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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

13 June 2023

Entain plc

Entain CEE acquisition of STS, the #1 sports-betting operator in Poland Further expansion across Central and Eastern Europe

Entain plc (LSE: ENT), the global sports-betting, gaming and interactive entertainment group (“Entain” or the “Group”), today announces that Entain Holdings (CEE) Ltd. (“Entain CEE”), is launching a tender offer (the “Offer”) to acquire 100% of STS Holding S.A. (“STS”) for a total consideration of approximately £750m (the “Acquisition”).¹

STS is the leading sports-betting operator in Poland and is listed on the Warsaw Stock Exchange (WSE:STH). The Offer will be priced at PLN 24.80 per share, valuing the equity value of STS at approximately £750m, and the enterprise value at approximately £690m.²

Entain CEE is Entain’s venture in Central and Eastern Europe (“CEE”) together with its partner EMMA Capital (“EMMA”). Entain and EMMA will fund the Offer in proportion to their current shareholding in Entain CEE (75% / 25% respectively). Entain will fund its proportion of the consideration via an equity placing and a separate retail offer through the PrimaryBid platform, the details of which have been announced separately.

STS’s CEO Mateusz Juroszek and his father Zbigniew Juroszek, who through their respective family foundations (“Juroszek Foundations” or “Foundations”) collectively hold approximately 70% of STS’s share capital, have entered into a binding agreement to irrevocably accept the Offer. Following completion, the Juroszek Foundations will re-invest a proportion of their proceeds into Entain CEE in return for a 10% economic stake in Entain CEE.³

The net cash consideration of the Acquisition payable by Entain will be approximately £450m.

Compelling Strategic Rationale

- **An exciting opportunity to acquire an attractive asset in a high-growth regulated market within CEE:** CEE offers an exciting opportunity in new high-growth and regulated markets in line with the Group’s strategy, as outlined at the launch of Entain CEE with [the acquisition of SuperSport in August 2022](#). Poland is the CEE region’s largest economy, with the Polish gaming market having c.\$1.6bn of gross gaming revenue in 2022 and average gambling spend per adult increasing at a CAGR of 24% in the last three years. This market continues to grow considerably with a forecast near term CAGR of 12% (2022-2025).⁴

- **Acquiring the #1 sports-betting operator in Poland:** STS is the market leader in Poland, and has a highly successful and proven omnichannel offering led by a substantial online business (82% of NGR), with strong active user growth. In the three years to the end of 2022, its active users grew at a 19% CAGR to reach 783k active users at the end of 2022. STS also has a significant and complementary retail footprint of c.400 stores, making it the largest retail operator in the Polish market. STS has a robust and high-growth financial profile, generating FY22 NGR of PLN 663m (£121m, +17% YoY) and Adjusted EBITDA of PLN 273m (£50m).⁵
- **Adding another leading business to Entain CEE, which is expected to provide attractive synergies from our CEE platform:** Through the transaction, £10m+ run-rate synergies are expected to be generated, including through the proposed combination of two outstanding operational and technology platforms in the CEE region.
- **Acquisition expected to be earnings accretive in the first full year of ownership:** STS has consistently delivered strong top line financial performance (+24% NGR CAGR since 2020) and adjusted EBITDA growth (+34% CAGR). Combined with the expected £10m+ run-rate synergies, it is estimated that the Acquisition will be earnings accretive in its first full year of ownership.⁶
- **Mateusz Juroszek will remain as CEO of STS and join the board of Entain CEE:** Mateusz has been CEO of STS since 2012 and has been critical in driving STS's growth over the last decade. Given Mateusz's extensive knowledge of the business and the Polish gaming market, Entain is delighted that he will continue as STS CEO and that he will also join the board of Entain CEE, helping to drive further regional growth and deliver on Entain CEE's strategy.
- **Incremental potential upside if Polish online casino market fully liberalises:** The online casino market is currently not fully liberalised in Poland. As a licensed and regulated operator, STS would likely be well-positioned to benefit from the opportunity to enter the online casino market should this market fully liberalise in the future.

Consideration and Offer Highlights

- Entain CEE is launching the Offer to acquire 100% of STS, at a purchase price of PLN 24.80 per share
 - This Offer represents a 35% premium to 6-month volume weighted average price of PLN 18.33 as at 12 June 2023⁷⁸
 - This Offer represents a 28% premium to the 3-month volume weighted average price of PLN 19.38 as at 12 June 2023⁷⁸
 - This Offer represents a 20% premium to the spot price of PLN 20.75 as at 12 June 2023⁷
- Based on analyst consensus for the year to 31 December 2024, STS is expected to generate EBITDA of PLN 333m, implying an enterprise multiple of 11x⁹
 - After the synergies that being part of Entain CEE can bring, we expect this multiple to reduce to below 10x
- Radim Haluza, CEO of Entain CEE, will continue to drive and oversee the continued success of both STS and SuperSport
- Following the Juroszek Foundation's investment in Entain CEE, Entain CEE's economic rights will be approximately 67.5% owned by Entain plc, 22.5% owned by EMMA Capital, and 10% owned by the Juroszek Foundations

- Up to half of the 10% stake owned by the Juroszek Foundations is subject to clawback by Entain CEE should STS not achieve certain financial hurdles in 2023
- There are options over the shares held by the Foundations and EMMA, giving Entain a path to 100% ownership, exercisable by Entain 4 years from closing and exercisable by the other shareholders from November 2025
- The tender offer document is expected to be published in mid-July, with the acceptance period expected to commence shortly afterwards
 - The acceptance threshold of the Offer is set at 50%
 - The Juroszek Foundations have made irrevocable undertakings to tender their c.70% shareholding into the Offer, and therefore this threshold will be met
 - The Acquisition is also conditional upon antitrust approval, and is expected to complete in Q3 2023
- The Offer price of PLN 24.80 per share is made on the basis that no dividends are to be paid or declared by STS to its shareholders, including the recently proposed dividend of PLN 0.55 per share for the financial year 2022 and any advance on dividends for financial year 2023 (which accordingly shall not be paid in addition to the Offer price)

Financing

- Entain's cash component of the consideration will be funded through a non-pre-emptive equity placing of new ordinary shares conducted through an accelerated bookbuild launched today, and via a separate offer to retail investors via the PrimaryBid platform.
- This is expected to raise gross proceeds of approximately £600m (representing c.7.9% of Entain's issued share capital) to primarily finance the Acquisition (£450m), as well as to fund further near term acquisitions. The terms of the placing and retail offer were announced separately today.
- As a result of the Acquisition, equity placing, and retail offer, Entain's FY23 Net Debt / EBITDA will be reduced by approximately 0.3x.

Morgan Stanley is acting as lead financial adviser to Entain as part of the transaction with BofA Securities acting as financial adviser and Santander Corporate and Investment Banking acting as financial adviser and sole provider of the financing guarantee. Clifford Chance LLP and Freshfields Bruckhaus Deringer LLP are acting as legal advisers and Ernst & Young LLP providing tax and structuring advice.

Oakvale Capital LLP and White & Case LLP are acting as sole financial and legal advisers to STS and the Juroszek Foundations as part of the transaction.

Jette Nygaard-Anderson, Entain's CEO, commented:

“We are delighted to be acquiring the leading sports-betting operator in Poland, which is a hugely exciting and fast-growing market. STS is an exceptional business with a great brand, a compelling omnichannel offering, and an outstanding CEO and management team. The transaction is perfectly aligned with our Entain CEE strategy and our wider M&A strategy of acquiring high quality businesses with leading positions in attractive, growing and regulated markets.

Expansion across Central and Eastern Europe remains a core component of our growth plans, and STS will be an integral part of our platform in that region.”

Mateusz Juroszek, STS's CEO, commented:

“I am very excited to be joining the board of Entain CEE, and see significant growth opportunities in the Polish market for STS under Entain's ownership. Entain is a world class operator and has already made a significant investment in this region through SuperSport in Croatia. We could not have found a better partner to help us take STS into the next phase of its growth, and it is clear that Entain shares our ambition and vision for its future. I look forward to continuing to lead and grow STS, and to working in close collaboration with the Entain CEE team.”

The Acquisition constitutes a Class 2 transaction for the purposes of the UK Listing Rules. For the purposes of LR 10.4.1 R (Notification of Class 2 transactions), the gross assets and profits of STS were £85m and £42m, based on the Q1 2023 balance sheet (as of 31 March 2023) and the full year 2022 audited accounts respectively.

Notes

- (1) Based on a PLNGBP exchange rate of 5.21, which is the assumed exchange rate where relevant throughout this announcement. Historical financials translated at appropriate historical FX rates for that period or date.
- (2) Enterprise value includes an adjustment for net cash position on balance sheet. £10m+ of synergies are expected from the transaction.
- (3) The Juroszek Foundations will reinvest a proportion of the sale proceeds for a 10% economic stake, assuming 100% acceptance of the Offer. Depending on the level of acceptances to the tender offer, the Foundations' economic interest in Entain CEE may be initially higher (up to 11.5%) with a corresponding pro rata impact on the Entain and EMMA holdings. However, this will be diluted back to 10% in due course (and by mid-January 2025 in any event). This reinvestment will be made by reference to the valuation of Entain CEE that is in-line with the previously communicated value of Entain CEE at the time of the SuperSport transaction.
- (4) Market data per H2GC. Total Addressable Market (TAM) is based on gross win across land based and interactive, excluding lotteries.
- (5) NGR presented as per STS accounting. FY22 financials translated at average FY22 PLNGBP rate.
- (6) Excluding the use and raise of the £150m additional proceeds.
- (7) As per Bloomberg.
- (8) Arithmetic average of the average daily prices weighted by the volume of trade in the stated period preceding the tender offer notification in Poland on 13 June
- (9) Consensus as per Refinitiv Eikon.

Presentation

A presentation for analysts and investors will be held today, 13 June, at 5:15PM. Participants may join via webcast or by conference dial in:

Webcast link: https://kvgo.com/IJLO/ENTAIN_Private_and_Confidential

To participate in the Q&A, please also connect via the conference call dial in details:

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Access Code: Quote Entain when prompted by operator

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About Entain plc

Entain plc (LSE: ENT) is a FTSE100 company and is one of the world's largest sports betting and gaming groups, operating both online and in the retail sector. The Group owns a comprehensive

portfolio of established brands; Sports brands include BetCity, bwin, Coral, Crystalbet, Eurobet, Ladbrokes, Neds, Sportingbet, Sports Interaction and SuperSport; Gaming brands include Foxy Bingo, Gala, GiocoDigitale, Ninja Casino, Optibet, Partypoker and PartyCasino. The Group owns proprietary technology across all its core product verticals and in addition to its B2C operations provides services to a number of third-party customers on a B2B basis.

The Group has a 50/50 joint venture, BetMGM, a leader in sports betting and iGaming in the US. Entain provides the technology and capabilities which power BetMGM as well as exclusive games and products, specially developed at its in-house gaming studios. The Group is tax resident in the UK and is the only global operator to exclusively operate in domestically regulated or regulating markets operating in over 40 territories.

Entain is a leader in ESG, a member of FTSE4Good, the DJSI and is AA rated by MSCI. The Group has set a science-based target, committing to be carbon net zero by 2035 and through the Entain Foundation supports a variety of initiatives, focusing on safer gambling, grassroots sport, diversity in technology and community projects. For more information see the Group's website: www.entaingroup.com

About STS

STS is the leading omnichannel player in the high-growth and regulated Polish market. The company has a diverse product portfolio with a focus on high-growth categories including: sportsbetting, betgames, virtual sports and e-sport (STS was the first bookmaker in Poland to introduce this). As at the end of 2022, STS has c.2m registered players and 783k active users. STS has a robust financial growth profile achieving +24% net gaming revenue CAGR and +34% adjusted EBITDA CAGR since 2020. STS is led by CEO Mateusz Juroszek who has significant experience in the Polish gaming and broader CEE market.

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The person responsible for arranging for the release of this announcement on behalf of Entain is Simon Zinger (General Counsel).

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