



Snaitech Group 1Q 2017 Results

15th May 2017

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Today's Speakers



Fabio Schiavolin
CEO



Chiaffredo Rinaudo
CFO

1Q 2017 key achievements

Business:

- Unfavourable **Sport Payout** in Q1 2017 (**87,6%, +6,1% vs Q1 2016**)
- Strong growth **for online wagers (+25,6%)**, driven by **online betting (+35,3%)**
- Weak performance for **Gaming Machines wagers (-7%)**, mainly due to local restrictions on opening hours and AWP payout reduction
- Ca. 59.3k AWP's and 10.4K VLTs managed. Ca. 1,6K betting PoS managed
- Purchased additional **100 VLT rights** in February
- Direct shops outsourcing process on track, full process to be completed by year end 2017
- +20 mln € synergy program on track: **3,3 mln € synergy accounted in 1Q-17**
- Merger with Trenno Srl to be completed in 3Q 17
- Redundancy procedure starting on July
- Betting Rejuvenation program for PoS started in January, 12 mln € capex over 18 months

Financials:

- EBITDA: **€ 28,3 mln vs € 38.7 mln** in 1Q 16, unfavourable **payout effect ca. 10 mln €**
- **Positive net income (2,2 mln €)** thanks to new cost structure post-refi
- **Leverage to 4,2x** (4x on adjusted basis)

Snaitech: Q1 2017 KPIs

Euro million

Financial KPI	Q12017	Q12016	delta	%
Wagers	2.680	2.769	(89)	-3%
Total Revenues	227,4	220,2	7,2	3%
Revenues	226,6	218,9	7,8	4%
Non recurring Revenues	0,8	13	-0,6	-42%
Contribution Margin	610	74,4	-13,4	-18%
Operating cost	(32,8)	(35,7)	2,9	-8%
Non recurring cost	0,6	(16)	2,1	-136%
EBITDA	28,3	38,7	-10,4	-27%
Adj EBITDA	29,7	40,5	-10,8	-27%
EBT	4,6	6,0	-1,4	-23%
Net Income	2,2	16	0,6	-39%
Capex	4,4	5,1	-0,7	-14%
Net Financial Position	494,5	478,5	16,0	3%
Leverage (on LTMEBITDA)	4,2x	3,9x	0,3	8%
Adj Leverage (on Adj LTMEBITDA)	4x	3,6x	0,4	11%

- ❖ **Wagers** reduction by 89 mln € [-3%]
- ❖ Revenues grew by 3% up to 227,4 mln € because of payout reduction for AWPAs
- ❖ **EBITDA € 28,3 mln** vs € 38,7 mln in Q1 2016 (-26,9%); EBITDA LTM a €117,9 mln
- ❖ **Net interest down to 9,6 mln €** (vs 14,0 mln in 1Q 16) after refinancing
- ❖ **Net income 2,2 mln €**
- ❖ **Capex: 4,3 mln €**, in line with 20 mln € capex for FY 2017
- ❖ Cash available 74,2 mln €
- ❖ Net financial position 494,5 mln €
- ❖ Leverage 4.2x (NFP/ LTM EBITDA)

❖ **Unfavourable Payout (87,6%) impacted ca. 10 mln €** on Contribution Margin and EBITDA, compared to 1Q 2016



❖ **Break even on Net Income** as a result of Snaitech new cost structure after Refi and synergy program

❖ 2016 credit deposit for Gaming Machines (so called "canone") to be cashed-in in 2Q 17 (**37 mln €**) will bring leverage under 4x

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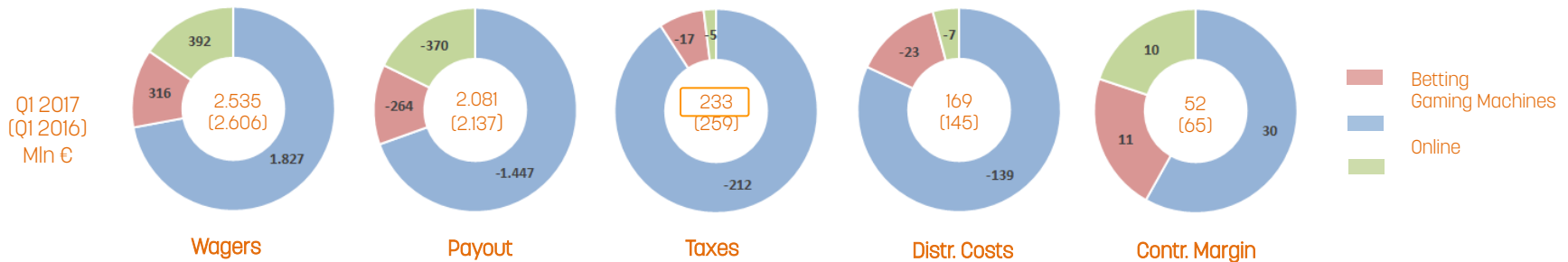
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Wagers and Contribution Margin Breakdown

Euro million

SNAITECH	Wagers				Contribution Margin			
	Q17	Q16	delta	%	Q17	Q16	delta	%
Sports Betting	197	191	5	2,7%	5,6	15,5	(9,9)	-63,8%
Horse Betting	50	59	(9)	-15,6%	0,7	0,8	(0,1)	-10,2%
Virtual Events	69	79	(10)	-12,1%	5,1	6,4	(1,4)	-21,2%
Betting	316	329	(13)	-4,1%	11,4	22,7	(11,3)	-49,9%
AWPs	929	1047	(118)	-11,3%	11,1	10,8	0,3	2,8%
VLTs	899	913	(20)	-2,1%	19,2	21,1	(1,9)	-9,1%
Gaming Machines	1827	1965	(138)	-7,0%	30,3	31,9	(1,6)	-5,1%
Online Betting	107	79	28	35,3%	5,5	6,1	(0,6)	-10,0%
Games	285	233	52	22,3%	4,8	4,1	0,7	17,4%
Online	392	312	80	25,6%	10,3	10,2	0,1	10%
Total Concession	2.535	2.606	(71)	-2,7%	52,0	64,9	(12,9)	-19,8%
Betting provider	18	14	(4)	-11,8%	2,0	2,2	(0,2)	-10,3%
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Horse tracks mgmt	-	-	-	-	2,0	2,0	(0,1)	-3,1%
Others (SRI + Teleippica)	-	-	-	-	4,9	5,1	(0,2)	-3,3%
Total Snaitech	2.680	2.769	(89)	-3,2%	61	74	(13,4)	-18,0%

- ❖ **Betting:** growth of wagers on retail Sports betting (+2.7%), weak performance for Horses and Virtual and unfavourable payout effect on marginality.
- ❖ **Gaming Machines:** wagers decreasing after AWP payout reduction and because of restriction on opening hours.
- ❖ **Online:** sound growth of wagers (+25.6%) due to cross-selling initiatives on retail network and wider game portfolio
- ❖ **Contribution Margin** reduction of 12,9 mln € mainly due sport payout impact
- ❖ 233 mln € gaming taxes paid in Q1



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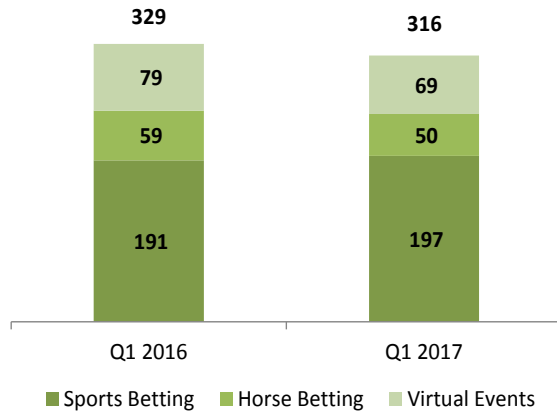
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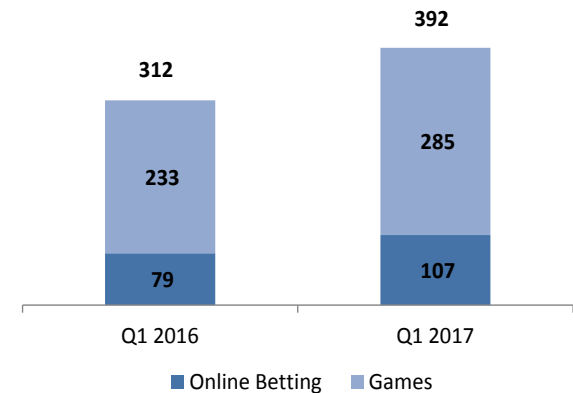
Snaitech Retailers supporting online growth

Offline Wagers (€ mln)



- ❖ Retail Sports Betting growth (+3%) coupled with online betting (+35%) without cannibalisation
- ❖ Retail cross-selling strategy: activation online accounts also through retail channel

Online Wagers (€ mln)



Online KPI

GGR (€ million)	Q1 2017	Q1 2016
From retail cross selling players	2,7	1,8
From Online acquisition players	1,3	7,9
Total GGR	23,0	19,7

- ❖ More than 55% of Online GGR coming from cross-selling players in 1Q 17



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

New Adds (#)	Q1 2017	%
Retail cross selling	5.385	23%
Organic _ Brand driven	1181	47%
Online acquisition	7.047	30%
Total First Time Deposits	23.613	100%

- ❖ 47% of new players totally brand driven, without specific campaign



Brand awareness is a driver for the acquisition of online players

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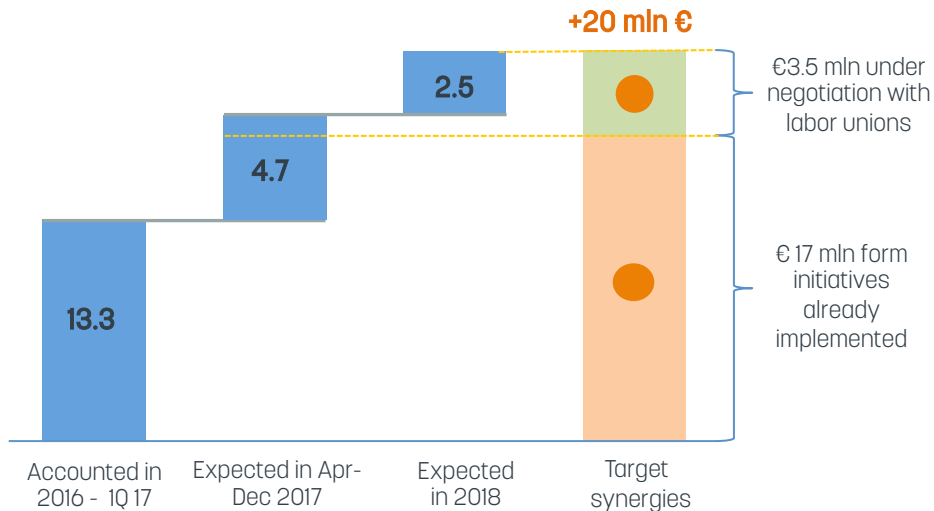
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+20 mln synergy program fully on track

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

Integration synergy roll-out (€ mln)



Synergy program timing of execution

- ❖ € 13,3 mln synergies (out of € +20 mln) already achieved and posted (10 mln in 2016 and 3,3 mln in 1Q 2017)
- ❖ Additional € 4,7 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 to be started by July 2017

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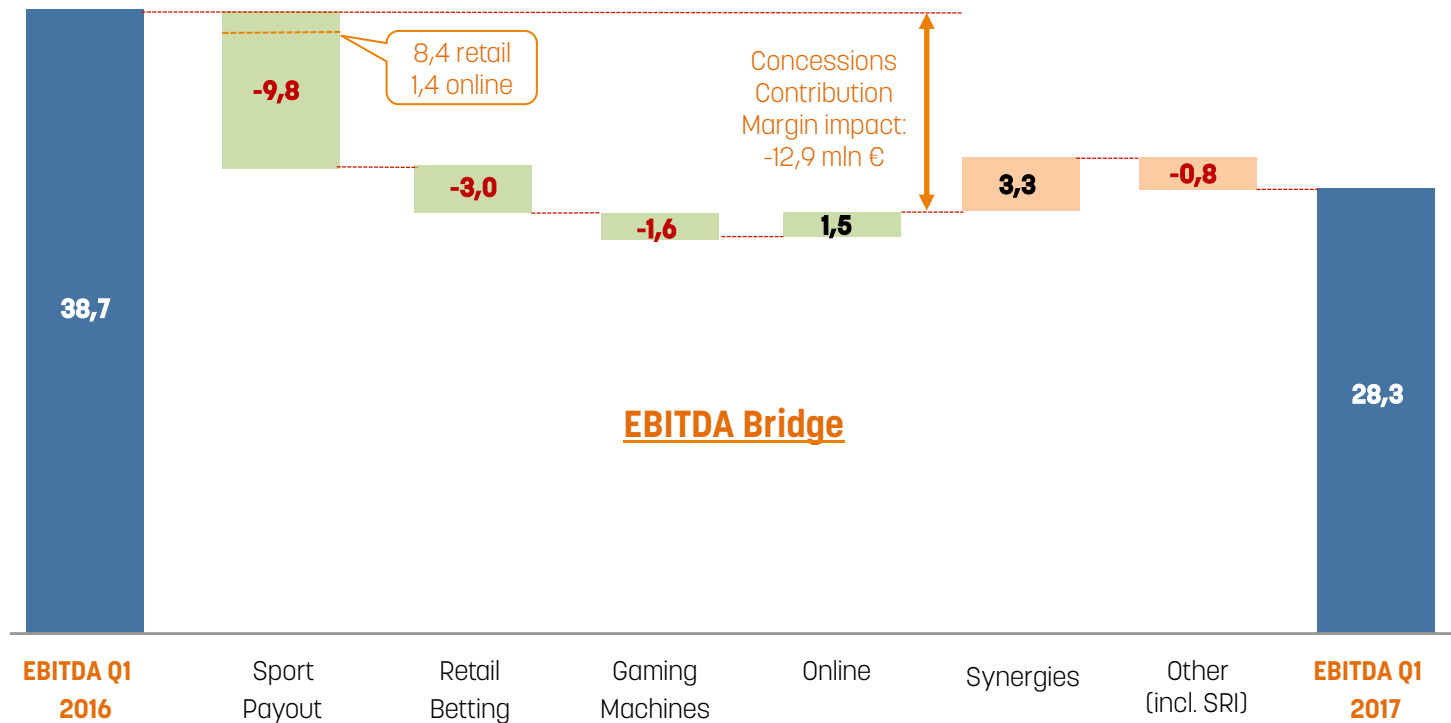
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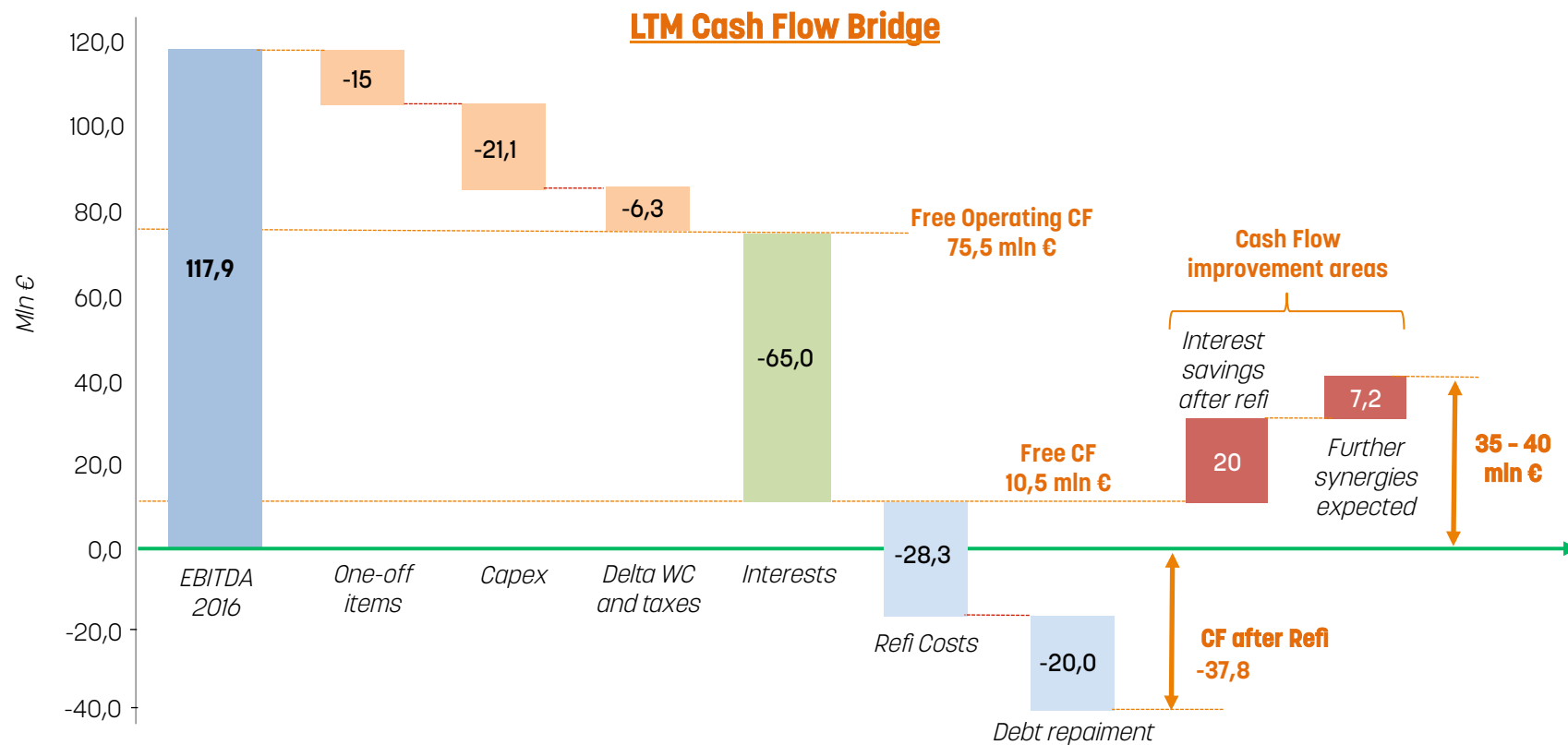
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1Q 2016-2017 EBITDA Bridge



- ❖ Payout increase (87.6% vs. 81.5% in Q1 2016) produced a negative delta on profitability by 9.8 mln €
- ❖ Accounted synergies for 3.3 mln €
- ❖ Cost increase due to online advertising and streaming services

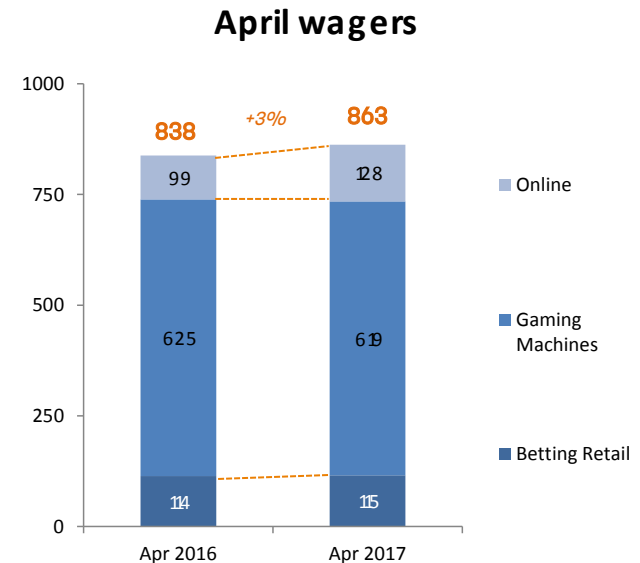
Cash Flow LTM



- ❖ One off items include SIS acquisition costs and synergy activation costs
- ❖ Free Cash Flow 10,5 mln € (before refi costs)
- ❖ Savings on interests costs up to 20 mln € in next 12 months
- ❖ 74,2 mln € cash available @ 31 March 2017

Current Trading: April 2017

- ❖ **Total wagers +3%** vs April 2016
- ❖ **Online:** wagers growth **(+29,8%)** consolidates positive trends recorded in 2016 and in Q1 2017 (**Betting +41.3% and Games +25.6%**)
- ❖ **Offline Betting: +1.4%** thanks to **Sports Betting** performance (**+11%** compared to April 2016).
- ❖ **Gaming Machines: -1%** on total wagers, mainly due to opening hours restrictions and AWP's payout update, partially offset by **VLT good performance (+2,8%)**
- ❖ **Sports Payout** recovering, more than **3 percentage points lower** vs April 2016
- ❖ **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



Italian Regulatory framework

❖ **PREU increase:**

- The government decree issued on 24th April increased PREU **by 0.5% on VLTs and 1,5% on AWP**s; the impact on Snaitech marginality should be **in the region of 7-10 mln €**.
- According to latest parliamentary talks, both increases could be smoothed in the following conversion into Law, reshuffling new taxation to other gaming areas..

❖ **"Conferenza Unificata":**

- negotiation process still on-going between central and local authorities 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)
- latest governmental draft of agreement proposed up to **6 hours of daily restrictions** on opening hours, a **minimum distance of 150 mt** from sensible places (churches, schools and hospitals) and the **full replacement of current AWP with new Mini-VLT** within the end of 2019
- The governmental proposal represents a balanced mix of solutions that could attract the consensus of local authorities, stabilizing current scenario for Concessionaires, granting a stable and homogeneous framework for future development

❖ **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 mainly subordinated to the "Conferenza Unificata" outcome**
- ADM has recently requested each concessionaire to extend the current guarantees until June 2018

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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

- ❖ **Expected wager trends for 2017**: **Gaming Machines** and **Retail Betting** recovering thanks to:
 - **new VLT rights** roll-out
 - full deployment of ex-Cogemat **VLT platforms** over SNAI network for April
 - **AWP payout stabilization** from 2H 2017
 - **technology update** for betting PoS, despite negative seasonality of summer time (compared to 2016 when European football championship, Copa America and Olympics were played)
 - double digit growth **in the Online business**, with strong focus on Live events (purchased live streaming rights on Italian premier leagues)
- ❖ **International development** with B2B business model to leverage proprietary technology and know-how (mainly in betting segment)
- ❖ Strategic **bolt-on integrations**, both in AWP and Online segments
- ❖ **Synergy program** roll out and completion: ca. 7 mln € additional savings to be achieved by 1H 2018
- ❖ **Positive net income** target confirmed for FY2017



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