

Snaitech Group FY 2016 Results

11th April 2017

SNAITECH

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Today's Speakers



Fabio Schiavolin
CEO



Chiaffredo Rinaudo
CFO

2016 Key achievements

Business:

- ❖ Good performance of total wagers: **€ 10.5 bln +3.3% vs 2015**
 - Gaming Machines wagers still on track **(+0.1%)** despite higher taxation and AWP payout reduction
 - Strong growth of Sports Betting retail **(+19.8%)** leveraging organic growth and SRI PoS reopening
 - Outstanding growth for Online: Online Betting **+40.6%** thanks to cross-selling and new live events, Games **+18,9%**
- ❖ Ca. 60k AWP and 10k VLTs managed. AWP board replacement program completed. Ca. 1,6K betting PoS managed
- ❖ Progressive renewal of Betting PoS contracts (80% as of today) ahead of next betting tender
- ❖ Rejuvenation program launched on betting network (technology, service portfolio, layout)
- ❖ SRI PoS outsourcing strategy going on: 20 PoS already outsourced, 28 to be outsourced in 2017
- ❖ Unfavourable Payout in Q4; 2016 full year payout **84,5%, +2,3% vs 2015**
- ❖ Cogemat integration completed with € 20+ mln expected synergies (€ 10 mln savings already achieved in 2016)
- ❖ **SNAITECH** new Company and Group name

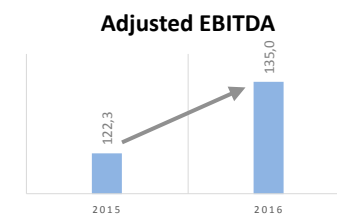
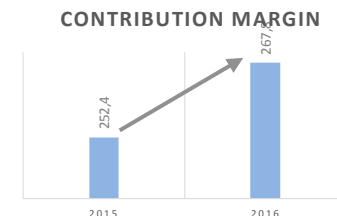
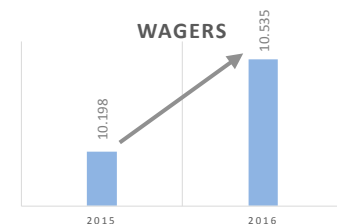
Financials:

- ❖ Sound growth of **EBITDA: € 128,3 mln vs € 114.5 mln in 2015 (+ € 13.8 mln)**; adjusted EBITDA LTM up to € 135,0 mln
- ❖ 21,5 mln € operating cash flow before refi costs
- ❖ Leverage reduced to **3,75x** (3,56x on adjusted basis)

Snaitech: 2016 KPIs

Euro million

Financial KPI	2016	2015 PF	delta	%
Wagers	10.534	10.198	336	3%
Total Revenues	892,4	968,6	-76,2	-8%
Cost of goods sold	(625)	(716)	91,7	-13%
Contribution Margin	267,8	252,3	15,5	6%
Operating cost	(139,5)	(137,7)	-1,8	1%
EBITDA	128,3	114,5	13,8	12%
Adjusted EBITDA	135,0	122,3	12,7	10%
EBIT	56,8	25,2		
EBT	(35,6)	(41,0)	5,4	-13%
Net Income	(17,0)	(52,0)	35,1	67%
Capex	218	19,1	2,7	14%
Net Financial Position	481,0	467,6	13,4	3%
Leverage	3,75	4,08	-0,3	
Leverage on Adj.	3,56	3,82	-0,3	



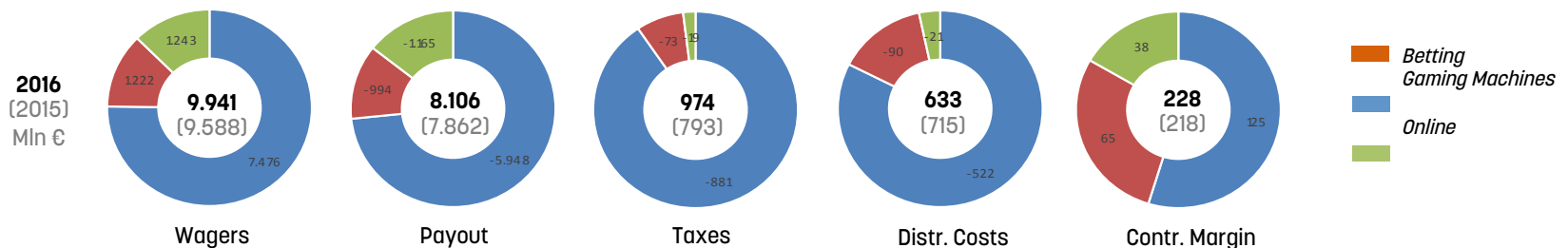
- ❖ Wagers grew by **+3.3%** up to in a 10.5 Bln € ; Contribution Margin up by **+15.5 mln €**
- ❖ Strong increase of **EBITDA: € 128.3 mln** vs. € 114.5 mln (+ € 13.8 mln); EBITDA adjusted a 135,0 mln €
- ❖ Net loss reduction to € 17 mln from 52.0 mln in 2015
- ❖ Leverage **3.75x** (NFP/EBITDA) compared to 4.08x in 2015 (despite refi costs of new HY bonds)

Wagers and Contribution Margin Breakdown

Euro million

SNAITECH	Wagers			Contribution Margin		
	2016	2015 PF	%	2016	2015 PF	%
Betting	1222	1114	9,7%	65	65	0,0%
Sports Betting	732	612	19,8%	40	38	6,6%
Horse Betting	23	216	-14%	3	3	-18,3%
Virtual Events	277	286	-3,5%	22	24	-7,7%
Gaming Machines	7.476	7.473	0,0%	125	123	1,5%
AWPs	3.916	4.060	-3,6%	45	42	6,1%
VLTs	3.560	3.412	4,3%	80	80	-10%
Online	1243	1001	24,1%	38	30	24,5%
Online Betting	323	230	40,6%	22	17	23,5%
Games	920	771	19,2%	16	13	25,7%
Total Concessions	9.941	9.588	3,7%	228	218	4,2%
Betting provider	477	502	-4,9%	8	9	-19%
Paymat	116	108	7,2%	1	1	-9,1%
Horse Tracks	-	-	-	10	11	-6,1%
Other (SRI + Teleippica)	-	-	-	21	14	51,5%
Total Snaitech	10.534	10.198	3,3%	268	252	6,2%

- ❖ **Betting:** strong growth of wagers on retail Sports betting (+19.8%) and unfavourable payout effect on margin.
- ❖ **Gaming Machines:** stable growth of wagers with rising contribution margin despite payout reduction and higher taxation
- ❖ **Online:** sound growth of wagers (+40.6%) due to cross-selling initiatives on retail network and wider offering of live events
- ❖ **Contribution Margin** grew by 16 mln € vs. 2015 (+6.2%)
- ❖ **1 Bln €c.a. of taxes** paid
- ❖ **Distribution costs** reduction of 82 mln €



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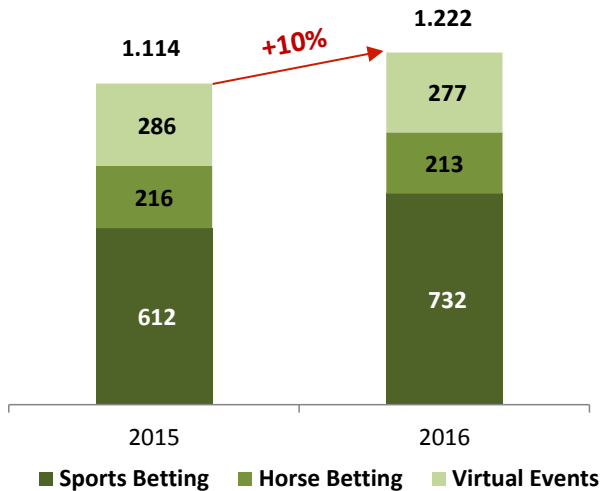
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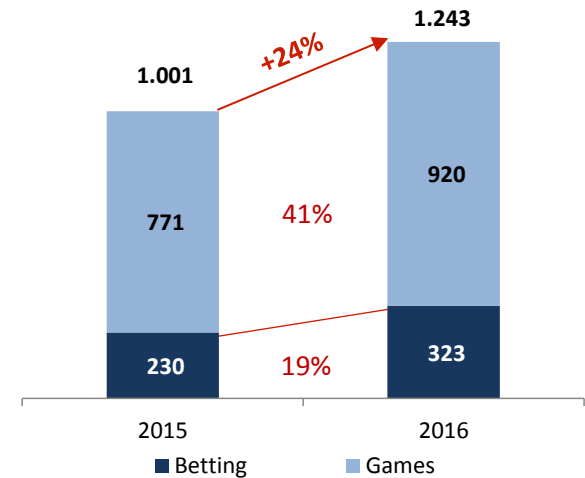
Snaitech Retailers supporting online growth

Offline Wagers (€ mln)



- ❖ Double digit growth both in offline (10%) and online (24%) confirms growth sustainability in long term (no cannibalisation)
- ❖ Retail cross-selling strategy: activation and use of online accounts also through retail channel

Online Wagers (€ mln)



Online KPI

GGR mln euro	2016	2015	Delta
From Retail cross selling	45	41	10%
From Online acquisition	33	24	36%
Total GGR	78	65	20%

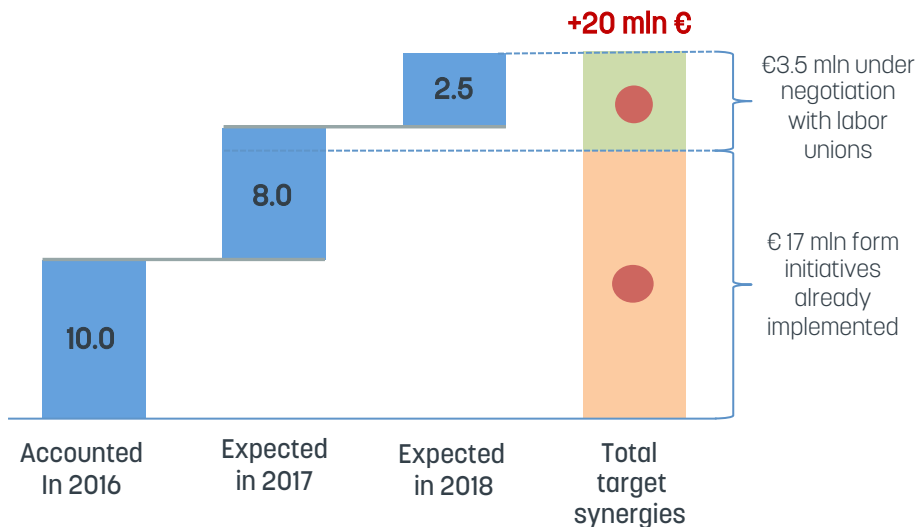
ARPU, euro	2016	2015	Delta
Retail cross selling	672	628	7%
Online acquisition	265	251	6%
Av. ARPU	407	403	

- ❖ More than 55% of Online GGR coming from retail cross-selling
- ❖ Higher ARPU (672 euro) from cross-selling customers

+20 mln synergy program fully on track

Integration process successfully on-going with most of synergies already implemented ahead of original expectations

Integration synergy roll-out (€ mln)



Synergy program timing of execution

- ❖ € 10 mln synergies (out of € +20 mln) already achieved and posted as of 31 December 2016
- ❖ Additional € 8 mln expected to be posted by 2017 year end
- ❖ Further € 2.5 mln synergy expected in 1H-2018
- ❖ Total one off cost forecast: up to €10 mln of which € 6.3 mln already incurred

- Renegotiation of main supply contracts: telecom providers, data-centre, logistics, PoS assistance and other third party provider contracts, as result of increased scale; consolidation of headquarters; simplified corporate structure, top management integration, centralization of bookmaking activities
- Redundancy program, currently under negotiation with Unions, to be started by July 2017

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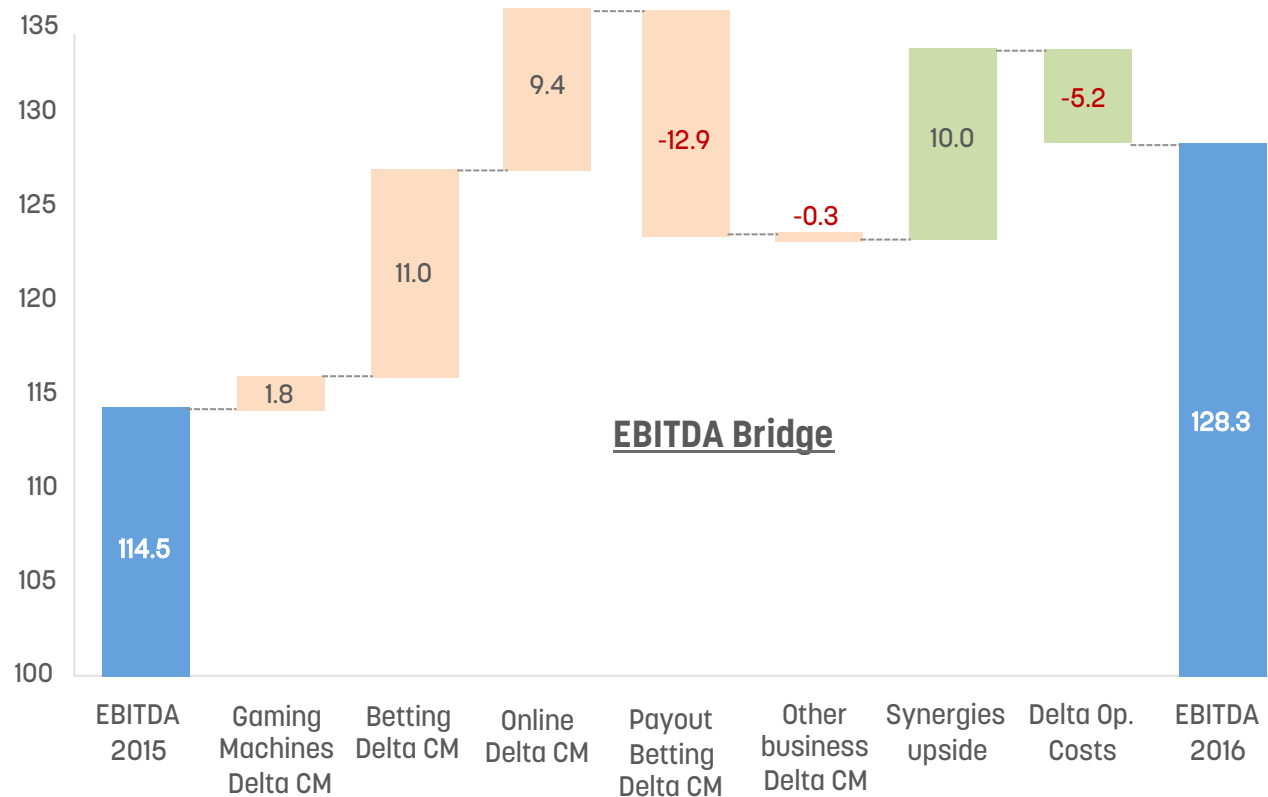
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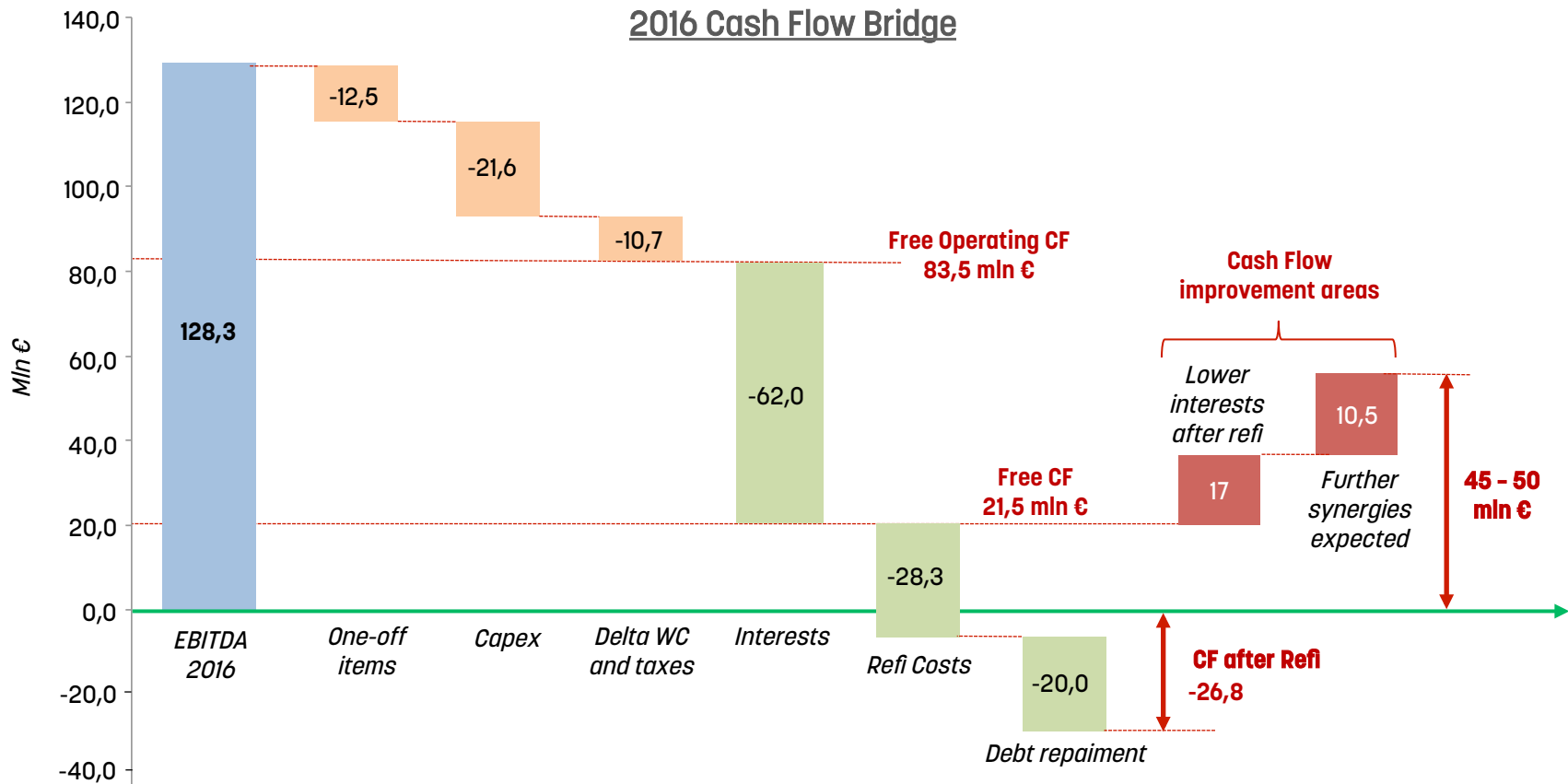
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2016 EBITDA Bridge



- ❖ Payout increase (84.5% vs. 82.2% in 2015) produced a negative delta on profitability by 12.9 mln €
- ❖ Target of 10 mln € on synergies matched
- ❖ Cost increase due to online advertising and expenses associated to SRI

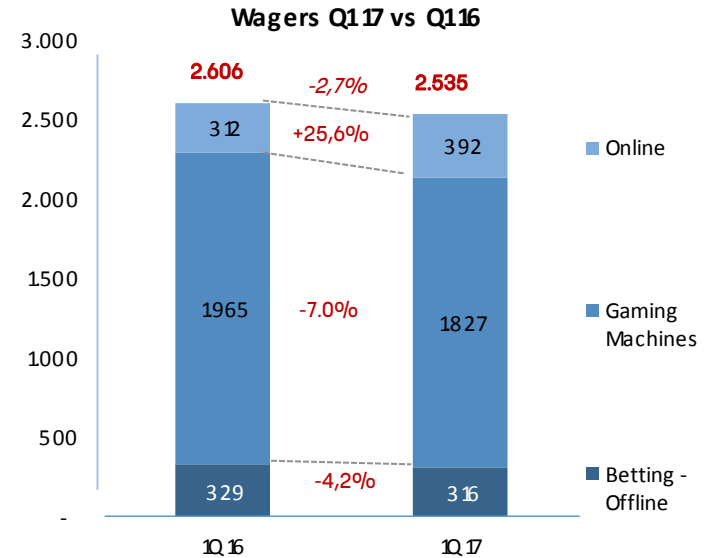
2016 Cash Flow bridge



- ❖ One off items include SIS acquisition costs and synergy activation costs
- ❖ Free Cash Flow 21,5 mln € (before refi costs)
- ❖ +€27,5 mln additional Cash Flow upside/adjustment driven by Refi and Synergies
- ❖ 82,3 mln € cash available @ 31 December 2016

Current Trading 1Q 2017

- ❖ **Online:** wagers growth over the 1Q 2017 (+25,6%) consolidates positive trends recorded by each segment in 2016 (Betting +35.3% and Games +22.3%)
- ❖ **Offline Betting:** -4.2% due to lower wagers on Horserace and Virtual Events; Sports Betting grew by 3% compared to 2016 despite an higher payout level compared to 1Q16 (and in line with 4Q 2016)
- ❖ **Gaming Machines** business presents a lower amount of wagers by 7% mainly due to the restriction on opening hours introduced by several local municipalities and the full regime reduction of the lower payout at 70%.

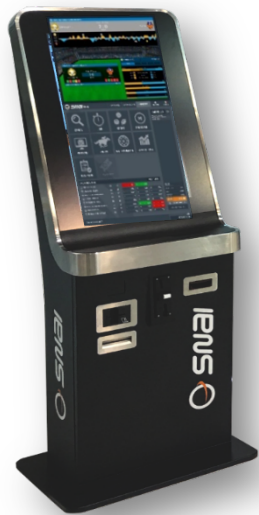


- ❖ **Business Development:**

- New Online services and Virtual Events offered with positive effects expected from 2Q 2017 onwards
- Purchased additional 100 VLT rights (out of 312 available) for a total amount of 1.5 mln €
- Former Cogemat VLT platform provider offered to the whole Snaitech network (including Playtech and Inspired) from April 2017

Technology: new retail concept for omnia channel

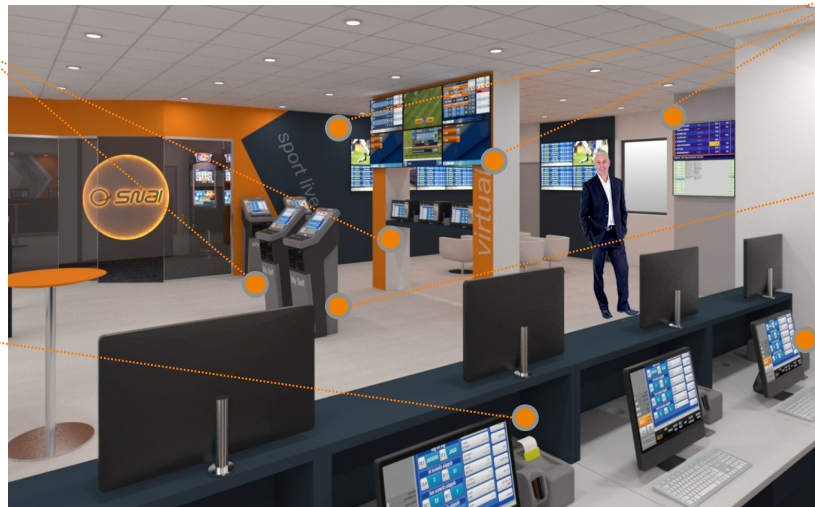
- ❖ € 12 mln ordinary capex over two years (2017 and 2018) allotted to new investments on retail betting network, matching same capex absorbed in 2016 by AWP board replacement
- ❖ Expected ordinary capex 2017 in line with 2016
- ❖ Key area of new investments: SSBT, new software solutions and smart purchase



SSBTs - Self service betting terminals

Automation
Self service solutions

Modernity
light and customer oriented devices



The new concept at a glance

Communication:
content delivery display systems, Smart TVs

Usability
friendly devices and user interfaces

Italian regulatory framework

- ❖ **Conferenza Unificata:** negotiation process still on-going between central and local governments in order to reach an agreement on AWP offering reduction (30% lower) and new rules for point of sales (type, opening hours, separation from other ancillary business)
- ❖ **New AWP3:** currently being discussed all the technical aspects and guidelines of the new AWP3 in order to replace current AWP by 2018
- ❖ **PREU increase:** unconfirmed talks on press, reports of a possible PREU increase by 0.5% on VLT and 1% on AWP; if confirmed the impact for Snaitech would be in the region of 6-8 mln € on EBITDA
- ❖ **Betting Tender:**
 - Tender Framework: number of rights (10,000 shops + 5,000 corners) much higher than current point of sales; minimum bid prices of 32K for single shop e 18K for single corner
 - Timing still uncertain and mainly subordinated to the Conferenza Unificata outcome
 - ADM has recently requested each concessionaire to extend the current guarantees until June 2018



Snaitech is ready for the Betting Tender: thanks to its liquidity (>80 mln € as year-end 2016)
there is no need to withdraw the RFC

Outlook and strategies for 2017

- ❖ **Wagers trend:** growth expectation in line with 2016 growth trend
 - double digit growth for the Online business;
 - Gaming Machines and Retail Betting stable or slightly up, despite negative seasonality of summer time (compared to 2016 when European football championship, Copa America and Olympics were played)
- ❖ **Online focus:** Live focus (purchased live streaming rights on Italian premier leagues) for mobile and digital devices, developments of game portfolio, extension of customer base through retail cross-selling
- ❖ **Retail Betting:** PoS “rejuvenation” strategy deployed in 2017 and 2018; PoS contract renewal before betting tender expected to reach 90% of network
- ❖ **Gaming Machines:** VLT business will benefit from new rights roll-out and full deployment of 5 VLT platforms over SNAI network; AWP wagers and margins likely to recover in 2H 17 after payout stabilization
- ❖ **International development** with B2B business model to leverage proprietary technology and know-how (mainly in betting segment)
- ❖ Possible strategic bolt-on integrations, both in AWP and Online segments
- ❖ **Synergy program** roll out and completion: +10mln € additional savings to be achieved by 1H 2018
- ❖ **Positive net income** expected for FY2017



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