



SNAI Group

BNP Paribas
HY & LF Conference 2017

19 January 2017

This presentation includes certain forward looking statements, projections, objectives and estimates reflecting the current views of the management of the Company with respect to future events. Forward looking statements, projections, objectives, estimates and forecasts are generally identifiable by the use of the words "may", "will", "should", "plan", "expect", "anticipate", "estimate", "believe", "intend", "project", "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts, including, without limitation those regarding the Company's future financial position and results of operations, strategy, plans, objectives, goals and targets and future developments in the markets where the Company participates or is seeking to participate.

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Fabio Schiavolin
CEO



Chiaffredo Rinaudo
CFO



Group overview and business positioning



SNAI S.p.A., a public company leading the Italian regulated Gaming market

Core business

- ❖ **Betting:** sports, horseraces and virtual games bets on retail and online channels (1,600 betting Point of Sales) - 26% of CM
- ❖ **Gaming Machines:** network management (10,000+ VLTs^(a) in more than 1,300 Arcades; 60,000+ AWP^(b) in more than 15,000 PoS) 46% of CM
- ❖ **Online Gaming:** betting, bingo, casino, poker and skill games offering via website and mobile apps (500,000+ accounts with 80,000+ frequent players) - 12% of CM

Ancillary business

- ❖ Payment Services proprietary platform (utility bill payment, mobile top-up, phone/gift cards) - 16% of CM
- ❖ 3 major race tracks in Italy (2 in Milan and 1 in Tuscany)
- ❖ Sat TV and Radio channel for Horse Racing and Virtual Games
- ❖ Large landowner: 1.65+ mln sqm (including 3% of Milan municipality)

Shareholders

- ❖ 55.6% Global Games (Investindustrial & Palladio)
- ❖ 15.0% OI-Games 2 (Orlando Fund)
- ❖ 29.4% free-float

Financials

- ❖ € 10.1 billion wagers in 2015
- ❖ € 1 billion revenues in 2015
- ❖ € 137 million Adj. EBITDA (PF LTM Sept 2016)

Organization & Tech

- ❖ 1,200 employees
- ❖ 3 office locations: Milan, Roma and Porcari (Lucca)
- ❖ Proprietary IT technology based on 2 managed datacenters (Roma and Porcari)

(a) VLT: Video Lottery Terminal or "VLT" refers to an electronic Video Lottery game device to be installed in betting/gaming halls, maximum price € 500.000 (jackpot)

(b) AWP: Amusement with prize, refers to an electronic slot machine game device to be installed in Bars, Tobacconists or in betting/gaming halls, maximum price € 100 (no jackpot)

- ❖ Over the last 12 months, following the merger with Cogemat, SNAI has undergone a significant development and business strengthening in terms of size, product portfolio offering and retail presence:
 - ✓ Successfully integrated Cogemat group delivering **€20m run rate cost synergies**
 - ✓ **Consolidated #1 position in Retail Betting and became #2 largest gaming machines operator** in Italy
 - ✓ Developed and successfully launched a new online betting platform
 - ✓ Fully refinanced its capital structure issuing 570 mln € of secured notes and new larger €85m RCF. **New notes issuance reduced interest costs by 17 mln € / year**

- ❖ Thanks to 2016 achievements and business developments, SNAI may lean on solid pillars for its future growth:



Growth and Financials

- ✓ Positive current trading performance as of 3Q 2016
- ✓ Wagers up 5%
- ✓ Online betting wagers +50% yoy
- ✓ LTM Adj. EBITDA up to €137m
- ✓ Net Debt Adj. Leverage reduced under 3.3x

Regulation

- ✓ 2016 Stability Law introduced a long-term structured approach to gaming taxation with favourable impact on SNAI
- ✓ 2017 Stability Law confirmed new approach
- ✓ Next betting tender presenting low risk of renewals for existing rights

Technology

- ✓ Ownership of technology in core business (online and retail Betting)
- ✓ IT technology based in 2 proprietary datacenters
- ✓ Strategic partnerships with leading providers (Playtech, Inspired, Novomatic, etc.)

Management

- ✓ Balanced mix between SNAI and Cogemat cultures
- ✓ Distinctive industry know-how
- ✓ Online specific know-how
- ✓ Successful M&A track record both in Cogemat and in Ladbrokes Italia integrations

- ❖ With € 10,6 Bln wagers, **SNAI holds 14% market share of its addressable market**
- ❖ SNAI ranks **#1** in Retail Betting (with more the 40% market share in Horse Betting and Virtual Event segments), **#4** in Online Betting and Gaming and **#2** in the Gaming Machine Segment
- ❖ SNAI brand value is a key driver to expand the presence in the online space

SNAI can boast a leading market position in the core business lines of its addressable market and a distinctive brand

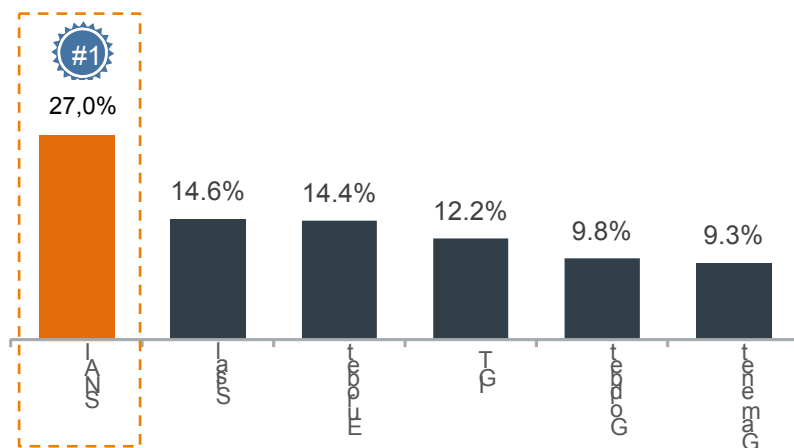
2 out of 3 Italian aged 18 to 65 years know the Snai brand as “The Betting Specialise” and “Italian, Safe, Reliable” (Astra Research)



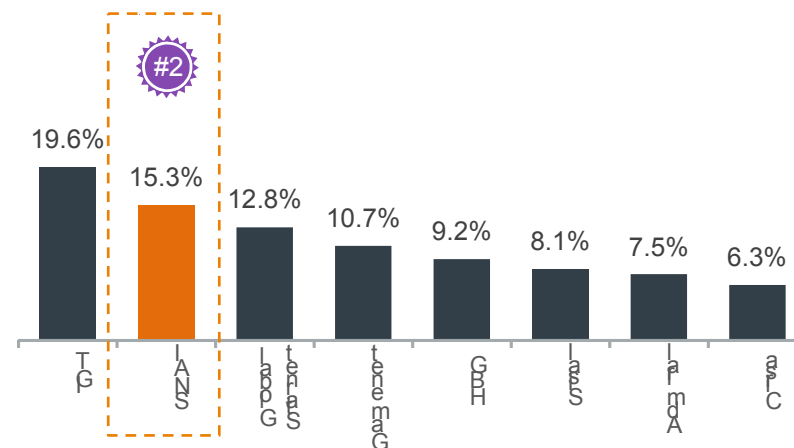
- ✓ Over 100 years of history
- ✓ Significant barrier to entry

SNAI has a leading position in Retail betting and Gaming machines business lines which represent ~90% of SNAI addressable market

Retail Betting business

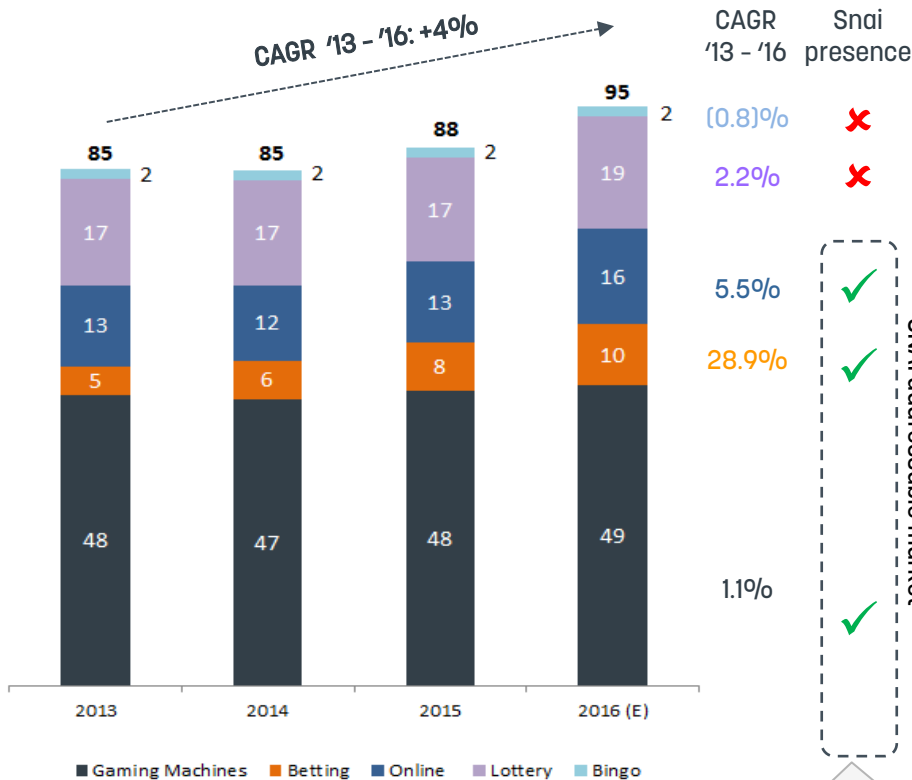


Gaming machines business



Italian Market growing stably as the largest and most developed gaming market in Europe

Italian Gaming Market - Wagers (€ bln)



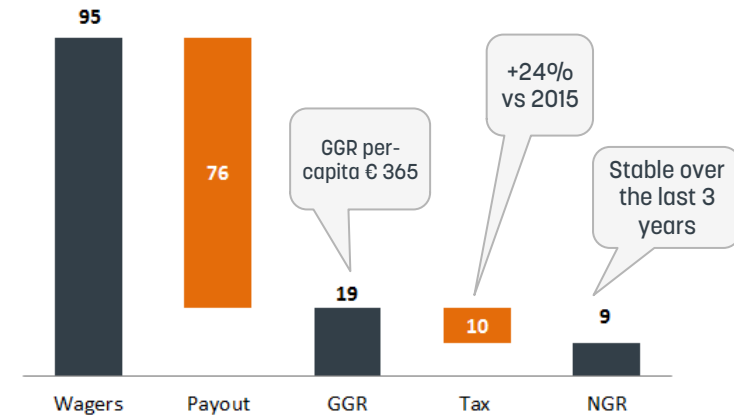
CAGR '13 - '16	Snai presence
0.8%	✗
2.2%	✗
5.5%	✓
28.9%	✓
1.1%	✓

SNAI addressable market

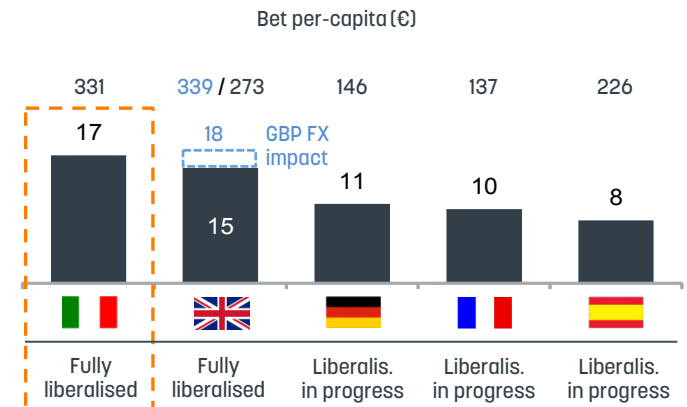
Source: ADM, Company information based on ADM

SNAI is present in the fastest growing segments of the market

Italian Gaming Market value chain (2016, € bln)



European Gaming Market - GGR (2015, € bln)

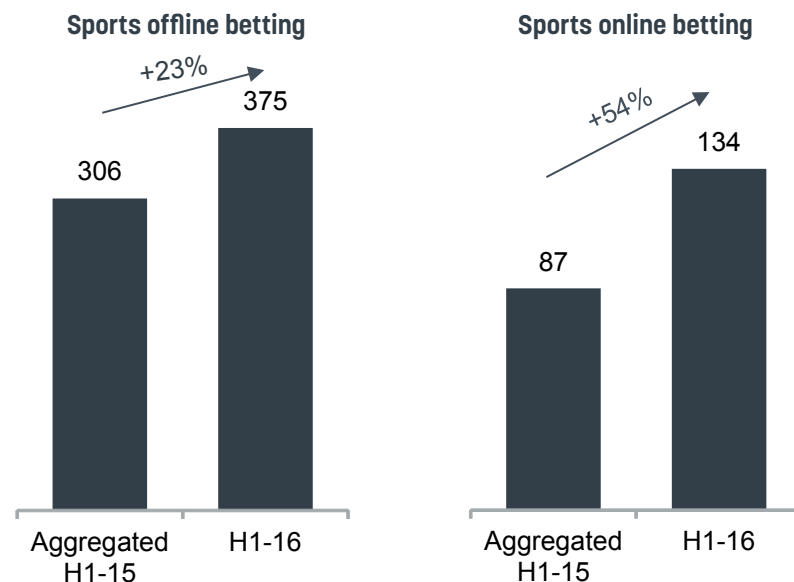


SNAI has one of the largest gaming distribution networks in Italy, which also contributes to growth in online

	Jun-16		Sports	Horse	Virtual	AWP	VLT
	SNAI standalone	SNAI Group					
Betting shops	583	698	✓	✓	✓	✓	✓
		+112 (Cogemat)					
Betting corners	831	900	✓	✓	✓	✓	
		+66 (Cogemat)					
AWPs PoS	~7k	15k				✓	
		+8,689 (Cogemat)					
VLTs PoS	~800	1.3k				✓	✓
		+516 (Cogemat)					

- ❖ SNAI distribution network is a strong commercial barrier to entry
- ❖ Long-lasting relationships and low churn rate of PoS

Betting Wagers (€ mln)



- ❖ Double digit growth both in offline and online confirms growth sustainability in long term (no cannibalisation)
- ❖ Retail cross-selling strategy: activation and use of online accounts also through retail channel



- ❖ Significant cross-selling
- ❖ Lower customer acquisition costs of offline players moving online
- ❖ More customer loyalty



- ❖ **Key drivers of tech innovation:** Automation, Modernity, Communication, Usability
- ❖ **Purposes of the innovation investments**
 - ✓ **Sustainability:** proven increase of shops' performances, better cost/benefits ratio, higher perceived value/trust by the customers
 - ✓ **New customer trend:** from the "old school" PoS to new interactive self customizable platform accessible with different devices and ready for omnia channel use
 - ✓ **Loyalty:** most valuable asset of PoS engaged with SNAI
- ❖ **€ 12 mln new investments over the next 2 years**
 - ✓ **SSBT focus:** higher revenues, increased betting on Virtual Games, lower shop operational costs (less operators in non-peak hours)
 - ✓ **New software solutions:** web-based software (smartphone and tablet accessible), user-friendly interface, virtual environments (lower deployment/maintenance costs)
 - ✓ **Smart purchase:** scouting and selection of the best devices solutions in the market to fit the sustainability scope (self-service terminals, cashiers, mobile and display/media devices (portability))



SSBTs - Self service betting terminals

Automation
Self service
solutions

Modernity
light and
customer
oriented
devices



Communication:
content delivery
display systems,
Smart TVs

Usability
friendly devices
and user interfaces

The new concept at a glance

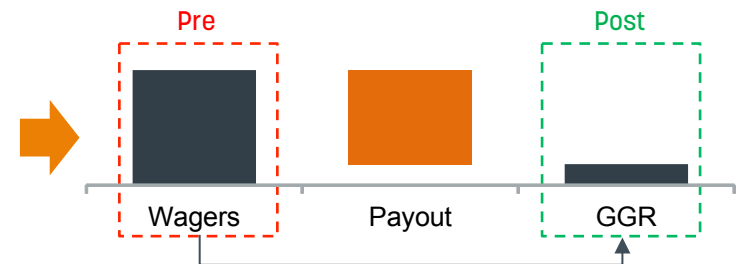
2016 Stability Law created a revised structured approach for gaming taxation

Gaming Machines:

- ✓ Repeal of 2015 Budget Law (€500m tax on gaming machines sector)
- ✓ Reduction of minimum payout for AWP3 from 74% to 70%, partially compensating increase in PREU (+4,5% AWP3, +0,5% VLTs)
- ✓ Progressive introduction on next generation AWP3 and 30% reduction of the total number of machines (which will contribute to increase the profitability of the market) over the next 3 years

Betting:

- ✓ Betting taxation moved from wagers (4%) to GGR (18% for retail channel and 22% for online)
- ✓ Potential higher payout compensated by lower tax: **SNAI net benefit of €2.5m in H1-16**



2017 Stability Law confirmed new regulation framework introduced in 2016

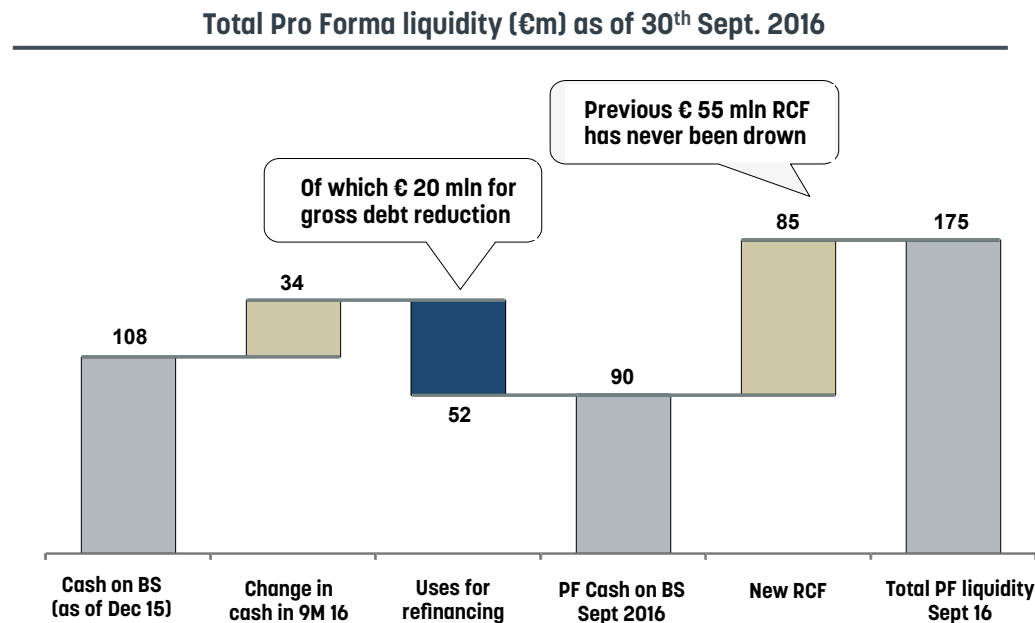
- ❖ 2016 new taxation scheme fully confirmed: **stable framework** for concessionaires to operate
- ❖ **Betting tender expected in 2017**
- ❖ Central and local governments discussion on new Gaming regulation. First draft indications:
 - ✓ proposed agreement on national opening hours (>10 hours per day)
 - ✓ AWP3 30% proposed progressive reduction in 2017 (as per 2016 Budget Law provision)

Limited renewal risk for betting rights and no other significant SNAI concession expiring until 2022

Segment	Key products	Expiring date	Concession scheme	SNAI licenses/rights	SNAI presence
Slot machines	<ul style="list-style-type: none"> AWP 	Mar-22	Multi-providing	~60,000	✓
Video Lotteries	<ul style="list-style-type: none"> Platforms/games 	Mar-22	Multi-providing	~10,300	✓
Betting	<ul style="list-style-type: none"> Sport betting Horse betting Virtual race 	Jun-16	Multi-providing	~1,600	✓
<p>Higher # of licenses being offered (~15k) vs currently (~9k) Expected postponed timing: H1-17 Estimated SNAI capex: ~€60m</p>					
Online games	<ul style="list-style-type: none"> Betting Poker and skill games Casino/Slots/Quick games Lotteries and bingo 	Sep-20	Multi-providing	Single concession to operate different games	✓
<p>Estimated SNAI capex: ~€300-500k</p>					
Lotteries	<ul style="list-style-type: none"> Lotto NTNG ("Superenalotto") S&W ("Gratta e Vinci") 	Jun-25 Jun-18 Jun-19	Exclusive concessions	-	x
<p>SNAI not exposed to renewal risk of exclusive concessions</p>					
Bingo	<ul style="list-style-type: none"> Bingo 	2016	Multi-providing	-	x

- ❖ Betting tender expected in 2017
- ❖ **Number of rights (10,000 shops + 5,000 corners) higher than existing PoS in Italy, including grey market (“CTD”) - low renewal risk**
- ❖ The concessionaire is not required to bid a single price for all licenses but could diversify its bid reducing the risk of losing a significant number of licenses; in addition the concessionaire has the opportunity to move its licenses throughout Italy
- ❖ **Ongoing SNAI renewal of the agreements with PoS ahead of tender: so far signed new agreements with 80% of the PoS**
- ❖ Opportunity for SNAI for leveraging its leadership in the retail arena

- ❖ SNAI total capex conservatively expected to be around €60m (including 15% increase in rights) fully covered by current liquidity level:

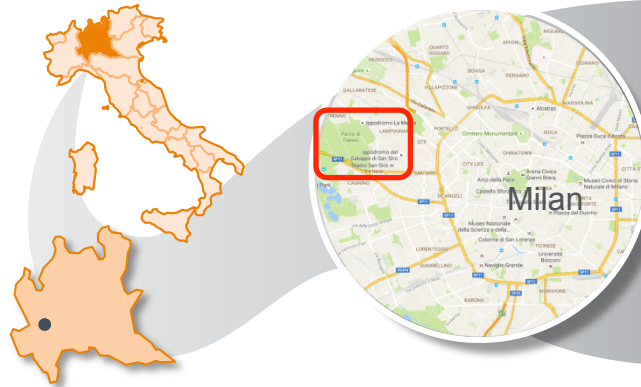


1,650,000 m²

- ❖ 1,650,000 m² area with historical assets
- ❖ 600,000 m² of race tracks
- ❖ 1,050,000 m² of training runs mainly on grass

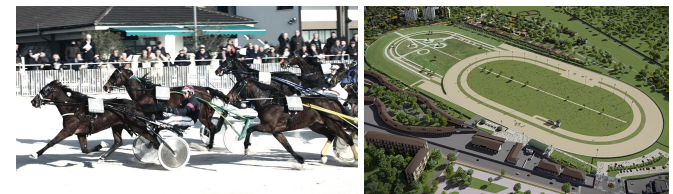


3% of Milan land



3 Horserace Tracks

- ❖ San Siro gallop horse track, Milano (1920)
- ❖ La Maura trot horse track, Milano (2015)
- ❖ Sesana trot horse track, Montecatini (1916)





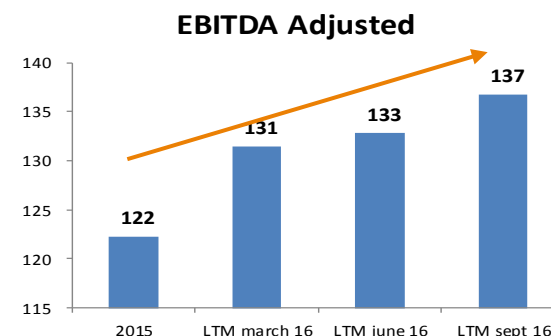
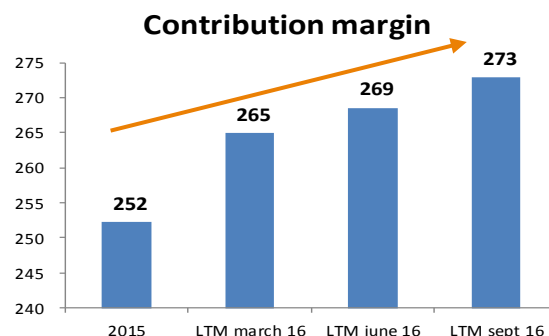
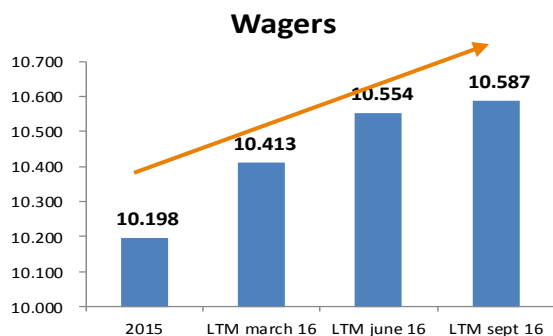
SNAI Group Financials



9M 2016 results: key highlights

Euro million Financial KPI	Proforma				Proforma	Proforma	Delta	%
	9M 2016	9M 2015	Delta	%	LTM	2015		
Wagers	7.765,0	7.377,0	388,0	5,3%	10.587,0	10.198,0	389,0	3,8%
Total Revenues	662,1	732,5	-70,4	-9,6%	930,5	1.000,9	-70,4	-7,0%
<i>a/w non recurring revenues</i>	<i>6,0</i>	<i>28,4</i>	<i>-22,4</i>		<i>9,8</i>	<i>32,3</i>	<i>-22,5</i>	
Contribution Margin	203,0	182,5	20,5	11,3%	272,8	252,3	20,5	8,1%
EBITDA	97,6	82,8	14,8	17,9%	129,4	114,6	14,8	12,9%
Adjusted EBITDA	102,9	88,5	14,4	16,3%	136,7	122,3	14,4	11,8%
EBIT	53,3	46,0	7,3	15,9%	35,2	28,0	7,2	25,7%
Net Income	-7,5	-13,5	6,0		-50,7	-57,5	6,8	
Capex	16,7	15,0			20,8	21,0		
Net Financial Position	450,1	476,2			450,1	467,6		

- ❖ Sound growth of EBITDA: € 97.6 mln vs € 82.8 mln for 9M15 (+ € 14.8 mln)
- ❖ Adjusted EBITDA LTM up to € 137 mln
- ❖ NFP improved to € 450.1 mln with € 26.1 mln cash generation LTM; Leverage 3,3x (NFP/Adj EBITDA LTM)



Wagers and Contribution Margin breakdown

Euro million

Business	Wagers			Contribution Margin		
	9m 16	9m 15 PF	%	9m 16	9m 15 PF	%
AWPs	2.920	2.953	-1%	32,9	31,4	5%
VLTs	2.626	2.482	6%	59,4	58,3	2%
Gaming Machines	5.547	5.435	2%	92,3	89,6	3%
<i>Sports Betting (retail channel)</i>	<i>528</i>	<i>424</i>	<i>25%</i>	<i>32,6</i>	<i>25,1</i>	<i>30%</i>
<i>Sports Betting (online channel)</i>	<i>193</i>	<i>128</i>	<i>51%</i>	<i>14,9</i>	<i>10,7</i>	<i>38%</i>
<i>Horse Betting</i>	<i>174</i>	<i>176</i>	<i>-1%</i>	<i>2,4</i>	<i>2,6</i>	<i>-6%</i>
<i>Virtual Events</i>	<i>227</i>	<i>220</i>	<i>3%</i>	<i>17,7</i>	<i>18,1</i>	<i>-2%</i>
Betting	1.123	948	19%	67,6	56,6	20%
<i>Online Games (Skills, Casinò, Bingo)</i>	<i>654</i>	<i>550</i>	<i>19%</i>	<i>11,1</i>	<i>9,2</i>	<i>21%</i>
Other	441	444	0%	32,0	27,1	18%
SNAI Group	7.765	7.377	5%	203,0	182,5	11%

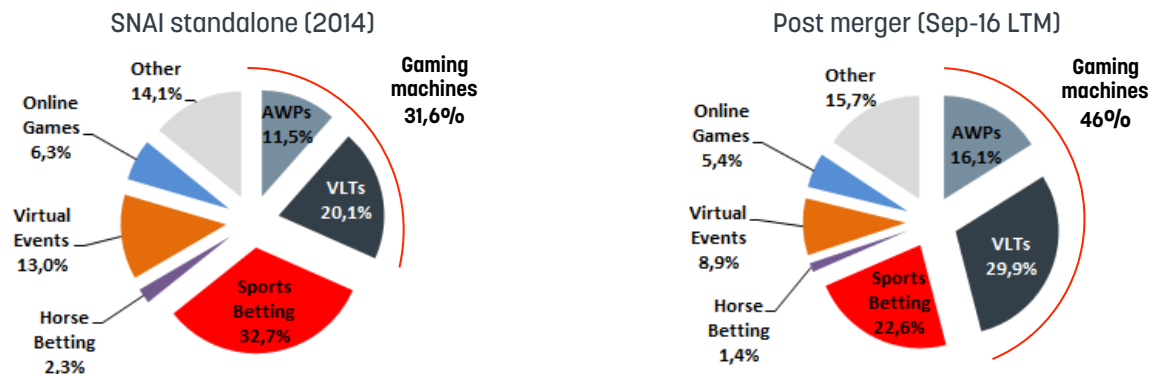
Good performance of total wagers: +5%

Gaming Machines: growth of wagers still on track (+2.1%) despite higher taxation and AWP payout reduction

Sports Betting: strong growth of Sports Betting retail (+24.8%); outstanding growth of Sports Betting online (+50.6%) due to cross-selling and growth in live events

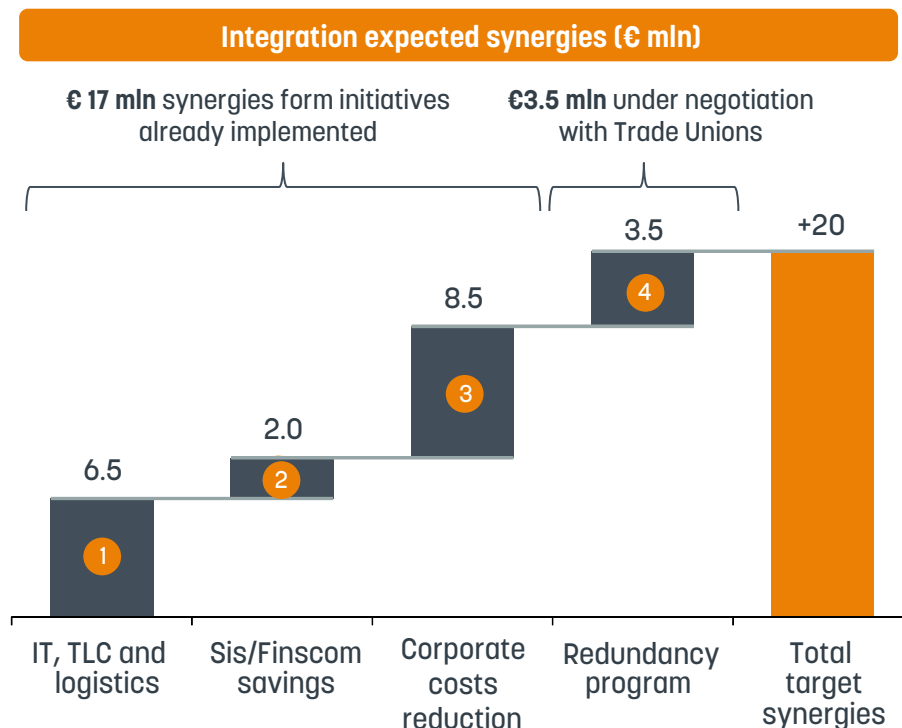
Online Games: leverage strong brand and cross-selling strategies

Contribution Margin evolution



- ❖ Well balanced Contribution Margin among different business areas
- ❖ Lower exposure to betting payout risk (22.6% from 32.7% of SNAI stand alone)
- ❖ Increased exposure to gaming machines with flexible approach based on revenue sharing model

Integration process successfully ongoing with most of synergies already implemented ahead of original expectations



Synergy program timing of execution

- ❖ €6.2 mln synergies (out of +20 mln) already achieved and posted as of 30 September 2016
- ❖ Additional €4 mln expected to be posted by 2016 year end
- ❖ Further € 10 mln synergy expected in 2017 - 1Q-2018
- ❖ Total one off cost forecast: up to €9.8 mln of which €6.3 mln already incurred

- 1 Renegotiation of main supply contracts: telecom providers, datacenter integration, logistics, PoS assistance and other third party provider contracts (including gaming providers) as result of increased scale
- 2 Consolidation of headquarters operations related to SIS/Finscom business
- 3 Simplified corporate structure, top management integration, centralization of bookmaking activities
- 4 Post-integration redundancy program under negotiation with Unions, expected to be concluded by Q1-17

❖ **New issuance of Senior Secured Notes 2021 for € 570 mln in November 2016**

- ✓ **320 mln € Fixed Rate 6.375%, 250 mln € Floating Rate Euribor 3M + 6%**
- ✓ **Interest costs saving of € 17 mln** (reduced average interest cost from c. 8.8% to c. 6.2%)
- ✓ **Reduced gross debt by € 20 mln** while maintaining significant amount of available cash (+80 mln € end of year)
- ✓ **New augmented €85 mln RCF**

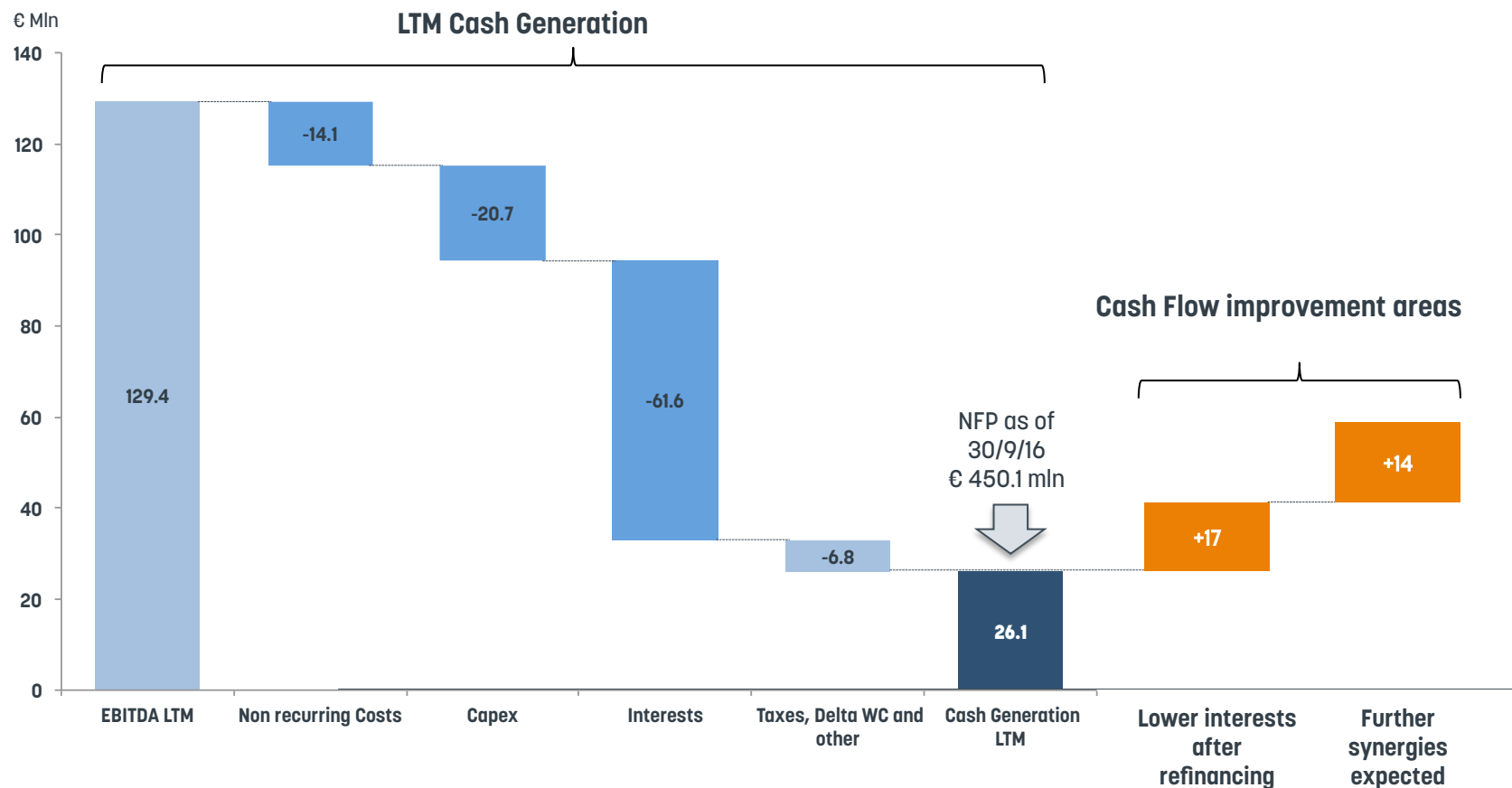
Pro forma capital structure (as of 30 June 2016)

	€m	x Adjusted EBITDA	x Adjusted RR EBITDA ^(c)	% tot cap
Cash and cash equivalent	(87)	(0.7)x	(0.6)x	
SSRCF (€85m available)	-			
New Senior Secured Notes	570			
Other debt ^(a)	2			
Net debt	485	3.7x	3.2x	66%
Market capitalization^(b)	250			34%
Total capitalization	735	5.5x	4.9x	100%
LTM June 2016 Adjusted EBITDA		133	133	
Estimated run rate synergies			17	
LTM June 2016 Adjusted run rate EBITDA			150	

(a) Including leasing and other financial debt

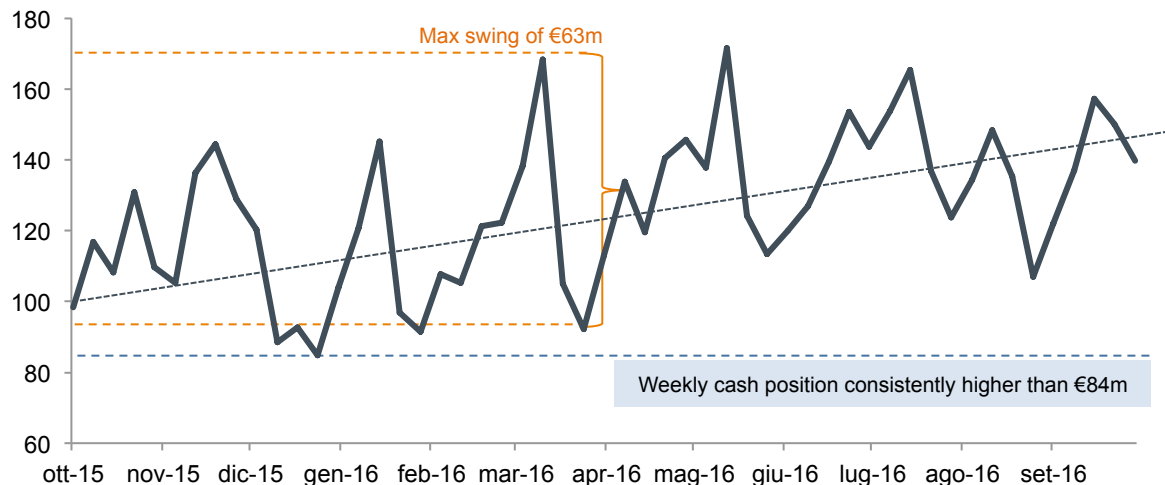
(b) As of 31 December 2016

(c) Adjusted run rate EBITDA is calculated as the sum of Adjusted EBITDA (€133m as of LTM Jun-16) and €17m run rate synergies



- ❖ Cash generation of € 26.1 mln over last twelve months
- ❖ Cash available totalling € 141.5 mln as of end of September (before Refi)
- ❖ Non recurring costs mainly related to M&A deals and one-off cost for synergies
- ❖ Delta Working Capital include €6.3 mln SIS acquisition payment
- ❖ Debt/Adj EBITDA leverage under 3,3x
- ❖ +€30 mln additional Cash Flow improvements driven by Refi and Synergies

Working capital: LTM weekly cash changes (€m)



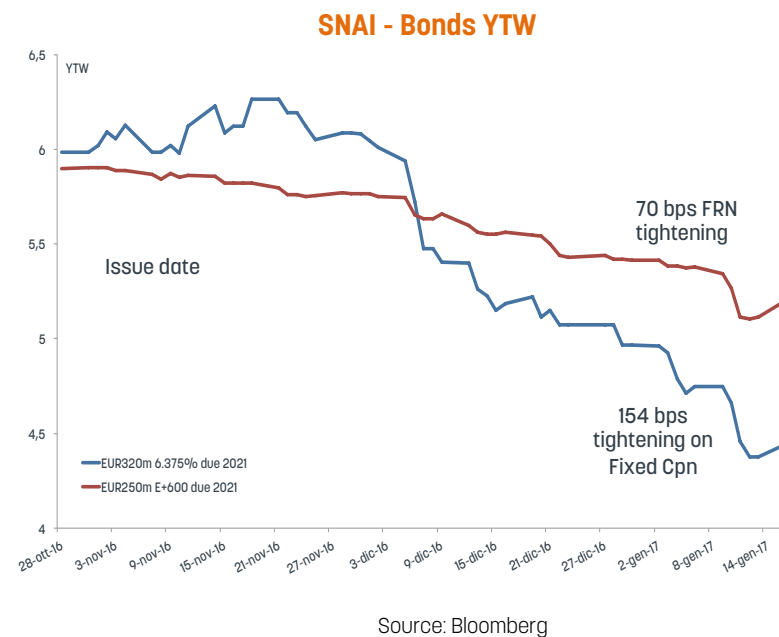
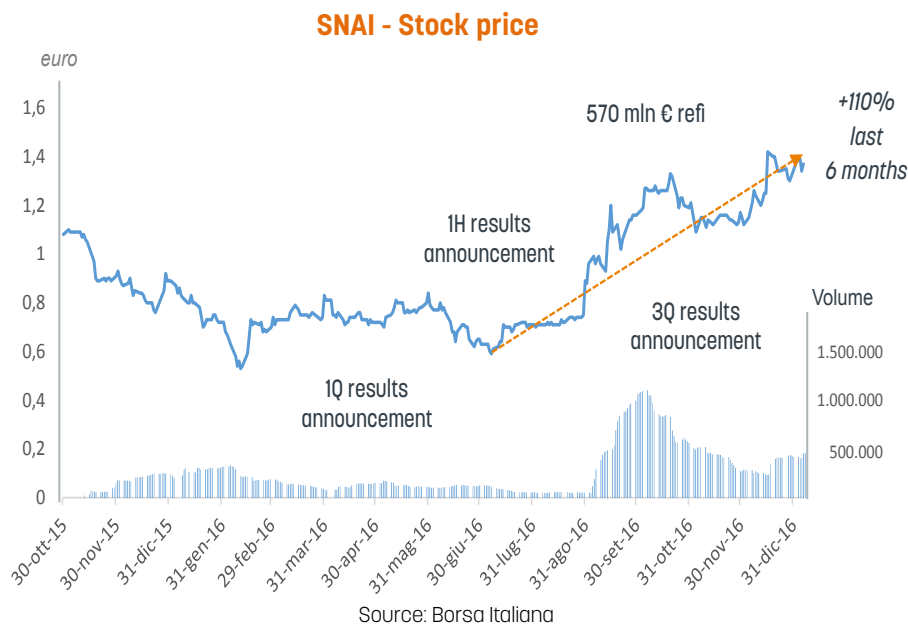
- ❖ SNAI net working capital is structurally negative, representing a source of cash rather than a use of it
- ❖ SNAI collects cash from distribution network on a weekly basis
- ❖ Then SNAI pays gaming taxes in the last decade of the month
- ❖ SNAI pays its suppliers on standard credit terms (90-120 days)

Capex breakdown (€m)

Data in €m	2014	2015	2016 LTM	Comments
Maintenance	14.2	11.8	11.5	– Investment in betting shop technology (hardware and software), data center, and real estate
AWP replacement	1.3	2.7	9.3	– Related to replacement of AWP's board and relevant NOE
Acquisition	5.3	0.3	0.1	– Related to AWP's vertical integration
Other	0.1	4.3	-	– Related to Milan racecourse
Total	20.9	19.0	20.9	
% of sales	2.2%	1.9%	2.2%	

- ❖ Recurring maintenance capex mainly related to maintenance of betting shop technology
- ❖ AWP replacement capex due to the AWP payout change following 2016 Stability Law
- ❖ Except for betting rights renewal, no other material cash-out expected in the next five years

- ❖ **SNAI Share:** share price stably grew in 2016 thanks to operating results, successful integration with Cogemat and refi operation
- ❖ Trading volumes increased in 2016 from January average of 200K shares/day to ca. 500K shares/day in 4Q 2016
- ❖ **SNAI share performance in 2016: + 48,3% (vs FTSE MIB - 9,7%), +110% last 6 months**
- ❖ **SNAI Bonds:** since issuance constantly tightening both Fixed and floating rate
- ❖ **Increased analyst coverage** with more brokers started/resumed equity and credit analysis in 2016 (DB, Unicredit, Lucror Analytics, Barclays, Banca Aletti, Equita, Intermonte)



❖ Business outlook

- ✓ Current trend on betting and online wagers likely to continue over 2017
- ✓ Retail Betting: **PoS “rejuvenation” strategy deployed in 2017** (products, equipment, service)
- ✓ **Focus on online:** purchased live streaming rights on premier leagues (Serie A, B and LegaPro) for mobile and digital devices, developments of game portfolio, extension of customer base through retail cross-selling
- ✓ Uncertainty on timing of the betting tender
- ✓ Renewal on contracts with betting shop network: so far **signed new 9-year agreements** (in line with the duration of the new concessions) **with 80% of the PoS**, thanks to the strength of the brand and wide range of products offered
- ✓ Gaming Machines: AWP wagers and margins should stabilize due to updated payout; VLT business will benefit from full deployment of **5 VLT platforms** over SNAI network

❖ Operational efficiency

- ✓ Synergy program roll out and completion: **14 mln € additional savings to be achieved by 1Q 2018**
- ✓ Outsourcing of SIS PoS started in 3Q 16 with shut down of 7 loss-making in 2016 and 40% shops to be outsourced in 1Q 2017

❖ Financial outlook

- ✓ Expected synergies and wagers growth will uphold cash generation
- ✓ Available future cash generation to cover betting tender capex in any scenario within 12 months horizon

❖ Further development opportunities

- ✓ Possible strategic bolt-on integrations, both in AWP and Online segments
- ✓ International development with B2B business model to leverage proprietary technology and know-how (mainly in betting segment)



Play with the Playmakers

