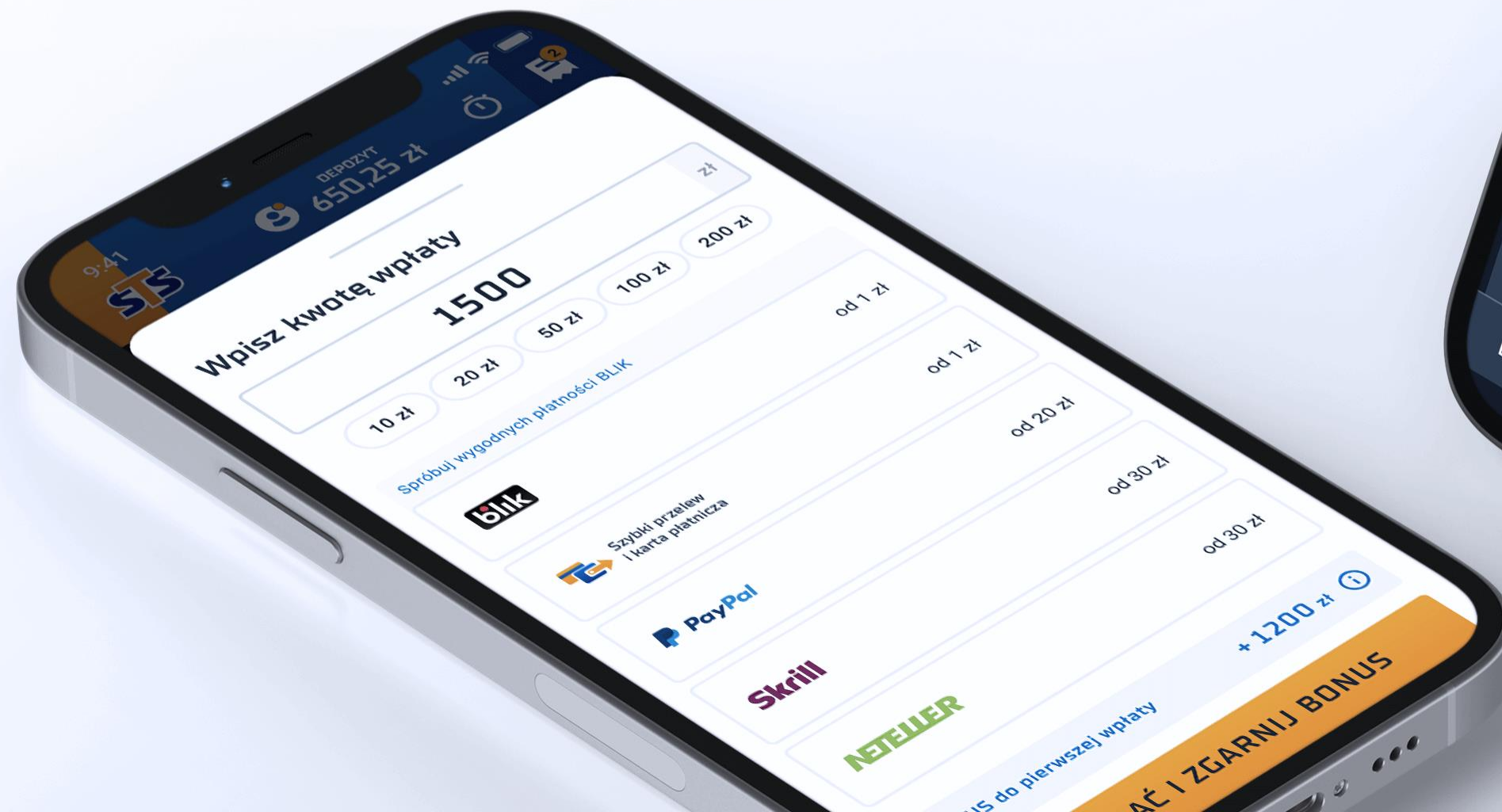




# FY 2021 Results

April 2022

[www.stsholding.pl](http://www.stsholding.pl)



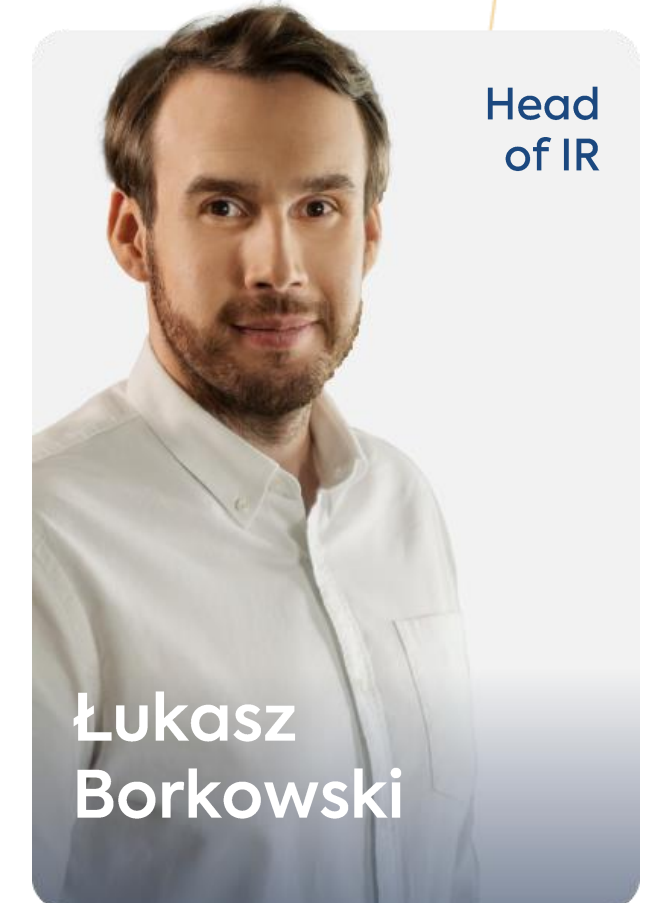
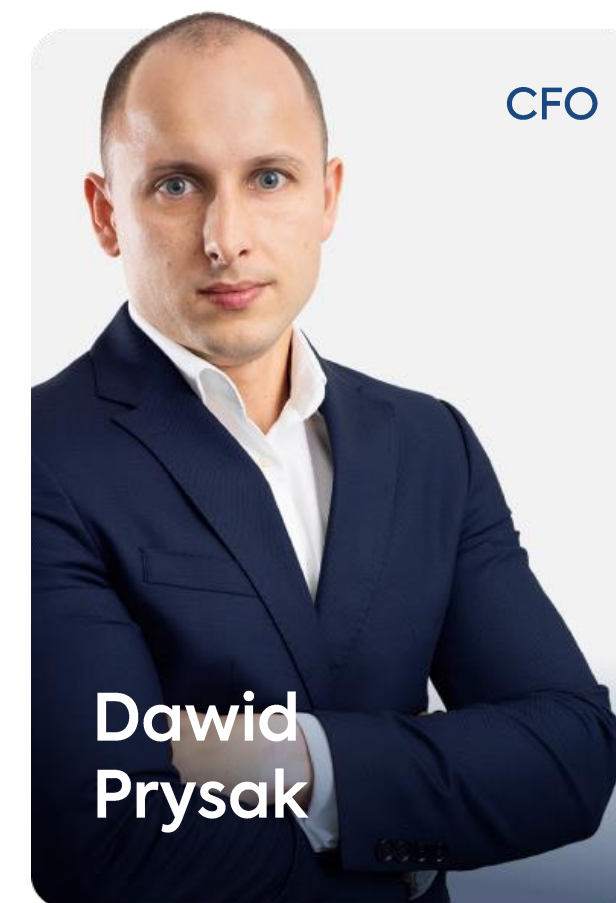
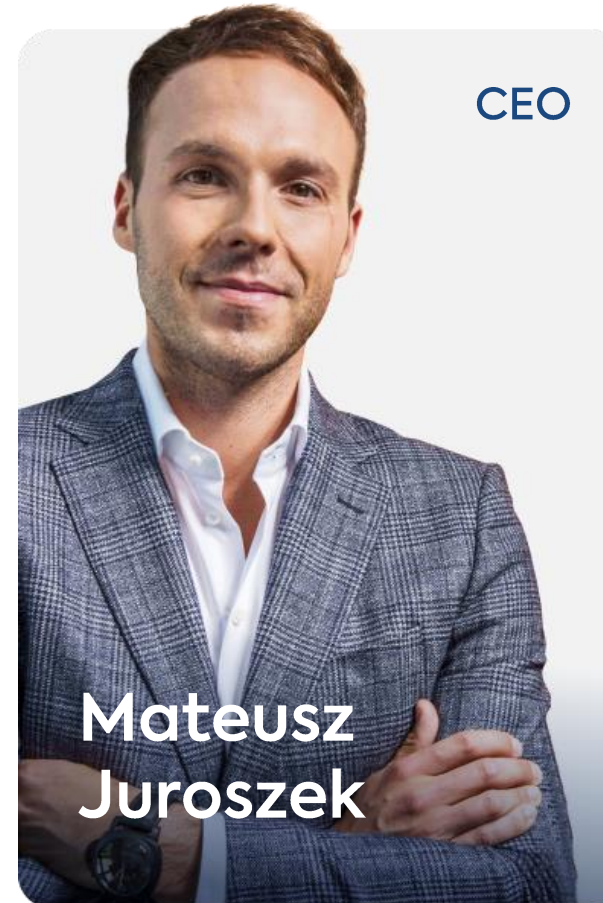
# Agenda

- 01. Regulatory update
- 02. Business update FY 2021
- 03. Financial update FY 2021
- 04. ESG & non-financial KPI's
- 05. A strong start to 2022
- 06. Q&A
- 07. Appendix

STS Group

Regulatory environment

# Today's Presenters



# 2021 Summary

All-time record results

Undisputed leader  
in an attractive market

**> 40%**

market share in Poland  
(vs. 28% for 2nd player)

**± PLN 10,6bn**

Polish market turnover

**+46%**

yoy Polish market  
growth in 2021

Outstanding  
business profile

**PLN 1.085bn**

GGR

**PLN 565m**

NGR

**38,2%**

EBITDA margin\*

Best customer  
reach and product

**PLN 4.5bn**

staked

**1.645m**

registered players

**82%**

online NGR



**WINNER**

IPO of the Year

**PARKIET**  
BYKI I NIEDŹWIEDZIE



**WINNER**

Affiliate Marketing  
Campaign of the Year

**EGR MARKETING & INNOVATION**  
VIRTUAL AWARDS 2020



**WINNER**

Omni-channel  
Operator of the Year

**SBC AWARDS**



**STS** HOLDING

# Regulatory update



# Regulatory outlook

## Taxation

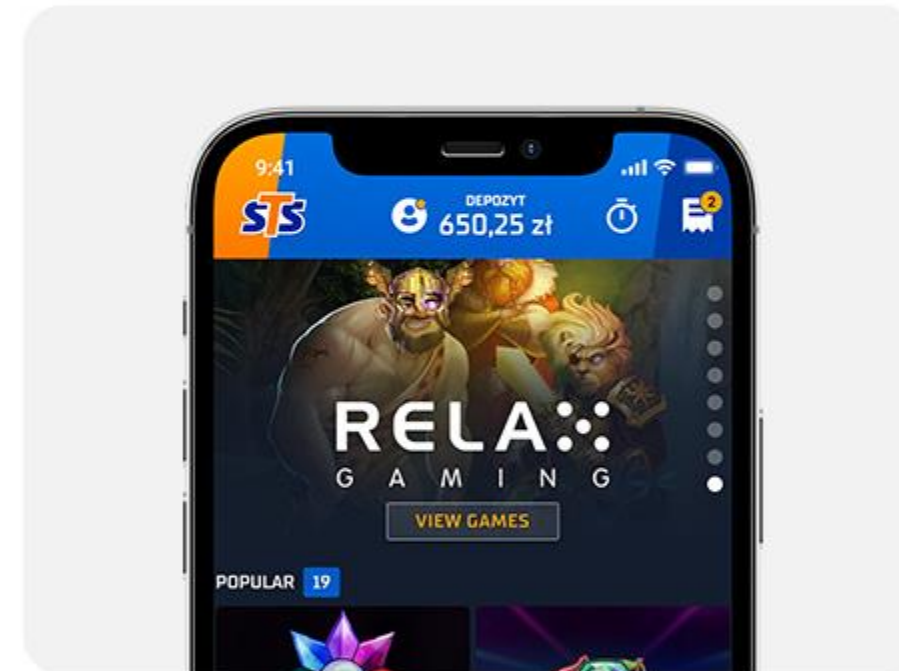
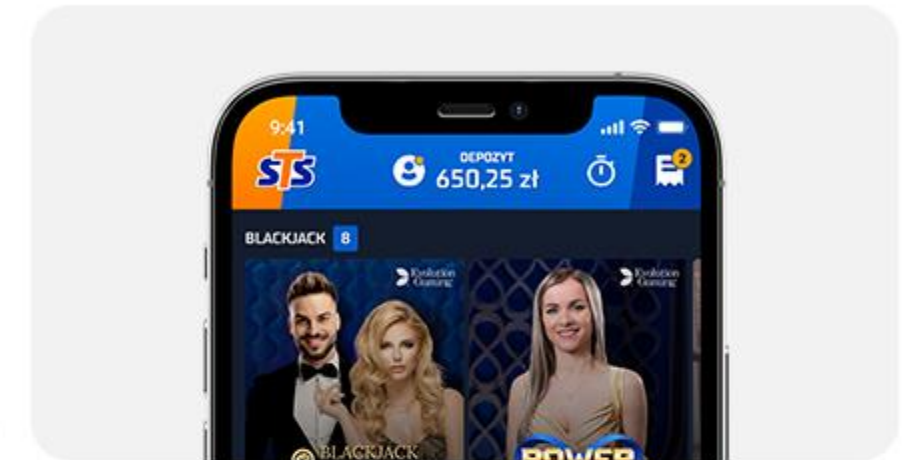
Higher activity of the smaller operators.

## Casino Online

Liberalization beneficial for both operators and the State Treasury.

## Grey Market

30-40% of turnover in grey market.



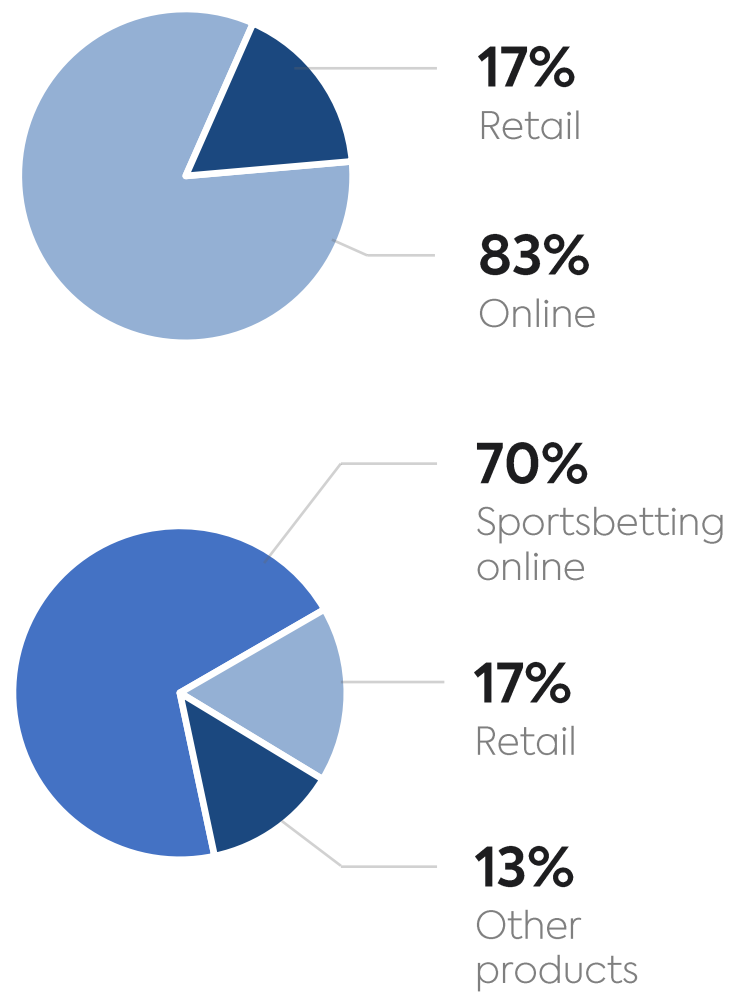
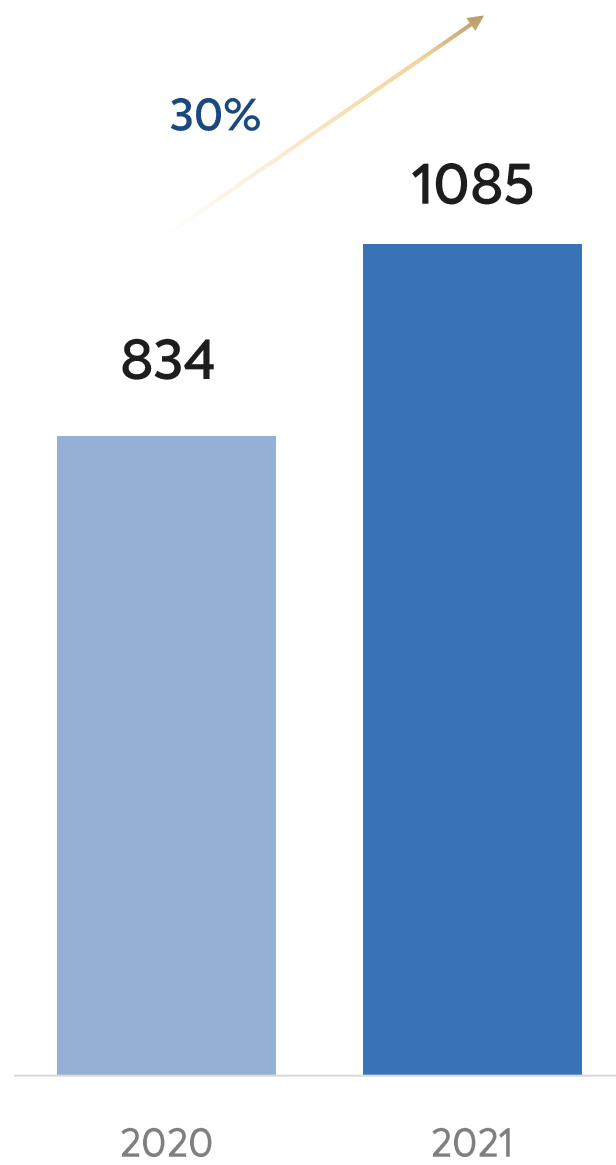
**STŚ** HOLDING

# Business update FY 2021



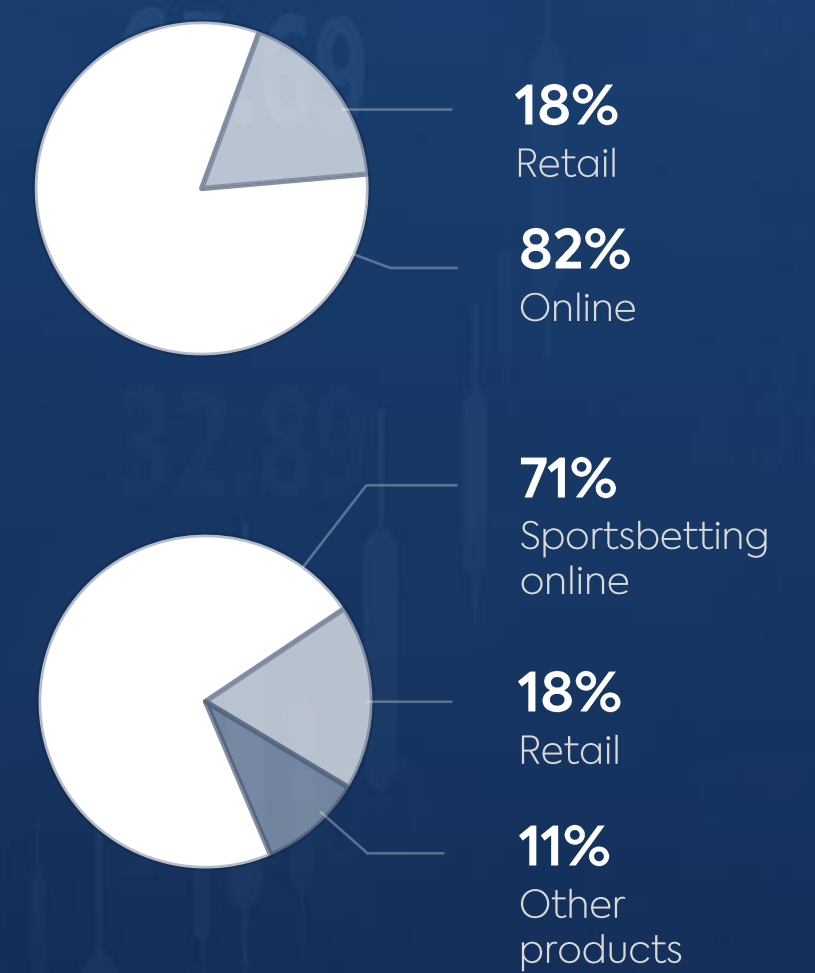
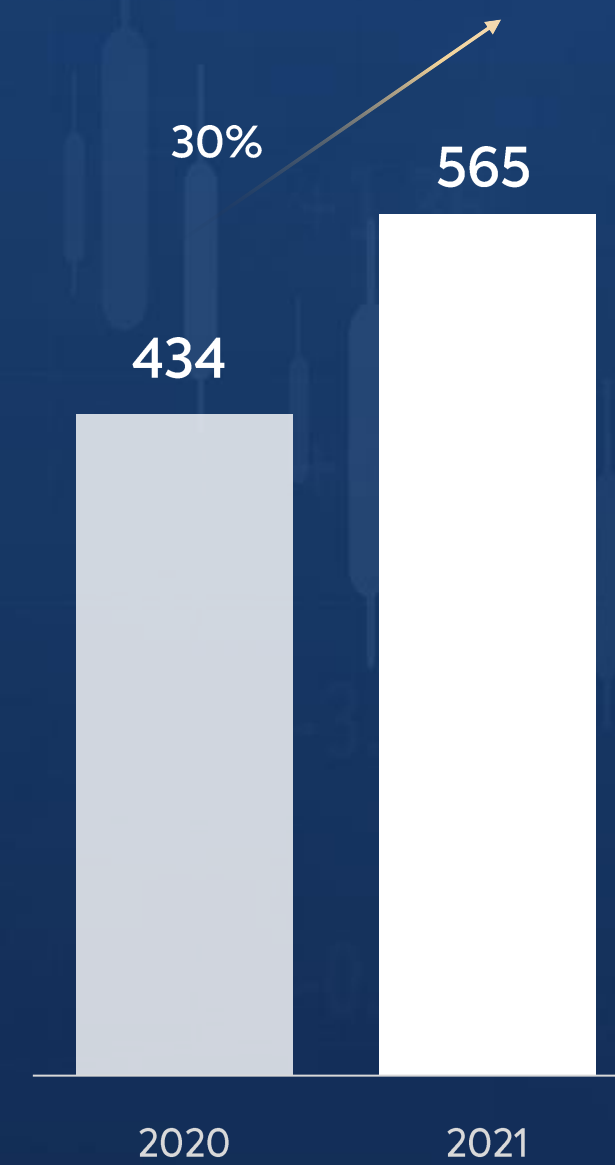
# GGR

PLN, m



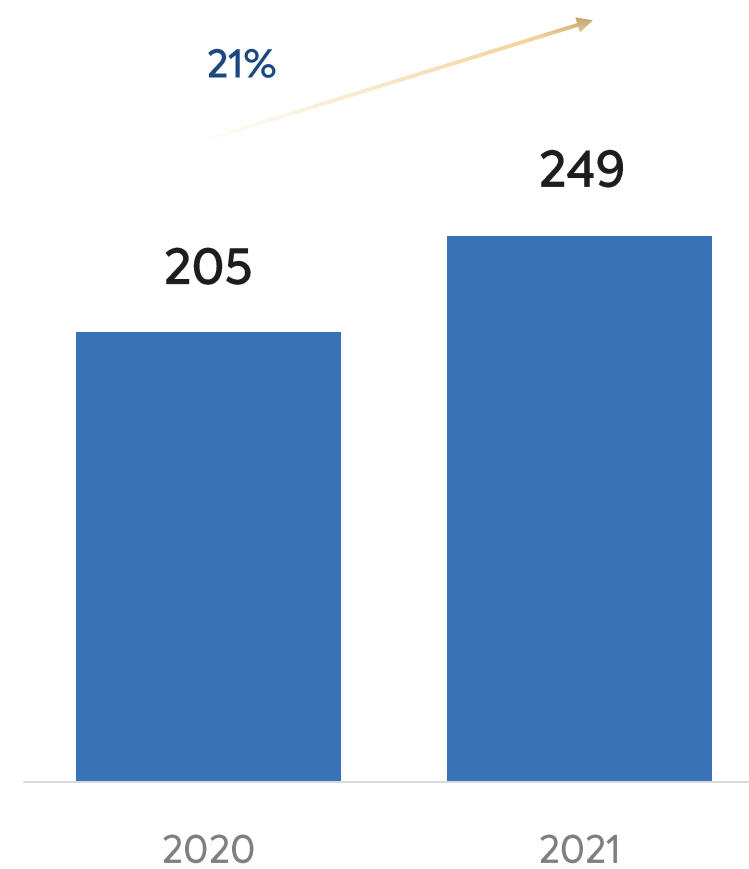
# NGR

PLN, m

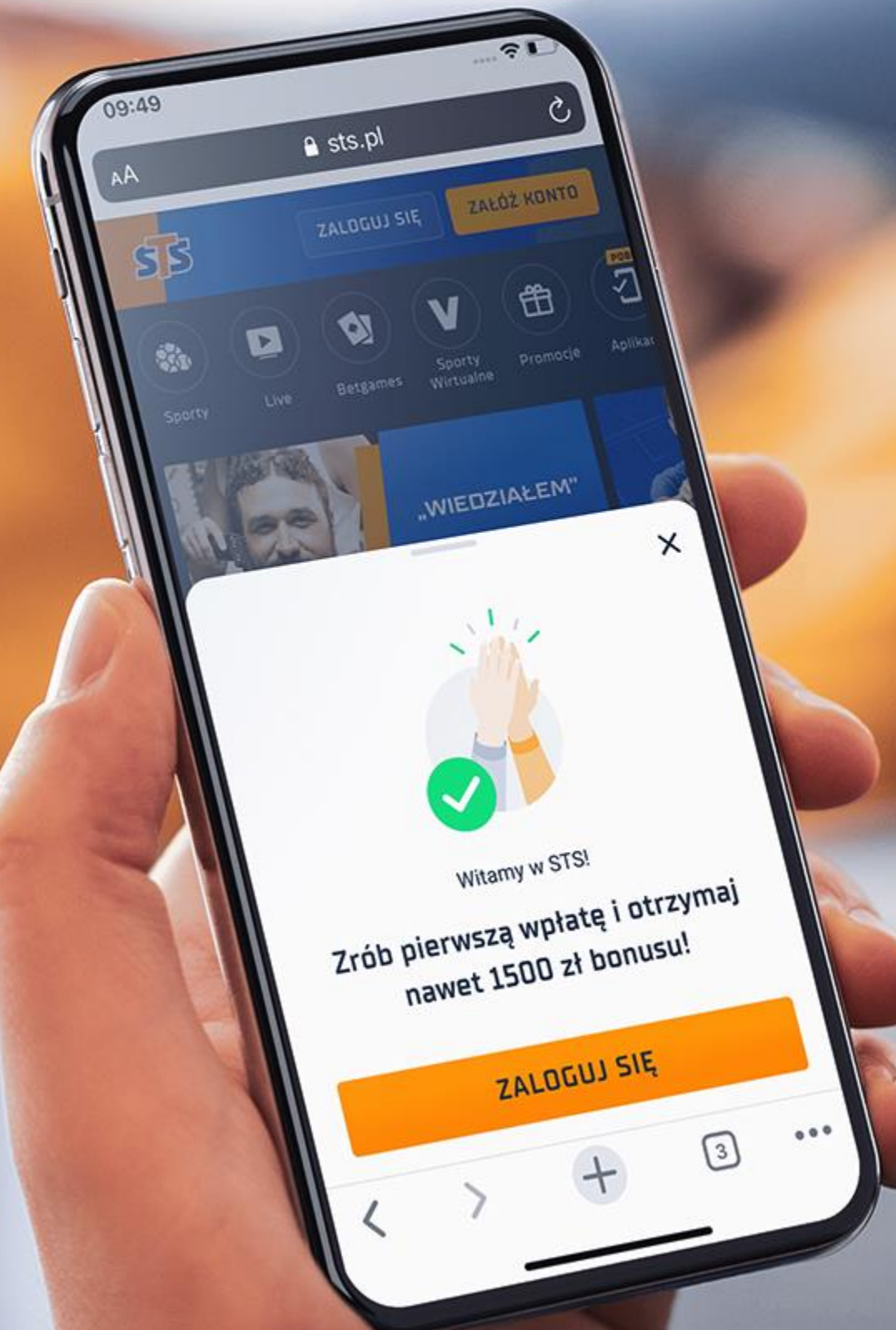
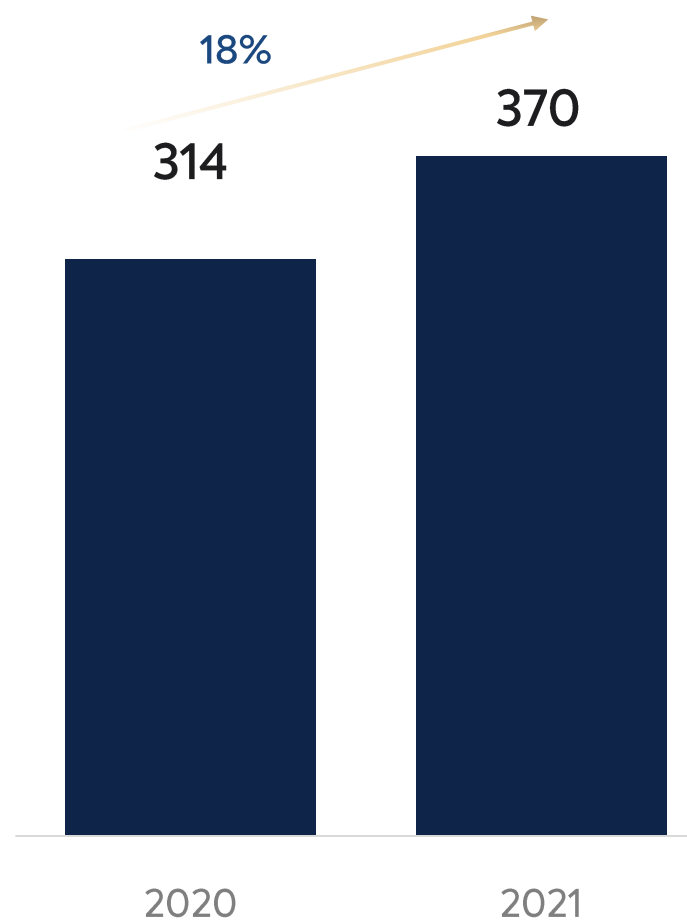


# Operating data

First-time deposit (k)

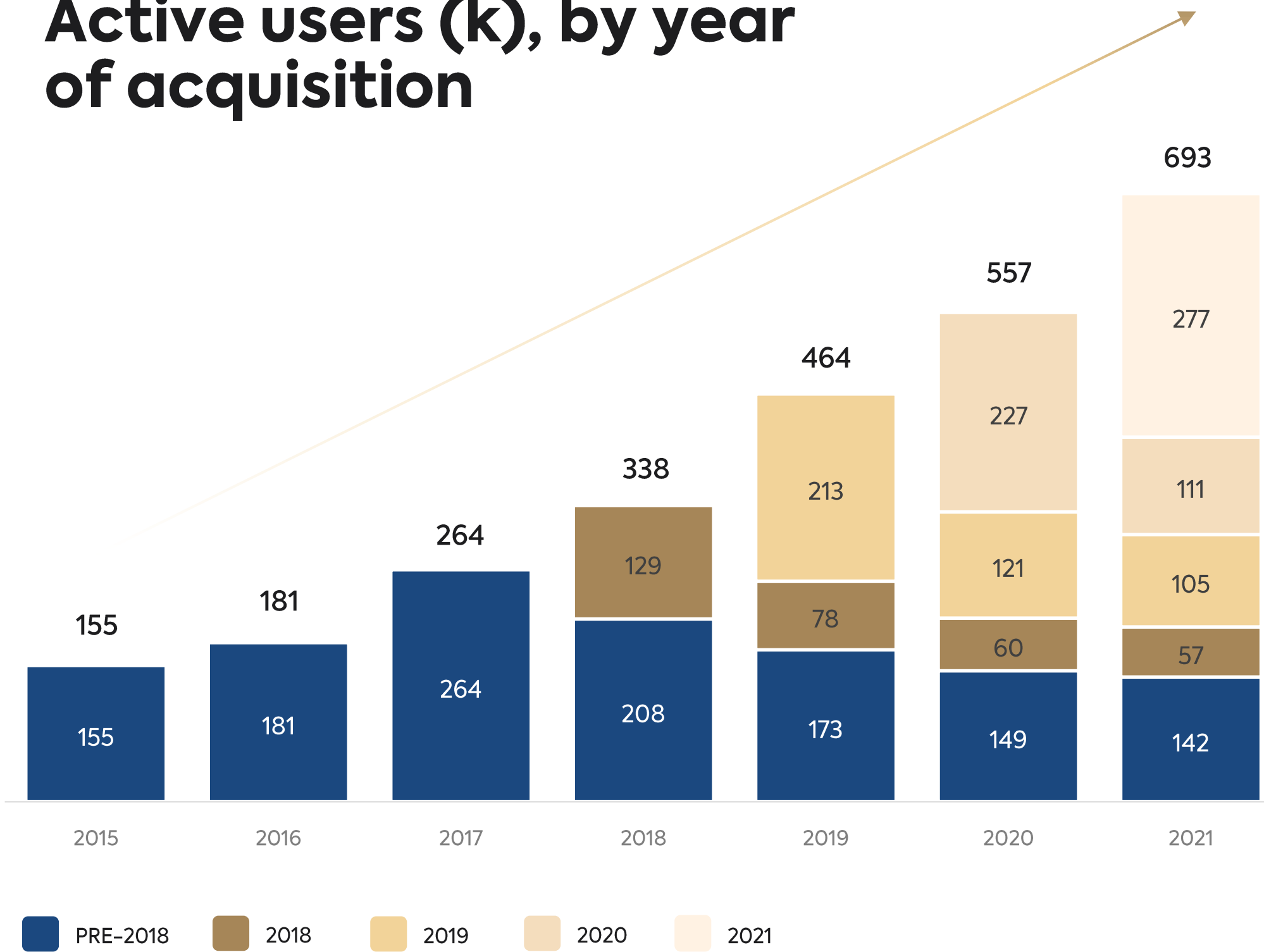


New registration (k)





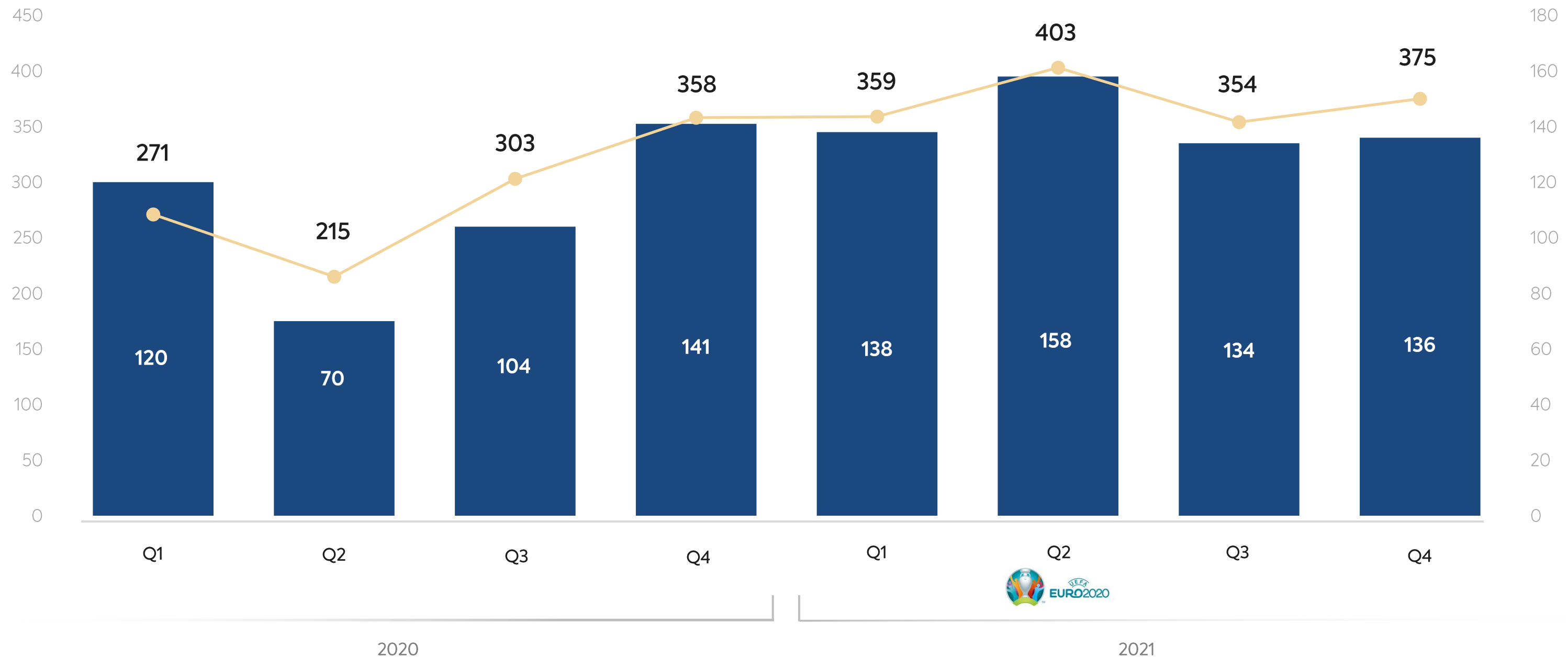
# Active users (k), by year of acquisition



# NGR vs. number of active players

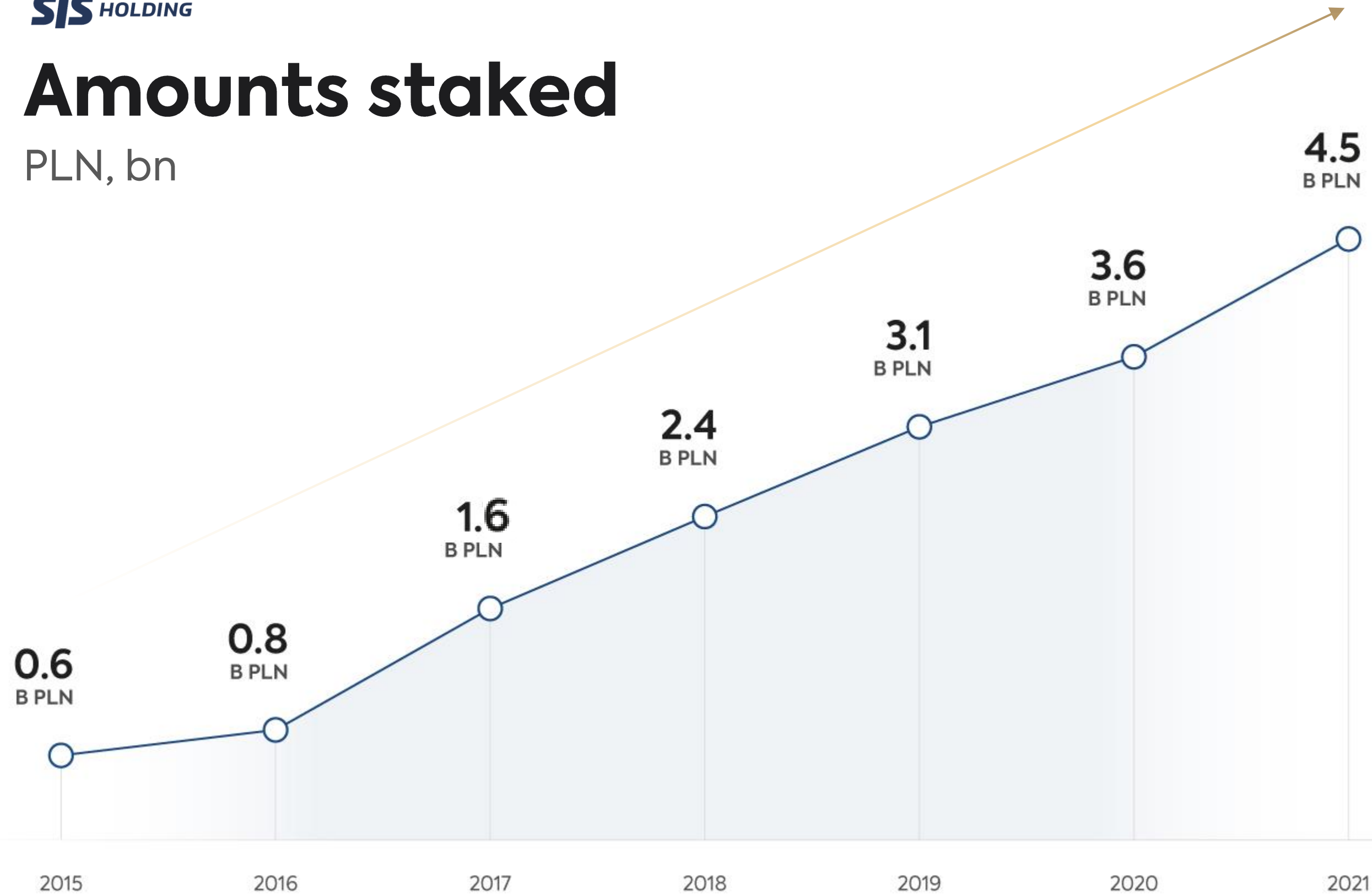
Quarterly NGR and online active users (Q1 2020 – Q4 2021)

■ NGR (PLN M)    ■ ONLINE ACTIVE PLAYERS (K)



# Amounts staked

PLN, bn



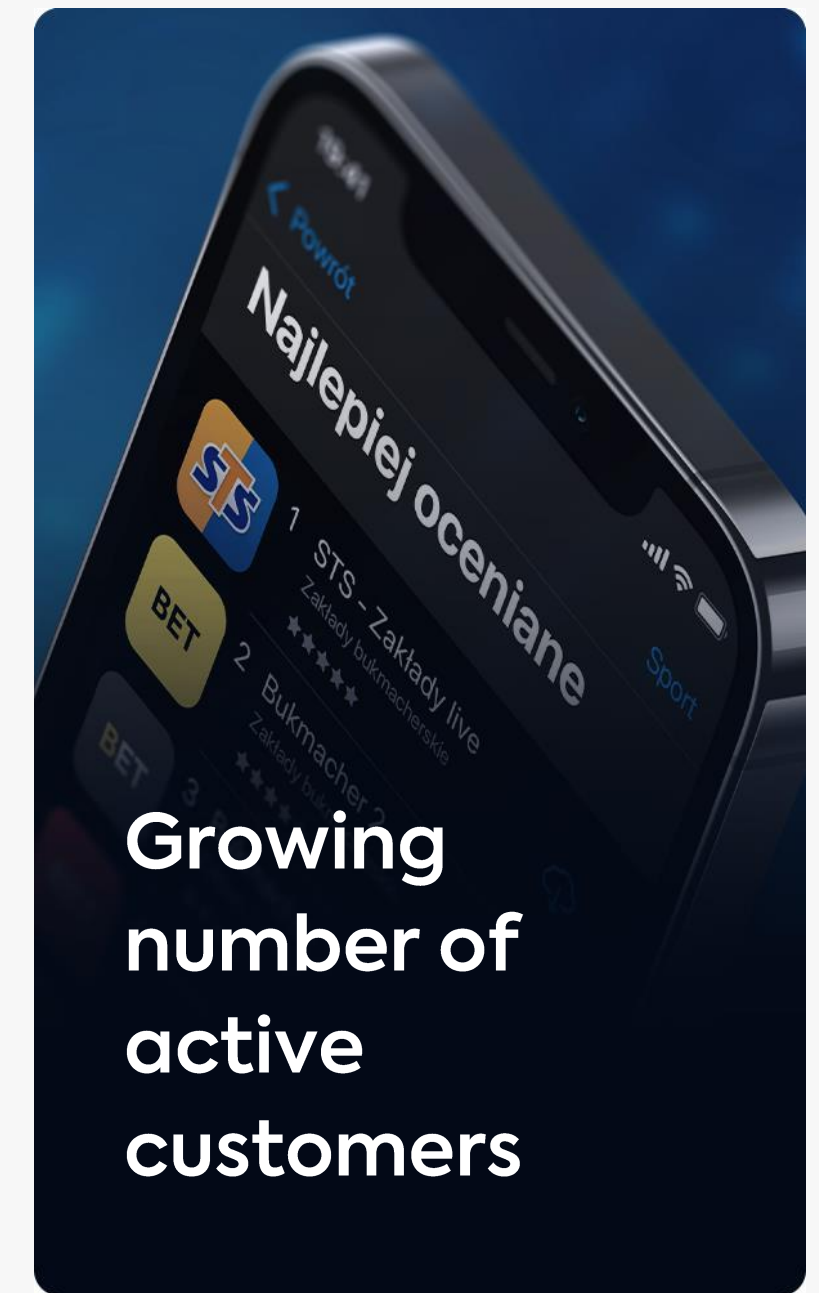
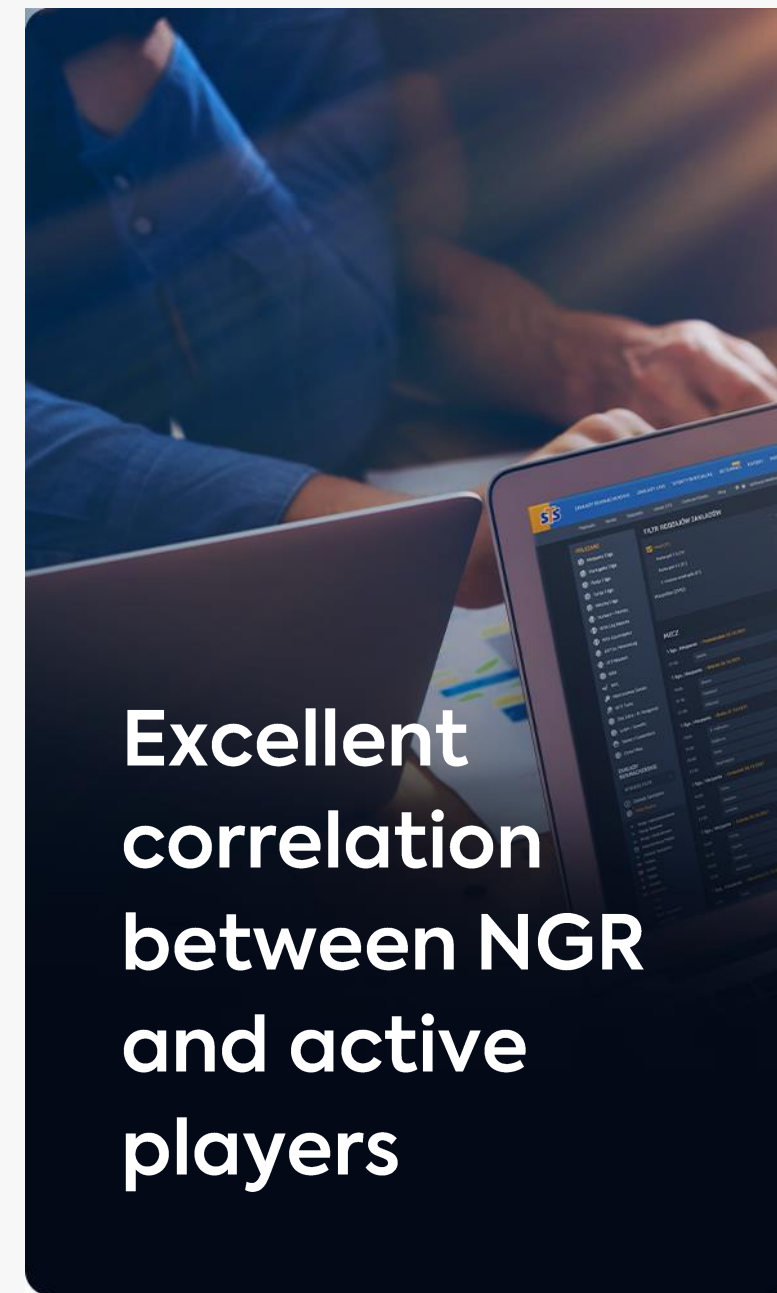
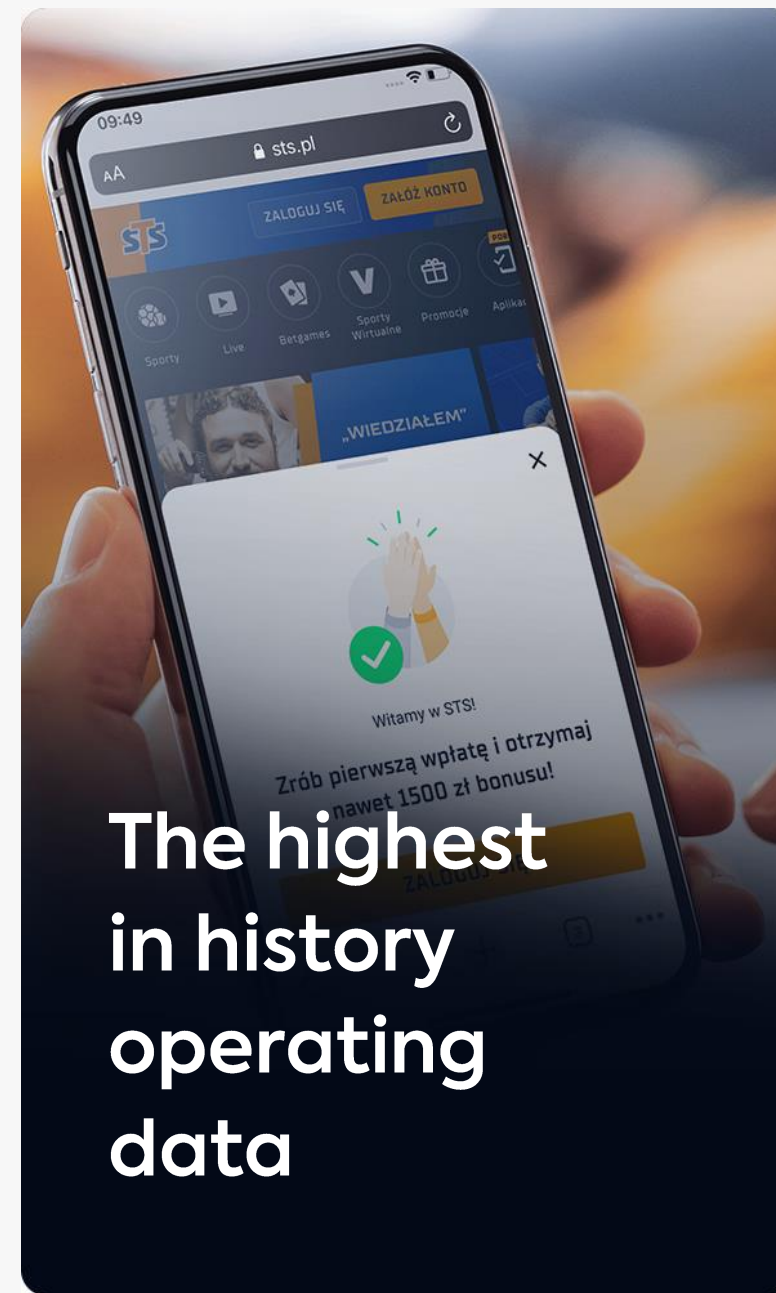
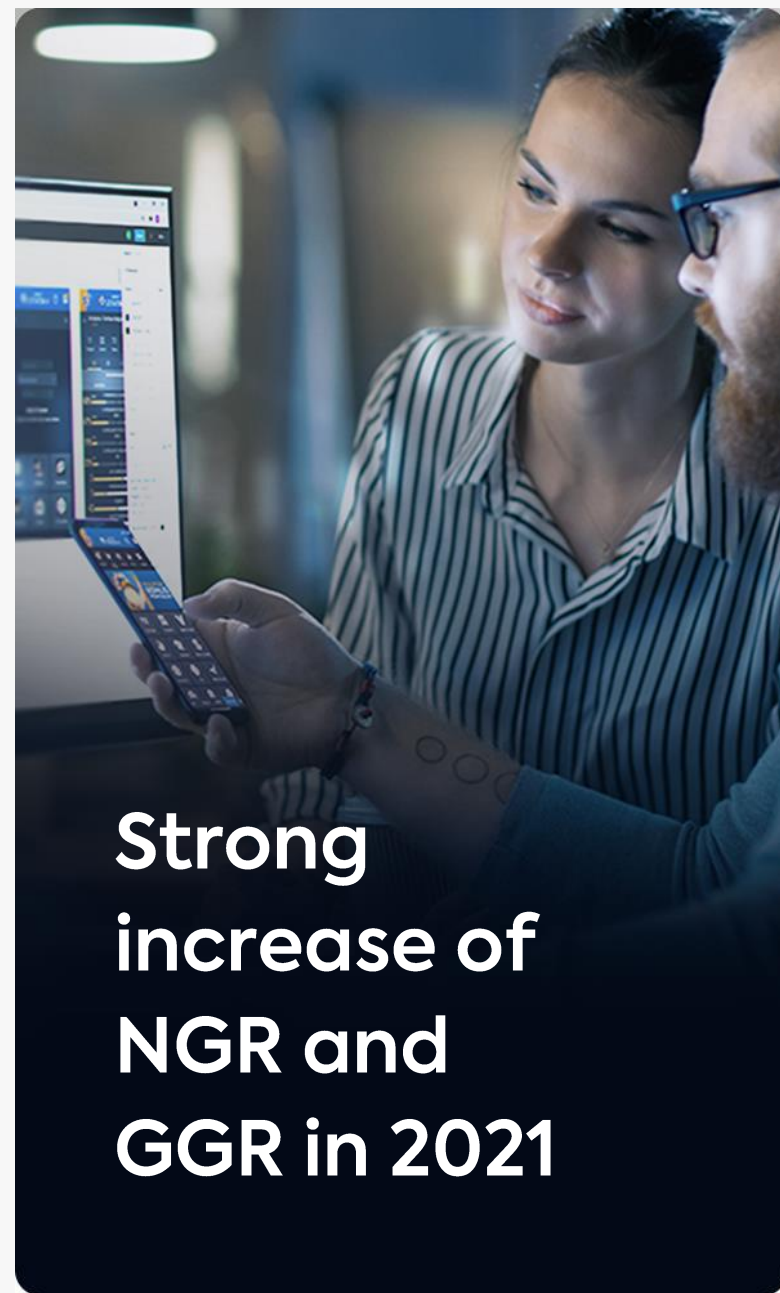
**PLN 4.5 B**

Amounts staked in 2021

STS S.A.

STS Group

# Key takeaways





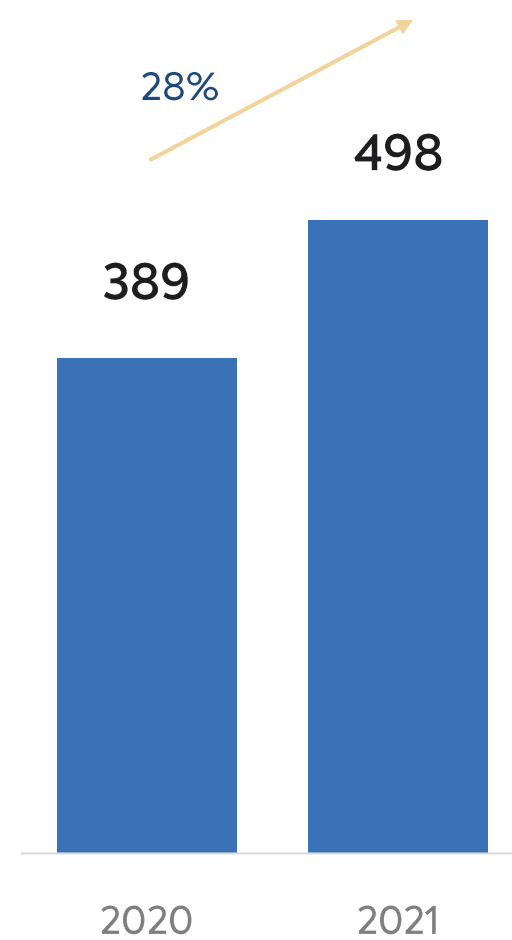
# Financial update FY 2021



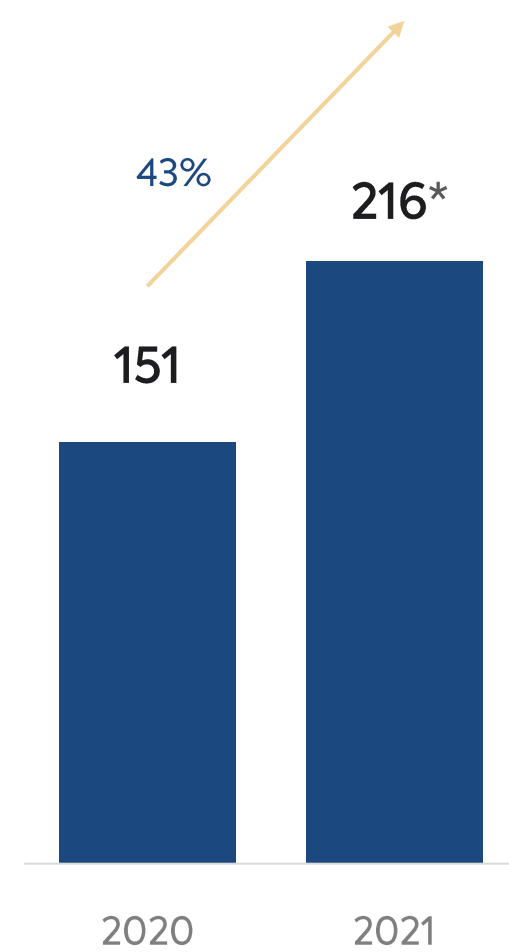
# Financial highlights

PLN, m

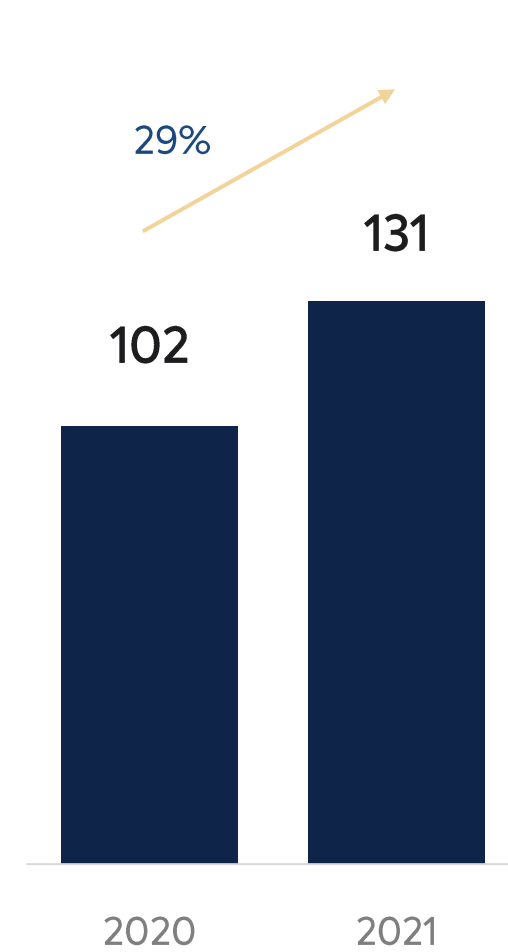
IFRS Revenues



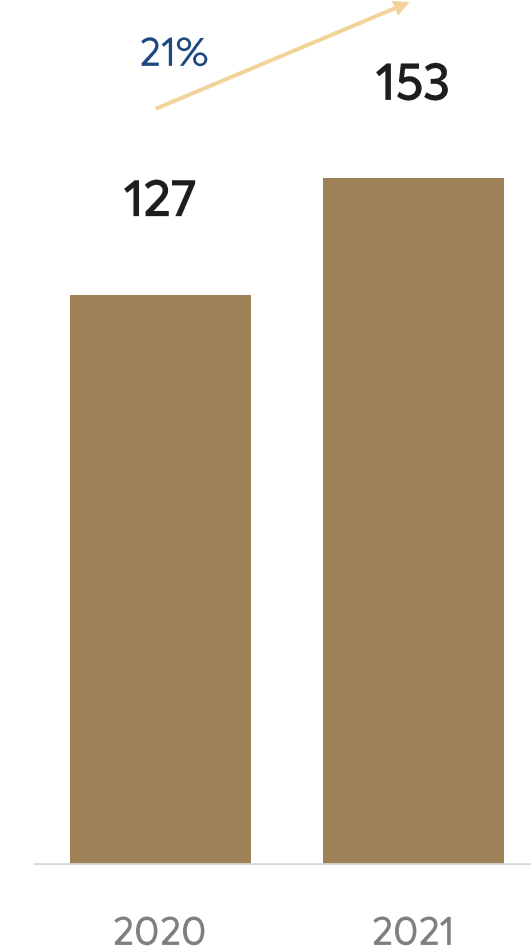
EBITDA



Net profit STS Holding S.A.



Net profit STS S.A.



All-time record results

\* Adjusted EBITDA

# A record-breaking 2021 financial results

NGR to EBITDA breakdown 2021 vs. 2020

PLNm	2021	2020	(PLNmΔ)	(%)
<b>NGR</b>	<b>565</b>	<b>434</b>	<b>131</b>	<b>30%</b>
Less: Bonuses provided to customers	(68)	(45)	22	49%
Add: Other non-gaming revenue	0,24	0,16	0,08	52%
<b>IFRS Revenue</b>	<b>498</b>	<b>389</b>	<b>109</b>	<b>28%</b>
Consumption of materials and energy	(10)	(8)	1	14%
External services	(183)	(156)	27	17%
Employee payroll & benefits	(86)	(70)	16	22%
Other miscellaneous costs	(2,62)	(2,74)	(0,12)	(4)%
<b>Adjusted EBITDA</b>	<b>216</b>	<b>151</b>	<b>65</b>	<b>43%</b>
<b>% of NGR</b>	<b>38,2%</b>	<b>34,8%</b>		

**30%**

NGR growth YoY reflecting continued strong trading environment

**43%**

Adjusted EBITDA growth

**38%**

Adjusted EBITDA margin

**693k**

active customers in 2021, growing 24% YoY

# Continued cash generation and stable balance sheet

## Cash flow generation

PLNm	2021	2020
<b>Adjusted EBITDA</b>	<b>216</b>	<b>151</b>
% of NGR	38%	35%
Capex <sup>1</sup>	(15)	(9)
<b>FCF (EBITDA–Capex)</b>	<b>201</b>	<b>143</b>
% cash conversion <sup>2</sup>	93%	94%

## Balance sheet

PLNm	2021	2020
Cash & cash equivalents	146	49
Net operating working capital <sup>3</sup>	(102)	(103)
Total assets	267	268
Total liabilities	161	170
Total equity	105	99

- Consistent cash generation with EBITDA conversion above the 90% mark, despite continued investments for future growth
- Compelling financial position underpinned by strong balance sheet in excess cash and stable working capital requirements
- Strong cash-flow generation expected to deliver 100% dividend pay-out

Group did not have any outstanding external loans and borrowings as of the year-end 2021. On track to deliver 100% dividend pay-out, underpinned by strong cash-flow generation.

NOTES:  
 1 – Capex includes spending on PP&E, intangible assets including software and technology development, and excludes acquisitions; 2 – Defined as FCF/EBITDA;  
 3 – Defined as Trade and other receivables and prepayments – Trade payables and other liabilities (incl. tax liabilities) – Liabilities to employees



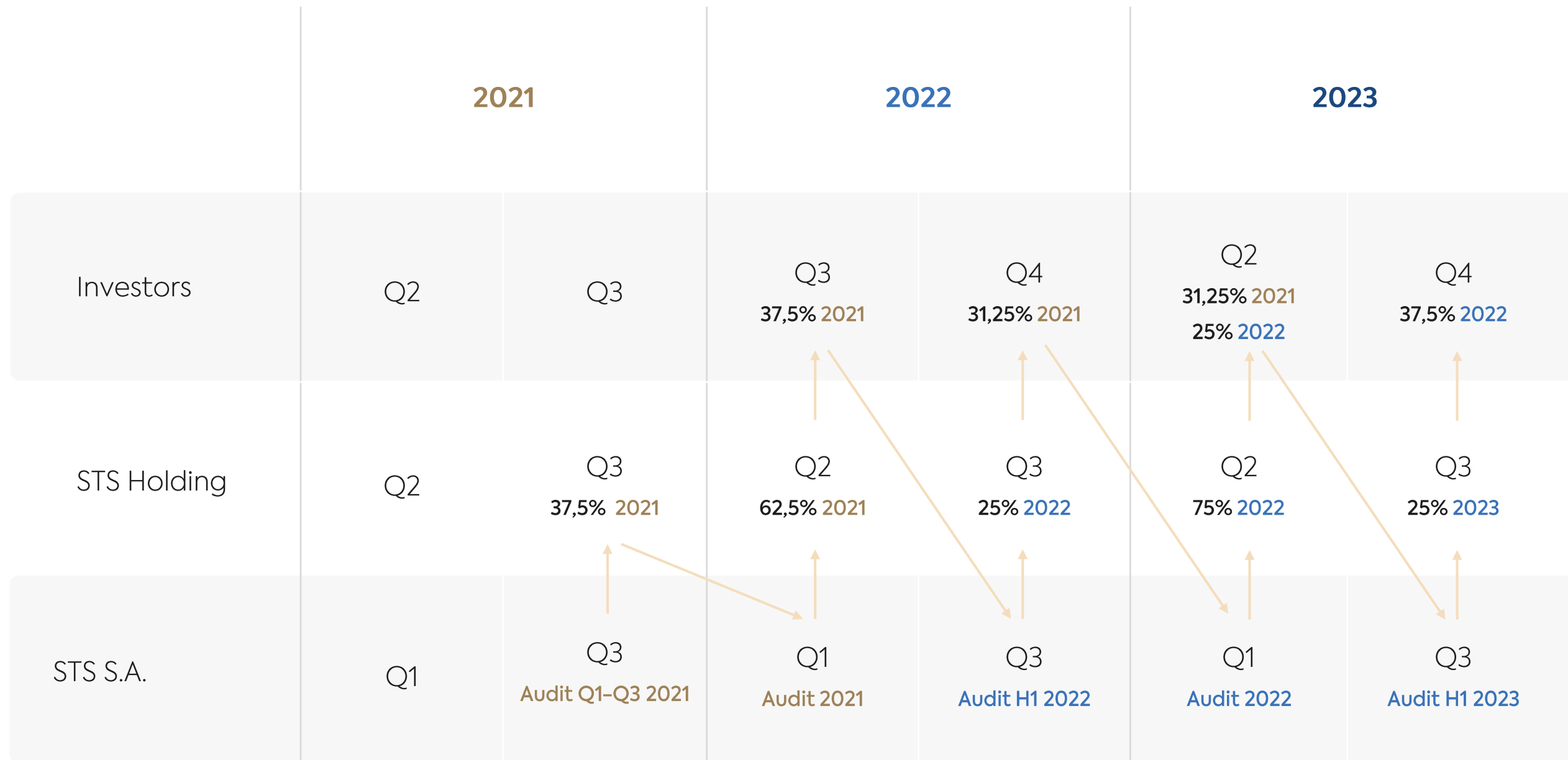
# Dividend policy

The Company's intention is **to distribute 100% of the net profit of the Company** for the relevant financial year as dividends. It is the Company's intention, provided that the Company's financial capabilities, market conditions and current investment needs, to achieve a dividend company status. In the event that the Group plans to undertake material M&A, the Company reserves the right to reduce the payout ratio or suspend the dividend payment.

The Company will ensure **STS S.A.'s payment of advances on expected dividends in order to accelerate the distribution of profits to the Company's shareholders.** An advance on account of a dividend may constitute no more than a half of the profit made from the end of the previous financial year, disclosed in the audited financial statements, increased by reserve capitals established from profit at the disposal of the Management Board for the payment of advances and decreased by uncovered losses and own shares.



# Dividend pay-out




**01.**  
Schedule of  
dividend pay-out

**02.**  
Two payments  
a year

**03.**  
Cyclical dividend  
payments

# Key takeaways

**The highest in  
history financial  
results**



**Strong  
balance  
sheet & cash  
generation**



**Dividend  
policy –  
distribution of  
100% of the  
net profit of  
the Company**

**STS** HOLDING

# ESG & non-financial KPI's



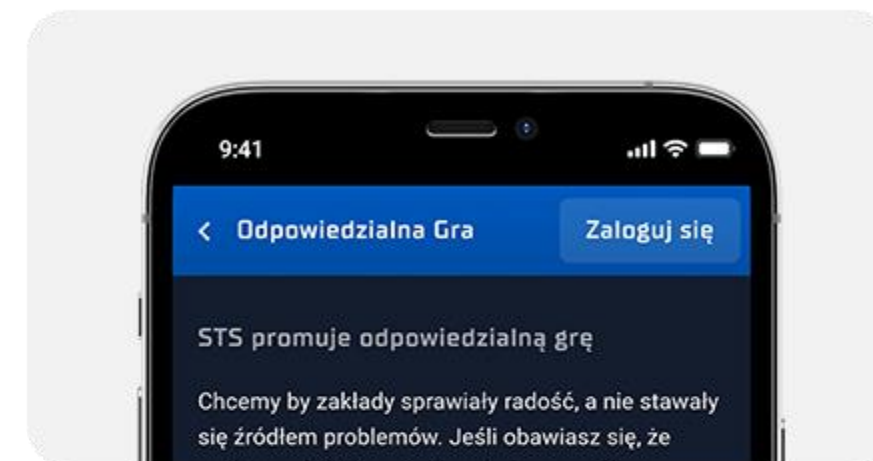
# ESG summary

✓ Responsible gambling: Mentor tool & cooperation with University of Economics in Katowice

✓ Green Energy: 100% in STS S.A.

✓ Sport Is Your Chance Foundation

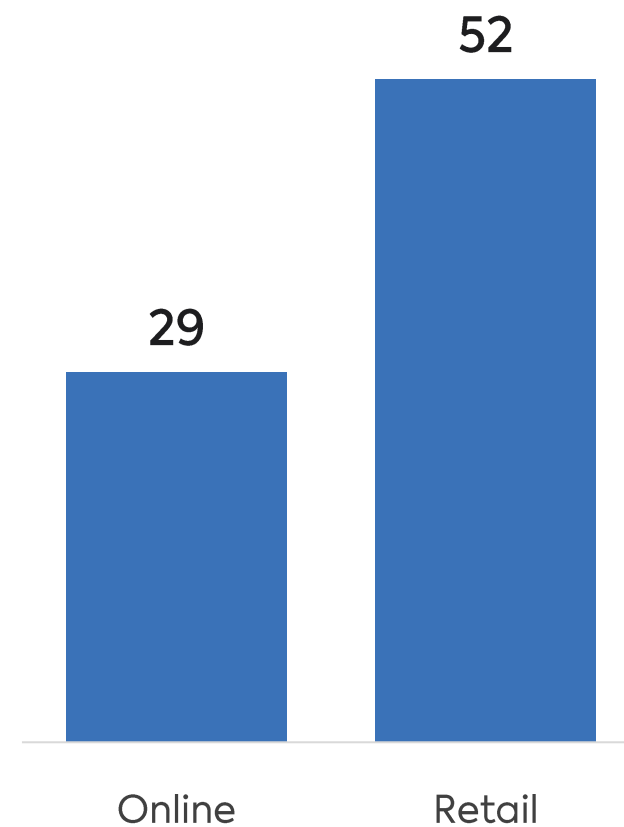
✓ Employee NPS: 60



# Strong Marketing Position

## NPS in 2021\*

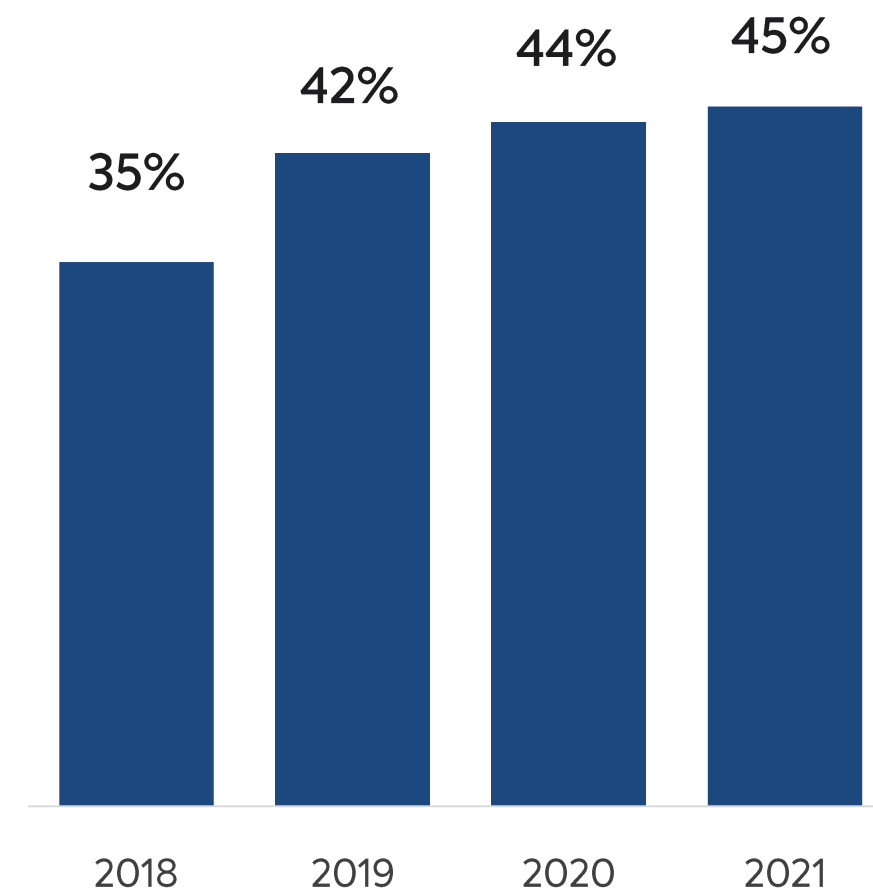
The Net Promoter Score for the STS S.A. retail chain increased from +39 in 2018 to +52 in 2021.



The STS Group is one of the largest sponsors actively supporting Polish sports.




STS is increasingly at the top of consumers' mind<sup>2</sup>:




\* The highest results among Polish operators


# Key takeaways




Strong NPS results



Well-known brand in Poland



Responsible Gaming oriented focus



The biggest number of sponsorship agreements among Polish operators



**A strong start  
to 2022**





# What's new

New  
Welcome  
Offer

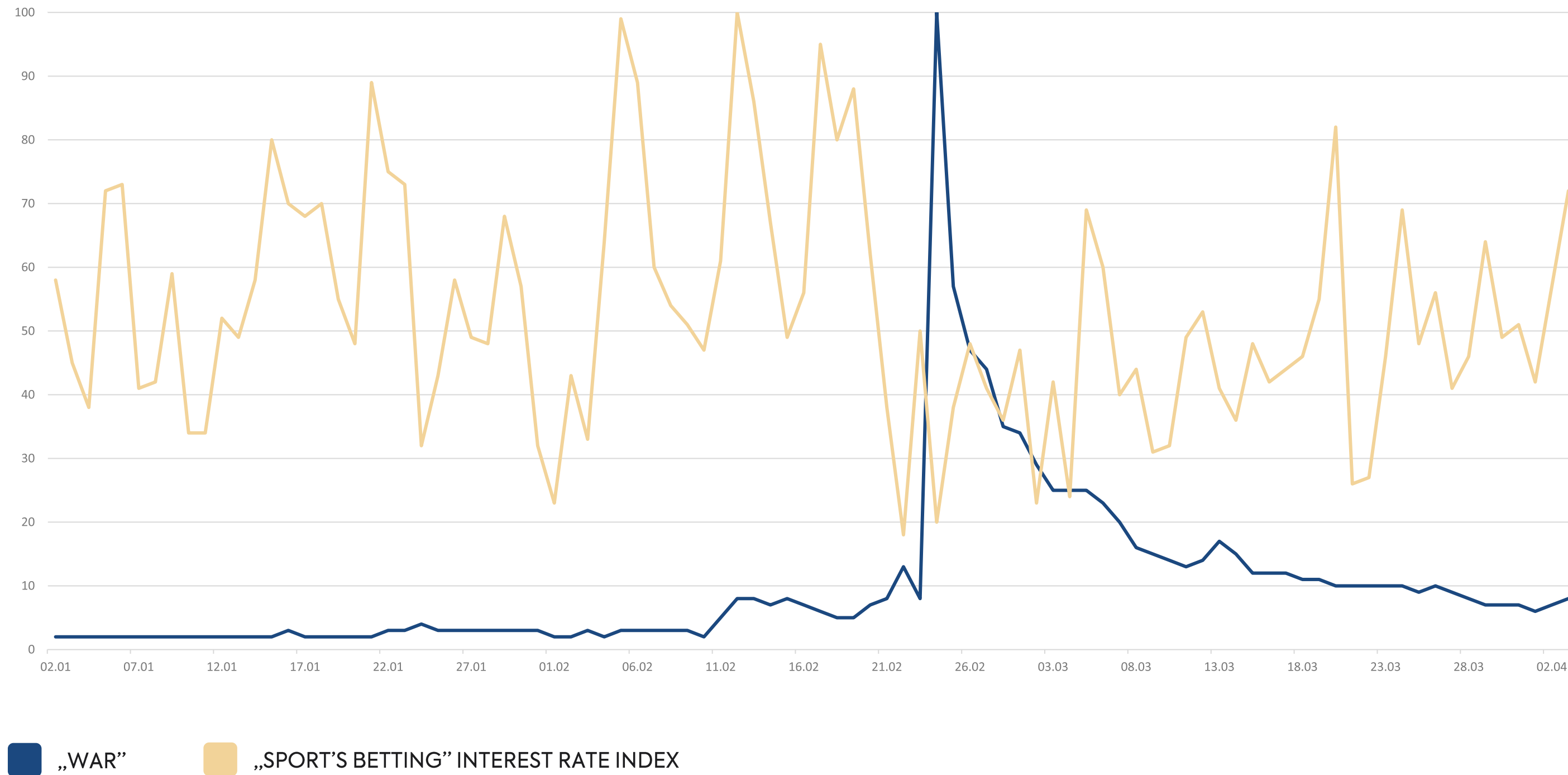
New Campaign

Horse  
racing

Under UK license



# „War effect” and sports betting

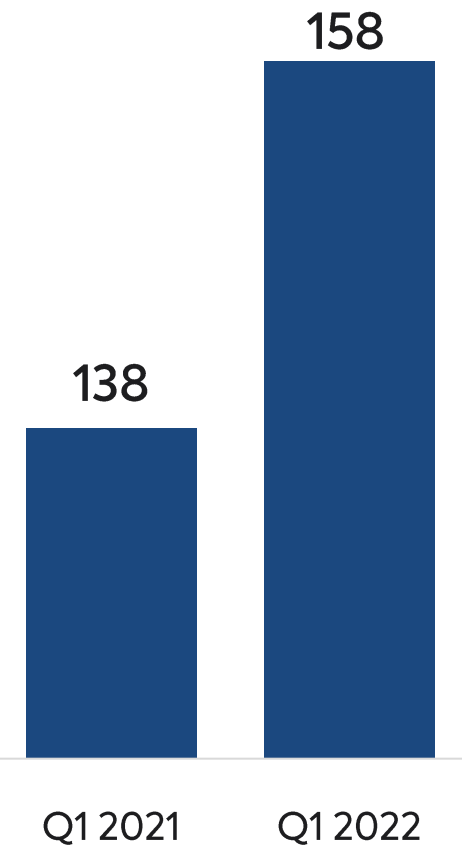


# Q1 2022 Summary

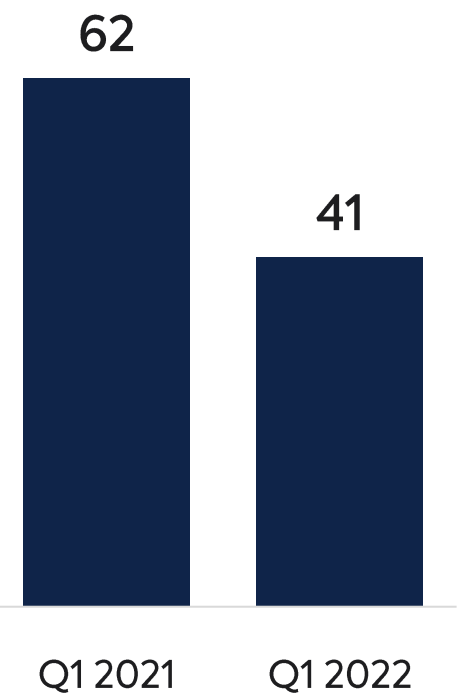
Stake amounts



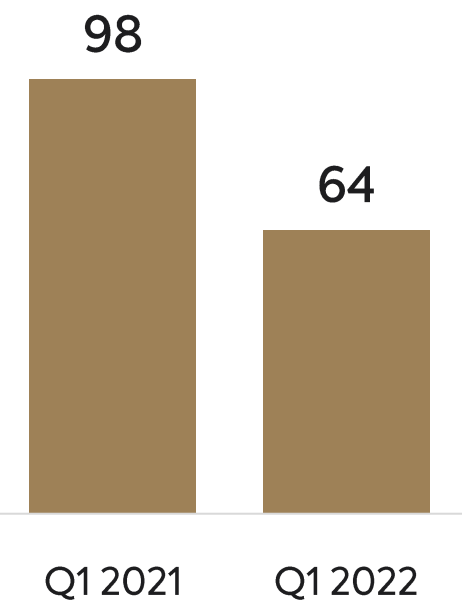
NGR



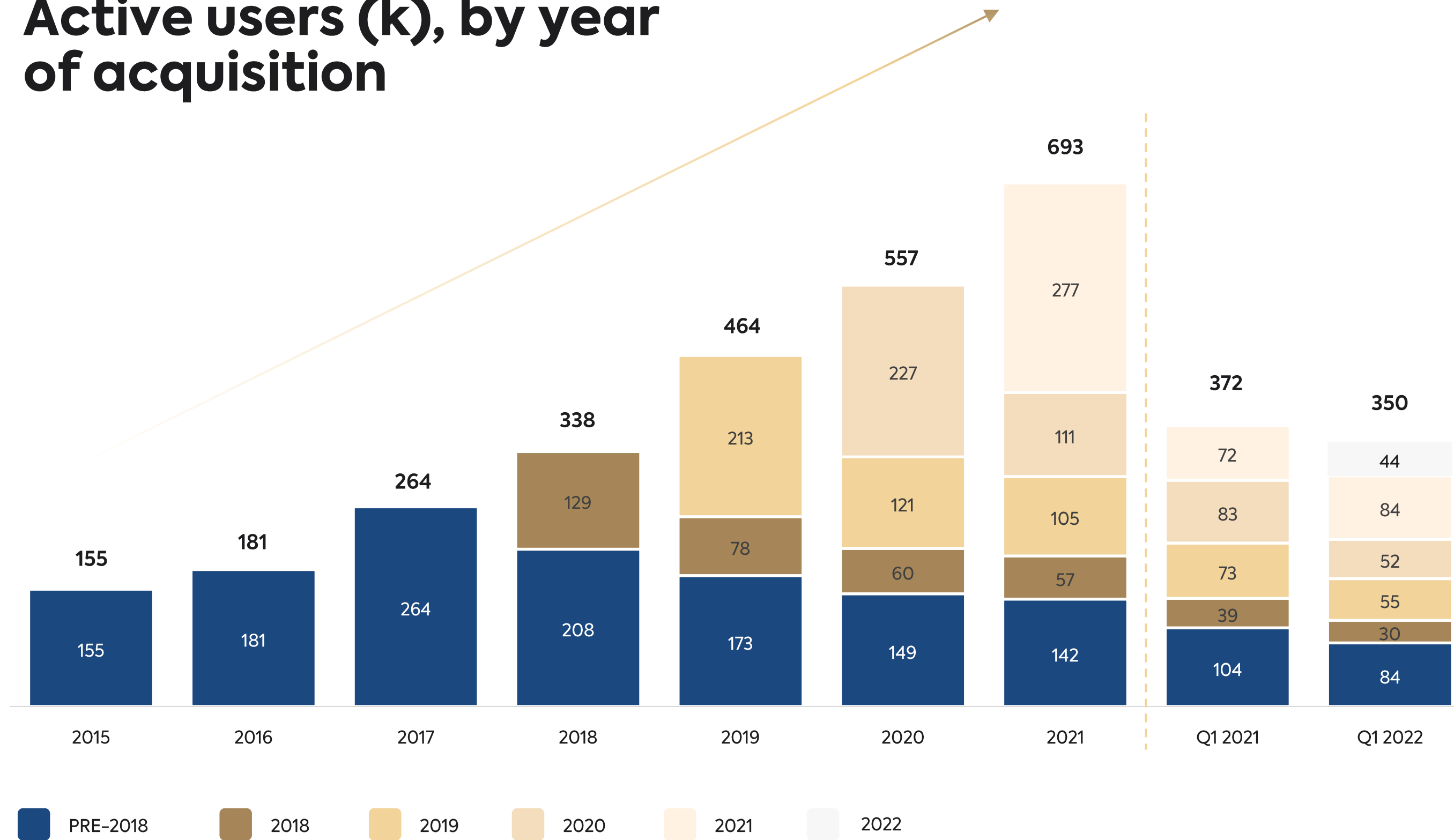
First-time deposit (k)



New registration (k)



# Active users (k), by year of acquisition



# Guidance for 2022

**15–20%**

NGR growth (YoY)

**>40%**

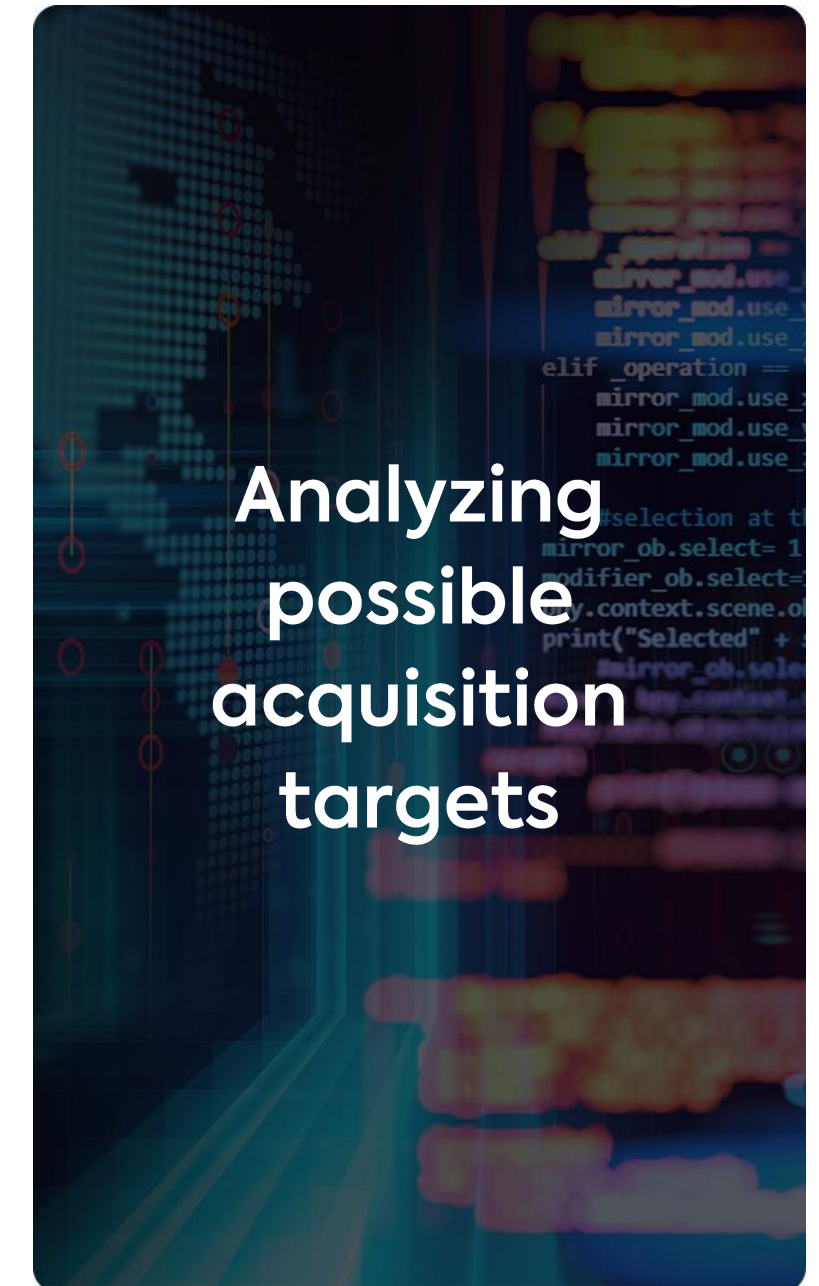
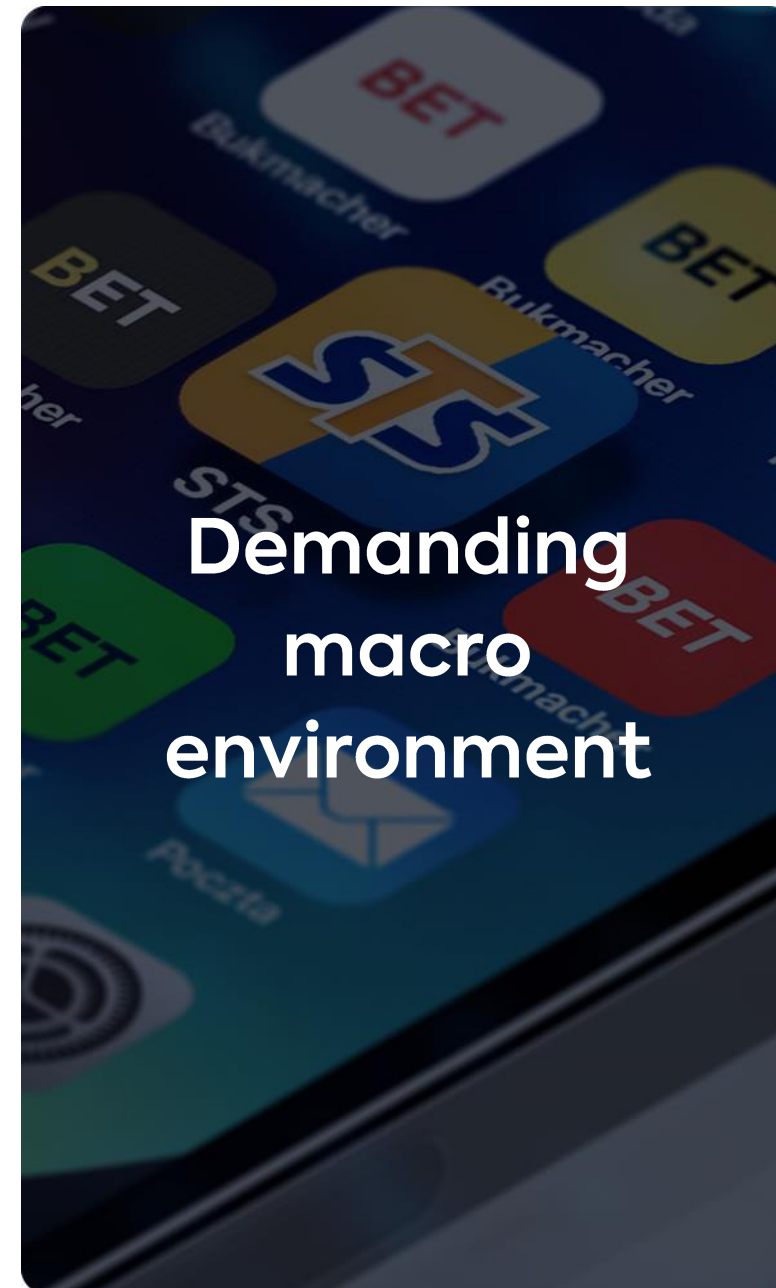
EBITDA margin

**2–4%**

CAPEX (% of NGR)

**Stronger growth of EBITDA than NGR**

# What does 2022 bring



**STS** HOLDING

**Q&A**



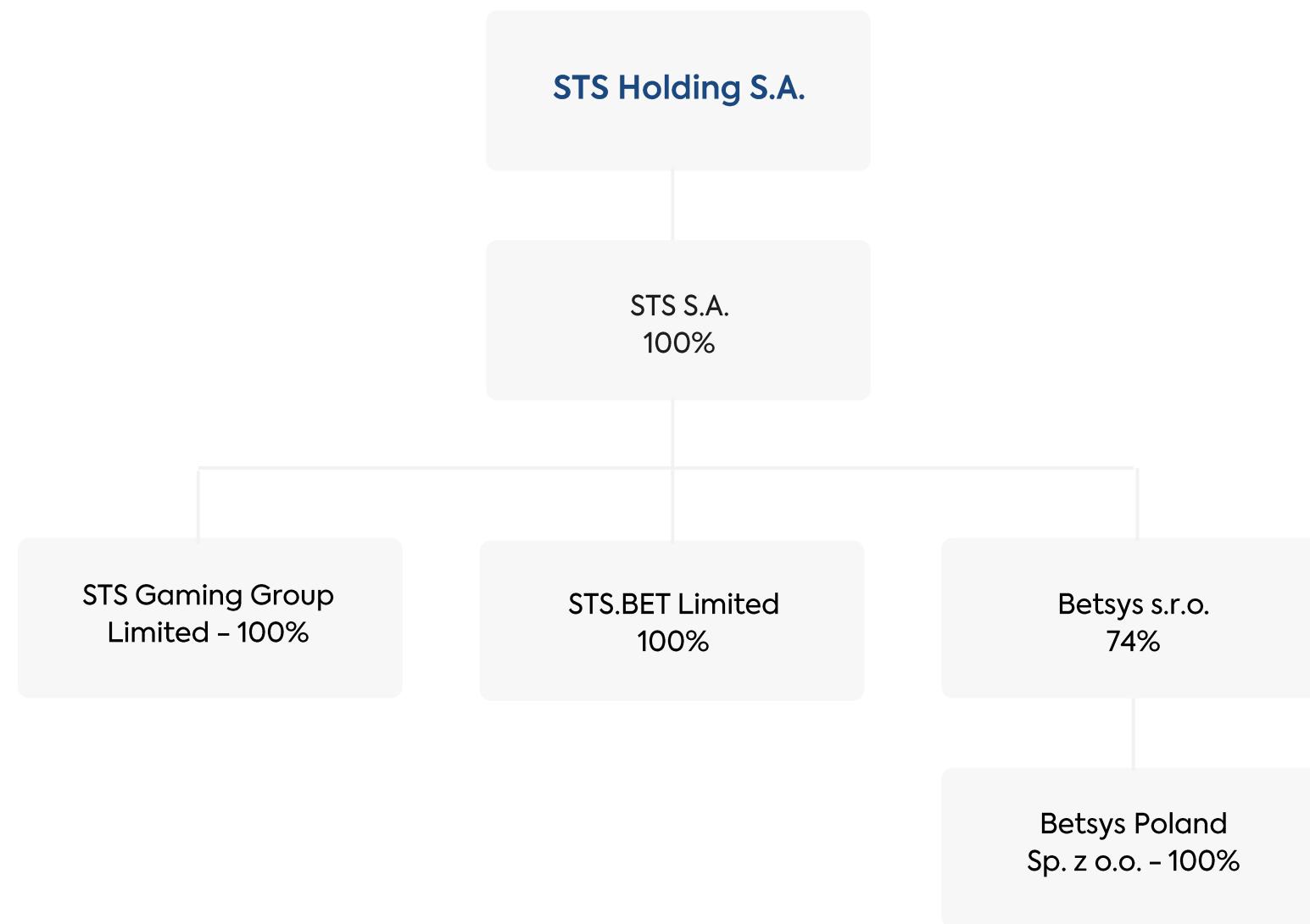


# Appendix – STS Group

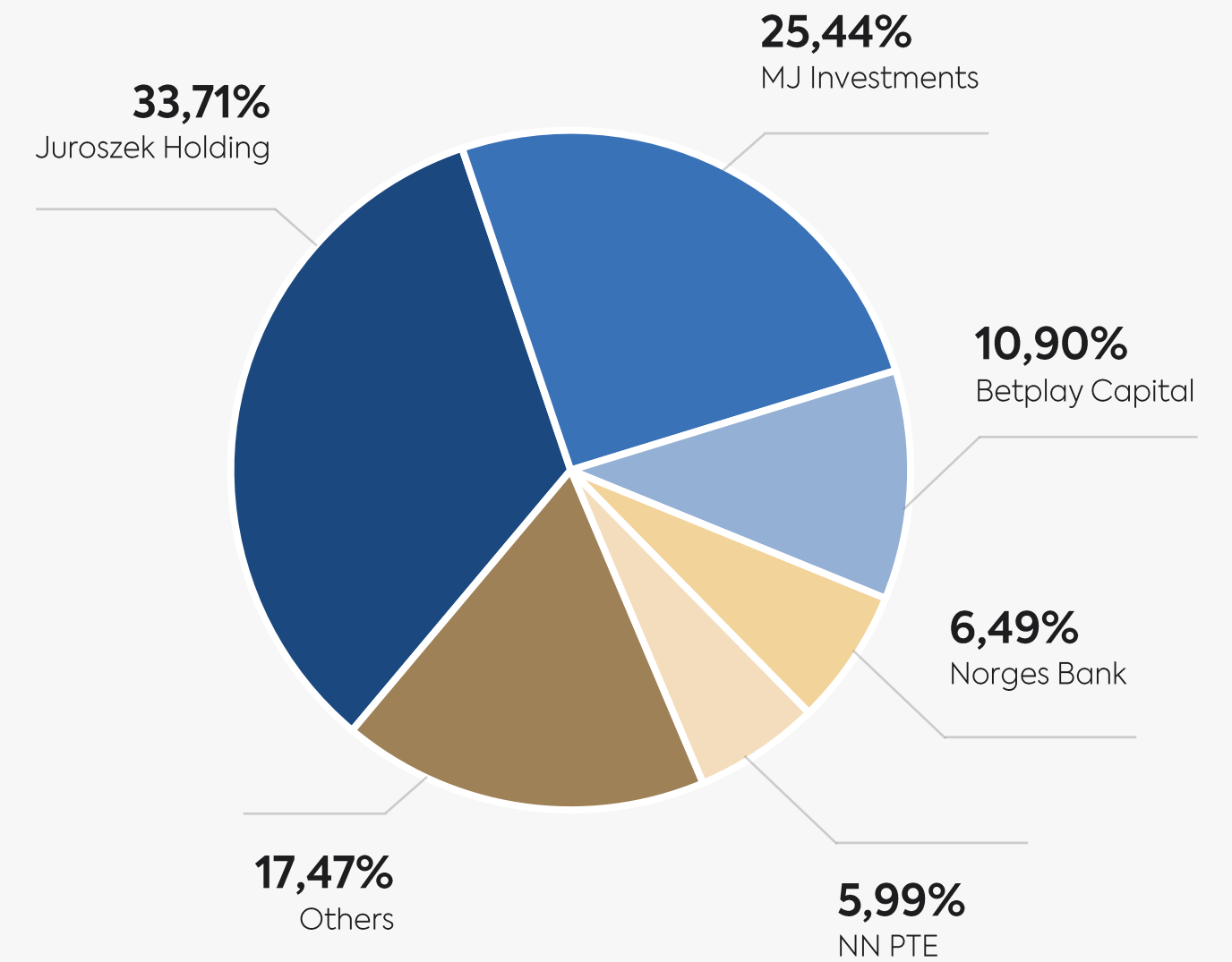



















## Structure of the Group



## Shareholding structure

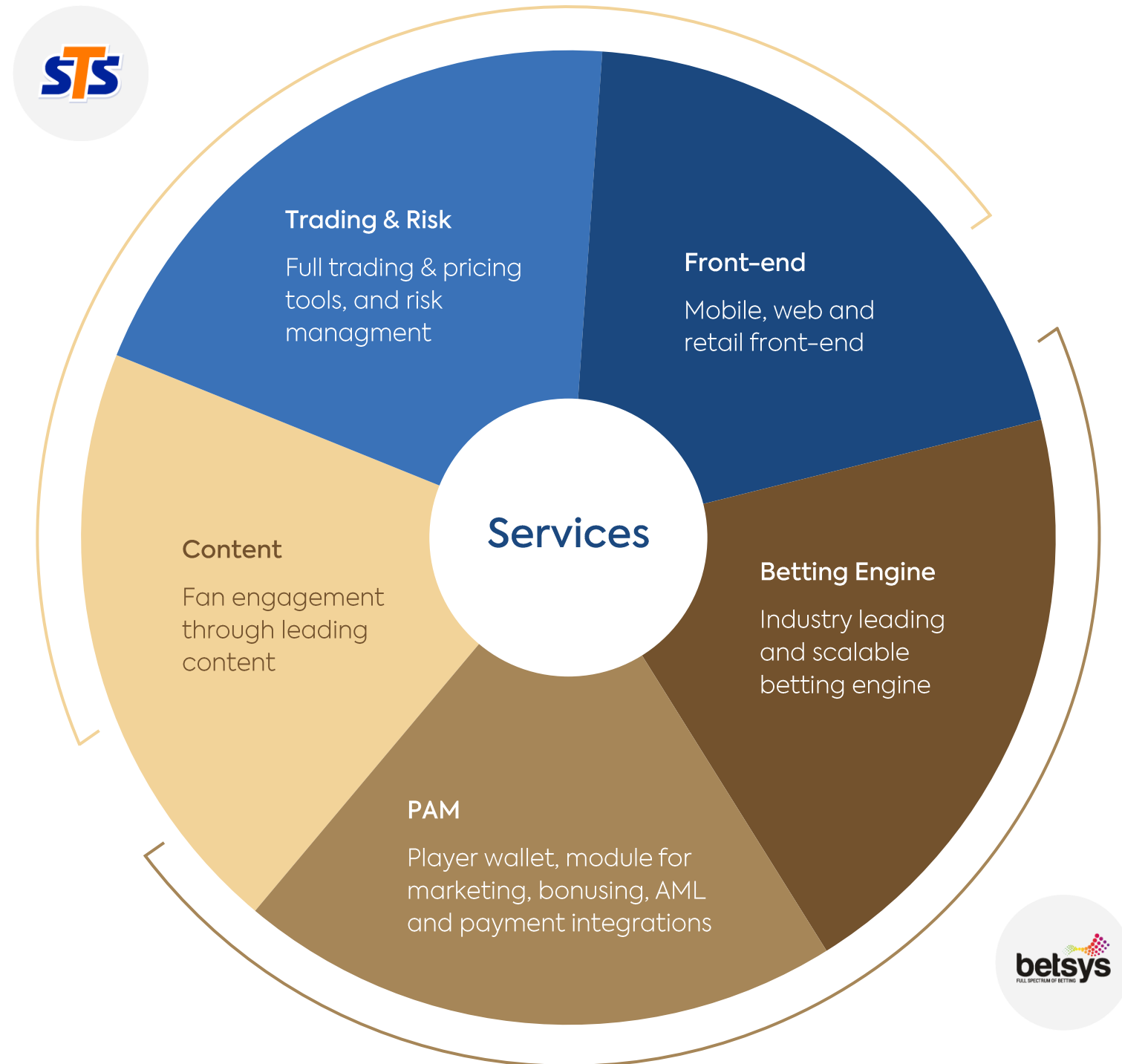


# Committed and high-tech focused management team with deep industry experience

 <p><b>Marcin Walczysko</b> Board Member Retail &amp; Operations</p> <p>15+</p> <p>Responsible for STS' retail strategy</p> <p>Previously at various roles at Fortuna Gaming</p> <p>Masters in Engineering from the Karol Adamiecki Academy of Economics in Katowice</p>	 <p><b>Mateusz Juroszek</b> CEO</p> <p>15+</p> <p>Joined STS in 2009</p> <p>Took over as CEO in 2012</p> <p>Led the digital transformation of STS</p> <p>Graduated with a degree in Management and Marketing from the Kozminski University in Warsaw</p>	 <p><b>Zdzisław Kostrubała</b> Board Member Legal &amp; Compliance</p> <p>20+</p> <p>Independent proxy at Betplay International and MJ Investments</p> <p>Gambling law expert participated in legislative work for Polish Gambling Act</p> <p>Masters in Engineering from the Silesian University of Technology in Gliwice</p>
 <p><b>Dawid Prysak</b> CFO</p> <p>9</p>	 <p><b>Łukasz Borkowski</b> Head of Corporate Communications</p> <p>9</p>	 <p><b>Michał Miler</b> Head of Product and Innovation</p> <p>11</p>
 <p><b>Filip Sosnowski</b> Managing Director of STSBet</p> <p>15+</p>	 <p><b>Wojciech Sznepka</b> CTO of STS</p> <p>8</p>	 <p><b>Jiří Najman</b> COO of Betsys</p> <p>20+</p>
 <p><b>Łukasz Świerk</b> Head of Operations</p> <p>9</p>	 <p><b>Alicja Kubica</b> Head of Controlling</p> <p>3</p>	 <p><b>Katarzyna Mikołajczyk</b> Head of Legal</p> <p>6</p>
 <p><b>Jowita Cichocka - Sochacka</b> Head of HR</p> <p>3</p>	 <p><b>Paweł Rabantek</b> CMO</p> <p>9</p>	 <p><b>Piotr Cerlak</b> Head of Sportsbook</p> <p>12</p>

YEARS IN THE INDUSTRY

# Full control over state-of-the-art vertically integrated technology



- In-house development of platform, web, native apps and retail solutions with an industry leading betting engine
- Acquisition of Betsys, Czech sports betting technology provider in 2020
- €18m invested in technology over last 4 years



**Creation of a modular tech architecture allowing for swift product upgrades and innovation**



**99.9%**  
Betsys uptime

**c.160**  
Tech staff<sup>1</sup>

**c.85**  
Developers

**c.55**  
Other tech FTEs

**c.20**  
BI/BA FTEs<sup>2</sup>

NOTES:  
1 - Includes STS' and Betsys' developers, product owners, Scrum Masters and employees of UX, BI, BA, DevOps and QA teams; 2 - Business intelligence / business analytics

Source: Company information as of 2020, unless explicitly stated otherwise

# Why STS is unique

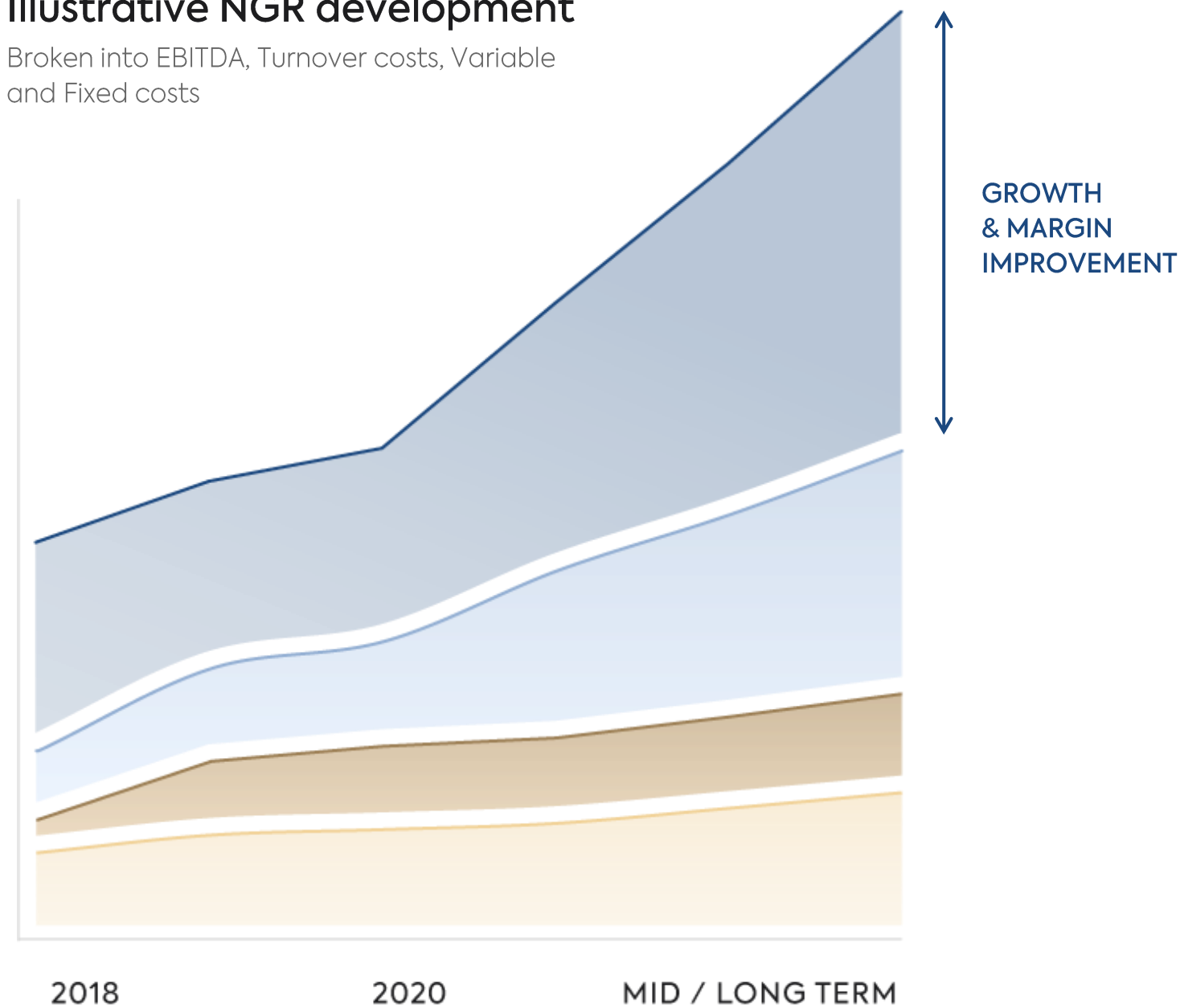
	TYPICAL EUROPEAN GAMING PEERS	TYPICAL US GAMING PEERS	HIGH QUALITY EUROPEAN & US GAMING PEERS	
High potential and growing market	✗	✗	?	✓ >40% market share in Poland
High future revenue growth (20%+)	✗	✓	✓	✓ Low-mid 20s% mid-term <sup>1</sup>
Profitability today	✓	✗	?	✓ Ranging 40-53% 2018-2020
100% regulated revenue	✗	✓	?	✓ 99% in Poland <sup>2</sup>
Stable regulatory environment	?	✓	✓	✓ Gaming tax unchanged since 2009, license regime for onshore operators
Significant macro tailwinds <small>(including GDP growth and growing mobile penetration)</small>	✗	✓	✓	✓ 16% online market CAGR 2020-2026 <sup>3</sup> . Potential liberalisation of online casino?
No leverage	?	✓	?	✓ Historical growth funded organically

NOTE:  
1 - Based on guidance; 2 - Based on NGR; 3 - Based on H2GC forecast for Poland GGR (reflects online onshore GGR growth)

# Significant margin improvement as NGR grows

## Illustrative NGR development

Broken into EBITDA, Turnover costs, Variable and Fixed costs



### EBITDA

Significant margin improvement as NGR grows and fixed and variable costs remain stable.

### TURNOVER COSTS

Costs that are directly linked to, or incurred as an effect of, turnover (stakes):

- Sports coverage fees
- Fees to payment providers
- Marketing (bonuses, media, acquisition)
- Betting services (revenue share)

### VARIABLE COSTS

Costs that grow with turnover but at a slower pace:

- Betting services (odds, streaming, statistics)
- Investments in technology
- Marketing (PR, sponsoring)
- Other variable

### FIXED COSTS

Costs that will remain stable as NGR grows, some increases driven by scaling staff numbers:

- Personnel costs
- Usage of materials and energy
- Property expenses (services)
- Costs of other retail services
- Other stable expenses



# Appendix – regulatory environment



# Polish gaming regulatory position supportive of white market operations and ESG-compatible

## Key regulations:

- / **Registry of domains** to identify non-compliant accounts
- / **Prohibition of payment services** to unlicensed sites
- / **Restricted advertising** – licensed operators only and non-public except for mass events and in case of sponsorships
- / **Mandatory blocking of access** to illegal websites

*“The results of the analyses concerning the betting taxation model and its effective or budget-neutral change to the GGR model were presented to industry representatives in response to inquiries in this area or at industry meetings. There is currently no legislative work on the gaming tax being conducted.”*

Ministry of Finance press office, November 2021

## Regulatory authority:



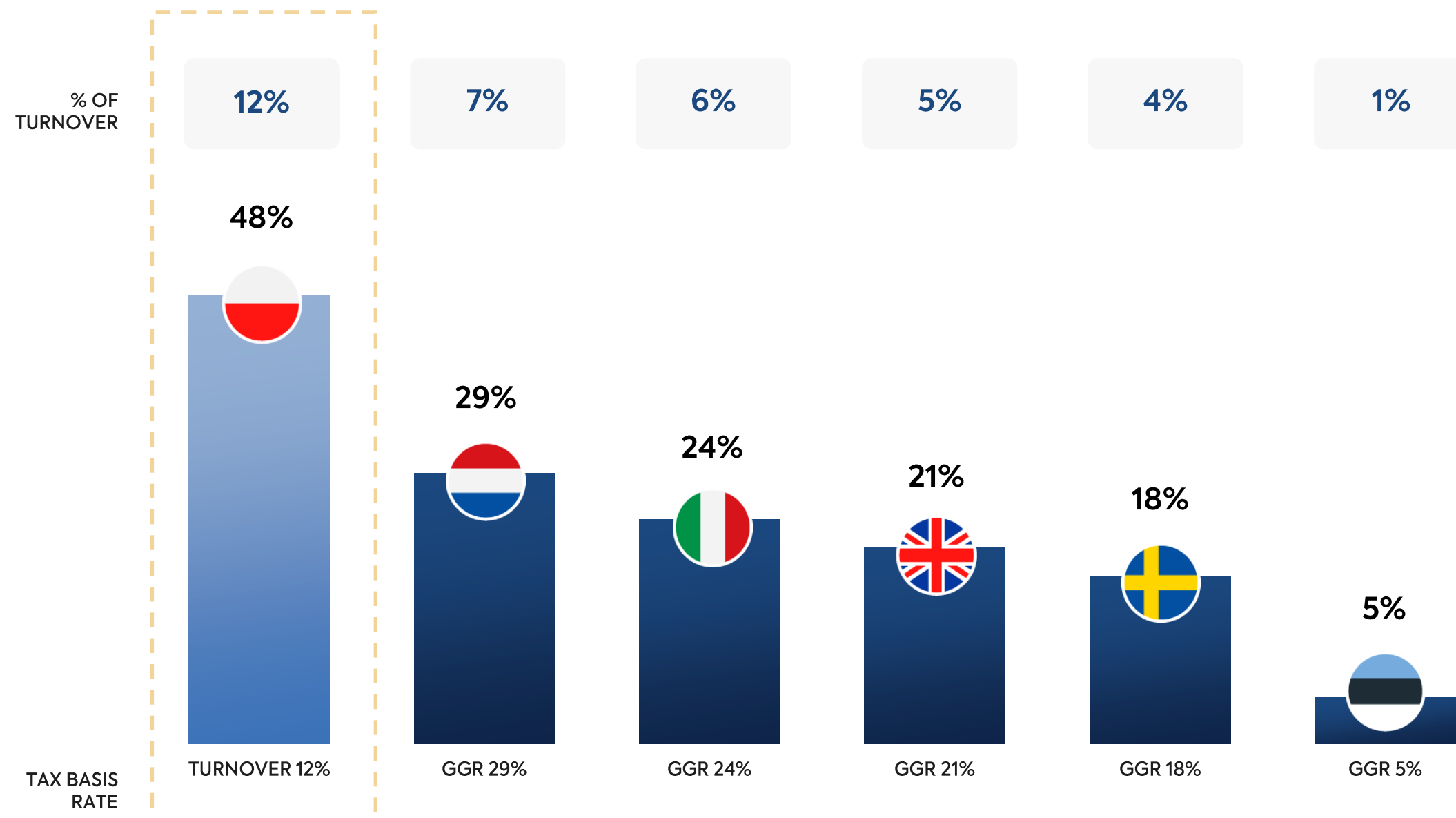
Ministry of Finance as the regulatory authority



National Revenue Administration (NRA) runs day to day supervision

## Polish gaming tax is among the highest in Europe, creating barriers to entry

STS Gaming tax as % of GGR (PLNm)<sup>1</sup>



- Stable tax rate since 2009.
- One of the highest gaming tax rates in Europe with limited risk for increases.
- In addition, fees are paid to the Polish Football Association (0.5% of turnover) to publish results of sporting events.
- Significant income generated to the state with incentive to privatize iGaming from current state monopoly.

NOTE:  
1 - Based on STS' turnover and GGR in 2020, with gaming tax payable by STS under various tax regimes shown on an illustrative basis



The logo features the letters 'STS' in a large, bold, white, italicized sans-serif font. To the right of 'STS', the word 'HOLDING' is written in a smaller, white, italicized sans-serif font. Two thin, light-colored lines extend vertically from the top and bottom of the 'STS' text, passing through the center of the 'S' and extending towards the top and bottom edges of the frame.

**STS** *HOLDING*