



# ***SNAITECH***

## **Italian High Yield Conference**

*Milan, 23<sup>rd</sup> May 2017*

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# 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.

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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.

## Group overview and business positioning

2016 Financials

Current trading and Outlook

# Snaitech Group Overview

## SNAITECH S.p.A., a public company leading the Italian regulated Gaming market

### Core business: Gaming Concessions

- ❖ **Betting:** sports, horseraces and virtual bets on retail channels (1,600+ betting Point of Sales)
- ❖ **Gaming Machines:** network management (10,000+ VLTs<sup>(a)</sup> in more than 1,300 Arcades; 59,000+ AWP<sup>(b)</sup> in ca. 15,000 PoS)
- ❖ **Online:** betting, bingo, casino, poker and skill games offering via website and mobile apps (500,000+ accounts with 110,000+ frequent players)

### Ancillary businesses

- ❖ Payment Services proprietary platform (utility bill payment, mobile top-up, phone/gift cards)
- ❖ 3 major race tracks in Italy (2 in Milan and 1 in Tuscany)
- ❖ Sat TV broadcasting and Radio channel for Horse Racing and Virtual Games
- ❖ Large landowner: 1.65+ mln sqm (including 3% of Milan municipality)

### Shareholders

- ❖ 55.6% Global Games (Investindustrial & Palladio)
- ❖ 15.0% OI-Games 2 (Orlando Fund)
- ❖ 29.4% free-float

### 2016 Financials

- ❖ € 10.5 billion wagers (+3,3%)
- ❖ € 898 million revenues
- ❖ € 128,3 million EBITDA (+14 mln €)

### Organization & Tech

- ❖ 1,150 employees
- ❖ 3 office locations: Milan, Roma and Porcari (Lucca)
- ❖ Proprietary IT technology, 2 managed datacenters (Roma and Porcari)

(a) VLT: Video Lottery Terminal or "VLT" refers to an electronic Video Lottery game device to be installed in betting/gaming halls, maximum price € 500.000 (jackpot)

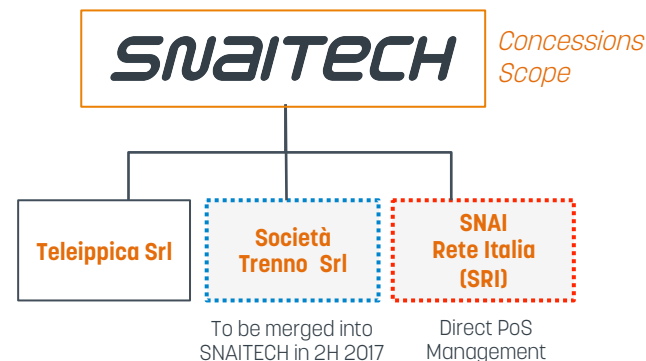
(b) AWP: Amusement with prize, refers to an electronic slot machine game device to be installed in Bars, Tobacconists or in betting/gaming halls, maximum price € 100 (no jackpot)

# From SNAI to SNAITECH following Cogemat merger

- ❑ Successful integration with Cogemat Group, corporate re-brand into SNAITECH S.p.A.
- ❑ Efficiency program targeting **+20 mln € synergies**
- ❑ **Consolidated #1 position in Retail Betting** and became **#2 in gaming machines**
- ❑ New simplified and streamlined **corporate structure**
- ❑ Developed and successfully launched a **new online betting platform**
- ❑ All Cogemat licenses converted into SNAITECH 's in 2016
- ❑ Fully refinanced capital structure issuing **570 mln € of secured notes and new larger €85m RCF**. Savings on interest costs by **17 mln € / year**



## New Corporate structure



Thanks to 2016 achievements and business developments, SNAITECH may lean on solid pillars for its future growth:

### Growth and Financials

- ✓ Wagers up 3% in 2016
- ✓ Online betting wagers +40% yoy
- ✓ 2016 EBITDA up to €128,3m
- ✓ Net Debt Adj. Leverage reduced under 3.3x

### Technology

- ✓ Ownership of technology in online and retail Betting
- ✓ IT technology based in 2 proprietary datacenters
- ✓ Partnerships with leading providers (IGT, Playtech, Inspired, Novomatic, etc.)

### Management

- ✓ Balanced mix between ex-SNAI and ex-Cogemat cultures
- ✓ Distinctive industry know-how
- ✓ Successful M&A track record both in Cogemat and in Ladbrokes Italia integrations

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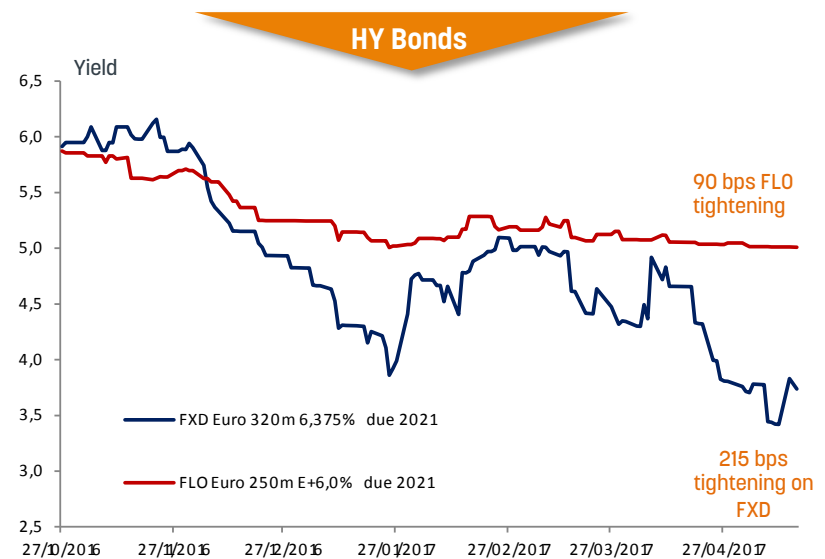
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# Strong Equity and Credit performance

- ❖ **SNAITECH Share:** share price stably growing thanks to operating results, successful integration with Cogemat and refi operation
- ❖ Trading volumes increased from January 2016 average of 200K shares/day to ca. 600K shares/day in 2017
- ❖ **SNAITECH share performance: + 48,3% (vs FTSE MIB - 9,7%) in 2016, >100% over last 6 months**
- ❖ **SNAITECH Bonds:** since issuance constantly tightening both fixed and floating rate
- ❖ **Increased analyst coverage** with more brokers started/resumed equity and credit analysis in 2016 (DB, Unicredit, Lucror Analytics, Barclays, Banca Aletti, Equita, Intermonte)



Source: Borsa Italiana



Source: Bloomberg

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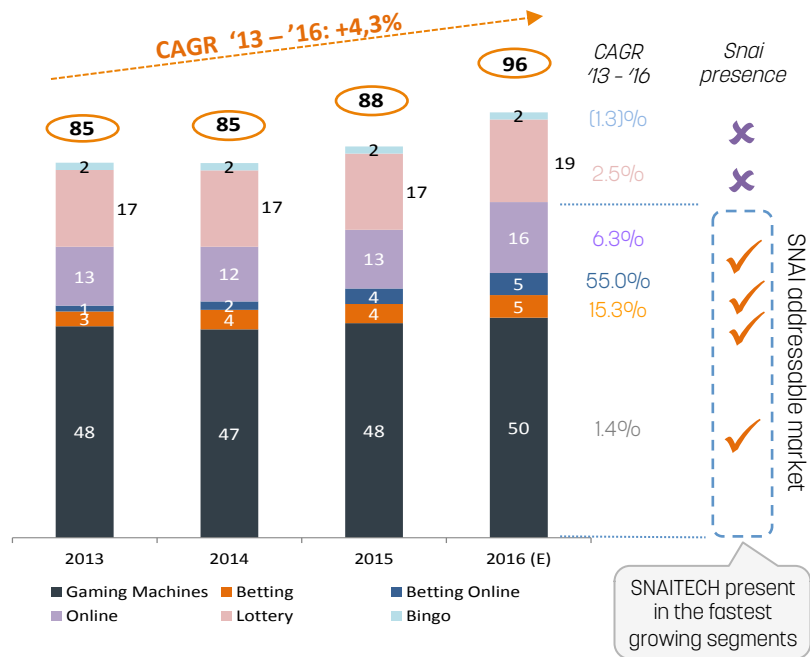
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# SNAITECH holds a leading brand and position in a growing market

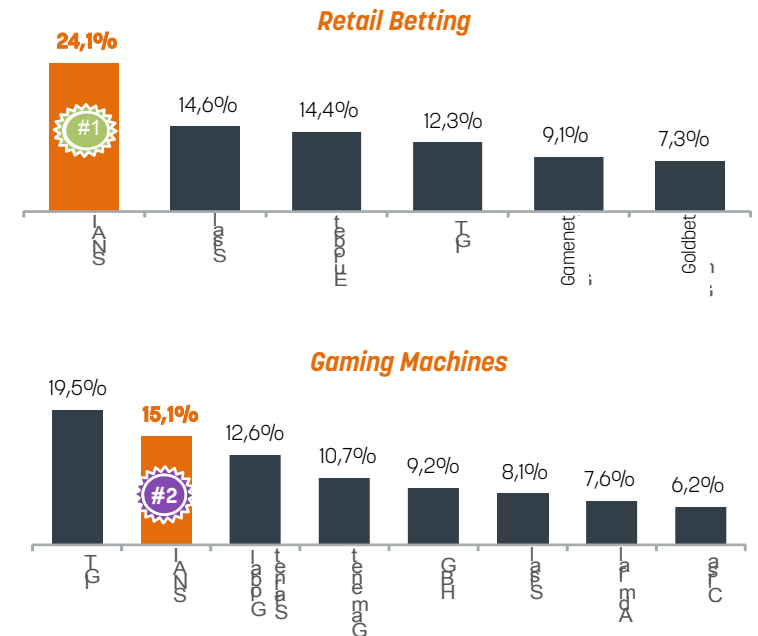
- ❖ Italian Market growing stably (**96 Bln € in 2016**) as the largest gaming market in Europe
- ❖ With € 10,5 Bln wagers at the end of 2016, SNAITECH **holds 13,3% Market Share** of its addressable market
- ❖ **SNAITECH ranks #1 in Retail Betting** and **#2 in the Gaming Machines**
- ❖ Based on GGR, **SNAITECH ranks #2 in Online Betting and #6 in Online Gaming**
- ❖ 2 out of 3 Italian aged 18 to 65 years know the **Snai brand** as "The Betting Specialise" and "Italian, Safe, Reliable" (Astra Research)

## Italian Gaming Market: 2013 - 2016 Wagers (€ bln)



Source: ADM, Company information based on ADM

## Snaitech leadership in Retail Betting and Gaming Machines



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# Full range of services offered

**SNAITECH offers a complete suite of services to its points of sale, retail and online customers**



- ❖ 1,000+ average pre match events per day
- ❖ Full time schedule of events (24/7)
- ❖ Live schedule (also online): up to 16.000 events/month
- ❖ Live channel (including worldwide events on football and tennis)
- ❖ Rankings constantly updated on the most popular sports including e-sports



*Proprietary Acceptance System: cashdesk, self service, tablet, mobile*



- ❖ Wide offer of events (horses, dogs, football, tennis, speedway, racing)
- ❖ 3 different Retail Channels (all-sports, all -football, all-racing)
- ❖ Exclusive markets for football (virtual football league)
- ❖ Dedicated TV shows, presenting the virtual events
- ❖ Leading agreement with Inspired



- ❖ +59k AWP in more than 15,000 PoS
- ❖ 10K+ VLT rights in 1,300 Arcades
- ❖ Strategic partnerships with top 5 providers: Novomatic, ISpielo, Playtech, Aristocrat, Inspired



- ❖ Devices: web, smartphone and tablet
- ❖ Mobile streaming exclusive rights on Serie A, Liga, NBA and ATP Tour (4.000+ events/month)
- ❖ Sports book offering with live streaming on
- ❖ One of the most extended Casino and Skill games offering
- ❖ Innovative offer of Fantasy Sports and e-Sport



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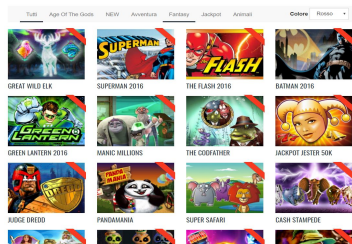
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# Snaitech Digital Journey

## Desktop:

- +100 new slots
- Paymat & Skrill
- Social betting: Bet Club



Paymat  
servizi  
Skrill



## Mobile:

- New sport app
- Poker App
- Sette e mezzo App



## Daily Spin



## Instant Roulette



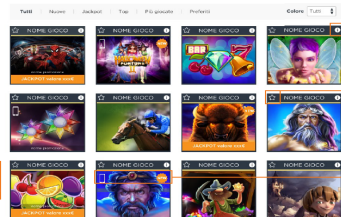
◀ **2017**

## Desktop:

- Trigger technology
- New e-gaming tabs
- Launch of Fantaking

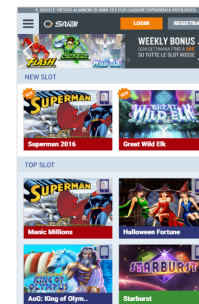
**2016** ▶

**FANTAKING**

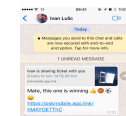


## Mobile:

- New Html 5 sport
- New msite



## Retail bet track & share



Launch of Bingo App

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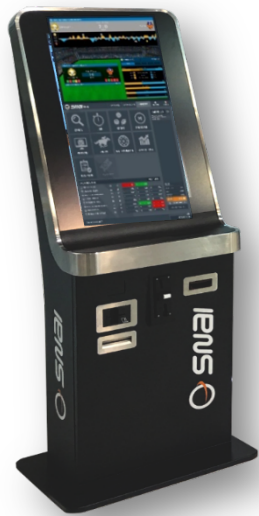
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# Network rejuvenation through new technology introduction

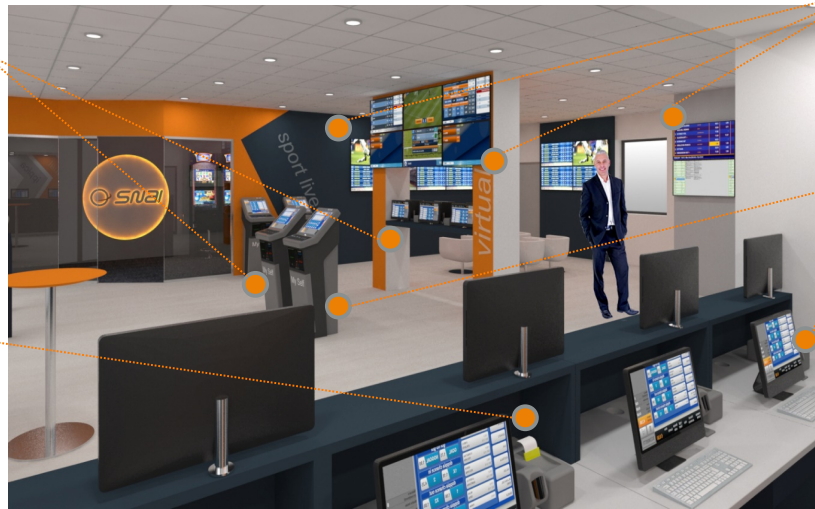
- ❖ € 12 mln ordinary capex over two years (2017 and 2018) allotted to new investments on retail betting network, matching same capex absorbed in 2016 by AWP board replacement
- ❖ Expected ordinary capex 2017 in line with 2016
- ❖ Key area of new investments: SSBTs, new software solutions and smart purchase
- ❖ Omnichannel strategy: unique customer player journey, mobile solution for retail customers, top up and cash out in PoS via different device solutions ( all proprietary software)



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

# Concession renewals scheme

Segment	Key products	Expiring date	Concession scheme	SNAITECH rights	SNAITECH presence
<b>Slot machines</b>	• AWP	Mar-22	Multi-providing	59,300	✓
<b>Video Lotteries</b>	• Platforms/games	Mar-22	Multi-providing	10,400	✓
<b>Betting</b>	• Sport betting • Horse betting • Virtual race	Jun-16	Multi-providing	1,716	✓
<b>Online games</b>	• Betting • Poker and skill games • Casino/Slots/Quick games • Lotteries and bingo	Sep-20	Multi-providing	Single concession to operate different games	✓
<b>Lotteries</b>	• Lotto • NTNG ("Superenalotto") • S&W ("Gratta e Vinci")	Jun-25 Jun-18 Jun-19	Exclusive concessions	-	Snaitech not exposed to renewal risk of exclusive concessions
<b>Bingo</b>	• Bingo	2016	Multi-providing	-	✗

Higher # of licenses being offered (15k) vs currently (9k)  
Tender timing uncertain  
Estimated Snaitech capex: € 60m

Estimated Snaitech capex: €300-500k

**Limited renewal risk for Betting rights and no other significant Snaitech Concession expiring until 2022**

# Italian Regulatory framework

## ❖ PREU increase:

- The Government Decree issued on 24th April increased PREU by 0.5% on VLTs and 1,5% on AWP: the impact on Snaitech marginality should be in the region of 7-10 (full year) mln €.
- According to latest parliamentary talks, both increases could be smoothed in the following conversion into law, partially reshuffling the increase of 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 core 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
- Snaitech ready for tender: thanks to its liquidity (>70 mln € as 1Q 2017) there is no need to undraw the RFC

# Agenda

Group overview and positioning

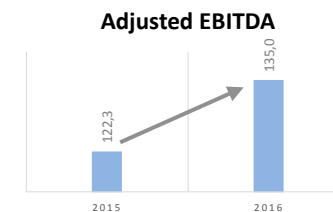
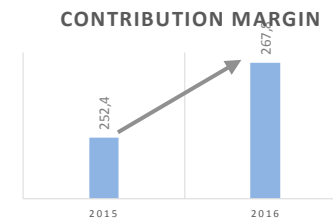
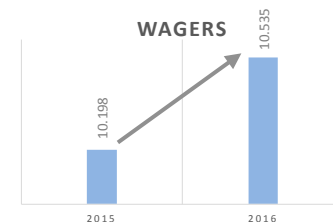
**2016 Financials**

Current trading and Outlook

# 2016 Full Year KPIs

Euro million

Financial KPI	2016	2015 PF	delta	%
<b>Wagers</b>	<b>10.534</b>	<b>10.198</b>	<b>336</b>	<b>3%</b>
<b>Total Revenues</b>	<b>898</b>	<b>1001</b>	<b>(102)</b>	<b>-10%</b>
Revenues	892,4	968,6	-76,2	-8%
Non recurring Revenues	6,1	32,3	-26,2	-81%
<b>Contribution Margin</b>	<b>268</b>	<b>252</b>	<b>16</b>	<b>6%</b>
Operating cost	(139,5)	(137,7)	-18	1%
Non recurring cost	(9,1)	(219)	12,8	-58%
<b>EBITDA</b>	<b>128,3</b>	<b>114,5</b>	<b>14</b>	<b>12%</b>
<b>Adjusted EBITDA</b>	<b>135,0</b>	<b>122,3</b>	<b>13</b>	<b>10%</b>
<b>Net Income</b>	<b>(17,0)</b>	<b>(52,0)</b>	<b>35</b>	<b>-67%</b>
<b>Capex</b>	<b>218</b>	<b>19,1</b>	<b>3</b>	<b>14%</b>
<b>Net Financial Position</b>	<b>4810</b>	<b>467,6</b>	<b>13</b>	<b>3%</b>
<b>Leverage</b>	<b>3,75X</b>	<b>4,08X</b>		
<b>Leverage (on Adjusted EBITDA)</b>	<b>3,56X</b>	<b>3,82X</b>		



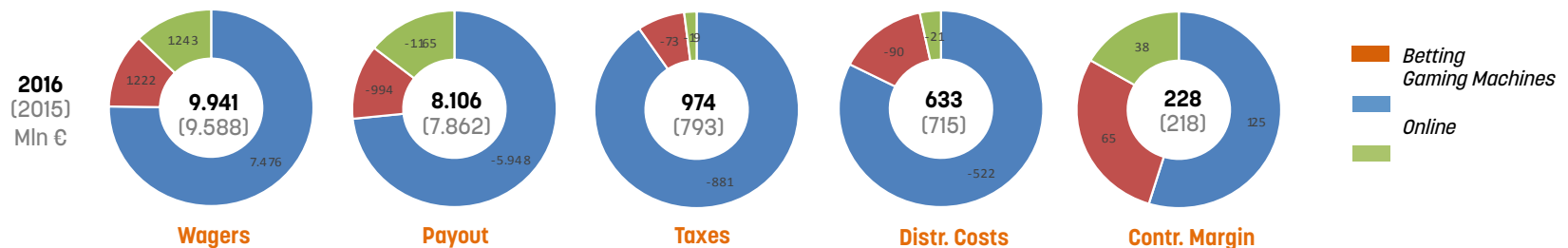
- ❖ Wagers grew by **+3.3%** up to 10.5 Bln € ; Contribution Margin up by **+15.5 mln €**
- ❖ Strong increase of **EBITDA: € 128.3 mln** vs. € 114.5 mln (+ € 13.8 mln); EBITDA adjusted a 135,0 mln €
- ❖ Net loss reduction to € 17 mln from 52.0 mln in 2015
- ❖ Leverage **3.75x** (NFP/EBITDA) compared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

# 2016 Wagers and Contribution Margin breakdown

Euro million

SNAITECH	Wagers				Contribution Margin			
	2016	2015PF	delta	%	2016	2015PF	delta	%
<b>Betting</b>	<b>1.222</b>	<b>1.114</b>	<b>108</b>	<b>9,7%</b>	<b>65,2</b>	<b>65,2</b>	<b>0,0</b>	<b>0,0%</b>
Sports Betting	732	612	121	19,8%	40,2	37,8	2,5	6,6%
Horse Betting	213	216	(3)	-1,4%	2,7	3,3	(0,6)	-18,2%
Virtual Events	277	286	(10)	-3,5%	22,3	24,2	(1,9)	-7,7%
<b>Gaming Machines</b>	<b>7.476</b>	<b>7.473</b>	<b>3</b>	<b>0,0%</b>	<b>124,6</b>	<b>122,8</b>	<b>1,8</b>	<b>1,5%</b>
AWPs	3.916	4.060	(144)	-3,6%	45,1	42,5	2,6	6,1%
VLTs	3.560	3.412	148	4,3%	79,5	80,3	(0,8)	-1,0%
<b>Online</b>	<b>1.243</b>	<b>1.001</b>	<b>242</b>	<b>24,1%</b>	<b>37,8</b>	<b>30,4</b>	<b>7,4</b>	<b>24,5%</b>
Online Betting	323	230	93	40,6%	21,6	17,5	4,1	23,5%
Games	920	771	148	19,2%	16,2	12,9	3,3	25,7%
<b>Total Concession</b>	<b>9.941</b>	<b>9.588</b>	<b>353</b>	<b>3,7%</b>	<b>227,7</b>	<b>218,4</b>	<b>9,3</b>	<b>4,2%</b>
Betting provider	477	502	(24)	-4,9%	8,5	8,7	(0,2)	-1,9%
Paymat	116	108	8	7,2%	0,7	0,8	(0,1)	-9,1%
Horse Tracks	-	-	-	-	9,9	11,0	(1,2)	-10,7%
Others (Teleippica + SRI)	-	-	-	-	21,0	13,3	7,7	57,7%
<b>SNAITECH GROUP</b>	<b>10.534</b>	<b>10.198</b>	<b>336</b>	<b>3,3%</b>	<b>267,8</b>	<b>252,2</b>	<b>15,5</b>	<b>6,2%</b>

- ❖ **Betting:** strong growth of wagers on retail sports betting **(+19.8%)**
- ❖ **Gaming Machines:** stable wagers and 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**



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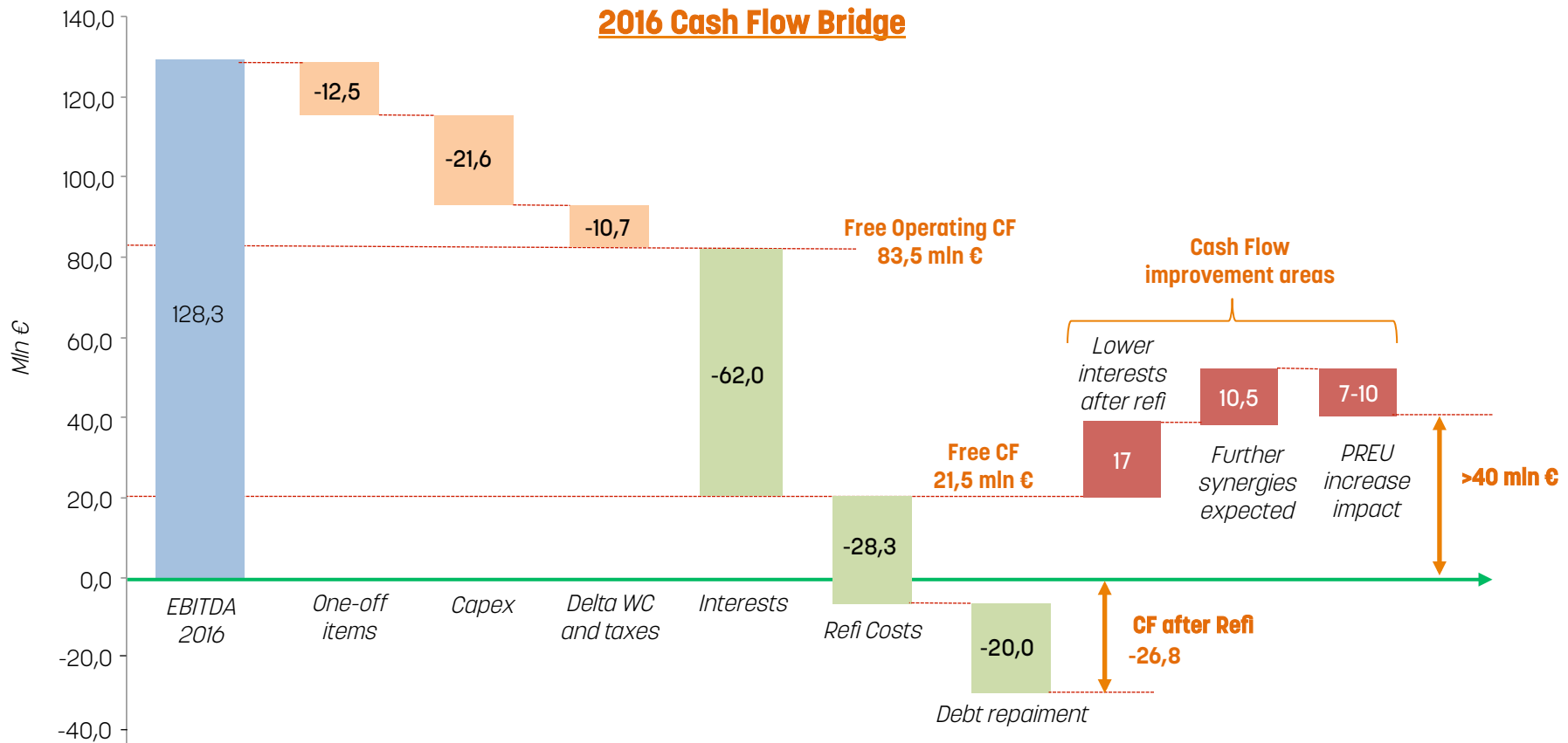
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# 2016 Cash Flow bridge



- ❖ 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



Group overview and business positioning

2016 Financials

**Current trading and Outlook**

# Snaitech: Q1 2017 KPIs

- ❖ Unfavourable Payout (87,6%, +6,1% vs Q1 16) impacted ca. 10 mln € on 1Q-17 EBITDA
- ❖ 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
- ❖ Purchased additional 100 VLT rights in February

Euro million

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

- ❖ Wagers reduction by 89 mln € (-3%)
- ❖ Revenues grew by 3% up to 227,4 mln € because of payout reduction for AWP
- ❖ 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 €
- ❖ Cash available 74,2 mln €
- ❖ Net financial position 494,5 mln €
- ❖ Leverage 4.2x (NFP/ LTM EBITDA)

- ❖ 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") cashed in 2Q 17 (37 mln €) will bring leverage under 4x

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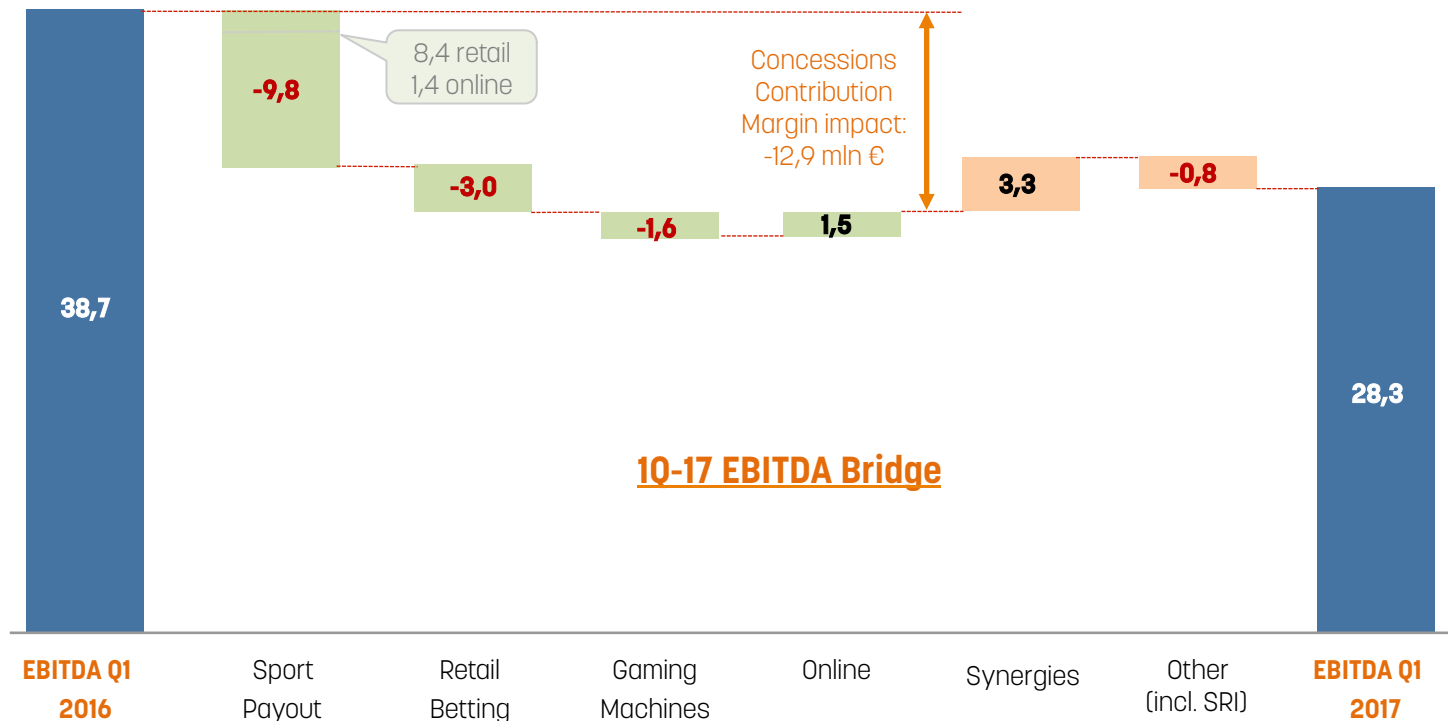
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# 1Q 2016-2017 EBITDA Bridge

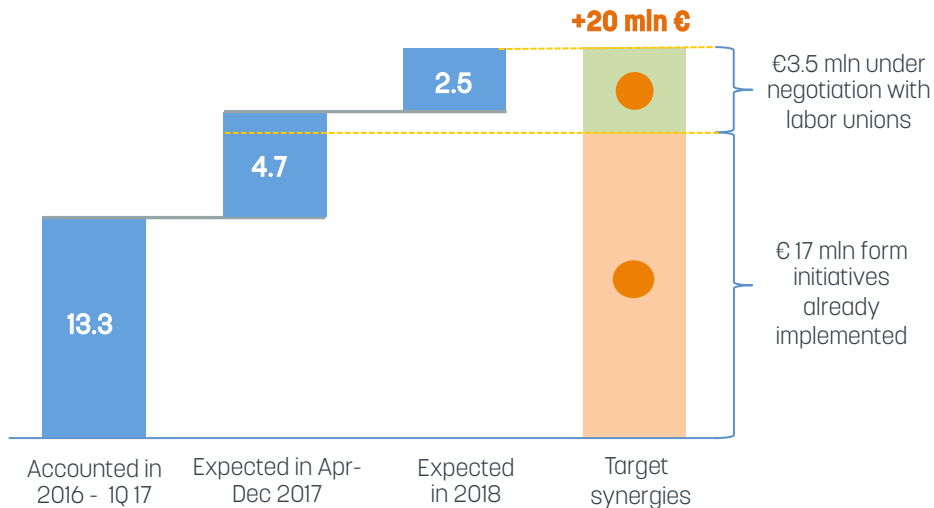


- ❖ Payout increase (87.6% vs. 81.5% in Q1 2016) produced a negative delta on profitability by 9.8 mln €
- ❖ Accounted synergies for 3.3 mln €
- ❖ Cost increase due to online advertising and streaming services

# +20 mln synergy program fully on track

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

## Integration synergy roll-out (€ mln)



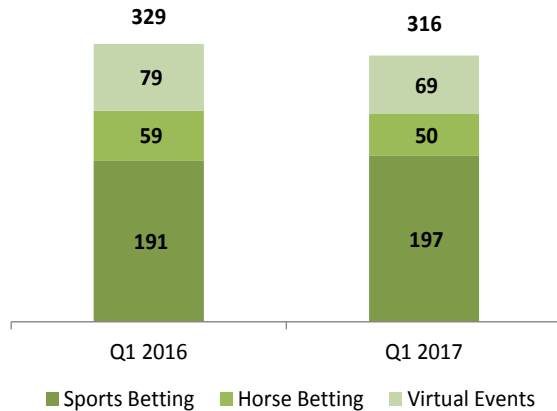
## Synergy program timing of execution

- ❖ **€ 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 already negotiated with unions will be started by July 2017

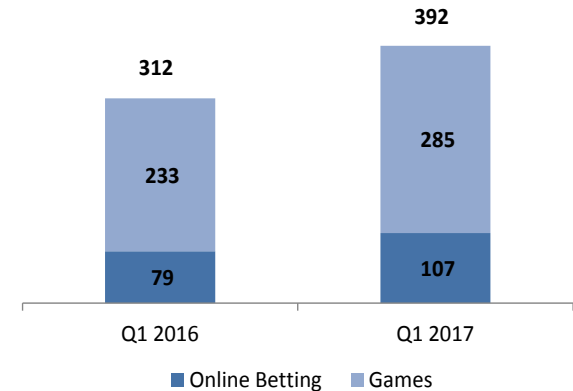
# Snaitech Retailers supporting online growth

## 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	12,7	11,8
From Online acquisition players	10,3	7,9
<b>Total GGR</b>	<b>23,0</b>	<b>19,7</b>

- ❖ More than 55% of Online GGR coming from cross-selling players in Q1 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%
<b>Total First Time Deposits</b>	<b>23.613</b>	<b>100%</b>

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



**Brand awareness is a driver for the acquisition of online players**

**SNAITECH**

**SNAI**

**vincendo**

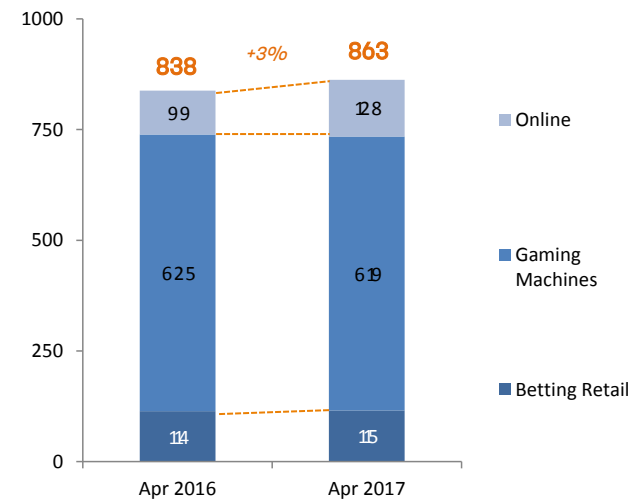
**Ziplay**

**Paymat**

# 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

## April wagers



# 2017 – 2019 Business Plan: Drivers and Targets

## Business Plan Drivers

### 1) Expand and maximize online channel

- Leveraging strong **brand name**
- **Cross-selling** with retailers in opening new online accounts
- Introduce new sports betting and casino games offering

### 2) Strengthen leadership in the offline channel

- Introduce new PoS **technology** and format to increase PoS efficiency (**SSBTs strategy**) and portfolio offer
- Expected Betting Tender cash-out up to 60 mln €
- Gaming Machines **asset management**
- **VLT platforms roll-out** into SNAI network
- Roll-out of **additional VLT rights**

### 3) Focus on efficiency and cash flow generation

- Limited maintenance **capex** (20 mln €)
- **20 mln € synergy program roll out** and completion by 1H 2018
- Full **outsourcing of SRI PoS**
- **Interest cost** reduction effective from 2017
- Focus on cash flow generation

## Business Plan Targets

### Business Plan KPIs

- Break-even on Net Income in 2017
- 2016 - 2019 **wagers CAGR to +4,3%**
- Target for wagers in 2019: **12 Bln €**
- Target Leverage **NFP/EBITDA 2x** in 2019 (**2,3x** after PREU increase)

### Other Targets:

- Enforce **leadership in retail betting**
- Consolidate gaming machines market share
- Double digit growth **in the Online business**, leveraging brand and technology innovation
- Strategic **bolt-on integrations**, both in AWP and Online segments
- **International development** with B2B business model to leverage proprietary technology and know-how (mainly in betting segment)
- **Deferred Tax Asset unwinding** (thanks to positive net income) will reduce taxes cash-out