



# SNAI Group

Borsa Italiana  
Small Cap Conference 2016

*29<sup>th</sup> November 2016*

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**Fabio Schiavolin**  
CEO

- ❖ Co-founder of Cogemat
- ❖ CEO of Cogemat and Cogetech since 2004
- ❖ Previously, served as Senior VP at Cirsa Corporation



**Chiaffredo Rinaudo**  
CFO

- ❖ CFO of Cogemat from 2013
- ❖ Previously, served as CFO and CEO of several telecommunication companies
- ❖ Manager at The Boston Consulting Group



# **SNAI Group overview and Business positioning**



**SNAI S.p.A., a publicly traded company, is the leading Italian Concessioner in the regulated Gaming market**

## Core business

- ❖ **Betting:** sports, horseraces and virtual games bets on retail and online channels (1,600 betting Point of Sales)
- ❖ **Gaming Machines:** network management (10,000+ VLTs<sup>(a)</sup> in more than 1,300 Arcades; 63,000+ AWP<sup>(b)</sup> in more than 15,000 PoS)
- ❖ **Online Gaming:** betting, bingo, casino, poker and skill games offering via website and mobile apps (750,000+ accounts with 100,000+ frequent players)

## Ancillary business

- ❖ 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 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

## Financials

- ❖ € 10.1 billion wagers in 2015
- ❖ € 1 billion revenues in 2015
- ❖ € 137 million Adj. EBITDA (PF LTM Sept 2016 )

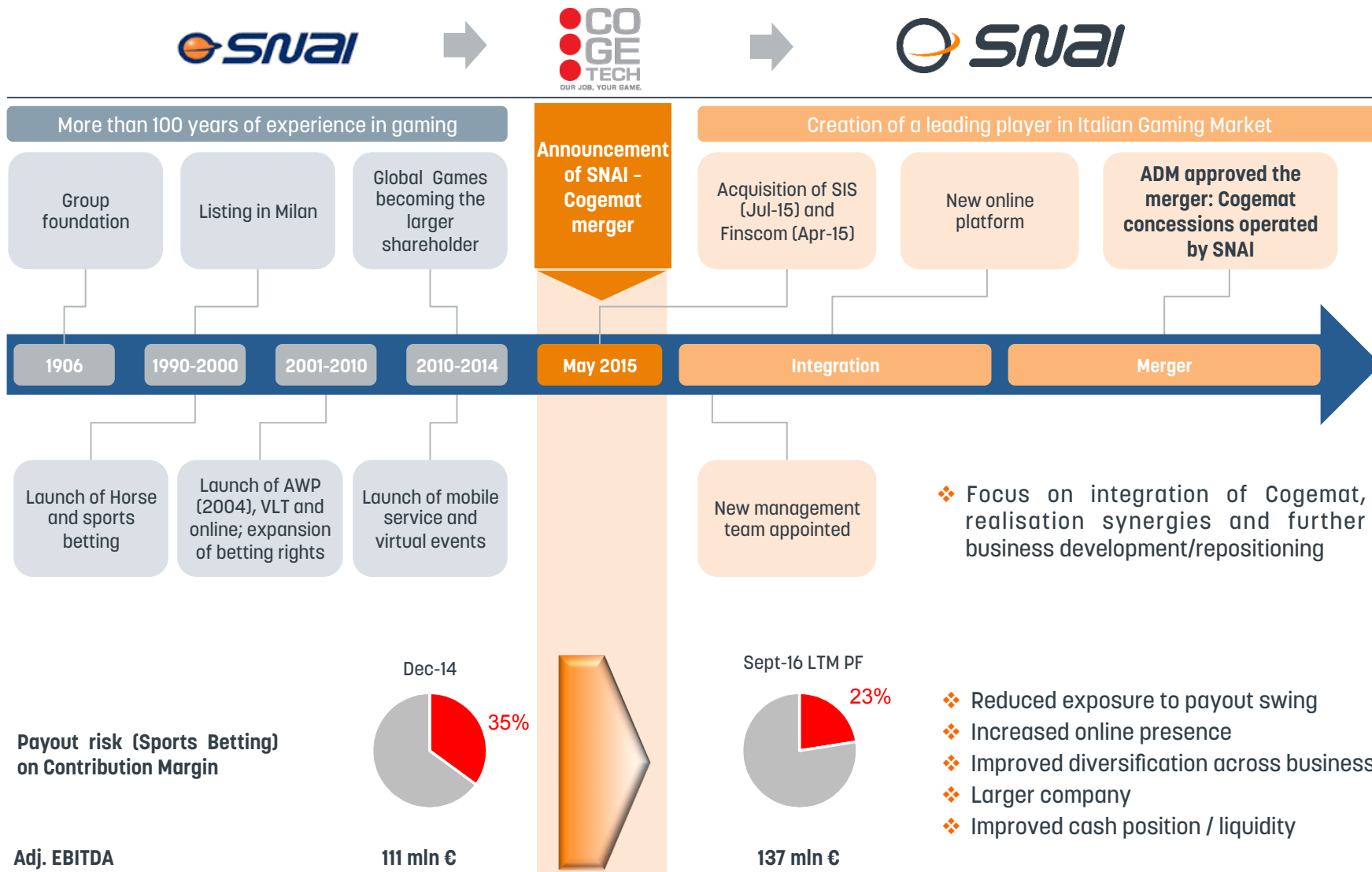
## Organization & Tech

- ❖ 1,200 employees
- ❖ 3 office locations: Milan, Roma and Porcari
- ❖ Proprietary IT technology based on 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)

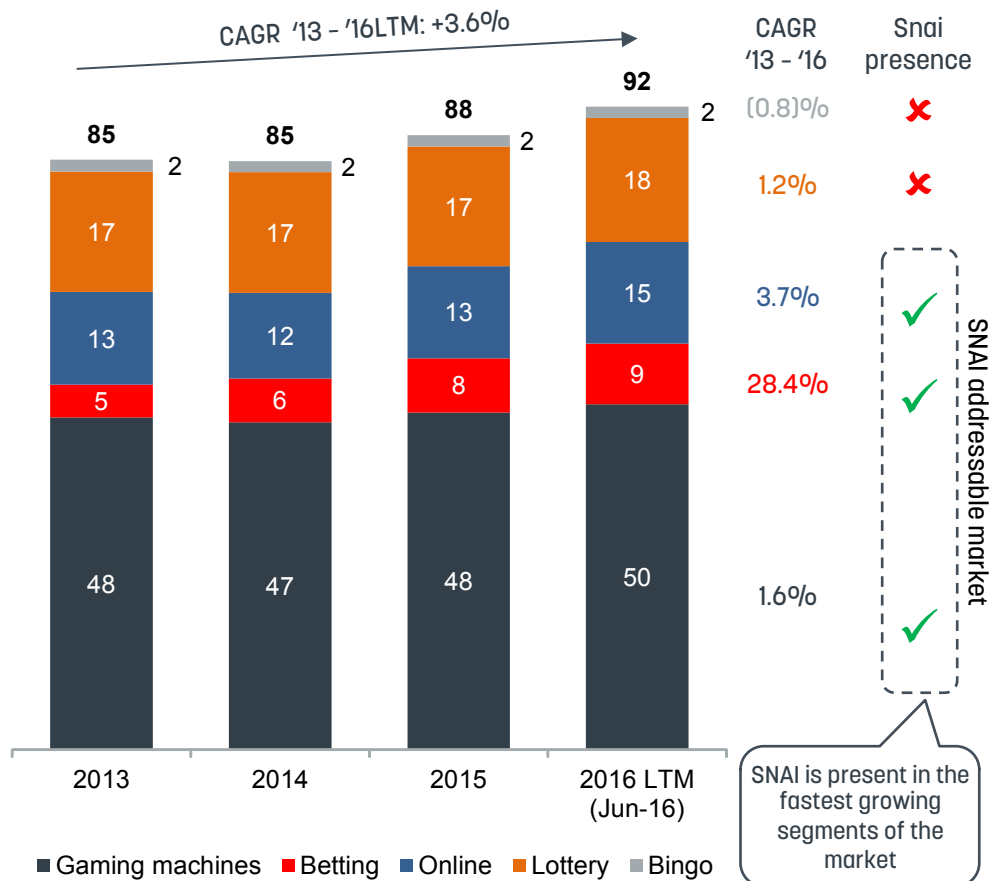
(b) AWP: Amusement with prize, refers to an electronic slot machine game device to be installed in Bars, Tabacconists or in betting/gaming halls, maximum price € 100 (no jackpot)

## Results of a secular story complemented with recent value-enhancing transformational changes

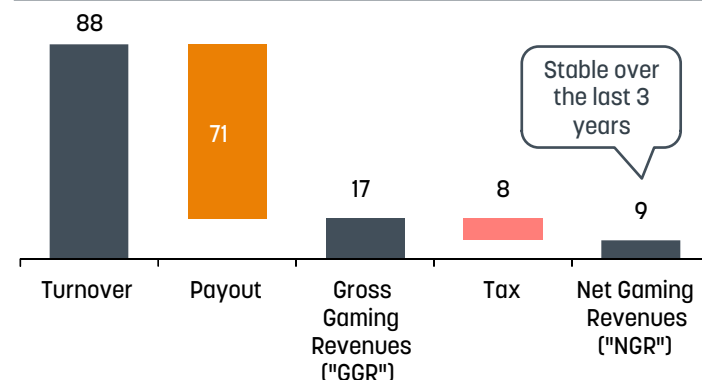


Italian Market has been stable over years and represents the largest and most developed gaming markets in Europe

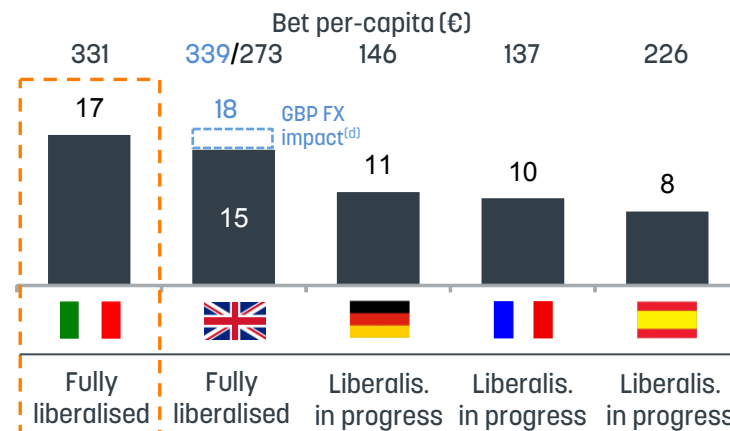
### Italian Gaming Market - Wagers (€ bln)



### Italian Gaming Market value chain (2015, € bln)



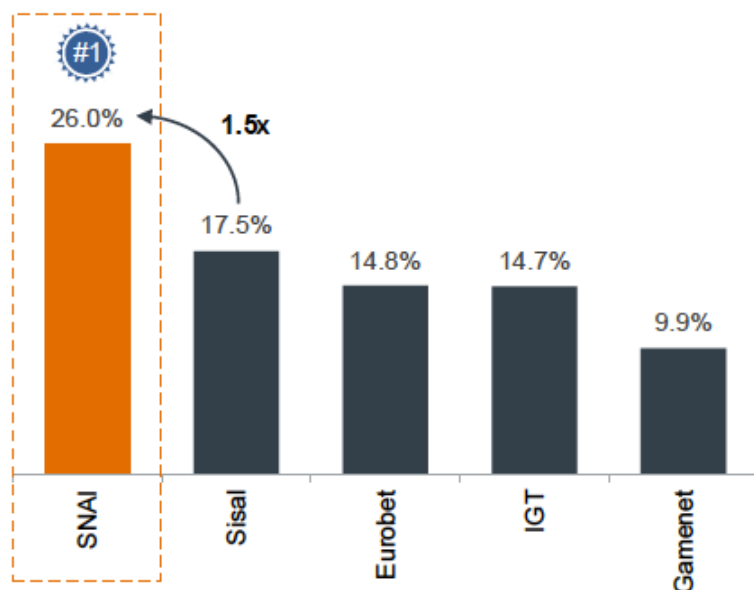
### European Gaming Market - GGR (2015, € bln)



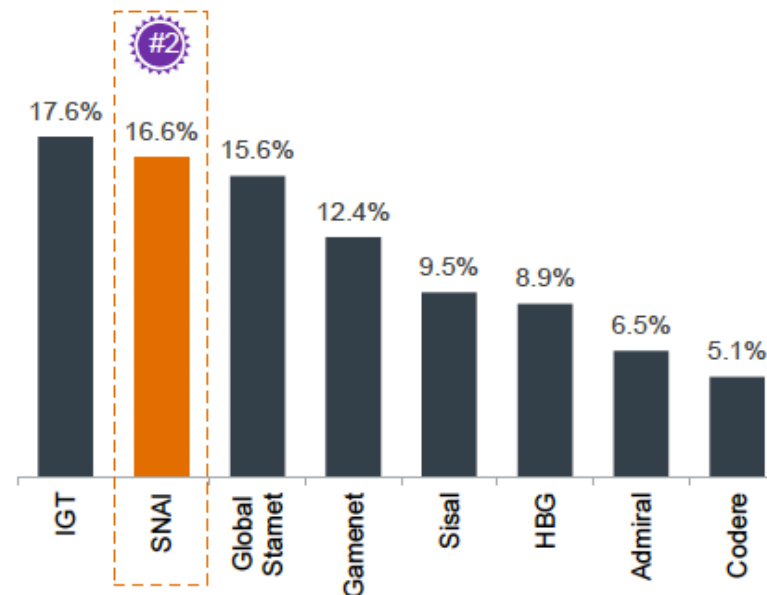
With a distinctive brand, SNAI prides leading market position in each core business lines of its addressable market

- ❖ With € 10,6 Bln wagers, SNAI holds 14% market share of its addressable market
- ❖ SNAI ranks #1 in Retail Betting (with more the 40% market share in Horse Betting and Virtual Event segments), #4 in Online Betting and Gaming and #2 in the Gaming Machine Segment

## Retail Betting



## Gaming machines



Source: ADM, Company information based on ADM

- ❖ SNAI brand value is a key driver to expand the presence in the online space

**Strong, well recognisable brand**

“The Betting Specialist” and “Italian, Safe, Reliable”



- ❖ Over 100 years of history
- ❖ Significant barrier to entry



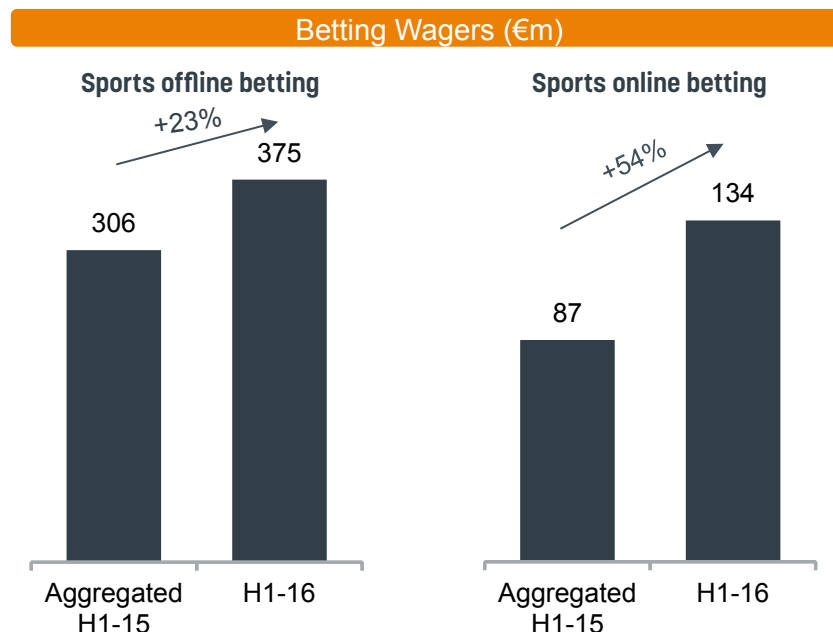
SNAI has one of the largest gaming distribution networks in Italy, which also contributes to growth in online

## Capillary PoS network provides brand identity...

	Jun-16		Sports	Horse	Virtual	AWP	VLT
	SNAI standalone	SNAI Group					
Betting shops <sup>(a)</sup>	586	698	✓	✓	✓	✓	✓
	+112 (Cogemat)						
Betting corners <sup>(b)</sup>	834	900	✓	✓	✓	✓	
	+66 (Cogemat)						
AWPs PoS	~7k	15k				✓	
	+8,689 (Cogemat)						
VLTs PoS	~800	1.3k				✓	✓
	+516 (Cogemat)						

- ❖ Strong commercial barrier to entry
- ❖ Long-lasting relationships and low churn rate of PoS

## ...contributing to a winning online gaming proposition



- ✓ Double digit growth both in offline and online (no cannibalisation)
- ✓ Retail cross-selling strategy: activation and use of online accounts also through retail channel
- ✓ New website launched in January 2016

❖ Significant cross-selling  
 ❖ Lower customer acquisition costs of offline players moving online  
 ❖ More customer loyalty

## SNAI offers a complete suite of services to its points of sale, retail and online customers



- ❖ 5,000+ average events per day (of which 500 live)
- ❖ Full time schedule of events (24/7)
- ❖ Up to 2,500 live streaming events/month
- ❖ Live channel (including worldwide events on football and tennis)
- ❖ Rankings constantly updated on the most popular sports



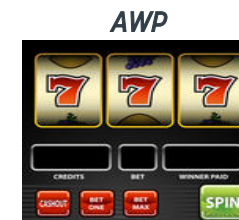
- ❖ Wide offer of events (horses, dogs, football, tennis, speedway, racing)
- ❖ 3 different Retail Channels (all-sports, all -football, all-racing)
- ❖ Exclusive markets for football
- ❖ Dedicated TV shows, presenting the virtual events
- ❖ Leading agreement with Inspired



- ❖ 63k+ AWP in more than 15,000 PoS
- ❖ 10K+ VLT rights in 1,300 Arcades
- ❖ Strategic partnerships with top 5 providers: Novomatic, Spielo, Playtech, Aristocrat, Inspired



- ❖ Devices: web, smartphone and tablet
- ❖ Sports book offering with live streaming on 2,500+ events/month
- ❖ One of the most extended Casino and Skill games offering
- ❖ Innovative offer of Fantasy Sports and e-Sports



## Regulatory Framework

- ❖ Budget Law 2017: no additional tax increases included in the first draft and initial government committee discussions
- ❖ Betting tender expected in 1H 2017
  - ✓ Low renewal risk: number of rights in line with existing Italian PoS (including grey market)
  - ✓ Tender allows concessionaires to diversify bids for single licences thus reducing risk of losing licenses
- ❖ Stable framework for concessionaires to operate and run efficient licences allocation within their PoS portfolios
- ❖ Central and local governments discussion on new Gaming regulation: first draft on November 9<sup>th</sup> outlines
  - I. proposed agreement on national opening hours (>10 hours per day)
  - II. confirmation of AWP's 30% progressive reduction in 2017 (as per 2016 Budget Law provision)
  - III. AWP to be installed in certified locations: betting shops, arcades and corners (tobacconists/bars) with dedicated areas



- ❖ **New Betting tender opportunity to increase the number of rights (80% of SNAI PoS already renewed as of today)**
- ❖ **€ 60 mln maximum cash-out estimated for Betting Tender**
- ❖ **No other significant cash-out expected for concession renewals until 2022 (Gaming Machine concession expiring)**
- ❖ **No impact expected from possible AWP downsizing; SNAI network already compliant with new requirements**

**1,650,000 m<sup>2</sup>**

- ❖ 1,650,000 m<sup>2</sup> area with historical assets
- ❖ 600,000 m<sup>2</sup> of race tracks
- ❖ 1,050,000 m<sup>2</sup> of training runs mainly on grass

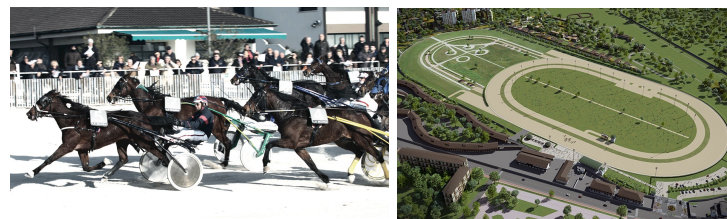


**3% of Milan land**



**3 Horserace Tracks**

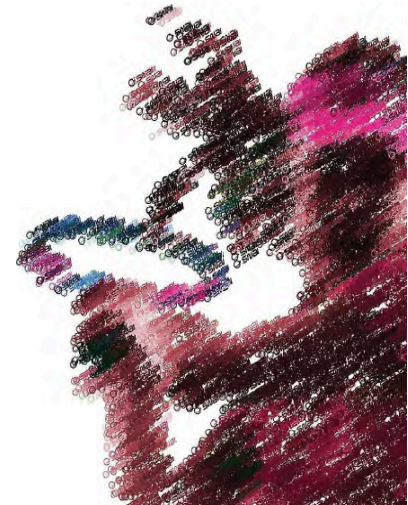
- ❖ San Siro gallop horse track, Milano (1920)
- ❖ La Maura gallop horse track, Milano (2015)
- ❖ Sesana gallop horse track, Montecatini (1916)



- ❖ **Organic growth in main business segments**
  - **Gaming Machines: growth driven by Cogemat VLTs platform integration**
  - **Retail Betting: new licenses roll-out, PoS “rejuvenation” strategy (products, equipment, service)**
  - **Focus on online segment: developments of game portfolio, extension of customer base through retail cross-selling**
  
- ❖ **Operational efficiency and achievement of savings from ongoing synergy program**
- ❖ **Bolt on acquisitions, both in gaming machines and betting areas**
- ❖ **Opportunity for international development, based on national experience and know-how, with B2B operating approach**
- ❖ **Focus on development of San Siro area**
- ❖ **Financial discipline**



# ***SNAI Group Financials***



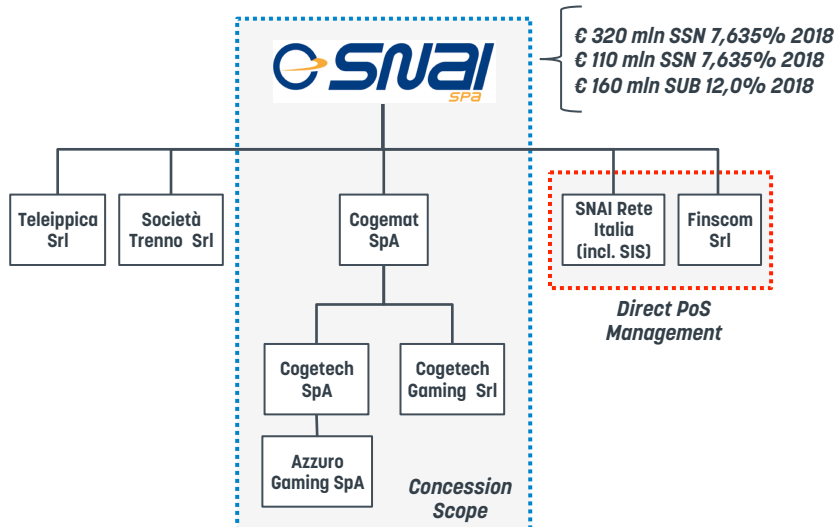
## Bond Refinancing in October 2016

- ❖ New issuance of Senior Secured Notes for € 570 mln
  - ✓ **€320 mln Fixed Rate Notes, 6.375%**
  - ✓ **€250 mln Floating Rate Notes, Euribor 3M + 6%**
  - ✓ 5 year maturity (November 2021)
  - ✓ Use of proceeds to repay former € 590 mln bond (expiring in 2018)
  - ✓ **€ 17 mln interests saving and reduced gross debt by € 20 mln**
  - ✓ **New augmented €85 mln RCF, significant liquidity buffer**

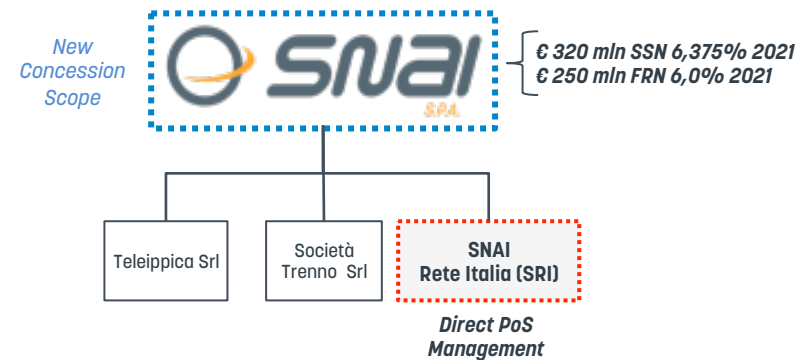
## Cogemat Group merger in SNAI

- ❖ Cogemat Group fully merged into SNAI from November 2016
- ❖ New simplified and streamlined corporate structure
- ❖ All Cogemat licenses will be progressively converted into SNAI's by early 2017
- ❖ SIS and Finscom entities fully merged into SNAI Rete Italia
- ❖ Further opportunity to improve corporate efficiency and boost synergy implementation

### June 16 Corporate structure

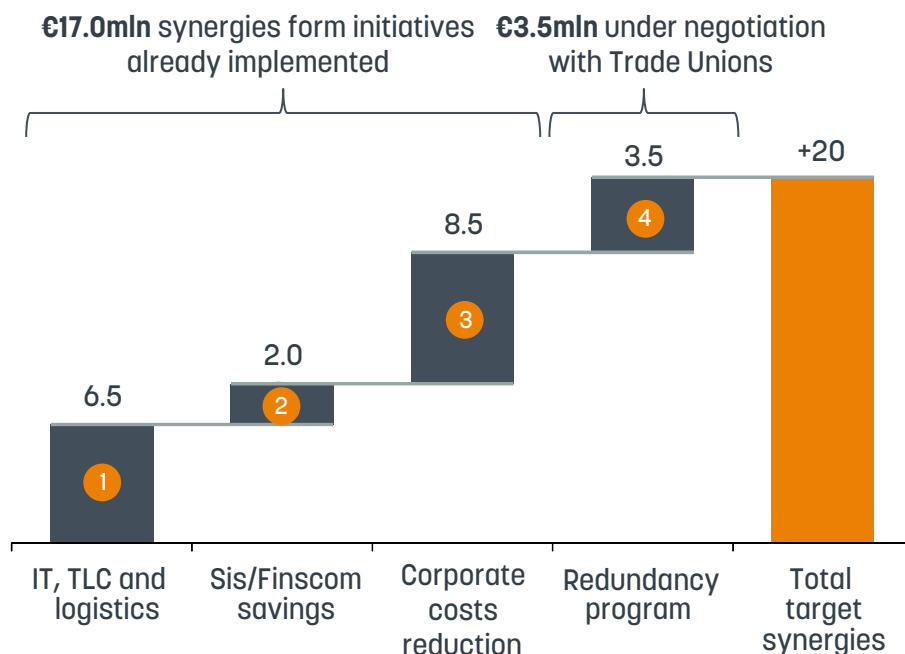


### November 2016 Corporate structure



## Integration process successfully ongoing with most of synergies already implemented ahead of original expectations

### Integration expected synergies (€m)



### Synergy program timing of execution

- ❖ Total one off cost forecast: up to €9.8 mln of which €3.6 mln already incurred
- ❖ **€6.2 mln synergies (out of +20 mln) already achieved and posted as of 30 September 2016**
- ❖ Additional **€4 mln** expected to be posted by 2016 year end
- ❖ Further **€ 10 mln** synergy expected in 2017 - 1Q-2018

- 1 Renegotiation of main supply contracts: telecom providers, datacenter integration, logistics, PoS assistance and other third party provider contracts (including gaming providers) as result of increased scale
- 2 Consolidation of headquarters operations related to SIS/Finscom business
- 3 Optimization of personnel management, reduction of BoD costs and centralization of certain bookmaking activities
- 4 Post-integration redundancy program under negotiation with Unions, expected to be concluded by Q1-17



<i>Euro million</i>	<i>Proforma</i>				<i>Proforma</i>	<i>Proforma</i>	<i>Delta</i>	<i>%</i>
<b>Financial KPI</b>	<b>9M 2016</b>	<b>9M 2015</b>	<b>Delta</b>	<b>%</b>	<b>LTM</b>	<b>2015</b>	<b>Delta</b>	<b>%</b>
<b>Wagers</b>	<b>7.765,0</b>	<b>7.377,0</b>	<b>388,0</b>	<b>5,3%</b>	<b>10.587,0</b>	<b>10.198,0</b>	<b>389,0</b>	<b>3,8%</b>
<b>Total Revenues</b>	<b>662,1</b>	<b>732,5</b>	<b>-70,4</b>	<b>-9,6%</b>	<b>930,5</b>	<b>1.000,9</b>	<b>-70,4</b>	<b>-7,0%</b>
<i>o/w non recurring revenues</i>	<i>6,0</i>	<i>28,4</i>	<i>-22,4</i>		<i>9,8</i>	<i>32,3</i>	<i>-22,5</i>	
Contribution Margin	203,0	182,5	20,5	11,3%	272,8	252,3	20,5	8,1%
<b>EBITDA</b>	<b>97,6</b>	<b>82,8</b>	<b>14,8</b>	<b>17,9%</b>	<b>129,4</b>	<b>114,6</b>	<b>14,8</b>	<b>12,9%</b>
<b>Adjusted EBITDA</b>	<b>102,9</b>	<b>88,5</b>	<b>14,4</b>	<b>16,3%</b>	<b>136,7</b>	<b>122,3</b>	<b>14,4</b>	<b>11,8%</b>
EBIT	53,3	46,0	7,3	15,9%	35,2	28,0	7,2	25,7%
Net Income	-7,5	-13,5	6,0		-50,7	-57,5	6,8	
<b>Capex</b>	<b>16,7</b>	<b>15,0</b>			<b>20,8</b>	<b>21,0</b>		
<b>Net Financial Position</b>	<b>450,1</b>	<b>476,2</b>			<b>450,1</b>	<b>467,6</b>		

- ❖ Wagers up by 5,3% in first 9 months thanks to betting (retail and online) performance
- ❖ Decrease in revenues (due to tax increase in Gaming Machines) not affecting SNAI marginality
- ❖ Contribution Margin rose € 20.5 mln (+11.3% up to € 203 mln) driven by higher wagers, despite unfavorable payout YTD (83.2%) vs 9M 15 (81.4%)
- ❖ EBITDA increased by € 14.8 mln (+17.9% up to € 97.6 mln) reflecting business growth and synergies from integration
- ❖ LTM EBITDA up to € 129.4 mln (vs € 114.6 mln as of 31 December 2015)
- ❖ NFP improved to € 450.1 mln

Business	Wagers			Contribution Margin		
	9M 16	PF 9M 15	%	9M 16	PF 9M 15	%
AWPs	2.920	2.953	-1%	32,4	31,1	4%
VLTs	2.626	2.482	6%	59,1	57,5	3%
Gaming Machines	5.547	5.435	2%	91,4	88,6	3%
Sports Betting Retail	528	424	25%	31,4	24,6	27%
Sports Betting Online	193	128	51%	14,9	10,7	39%
Horse Betting	174	176	-1%	2,4	2,5	-4%
Virtual Events	227	220	3%	15,3	15,6	-2%
Betting	1.123	948	19%	64,0	53,6	19%
Online Games	654	550	19%	11,1	9,1	22%
Other	441	444	-1%	37	31	17%
SNAI Group	7.765	7.377	5%	203,0	182,5	11%

### Gaming Machines key drivers

- ❖ Machines relocation
- ❖ Cogemat higher mix of products

### Sports Betting key drivers

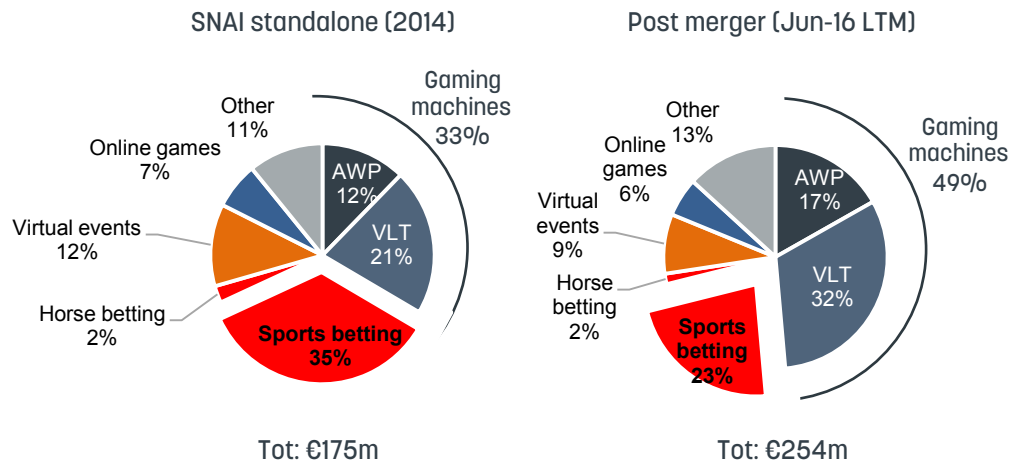
- ❖ Retail: new revenue-sharing contracts with PoS; SIS/Finscom PoS reopening
- ❖ Online: cross-selling strategies and live events growth
- ❖ Positive contribution from new taxation scheme bringing

### Online Games key drivers

- ❖ Leverage strong brand and cross-selling strategies

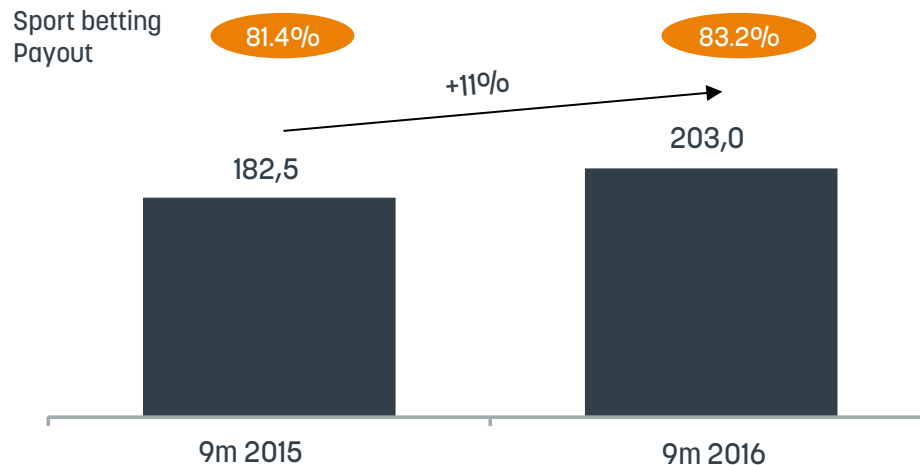
Following the merger with Cogemat, SNAI has a more diversified business with limited payout variability risk

## Contribution Margin diversification



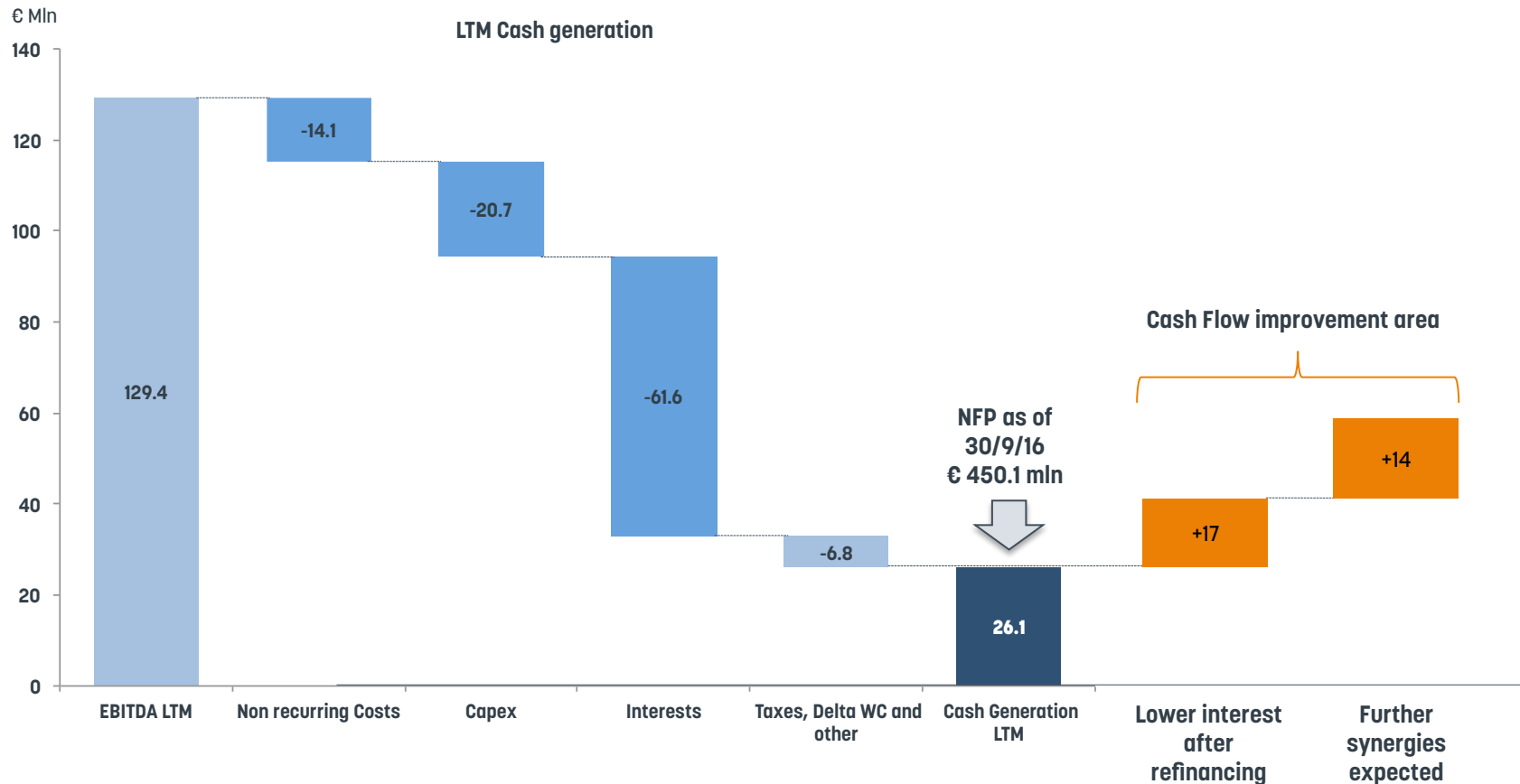
- ❖ Well balanced Contribution Margin among different business areas
- ❖ Lower exposure to betting, limiting payout variability risk
- ❖ Increased exposure to gaming machines with flexible approach based on revenue sharing model
- ❖ Lower exposure to betting payout risk (22.8% from 25.7% of 9M 15 of SNAI stand alone)

## Contribution Margin growth



- ❖ Contribution Margin increased by 11% in 9m-16 vs aggregated 9m-15 despite increased sport betting payout

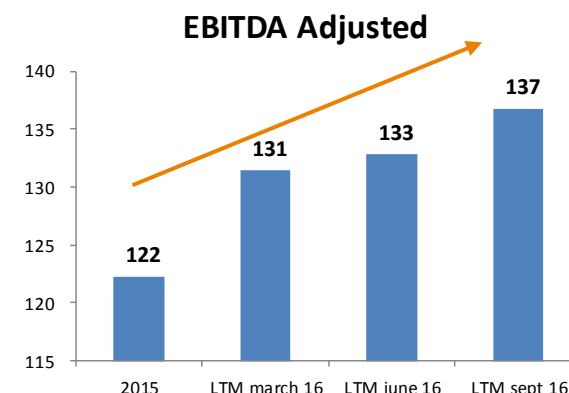
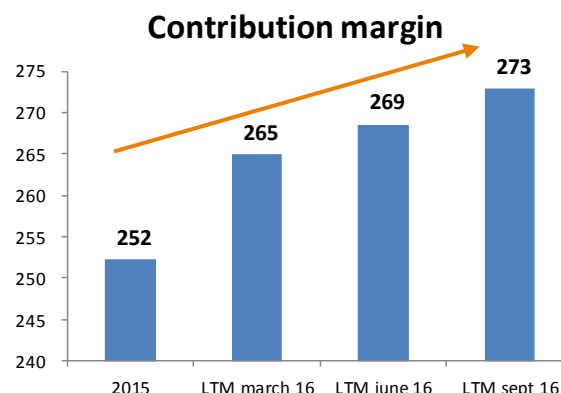
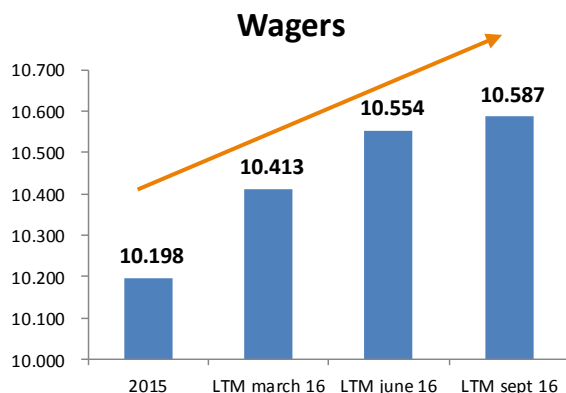
# Key drivers of cash flow generation



- ❖ **Cash generation of € 26.1 mln over last twelve months**
- ❖ Cash available totalling € 141.5 mln as of end of September
- ❖ Non recurring costs mainly related to M&A deals and one-off cost for synergies
- ❖ Delta Working Capital include €6.3 mln SIS acquisition payment
- ❖ **Debt/EBITDA leverage reduced under 3,5x**
- ❖ **+€30 mln of Cash Flow improvements driven by Refi and Synergies**

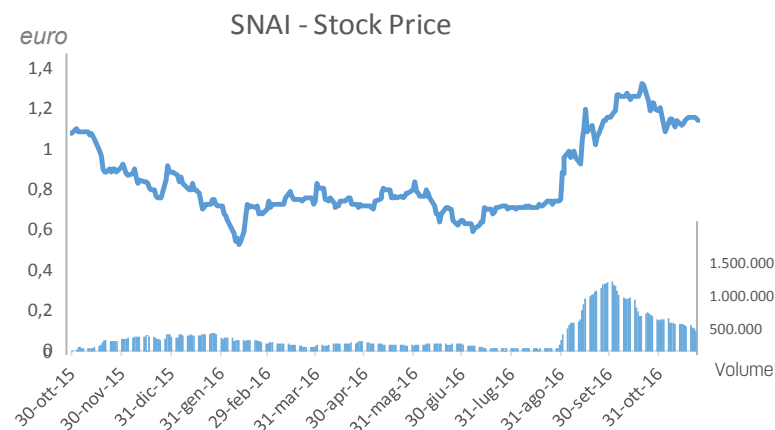
## SNAI Business trends

- ❖ Sound growth for all business and economic KPI over the last year



## SNAI Equity story in 2016

- ❖ Augmented visibility thanks to business transformation and recent refinancing
- ❖ 2 brokers started equity coverage in 2016
- ❖ Trading volumes increased in 2016 from January average of 230K shares/day to 520K shares/day in October 2016



Source: Borsaitaliana



Play with the Playmakers

