



## Market trends

# Regulation, technology and online: where the market is heading

Playtech operates in a dynamic, fast changing environment and is well placed to take advantage of marketplace trends. This section examines our operating environment across four trends around regulation, sustainability, technology and the shift to online.

## 1) A super-cycle driven by a trend towards regulation

### Regulation is the key driver of growth in the gambling industry

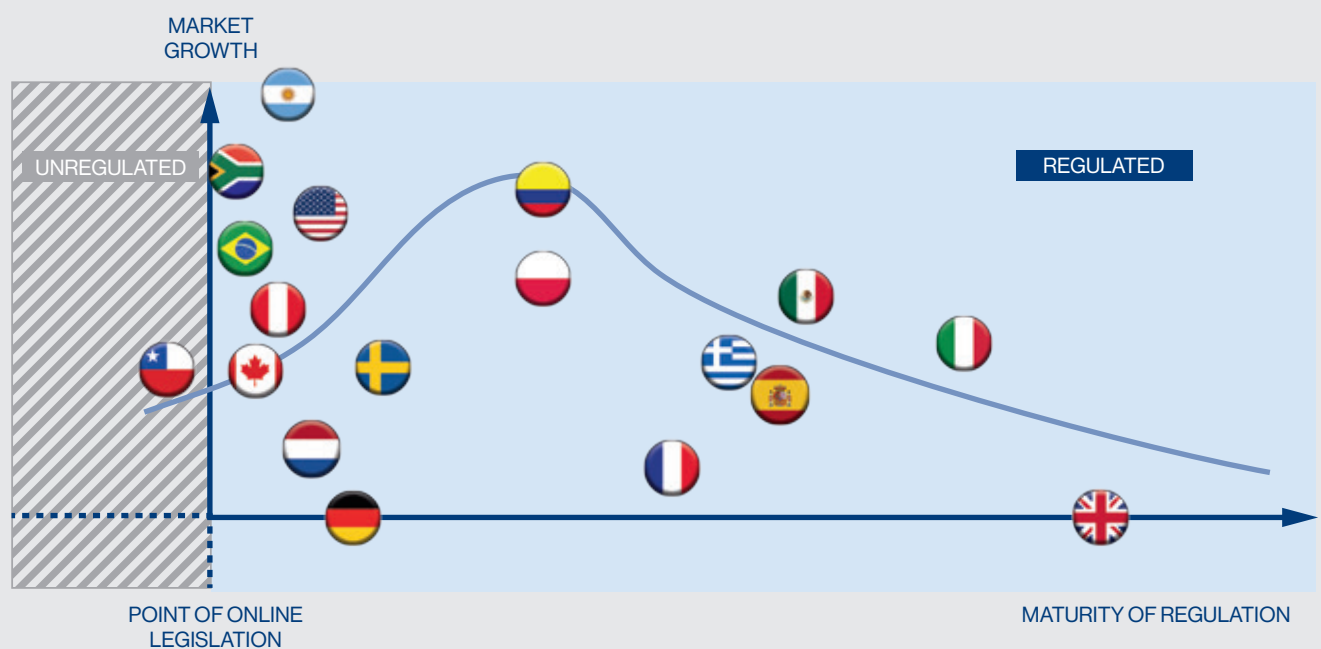
Regulation is the key driver of growth in the gambling industry. Those countries that become newly regulated tend to see strong growth early on, which is why it is crucial for operators and technology partners to build a presence in a country that is about to be regulated or is newly regulated. However, growth typically slows down after a certain period. This tends to be driven by three main factors. Firstly, there is increased competition as new players enter the market, causing pricing pressure. Secondly, as markets mature, they become saturated due to limited demographic growth. Thirdly, regulation typically becomes more stringent over time. For example, in the mature UK market, we have seen a tightening of rules on age and identity checks and a ban on gambling using credit cards.

Deviations from the broad shape of the curve are mainly attributable to the stringency of regulations in a country. For example, Spain has implemented strict restrictions on advertising for the gambling sector.

At this point in time, we are in an advantageous position in multiple countries across the world which are moving towards regulating gambling or have newly regulated the sector. In the next section, we assess each of the major regions in the world and how Playtech has positioned itself.

### Evolution of online gambling market growth rates following online regulation

Online growth rates moderate as regulation matures



Source: H2GC and Playtech estimates.



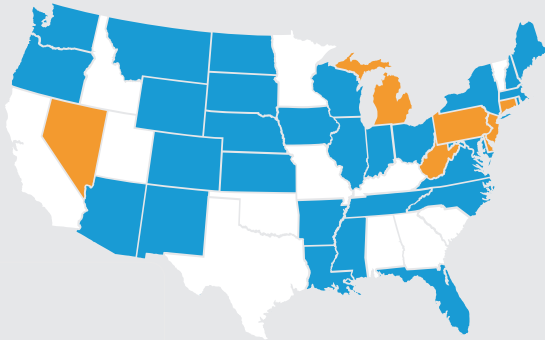
## US

### State-by-state legislation in the US

The regulatory landscape in the US is ever progressing. Since the repeal of PASPA in 2018, numerous states have approved legislation to legalise sports betting. Many of these markets have already launched in both online and retail channels, with others expected to launch soon. In Florida, progress is being made in relation to mobile sports betting, enhancing the future prospects of the Company in the medium term given its landmark strategic partnership with Hard Rock Digital (HRD).

Online casino, which was not subject to PASPA, is allowed at the discretion of individual states. In 2023, Rhode Island was the only state to authorise online casino, taking the total number of regulated iGaming states to eight including Nevada (poker only). However, there are several states where iGaming legislation is being considered.

### Current US state-by-state regulatory landscape Regulation is the biggest market driver in the short term



- States that offer only sports betting
- States that offer both sports betting and iGaming

Source: VIXIO.

## Latin America

### A region trending towards regulation

Latin America has shown significant progress in regulating online gambling in recent years. The focus in 2023 has been on Brazil, which has now taken the crucial step towards regulation with the President signing in law new legislation for online and retail sports betting and online casino at the end of 2023 and industry expectations are for a launch at some point in 2024. Peru has recently enacted legislation and published online gambling regulations for sports betting and online gambling, which are expected to come into effect in 2024. Chile is also in the process of approving an online gambling bill, which was filed in March 2022 and is expected to pass in 2024. Elsewhere, in Argentina, the Santa Fe province should join already regulated Buenos Aires, Mendoza and Cordoba, after the Senate approved the Bill at the end of 2023.

### Several countries in LatAm with large populations and GDP

#### Significant opportunity in LatAm

Country	Population	GDP (\$ million)
Brazil	215,000,000	1,920,000
Mexico	128,000,000	1,466,000
Colombia	52,000,000	344,000
Argentina	46,000,000	631,000
Peru	34,000,000	243,000
Chile	20,000,000	301,000
Guatemala	17,000,000	95,000
Costa Rica	5,000,000	69,000
Panama	4,000,000	77,000

Source: Worldometer, World Bank.





## Market trends continued

# 1) A super-cycle driven by a trend towards regulation continued

## Europe

### Europe – a mix of newly regulating and mature markets

The market in Europe is more nuanced than the Americas region. On the one hand, there are countries that are moving towards regulating their online market such as France and Germany, while others are mature but still have an underpenetrated online market, such as Italy and Spain. And finally, there is the UK, which is the most mature market of all with high online penetration rates.

### Germany

Germany's regulated online gambling and sports betting market continues to expand as the number of licensed operators approaches 100 since the introduction of the regulatory framework in July 2021. Despite the notable progress, the operating environment remains challenging for regulated operators due to stringent rules and limited enforcement that encourages competition from off-shore operators. In 2023, licensed operators were increasingly vocal about the need to modernise the rules, that do not include online casino-type games, especially around the €1 cap per spin in online slot bets and €1,000 per month per player online deposit limit.

### France

France saw regulatory developments in 2023, with discussions about the regulation of the online casino market taking place with various key French stakeholders. At present, only poker, sports betting and horse race betting are regulated within the online sector, so the regulation of online casino would be a positive for Playtech, particularly as we have multiple customers already taking our poker product.

### UK

There continues to be some uncertainty around the impact of the White Paper on the industry. The proposals have not resulted in changes to legislation or regulation just yet, and are subject to consultation with various stakeholders, the timing of which is unclear. The introduction of Financial Risk Assessments (often referred to as 'affordability checks') which must be completed once customers have reached a defined loss level, are subject to the most uncertainty in terms of impact. The Government's White Paper recommendation that these checks be frictionless is positive, as is the Gambling Commission's commitment to pilot these checks first in order to ensure that they can be completed without friction. However, until the specifics of any measures that will be implemented and the precise mechanics required to adhere to them are known, it is difficult to assess the overall impact.

## Asia

### Asia remains broadly unregulated

Gambling is a very popular pastime in Asia, which possesses structural growth drivers such as a passion for sport, large populations and above average GDP growth, not dissimilar to the LatAm region. However, the majority of markets remain unregulated. Over the long term, we see Asia following a similar path as the Americas towards regulating the sector, but the visibility of this path remains unclear at the present time.

### Asia is increasingly a smaller part of B2B

While there have been issues in Asia with currency controls and volatile government attitudes towards the gambling sector, it is becoming an increasingly smaller part of the business – 44% of B2B revenues in 2017 compared to less than 10% in 2023 driven by a combination of declining Asia revenues and accelerated growth in other regions and regulated markets.

## Africa

The proliferation of regulated online gambling in Africa has been limited in the past due to unreliable and inconsistent digital infrastructure. However, in recent years, online penetration rate has increased notably to reach 48.2% in 2023.

### South Africa: a large market with an established regulatory framework

South Africa represents one of the largest online gambling markets in Africa, valued at \$1.1 billion GGR and projected to reach \$2.9 billion by 2028 as per H2GC. The online sportsbook market is regulated with local licensing, whilst iGaming is only permitted in two provinces: Western Cape and Mpumalanga. Playtech has been actively exploring the South African market since 2022, establishing a presence via partnerships with key operators such as TsogoSun and Hollywood Bets.

# 2) Growing requirements to use data analytics for player protection

Safer gambling is a material ESG topic for the gambling industry. Both regulators and the gambling industry recognise the importance of developing safer gambling solutions, evaluating their effectiveness and helping support research that leads to the development of evidence-based regulation.

The development of tools and software, and new technologies, including the use of generative AI, is increasingly being used to provide new and innovative ways for the sector to ensure player safety.

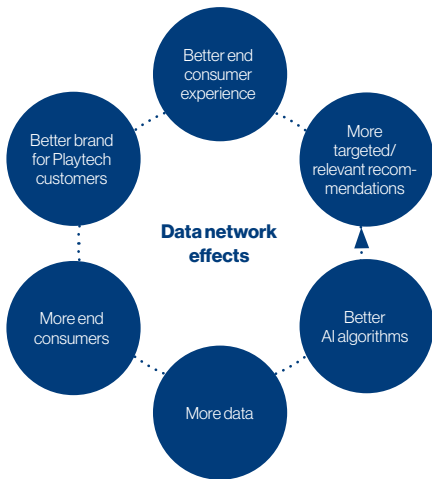


## 3) Technology – multiple technologies about to hit mainstream adoption

### Data and AI

#### Overview

The digitisation of the world is creating unimaginable amounts of data from all kinds of sources. More data is being generated every two years than in all of time before that point. However, the key to obtaining a competitive advantage is getting access to the right data sets and drawing insights from them. Those companies that are able to attract a large number of users gain access to the most data, which allows them to train their AI algorithms to give more accurate results. This in turn attracts more users, triggering data network effects that become difficult to compete against.



#### Impact on the industry/Playtech

The use of data to gain actionable insights into customers is a cornerstone of the online gaming industry. It facilitates:

- the delivery of a personalised experience for each user, thus increasing revenue per customer;
- new customers being acquired through intelligent marketing;
- players being verified and the detection of fraud; and
- tackling gambling addiction, encouraging a more responsible industry.

Given Playtech’s sheer scale, it has access to vast amounts of data. Playtech is investing heavily in its AI capabilities, analytics, business intelligence (BI) and safer gambling tools to ensure that it makes use of this data to retain its competitive advantage and ensures a sustainable future for the industry.

#### Link to strategy



### Virtual reality/ augmented reality

#### Overview

Augmented reality (AR) is focused on enhancing the real-world experience, with real-time, virtual information overlaying physical objects delivered through a device such as a headset or mobile phone. Virtual reality (VR) provides a completely immersive, computer-generated 3D environment that replaces the real world. With tech titans such as Apple and Meta releasing next generation headsets, we can expect to see significant, as yet unknown, new use cases arise within the gambling sector.

#### Impact on the industry/Playtech

- Should AR and VR gain broad adoption, they could be used to vastly improve the player experience.
- With VR, players will be able to engage with other players and experience walking the halls of a physical casino in the comfort of their own home.
- With AR, there is the ability to customise a player’s experience in a physical casino, or within Live, to overlay real-time information on the video stream.
- Playtech has begun to incorporate some of these technologies in its offering. The Greatest Cards Show within Live has augmented reality features, while the Poker vertical has released customisable digital avatars.

#### Link to strategy



### 5G roll-out

#### Overview

5G is the latest new global wireless standard and enables a new kind of network that is designed to connect everyone and everything together including machines, objects and devices. It is predicted to deliver much higher data speeds, ultra-low latency, more reliability, a big increase in network capacity and a more uniform experience to more users. These benefits can usher in new immersive experiences such as VR and AR.

#### Impact on the industry/Playtech

- 5G is an enabler of VR and AR technologies and thus helps to create games that are richer and more immersive than before.
- Video streaming of Live dealer games can be of a much greater quality with higher speeds and a more reliable network.
- In-game sports betting will benefit, particularly on mobile. Inside stadiums, more devices can be connected at once with reduced latency, thus enabling fans to place bets as they watch the game. Outside stadiums, 5G enables fans to simultaneously make bets and stream the game on their mobile phones.
- The low latency of 5G could help to facilitate more social iCasino games, as players will be able to enjoy real-time interactions with other players.

#### Link to strategy





## Market trends continued

# 4) Shift to online continues, accelerated by the pandemic

## Live

### Overview

Live is an extremely attractive vertical that is expected to grow significantly over the coming years. This is driven by two major trends:

- Firstly, there is a shift to online from retail as the world digitises and this has accelerated due to the pandemic.
- Secondly, within online, there is a growing trend away from random number generation (RNG) towards Live, as players want more of an interactive, immersive experience. With the imminent launch of VR by tech companies such as Apple, we expect this shift to accelerate.

The combination of these drivers means industry analysts predict the Live market to reach \$15.8 billion based on GGR by 2028, up from \$7.9 billion in 2023, a CAGR of 15%.

### Impact on the industry/Playtech

Playtech has already made significant investments to capitalise on this attractive product vertical:

- 12 studios are currently operational with Pennsylvania having opened at the end of 2023. A second studio in Peru was opened earlier this year and will help us to support growth within the attractive LatAm region, particularly Brazil.
- The number of tables has more than doubled over the past four years.
- Significant investment has been made to ensure we have the latest cutting-edge technology and access to great content such as Jumanji™ and Big Bad Wolf Live, two flagship games that were launched in 2023.

These investments have already been made, and the nature of the Live business model is such that additional players can be added to tables at minimal cost. This creates significant operating leverage and leads to Live being margin accretive to the overall B2B division.

### Link to strategy



## Underpenetrated online markets in Europe

### Overview

The pandemic accelerated the shift towards online gambling as retail shops were closed during lockdown and customers, with plenty of time to pass, played online while at home. Given online penetration in 2023 has remained above 2019 levels for all major EU countries, with the exception of Spain, we think it is safe to conclude that the migration to online has remained sticky post pandemic.

There is ample scope for the migration to online to continue. Looking to the UK as an example of a mature market, online penetration in 2023 was 59%, far in excess of Spain, Italy and Germany.

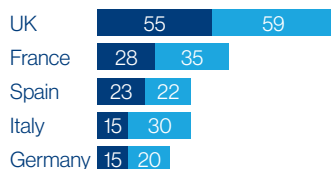
### Impact on the industry/Playtech

Within the B2C division, Playtech is very well placed to continue to benefit from an underpenetrated online market in Europe. In Italy, Snaitech gives Playtech exposure to a large market where online penetration remains at 30%, far below the UK at 59%. In addition, the online business is higher margin and less capital intensive, meaning it generates higher return on capital employed. Aside from Italy, Playtech is also well placed in Germany with HAPPYBET, which possesses one of the few available online sports betting licences in Germany.

Within the B2B division, Playtech has a strong presence in Spain across Live, Casino and Sports, and is well positioned to take advantage of the continued shift to the online channel.

## Several large European countries have an underpenetrated online market

### Online penetration as % of GGR



● 2019 ● 2023

Source: H2GC (includes betting and gaming and excludes lotteries).

### Link to strategy



## Sports

### Overview

As the market shifts to online, the Sports segment is impacted by multiple trends:

- shift to in-play betting and micro betting with the types of bets becoming more granular and over a shorter time frame;
- convergence of sports betting, media streaming and social;
- emerging markets shifting towards embedded betting within streaming services; and
- more and more data sources being used to come up with sports betting odds such as fitness of players.

### Impact on the industry/Playtech

- Our Sports offering is targeted at those areas where we see strategic benefits. One such region is LatAm, where many of the countries enjoy a rich sporting culture and we have made good progress in Mexico, Colombia and Panama.
- Our Betbuilder product, now available for football with other sports to follow, will be a focus of our Sports offering given the trend of shifting towards offering more granular types of bets.

### Link to strategy







Market trends continued

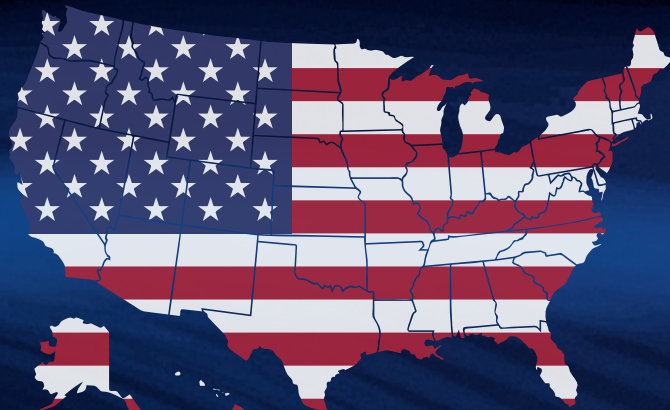
# Americas: the land of opportunity

## US

With a well-established presence in the US including three Live studios operational and multiple brands including Hard Rock Digital, Playtech is well placed to take advantage of the huge opportunity in the US market.

### The opportunity

The United States of America is the world's largest online gambling market, which is projected to reach \$41 billion in GGR by 2030. Regulation is the single biggest market driver in the short term, and Playtech continues to see positive legislative momentum in the US. Since the repeal of PASPA in 2018 more than 35 states have legalised online sports betting, whilst iGaming is currently regulated in eight states. According to industry forecasts, the online gambling market in the US will continue to display a strong growth profile with a CAGR of more than 20% in both sports betting and iGaming segments out to 2030.



# \$41bn

Size of the US market over the long term based on GGR

# 3

Live studios operational in the US

### How we are exposed

Playtech recognises the unmissable growth opportunity offered by the US market and continues to proactively invest in the infrastructure and operational capabilities to accelerate the Group's presence. Our strategy centres around iGaming, where we have extensive experience and are recognised for our leading market content. Having signed agreements with multiple operators as well as a comprehensive structured agreement with Hard Rock Digital, we are well placed in the US. Our infrastructure includes three Live studios, and over 200 colleagues based in the US.



## Canada

**A growing market with attractive player economics, Canada is fast proving to be a key market for Playtech. With our comprehensive structured agreement with NorthStar, Playtech is well placed to benefit as states regulate in the coming years.**

### The opportunity

Canada is home to a rapidly growing online gambling market, which is projected to nearly double in size to \$6 billion by 2028, driven by a favourable regulatory environment and attractive market economics. The industry is regulated on a province-by-province basis, with Ontario leading the way to become the first regulated province in April 2022. Total player value is showing impressive momentum, while ROI and cost-per-acquisition metrics are also trending favourably.

### How we are exposed

Playtech is well placed to benefit from the on-going expansion of Canadian market via a comprehensive structured agreement with a prominent local operator NorthStar as well as more than 10 other operators and launched with FanDuel for Live in Ontario.



# \$6bn

Size of the Canadian market over the long term based on GGR

## Brazil

**As this hugely attractive market continues to move towards regulating, Playtech is well positioned for success in the rapidly evolving Brazilian gambling market via its partnership with Galerabet and other B2B customers.**

### The opportunity

Brazil is a global economic powerhouse, is deeply passionate about sports and now home to one of the most exciting markets in gambling. Brazil's large population of 215 million and promising regulatory environment make it an exceptionally attractive market opportunity, with online sports betting and casino expected to reach \$5 billion GGR in the next five years.

### How we are exposed

Playtech is well positioned for success in the rapidly evolving Brazilian market via its partnership with Galerabet and several other B2B customers. In 2021, Playtech and Galerabet signed a structured agreement aiming to combine advanced gaming technology and expert knowledge of the local market in anticipation of the regulation in the Brazilian market. Galerabet is building a strong brand identity through sponsorship agreements with the prominent local sporting brands including the Brazilian Football Confederation and the Brazilian Basketball Confederation.



# \$5bn

Size of the Brazilian market over the long term based on GGR

