



SNAITECH

1H-2017 results

4 August 2017

SNAITECH

 **SNAI**

 **vincendo**

 **Ziplay**

 **Paymat**

Disclaimer

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.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward looking statements as a prediction of actual results. The Company's ability to achieve its projected objectives or results is dependent on many factors which are outside management's control. Actual results may differ materially from (and be more negative than) those projected or implied in the forward-looking statements. Such forward-looking information involves risks and uncertainties that could significantly affect expected results and is based on certain key assumptions.

All forward-looking statements included herein are based on information available to the Company as of the date hereof. The Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

Today's Speakers



Fabio Schiavolin
CEO



Chiaffredo Rinaudo
CFO

1H 2017: key trends and results

Business Trends:

- **Sport Payout recovering after 1Q performance: 84,9% in 2Q 2017** (87,6% in 1Q 2017) ➡ Total payout in **1H-17: 86,2%** (delta vs 1H-16: **2,9%**, tightening from **6,1%** recorded in 1Q)
- Strong growth of **Online wagers (+27,0%)**, driven by **Online betting (+33,6%)**
- Weak performance of **Gaming Machines (-5,9% on wagers)**, mainly due to AWP payout reduction and tighter local regulations on opening hours
- Virtual Events wagers down by 15% due to migration to new games portfolio
- +20 mln € synergy program on track: **5,7 mln € synergy accounted for in 1H 17**
- Strong cash generation thanks to the new cost structure: ca. 50 mln € in 1H 2017

Action Plan:

- Purchased additional **100 VLT rights** in February
- VLT network integration and optimization as well as payout reduction to offset PREU increase
- Virtual Events: launch of a second platform by the end of 2017
- Rejuvenation program (Betting PoS) up and running, 12 mln € capex over 18 months
- Outsourcing of directly owned shops on track (process to be completed by year-end)
- Layoff procedure started on July

Financials:

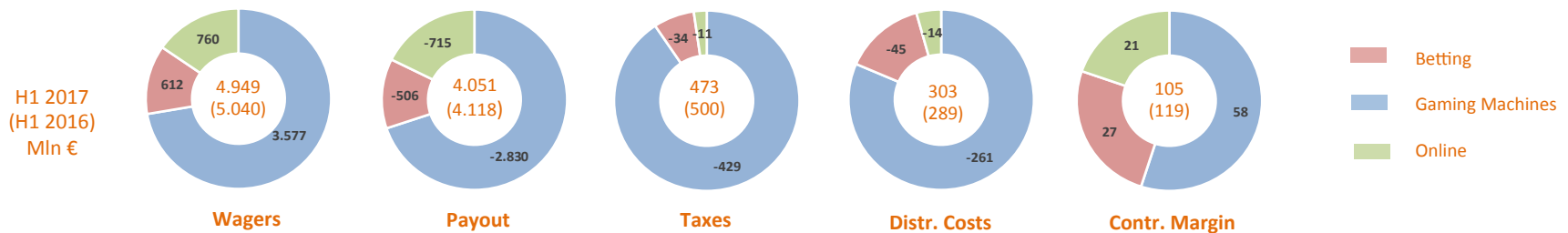
- **EBITDA € 55,7 mln vs € 67,7 mln in 1H 2016**, due to Sport Betting unfavorable payout (-8,4 mln €) and PREU increase impact (-1,8 mln €)
- **Break-even on net income +2 mln €** (-0,4 mln € in 1H 2016)
- **Leverage ratio reduced to 3,7x** (3,5x on adjusted basis)

Wagers and Contribution Margin breakdown

Euro million

SNAITECH	Wagers				Contribution Margin			
	H1 17	H1 16	delta	%	H1 17	H1 16	delta	%
Retail Betting	612	641	(29)	-4,6%	26,6	37,9	(11,3)	-29,7%
Sports Betting	386	375	11	2,8%	16,4	23,9	(7,6)	-31,6%
Horse Betting	98	115	(16)	-14,3%	0,9	1,6	(0,6)	-41,0%
Virtual Events	128	152	(23)	-15,4%	9,4	12,4	(3,1)	-24,6%
Gaming Machines	3.577	3.800	(223)	-5,9%	57,7	62,3	(4,6)	-7,4%
AWPs	1.825	2.017	(191)	-9,5%	21,2	21,8	(0,6)	-2,6%
VLTs	1.752	1.783	(32)	-1,8%	36,5	40,5	(4,1)	-10,0%
Online	760	599	161	27,0%	20,7	19,1	1,6	8,5%
Online Betting	207	155	52	33,6%	11,8	11,4	0,4	3,4%
Games	553	443	109	24,7%	8,9	7,7	1,2	16,0%
Total Concession	4.949	5.040	(91)	-1,8%	105,0	119,3	(14,3)	-11,9%
Betting provider	225	256	(30)	-11,9%	3,8	4,3	(0,5)	-10,8%
Paymat	47	60	(13)	-21,5%	0,4	0,5	(0,1)	-20,8%
Ippodromi	-	-	-	-	4,5	5,0	(0,5)	-10,8%
Others	-	-	-	-	9,0	10,8	(1,8)	-16,7%
Total Snaitech	5.222	5.356	(134)	-2,5%	122,7	139,9	(17,1)	-12,3%

- ❖ **Retail Betting:** growth of wagers on Retail Sports betting (+2.8%), weak performance of Horserace and Virtual Events as well as unfavourable payout effect on marginality
- ❖ **Gaming Machines:** wagers decreased as consequence of AWP payout reduction and restriction on opening hours. Marginality affected by PREU increase
- ❖ **Online:** sound growth of wagers (+27.0%) due to cross-selling initiatives on retail network and wider games portfolio
- ❖ **Concession Contribution Margin:** reduction of 14,3 mln € mainly due the impact of Sports payout and PREU increase
- ❖ **473 mln € gaming taxes** paid in 1H 2017



SNAITECH

SNAI

vincendo

!Ziplay

Paymat

1H 2017: KPIs

Euro million

Financial KPI	H1 2017	H1 2016	delta	%
Wagers	5.222	5.356	(134)	-2,5%
Total Revenues	437,7	442,4	-4,7	-1,1%
Revenues	436,8	439,3	-2,5	-0,6%
Non recurring Revenues	0,9	3,1	-2,2	-72,1%
Contribution Margin	122,7	139,9	-17,1	-12,3%
Operating cost	(67,0)	(72,1)	5,1	-7,1%
Non recurring cost	(0,9)	(4,5)	3,6	-80,3%
EBITDA	55,7	67,7	-12,0	-17,8%
Adjusted EBITDA	58,5	70,5	-12,0	-17,0%
EBT	6,4	7,8	-1,4	-17,7%
Net Income	2,0	(0,4)	2,4	614,0%
Capex	10,9	13,1	-2,2	-17,0%
Net Financial Position	431,5	440,1	-8,6	-2,0%
Leverage (on LTM EBITDA)	3,71x			
Leverage (on LTM Adj EBITDA)	3,51x			

- ❖ **Wagers** reduction by 134 mln € **(-2,5%)**
- ❖ Revenues reduction by 1,1% up to 437,7 mln €
- ❖ **EBITDA € 55,7 mln** vs € 67,7 mln in 1H 2016; EBITDA LTM €116,3 mln
- ❖ **Interest costs reduced to 20,5 mln €** (vs 28,5 mln in 1H 16) after refinancing
- ❖ **Net income positive by 2,0 mln €**
- ❖ **Capex: 10,9 mln €**, in line with 20 mln € capex for FY 2017
- ❖ **Net Financial Position reduced to 431,5 mln €** (134 mln € cash available)
- ❖ **Leverage ratio down to 3.7x**

- ❖ **Unfavourable Payout (86,2%) impacted ca. 8,5 mln €** on Contribution Margin and EBITDA, compared to 1H 2016
- ❖ **PREU increase impacted ca. 1,8 mln €** on Contribution Margin and EBITDA, compared to 1H 2016
- ❖ **Break-even on Net Income and strong cash generation** as a result of Snaitech new cost structure after Refi and synergy program

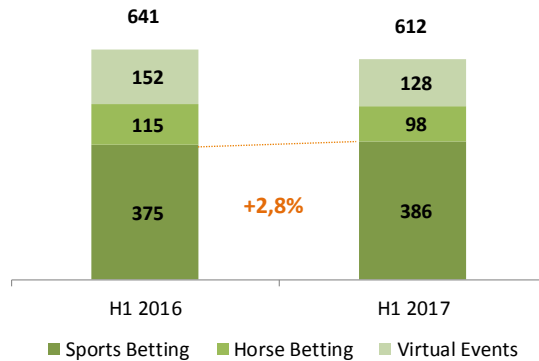
1H KPIs by quarter

SNAITECH GROUP (€ m)	Q2 17	Q2 16	delta	Q1 17	Q1 16	delta
Sport Payout	84,9%	85,2%	-0,3%	87,6%	81,5%	6,1%
Wagers	2.542	2.588	-1,8%	2.680	2.769	-3,2%
- Gaming Machines	1.750	1.835	-4,6%	1.827	1.965	-7,0%
- Retail Betting	296	312	-5,0%	316	329	-4,1%
- Online	368	287	28,4%	392	312	25,6%
- Other	128	154	-16,9%	144	162	-11,2%
Revenues	211	220	-4,3%	227	219	3,6%
Contribution Margin	62	65	-5,8%	61	74	-18,0%
EBITDA	27,4	29,0	-5,5%	28,3	38,7	-26,9%
Net Income	(0,2)	(2,0)	>100%	2,2	1,6	38,9%
Capex	6,5	8,0	-18,7%	4,4	5,1	-14,4%
NFP	431	440	-2,0%	494	478	3,3%

- ❖ Sport Payout recovering in 2Q 17 vs 2Q 16
- ❖ Online Wagers stably over Retail wagers from 1Q 2017
- ❖ **In 2Q-17 EBITDA in line with 2Q-16 net of PREU increase (1,8 mln €)**
- ❖ Lowest NFP posted as of 30 June 2017

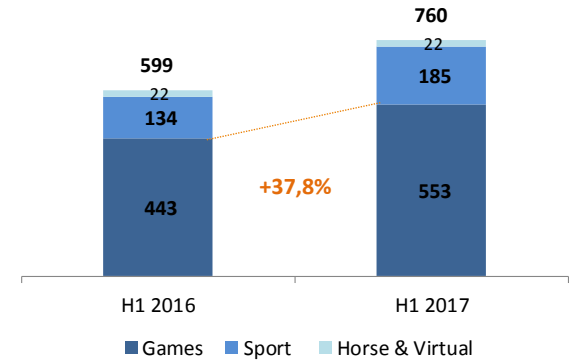
Snaitech retailers supporting online growth

Offline Wagers (€ mln)



- ❖ Retail Sports Betting growth (+2,8%) coupled with online betting (+37,8%) without cannibalisation
- ❖ Retail cross-selling strategy: activation online accounts also through retail channel

Online Wagers (€ mln)



Online KPI

NGR (€ mln)	H1 2017	H1 2016
From retail cross selling players	19	17
From online acquisition players	15	12
Total players	35	29

- ❖ More than **55%** of Online NGR coming from cross-selling players in 1H 17



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

New Adds (#)	H1 2017	%
Retail cross selling	8.137	21%
Organic _ Brand driven	19.003	49%
Online acquisition	12.034	31%
Total new adds	39.174	100%

- ❖ **49%** of new players totally brand driven, without specific campaign

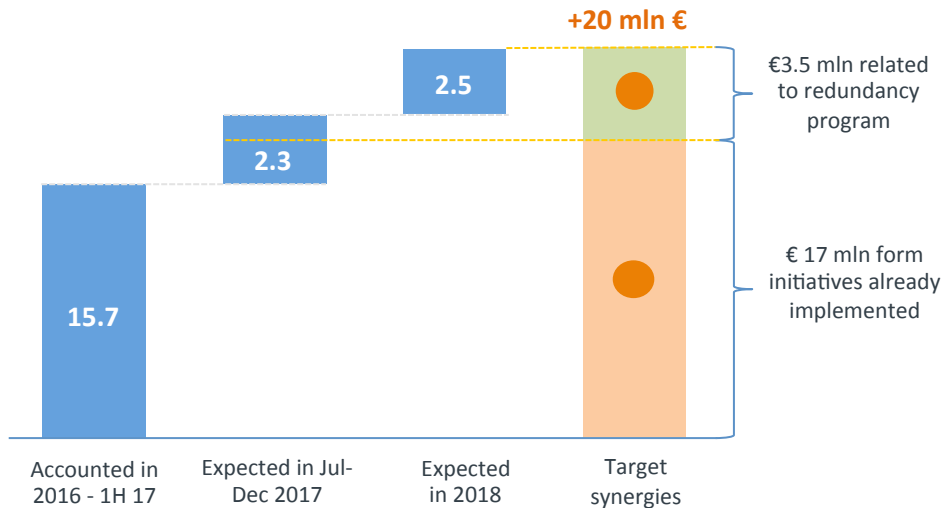


Brand awareness is a driver for the acquisition of online players

+20 mln synergy program fully on track

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

Integration synergy roll-out (€ mln)

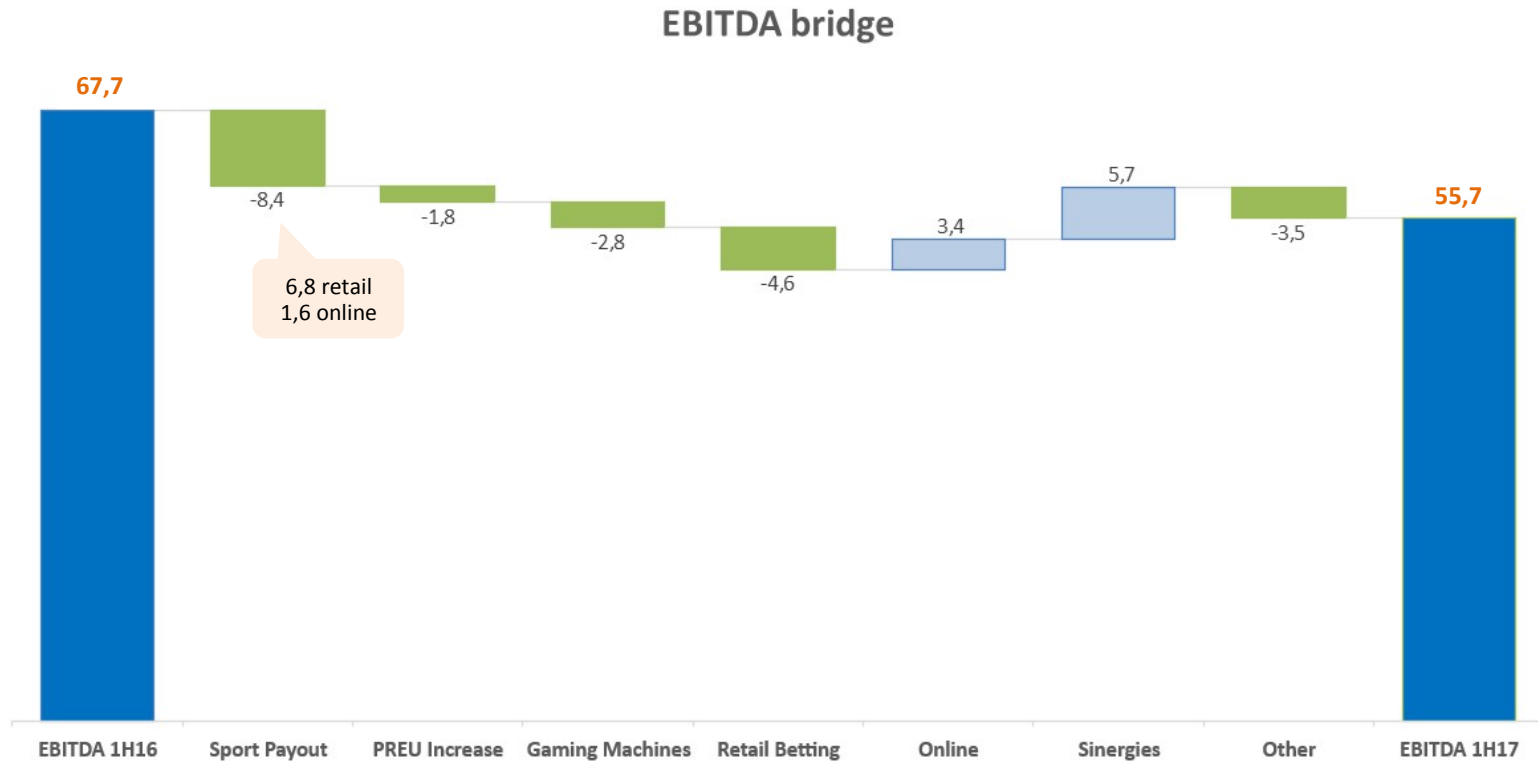


Synergy program timing of execution

- ❖ € 15,7 mln synergies (out of € +20 mln) already achieved and posted (10 mln in 2016 and 5,7 mln in 1H 2017)
- ❖ Additional € 2,3 mln expected to be posted by 2017 year end
- ❖ Further € 2.5 mln synergy expected in 1H-2018
- ❖ **Total one off cost forecast: < 4 mln € to complete redundancy program**

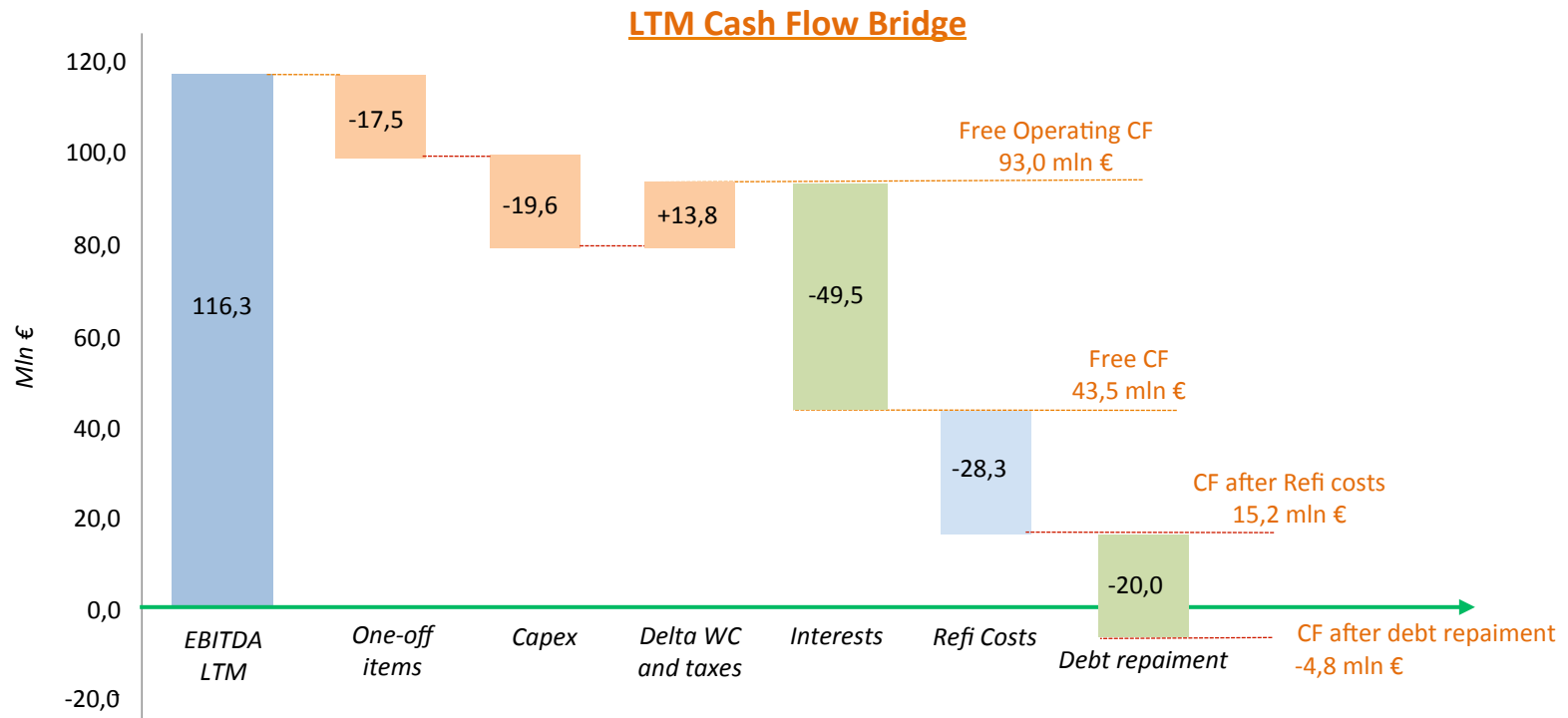
- Renegotiation of main supply contracts: telecom providers, data-centre, logistics, PoS assistance and other third party provider contracts, as result of increased scale; consolidation of headquarters; simplified corporate structure, top management integration, centralization of bookmaking activities
- **Redundancy program started at the beginning of July 2017**

1H 2016-2017 EBITDA bridge



- ❖ Payout increase (86.2% vs. 83.3% in 1H 2016) produced a negative delta on profitability by 8.4 mln €
- ❖ Accounted synergies for 5.7 mln € in first 6 months 2017, mainly related to costs of personnel
- ❖ Cost increase mainly due to online advertising and streaming services

Cash Flow LTM



- ❖ One off items include SIS acquisition costs and synergy activation costs
- ❖ Free Cash Flow 43 mln € (before refi costs, 134 mln € cash available @ 30 June 2017)
- ❖ Expected impacts on Cash Flow over next 12 months:
 - 4,8 mln additional savings from synergy program (+)
 - 8,5 lower interest costs after refi (over next 6 months) (+)
 - 8,5 mln euro from PREU increase (-)

Regulatory framework and 2017 Outlook

❖ Regulatory framework:

- The government decree issued on 24 April increased PREU **by 0.5% on VLTs and 1,5% on AWP**s; the impact on Snaitech EBITDA should be **in the region of 7-10 mln €**
- Law n. 96 of 21 June 2017 fully acknowledged the provisions of the decree dated 24 April 2017 (re. PREU Increase) and provided guidance on the **reduction by 30% of the AWP**s. In details, within December 31, the number of rights of 2017 AWP should be lower than 345 thousands; within April 30, the number of rights of 2018 AWP should be lower than 265 thousands
- Potential impact (without wagers redistribution) on Snaitech EBITDA lower than **4 mln €**
- **“Conferenza Unificata”** negotiation still in place between central and local authorities, possible agreement in September 2017
- **Betting Tender timing** subordinated to the “Conferenza Unificata” outcome

❖ Strategy and outlook for 2017:

- **VLT:** payout reduction to offset PREU increase, network integration and optimization (following ADM authorization), roll-out of new VLT rights
- **Betting PoS:** gradual deployment of SSBTs throughout the whole betting network
- **Virtual Events:** launch of second platform by the end of 2017
- Strategic bolt-on integrations
- 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 target leverage (from 2,3x to 2,4x)
- Double digit growth expected in the Online business
- Target of Positive net income being confirmed for FY2017



SNAITECH

 **SNAI**

vincendo

!Ziplay

Paymat