favourable sporting results also benefited Group performance in 2021.

25%

Growth in Group Adjusted EBITDA

Overall, Adjusted EBITDA from continuing operations was €317.1 million (2020: €253.6 million), an actual year-on-year constant currency increase of 25%. Similarly, reported EBITDA increased by €58.4 million to €281.3 million (2020: €222.9 million). Total reported revenue from continuing operations was €1,205.4 million (2020: €1,078.5 million), representing a 12% actual and 11% constant currency basis year-on-year increase respectively.

Finalto division

The Finalto division, which was first presented by the Group under discontinued operations at 31 December 2020, saw two separate bodies make an offer to acquire it during the year. The first one (from a consortium led by Barinboim Group and backed by Leumi Partners Limited and Menora Mivtachim Insurance Limited, together with key members of Finalto's management team – together "the Consortium") was rejected in early August 2021. The second one, from Gopher Investments, was approved by the shareholders in December 2021. The Group is currently in the process of completing the deal and as such the Finalto division is still being presented under discontinued operations at 31 December 2021.

Reported and adjusted profit

Reported profit before tax from continuing operations was €605.0 million (2020: reported loss of €52.7 million), mainly due to the €583.2 million of unrealised fair value gains on derivative financial assets (2020: €Nil). Furthermore, there was a €23.8 million decrease in impairment of tangible and intangible assets to €21.6 million (2020: €45.4 million). Both are discussed further in this report but also in their respective notes in the financial statements.

Adjusted profit before tax from continuing operations increased by 166% to €120.4 million (2020: €45.2 million), driven by both the rise in Adjusted EBITDA and the decrease in depreciation and amortisation costs.

The Group implemented an internal restructuring in January 2021, which resulted in Playtech plc migrating its tax residency to the UK and the Group's key operating entity transferring its business to a UK company. Reported tax credit from continuing operations increased by €102.1 million to €81.7 million in 2021 (2020: tax expense of €20.4 million) which mainly relates to the €99.5 million increase in the deferred tax credit to €96.3 million (2020: tax expense of €3.2 million). This increase consists mainly of €75.2 million relating to the recognition of the benefit of future tax deductions for goodwill and intangible assets resulting from the Group its restructuring in local subsidiaries in 2021 and €36.5 million relating to the recognition of the benefit of tax losses available to use against taxable profits in future periods.

This led to a total post-tax reported profit from continuing operations of €686.7 million (2020: reported loss of €73.1 million).

Chief Financial Officer's review[1] continued

Overview continued

Balance sheet and liquidity

	31 December 2021 €'m	31 December 2020 €'m
Cash and cash equivalents	575.4	683.7
Cash held on behalf of clients, progressive jackpots and security deposits	(141.1)	(129.1)
Adjusted gross cash and cash equivalents (excluding assets and liabilities held for sale)	434.3	554.6
Loans and borrowings (RCF)	167.1	308.9
Bonds	875.0	873.1
Gross debt (excluding liabilities held for sale)	1,042.1	1,182.0
Net debt (excluding assets and liabilities held for sale)	607.8	627.4

The Group continues to maintain a strong balance sheet with total cash and cash equivalents, excluding cash held for sale, of €575.4 million at 31 December 2021 (31 December 2020: €683.7 million). Adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, decreased to €434.3 million as at 31 December 2021 (31 December 2020: €554.6 million), owing in large part to the repayment of €150.0 million of its RCF, as well as paying €89.6 million in gaming tax in Italy which related to 2020 (noting it was a government-led approved payment deferral as part of the assistance offered to companies during the pandemic) as previously announced.

The Group's total gross debt decreased to €1,042.1 million at 31 December 2021 (31 December 2020: €1,182.0 million), with Net Debt, after deducting adjusted gross cash, decreasing to €607.8 million (31 December 2020: €627.4 million).

The RCF covenants, which were amended for the 31 December 2020 and 30 June 2021 tests as a precautionary step during the pandemic, have now returned to the previous levels of 3x Net Debt/Adjusted EBITDA and 4x Adjusted EBITDA/ interest from the 31 December 2021 test onwards, with no issues.

Playtech has no immediate refinancing requirements and will review its long-term financing structure and the outstanding balance of the RCF once proceeds are received from the sale of Finalto and there is greater clarity on Playtech's future.

Playtech continues to take a prudent approach to its capital structure and leverage and its balance sheet remains in very strong position supported by the strong cash generated in 2021. This, combined with the swift actions and assured navigation of the pandemic, has left the Group in strong financial health as it now looks ahead into 2022 and beyond.

Group summary (continuing operations)[3]

	2021 €'m	2020 €'m
B2B Gambling	554.3	494.9
B2C Gambling	663.7	596.3
Intercompany	(12.6)	(12.7)
Total Group revenue from continuing operations	1,205.4	1,078.5
Adjusted costs	(888.3)	(824.9)
Adjusted EBITDA from continuing operations	317.1	253.6
Reconciliation from EBITDA to Adjusted EBITDA:		
EBITDA	281.3	222.9
Employee stock option expenses	13.1	16.5
Professional fees	14.4	1.8
Fair value change and finance cost on contingent consideration	—	1.1
Provision for other receivables	1.2	2.8
Fair value change and finance cost on redemption liability	1.3	5.3
Charitable donation	3.5	3.2
Settlement of legal matter	2.3	—
Adjusted EBITDA	317.1	253.6
Adjusted EBITDA margin	26%	24%

Overall, the Group's total revenue from continuing operations increased by 12% to €1,205.4 million (2020: €1,078.5 million).

In B2B, revenue increased by 12% from €494.9 million in 2020 to €554.3 million in 2021, driven by Mexico, and in particular Caliente's year-on-year overperformance, as well as increases seen in other countries such as Poland, Italy, Greece and the Netherlands, which were only slightly offset by the decrease seen in Germany due to the regulatory changes as discussed in the CEO's Review, as well as the decrease in the UK.

In B2C, the ongoing pandemic impacted both years being presented; however, they were affected in different ways. During 2020, retail in Italy was severely disrupted by retail closures between March and June and again from the end of October to December, as well as the lack of significant worldwide sporting events during Q2 2020. During H1 2021, there was no retail activity for almost the entire H1 2021 period in Italy; however, all major sporting events took place (including UEFA Euro 2020 in June/July 2021) which boosted online sports performance. The Group's total reported revenues from its B2C operations therefore increased by 11% to €663.7 million (2020: €596.3 million), an increase driven almost entirely by its online performance.

The Group's Adjusted EBITDA from continuing operations increased to €317.1 million (2020: €253.6 million), an actual and constant currency basis increase of 25%. Adjusted EBITDA percentage increase was higher than that seen in revenue, due to the strong performance of the higher margin online business both under B2B and B2C, which also resulted in the year-on-year increase in the Adjusted EBITDA margin from 24% in 2020 to 26% in 2021.

The Group's total reported EBITDA also increased by 26% to €281.3 million (2020: €222.9 million).

Divisional performance

B2B Gambling

B2B Gambling revenue

	2021 €'m	2020 €'m	Change	Underlying basis[1]
Regulated – Americas	101.3	60.6	67%	63%
Regulated – Europe (excluding UK)	141.4	113.2	25%	42%
Regulated – UK	132.1	149.9	-12%	2%
Regulated – Rest of the world	3.9	3.0	30%	n/a
Total regulated B2B revenue	378.7	326.7	16%	33%
Unregulated excluding Asia	93.7	87.5	7%	8%
Total core B2B revenue	472.4	414.2	14%	26%
Asia	81.9	80.7	1%	1%
Total B2B Gambling revenue	554.3	494.9	12%	20%

1 Online only excluding sports and material changes to Entain contract.

Core B2B Gambling revenues[2] increased by 14% which was driven by the increase in regulated markets in the Americas and Europe (excluding the UK) of 67% (64% on a constant currency basis) and 25% respectively and a 7% increase in revenues from unregulated markets excluding Asia. This was offset by a 12% decrease in UK revenues caused by the previously announced impact of changes to the contract with Entain.

The biggest contributors to the increase in both the Americas and Europe (excluding the UK) were Mexico, due to revenue growth in Caliente, as well as Colombia, Poland, Italy, Greece and the Netherlands. The latter was driven by the expanded long-term strategic software and services agreement with Holland Casino, which successfully launched in October 2021 and exceeded expectations. The growth in revenues from unregulated markets excluding Asia came from Canada and Brazil which was partly offset by the decline in Germany following regulation changes. Asian revenue increased by only 1%.

Overall, B2B Gambling revenues increased by 12% and 11% on a constant currency basis, largely due to the increase in online performance. This was also heightened during retail closure periods, as well as the fact that, despite the lockdowns, major sporting events were still taking place (including UEFA Euro 2020 in June/July 2021), as opposed to the prior year where these were cancelled during the majority of the second quarter. Underlying Core B2B revenue from online only, excluding sports and the previously announced material changes to the Entain contract, increased by 26%.

67%

Revenue growth in the Americas

B2B Gambling costs and margins

In order to better reflect the way we manage the business, we have split out those costs which are charged through to the licensee with an insignificant margin or no margin and the related revenue. Furthermore, the revenue and costs associated with retail hardware sales, where the margins significantly vary with each transaction and therefore distort the margin of the rest of the B2B business, were also split out.

2021	B2B Underlying €'m	Live dedicated tables, dedicated teams, hosting, B2B white label and hardware sales €'m	Total €'m
Revenue	472.5	81.8	554.3
Costs	340.1	75.0	415.1
Adjusted EBITDA	132.4	6.8	139.2
Margin	28%	8%	25%

2020	B2B Underlying €'m	Live dedicated tables, dedicated teams, hosting, B2B white label and hardware sales €'m	Total €'m
Revenue	394.3	100.6	494.9
Costs	286.6	82.4	369.0
Adjusted EBITDA	107.7	18.2	125.9
Margin	27%	18%	25%

In addition to this, the underlying B2B costs were split into categories that best reflect how these costs are managed, specifically showing the strategic expenditure which relates to the Latin America expansion, Live operations and ongoing entry costs into the US.

	2021 €'m	2020 €'m	2020 to 2021 %
Revenue and costs relating to Live dedicated tables, dedicated teams, hosting, B2B white label and hardware sales			
Revenue	81.8	100.6	-19%
Costs	75.0	82.4	-9%
Adjusted EBITDA	6.8	18.2	-63%
Margin	8%	18%	n/a
B2B Underlying Gambling revenue and costs			
B2B Underlying Gambling revenue[1]	472.5	394.3	20%
Research and development	74.7	71.1	5%
General and administrative	60.5	59.6	2%
Sales and marketing	13.0	15.2	-14%
Operations	74.7	67.5	11%
Total costs (excluding Asia and strategic expenditure)	222.9	213.4	4%
Asia-related costs	54.6	28.9	89%
Strategic expenditure	62.6	44.3	41%
B2B Underlying Gambling costs	340.1	286.6	19%
B2B Underlying Gambling Adjusted EBITDA	132.4	107.7	23%
Margin	28%	27%	n/a
Total B2B revenue and costs			
B2B revenue	554.3	494.9	12%
B2B costs	415.1	369.0	13%
Total B2B Adjusted EBITDA	139.2	125.9	11%
Margin	25%	25%	n/a

1 To reflect the underlying activity of the B2B Gambling division, B2B revenues include the software and services charges generated from the relevant B2C activity with fellow Group companies, which is then eliminated to show the consolidated Gambling division revenues.

Chief Financial Officer's review[1] continued

Divisional performance continued

B2B Gambling continued

Revenue and costs excluded from Underlying EBITDA

The costs being excluded from underlying EBITDA include costs which are passed directly to licensees at a small margin or no margin at all, such as Live dedicated tables, dedicated teams and hosting fees, as well as the cost of retail hardware sales, where margins can fluctuate significantly depending on each deal. Although revenue generated from this expenditure decreased by 19%, the respective costs decreased by 9%, indicating their volatile nature and further supporting the reason for excluding these from the underlying B2B revenue and costs. Furthermore, margins also decreased accordingly from 18% in 2020, to 8% in the current period.

B2B Underlying Gambling costs

B2B Underlying Gambling costs increased by 19%, driven by the increase in operations, Asia-related and strategic expenditure costs. These are all further discussed below.

Research and development (R&D) costs include, among others, employee-related costs and proportional office expenses. Expensed R&D costs increased by 5% to €74.7 million (2020: €71.1 million), driven by the increase in employee-related costs. Capitalised development costs were 39% of total B2B R&D costs in the period, compared to 38% in the prior year.

General and administrative costs include employee-related costs, proportion of office expenses, consulting and legal fees, and corporate costs such as audit and tax fees and listing expenses. These costs remained in line year on year at €60.5 million (2020: €59.6 million).

Sales and marketing costs decreased to €13.0 million (2020: €15.2 million), mainly due to the fact that the ICE conference did not take place in February 2021, with the last one taking place in February 2020, right before the onset of the COVID-19 global pandemic.

Operations costs include costs relating to infrastructure and other operational projects, IT and security and general day-to-day operational costs, including employee and office apportioned costs and branded content fees. These costs increased by 11% from €67.5 million in 2020 to €74.7 million in 2021, driven by an increase in branded game fees and employee-related costs.

Asia costs increased by 89% to €54.6 million (2020: €28.9 million) largely due to the previously announced restructuring of the relationship with our largest distributor and a combination of bad debt write-offs and provisions following the impact of COVID-19.

Strategic expenditure includes revenue-driven costs relating to structured agreements, US expansion costs, and all costs relating to Live operations (excluding Live dedicated table costs). These costs have increased by 41% to €62.6 million (2020: €44.3 million) which is in line with the increase in revenue under our structured agreements and in particular Caliente, as well as the increase in employee costs within our Live division. Furthermore, we have made progress in our US entry plans, and as such these costs have also increased year on year.

B2B Adjusted EBITDA

Total B2B Adjusted EBITDA increased by 11% to €139.2 million (2020: €125.9 million) with no change in the margin year on year. However, Underlying Adjusted EBITDA has increased by 23% to €132.4 million (2020: €107.7 million). The increase was driven by the higher margin online overperformance, especially from specific licensees such as Caliente, as well as an increase in Casino, Live and Sports (with the latter driven by major sporting events taking place during the entire year as opposed to the prior year where we had major cancellations during Q2). B2B underlying Adjusted EBITDA margins have improved, increasing to 28% from 27% in the prior year.

B2C Gambling

	2021 €'m	2020 €'m	Change
Snaitech			
Gambling revenue[1]	584.7	522.2	12%
Gambling costs	402.1	390.2	3%
Adjusted EBITDA	182.6	132.0	38%
Margin	31%	25%	n/a
White label (incl. Sun Bingo)			
Gambling revenue	61.9	55.0	13%
Gambling costs	55.2	48.0	15%
Adjusted EBITDA	6.7	7.0	(4)%
Margin	11%	13%	n/a
Sports B2C			
Gambling revenue	18.2	19.1	(5)%
Gambling costs[2]	29.6	30.4	(3)%
Adjusted EBITDA	(11.4)	(11.3)	(1)%
Margin	n/a	n/a	n/a
B2C Adjusted EBITDA	177.9	127.7	39%
Margin	27%	21%	n/a

1 Includes intercompany revenue from Sports B2C of €1.1 million.

2 Includes intercompany costs from Snaitech of €1.1 million.

Snaitech

Snaitech revenues increased by 12% to €584.7 million (2020: €522.2 million). Even though retail was shut for a similar period of time during 2020 and 2021 owing to the effects of the COVID-19 pandemic, online revenue increased by 45% year on year which drove most of this growth. Furthermore, in Q2 2020 all major sporting events were cancelled, as opposed to a full year of events in 2021 including UEFA Euro 2020 taking place in June/July 2021, which also positively impacted performance.

Snaitech operating costs increased by only 3% to €402.1 million (2020: €390.2 million). The increase is less than the increase in revenue, due to the fact that the online business operates on a lower variable cost base compared to retail. Furthermore, the fixed and direct costs of online remain relatively flat despite the increase in revenue, also contributing to the lower increase in operating costs compared to revenue.

Snaitech's Adjusted EBITDA increased by 38%, as opposed to revenue which increased by 12%, due to the strong performance of its higher-margin online business, which saw exceptional growth in online Adjusted EBITDA of 54%. As a result, Snaitech's Adjusted EBITDA margin increased to 31% (2020: 25%).

White label (including Sun Bingo)

Revenue from the white label business increased by 13% in total, driven by a 15% increase in Sun Bingo revenue to €61.9 million (2020: €53.8 million). Operating costs within Sun Bingo increased by 21% to €55.1 million (2020: €45.6 million). Following the commencement of the new contract with News UK, the cost structure of the business has now changed, so that from July 2021, Playtech recognises marketing costs (previously they were recharged to News UK) and furthermore, there is now a brand fee being charged by News UK (previously this was covered by the minimum guarantee). This led to the overall decrease in Adjusted EBITDA of 15% to €6.9 million (2020: €8.1 million). Adjusted EBITDA still includes the unwinding of the minimum guarantee prepayment over the new period of the contract which was renegotiated in 2019. The News UK contract is discussed in more detail in Note 6 of the financial statements.

Other white label has now almost completely ceased operations which as previously mentioned is part of an ongoing effort to stop these operations in their entirety. Adjusted EBITDA for the year is a loss of €0.2 million (2020: loss of €1.1 million).

Sport B2C

The Sport B2C business, which has now officially moved under the Snaitech management team, is currently at an early stage of growth. Revenues showed a small 5% decrease to €18.2 million (2020: €19.1 million), with costs also decreasing by 3%. The business remains loss making, with a slightly higher Adjusted EBITDA loss in the current year of €11.4 million (2020: loss of €11.3 million).

Below EBITDA items

Depreciation and amortisation

Reported and Adjusted depreciation decreased by 10% to €42.9 million (2020: €47.5 million). Adjusted amortisation, after deducting amortisation of acquired intangibles of €34.8 million (2020: €39.0 million), decreased by 12% to €74.5 million (2020: €84.4 million). The decrease mainly relates to the fact that the Italian betting licences were fully amortised by December 2020 and although renewal was expected in 2021 the Government provided a grace period with renewal now expected in 2022. The remainder of the balance under depreciation and amortisation of €17.0 million (2020: €17.2 million) relates to IFRS 16 Leases, being the right-of-use asset amortisation.

Impairment of tangible and intangible assets

The reported impairment of tangible and intangible assets was €21.6 million (2020: €45.4 million) of which €21.4 million relates to the following:

- €12.3 million impairment resulting from the disposal of some real estate in Milan. The recoverable amount (being net sales proceeds as per the binding sale agreement) was compared to the property's net book value which led to the impairment;
- €6.4 million impairment in the Bingo VF cash-generating unit mainly driven by the recent termination of one of the biggest customer contracts; and
- €2.7 million of development work impairment for aborted projects.

The prior year included a €42.0 million impairment of the B2C Sports CGU, which comprises the B2C sports operations in Germany and Austria. The impairment, which fully wrote off the value of this CGU, was primarily as a result of the impact of COVID-19 on the estimated recovery period and the uncertainty of the future cash flows at the point of the assessment.

Finance costs

Reported finance costs increased by 5% to €67.7 million (2020: €64.6 million), mainly due to the increase in the volume of activity in Snai which in turn has driven the increase in the bank charges. Adjusted finance costs increased by just 2% to €62.9 million (2020: €61.6 million). The difference between adjusted and reported finance costs is the movement of the contingent consideration and redemption liability of €4.8 million (2020: €3.0 million).

Unrealised fair value changes on derivative financial assets

The unrealised fair value changes to derivative financial assets of €583.2 million (2020: €Nil) is due to the recognition of the fair value of the various call options held by the Group in Latin America which fall under the definition of derivatives within IFRS 9 Financial Instruments.

The largest value is attributable to Caliente (Mexico) of €506.7 million. As at 31 December 2020 the Group had an option to acquire up to 49% equity in the operating company over which it held an option. As there were no exercise conditions, and furthermore it was assessed that Playtech has significant influence over the operating entity and hence access to profits, this was treated as an investment in associate. During 2021 the contract was amended so that the Group still held the existing option, but in addition to this, had a right to acquire shares in a new vehicle, should the Caliplay operating entity become part of an M&A transaction. This new option was fair valued at €506.7 million on 31 December 2021 based on a possible transaction involving Caliplay being merged into a US listed special purpose acquisition company and the merged entity entering into a long-term commercial agreement with a leading media partner.

In addition to the above, given the growth in Latin America, especially in Colombia (Wplay), the values of certain other options have increased from the prior year.

Playtech's valuations of each of the options is either derived from a discounted cash flow model or a transaction-based approach, and contain a number of assumptions and estimates, including a calculation of an appropriate discount rate based on the maturity curve of each business. The valuations are discussed in detail in Note 20 of these financial statements. The value that could be realised should any of these options be exercised in the future could be materially higher or lower than the resulting fair value of the options recognised as at 31 December 2021.

Taxation

The reported tax credit in 2021 was €81.7 million (2020: tax charge of €20.4 million), which includes the impact of the future tax deductions resulting from the Group restructuring which have a tax benefit of €75.2 million. This amount has been excluded from adjusted earnings in the period and in each period after the transaction, with the benefit added to the adjusted income tax charge as this more accurately aligns the adjusted tax charge with the expected rate of cash tax payments.

The key items for which the reported tax credit has been adjusted are the deferred tax assets resulting from the Group restructuring which have a tax benefit of €63.6 million. This amount has been excluded from adjusted earnings in the period and in each period after the transaction and the reversal of the deferred tax liability arising on acquisitions of €11 million.

The total adjusted tax credit in 2021 is €7.2 million (2020: tax charge of €17.9 million) of which a tax charge of €14.6 million (2020: tax charge of €10 million) relates to income tax expenses (including prior year adjustments) and deferred tax credit of €21.8 million (2020: deferred tax charge of €7.9 million). The total adjusted deferred tax credit mainly consists of a credit of €36.5 million relating to UK tax losses for which a tax benefit is recognised in the current year, a deferred tax charge of €15.2 million relating to Snaitech tax losses and other deferred tax assets utilised in the period. The tax rate is impacted by the geographic mix of profits with losses being recognised in some territories which cannot be offset against profits arising in other territories.

Discontinued operations

Casual and Social Gaming segment

Following the reclassification of the Casual and Social Gaming business in 2019 as a discontinued operation, the Group entered into an agreement for the partial disposal of the business, namely "FTX", for a total consideration of €0.9 million on 29 June 2020. As a result of this transaction, the Group realised a profit of €0.6 million.

On 11 January 2021, the Group entered into an agreement for the disposal of the remainder of the business, namely "YoYo", for a total consideration of $9.5 million resulting in a profit on disposal of €7.6 million.

This business has now been fully disposed of.

The Adjusted EBITDA relating to the Casual and Social Gaming business was €Nil in the year (2020: €0.4 million) as operations were completely wound down in 2020. Reported profit after tax of €7.6 million (2020: €0.4 million) was simply the aforementioned profit on disposal.

Chief Financial Officer's review[1] continued

Discontinued operations continued

Finalto (formerly TradeTech Group)

The assets and liabilities of the division continue to be shown as held for sale at 31 December 2021 and the financial results of this division in both periods being presented are included in discontinued operations. At 31 December 2020 an impairment charge of €221.2 million was recognised against this CGU as a result of comparing its carrying value to expected proceeds from the disposal, less expected costs. Following a review of the net assets of the unit at 31 December 2021, when compared to the expected proceeds, €2.0 million of the previously recognised impairment was reversed in the current year.

Finalto had an outstanding 2020 where the business significantly benefited from increased market volatility and trading volumes, particularly in March and April 2020 as the effect of the pandemic created large price movements in major instruments. Market conditions normalised in 2021. In terms of performance, revenue decreased by 62% to €46.6 million (2020: €121.9 million). Reported and Adjusted EBITDA both decreased to a loss of €30.9 million (2020: profit of €45.3 million) and €23.0 million (2020: profit of €56.5 million) respectively.

Adjusted profit

	2021 €'m	2020 €'m
Reported profit/(loss) from continuing operations attributable to the owners of the Company	**686.7**	(73.0)
Employee stock option expenses	13.1	16.5
Professional fees	14.4	1.8
Fair value change and finance cost on redemption liability	1.4	5.9
Charitable donation	3.5	3.2
Provision for other receivables	1.2	2.8
Settlement of legal matter	2.3	—
Fair value change and finance cost on contingent consideration	4.7	3.6
Fair value change of equity investments	1.6	(0.6)
Fair value change of derivative financial assets	(583.2)	—
Deferred tax on acquisitions	(9.1)	(11.7)
Deferred tax on asset held for sale	(1.8)	—
Deferred tax	(63.6)	—
Amortisation of intangibles on acquisitions	34.8	39.0
Impairment of tangible and intangible assets	21.6	45.4
Loss on sale of associate	—	8.9
Fair value change on acquisition of associate	—	(6.5)
Tax on disposal of asset classified as held for sale	—	9.3
Profit on disposal of asset classified as held for sale	—	(22.1)
Tax relating to prior years	—	4.9
Adjusted Profit from continuing operations attributable to the owners of the Company	**127.6**	27.4

The reconciling items in the table above are further explained in Note 10 of the financial statements. Reported profit from continuing operations increased significantly to €686.7 million in 2021 from a loss of €73.0 million in the prior year, due to the recognition of the fair value of the derivative financial assets as explained above.

Adjusted EPS (in Euro cents)

	2021 €'m	2020 €'m
Adjusted basic EPS from continuing operations	42.8	9.2
Adjusted diluted EPS from continuing operations	40.9	8.8
Basic EPS from profit attributable to owners of the Company	226.3	(99.6)
Diluted EPS from profit attributable to owners of the Company	216.2	(99.6)
Basic EPS from profit/(loss) attributable to the owners of the Company from continuing operations	230.3	(24.5)
Diluted EPS from profit/(loss) attributable to the owners of the Company from continuing operations	220.1	(24.5)

Basic EPS is calculated using the weighted average number of equity shares in issue during 2021 of 298.3 million (2020: 298.4 million). Diluted EPS also includes the dilutive impact of share options and is calculated using the weighted average number of shares in issue during 2021 of 312.1 million (2020: 298.4 million).

Cash flow

Cash conversion (including discontinued operations)

Playtech continues to be cash generative and delivered operating cash flows after adjusting for the €89.6 million deferred payment of gaming duties in Italy of €314.6 million (2020: €364.3 million). The reason for the decline in cash generated from operations year on year is because it includes Finalto which had an exceptional 2020 (refer to discontinued operations section above) with high cash conversion.

	2021 €'m	2020 €'m
Adjusted EBITDA	**294.1**	310.1
Net cash provided by operating activities	225.0	364.3
Deferred payment of gaming duties	89.6	—
Net cash provided by operating activities after deferred payment of gaming duties	**314.6**	364.3
Cash conversion	**107%**	117%
Change in jackpot balances	(10.5)	(2.0)
Change in client deposits and client equity	(21.7)	(76.6)
Dividends payable	—	(0.2)
Professional expenses on acquisitions	21.5	5.0
ADM security deposit	(1.7)	(17.1)
Adjusted net cash provided by operating activities	**302.2**	273.4
Adjusted cash conversion	**103%**	88%

Adjusted cash conversion at 103% (2020: 88%) is shown after adjusting for the deferred payment of gaming duties, as well as jackpots, security deposits and client equity, dividends payable and professional costs on acquisitions.

Adjusting the above cash fluctuations is essential in order to truly reflect the quality of revenue and cash collection. This is because the timing of cash inflows and outflows for gaming tax duties in Italy, jackpots, security deposits, client equity and payable dividends only impacts the reported operating cash flow and not Adjusted EBITDA, while professional expenses and costs relating to acquisitions are excluded from Adjusted EBITDA but impact operating cash flow.

Cash conversion (excluding discontinued operations)

	2021 €'m	2020 €'m
Adjusted EBITDA	317.1	253.6
Net cash provided by operating activities	220.5	261.6
Deferred payment of gaming duties	89.6	—
Net cash provided by operating activities after deferred payment of gaming duties	**310.1**	261.6
Cash conversion	**98%**	103%
Change in jackpot balances	(10.5)	(2.0)
Change in client deposits and client equity	(1.5)	(2.4)
Dividends payable	—	(0.2)
Professional expenses on acquisitions	21.5	2.0
ADM security deposit	(1.7)	(17.1)
Adjusted net cash provided by operating activities	**317.9**	241.9
Adjusted cash conversion	**100%**	95%

If we exclude the impact of Finalto cash flow, the adjusted cash conversion reduces slightly to 100% (2020: 95%).

Cash flow statement analysis

Net cash outflows used in investing activities totalled €127.6 million (2020: €102.1 million), of which:

- €16.7 million (2020: €2.5 million) relates to loans granted. Of the total granted in 2021, €8.1 million (2020: €Nil), related to the Galera Group which has a total loan facility of $20 million (refer to Note 20);
- €49.6 million (2020: €41.7 million) was used in the acquisition of property, plant and equipment;
- €7.2 million (2020: €19.5 million) was used in the acquisition of intangible assets;
- in 2020, €11.3 million relates to consideration paid in relation to acquisitions of subsidiaries, net of cash; there were no such payments in 2021;
- €57.4 million (2020: €55.8 million) was spent on capitalised development costs;
- €8.1 million (2020: €21.7 million) out of which €4.2 million relates to payment made for the call option held for Ocean 88 Holdings Ltd (Galera in Brazil), with the balance being the contingent consideration paid to Wplay. In 2020 €4.4 million related to cash paid to acquire a 10% equity holding in Tenlot Guatemala and €2.1 million paid to acquire a 6% equity holding in Tentech CR S.A and with the balance being the rest of the cash payment to Wplay in consideration of the option (refer to Note 20 of the financial statements for more details); and
- €10.7 million (2020: €49.8 million) is cash received on the disposal of assets held for sale, of which €7.5 million relates to final proceeds from the disposal of the Casual business in 2021 and €2.2 million to the disposal of investment in associate; in 2020 €49.5 million relates to cash proceeds from the disposal of real estate in Milan.

The remainder relates to small amounts of proceeds from the disposal of property, plant and equipment in both years.

Net cash outflows from financing activities totalled €218.4 million (2020: €119.8 million inflow) of which:

- €150.0 million was due to the part repayment of the RCF (2020: €245.8 million was drawn down);
- €39.4 million (2020: €39.7 million) relates to interest payments on bond loans and bank borrowings;
- €28.3 million (2020: €27.4 million) is principal and interest lease liability payments;
- €0.7 million (2020: €48.5 million) is payments of contingent consideration and redemption liability; and
- in 2020 €10.2 million related to the repurchasing of Playtech shares. The share buyback scheme was cancelled soon after the pandemic begun and therefore there was no Playtech share repurchasing in 2021.

Balance sheet, liquidity and financing

Cash

Excluding cash classified within assets held for sale, the Group continues to maintain a strong balance sheet with cash and cash equivalents of €575.4 million (31 December 2020: €683.7 million) and adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, of €434.3 million (31 December 2020: €554.6 million). The decline is due to the €150 million RCF repayment and the repayment of the previously announced 2020 gaming tax liability in Italy of €89.6 million, both made in 2021. The Board continues to take a prudent approach to Playtech's capital structure and leverage.

Financing

The Group has issued five-year senior secured notes to the value of €530 million (3.75% coupon, maturity 2023), which were raised in October 2018 to support the acquisition of Snaitech.

The Group has also issued a seven-year senior secured note to the value of €350 million (4.25% coupon, maturity 2026), which were raised in March 2019. The net proceeds of this bond were used to fully repay the €297 million convertible bond which matured in H2 2019, and for general corporate purposes, including payment of contingent consideration.

In November 2019 the Group signed an amendment to its previous RCF, increasing it to €317.0 million and extending its term by an additional four years, ending in November 2023. Interest payable on the loan is based on Euro Libor and Libor rates based on the currency of each withdrawal. Playtech acted promptly, following the announcement of the first lockdown in the first quarter of 2020 and the uncertainty surrounding this, to secure its liquidity position by drawing down €245.8 million against the RCF as a precautionary measure during the period. In 2021 the Group repaid €150 million of its RCF respectively. The RCF balance at 31 December 2021 was €167.1 million (31 December 2020: €308.9 million).

The Group's total gross debt amounted to €1,042.1 million at 31 December 2021 (31 December 2020: €1,182.0 million) and Net Debt, after deducting adjusted gross cash, amounted to €607.8 million (31 December 2020: €627.4 million).

The Group has no immediate refinancing requirements and will be reviewing its long-term financing structure and the outstanding balance of the RCF in due course, including once proceeds have been received from the sale of Finalto.

Chief Financial Officer's review[1] continued

Balance sheet, liquidity and financing continued

Contingent consideration

Contingent consideration and redemption liability increased by €1.3 million to €11.0 million (31 December 2020: €9.7 million) mostly due to the completed payment relating to Wplay, offset by an additional consideration payable to Eyecon Limited. The existing liability as at 31 December 2021 comprised the following:

Acquisition	Maximum payable earnout (per terms of acquisition)	Contingent consideration and redemption liability as at 31 December 2021	Payment date (based on maximum payable earnout)
HPYBET Austria GmbH	€15.0 million	—	n/a
Eyecon Limited	€3.6 million	€3.6 million	Q1 2022
Wplay	€0.9 million	€0.8 million	Q1 2022
Statscore	€15.0 million	€6.0 million	€5.0 million in Q1 2023 €10.0 million in Q1 2026
Other	€6.8 million	€0.6 million	Q4 2022
Total	**€41.3 million**	**€11.0 million**	

Going concern

In adopting the going concern basis in the preparation of the year-end financial statements, the Group has considered the current trading performance, financial position and liquidity of the Group, and the principal risks and uncertainties, together with scenario planning and reverse stress tests completed for a period of no less than 15 months from the approval of these financial statements. The outbreak of the COVID-19 pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic's spread, including the impact of the last lockdowns and potentially another wave of lockdowns, were also taken into consideration in our assessment.

At 31 December 2021, the Group held total cash (excluding cash included in assets held for sale) of €575.4 million (31 December 2020: €683.7 million) and adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, of €434.3 million (31 December 2020: €554.6 million). As already mentioned, the decline is due to a €150 million RCF repayment and, as previously announced, the repayment of the 2020 gaming tax liability in Italy of €89.6 million, both made in 2021. Further, the Group has long-term debt facilities totalling €1,042.1 million (31 December 2020: €1,182.0 million). Management has considered future projected cash flows under a number of scenarios to stress test any risk of covenant breaches.

Furthermore, we have considered the impact of the escalating conflicts in Ukraine, with the main priority being the safety of our teams being directly affected. Playtech is confident that we have taken the right steps and have the resources to be able to support our colleagues, and more importantly that there is no change to the conclusions made in our going concern assessment.

Management concluded that the risk of a covenant breach over the next 15-month period from the date of releasing this report is low and, as such, has a reasonable expectation that the Group will have adequate financial resources to continue in operational existence. Furthermore, although the €530.0 million bond renewal is outside the going concern period, the Directors see no basis on which this will not be achieved. It has therefore considered it appropriate to adopt the going concern basis of preparation for these financial statements.

1 Adjusted numbers relate to certain non-cash and one-off items. The Board of Directors believes that the adjusted results represent more closely the consistent trading performance of the business. A full reconciliation between the actual and adjusted results is provided in Note 10 of the financial statements.

2 Core B2B Gambling refers to the Company's B2B Gambling business excluding unregulated Asia.

3 Totals in tables throughout this statement may not exactly equal the components of the total due to rounding.

Andrew Smith
Chief Financial Officer
24 March 2022