



Company: Playtech
Conference Title: Recommended Acquisition of Plus500
Presenter: Mor Weizer
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Operator: Good day and welcome to the Playtech conference call regarding the recommended acquisition of Plus500. Today's conference is being recorded. We are joined today by Mor Weizer, Chief Executive Officer of Playtech; and Ron Hoffman, the Chief Financial Officer. At this time I would like to turn the conference over to Mor Weizer. Please go ahead sir.

Mor Weizer: Thank you operator. Good morning everybody and thank you for taking the time to join us on this morning's call to discuss the announcement of Playtech's recommended acquisition of Plus500. I'm Mor Weizer, Chief Executive Officer of Playtech; and with me is Ron Hoffman, our Chief Financial Officer who we announced today will be taking on the addition role of CEO of our financial business which will include both TradeFX and Plus500 post completion of the acquisition. After a summary of the highlights of the deal we will move swiftly to Q&A.

Playtech is a naturally acquisitive company and has a stated strategy to acquire profitable, regulated, highly cash generative businesses with market leading positions. Following the recent acquisition of TradeFX Playtech is a natural aggregator of businesses within the broader CFD and binary options trading sector. The acquisition of Plus500 is directly in line with our strategy and ambition in this vertical.

Under the terms of our offer Plus500 shareholders will receive 400 cents per share in cash which we believe is a very compelling offer demonstrated by the support of the Plus500 board and more than a third of Plus500's shareholders. I'm also pleased to say that Plus500 management will remain with the business for at least 12 months following completion to secure a smooth transition to Playtech management. We currently anticipate that the acquisition will complete by the end of September 2015.



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Turning now to look at recent events. I am sure that you are all aware that earlier this month Plus500 announced that the Financial Conduct Authority had required a review of its anti-money laundering financial sanction systems and other related regulatory controls which led to Plus500 prohibiting all transactions for existing customers until additional AML procedures have been completed. It additionally ceased on-boarding new customers. Further to this, recent events and associated publicity has meant that Plus500 has become the subject of increased scrutiny and received further requests for information from its regulators in the jurisdictions in which it is licensed.

As a result Plus500's board now expects group revenue for 2015 to be lower than in 2014 with margins expected to be significantly lower due to the maintained marketing spend. Whilst Plus500's product technology and marketing skills remain strong, the recent regulatory scrutiny placed on Plus500 has highlighted the advantages of expanding the operational infrastructure to support a business of its size. The Playtech directors believe that the acquisition of Plus500 represents an attractive opportunity due to its brand, its position in the market and its existing customer relationships globally.

Furthermore Playtech's directors believe that the acquisition if approved represents a fair evaluation for leading CFD broker and platform provider.

With that I'll hand back to Ron who will talk about the strategic rationale for the acquisition.

Ron Hoffman: Thank you Mor. The acquisition of Plus500 represents a unique opportunity for Playtech to build on its presence in the sector. Due to Plus500's market reach, advanced technology, product offering and existing customer relationships globally which has allowed it to attract and convert customers successfully. The combination of Plus500 with Playtech's recently acquired TradeFX business will enable the combined business to maximise the market opportunity and product offering by utilising the strength of both businesses.

As Mor just said, recent events have highlighted the advantages of expanding the operational infrastructure to support the business and Playtech will provide Plus500 with access to its market leading technology and infrastructure in combination with its expertise of operating a



Playtech: Recommended Acquisition of Plus500 multijurisdictional regulated business. Playtech also intends to provide Plus500 with CRM capabilities and expertise to maximise customer lifetime value and improve its standalone financial performance. The acquisition of Plus500 also meets Playtech's stringent financial acquisition criteria and is expected to be immediately earnings enhancing from completion.

To conclude the acquisition of Plus500 further diversifies the Playtech business in line with its stated strategy to acquire profitable, regulated, highly cash generative businesses with market leading positions and is a natural fit following the recent acquisition of TradeFX. The offer provides shareholders of Plus500 with certainty and has already been supported by the Plus500 board and a third of shareholders.

With that operator we'll take Q&A.

Operator: Thank you. If you'd like to ask a question at this time please press the * or asterisk key followed by the digit 1 on your telephone. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. Again please press *1 to ask a question. We will now take our first question from Simon Davies at Canaccord. Please go ahead, your line is open.

Simon Davies: Morning, a few questions from me please. Firstly can you indicate when you think the new AML procedures will be fully in place at Plus500? Do you think that will be fully completed by the time that the transaction clears in September? Secondly can you talk about the relative strengths of the trading platforms and whether you would view this as an opportunity to migrate onto one platform and what the cost savings of that might be? Finally I think the Plus500 tax rate has been running at about 24%, 25%. What do you think the tax rate would be for you in absorbing the business? Do you think you'd be able to reduce that down towards TradeFX levels?

Ron Hoffman: Hi Simon, so let me try and answer that. With respect to your first question on the AML procedures, I think the management of Plus500 have already indicated that their estimation is that they will complete this process within a month. This is well underway. Right now the situation is that they are slowly activating more and more accounts, existing accounts whereby



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the new accounts are still not active yet. They believe it is going to be completed in a matter of a month so I would say the assumption is that it will happen before the completion of the transaction altogether given the process itself is slightly longer, there is a period of time according to the legal structure of the agreement which is longer than 30 days.

On the technology aspect again I would emphasise that this transaction is not about cost synergies, it's mostly about revenue synergies. It's about taking the best of breed of both sides and the best technologies of what we have currently as part of the TradeFX, the technology and the very successful offering that they have on the Plus500 and combining that with the best offering out there; and servicing that using I would say taking the best of everything and using that in the areas where it's most relevant, in the markets where certain brands will be stronger than other markets. This will take some time to do that, I mean we will enter into some integration processes which will take some time but we see that as a big, big opportunity to increase the customer lifetime value on the back of doing that.

On the tax, I would say currently the business is run and managed from Israel. We are right now evaluating that going forward, we're using local tax advice. We believe the business can be structured in a much more tax efficient way. Obviously Playtech has a very tax efficient structure altogether but this will be evaluated going forward, I think this is slightly too early to discuss that. We will look into the relevant alternatives that we have and will take that decision accordingly.

Simon Davies: Sorry, just one last question, how much client overlap do you think there is between the two businesses?

Ron Hoffman: We believe that altogether there is limited client overlap in these businesses. I mean they are working, they are strong in different jurisdictions altogether and we don't believe there is a lot of overlapping.

Mor Weizer: Just to further elaborate on that. The market as we evaluate it and as we have gone through the due diligence process, the market is very fragmented. They are very well diversified across Europe and therefore we see the overlap between the businesses, so it's all upside.



Simon Davies: Alright, thanks.

Operator: Thank you. We will now take our next question from Richard Stuber at Nomura. Please go ahead your line is open.

Richard Stuber: Yes hi, morning. I think just one further question, I know when you announced the TradeFX deal you also had an option to buy another medium sized broker and I think the number was around about 100 million. Is that still ongoing and do you still expect that to be closed in the next month or two? Thank you.

Mor Weizer: Hi Richard, good morning. Yes, the answer is yes. This was not obviously Plus500 was not a call option that we had. The call option remains in place and we are in the process of due diligence as we indicated to the market and therefore we do expect it to happen in the coming month or two.

Richard Stuber: Ok, and one sort of follow up. I know on your previous acquisitions you tended to use earn-outs. Was there any reason why you're doing it all in amount this time or did negotiations ever get to an out-structure? Thank you.

Ron Hoffman: Yes, obviously when evaluating the structure of Plus500 it only made sense for us to offer it the way we structured it and offered and submitted the offer this morning. It's a public company and therefore earn-out was not the right structure in this case.

Richard Stuber: Great, thank you.

Operator: Thank you. If you find that your question has already been answered you may remove yourself from the queue by pressing *2. We will now take our next question from Gavin Kelleher at Goodbody Stockbrokers. Please go ahead, your line is open.

Gavin Kelleher: Morning guys, just in the statement this morning you highlight that you'll use some debt for this transaction. Are you talking about... would we be right to assume about 300 million of



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debt, of euros that you'll have to take on board to complete this deal? Just in terms of the statement also noted, and you did on the call there more that other jurisdictions have come up with questions regarding Plus500's business. Can you just state... give any of those which have asked questions in addition to the UK; and in terms of the AML process you're going through at the moment, is Plus500 doing that for its entire business or just the UK?

Ron Hoffman: Hi Gavin, good morning, so let me try and answer those. With respect to the debt level that's approximately the level that we're talking about, potentially slightly higher. We don't see that as significant debt to Playtech given the existing business and the cash generation of the business, but this is approximately the level of debt that we are referring to at this point.

With respect to your question on the other jurisdictions. Obviously on the back of this becoming...the situation with the FDA becoming very much public, I think it is only natural that the company would be approached and open discussions would be made with other regulators as well. So obviously this is a process we discuss with regulators on an ongoing basis but with respect to this, this is obviously another circumstance where they have discussions with pretty much all of the regulators.

Mor Weizer: Gavin, maybe just as an overall comment I will say the recent regulatory scrutiny placed on Plus500 has highlighted that it does not have the necessary infrastructure and regulatory expertise to support the complexity of a business of its size and rate of growth. Obviously when combining it with Playtech it will provide Plus500 with the access to its market leading technology and infrastructure in combination with its expertise of operating a multijurisdictional regulated business. So we feel comfortable going forward while as we indicated this morning together with Plus500, the business is under scrutiny not only in the UK, we believe that going forward when combining the efforts, providing them with infrastructure and expertise this will be handled.

Gavin Kelleher: Maybe just one follow up question Mor, just on the backlog that Plus500 is going through at the moment and it will be finished in a month, is that just in relation to its UK customers or is that customers across the entire business?



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Mor Weizer: This is basically all the customers that they on-boarded onto the FCA licence, not just UK residents but all the customers that they on-boarded onto the FCA license before they froze the account, before they froze the traders' accounts.

Gavin Kelleher: Ok. Sorry, just one follow up question for Ron, do you have any sort of idea or could you give us some guide on what the cost of debt will be?

Ron Hoffman: Sorry, on what, the cost of debt?

Gavin Kelleher: Yes, interest costs we should use if we assume 300-350 million of net debt, what sort of interest rate should we assume?

Ron Hoffman: I think it's still too early to identify that given we haven't yet I mean discussed in detail the commerciality of that so I would not go public with a number at this point. But I think it's fair to say looking at the size of Playtech and the cash generation of Playtech I think you can assume that it will be a very attractive commercial debt arrangement.

Gavin Kelleher: Ok perfect, thanks guys.

Operator: Thank you. We will now take our next question from Vaughn Lewis at Morgan Stanley. Please go ahead your line is open.

Vaughn Lewis: Hi, morning. I've got a few if that's okay. I'm a bit confused, is the plan to integrate these businesses and run it as one sort of platform and technology; or to maintain two completely separate businesses? Will you continue to invest in both brands? And what does this mean for the various earn-outs that you've got for TradeFX? Will those still be payable and what impact does this have on that?

Second one on due diligence, what have you actually been able to do in the last few weeks or so since this emerged and how confident are you that you can fix these issues with player registration? Finally did you assess a larger organic marketing investment in this industry as an alternative to making an acquisition which seems to be more cost effective potentially? Thanks.



Mor Weizer: Hi Vaughn, good morning. Ok, let me... long list, long list. I will start with the integration question. I think the general plan for us is basically to integrate that into one offering which will be sort of best of breed offering altogether, rather than run it separately as two different offerings. We will have obviously... we will maintain both brands as both brands are strong and they are strong in different markets, so it makes sense to basically take the best of the best. But from a technology and offering perspective we will make sure that we have the best offering available eventually for both brands. I guess that answers one and two altogether and obviously just to emphasise on that I think it's important to say that TradeFX brings its CRM technology which is best of breed and I think the integration and the combination of the CRM capabilities and expertise of TradeFX together with the product offering of Plus500 creates the best offering out there to the market.

With respect to your question on the earn-out. The way that they're...if your remember from the TradeFX announcement the way that it is structured with respect to future acquisitions is that it enjoys the overall EBITDA performance of the combined group but it also gets the relevant, the attributed relevant, the relevant cost of acquisition in addition to that. So basically they don't get to enjoy anything immediately but they enjoy growth from a combined basis going forward.

On the due diligence I will say the following, due diligence has been intensive since discussions began a little over a week ago. Playtech's expertise through its TradeFX business and experts and professionals within the business has enabled the team to identify the opportunity to integrate the business and understand the issues raised by the regulatory process Plus500 has been undergoing. Remember that TradeFX has 500 employees when compared to Plus500 that has a little over 100 we believe that we have the depth in the business, we believe that we have the expertise, the knowledge and the people and the resources to support the business going forward. Use the infrastructure and the expertise that Playtech brings in order not just to ensure that the regulatory process of Plus500 has been undergoing would be remedied but also create a lot of upside for the business when combining best of breeds of technology and marketing expertise and CRM capability on both ends.



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With regards to the organic growth this deal is not... this transaction and this offer is not just about acquiring the database of traders that Plus500 has. We believe it's a very successful business that underestimated the requirements given as it grew, as it grew rapidly. It's a fantastic company and we believe that as I said underestimated the requirements that they had to... and the regulatory processes they had to comply with. They lacked the infrastructure to do that yet they still have a lot of product and marketing capabilities that are unparalleled in the industry and when combining that with the CRM capabilities that TradeFX under Playtech has, I think that you combine two best of breeds in different parts of the vertical together and this will allow us not only to grow TradeFX but also further grow Plus500.

Vaughn Lewis: Ok, thanks.

Operator: Thank you. We will now take our next question from Mark Olson of Morgan Stanley, please go ahead your line is open.

Mark Olson: Just quickly on the increase in debt, would you pre-fund some debt now for this 100 million acquisition that you have in the next few months and if so do you have a preference for returning back to the capital markets or would you prefer more traditional sort of bank debt?

Mor Weizer: Yes, hi Mark. I think it's too early at this point. We have access to immediate debt coming from banks but we're looking at other alternatives as well by the time of the completion I think we have the ability to raise debt through all alternatives possible. We feel comfortable with this level of debt, we don't see that as being problematic altogether, whether by bank debt or through going to the market so I think we'll take the most attractive offer that we can get out of that.

Ron Hoffman: Mark, just to further elaborate on that. I think that as you're well aware Playtech has a very strong balance sheet and it's a very cash generative business. In the last week not only were we very much focused on due diligence but we also engaged with certain banks and the feedback that we have are very positive and therefore we believe that we are in a strong position to execute on both transactions and secure the funding for those.



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Mark Olson: And outside of this 100 million do you have any other larger acquisitions in the pipeline throughout 2015?

Mor Weizer: We remain acquisitive, we always look at opportunities. There are other things in the mix. I think that it's too early to talk about that, it's too early in terms of process. We are very much focused on the call option that we have and now Plus500 but obviously we remain acquisitive and we will not hesitate if we... as we indicated this morning to the market if we will see a great opportunity for Playtech, we will not hesitate given the strong balance sheet and the access to funding resources. We are very much focused on shareholder value and creating significant shareholder value to our shareholders going forward. I think that we have the expertise to deliver these transactions and as we indicated before we have a very good track record in integrating companies and throughout this process create significant shareholder value to all of our shareholders.

Mark Olsen: Thank you very much.

Operator: Thank you. We now take our next question from Richard Partington at Bloomberg, please go ahead, your line is open.

Richard Partington: Morning, just a couple of quick questions if I may, the first one on the regulatory side of this acquisition. Given the scrutiny that the regulator currently has of Plus500's business do you believe that this transaction is going to be easily approved or is this something that you could face difficulty on? And secondly 400 pence per share, that looks very cheap in comparison to recent price bar the last couple of weeks. Is this something which you... is a particularly attractive price for both parties or is this illustrative of the problems that Plus have been facing?

Ron Hoffman: Yes, hi Richard. I would say the following with respect to your first question, we believe that the regulators will see this transaction as a positive thing. We believe they will see that in a positive light given Playtech's history with its regulators and Playtech being a sizable business with significant infrastructure to support that.



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On your second question I think Playtech has based its offer on a fair price for the business and we did that based on a bottom-up assessment of prospect of the business following recent developments and not really based on where the share price is.

Richard Partington: Ok, thank you.

Operator: Thank you. We will now take our next question from Simon Young at Aviva. Please go ahead, your line is open.

Simon Young: Hi Mor, it's Simon Young here. Just one question really, who approached who on this deal? You said it's just been over a week doing due diligence. Can you just expand a bit more on how this transaction came about?

Mor Weizer: Yes absolutely. Obviously Plus500 is a public company and therefore Playtech... not only we now are a... we are very active in this space but Playtech has followed the business for a long time but discussions began following the statement made by Plus500 on the FCA's review which was when Playtech's team approached Plus500 management.

Simon Young: Ok, and on the due diligence, is a week long enough for a company that is having this level of scrutiny with regulators?

Ron Hoffman: Hi Simon, I think it's important to note... I know it's only a week but I think within this week we basically... I mean injected all possible resources into this project. We took every possible resource both internally and externally including getting the relevant regulatory DD and from external advisors as well as internal from our own TradeFX business. We took financial advice both internally from our own finance team and BBO as external advisors. We took legal DD processes from external advisors as well, I mean we basically boost this transaction with every possible resource out there in order to be in a position we can support or not support this transaction altogether. And we eventually found this transaction to be attractive for Playtech and we feel that we have been responsible. Even though it's only been a week I think we managed to basically go through all relevant DD processes in order for us to feel comfortable that this is the right transaction for us.



Simon Young: Ok, so is there a material adverse change clause that you will have put into this because obviously the revenues are at a very, very fluid situation here and as we've seen with further regulatory bodies starting to look in. Is there a scenario where you would say this is actually something you will not continue if certain circumstances started to occur?

Ron Hoffman: I would say it's possible there are, there are certain scenarios defining the agreement that for certain material adverse change affecting the business the transaction basically becomes void. So this is in place.

Simon Young: Is there any... can you tell us about that now because I presume that's going to come out in the circular, so can you tell us a bit more about those now?

Mor Weizer: I think Simon that it's a bit too early but as you can imagine in this type of transaction, given the recent events those refer also to the current status of the company. I will add to that that this transaction is subject to regulatory approval and change of control by the relevant regulators. I believe that the regulators given the deep understanding and expertise that we have and the depth in our business and the number of resources we have today within the business, within TradeFX in terms of compliance, it will be welcomed and endorsed by the different regulators. We don't expect it to have... actually we expect the involvement of Playtech should have a positive... should bring positive news and as you can imagine given our expertise in gaming and regulated markets altogether I think that this is only a benefit for Plus500 and should be supported by the regulators themselves.

Simon Young: Ok, thanks Mor, appreciate it.

Operator: Thank you. We will now take our next question from Avi Fruchter at Anavon. Please go ahead, your line is open.

Avi Fruchter: Yes hi, thanks for taking my question. Two quick ones, on management compensation at Plus500, they have started taking very low salaries because they are large shareholders. Do you expect that you're going to have to increase their compensation and more specifically will there



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be any type of specific bonuses? Not in the form of earn-outs but specific pay-outs based on the business recovering to the levels it was running at a couple of weeks ago? Then my second question is a follow-up from the previous caller about the adverse development clauses that you didn't tell us about yet. Is there... could I ask if there's a specific clause related to the duration levels of revenue in the business from the current run rate?

Ron Hoffman: Hi Avi, let me answer both. With respect to your first question, the shareholders are being treated like any other shareholder in the business meaning they don't get any special earn out arrangements or other bonusing arrangements which differentiate themselves from any other shareholder in this business. They have committed for a 12 month period to remain in the business and to work together with our management team in order to make sure there is proper transfer of knowledge between the management team and cooperation but that basically... that's where it ends. There are no special arrangements, they continue with their old... with the same financial arrangement that they have today, same level of salaries that they have today, nothing special whatsoever.

Now with respect to the material adverse change question again this is not something that we will start going over the specific clauses on what's in the clauses and what's out of the clauses. I think the general concept is if this business materially changes, deteriorates materially by way of fairly significant changes that are completely different from how the business was I would say illustrated to us as part of this transaction, then these clauses will take effect.

Avi Fruchter: Ok, thanks.

Operator: Thank you. We will now take our next question from Ed Birkin at Credit Suisse. Please go ahead, your line is open.

Ed Birkin: Hi, morning. You've been looking at potential acquisitions for a good couple of years now and the fact that you've now made two in the financial sector, does this suggest that you don't see any value in your traditional online gaming sector?



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Mor Weizer: Playtech has identified the online financial trading sector with the high growth vertical. The acquisition of TradeFX established the platform from which to grow both organically and by acquisition as we indicated at the time of the TradeFX transaction. This acquisition means Playtech is earning scale and profitability ahead of plan. I wouldn't say that we are only focused on the financial sector currently. We are still obviously... our core business will remain even post completion of this transaction will be still... the core business will be gaming and we are still very active and remain very acquisitive, identifying potential acquisition targets in parallel with the financial sector. I will say that obviously this was a unique opportunity, a great opportunity for Playtech. I think that given the market conditions and the current status of the Plus500 we saw an opportunity and we acted swiftly in order to ensure that we will be able to announce this offer this morning.

Ed Birkin: Well then in terms of talking about a good opportunity. So it's a very fragmented market why do you think other players in the market who have more experience and more knowledge of this sector haven't taken the opportunity of what's happened and gone in against you?

Mor Weizer: I'm not sure that... can you please clarify the question?

Ed Birkin: I'm just wondering what leaves you guy in such a good position to take advantage of this and why others haven't? I know it's difficult for you speak on behalf of other management teams but they've obviously got a lot more experience in this sector, is there something that you've got that others don't which means it's a better opportunity for Playtech than it would have been another of their competitors?

Mor Weizer: I definitely think that Playtech has a different position when compared to other companies. If you think about the infrastructure that we have in place even before... in our experience regulated markets, working with regulators across many jurisdictions and when you add to that the scale and position of TradeFX and the number of resources within the business and the expertise that there is within the business. I think there's not too many companies have the infrastructure, the expertise, the appetite and the scale in order to make such an offer as we've submitted this morning, as we announced this morning. Remember that the size of Plus500 is not insignificant, it's quite high and we defiantly believe that we have the knowledge



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and expertise and not least the infrastructure in place in order to ensure that this business Playtech will be able to act swiftly, remedy the situation. In combination with... together with Plus500 and resume the growth that they've experienced before.

Ed Birkin: Okay great, and just a final one. You talked about having the CRM of TradeFX and the product offering of Plus500. I was under the impression that TradeFX had a much wider product offering, doing B2B as well as binary options and actually the CRM of TradeFX was substandard and that was the benefit of actually TradeFX that you'd use Playtech's CRM. So I'm not really... I suppose I thought that the TradeFX had the product offering whereas you're saying that actually Plus500's products are much better even though it's a much narrower product. And I thought the opportunity of TradeFX was Playtech's CRM whereas you're saying that the TradeFX's CRM is going to be the benefit.

Mor Weizer: Let me clarify that Ed. Basically the Plus500's product offering and the uniqueness of it is the quality of the product, of the fund and the fact that they have a wider offering of its instruments basically. Given that TradeFX does have a better offering with respect to B2B position so there's the Plus500 basically product is not fit for B2B position at this point and it is further enhanced with their binary options offering. The point was to say from a B2C perspective, to take the wider instruments provided by Plus500 to combine the features of growth and to take the quality of the CRM system which is best of breed from TradeFX and to have very significant B2C operation, on top of the fact that we will obviously use the B2B capabilities of TradeFX on the fact that this system was built in a way that can work on a B2B basis on top of that.

In short I would say not only we strongly still believe there are a lot synergies between Playtech and TradeFX in terms of CRM capabilities. Plus500 was very much focussed on product and marketing, less CRM and this is why we see it as the great opportunity for us not only to combine the effort between Playtech and TradeFX but start to leverage that for the benefit of Plus500. And these CRM capabilities do not exist today within Plus500 and we see that as a great opportunity to create revenue synergy through the combination of not only product and marketing but product and marketing plus the CRM that we will provide... we will be able to provide on the back of the integration of the two companies.



Ed Birkin: Okay great, then final thought. When do you think we'll be in a position to have an idea of what a kind of starting, rebasing point of the profitability is going to be of Plus500? It's going to look very different to last year's actuals.

Mor Weizer: I think to be honest I think it's too early to say. The business right now is going through a transition period. We're still within the event itself meaning it's not after the... after resolving the situation. We'll have to wait and see once they finalise the process which they indicated would take them up to a month. And following that we do believe that there will be an impact, a commercial impact on the performance of the business. I think it's still early to say, we will have to wait and see for at least the next two months or even slightly beyond that in order for us to see how things are becoming steady and at what level before we can answer this.

Ed Birkin: Okay, thank you very much.

Operator: Thank you. We will now take our next question from Ivor Jones at Numis. Please go ahead your line is open.

Ivor Jones: Good morning. I have read what Plus500 have said about their problems but I haven't really understood what they are. Could you just in simple terms set out what the problem is and what's happening?

Mor Weizer: Yes, hi Ivor. Just for me to clarify your question, you're asking about the circumstances by which... basically the circumstance and situation with the FCA?

Ivor Jones: Yes what is it that the FCA is investigating and what is it that Plus500 is being asked to do to resolve the problem?

Mor Weizer: It's basically... the process is that the FCA has part of an audit procedure which is a very natural procedure. Following which they had some concerns relating to the AML and KYC processes that they have implemented as part of their business. That evolved eventually into a report which is called a 156, Section 156 which means that the FCA is appointing a skilled person



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in order to evaluate the way that the business is being run with respect to these AML and KYC processes and the recommendation of this person to be implemented by the company and in the meantime and until this Section 156 process is over they basically decided to freeze their activity there until this is resolved.

Since the activity was frozen basically following... basically they are working... themselves working very closely with a skilled person. They have managed to agree certain processes and guidelines and following them... implementing those guidelines with respect to the existing activity they've already started unfreezing some of the accounts after getting the relevant documentation that they were required by the skilled person.

Ivor Jones: So I've been through KYC processes, they seem fairly straightforward. I send a utility bill and my driver's license, I don't understand what you can get wrong about identifying a customer to a financial service institution.

Mor Weizer: I think it would be not the right thing for us to answer that given this a question that has to go directly to them. We will basically... I mean any sort of subject to certain confidentiality discussion between the company and its regulator and a skilled person so we will have to... I think some of it they communicated to the market to be honest but I think this is for them to answer rather than for us.

Ivor Jones: Okay so just to understand what you have said then. In relation to FCA on related clients Plus500 has to go back and look at all of the people who have ever signed up under the FCA license and check that they've been appropriately KYC'd?

Mor Weizer: Yes the answer is yes that they have been properly KYC'd and they've gone through the relevant processes and all relevant documents have been provided and questionnaires have been answered etc., etc.

Ivor Jones: So does the Cyprus Financial Services Authority have a much laxer regime then and that's why Plus500's been able to talk about taking clients on over there?



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Mor Weizer: We don't think so. Each regulator has its own guidance's and the way that they work. Australia has their own processes and requirements and CySEC has its own processes and requirements. And each and every regulator is working slightly differently. The concept is similar in pretty much all of them but I would say the guiding lines and implementation may be something which is implemented slightly differently.

Ivor Jones: So when you're telling us that other regulators are taking an interest it's possibly that CySEC will look at the clients taken on in Cyprus in the same way that the FCA has taken on the FCA related clients?

Mor Weizer: Ivor I think everything is possible, again this is a question for them to answer rather than for us but just to emphasize following the regulatory evaluation that we did with external advisors we believe that the situation that they are in is capable of being remedied.

Ivan Jones: So when you talk about resuming the growth they had before you are buying this on the basis that you think there will be some business left after this regulatory inquiry. You're not just buying the brands and the technology and you're going to grow it from zero?

Mor Weizer: That's absolutely correct, we're buying it on an existing business and not on just a brand and customers.

Ivor Jones: I don't think I've seen you put a number on synergies, you said they had 100 people and you were keeping the senior management. Does that mean we should take 90 people out if you're putting it in together?

Mor Weizer: This is not about cost synergies. We see this opportunity about revenue synergies and the ability to increase the customer lifetime value if you're combining the best of the best between both TradeFX and Plus500. It's not really about creating cost synergies.

Ivor Jones: Ok and going back to the question on due diligence. I understand how you said it's possible to do it in a week, I don't really understand why you would do it in a week. Why would



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you not... what's the time pressure? Were you under pressure from the regulator? Why would you not wait until the regulatory enquires have concluded if this is the right price?

Mor Weizer: There were different reasons for that, all of those were commercial rather than regulatory or otherwise.

Ivor Jones: Ok, because you think halt the rate of decay once you put Playtech's money behind Plus500?

Mor Weizer: We believe that the timing was right, the conversation was in place, the support was there and we acted swiftly in order to secure an announcement this morning.

Ivor Jones: Does part of Playtech now to get to the chief executive. Is that because you're going to split the group up between gambling and financial services?

Mor Weizer: It's not about splitting the group it's about because as we indicated there's a lot of synergies between the two parts. We mentioned CRM earlier however given the size, scale and importance within the group we thought that someone at board level should be in charge and oversee the investments made. Obviously both transactions, TradeFX and the offer this morning are not insignificant to say the least and therefore we acted responsibility in order to ensure that there will be board level responsibility over the activities and the future significant growth of the financial sector... financial vertical within the business.

I think this should send a very clear message about our plans, about the fact that this vertical we expect it to grow rapidly and therefore we wanted people with the right expertise, back ground, people that experienced that before. People that have the experience in integrating companies and we identified Ron as being the best within the group to do that.

Ivor Jones: And is this the financial services business within Playtech or is it a B2C business within Playtech? Does this open the way for you to acquire B2C gambling businesses?



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Mor Weizer: We believe that first and foremost given the performance and the activities of TradeFX and Plus500 that it will be first and foremost B2C, however we do see B2B opportunities. We definitely see that.

Ivor Jones: Are you now going to be open to buy B2C gambling businesses as you become increasingly a B2C business?

Mor Weizer: I think that's it's quite clear from the announcement this morning Plus500 is a B2C operator and therefore we're always focused on shareholder value and we always think about the core B2B business. This presents us with an opportunity, this vertical presents us with an opportunity to operate as B2C without creating conflicts with our licences and therefore any test B2B opportunity itself.

Ivor Jones: Sorry were you saying that you would not buy a significant B2C gambling business?

Mor Weizer: B2C gambling business?

Ivor Jones: Yes as Playtech becomes more exposed...

Mor Weizer: I think the answer is we are not limiting ourselves to any opportunity.

Ivor Jones: Ok, that's great. Thank you very much.

Operator: Thank you. We will now take our next question from Alan Lyons of Amber. Please go ahead, your line is open.

Alan Lyons: Thank you, morning Mor, can you hear me?

Mor Weizer: Yes, yes absolutely. Hi, good morning Alan.

Alan Lyons: So I want to try and put this question the right way. Impressive that you can move so quickly and bravely in a situation as fluid as this one obviously is, but what I'm curious about is



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when you strike a deal in the furnace the way this one has obviously been struck, you want to be sure you have a deal, right? By the time September rolls round either the picture will have cleared to the upside for Plus500, in which case presumably shareholders won't want to sell anymore at 400; or things will have deteriorated in which case perhaps your appetite will have diminished. It seems unlikely, let's get a deal then at 400 will still be considered to be a great outcome from both sides in three months from now. How is it either in the clauses of the agreements or perhaps what the cornerstone shareholders have committed to, how do we know for sure got this pinned down at this price?

Ron Hoffman: Hi Alan, let me try and answer that. I hope I understood your question properly. The way that we see it, we believe that the offer of 400p is a very compelling and fair offer and this is on the basis of our own assessment of the business which is not based on the share price of the business but based on our own BV profits, based on our own evaluation of the business and we see that as the relevant price for this transaction, for this business at this point in time.

Alan Lyons: Of course, right, but what I'm saying is this situation is going to move on probably quite dramatically either to the upside or the downside in the course of the September timeframe that you've indicated for completion of the deal, right? It just seems like there's some potentially very swiftly moving parts here which are either going to make 400 look like an outstanding deal for you or an outstanding deal for them and someone's motivation is going to dwindle depending on how that regulatory process moves forward, because you haven't bought any stock obviously at this point, right? So how do you know for sure that in three months' time you'll still be able to pin down this deal? That's my question.

Mor Weizer: Obviously we are going through the due diligence, however we don't have a crystal ball so we can't give the level specifically. I will say the following: the recent regulatory scrutiny placed on Plus500 has highlighted that it does not have the necessary infrastructure and regulatory expertise to support the complexity of the business of its size and rate of growth. In other words we believe that it can be remedied sooner rather than later and obviously if you would have waited another month I don't think that it would have helped much, I don't think it would have added much and I think that basically we wanted to act swiftly. We see an opportunity...we believe that by combining the two we will remedy the situation and this is why



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we thought that this is the right time to do that. I don't think as they indicated over the next month they will unfreeze the account but at the same time as we indicated this morning it involves higher marketing spend and lower margins. Over the medium-longer term obviously we see that it's a great opportunity for Playtech and therefore I think that waiting longer wouldn't have been the right thing to do. Last, sorry, I think it's very, very important to say that we had the board and approximately 36% of the shareholders on site having this conversation and supporting us in the process which was very important for us and when we had this conversation and we had the board on board and we had the 36% of the shareholders on board, we thought that it would be wrong to wait given what I described earlier.

Alan Lyons: It's a simple majority they need, is that right?

Mor Weizer: Yes it is. It's a simple majority of the outstanding.

Alan Lyons: Ok. That commitment to vote in favour, is that in all circumstances?

Mor Weizer: The only caveat is an alternative bid at the higher level.

Alan Lyons: Is that specified, a certain amount more or just higher?

Mor Weizer: I believe that we indicated this morning in the announcement that it has to be higher than the 400 plus 5%.

Alan Lyons: Plus 5%, ok. Conversely from your point of view, if things go south in terms of their regulatory process, what's your protection?

Mor Weizer: Obviously we can't get to the specifics of each and every scenario but as we indicated before, considering the due diligence, the likelihood of that is low, however we implement that we have within the contract something materially changing the business, material hasn't changed for visions within the functions.



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Alan Lyons: Are they specific? Is that general boilerplate Mac language or are there some specific things that are prescribed in that.

Mor Weizer: I think that given the fact that it goes to shareholders, I will limit for the circular that they will circulate their document ahead of their EGM and therefore it will be fully described there and I think that given the legal context this is done in, I think that it will be wrong for me to specify this now.

Alan Lyons: I understand. But is it something like if they lose their licence or something like that? Is it that kind of thing?

Mor Weizer: I believe that losing the licence should be considered as a material adverse change.

Alan Lyons: Right, ok. So one more thing: when do we expect those documents as circulars?

Mor Weizer: I believe as soon as particularly possible. We agreed that we will comment as soon as possible.

Alan Lyons: Ok. Very good, thank you.

Mor Weizer: We will basically I think given time constraints take the last question.

Operator: Ok, thank you sir. We actually have a follow-up question from Simon Young at Aviva. Please go ahead, your line is open.

Simon Young: Hello again. Just thinking about this another way around, should this be considered a technology deal for you because you will be able to transfer Plus500's pretty obviously leadership in customer acquisition tools across from your financial services division into your gaming division? Do you consider them to have leadership in customer acquisition methodology, algorithms, that sort of thing compared to what you have in your gaming and therefore there's an obvious revenue synergy benefit from that for your gaming division?



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Ron Hoffman: I will say the following: I think that the technology as I indicated earlier, the technology are the course for Plus500; and when we evaluate it, we don't see that as a technology. This is an acquisition of one of the leading B2C companies that exist with unique technology and unique products and capabilities and therefore what we are focused on given the acquisition of TradeFX is the revenue synergies that exist in the business, taking best from both companies. This was openly discussed with the management team of Plus500. They are very excited about the CRM capabilities, obvious they are familiar with TradeFX given the fact that TradeFX is a competitor and they obviously were very impressed with the CRM capabilities. We are very impressed with not only the technology but also the marketing capabilities and product capabilities and when you combine the best of breed of both companies including adding to the mix the infrastructure expertise and knowledge of both companies, I believe that the upside is very clear and very significant and over time will create significant shareholder value to Playtech shareholders. As Ron indicated earlier this morning this will be earnings enhancing immediately and therefore this is even before these revenue synergies, so imagine that this is highly accretive....

Simon Young: Mor, I was talking about the gaming side, not TradeFX. I can understand there's some synergistic benefits there but what's the practical implication of this for your gaming business? What I'm asking is: is there marketing technology algorithms, whatever you want to call them, are they pretty superior to what you've got because I think we've discussed in loose terms your desires in the past to improve your own marketing which has been very good, but does this bring a new, different ball game to you?

Mor Weizer: I'm not sure that I'm in a position to say that this is a different ball game. I will however say that we were very impressed with the management team and founders who are still involved in the business. We were very impressed with the product approach and marketing approach and no doubt we will benefit from that on the gaming side. I think that it's too early to say. As we said we have to act swiftly in order to secure this transaction. The context was the financial vertical that we have. We could have obviously started quantifying the benefits of that. This is the more obvious low hanging fruits and therefore we were focused on that, but I do believe that it is likely that we will be able to extend it beyond to gaming as well.



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Simon Young: Ok. Can you just confirm, in your discussions, they've obviously said that they had a material change for revenue and then I think they've downgraded revenues again this morning. Is Plus500 trading profitably at this moment in time just so I understand?

Mor Weizer: Yes.

Simon Young: Ok. Has TradeFX benefited from problems at Plus500?

Mor Weizer: Simon, I think we're looking at circumstances which happened a week ago, a week and a half ago. I think it's too early to identify anything at this point.

Simon Young: Alright. Thanks guys, I really appreciate your time.

Mor Weizer: Thank you.

Operator: Thank you. That will conclude today's Q&A session. I would like to now turn back to the speakers for any closing remarks.

Mor Weizer: Thank you very much everyone. I hope we answered all of the relevant questions and we see that this was very significant acquisition or offer of an acquisition for Playtech which will enhance its capabilities and also offerings and diversify the Playtech business in line with its strategy. Thank you very much. Have a great day.

Operator: Thank you. That will conclude today's conference call. Thank you for your participation ladies and gentlemen. You may now disconnect.