

SNAITECH



Snaitech Group

**Financial results
as of 31st December 2017**

16 March 2018

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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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Today's Speakers



Fabio Schiavolin
CEO



Chiaffredo Rinaudo
CFO

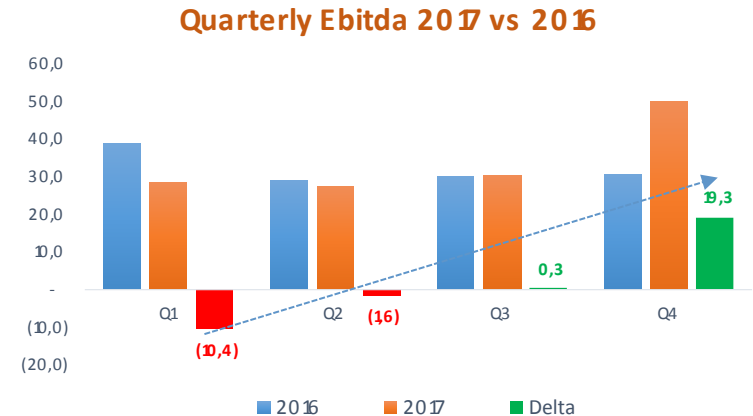


Antonio Cosentini
IR

Snaitech key trends and results as of 31 December 2017

Business and Financial Trends in 2017:

- Financial KPIs show Snaitech solid growth in 2017:
 - EBITDA up to 135.9 mln € from 128.3 mln € in 2016
 - EBITDA 4Q 17: 50 mln € vs. 30.7 mln € in Q4 2016
 - 27 mln € Net Result vs. a loss of 17 mln € in 2016
 - 55 mln € net cash generation
- Positive performance despite some unfavourable industry factors:
 - PREU increase on Gaming Machines [-6.2 mln € EBITDA impact]
 - Absence of catalyst sports events (Euro Cup and Olympics in 2016)
 - Failure to apply State-Regions agreement and subsequent implementation of restrictive rules in some regions (i.e. Piedmont)
- Business Trends in 2017:
 - 30% Online wagers growth
 - 83.2% sport payout (84.5% in 2016), 77.6% in Q4-17 (87.8% in Q4-16)
 - Wagers from Virtual Events grew by 7% in Q4, owing to improvement of the Inspired platform
 - 2.9% wagers from Gaming Machines in 2H 17, recovering from -5.9% posted in 1H 17
- Synergy program following Cogemat integration completed: 18.7 mln € savings accounted in 2016-2017, additional 2 mln € to be posted in 1H 18
- Full roll-out of proprietary Smart Technology® platform over betting network to be completed in 1H 2018 (20 mln € capex program over 3 years, 2016-2018)
- Bolt-on acquisition strategy launched in 2017 (mainly on AWP value chain) with 5.7 mln € capex
- VLT payout reduction completed in 4Q 17; network integration and asset management optimization progressing in 1H 2018
- Virtual Events: launch of a second platform in 1H 2018



2017 Financial KPIs

Financial KPIs

€ million

SNAITECH GROUP (€ m)	2017	2016	delta	Q4 17	Q4 16	delta
Sport Payout	83,2%	84,5%	-1,3%	77,6%	87,8%	-10,2%
Wagers	10.479	10.534	-0,5%	2.801	2.769	1,2%
- Retail Betting	189	1222	-2,7%	324	324	0,1%
- Gaming Machines	7.148	7.476	-4,4%	1868	1929	-3,2%
- Online	164	1243	29,9%	470	364	29,3%
- Other Businesses	529	593	-10,9%	139	152	-8,8%
Total Revenues	890	898	-1,0%	248	236	4,8%
Contribution Margin	269	268	0,4%	87	65	34,0%
EBITDA	135,9	128,3	5,9%	49,9	30,7	62,8%
Net Income	27,0	(17,0)	>100%	22,2	(9,4)	>100%
Capex	25,9	218	18,8%	8,8	5,1	74,8%
NFP	428,8	480,9				
Leverage	3,16x	3,75x				

Business Trends

- ❖ **Retail Betting:** wagers stable despite of unfavourable seasonality, **Virtual events** recovering in Q4 (+7%) owing to enhancement of existing platform
- ❖ **Gaming Machines:** wagers down by 3.2% as a consequence of AWP payout reduction (2016) and restriction on opening hours of shops
- ❖ **Online:** steady growth **(+30%)** thanks to cross-selling and wider games portfolio
- ❖ **Current Trading (Jan-Feb 2018):**
 - Favorable Sport payout: 80.7% (vs 85.9%)
 - 1,657 mln € wagers, in line with 2017
 - Retail Betting wagers: -8.8%, driven by the bookmakers friendly payout
 - Gaming Machines wagers: -2.6% because of first stage of AWP's reduction
 - Online wagers still growing: +17.7%.

- ❖ Wagers recovering in 4Q (+1.2%)
- ❖ Sports payout (77.6%) and 4Q online performance drove growth on revenues and marginality
- ❖ **EBITDA € 135.9 mln** (vs. € 128.3 mln) despite PREU increase
- ❖ **Net income 27 mln €**
- ❖ **NFP to 428.8 mln €, 55.3 mln € net cash generation and Leverage ratio 3.16x (vs 3.75x)**
- ❖ In 2017 Snaitech paid more than 980 mln € of Gaming taxes

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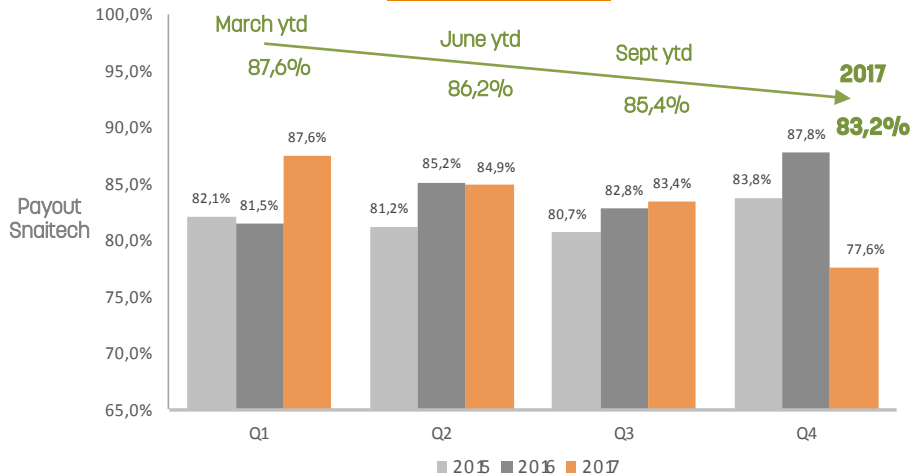
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Snaitech Sports Payout performance

Sports Payout trend

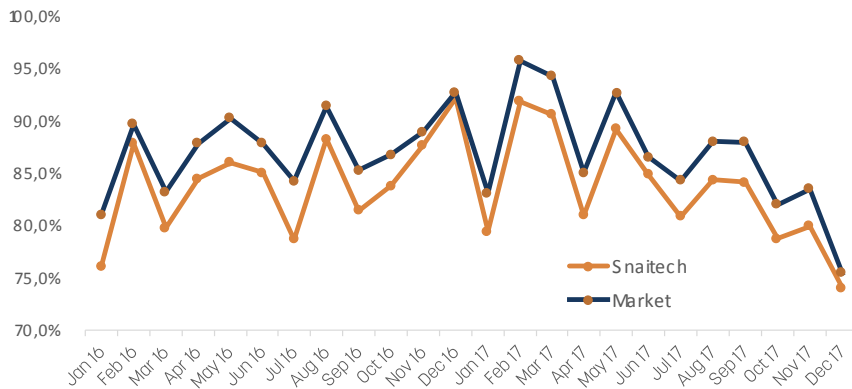


□ Snaitech Sports Payout constantly recovering over 2017:

- 87.6% in 1Q 2017
- 86.2% in 1H 2017
- 85.4% after 9m 2017
- **83.2% over 12m 2017**

Sports Payout performance : Snaitech vs. Market

Snaitech recorded a better payout performance vs. market (> 3%) stably keeping a strong growth rate



Sports Payout Retail	2016	2017
Snaitech - Retail	83,5%	81,5%
Market - Retail	83,2%	81,9%

Sports Payout Online	2016	2017
Snaitech - Online	87,1%	86,5%
Market - Online	91,4%	90,2%

Sports Payout Total	2016	2017
Snaitech - Total	84,5%	83,2%
Market - Total	87,6%	86,6%

Sources: ADM data and company analysis

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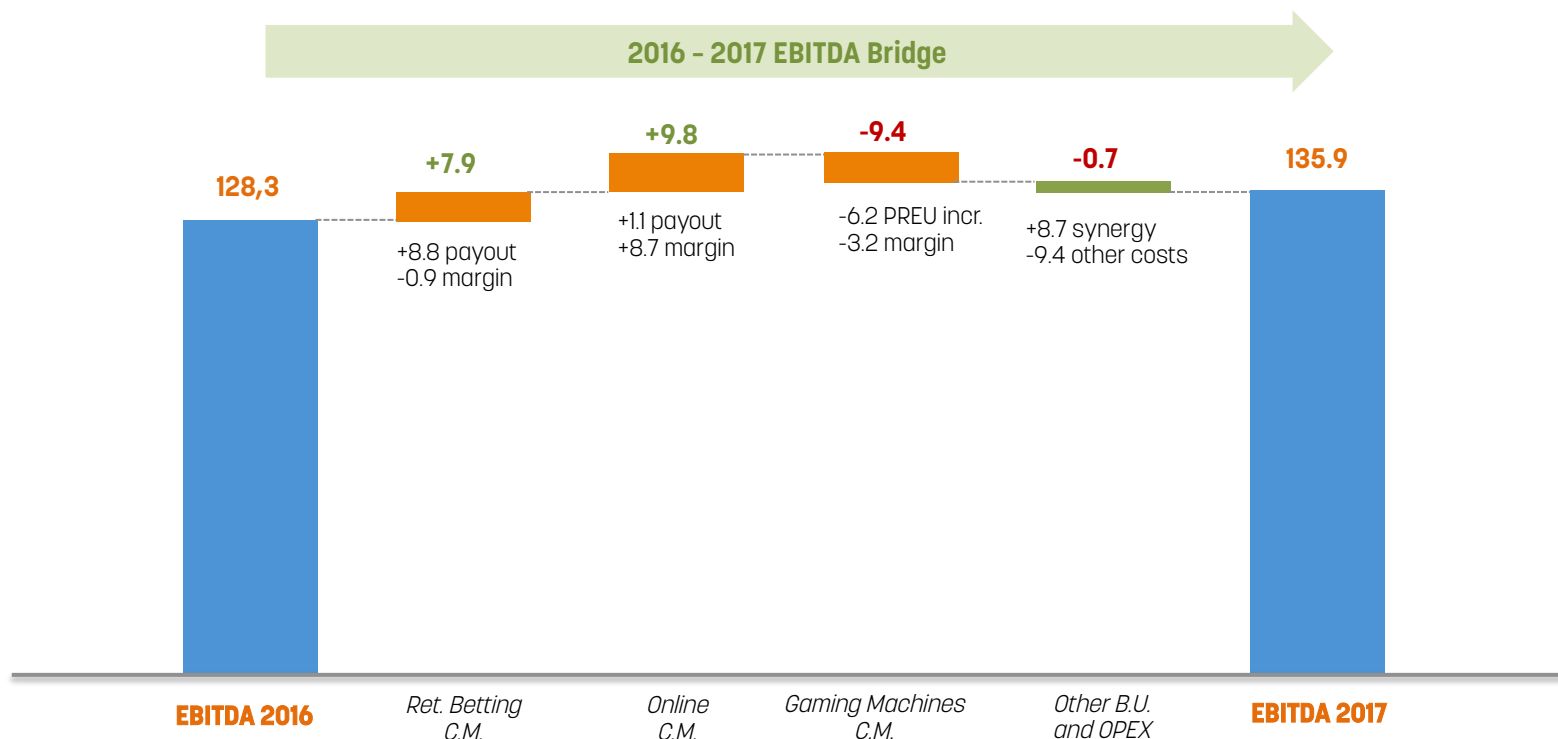
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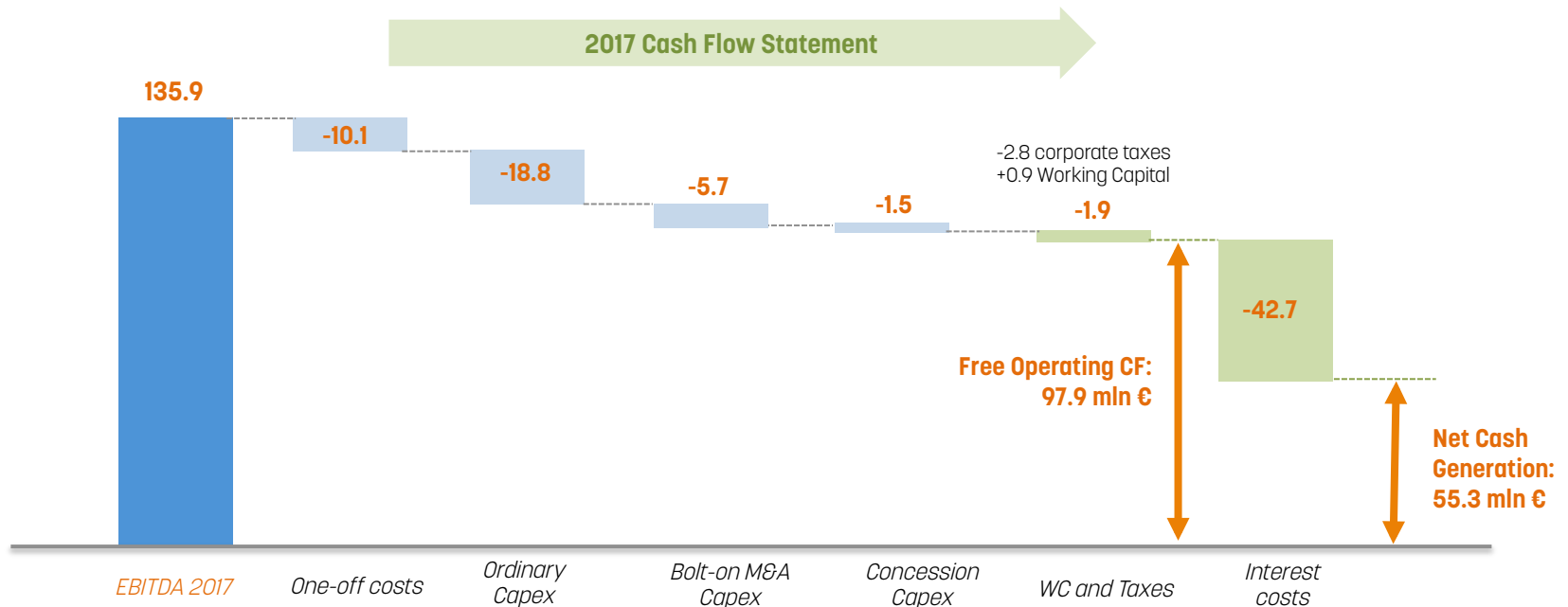
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EBITDA Bridge 2016 -2017



- ❑ Sports Payout contributed with positive impact of 9.9 mln € (8.8 mln on Retail, 1.1 mln on Online)
- ❑ PREU increase impacted by 6.2 mln €
- ❑ € 8.7 mln synergies accounted in 2017 (18.7 mln € in 2016)
- ❑ Other costs include lower marginality from other businesses (Horse racing track management and Paymat), higher costs for adverting, marketing and match streaming as well as increases and bad debt provision related to AWP's reduction

Cash Flow Waterfall



- ❑ One-off items include costs associated with redundancy program and settlement of former litigations
- ❑ Ordinary capex < 20 mln € (of which 7.5 mln € for technology update program) , 5.7 mln € capex for vertical integration deals (mainly in AWP area)
- ❑ Financial costs down to 42.7 mln € vs. 62 mln € in 2016, **Net Cash Flow to 55.3 mln €**
- ❑ Expected impacts on Cash Flow over next 6 months:
 - ca. 2 mln € additional savings from synergy program (+)
 - progressive reduction of one-off costs (+)
 - ca. 4 mln euro from PREU increase (-)

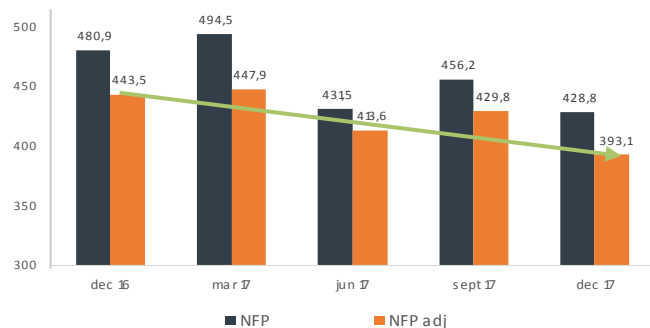
NFP and Liquidity

NFP and adj-NFP quarterly trend

- ❖ **NFP as of 31 December 2017 was reduced to 428.8 mln €**, improving by 52 mln € from year-end 2016
- ❖ Available Liquidity (cash) up to 137 mln €, +55.3 mln € vs December 2016
- ❖ Receivable related to ADM security deposit (to be cashed in Q2 18) was 35.7 mln € as of 31 December 2017
- ❖ NFP adjusted with ADM credit deposit would be 393 mln € showing an **adjusted leverage ratio below 2.9x**

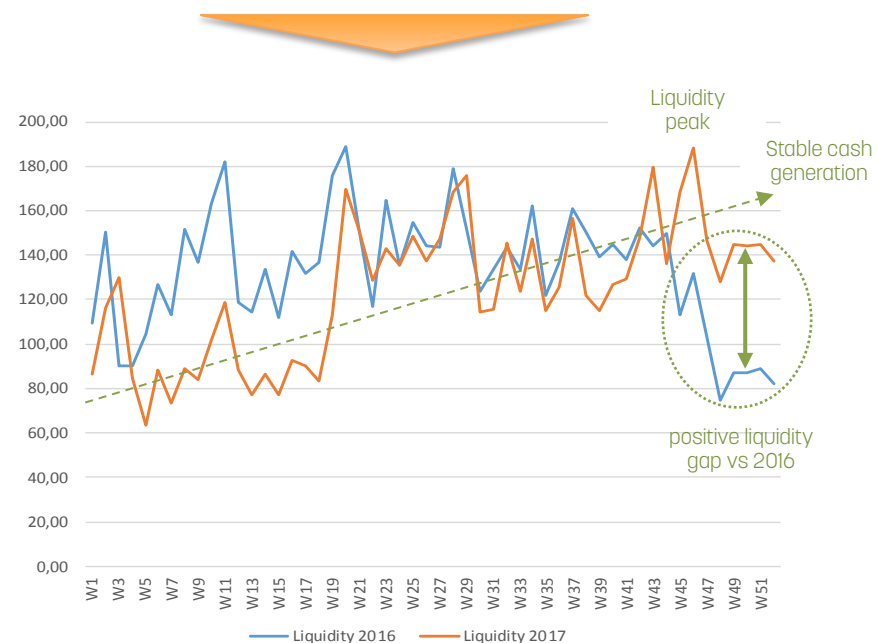
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NFP Snaitech Group	2017	2016	delta
NFP (IAS)	428.798	480.911	- 52.113
Leverage	3,16	3,75	- 0,59
ADM credit	35.735	37.392	- 1657
Adjusted NFP	393.064	443.519	- 50.455
Leverage	2,89	3,46	- 0,56



Liquidity 2017 vs 2016

- ❖ Steady cash generation over 12 months in 2017
- ❖ Comparison vs. 2016 shows positive and increasing liquidity gap in 4Q, owing to 2017 favourable payout and 2016 refi. cost
- ❖ Cash peaks (close to 200 mln € in 4Q) due to structural cash-in process of Gaming market



Regulatory framework update

❖ 35% AWP reduction

- Law n. 96 of 21 June 2017 provided guidance on the **reduction by 35% of AWP**s to be applied proportionally to each concessioner: within December 2017 (achieved), the number of AWP must be lower than 345K and, within April 30 2018, lower than 265K
- **Potential impact (without wagers redistribution) on Snaitech EBITDA lower than 4 mln €**

Before 35% reduction no cap was applied. AWP rights now becoming a valuable asset for Concessionaires

❖ "Conferenza Unificata" outcome

- In September 2017, Central Government and Local Authorities defined a common framework to rule the gaming offering at national level
- Despite and against the spirit of the agreement, in November Piedmont Region issued some restrictive rules against existing AWP located in bars and tobacco shops under 500 mt from sensible places

State-Regions agreement likely to be revised and reinforced to prevent local spread of prohibitionist and restrictive rules

❖ 2018 Budget Law provisions on Gaming

- Betting Tender framework confirmed (15K new rights, minimum bid price 32K for shops e 18K for corners) but timing **postponed to September 2018**
- It is of common understanding that the timing of the Tender remains quite uncertain being subject to the full adoption of homogeneous rules by Local Authorities
- **Fee-based extension of current rights up to 31 December 2018: 3.5K € for corners and 6K € for betting shops**
- No other tender expected for Snaitech until 2022

Ca. 10 mln € capex expected by Snaitech to extend rights in 2018

2018 - 2020 Business Plan drivers and targets

Main guidelines of new 2018-2020 Business Plan:

- ❑ **Online business development**, introducing new products, improving services and strengthening cross-selling activities performed on the retail channel
- ❑ **Technological rejuvenation** across all managed businesses, leveraging proprietary **Smart Technology® platform**
- ❑ Enforcement of **bolt-on acquisition strategy** launched in 2017: vertical integration mainly on AWP's and Retail Betting distribution chains
- ❑ Completion by the first half 2018 of the cost **synergies plan** implemented after the merger with Cogemat

With reference to the additional drivers provided in the former 2017-2019 Business Plan, it is confirmed that:

- ❑ outsourcing of SRI PoS has been completed
- ❑ based on 2017 results, break-even on Net Profit is definitively achieved

Cross selling results over Snaitech network

NGR (€ mln)	12M 2017	12M 2016
From retail cross selling players	42	34
From online acquisition players	36	25
Total NGR	78	59

New Adds (#)	12M 2017	%
Retail cross selling	19.474	20%
Organic _ Brand driven	47.227	49%
Online acquisition	28.774	30%
Total new adds	95.475	100%



Main targets of the Business Plan are:

- ❑ **3% annual growth** of wagers (CAGR)
- ❑ **Leverage ratio** reduction down to **2.4x** by 2019
- ❑ **EBITDA target above Euro 160 million in 2020**
- ❑ Annual **capex** (concession renewal excluded) in the range of **Euro 25 - 30 million**

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Back up - Wagers and Contribution Margin breakdown

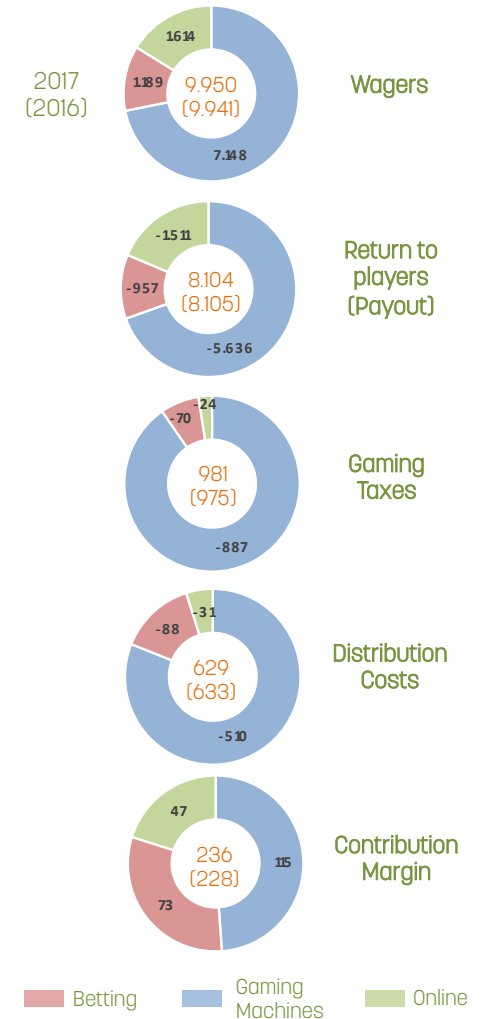
Euro million

SNAITECH	Wagers				Contribution Margin			
	2017	2016	delta	%	2017	2016	delta	%
Sports Betting	746	732	14	19%	54	40	13,3	32,9%
Horse Betting	184	213	(29)	-13,7%	2	3	(0,8)	-30,1%
Virtual Events	258	277	(18)	-6,6%	18	22	(4,6)	-20,6%
Retail Betting	1.189	1.222	(33)	-2,7%	73	65	7,9	12,1%
AWPs	3.700	3.916	(216)	-5,5%	42	45	(2,6)	-5,9%
VLTs	3.447	3.560	(113)	-3,2%	73	80	(6,8)	-8,5%
Gaming Machines	7.148	7.476	(328)	-4,4%	15	125	(9,4)	-7,6%
Online Betting	434	323	111	34,3%	29	22	7,1	33,1%
Games	180	920	260	28,3%	19	16	2,6	16,3%
Online	1.614	1.243	371	29,9%	47	38	9,8	25,9%
Total Concession	9.950	9.941	10	0,1%	236	228	8,2	3,6%
Other business	529	593	(65)	-10,9%	33	40	(7,2)	-17,8%
Total Snaitech	10.479	10.534	(55)	-0,5%	269	268	11	0,4%

Euro million

SNAITECH	Wagers				Contribution Margin			
	4Q 17	4Q 16	delta	%	4Q 17	4Q 16	delta	%
Sports Betting	209	204	5	2,7%	27	6	20,6	>100%
Horse Betting	45	55	(10)	-17,7%	1	1	0,5	82,5%
Virtual Events	69	65	5	7,1%	5	5	(0,3)	-6,3%
Retail Betting	324	324	0	0,1%	33	12	20,8	>100%
AWPs	982	995	(14)	-1,4%	11	12	(12)	-9,7%
VLTs	886	934	(48)	-5,1%	19	20	(0,9)	-4,6%
Gaming Machines	1.868	1.929	(61)	-3,2%	30	32	(2,1)	-6,5%
Online Betting	124	98	26	27,0%	10	5	5,6	>100%
Games	346	266	80	30,1%	6	5	0,6	12,4%
Online	470	364	107	29,3%	16	10	6,2	62,9%
Total Concession	2.662	2.617	46	1,7%	79	54	24,9	46,1%
Other business	139	152	(13)	-8,8%	8	11	(2,9)	-26,8%
Total Snaitech	2.801	2.769	32	1,2%	87	65	22,0	34,0%

Wagers to Contribution Margin stream, Mln €





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