

## **Online gaming software licence agreement with William Hill**

**Acquisition of affiliate and other assets and immediate sale to William Hill**

**20 October 2008**



## **Agenda**

**Introduction**

**Transaction overview**

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## **Introduction: Roger Withers, Chairman**

- Major new software licence to supply William Hill Online
- Acquisition from affiliates and other parties of online gaming assets and immediate sale of majority to William Hill in return for 29 per cent. of enlarged William Hill Online
- To be funded from internal cash resources
- Benefits are:
  - Major new online gaming licensee
  - Earnings enhancing from January 2009
  - Potential significant capital upside

## Transaction overview



## **Award of major new licence**

- Online gaming software licence agreement with William Hill Online to supply
  - Casino
  - Poker
  - Other products
- Commencing on a phased basis in early January 2009 and culminating in exclusive agreement to supply casino and poker software from January 2010
- Eight year licence with mutual option to break at end of year 5 and 7

## Acquisitions from affiliates and other parties

- Acquisition of certain online gaming marketing assets, businesses and contracts from affiliate (Uniplay) and other third parties for a total consideration of up to \$250 million in cash
- Asset purchases
- For the six months to 30 June 08, purchased assets generated combined revenues of \$51.4 m and net earnings of \$10.4m
- Net earnings growing rapidly. Current annualised net earnings run rate of purchased assets is c. \$31m
- Related party assets acquired for a multiple of approx. 7x current run rate – preferential basis relative to the original call option

## Immediate sale to William Hill

- Immediate sale of the majority of the purchased assets to William Hill
- Consideration is a 29 per cent. stake in William Hill's enlarged online business
  - based on profit contribution of the assets
  - reflecting a reduction in future revenue
- William Hill has an option to buyout Playtech's stake after four and six years on an independent fair value basis
- William Hill to control and operate William Hill Online
- William Hill Online's pro forma 2008 estimates are net revenues of c.\$328.7m (£190m) and EBITA of c.\$129.8m (c.£75m)
- Playtech's interest can increase to 32 per cent. in certain limited circumstances

## Financial summary

- Earnings enhancing from January 2009
- Software licence income
- 29 per cent. share in William Hill online profits
  - Principally accounted for as income from Associate
- Potential significant capital gain if William Hill exercises its buyout rights for Playtech's stake. Right to be paid in up to 10 per cent. of William Hill shares
- Acquisition funded out of cash reserves
- William Hill Online's pro forma 2008 estimates are net revenues of c.\$328.7m (£190m) and EBITA of c.\$129.8m (c.£75m)

## **Rationale**

- Significantly earnings enhancing
- Increases the value of the affiliate option by injection into William Hill
- Adds a high profile and cash generative licensee
- Maintains Playtech's position as an independent service provider

## Summary

- Significant new licence with leading gambling operator
- Playtech utilising relationships to benefit of shareholders
- Acquiring mainly assets and contracts not liabilities
- Majority of assets injected into William Hill's online business
- Playtech's consideration in form of minimum 29 per cent. stake
- William Hill Online: highly cash generative business with priority to pay dividends
- Transactions significantly earnings enhancing from 2009 onwards
- Confirms Playtech's status as the market leader in its field
  
- Other affiliate acquisition opportunities....

## Questions & Answers

