



***SNAITECH***

**Results as of  
30 September 2017**

**13 November 2017**

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# Today's Speakers



Fabio Schiavolin  
CEO



Chiaffredo Rinaudo  
CFO

# Snaitech key trends and results as of 30 September 2017

## **Business and Financial Trends in 3Q 2017:**

- Wagers up by 2.4%, EBITDA 30.2 mln € (+0.3 mln vs 3Q 16), Net Result +2.8 mln € (vs -7.1 mln in 2016)
- Positive performance despite some unfavourable industry factors:
  - PREU increase (-2.1 mln € EBITDA impact in 3Q)
  - Absence of catalyst sport events (Euro Cup and Olympics in 2016)
  - Quarterly sport payout higher than 2016 (83.4% vs 82.8%)
- 37% Online wagers growth
- Virtual Events wagers growing up by 1% thanks to improvement of Inspired platform
- Sport wagers down by 1.3% (+1.6% on 9 months)
- -2.5% Gaming Machines wagers, recovering from -5.9% posted in 1H 17

## **Financials after 9m 2017:**

- EBITDA € 85.9 mln vs € 97.6 mln in 2016, -11.7 mln due to Sport Betting unfavorable payout (-8.4 mln €) and PREU increase (-3.7 mln €)
- Break-even on Net Income: 4 mln € (-7.5 mln € in 9M 2016)
- NFP to 456 mln €, Leverage ratio 3.9x. Sound cash generation thanks to the new cost structure: ca. 33 mln € in first 9 months 2017
- +20 mln € synergy program close to completion: +2 mln € accounted in 3Q, 7.8 in 9M 17 and 17.8 mln since Cogemat integration; additional 3 mln synergy expected before 1H 18, mainly related to redundancy procedure started in July

## **Action Plan :**

- VLT network integration and optimization as well as payout reduction to offset PREU increase
- Virtual Events: launch of a second platform in 1Q 2018
- Rejuvenation program (new Smart Technology provided to Betting PoS) up and running. To be completed by June 2018

## **Current Trading**

- October Sport Wagers (Retail + Online) up to 113.5 mln €, +12% vs Oct '16
- October Sport Payout 78.7% (83.8% Oct 16)

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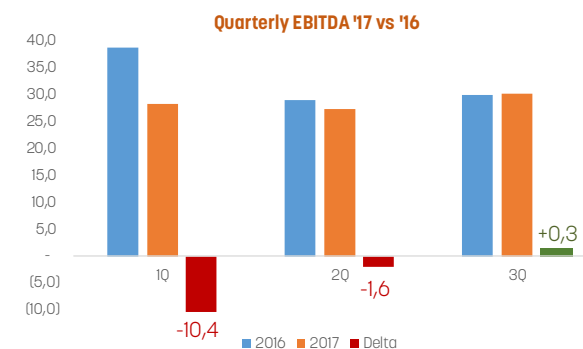
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# Financial KPIs as of 30 September 2017

*€ million*

SNAITECH GROUP (€ m)	Q3 17	Q3 16	delta	9M 2017	9M 2016	delta
<i>Sport Payout</i>	83,4%	82,8%	0,6%	85,4%	83,2%	2,2%
<b>Wagers</b>	<b>2.456,4</b>	<b>2.409,6</b>	<b>46,8</b>	<b>7.678,3</b>	<b>7.765,5</b>	<b>-87,1</b>
- Gaming Machines	1.702,2	1.746,5	-44,2	5.279,5	5.546,6	-267,1
- Betting Retail	252,8	257,1	-4,3	864,8	898,3	-33,5
- Online	383,6	280,5	103,1	1.143,8	879,2	264,6
- Other	117,7	125,5	-7,8	390,2	442,3	-52,1
<b>Total Revenues</b>	<b>200,6</b>	<b>216,8</b>	<b>-16,2</b>	<b>639,3</b>	<b>662,1</b>	<b>-22,8</b>
Contribution Margin	59,3	63,1	-3,8	182,1	203,0	-20,9
<b>EBITDA</b>	<b>30,2</b>	<b>29,9</b>	<b>0,3</b>	<b>85,9</b>	<b>97,6</b>	<b>-11,7</b>
<b>Net Income</b>	<b>2,8</b>	<b>-7,1</b>	<b>9,9</b>	<b>4,8</b>	<b>-7,5</b>	<b>12,4</b>
Capex	6,2	3,6	2,5	17,1	16,7	0,3
<b>NFP</b>	<b>456,2</b>	<b>450,1</b>	<b>6,1</b>	<b>456,2</b>	<b>450,1</b>	<b>6,1</b>
<b>Leverage (on LTM EBITDA)</b>				<b>3,9x</b>	<b>3,5x</b>	<b>-0,4x</b>

- ❖ Sport Payout constantly recovering: 85.4% after 9m (from 86.2% in 1H 2017)
- ❖ 3Q Wagers up to 2,456 mln € (+47 mln) driven by online business performance
- ❖ Revenues reduction in 3Q (-16.2 mln) determined by PREU increase
- ❖ 9m EBITDA € 85.9 mln vs € 97.6 mln; -8.4 mln due to sport payout and -3.7 mln to PREU increase
- ❖ Interest costs reduced to 30.8 mln € (vs 42.7 mln in first 9M 2016) after refinancing
- ❖ Net income 9m positive by 4.8 mln €
- ❖ Net Financial Position to 456.2 mln € (115 mln € cash available as of 30 September)
- ❖ Leverage ratio 3.9x (EBITDA LTM €116.6 mln)



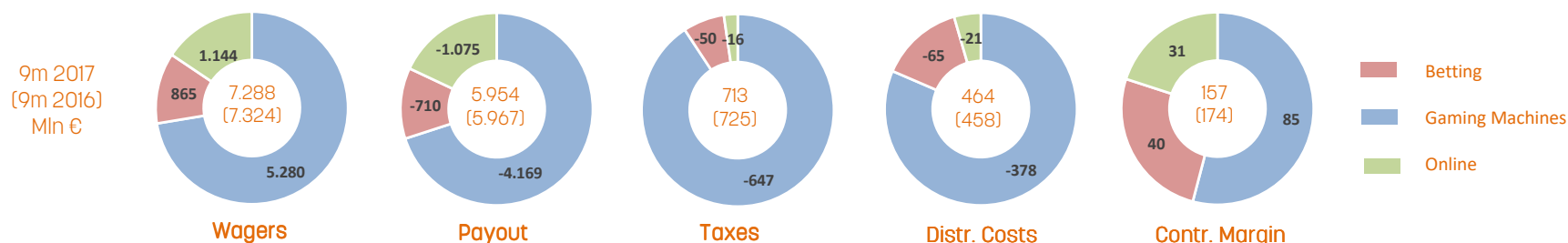
# 3Q 17 - Wagers and Contribution Margin breakdown

Euro million

SNAITECH	Wagers				Contribution Margin			
	3Q 17	3Q 16	delta	%	3Q 17	3Q 16	delta	%
Sports Betting	151,3	153,4	-2,0	-1,3%	10,3	10,2	0,2	1,9%
Horse Betting	40,5	43,4	-2,9	-6,7%	-0,2	0,5	-0,7	n.a.
Virtual Events	60,9	60,3	0,6	1,0%	3,6	4,9	-1,2	-25,0%
<b>Retail Betting</b>	<b>252,8</b>	<b>257,1</b>	<b>-4,3</b>	<b>-1,7%</b>	<b>13,8</b>	<b>15,5</b>	<b>-1,7</b>	<b>-10,8%</b>
AWPs	892,9	903,6	-10,8	-1,2%	10,2	11,1	-0,9	-8,1%
VLTs	809,4	842,8	-33,5	-4,0%	17,1	18,9	-1,8	-9,6%
<b>Gaming Machines</b>	<b>1.702,2</b>	<b>1.746,5</b>	<b>-44,2</b>	<b>-2,5%</b>	<b>27,3</b>	<b>30,0</b>	<b>-2,7</b>	<b>-9,0%</b>
Online Betting	102,3	69,9	32,4	46,3%	6,5	5,3	1,2	22,3%
Games	281,3	210,6	70,8	33,6%	4,3	3,5	0,8	22,4%
<b>Online</b>	<b>383,6</b>	<b>280,5</b>	<b>103,1</b>	<b>36,8%</b>	<b>10,7</b>	<b>8,8</b>	<b>2,0</b>	<b>22,3%</b>
<b>Total Concession</b>	<b>2.338,7</b>	<b>2.284,1</b>	<b>54,6</b>	<b>2,4%</b>	<b>51,8</b>	<b>54,2</b>	<b>-2,4</b>	<b>-4,4%</b>
Other business	117,7	125,5	-7,8	-6,2%	7,5	8,9	-1,4	-15,6%
<b>Total Snaitech</b>	<b>2.456,4</b>	<b>2.409,6</b>	<b>46,8</b>	<b>1,9%</b>	<b>59,3</b>	<b>63,1</b>	<b>-3,8</b>	<b>-6,0%</b>

- ❖ **Retail Betting:** Sports betting wagers pretty stable despite of unfavourable seasonality, Virtual events wagers recovering (+1%) thanks to enhancement of existing platform
- ❖ **Gaming Machines:** wagers decreased as consequence of restriction on opening hours. Marginality affected by PREU increase.
- ❖ **Online:** sound growth of wagers (+37%) due to cross-selling initiatives on retail network and wider games portfolio
- ❖ **Concession Contribution Margin:** reduction by 2.4 mln € mainly due to Sports payout and PREU increase

## 9m 2017 Economics for Concession scope:



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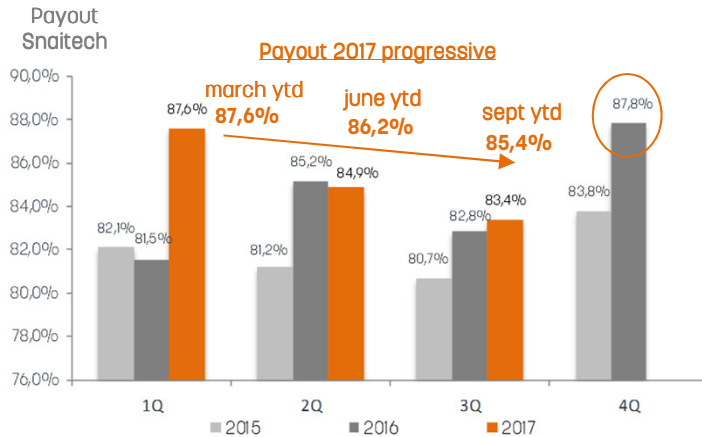
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# Snaitech Sport Payout performance

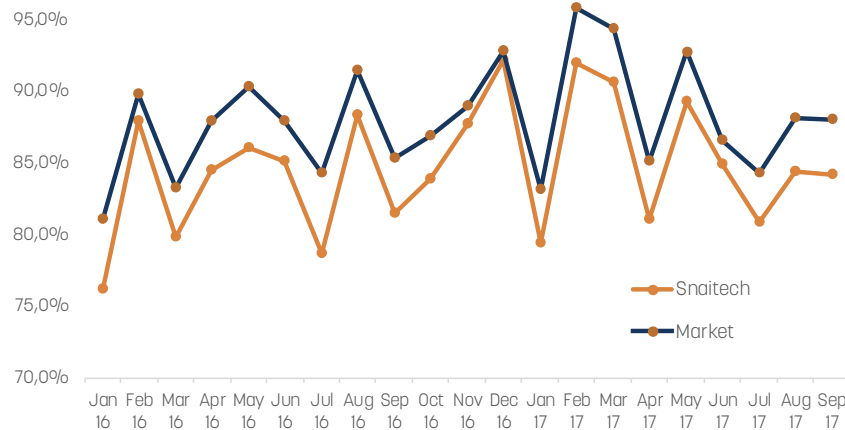


□ Snaitech Sport Payout constantly recovering over 2017:

- 87.6% in 1Q 2017
- 86.2% in 1H 2017
- 85.4% after 9m 2017

□ Room to align 2017 full year payout to 2016 performance (84.5%)

## Sport Payout performance : Snaitech vs Market



Sports Payout Retail	2016	9M17	LTM
Snaitech - Retail	83,5%	84,0%	85,0%
Market - Retail	83,2%	85,2%	85,7%

Sports Payout Online	2016	9M17	LTM
Snaitech - Online	87,1%	88,1%	88,3%
Market - Online	91,4%	91,7%	91,8%

Sports Payout Total	2016	9M17	LTM
<b>Snaitech - Total</b>	<b>84,5%</b>	<b>85,4%</b>	<b>86,0%</b>
<b>Market - Total</b>	<b>87,6%</b>	<b>88,9%</b>	<b>89,1%</b>

□ Snaitech showing a better payout performance vs market (> 3 bps.) stably keeping a strong growth rate

Sources: ADM data and company analysis

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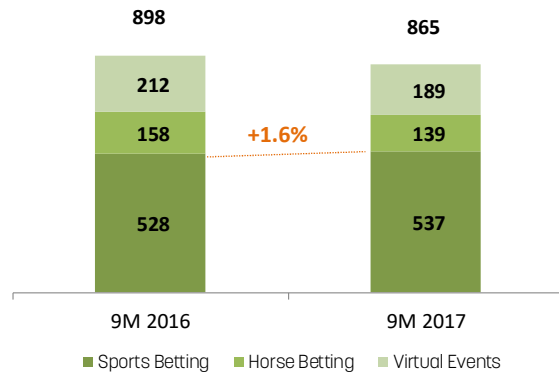
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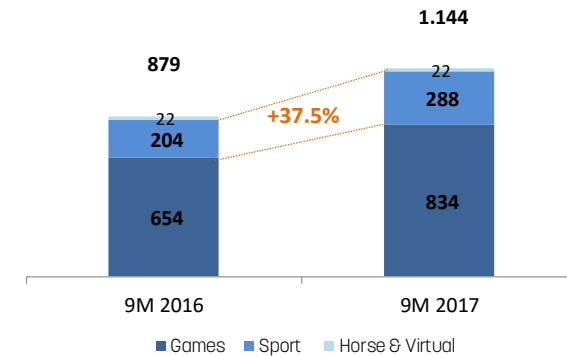
# Snaitech retailers supporting online growth

## Offline Wagers (€ mln)



- ❖ Retail Sports Betting growth **(+1.6%)** coupled with online betting **(+37.5%)** without cannibalisation
- ❖ Retail cross-selling strategy: online account acquisition through retail channel

## Online Wagers (€ mln)



## Online KPI

NGR (€ mln)	9M 2017	9M 2016
From retail cross selling players	29	25
From online acquisition players	23	18
<b>Total NGR</b>	<b>52</b>	<b>43</b>

- ❖ More than **55%** of Online NGR coming from cross-selling players



Snaitech leadership in retail betting is a competitive advantage to expand in the online domain

New Adds (#)	9M 2017	%
Retail cross selling	13.186	21%
Organic _ Brand driven	30.334	48%
Online acquisition	19.050	30%
<b>Total new adds</b>	<b>62.570</b>	<b>100%</b>

- ❖ **48%** of new players totally brand driven, without specific campaign



Strong brand awareness is a driver for the acquisition of online players

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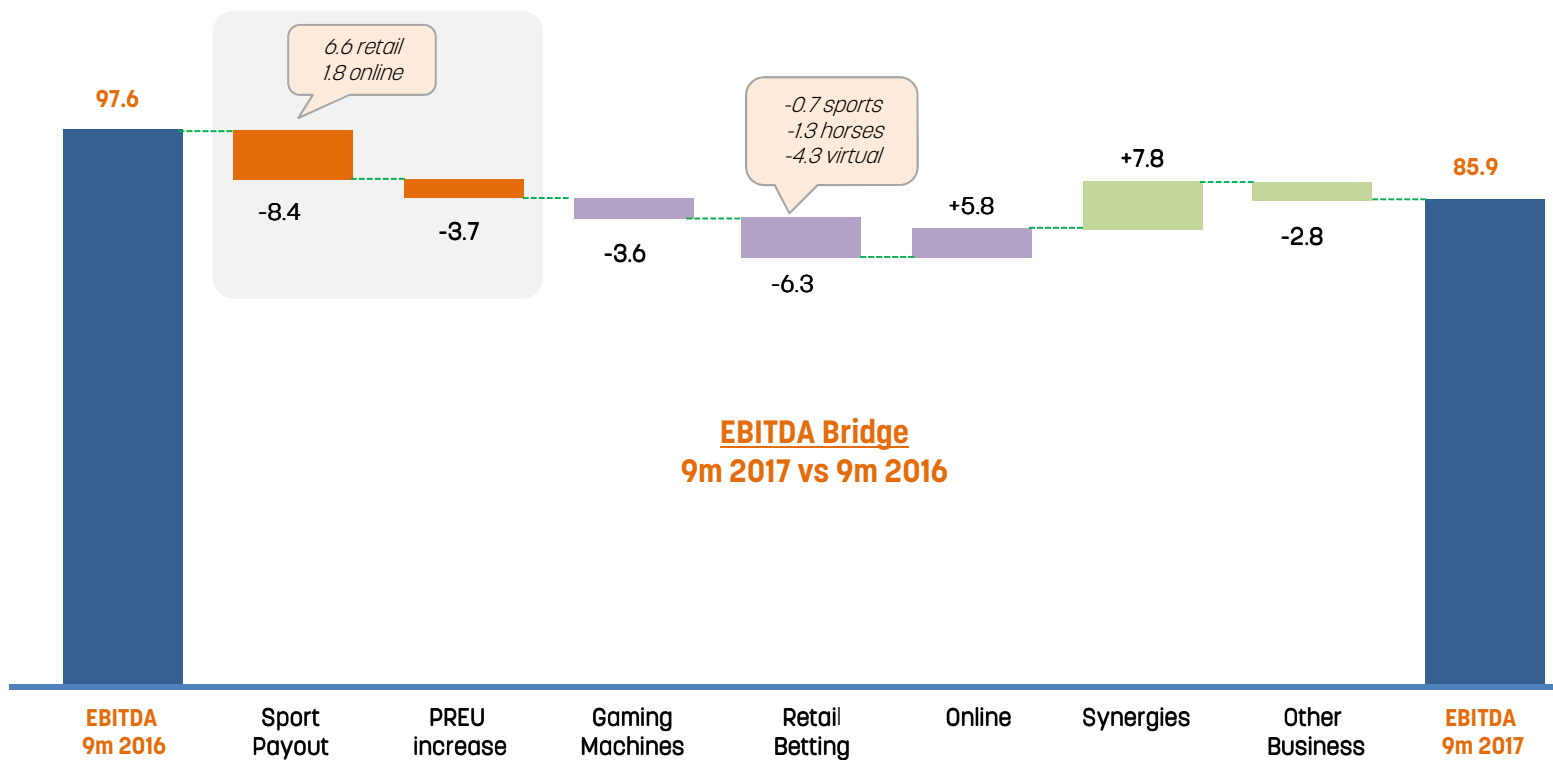
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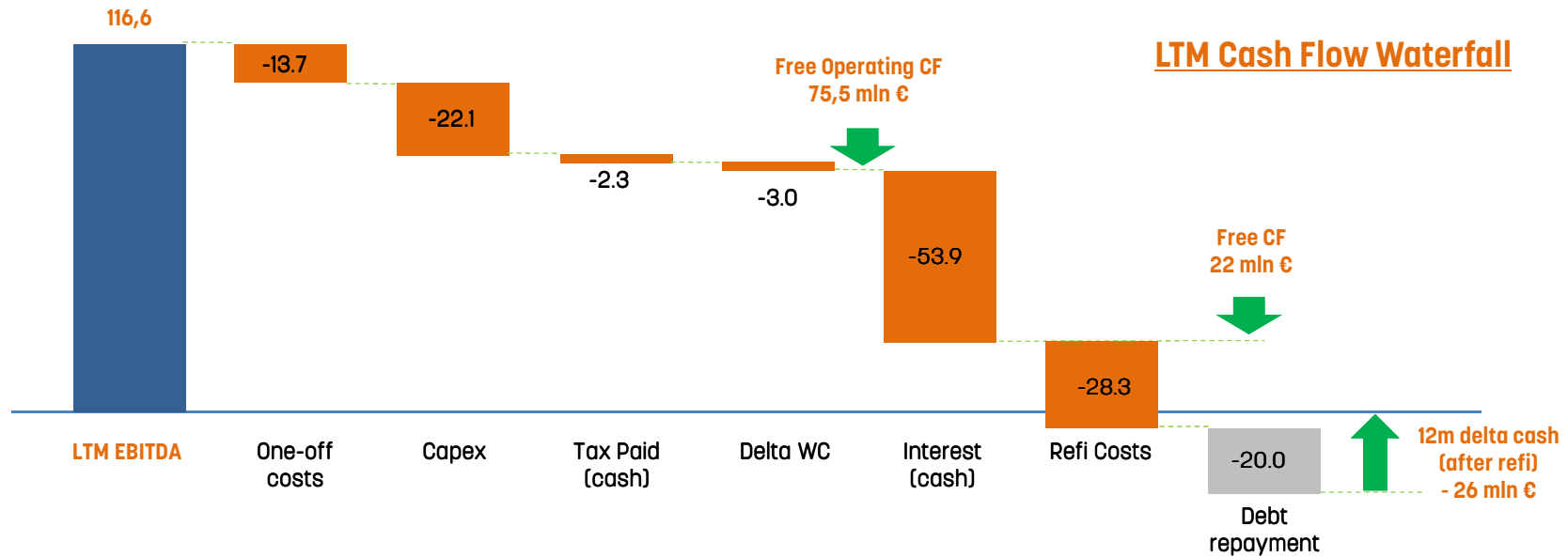


# EBITDA Bridge 9M 2016 – 9M 2017



- ❖ 9m EBITDA decrease (-11.7 mln €) mainly driven by PREU e Payout negative impacts
- ❖ Online growth (+5.8 mln €) and synergy program (+7.8 mln €) offset Gaming Machines and Retail Betting soft performances
- ❖ Synergy program close to completion: additional 3 mln € synergy expected before 1H 18, mainly related to layoff procedure started in July 17

# Cash Flow LTM



- ❖ One off items include SIS acquisition costs and synergy activation costs
- ❖ LTM cash Interests include former bonds interests paid in Q4 16. 2017 (full year) interest costs will decrease to ca. 42 mln €
- ❖ Free Cash Flow 22 mln € (before refi costs)
- ❖ Expected impacts on Cash Flow over next 6-9 months:
  - ca 3 mln € additional savings from synergy program (+)
  - ca 11 mln € lower interest costs (over next 3 months) (+)
  - progressive reduction of one-off costs (+)
  - ca 6.5 mln euro from PREU increase (-)

# Regulatory framework update

## ❖ PREU increase and AWP's reduction

- The Government decree issued on 24th April increased PREU by 0.5% on VLTs and 1.5% on AWP's; estimated impact on Snaitech's marginality over next 12 months: 10 mln € (7 mln in 2017)
- The Decree issued on 31st July provided guidance on the reduction by 30% of the AWP's (maximum estimated impact on Snaitech marginality: 4 mln €). No CAP was applied before this reduction: AWP rights will become a valuable asset for Concessionaires
- A new decree (to be issued likely in late November) will provide detailed rules on AWP's reduction and maximum number of AWP per PoS.

## ❖ "Conferenza Unificata"

- During last meeting (7 September), Central Government and Local Authorities reached a framework agreement to rule the gaming offering at national level. Key points:
  - Cap of 6 hours per day at closing time: local authorities should comply when scheduling opening hours
  - Minimum distances from sensible places to be regulated by Regions, which should preserve existing investments on PoS
  - Concentration of gaming offering (currently distributed over 100K PoS) down to 55K certified PoS
  - Full replacement of current AWP's with new remote AWP's ("Mini-VLT") within 2019
  - Possibility for the Regulator to change tax scheme on Gaming Machines: taxable income from wagers to GGR
- The Agreement should finally align central and local rules, stabilizing scenario for Concessionaires and granting a stable and homogeneous framework for future development.

## ❖ Draft of 2018 Budget Law

- Current draft of 2018 Budget Law defines:
  - Betting Tender postponement to September 2018
  - Extension of current betting rights until 31 December 2018 against payment (3.5K for corners and 6K € for shops)

## ❖ Betting Tender Framework

- Number of rights to be issued: 10,000 shops + 5,000 corners, higher than existing points of sales (<10K)
- Minimum bid prices of 32K for single shop and 18K for single corner
- Common understanding that the launch of the Tender is subordinated to the full implementation of homogeneous rules by the Local Authorities

# 2017 Outlook

## ❖ Strategy and outlook for last quarter 2017

- **Gaming Machines / VLTs:** VLT network integration and optimization (following ADM authorization), roll-out of new VLT rights and payout reduction to offset PREU increase should stabilize gaming machine margin in Q4
- **Betting PoS:** gradual deployment of new smart technology, including BetSmart® (new SSBT), throughout the whole betting network will increase attractiveness of Snaitech offer and marginality in shop operations
- **Virtual Events:** launch of second platform by 1Q 2018
- Strategic **bolt-on integrations** on AWP distribution chain
- International development: B2B business model to leverage proprietary technology and know-how (mainly in betting segment)

## ❖ Business Plan Targets

- Next AWP cut may affect - without wagers redistribution - both wagers growth (CAGR from 4% to 3%) and annual EBITDA from 2018 (max impact 4 mln € on EBITDA)
- Double digit growth expected in the Online business over 2018-2019
- Target of positive Net Income being confirmed for FY 2017

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