Chief Financial Officer's review[1]

Good performance with strong financial discipline

"Playtech took early and decisive action to ensure the health and wellbeing of its employees and to preserve cash flow."

Andrew Smith
Chief Financial Officer

Group Revenue

€1,079m

↓25%

(2019: €1,441m)

Overview

Response to COVID-19

Despite Playtech being severely impacted by COVID-19 through the cancellation of sporting events worldwide and the closure of retail shops, the Group continues to navigate the pandemic exceptionally well and had a resilient 2020. Playtech took early and decisive action to ensure the health and wellbeing of its employees and to preserve cash flow, while also benefitting from heightened activity in its online businesses.

Actions taken to preserve cash included the deferral or cancellation of planned capital expenditure, strict working capital management, reduced office and maintenance costs, the renegotiation of the timing of major earnout payments in 2020 and the suspension of shareholder distributions until further notice given the uncertain economic backdrop.

As a precautionary measure, in the early stages of the pandemic Playtech accessed approximately €6 million in government support schemes in the UK and other markets. This was to ensure the Group could protect jobs given the prevailing uncertainty over the severity of the impact on the business from the pandemic. Despite the impact of the restrictions on parts of our business and given the overall resilient performance over the course of 2020, this support is currently in the process of being repaid, has been fully provided for at year end and therefore excluded from our results for 2020.

Group performance

The Group saw an excellent start to 2020 in January and February driven by strong performances from Snaitech, Live Casino and Finalto (formerly TradeTech), combined with favourable sporting results.

However, the adverse impact of COVID-19 and the lockdowns from mid-March to June, and again from late October onwards, led to the Group's total revenues including Finalto decreasing by 20% year on year and on a constant currency basis, albeit boosted by an exceptional Finalto performance during March and April.

Following the lifting of various global lockdowns and the reopening of retail in June, the results showed a strong recovery in H2, with July particularly strong driven by pent up demand, a high concentration of football matches and another very strong month from Finalto. The Group continued to recover well in H2 driven by Snaitech and Core B2B, however, this recovery was hindered from late October when further lockdowns were again imposed by governments in several of its key markets, resulting in further retail closures.

Despite the pandemic and the headwinds described above, the Group achieved Adjusted EBITDA including Finalto of €310.0 million (2019: €383.1 million), an actual and constant currency basis year-on-year decline of only 19%. This was driven by Finalto in H1 and the strength of Playtech's online businesses outside of Asia, namely Casino (including Live), Bingo, Poker and Snaitech in H2.

During the year the Board of Directors solidified its decision and made significant progress towards the sale of Finalto in line with the Group's simplification strategy, in order to focus on its core B2B and B2C gambling businesses. The results of this division in the current and prior year have therefore been classified as discontinued operations. Total reported revenue from continuing operations ended at €1,078.5 million (2019: €1,440.5 million), representing a 25% year-on-year decline and 24% on a constant currency basis. The Group achieved Adjusted EBITDA from continuing operations of €253.6 million (2019: €375.3 million), a decrease of 32% year-on-year and on a constant currency basis. The Group's reported EBITDA from continuing operations decreased by 33% to €222.9 million (2019: €333.7 million).

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.

Divisional performance

Core B2B Gambling revenues[2] declined by 6% year on year and 4% at constant currency. This was driven by a 26% decrease in UK revenues as a result of a 47% decline in UK retail activity because of COVID-19 lockdowns. However, the UK performance was offset by a 5% increase in revenues from regulated markets outside of the UK, namely Mexico, with contributions from Poland, Colombia, Italy and several other geographies, as well as a 26% increase in revenues from unregulated markets excluding Asia, namely Canada, Germany and South Africa. Revenues from Asia declined by 28% due to the severe impact of the pandemic in the region, as well as non-sector specific restrictions introduced on payment processing.

When excluding the impacts of retail closures and sporting cancellations in 2020, Core B2B Gambling (online excluding sports) revenues increased by 26% and 30% on a constant currency basis, driven by revenues from regulated markets outside of the UK, which increased by 59% and 68% on a constant currency basis. Revenues from unregulated markets excluding Asia increased by 28%, while the UK remained largely flat.

Within B2C, Snaitech revenues declined by 37% due to the absence of sporting events and the closure of retail shops during the COVID-19 lockdowns. However, Snaitech revenues were boosted by a 58% increase in online revenue. Furthermore, it achieved the number one position across sports (online and retail measured by GGR) in Italy in 2020. Snaitech's Adjusted EBITDA declined by 19%, a smaller decrease than its revenues, due to its low fixed cost base, effective cost reduction and the strong performance of its higher-margin online business, which saw exceptional growth in online EBITDA of 92%.

Playtech's white label revenues, predominantly Sun Bingo, increased by 8% while the Retail Sport B2C business saw only a 3% decline in revenues, despite the retail closures in Germany and Austria.

Regulated revenues from continuing operations accounted for 84% of Group revenues in 2020 (86% when including Finalto) versus 87% in 2019 (88% when including Finalto), with the fall driven by lower revenues from Snaitech in Italy as described above.

Reported and adjusted profit

Adjusted profit before tax from continuing operations decreased by 75% to €45.1 million (2019: €177.8 million), driven by the fall in Adjusted EBITDA and an increase in finance costs in 2020 owing to the full period impact of the €350 million bond raised in March 2019, as well as the draw-down from the Company's revolving credit facility during 2020.

Reported profit before tax from continuing operations declined by 160% to a loss of €52.7 million (2019 reported profit: €88.2 million). Reported tax expense decreased by €11.4 million due to:

- Reduction in the current tax because of lower taxable profits, owing to the decline in the overall Group performance; and
- Decrease in deferred tax as a result of lower utilisation of brought forward losses in Snaitech, due to its lower taxable profits resulting from the closure of retail locations throughout much of the period.

This led to a total post-tax reported loss from continuing operations of €73.0 million (2019 reported profit: €56.5 million).

Balance sheet and liquidity[3]

	2020 €m	2019 €m
Cash and cash equivalents	683.7	671.5
Cash and cash equivalents included in assets held for sale	376.9	2.6
Total cash and cash equivalents	**1,060.6**	674.1
Cash held on behalf of clients, progressive jackpots and security deposits	(129.1)	(338.3)
Cash held on behalf of clients, progressive jackpots and security deposits and included in assets held for sale	(280.4)	—
Adjusted gross cash and cash equivalents	**651.1**	335.8

The Group continues to maintain a strong balance sheet with total cash and cash equivalents of €1,060.6 million as at 31 December 2020 (2019: €674.1 million). Adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, increased to €651.1 million as at 31 December 2020 (31 December 2019: €335.8 million), owing in large part to the Group drawing down its revolving credit facility as a precautionary measure.

Excluding cash from the revolving credit facility, the Group steered through the pandemic with its adjusted gross cash increasing to €342.2 million at 31 December 2020 (2019: €271.5 million), owing to the cash preservation actions described below.

The Group's total gross debt increased to €1,182.0 million at 31 December 2020 (31 December 2019: €935.8 million) with net debt, after deducting adjusted gross cash, decreasing to €530.9 million (31 December 2019: €600.0 million). The net debt / Adjusted EBITDA ratio increased only slightly to 1.7x at 31 December 2020 from 1.6x at 31 December 2019[6], due to the overall reduction in Adjusted EBITDA.

Playtech takes a prudent and disciplined approach to its banking relationships. Despite being comfortably within its covenants, Playtech proactively approached its lenders and agreed to amend the covenants in its revolving credit facility for the 31 December 2020 and 30 June 2021 tests.

Chief Financial Officer's review[1] continued

Overview continued

Balance sheet and liquidity[3] continued

The leverage covenant was amended to 5x net debt / Adjusted EBITDA for the 31 December 2020 test and 4.5x for the 30 June 2021 test. The interest cover covenant was amended to 3x for the 31 December 2020 test and 3.5x for the 30 June 2021 test. The covenants will return to the previous levels of 3x net debt / Adjusted EBITDA and 4x Adjusted EBITDA / interest cover from the 31 December 2021 test onwards, or sooner should the Company decide to make shareholder distributions within the above-mentioned periods.

Given the ongoing uncertainty relating to COVID-19, the Board suspended shareholder distributions in February 2020 until further notice. The share repurchase programme announced at the FY 2019 results was postponed with immediate effect and the 2019 final dividend was not proposed at the 2020 AGM. Together these measures allowed the Company to preserve over €65 million of cash outflows during the year. In addition, Playtech received a total of €49.5 million in cash from the sale of Snaitech land in Italy during the year.

Playtech's swift actions and assured navigation of the pandemic has left the Group in strong financial health to benefit from the reopening of retail shops in its main markets, the full return of sporting events across the world and further growth opportunities as it looks ahead into 2021 and beyond.

Group summary (continuing operations)[4]

	2020 €m	2019[5] €m
B2B Gambling	494.8	553.9
B2C Gambling	596.3	900.5
Intercompany	(12.6)	(13.9)
Total Group Revenue from continuing operations	1,078.5	1,440.5
Adjusted costs	(824.9)	(1,065.2)
Adjusted EBITDA from continuing operations	253.6	375.3
Reconciliation from EBITDA to Adjusted EBITDA:		
EBITDA	222.9	333.7
Employee stock option expenses	16.5	13.3
Professional fees on acquisitions	1.7	0.5
Additional consideration payable for put/call option	5.3	10.2
Movement in contingent consideration and redemption liability	1.2	6.3
Effect from the amendment on terms of Sun Bingo contract back dated	—	6.4
Provision for other receivables	2.8	4.5
Impairment of associate	—	0.4
Charitable donation	3.2	—
Adjusted EBITDA	253.6	375.3
Adjusted EBITDA margin	24%	26%
Adjusted EBITDA on a constant currency basis	256.4	375.3
Adjusted EBITDA margin on a constant currency basis	24%	26%
EBITDA related to acquisitions at constant currency	(0.3)	—
Underlying Adjusted EBITDA on a constant currency basis	256.7	375.3
Underlying Adjusted EBITDA margin on a constant currency basis	24%	26%

Despite the pandemic and the interruption of retail activity for significant parts of the year, the Group's total reported revenues from continuing operations decreased by only 25% to €1,078.5 million (2019: €1,440.5 million) and down 24% on a constant currency basis. This was driven by the strength of the online business, even when including online sports, which increased by 16% year on year and 27% if we exclude Asia, offset by a decrease of 49% in retail revenue as a result of the various lockdowns during the year.

The Group's Adjusted EBITDA from continuing operations reached €253.6 million (2019: €375.3 million), a year-on-year and constant currency basis decline of 32%. The decrease in Adjusted EBITDA was higher than the decrease in revenue because of the higher cost base in the B2B Gambling division, only partly offset by the reduced cost base in the B2C Gambling division. This caused the 2% year on year decline in the Adjusted EBITDA margin, from 26% to 24% and is further analysed in the following sections. The Group's total reported EBITDA decreased by 33% to €222.9 million (2019: €333.7 million).

B2B Gambling

	2020 €m	2019 €m	Change
B2B Gambling Revenue*	494.8	553.9	-11%
Research and development	76.1	80.9	-6%
Operations	214.5	181.2	18%
Administrative	63.2	57.4	10%
Sales and marketing	15.2	19.6	-22%
B2B Gambling Costs	369.0	339.1	9%
B2B Gambling Adjusted EBITDA	125.8	214.8	-41%

* 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.

B2B Gambling Revenue

Core B2B Gambling revenues declined by 6% driven by a 26% decrease in UK revenues, offset by a 5% increase in revenues from regulated markets outside of the UK and a 26% increase in revenues from unregulated markets excluding Asia. Of the regulated markets outside of the UK, the biggest contributor was Mexico, driven by revenue growth at Caliente, with Poland, Colombia, Italy and several other geographies also contributing to revenue growth. The growth in revenues from unregulated markets excluding Asia came from Canada, Germany and South Africa. Asian revenues declined 28% due to the severe impact of the pandemic in the region as well as non-sector specific restrictions introduced on payment processing.

When excluding the impacts of retail closures and sporting cancellations in 2020, Core B2B Gambling (online excluding sports) revenues increased by 26% and 30% at constant currency, driven by revenues from regulated markets outside of the UK, which increased by 59% and by 68% on a constant currency basis. When including Sports, total online revenues within Core B2B increased by 19% and 23% on a constant currency basis, driven by strong performances within Casino, Live, Bingo and Poker, as a result of the increase in demand for online entertainment during the COVID-19 lockdown periods.

Overall, B2B Gambling revenues decreased by 11% largely due to the impact of retail closures in the period, which led to a 51% decline in retail revenues, alongside the 28% decline of revenues from Asia.

When excluding Asia, B2B online gambling revenues were resilient through the pandemic. With the exception of online Sport, which declined significantly because of the suspension of sporting events worldwide due to COVID-19, every other online business within the B2B Gambling division achieved strong revenue growth against the prior year.

Group Adjusted EBITDA (incl. Finalto)

€310m

↓19%

(2019: €383m)

B2B Gambling costs

B2B Gambling costs increased in 2020. At the start of the year, the Group had aggressive investment plans to support the expected strong revenue growth in the year and to capture the opportunity in markets such as the US and Latin America. When the pandemic hit, our revenues and growth plans were impacted with either investment already having been made or with Playtech taking the decision to carry on with the investment plans in order to further strengthen our market positions.

Research and development ("R&D") costs include, among others, employee-related costs, direct expenses related to dedicated teams and proportional office expenses. Expensed R&D costs decreased by 6% to €76.1 million (2019: €80.9 million), driven by a decline in outsourcing costs and a reduction in office expenses and travel costs relating to the R&D teams. Capitalised development costs were 38% of total B2B Gambling R&D costs in the period, compared to 37% in 2019.

The operations cost line includes employee-related costs and their direct expenses, operational marketing, hosting, license fees paid to third parties, branded content, hardware terminals purchased for resale, feeds, chat moderators and proportional office expenses. Operations costs increased by 18% to €214.5 million in 2020 (2019: €181.2 million). This increase was driven by recruitment in Live Casino, an increase in targeted marketing campaigns relating to turnkey customers and structured agreements, an increase in game patent fees and an increase in doubtful debts directly linked to COVID-19. These were offset by a decrease in costs relating to hardware sales compared to 2019 as well as a reduction in land-based terminals maintenance and service fees.

Administrative expenses increased by 10% to €63.2 million (2019: €57.4 million), driven by an increase in employee-related costs, legal and consulting fees, including those relating to Playtech's expansion into new geographies such as the US and Latin America, tax advice fees relating to matters such as the Group's change of tax residence, compliance expenses and charitable donations. These increases were partially offset by a significant reduction in general travel expenses.

Sales and marketing expenses decreased by 22% to €15.2 million (2019: €19.6 million), driven by a reduction in exhibition costs and travel costs directly related to exhibitions.

B2B Gambling Adjusted EBITDA

B2B Gambling Adjusted EBITDA decreased by 41% to €125.8 million (2019: €214.8 million). The decrease was driven by the closure of retail activity for significant parts of 2020 due to the pandemic and the decline in high-margin Asian revenues which flow through in large part to EBITDA.

Furthermore, and as discussed above, included in our B2B costs are significant investments made in order to enter new strategic agreements and geographies (marketing, legal and consulting fees), without an equivalent increase in revenue recognised in 2020, which predominantly explains why the decrease in Adjusted EBITDA was higher than the decrease in revenue.

B2C Gambling

	2020 €m	2019 €m	Change
Snaitech	522.2	829.7	-37%
White label (incl. Sun Bingo)	55.0	51.1	8%
Sport B2C	19.1	19.7	-3%
B2C Gambling Revenue	596.3	900.5	-34%
Snaitech	390.2	667.2	-42%
White label (incl. Sun Bingo)	47.9	41.2	16%
Sport B2C	30.4	31.6	-4%
B2C Gambling Costs	468.5	740.0	-37%
B2C Gambling Adjusted EBITDA	127.8	160.5	-20%

Snaitech

Snaitech revenues decreased by 37% to €522.2 million (2019: €829.7 million), owing to the effects of the COVID-19 pandemic, which resulted in the closure of retail betting shops in Italy and the reduction in sporting events during the year. However, Snaitech's revenue was supported by a 58% increase in online revenues, which was driven by a 52% year on year increase in online wagers.

Snaitech operating costs decreased by 42% to €390.2 million (2019: €667.2 million). Given the high variable costs in the business, the fall in operating costs was driven by the decrease in revenues and mainly consisted of a decrease in franchise commission, gaming concession fees, platform charges, maintenance of the retail network and costs relating to data feeds.

Snaitech's Adjusted EBITDA declined by 19%, a smaller decrease than its revenues, due to its low fixed cost base, effective cost reduction and the strong performance of its higher-margin online business, which saw exceptional growth in online EBITDA of 92%. As a result, Snaitech's EBITDA margin improved to 25% (2019: 20%) and its underlying margin, which excludes the distribution costs paid to franchisees, improved to 48% (2019: 46%).

White label (including Sun Bingo)

Revenue from the white label business increased by 8% in total, driven by an outstanding performance from Sun Bingo, which grew 32% to €53.8 million (2019: €40.7 million). Operating costs within Sun Bingo increased by 49% to €45.6 million (2019: €30.7 million), driven by an increase in marketing costs. Adjusted EBITDA from the Sun Bingo business decreased by 19% to €8.1 million (2019: €10.0 million). Adjusted EBITDA includes the release of the minimum guarantee prepayment over the new period of the contract which was renegotiated in 2019.

Other White label revenue decreased by 88% to €1.2 million (2019: €10.4 million), as part of an ongoing effort to consolidate or cease the operations of certain brands. Other White label costs decreased by 78% in line with the decrease in revenue, resulting in an Adjusted EBITDA loss of €1.0 million (2019: loss of €0.1 million). During the year Playtech made a €3.2 million payment to charities as part of its pledge following regulatory review.

Chief Financial Officer's review[1] continued

B2C Gambling continued

Sport B2C

The Sport B2C business is currently at the investment phase so despite the retail closures in Germany and Austria resulting from COVID-19, revenues decreased by only 3% to €19.1 million (2019: €19.7 million), with a 4% decrease in costs.

The business remains loss making, with Adjusted EBITDA loss decreasing by 5% to €11.3 million (2019: €11.9 million). An impairment loss of €41.2 million has been recognised in the Sports B2C cash generating unit ("CGU") primarily as a result of COVID-19 and the impact it's had on retail performance. This impairment, which was accounted for below EBITDA, is further discussed below.

Below EBITDA items

Depreciation and amortisation

Depreciation decreased by 6% to €47.5 million (2019: €50.4 million). Adjusted amortisation, after deducting amortisation of acquired intangibles of €39.0 million (2019: €41.6 million), increased by 6% to €83.1 million (2019: €78.1 million). The remainder of the balance under depreciation and amortisation of €18.5 million (2019: €17.8 million) relates to IFRS 16 Leases, being the right-of-use asset amortisation.

Impairment of tangible and intangible assets, including assets held for sale

Included in the total reported impairment of tangible and intangible assets is a €41.2 million impairment for the B2C Sports CGU, which comprises of the B2C sports operations in Germany and Austria. The impairment, which fully wrote off the value of this CGU, was primarily a result of the impact of COVID-19 on the estimated recovery period and the uncertainty of future cash flows.

Within discontinued operations, the Group has recognised an impairment for the Finalto segment of €221.3 million (2019: €Nil), which is classified as held for sale at 31 December 2020. This is further discussed below.

Profit on disposal of asset classified as held for sale

On 21 April 2020, the sale and purchase agreement of part of the surplus Snai land in Italy, known as 'Area Sud', was completed for a total consideration of €18.8 million, of which €5.0 million had already been received on sign off of the preliminary agreement in 2019.

On 21 July 2020, the sale and purchase agreement of part of the surplus Snai land in Italy, known as 'Area Nord', was completed for a total consideration of €35.7 million.

As a result of these transactions a total of €49.5 million was received in cash during the year (2019: €5 million) and the Group realised a profit on disposal of €22.1 million (2019: €Nil) as reflected in the consolidated statement of comprehensive income.

Finance costs and income

Reported finance costs decreased by 3% to €64.6 million (2019: €66.7 million), while adjusted finance costs increased by 11% to €61.5 million (2019: €55.3 million). The latter was driven by both the increase in interest expense on bond loans in 2020 owing to the 2019 bond being issued part-way through H1 2019, as well as the additional withdrawal from the revolving credit facility during 2020. The difference between adjusted and reported finance costs in 2020 is the movement of the contingent consideration and redemption liability. In 2019 the difference is mainly the decrease in the effective interest on the previously held convertible bond due to its repayment in November 2019.

Adjusted finance income decreased by 58% to €1.1 million (2019: €2.6 million), driven by a decrease in interest income. Reported finance income decreased by 89% to €1.1 million (2019: €9.7 million) due to the movement in contingent consideration and redemption liability, which was an income in the prior year of €7.1 million against an expense of €3.0 million in the current year and therefore included in reported finance cost.

Taxation

In 2020, the Group's underlying adjusted effective tax rate from continuing operations increased to 22% (2019: 13%). Whilst income tax expense and cash tax actually decreased, there was an increase in the percentage tax rate due to the greater fall in profit before tax.

The total adjusted tax charge in 2020 was €17.9 million (2019: €39.8 million), whereas the reported tax charge was €20.4m (2019: €31.8 million). The adjusted tax expense excludes the impact of tax in relation to the Snai land disposed during the year and the movement in deferred tax in relation to acquisitions.

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. This restructuring is not expected to have a significant impact on the Group's underlying effective tax rate.

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 in the consolidated statement of comprehensive income.

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 an estimated profit of €7.6 million to be recognised in FY 2021. This business has now been fully disposed of.

The Adjusted EBITDA related to the Casual and Social Gaming business improved to €0.4 million (2019: loss of €4.6 million) due to the winding down of operations and reduction in employee-related costs. Adjusted profit after tax improved to €0.1 million (2019: adjusted loss of €8.5 million).

Playtech grants scholarships to students

Finalto (formerly TradeTech Group)

In August 2020 the Group, which previously announced it is continuing to evaluate all options for Finalto, confirmed that it was in early discussion stages with a number of parties regarding a potential sale of the division. A formal decision to dispose of this segment was made by the Board of Directors. Post year end, the Group further announced that it was in exclusive discussions with a management consortium with a cash offer of up to US$200 million. The Board is confident that the sale will complete by the end of 2021. The assets and liabilities of the division were therefore classified as held for sale at 31 December 2020 and the financial results of this division in both years being presented were included in discontinued operations. Despite the strong performance in 2020 as discussed below, the Group continues to execute its simplification strategy in order to focus on its core businesses. As a result an impairment charge of €221.3 million was recognised against this CGU when comparing its carrying value to expected proceeds from the disposal, less expected costs.

In terms of performance, revenues increased by 80% to €121.9 million (2019: €67.9 million). Adjusted and reported EBITDA both increased to €56.4 million (2019: €7.8 million) and €45.3 million (2019: €1.6 million) respectively. Finalto, which earned 72% of its 2020 revenue and 94% of its 2020 Adjusted EBITDA in H1, had an outstanding first half where the business benefitted significantly from increased market volatility and trading volumes, particularly in March and April as the effect of the pandemic created large price movements in major instruments. Market conditions normalised during the second half.

Adjusted profit and Adjusted EPS

	2020 €m	2019 €m
(Loss)/Profit from continuing operations attributable to the owners of the Company*	(73.0)	55.9
Employee stock option expenses	16.5	13.3
Professional fees on acquisitions	1.7	0.5
Additional consideration payable for put/call option	5.3	3.0
Movement in contingent consideration and redemption liability	4.2	6.3
Effect from the amendment on terms of Sun Bingo contract back dated	—	6.4
Provision for other receivables	2.8	4.4
Impairment of investment in associate	—	0.4
Charitable donation	3.2	—
Fair value change of equity investments	(0.6)	0.3
Tax relating to prior years	4.9	4.1
Deferred tax on acquisitions	(11.7)	(12.1)
Amortisation of intangibles on acquisitions	39.0	41.6
Finance costs on acquisitions	—	1.5
Notional interest on convertible bonds	—	9.9
Impairment of tangible and intangible assets and right of use assets	45.4	1.9
Fair value change on acquisition of associate	(6.5)	—
Loss on disposal of associate	8.9	—
Profit on disposal of asset classified as held for sale	(22.1)	—
Tax on disposal of asset classified as held for sale	9.3	—
Adjusted Profit from continuing operations attributable to the owners of the Company	27.3	137.4
Adjusted basic EPS (in Euro cents)	9.2	45.5
Adjusted diluted EPS (in Euro cents)	8.8	44.6
Constant currency impact	4.8	4.3
Adjusted profit for the year attributable to owners of the Company on constant currency	32.1	141.7
Adjusted net profit / (loss) on constant currency related to acquisitions	(0.3)	—
Underlying adjusted profit for the year attributable to owners of the Company	32.4	141.7
Basic and diluted EPS from loss attributable to owners of the Company (in Euro Cents)	(99.6)	(6.5)
Basic EPS from profit/(loss) attributable to the owners of the Company from continuing operations (in Euro Cents)	(24.5)	18.5
Diluted EPS from profit/(loss) attributable to the owners of the Company from continuing operations (in Euro Cents)	(24.5)	18.1

* The reconciling items in the table above are further explained in Note 10 of the financial statements.

Reported loss per share from continuing operations decreased by 232%, in line with the decrease in profit. Adjusted diluted EPS decreased by 80% compared to 2019. Basic EPS is calculated using the weighted average number of equity shares in issue during 2020 of 298.4 million (2019: 301.8 million). Diluted EPS also includes the dilutive impact of share options and is calculated using the weighted average number of shares in issue during 2020 of 310.8 million (2019: 308.0 million).

Cash flow

Playtech continues to be cash generative and delivered operating cash flows of €366.9 million (2019: €320.9 million), with adjusted cash conversion of 89% (2019: 79%).

Chief Financial Officer's review[1] continued

Cash conversion (including Finalto)

	2020 €m	2019 €m
Adjusted EBITDA	**310.0**	383.1
Net cash provided by operating activities	**366.9***	320.9
Cash conversion	**118%**	84%
Change in jackpot balances	**(2.0)**	(9.5)
Change in client deposits and client equity	**(76.6)**	(22.0)
One-off tax payment	**—**	28.0
Dividends payable	**(0.2)**	(0.3)
Professional expenses on acquisitions	**5.0**	1.9
Finance costs on acquisitions	**—**	1.5
ADM security deposit	**(17.1)**	(17.2)
Adjusted net cash provided by operating activities	**276.0**	303.3
Adjusted cash conversion	**89%**	79%

* Net cash provided by operating activities is benefitting from a deferred payment of gaming tax duties of €89.6 million in Italy, which was due in Q4 2020. As a result of COVID-19 the Italian tax authorities allowed the deferral of these gaming tax duties to be made in the first half of 2021.

Adjusted cash conversion is shown after adjusting for jackpots, security deposits and client equity, dividends payable and professional and finance 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 jackpots, security deposits, client equity and payable dividends only impacts the reported operating cash flow and not EBITDA, while professional expenses and costs relating to acquisitions are excluded from Adjusted EBITDA but impact operating cash flow.

The adjusted net cash provided by operating activities excluded, among other items, the security deposit repayment from Italy's online betting and gaming regulator (ADM) for 2020 and 2019, changes in client deposits and client equity and the €28.0 million one-off cash payment made to the Israeli government in 2019 for the settlement of additional tax relating to the Group's activities in Israel for the years 2008 to 2017 inclusive.

The increase in net cash provided by operating activities is largely due to the significant increase in contribution from Finalto. Adjusted cash conversion, which the Group believes is a better representation of cash collection in the period, was 89% (2019: 79%).

Net cash outflows used in investing activities totalled €89.3 million (2019: €152.8 million) of which:

- €19.8 million (2019: €1.4 million) relates to consideration paid in relation to acquisitions of subsidiaries in the period;
- €41.7 million (2019: €61.4 million) was used in the acquisition of property, plant and equipment;
- €22.0 million (2019: €24.3 million) was used on the acquisition of intangible assets;
- €55.8 million (2019: €65.5 million) was spent on capitalised development costs; and
- €49.8 million (2019: €5.0 million) is cash received on the disposal of assets held for sale of which €49.5 million (2019: €5.0 million) relates to real estate located in Milan.

Net cash inflows from financing activities totalled €104.6 million (2019: €117.3 million outflow) of which €245.8 million (2019: €63.9 million) was cash inflow from the drawing down of the Group's revolving credit facility, offset by:

- €10.1 million (2019: €65.1 million) on the repurchasing of Playtech shares in the year;
- €27.4 million (2019: €27.2 million) of principal and interest lease liability payments;
- €63.7 million (2019: €48.1 million) payment of contingent consideration and redemption liability; and
- higher total interest payments on bond loans and bank borrowings totalling €39.7 million (2019: €29.5 million) due to the issuance of the 2019 bond part-way through H1 2019 and the Group's revolving credit facility drawdown in the current year.

Balance sheet, liquidity and financing

Cash

Including cash classified within assets held for sale, the Group continues to maintain a strong balance sheet with cash and cash equivalents of €1,060.6 million as at 31 December 2020 (2019: €674.1 million). Adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, increased to €651.1 million as at 31 December 2020 (2019: €335.8 million), owing in large part to the Group drawing down €245.8 million from its revolving credit facility as a precautionary measure, as well as the considerable cash preservation actions described below. The Board keeps Playtech's capital structure under continuous review and is cognisant of the level of cash on its balance sheet. Once there is greater certainty on the outcome of the pandemic, the revolving credit facility will be repaid.

Financing

The Group holds 5-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 also holds 7-year senior secured notes 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 revolving credit facility, increasing it to €317.0 million and extending its term by an additional four years, ending in November 2023, with a further one-year extension option. Interest payable on the loan is based on Euro Libor rates. Playtech acted promptly following the announcement of the first lockdown in Q1 2020 and the uncertainty surrounding this, to secure its liquidity position by drawing down €245.8 million against the revolving credit facility as a precautionary measure during the period (2019: €63.9 million). However, it is important to note that the Group steered through the pandemic with an improved cash position at 31 December 2020 against 31 December 2019, even after excluding the cash contribution from the revolving credit facility.

The Group's total gross debt amounted to €1,182.0 million at 31 December 2020 (31 December 2019: €935.8 million) and net debt, after deducting adjusted gross cash, amounted to €530.9 million (31 December 2019: €600.0 million). The net debt / Adjusted EBITDA ratio increased slightly to 1.7x at 31 December 2020 from 1.6x at 31 December 2019[6], due to the overall reduction in Adjusted EBITDA.

Playtech takes a prudent and disciplined approach to its banking relationships. Despite being comfortably within its covenants, Playtech proactively approached its lenders and agreed to amend the covenants in its revolving credit facility for the 31 December 2020 and 30 June 2021 tests. The leverage covenant was amended to 5x net debt / Adjusted EBITDA for the 31 December 2020 test and 4.5x for the 30 June 2021 test. The interest cover covenant was amended to 3x for the 31 December 2020 test and 3.5x for the 30 June 2021 test. The covenants will return to previous levels of 3x net debt / Adjusted EBITDA and 4x Adjusted EBITDA / interest cover from the 31 December 2021 test onwards, or sooner should the Company decide to make shareholder distributions within those periods.

Contingent consideration

Contingent consideration and redemption liability decreased by €51.4 million to €9.7 million (31 December 2019: €61.1 million) due to the completed payments relating to Playtech BGT Sports Ltd, Rarestone Gaming PTY Ltd and GenerationWeb, offset by the redemption liability arising from the acquisition of Statscore. The existing liability as at 31 December 2020 comprised the following:

Acquisition	Maximum payable earnout (per terms of acquisition)	Contingent consideration and redemption liability as at 31 December 2020	Payment date (based on maximum payable earnout)
HPYBET Austria GmbH	€15.0 million	Nil	Q2 2021
Eyecon Limited	€25.0 million	Nil	Q2 2021
Wplay	€4.9 million	€3.9 million	€4.0 million Q4 2022 €0.9 million Q4 2024
Statscore	€15.0 million	€4.6 million	€5.0 million Q1 2023 €10.0 million in Q1 2026
Other	€7.3 million	€1.2 million	€7.3 million in Q3 2021
Total	**€67.2 million**	**€9.7 million**	

Shareholder returns

The Board suspended shareholder distributions in March 2020 until further notice due to the uncertainty relating to COVID-19. The share repurchase programme announced at the FY 2019 results was postponed with immediate effect with approximately €10 million of the €40 million buyback having been completed. Also, the 2019 final dividend was not proposed at the AGM. Together these measures allowed the Company to preserve over €65 million of cash outflows during the year.

Playtech remains committed to returning capital to shareholders whilst balancing the needs of the business and taking a prudent approach to its capital structure and leverage.

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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. The balance sheet and liquidity analysis includes assets and liabilities that are part of both continuing operations and assets held for sale because this better represents the Group's position at 31 December 2020 and 31 December 2019 as it still has full control of its cash and liabilities affecting its cash position.
4. Totals in tables throughout this statement may not exactly equal the components of the total due to rounding.
5. Due to the classification of a discontinued operation and a correction of prior year error, the comparative information for 2019 has been restated. Please refer to Note 8 of the financial statements for further details.
6. Net debt/Adjusted EBITDA is calculated as Gross Debt less Adjusted Gross Cash including cash held for sale and excluding cash held on behalf of clients, progressive jackpots and security deposits divided by Adjusted EBITDA from continuing operations and Finalto (included in discontinued operations) of the last 12 months totalling €310.0 million (2019: €383.1 million).

Going concern

In adopting the going concern basis of preparation for the financial statements, the directors have considered the Group's current trading performance, financial position and liquidity alongside robust scenario assessments and reverse stress-test assessments for the forecast period.

The outbreak of the pandemic, the measures adopted by governments in countries worldwide to mitigate the pandemic's spread, including the ongoing second wave of lockdowns and the vaccine announcement and current rollout plans, were also taken into account in these assessments. COVID-19 continues to present challenges across many areas of Playtech's business, however, management believe the business has demonstrated resilience against the pandemic and these challenges.

At 31 December 2020, the Group held total cash of €1,060.6 million (2019: €674.1 million) and adjusted gross cash, which excludes the cash held on behalf of clients, progressive jackpots and security deposits, of €651.1 million (2019: €335.8 million). Further, the Group has long-term debt facilities totalling €1,182.0 million (2019: €935.8 million). Management has secured a covenant relaxation at 31 December 2020 and 30 June 2021 relating to the revolving credit facility, as discussed in Note 26 of the financial statements, and further, has considered future projected cash flows under a number of scenarios to stress-test any risk of covenant breaches.

Management concluded that the risk of a covenant breach over the next twelve-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. It has, therefore, considered it appropriate to adopt the going concern basis of preparation in the full year 2020 financial statements.

Andrew Smith
Chief Financial Officer
10 March 2021