PALM HARBOUR
CAPITAL

18th of September 2024

Brian Mattingley
Chairman of the Board

Ian Penrose, Doreen Tan, Samy Reeb, Anna Greenberg
Independent Members of the Board

Playtech plc

Dear Mr. Chairman,

I am writing to you today on behalf of the investors in the Palm Harbour Global Value Fund as we are shareholders in Playtech plc and wish to express our dismay in the proposed remuneration plan presented in the RNS dated 17th of September 2024. It is our fiduciary duty to our investors to protest this payment, as we believe it amounts to a tremendous transfer of value from shareholders to management. Whilst we believe management has done a good job in managing the company, we do not believe that a payout of this magnitude is warranted.

First off, management compensation should be transparent and set by an independent committee of the board in advance. Targets should be identified and disclosed and there should be scenarios in which no payout is warranted. The concept is to incentivize management to work hard and make good decisions with shareholder money. It beggars belief that management should be compensated retroactively for performance that did not meet or exceed any particular target. This payment appears to have come simply because there is a large cash inflow and for no other reason. This money belongs to shareholders and not to the Board to be given away at the Board's pleasure. The Board's fiduciary duty is to the shareholders, not the management team.

The company's own annual report points out that, "Remuneration is delivered via fixed remuneration and simple and transparent incentive-based plans enabling the Executive Directors to be rewarded for delivering strong financial performance and sustainable returns to shareholders." There is nothing transparent about this unexpected payout and it has nothing to do with future sustainable returns. The payment does nothing for future incentivization.

Second, payment should be reasonable and linked to results. The planned payment of €100 million to senior management and €34 million to Snaitech management is simply not credibly reasonable, given that there were no targets and no performance benchmarks and that the sum is far beyond what is reasonable for compensation by almost any metric. We do not deny that management has created value, but this is not payment to incentivize them to perform to an agreed standard. This payment seems to be simply for the sake of it. There is already in place a strong remuneration package with part of it linked to shareholder returns. There is absolutely no need for this additional payment.

Third, the reasons for this obscene payout alluded to in the press release deserve more scrutiny. Normally, large payouts are offered and awarded to management who come into a troubled situation and successfully achieve improved performance (usually after others have failed). In this case, the payout stems from selling Snaitech, a distinctly non-troubled operation. In fact, Snaitech was performing extraordinarily well. This is also not just down to management; the Italian market has been performing well and large players in particular have been taking share from smaller players. Competitors Lottomattica and Sisal have been no different. Thus, awarding management an extraordinary payout due to a strong overall market performance makes little sense. Further, the payout comes from the sale of a well performing business that was sold for a fair, but reasonable price. This is hardly extraordinary. This was neither an amazing price nor a bad asset and the sale does not deserve special incentivization.

The press release further alludes to value being created as the share price increased. This also deserves scrutiny. While only our opinion, it appears to us that the share price was undervalued, not due to issues or problems at Snaitech, but rather in the rest of the business. No one believed Snaitech was worth a significantly lower amount to a strategic buyer than the price for which it was sold. We believe three central points caused the depressed share price.

1) Playtech had a major dispute with its largest client in the B2B segment, Caliplay and was not being paid and headed to court. There was substantial uncertainty over large portions of the non-Snaitech cashflows.
2) The business has traded at a discount for years due to its exposure to "grey" and unregulated markets and the fear that there might be black market exposure. While this exposure has declined in recent years, some negative market perception remains.

3) There is a belief of poor corporate governance, going back years. We did not put much credit in this, but the current issue clearly validates the discount to market multiples.

We, therefore do not believe that management deserves life-changing wealth for selling a good business at a fair price, even if their performance has generally been good. They deserve to be well compensated, but it makes little sense to give them an obscene payday for doing what any sensible manager could have done. We are not against a payment to management, but it should be reasonable and we believe their current pay package meets this definition.

We will vote against this remuneration and will encourage others to do so. We note that the shares have sold off on this announcement, when they should have rallied strongly on the news of this deal closing. We believe this indicates the market agrees with our assessment. No one likes to add "management over-compensation / poor governance" as a line in their sum-of-the-parts valuation.

Sincerely,

Peter Smith

Managing Partner
Palm Harbour Capital LLP

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