



ARISTOCRAT ANNOUNCES STRATEGIC ACQUISITION OF SOCIAL GAMING COMPANY PLARIUM

Sydney, 10 August 2017

Highlights

- Significantly expands Aristocrat's Digital addressable market into adjacent gaming segments
- Increases Aristocrat's overall exposure to the fast growing Digital market with pro forma Aristocrat Digital revenue contribution increasing from 14% to 22% for the year ended 31 March 2017¹
- Plarium has proven content, ability to monetise social games and global game development talent across multiple studios
- Plarium's management team, who have a proven track record of successfully growing the business, have agreed to retention and deferred consideration arrangements
- Attractive financial metrics, strong historical growth and expected to be EPSA accretive in year one²
- Strong cultural alignment with Aristocrat

Overview

Aristocrat Leisure Limited (**Aristocrat**) today announced that it has entered into a binding agreement to acquire 100% of Plarium Global Limited (**Plarium**), a social gaming company, for total consideration of:

- an upfront amount of US\$500m cash, subject to customary completion adjustments; and
- an earn-out arrangement payable to Plarium shareholders following the end of calendar years 2017 and 2018 respectively, based on 10x Last Twelve Months ("LTM") EBITDA at year end (less previous consideration amounts already paid in prior periods).

The total transaction consideration implies a multiple of 10x LTM EBITDA at year end.

Plarium is a privately owned free-to-play mobile, social and web-based game developer. Plarium is headquartered in Herzliya, Israel and has over 1,200 employees across five genre-specific studios as well as multiple offices throughout Europe, Israel and the US.

¹ Pro forma revenue includes full year contribution of Plarium for 12 months ended 31 March 2017. Plarium financial information converted at AUD:USD exchange rate of 0.75 and presented on a bookings basis.

² Pro forma EPSA accretion for FY18 assumes full year contribution of Plarium. Plarium financial information converted at AUD:USD exchange rate of 0.75 and presented on a bookings basis.

The company has nine key titles that are currently monetising and a strong game pipeline across multiple genres. Plarium's most popular game to date, *Vikings: War of Clans*, has repeatedly ranked in the top 10 grossing Strategy games since launch in key target markets.³

Plarium's success has been driven by its ability to attract top game development talent in the global technology hubs in which it operates. This has been further underpinned by its management team who have successfully scaled the business through a portfolio strategy that targets growth opportunities in multiple segments through robust market and competitor analysis.

CEO and co-founder of Plarium, Avraham Shalel, will continue to lead Plarium post acquisition. Mr Shalel and 12 other key members of Plarium's management team have agreed to retention and deferred consideration arrangements with Aristocrat, including deferring a portion of their upfront consideration until the end of calendar year 2020.

The acquisition of Plarium is expected to be EPSA accretive in year one.⁴

The transaction is expected to complete by the end of December 2017, subject to the receipt of necessary regulatory approvals and satisfaction of other customary closing conditions. Under the sale and purchase agreement, Plarium and its shareholders have made representations, warranties and covenants customary for a transaction of this type.

Rationale

Aristocrat CEO and Managing Director Trevor Croker said "Aristocrat has continued to deliver significant growth and outstanding results in our Digital social casino business. The acquisition of Plarium allows Aristocrat to expand our addressable market into logical adjacent segments in the fast growing mobile gaming market. This immediately expands our addressable market from ~US\$3.2bn in the Social Casino segment, to ~US\$25.4bn when including the Strategy, RPG and Casual segments.⁵ It also provides us with a stronger platform to target the ~US\$43.6bn overall mobile and web games market as growth segments."⁶

"The strategic and financial benefits are compelling for Aristocrat shareholders. Following the acquisition of Product Madness in 2012, Aristocrat's Digital division experienced exceptional growth and Product Madness is now a top 5 social casino gaming publisher globally. Plarium provides a unique opportunity to continue and accelerate this growth by diversifying into attractive new mobile gaming segments, including Strategy, RPG and Casual. The acquisition of Plarium increases our pro forma Digital revenue contribution from 14% to 22% for the year ended 31 March 2017."⁷

³ Game ranking sourced from App Annie. Based on top grossing Strategy games on Apple iOS and Google Play.

⁴ Pro forma EPSA accretion for FY18 assumes full year contribution of Plarium. Plarium financial information converted at AUD:USD exchange rate of 0.75 and presented on a bookings basis.

⁵ A Strategy Game requires players to combat against one another, utilising skilful planning and tactical thinking. A Role Playing Game ("RPG") is a game that focuses on the advancement of a main character, acquisition of items and has an over-arching storyline. A Casual game is characterised by easy game play where players can play infrequently or on a spontaneous basis.

⁶ Market data sourced from Newzoo. Total addressable market as at 2016 and includes the mobile phone, tablet and PC-Browser game market. Social Casino segment defined as the Casino and Cards segment as classified by Newzoo. Based on Eilers & Krejcik, the estimated size of the Social Casino market was US\$3.8bn as at 2016.

⁷ Pro forma revenue includes full year contribution of Plarium for 12 months ended 31 March 2017. Plarium financial information converted at AUD:USD exchange rate of 0.75 and presented on a bookings basis.

“Plarium's business is strongly aligned with Aristocrat's, with similar operational approaches to game development and segment and market entry, common focus on producing the world’s best gaming content and a common aspiration to be a market leader in our key target segments.”

“The transaction will not only transform the scale of our Digital business today, but will also preserve Aristocrat’s options to pursue acquisitions in the future in key growth segments.”

“We look forward to working with and supporting the continued success of the Plarium team,” Mr Croker concluded.

CEO and co-founder of Plarium, Avraham Shalel said "I am very proud of the success we have achieved since establishing the business in 2009. The hard work and efforts of Plarium’s employees have positioned Plarium as a world class mobile game publisher."

“Aristocrat is an ideal partner for us given our common aspiration to be a global leader in social gaming, which will be accelerated through leveraging Aristocrat’s financial, strategic and operational resources," Mr Shalel concluded.

Acquisition funding

Aristocrat will fund the acquisition via existing cash and an incremental US\$425 million 7 year Term Loan B debt facility. The US Term Loan B market offers long term, flexible financing.

Aristocrat remains committed to targeting metrics that are in line with an investment grade credit rating.

Further information regarding the acquisition is contained in the investor presentation released to the ASX today.

Citi is acting as the sole financial adviser to Aristocrat, and Allens, Herzog Fox & Neeman and Covington & Burling LLP are its legal advisors.

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Aristocrat Leisure Limited (ASX: ALL) is a leading global provider of gaming solutions. The Group is licensed by over 200 regulators and its products and services are available in over 90 countries around the world. Aristocrat offers a diverse range of products and services including electronic gaming machines and casino management systems. The Group also operates within the online social gaming and real money wager markets. For further information visit the Group’s website at www.aristocrat.com.