

B2C Gambling overview

In its B2C Gambling division, the Group utilises its proprietary technology and services to operate either through white label agreements with other organisations or directly as a B2C operator in select markets.

Operations

Our B2C division is comprised primarily of Snaitech in Italy but also includes other B2C businesses such as white label agreements and HPYBET, Playtech's retail and online Sports B2C business in Austria and Germany.

Snaitech is a leading operator in the Italian betting and gaming market. Back in 2018, the combination brought together Playtech's technology with Snaitech's powerful brand and local expertise in Europe's largest gambling market at the time. It created a fully vertically integrated retail and online Italian gambling business that can control its own technology, from land based to online. Snaitech's retail betting business operates almost exclusively a franchise model with a low fixed cost base. Snaitech is also a leading operator of retail gaming machines (including AWP's and VLT's).

HPYBET, Playtech's retail and online Sport B2C business, which is managed by Snaitech, operates betting shops in Austria and Germany.

Playtech's white label business is predominantly focused on its long-term partnership with media group News UK, through which it operates the Sun Bingo brand.

SNAITECH

B2C benefits

- Showcase for Playtech ONE and proof of concept for the Group's products and services
- Investing in B2C activity gives greater access to end customers
- Catalyst for future technology and product development for the benefit of all partners and stakeholders
- Strategic optionality when devising its approach in regulated and regulating markets

Italian market opportunity and online success

Italy, the second largest overall gambling market in Europe, is 73% land based and only 27% online with potential to continue growing significantly online. In 2019, the market was 89% land based and only 11% online, albeit with some of the shift to online since being attributable to the closure of retail shops in parts of 2020 and 2021 owing to the COVID-19 pandemic. Overall, the online market in Italy has grown at a CAGR of 25% in the last three years and the Group is, through Snaitech, perfectly positioned to capitalise on the continued shift towards online in the years ahead.

Snaitech's online business grew 45% in 2021 on a revenue basis. Since the introduction of the Italian advertising ban in July 2019, the Group has successfully leveraged Snaitech's brand strength and Playtech's technology expertise to drive Snai into becoming the market-leading brand across retail and online sports betting in 2021.

Excellent online drives 2021 performance

In 2021 Snaitech continued to strengthen its market position in Italy.

Snaitech had a strong operational performance in 2021 when considering the significant lockdowns in light of the COVID-19 pandemic, which resulted in the closures of retail shops throughout H1.

Snaitech's total revenues in 2021 increased by 12% compared to 2020, despite the closing of retail shops throughout H1. Overall revenue growth was driven by 45% growth in online revenues, as well as a strong performance from retail when compared with 2020.

Snaitech's Adjusted EBITDA grew 38% driven by its impressive 54% growth in online EBITDA, which saw healthy overall margin expansion. The growth in Adjusted EBITDA was supported by the actions taken by management to mitigate the impacts of the pandemic.

Online Adjusted EBITDA growth

54%

In 2018, the Government in Italy approved an advertising ban for all forms of gambling which took effect from 14 July 2019. The Group expected Snaitech to be relatively better positioned than online-only competitors given the strength of its retail brand and presence, and this has been seen ever since the implementation of the advertising ban. Management believes that the advertising ban could facilitate market consolidation in the fragmented online market as online-only operators lose their means of advertising.

Snai confirmed its position as the leading brand in the market across retail and online sports betting in 2021 and also reached the number one position in overall online betting and gaming in H2 2021. Playtech expects Snaitech to continue to benefit from the advertising ban going forward and further strengthen its market position in online.

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Snaitech brand's market position in sports betting (combined online and retail GGR)

Operational strength despite headwinds

While retail shops were closed in Italy throughout H1 2021, against a comparative period in H1 2020 which saw retail open as normal in January and February before the impacts of COVID-19 shook the world, Snaitech continued to generate revenues from betting and gaming online throughout H1 2021.

Although Snaitech's online betting business was severely impacted by the lack of sporting events in H1 2020, in H1 2021 the business saw sporting events continue largely as planned, including around two weeks of the UEFA Euro 2020 championships at the end of June 2021. The continuation of sporting events helped the online business to perform well despite the prolonged retail closures.

At the start of this year, Snaitech's expectation was that the retail closures in Italy would ease from approximately mid-March. However, given the continuing impact of the pandemic, retail shops were forced to remain closed for much longer and did not begin to reopen until mid-June.

Despite the loss of significant revenue from retail closures, Snaitech's double-digit Adjusted EBITDA growth was driven by the strong performance of online betting and gaming and supported by its franchise operating model with a low fixed cost base, as well as the actions taken by management to reduce costs. Management used the lockdown period in 2020 to continue strengthening Snaitech's technology to increase integration between retail and online, providing customers with a safe, multi-channel gaming experience, and this paid off in 2021 as the online business excelled.

As retail shops began to reopen in mid-June with the continued use of appropriate safety measures, Snaitech's performance was very strong from July through to December, while online continued to perform very well throughout H2. Overall, the business navigated the challenges of the pandemic to have a strong 2021 driven by online and management is confident of the prospects of this business going forward.

