



# **SNAI Group 9M 2016 Results**

ended 30 September 2016

*14<sup>th</sup> November 2016*

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# Speakers



**Fabio Schiavolin**  
CEO



**Chiaffredo Rinaudo**  
CFO

# Key highlights

## Business trends

- ❖ Good performance of total wagers: +5.3% growth on pro-forma basis to € 7.775 bln
  - ✓ Growth of Gaming Machines wagers still on track (+2.1%) despite higher taxation and AWP payout reduction
  - ✓ Strong growth of Sports Betting retail (+24.8%) leveraging SIS/Finscom PoS reopening
  - ✓ Outstanding growth of Sports Betting online (+50.6%) due to cross-selling and growth in live events
  - ✓ Positive contribution from Euro Championship
- ❖ 60.2k AWP's and 10k VLTs managed. Over 90% of AWP's board replacement achieved. 1,585 betting PoS managed
- ❖ Progressive renewal of Betting PoS contracts (78% as of today) ahead of next betting tender
- ❖ SIS/Finscom PoS up and running with outsourcing strategy already in place: 21 PoS to be outsourced by year end
- ❖ Payout: stable in 3Q 16 (82.8%) compared to 1H 16 (83.3%). Unfavourable YTD (83.2%) vs 9M 15 (81.4%)
- ❖ Cogemat integration under way with € 20+ mln expected synergies (€ 6.2 mln savings already achieved in 9M 16)

## 4Q-16 relevant updates

- ❖ Refinancing of existing bonds: extended maturity to 2021, interest savings of € 17 mln, gross debt reduction by € 20 mln
- ❖ New corporate structure: Cogemat entities fully merged into SNAI Group

## Financials

- ❖ Sound growth of EBITDA: € 97.6 mln vs € 82.8 mln for 9M15 (+ € 14.8 mln)
- ❖ Adjusted EBITDA LTM up to € 136.7 mln
- ❖ NFP improved to € 450.1 mln with € 26.1 mln cash generation over the last twelve months
- ❖ Leverage 3,3x (NFP/Adj EBITDA LTM)

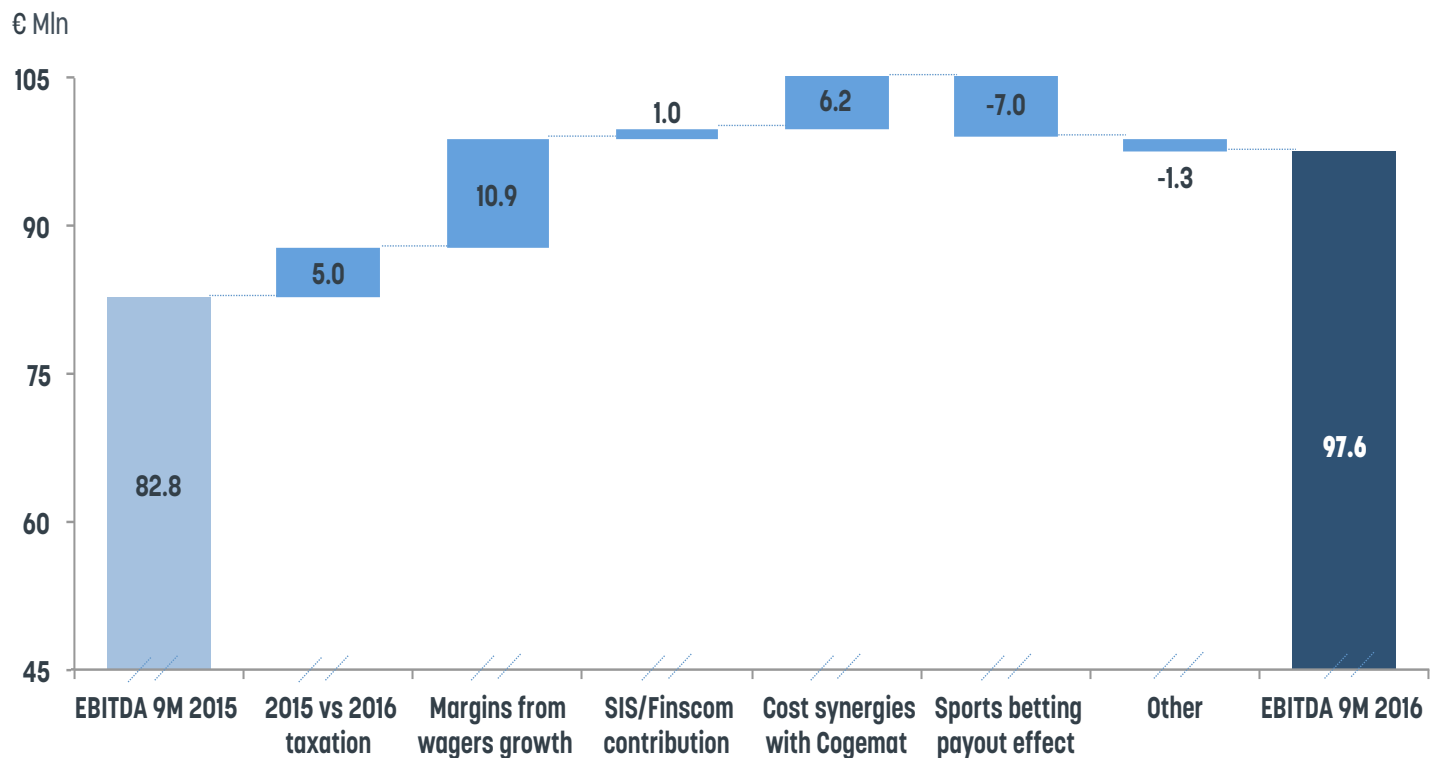
# 9M 2016 KPIs

<i>Euro million</i>	<i>Proforma</i>				<i>Proforma</i>
<b>Financial KPI</b>	<b>9M 2016</b>	<b>9M 2015</b>	<b>Delta</b>	<b>%</b>	<b>PF LTM</b>
<b>Total Revenues</b>	<b>662,1</b>	<b>732,5</b>	<b>-70,4</b>	<b>-9,6%</b>	<b>930,5</b>
<i>o/w non recurring revenues</i>	<i>6,0</i>	<i>28,4</i>	<i>-22,4</i>	<i>-78,9%</i>	<i>9,8</i>
Contribution Margin*	203,0	182,5	20,5	11,3%	272,8
<b>EBITDA*</b>	<b>97,6</b>	<b>82,8</b>	<b>14,8</b>	<b>17,9%</b>	<b>129,4</b>
<b>Adjusted EBITDA*</b>	<b>102,9</b>	<b>88,5</b>	<b>14,4</b>	<b>16,3%</b>	<b>136,7</b>
EBIT	53,3	46,0	7,3	15,9%	35,2
Net Income	-7,5	-13,5	6,0	-44,3%	-50,7
<b>Capex</b>	<b>16,7</b>	<b>15,0</b>			<b>20,8</b>
<b>Net Financial Position</b>	<b>450,1</b>	<b>476,2</b>			<b>450,1</b>

*\*Non recurring items included*

- ❖ Revenues fell 9.6% (down to € 662.1 mln) due to tax increases in Gaming Machines and Barcrest transaction
- ❖ Contribution Margin rose € 20.5 mln (+11.3% up to € 203 mln) driven by higher wagers, despite unfavorable payout
- ❖ EBITDA increased by € 14.8 mln (+17.9% up to € 97.6 mln) reflecting business growth and synergies from integration
- ❖ EBITDA LTM up to € 129.4 mln (vs € 114.6 mln as of 31 December 2015)
- ❖ Capex of € 16.7 mln includes ca. € 10 mln of cost associated with AWP's update
- ❖ NFP improved to € 450.1 mln

# 9M 2016 EBITDA Bridge



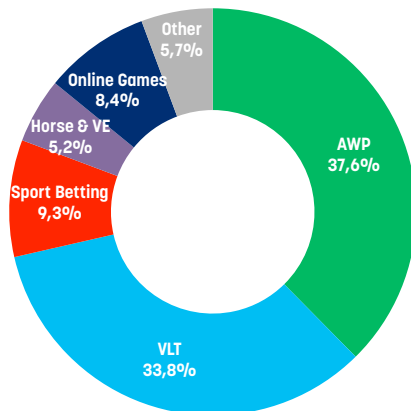
- ❖ EBITDA performance mainly driven by **wagers increase** and **cost synergies** from Cogemat integration
- ❖ Positive effect of € 5 mln from 2016 Stability Law due to new betting taxation scheme and faster than expected replacement of AWP's board

# Business Performance

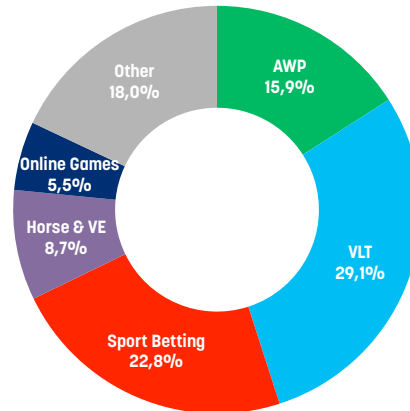
Euro million

Business	Wagers			Contribution Margin		
	9M 16	PF 9M 15	%	9M 16	PF 9M 15	%
AWPs	2.920	2.953	-1,1%	32,4	31,1	4,1%
VLTs	2.626	2.482	5,8%	59,1	57,5	2,7%
<b>Gaming Machines</b>	<b>5.547</b>	<b>5.435</b>	<b>2,1%</b>	<b>91,4</b>	<b>88,6</b>	<b>3,1%</b>
Sports Betting (retail channel)	528	424	24,8%	31,4	24,6	27,3%
Sports Betting (online channel)	193	128	50,6%	14,9	10,7	38,6%
Horse Betting	174	176	-1,0%	2,4	2,5	-4,3%
Virtual Events	227	220	3,5%	15,3	15,6	-2,2%
<b>Betting</b>	<b>1.123</b>	<b>948</b>	<b>18,5%</b>	<b>64,0</b>	<b>53,6</b>	<b>19,5%</b>
<b>Online Games (Skills, Casinò, Bingo)</b>	<b>654</b>	<b>550</b>	<b>18,9%</b>	<b>11,1</b>	<b>9,1</b>	<b>21,7%</b>
<b>Betting provider</b>	<b>354</b>	<b>369</b>	<b>-4,1%</b>	<b>4,8</b>	<b>5,1</b>	<b>-4,9%</b>
<b>Financial services</b>	<b>87</b>	<b>74</b>	<b>17,2%</b>	<b>0,5</b>	<b>0,4</b>	<b>9,1%</b>
<b>Subsidiaries and other revenues</b>				<b>31,2</b>	<b>25,7</b>	<b>21,7%</b>
<b>SNAI Group</b>	<b>7.765</b>	<b>7.377</b>	<b>5,3%</b>	<b>203,0</b>	<b>182,5</b>	<b>11,3%</b>

Wagers breakdown



CM breakdown



## Gaming Machines key performance drivers

- ❖ Machines relocation, wagers increase (VLTs), faster AWPs update, positive effects from 2016 Budget Law

## Sports Betting key performance drivers

- ❖ Retail: new revenue-sharing contracts with PoS, new shops format, SIS/Finscom PoS reopening
- ❖ Online: cross-selling strategies and live events growth
- ❖ Positive contribution from new tax scheme
- ❖ Significant results despite unfavourable payout YTD

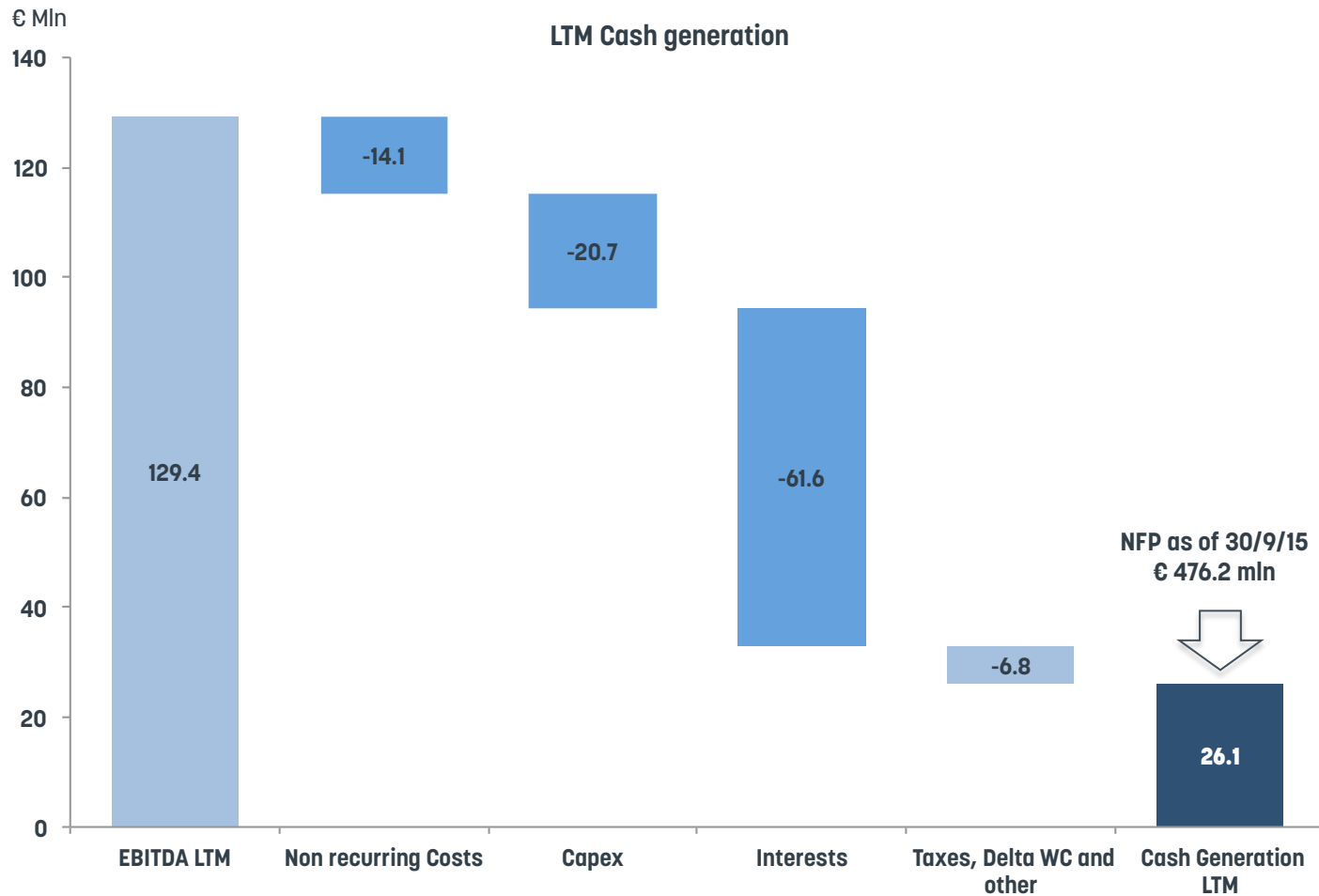
## Online Games key performance drivers

- ❖ Leverage strong brand and cross-selling strategies

## Contribution Margin breakdown

- ❖ Well balanced among different business areas
- ❖ Increased exposure to Gaming Machines with flexible approach and effective revenue-sharing model
- ❖ Lower exposure to betting payout risk (22.8% from 25.7% of 9M 15 of SNAI stand alone)

# Net Financial Position bridge



- ❖ Cash generation of € 26.1 mln over last twelve months
- ❖ Cash available totalling € 141.5 mln as of end of September
- ❖ Non recurring costs mainly related to M&A deals and one-off cost for synergies
- ❖ SIS payment of € 6.3 mln included in "Taxes, Delta WC and other" item

NFP as of 30/9/16  
€ 450.1 mln



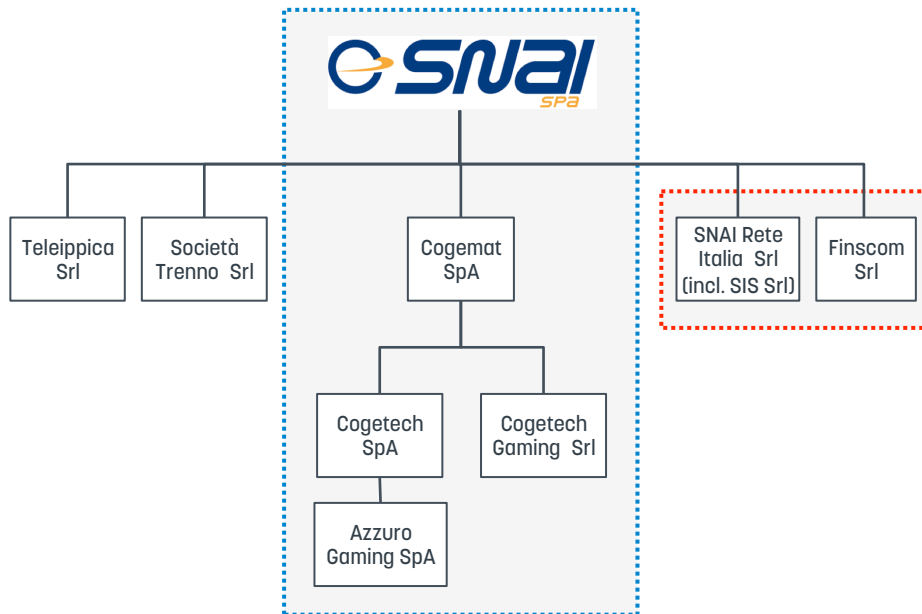
# 4Q 2016 update - New Capital Structure

- ❖ New issuance of Senior Secured Notes for € 570 mln
  - ✓ **Two tranches: Fixed Rate with 6.375% coupon p.a. and Floating Rate with 3M Euribor + 6%**
  - ✓ 5 year maturity (November 2021)
  - ✓ Use of proceeds to repay existing bond via tender (86 mln in Nov 2016) and final redemption in Dec 2016 through call exercise (13 mln € one-off cost)
  - ✓ **New augmented €85 mln RCF**
  
- ❖ Key transaction highlights
  - ✓ Extended maturity profile to 2021
  - ✓ **Interest costs saving of € 17 mln**
  - ✓ Incremental free cash flow and improved interest coverage ratios
  - ✓ **Reduced gross debt by € 20 mln while maintaining significant amount of cash on balancesheet**
  - ✓ Significant liquidity buffer with an RCF increase of € 30 mln

# 4Q 2016 update - New Corporate Structure

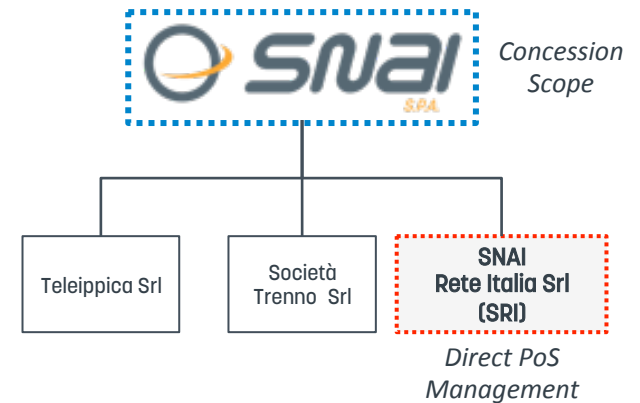
- ❖ Cogemat Group fully merged into SNAI from November 1<sup>st</sup> 2016
- ❖ SIS and Finscom entities fully merged into SNAI Rete Italia from November 1<sup>st</sup> 2016
- ❖ New simplified and streamlined corporate structure
- ❖ Cogemat Betting licenses already migrated into SNAI's and AWP/VLT concessions will be progressively converged by early 2017
- ❖ Further opportunity to improve corporate efficiency and boost synergy implementation

Pre merger corporate structure



1<sup>st</sup> Nov 2016

Post merger corporate structure



# Outlook

## SNAI Business trend

- ❖ Current trend on wagers for Sports Betting (retail and online) and Online Games likely to continue over the last quarter of 2016
- ❖ AWP's wagers and margins should stabilize due to updated payout; VLTs business to benefit from full deployment of 5 VLT platforms over SNAI network
- ❖ Synergies: € 10+ mln to be achieved by year end

## Regulatory Framework

- ❖ Budget Law 2017: no additional tax increases included in the first draft and initial government committee discussions
- ❖ Betting tender expected in 1H 2017
  - ✓ Low renewal risk: number of rights in line with existing Italian PoS (including grey market)
  - ✓ Tender allows concessionaires to diversify bids for single licences thus reducing risk of losing licenses
- ❖ Stable framework for concessionaires to operate and run efficient licences allocation within their PoS portfolios
- ❖ Central and local governments discussion on new Gaming regulation: first draft on November 9<sup>th</sup> outlines
  - I. proposed agreement on national opening hours (>10 hours per day)
  - II. confirmation of AWP's 30% progressive reduction in 2017 (as per 2016 Budget Law provision)
  - III. AWP to be installed in certified locations: betting shops, arcades and corners (tobacconists/bars) with dedicated areas
  - IV. Gaming Machines taxation on GGR subject to further discussion



**No negative impact expected on SNAI wagers and margins: SNAI betting PoS network already compliant with new requirements, opportunity for low performing machines downsizing and replacement with more profitable AWP3**



Play with the Playmakers

