



# SNAI Group

*Barclays European High Yield and  
Leveraged Finance Conference*

*September 2016*



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# *Group and Business Overview*

- ❖ SNAI has deeply widened and empowered its structure and positioning following the **recent M&A activities**
  - acquisition of **Finscom** (April 2015) and **SIS** (July 2015) brought 63 new PoS directly managed by SNAI betting network with € 180 mln of additional wagers
  - **SNAI finalized the acquisition of Cogemat Group (November 2015): 4th Concessionaire in Italy on Gaming Machines with € 434 mln revenues (FY 2014)**



- ❖ **Cogemat successful integration showed immediate effects on SNAI positioning and results**
  - **Market leadership:** € 10.1 billion aggregate wagers in 2015 (proforma), 15% of the reference Italian Gaming Market, industry leader in the multi-concession services; € 1 billion revenues in 2015
  - **Enlarged distribution network:** 1.600 Betting PoS, 700 shops and 900 betting corners (largest presence in Italy); 63k AWP and 10k VLT in more than 17.000 PoS
  - **Improved operational efficiency:** € 18 mln synergy program within 1H 2017, of which € 3,2 mln achieved in 1H 16
  - **Contribution Margin and EBITDA stabilization:** significant Gaming Machine contribution from Cogemat rebalanced exposure to betting payout risk

*Concessions integration (Gaming Machines/Betting/Online) and merger with Cogemat to be completed by year-end*

- ❖ The **new SNAI Group** is acting as concessioner across **multiple core sectors**
  - **Betting:** sports, horseraces and virtual games bets on retail and online channels along with ancillary service provider to third party shops
  - **Gaming Machines:** VLT and AWP network management
  - **Online Gaming:** betting, bingo, casino, poker and skill games offering via website and mobile apps
  
- ❖ SNAI Group's business runs across important **complementary segments** as well
  - **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)
  - 5 **Sat TV** and 1 **radio channel** (dedicated to Horse Racing and Virtual Games)
  - Large **landowner:** 1.65+ mln sq. m (including 3% of Milan municipality)

❖ **SNAI steadily run as the leading concessionaire in 3 main gaming segments**

Proforma 2015			
Market segment	Wagers (€, mln)	Market Share	Ranking
Gaming Machines	7.473	15,4%	# 2
Sports Betting (Retail Channel)	886	32,9%	# 1
Sports Betting (Online Channel)	192	6,7%	# 4
Horserace Betting	319	50,1%	# 1
Virtual Events	446	41,8%	# 1
Online Games (Skill, Casino and Bingo)	771	5,8%	# 4
<b>Total SNAI Group</b>	<b>10.089</b>	<b>14,6%</b>	

SNAI internal analysis

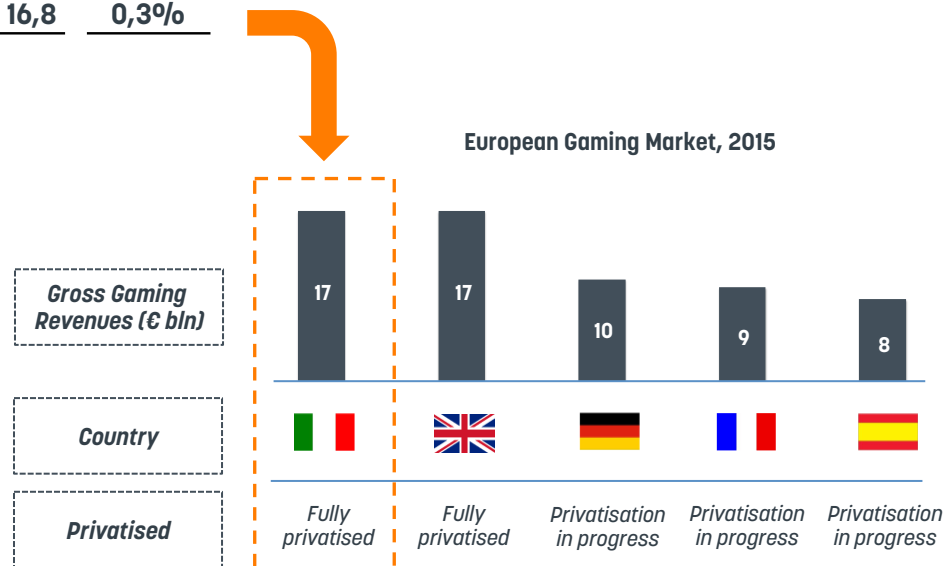
- ❖ In 1H 2016 SNAI showed double digit growth rates in the online space: +50% in online betting; +20% in online gaming
- ❖ Successful development of the online segment is build on the three pillars of SNAI positioning and strategy
  - **Strong Brand Awareness:** two out of three Italians aged 18 to 65 years know the SNAI brand as “The Betting Specialist” and “Italian, Safe, Reliable” [Source: Astra Research]
  - **Technology management:** 2 cutting-edge datacenters (Roma and Lucca) and fully proprietary core platforms availability
  - **Retail cross-selling strategy:** SNAI is leveraging its retail network offering set-up and rolling fees for the activation and use of online accounts

## Italy, Gaming Market Wagers (€, bln)

Business segments	2013	2014	2015	CAGR
AWPs	25,4	25,4	26,0	1%
VLTs	22,1	21,4	22,2	0%
Skill & Casino Games	13,3	12,3	13,2	0%
Sport betting (Retail channel)	2,5	2,7	2,7	3%
Sport betting (Online channel)	1,3	1,6	2,9	50%
Virtual Events	0,0	1,1	1,1	>100%
Horse Race Betting	0,8	0,7	0,6	-12%
<b>SNAI Reference Market (Wagers)</b>	<b>65,4</b>	<b>65,2</b>	<b>68,7</b>	<b>2%</b>
Lotteries and others	19,0	19,1	19,3	
<b>Italian Gaming Market (Wagers)</b>	<b>84,4</b>	<b>84,3</b>	<b>88,1</b>	<b>2%</b>
<b>Gross Gaming Revenues</b>	<b>16,7</b>	<b>16,6</b>	<b>16,8</b>	<b>0,3%</b>

*SNAI reference market grown steadily over the last three years (2% CAGR)*

- ❖ The Italian gaming market has experienced attractive growth primarily due to
  - progressive liberalization of the regulatory framework (AWPs, VLTs and Online gaming)
  - the modernization of existing retail shops
  - strict control on illegal gaming
- ❖ Italy today is one of the largest and most developed gaming markets in Europe



- ❖ **2016 Stability Law** defined a more stable and constructive regulatory landscape
  - **Repeal of the € 500 mln tax burden** imposed by the Stability Law 2015, in favour of a more structured long-term approach, including progressive introduction of next generation AWP's over next 3 years
  - **Betting taxation on net revenues** (18% retail and 22% online) while former regime was about 4% on wagers. New regime will reduce the impact of negative payout swings for concessionaires
  - **Increase in gaming machine taxation** (17.5% AWP's and 5.5% VLT's) and **decrease to 70% in minimum payout** for AWP's: as of 30 June 2016 75% of AWP's on SNAI network have been updated with new 70% payout
  
- ❖ **SNAI net benefit of 2,5 mln € in 1H 2016 from the new regulatory framework**

*"Although further decrees are expected to clarify certain provisions, for example the type of machines that will replace existing amusement with prize machines (slot machines), we believe there will not be more major regulatory changes at least in the next 12 months despite a media report of a threat by Prime Minister Matteo Renzi to ban slot machines from bars and tobacconists unless they were placed in dedicated areas"*

*Moody's, "European Gaming Outlook", September 2016*



## ❖ **New Betting Tender**

- Number of rights (10.000 Shops + 5.000 Corners) in line with existing PoS in Italy, including grey market ("CTD")
- Uncertainty on tender execution timing
- SNAI total capex expected to be lower than 60 mln €
- Current liquidity level fully covers capex needs
- Low renewal risk thanks to the multi-license nature of the tender
- Historical capability of SNAI (and Cogemat as well) to get 100% renewals in past tenders
- Opportunity for SNAI for leveraging its leadership in the retail arena

## ❖ **No other SNAI Concession expiring in the next 4 years**

- Online Games/Betting concession expiring in 2020
- Gaming Machines concessions expiring in 2022

# Valuable Real Estate assets

**1,65 mln  
sq. meter**

- ❖ 1,650,000 sq. m area with historical assets
- ❖ 600,000 sq. m of race tracks
- ❖ 1,050,000 sq. m of training runs mainly on grass

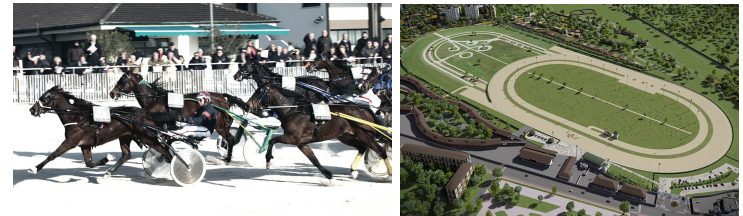


**3% of  
Milan land**



**3 Horserace  
Tracks**

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



- ❖ **Unique industry know-how** coming from post merger integration with Cogemat
  - Management mix from complementary expertise and know-how
  - Successful M&A track record, including Ladbrokes Italy merger in 2011
  - New scalable IT structure/platform, designed to accelerate integration of Cogemat datacenter
  
- ❖ **Asset-light business model and flexible cost structure**
  - Limited number of proprietary AWP ( $<9\%$ ) offers low exposure to changes in the regulatory framework
  - Smart outsourcing strategy for direct PoS acquired in 2015 to keep flexible costs, focus on shop management and loyalty in renewals
  
- ❖ Potential **development of Cogemat commercial service platform** ("Paymat") through cross-selling over SNAI betting network

# *Financial performance*



€, mln

Business	Wagers		
	1H16	PF 1H15	%
AWPs	2.017	1.989	1,4%
VLTS	1.783	1.660	7,4%
<b>Gaming Machines</b>	<b>3.800</b>	<b>3.649</b>	<b>4,1%</b>
Sports Betting (Retail channel)	375	306	22,6%
Sport Betting (Online channel)	134	87	53,3%
<b>Betting</b>	<b>509</b>	<b>393</b>	<b>29,4%</b>
<b>Virtual Events</b>	<b>162</b>	<b>150</b>	<b>8,2%</b>
<b>Online Games (Skills, Casinò, Bingo)</b>	<b>443</b>	<b>372</b>	<b>19,2%</b>
Horse Betting	126	125	0,8%
Betting provider	256	261	-1,9%
Financial services	60	50	18,9%
<b>SNAI Group</b>	<b>5.356</b>	<b>5.000</b>	<b>7,1%</b>

## ❖ Gaming Machine positive performance

- Wager increase outweighed higher taxation effect
- More than 75% managed AWP updated to 70% payout

## ❖ Sports Betting brilliant performance

- Positive effect from product & content management, and SIS PoS reopening
- Good contribution from Euro Championship (€ 31 mln)

## ❖ Virtual Events

- Recovering from 2015 due to new games entrance

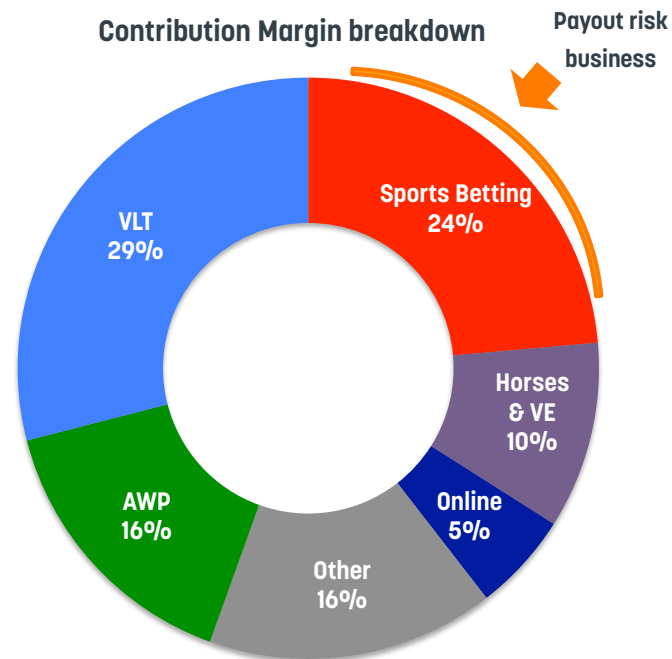
## ❖ Online Games

- marketing and operational focus (new web site) drove wagers up



**Total wagers increased 7.1% in 1H16 on proforma basis**

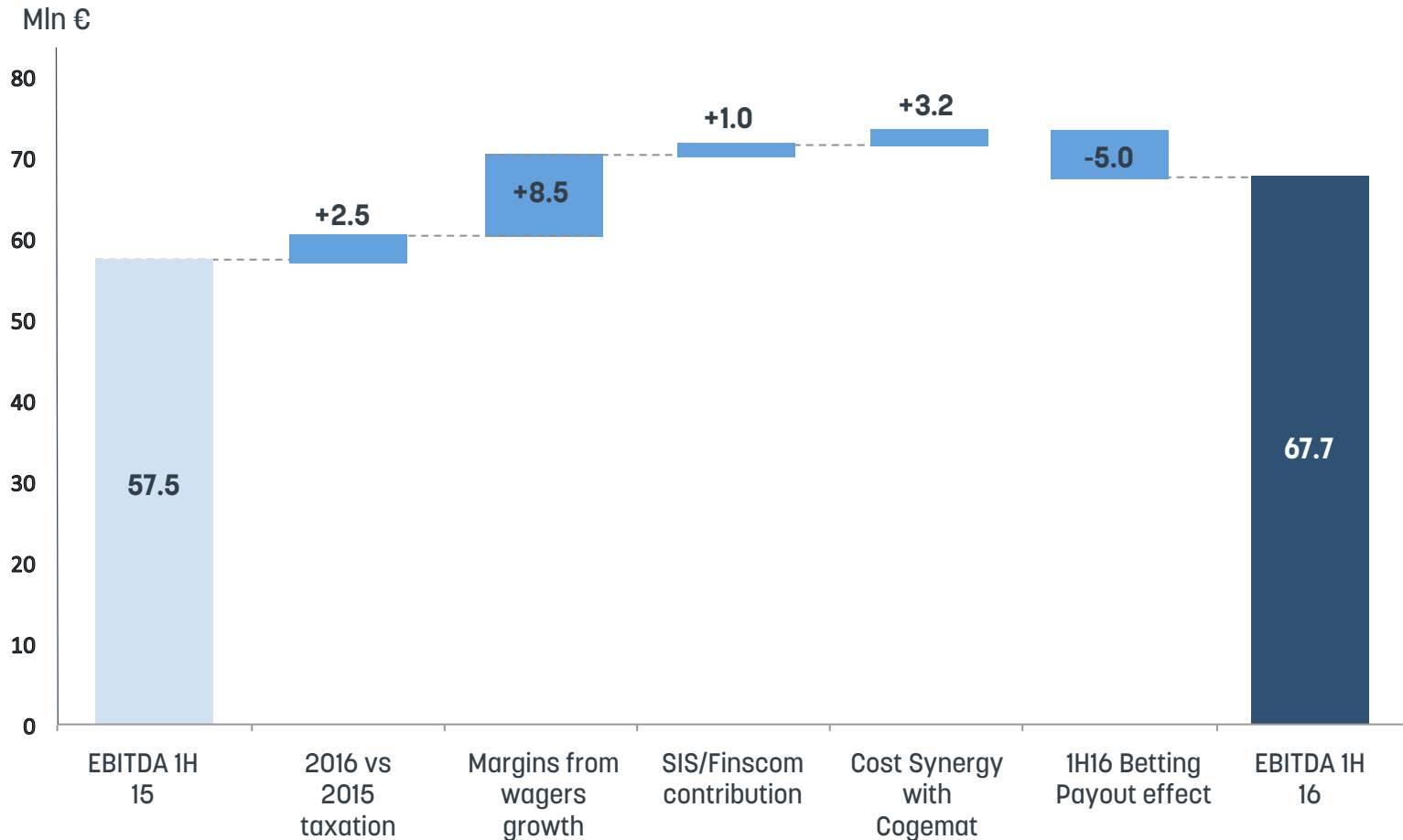
Financial KPI	Proforma				Proforma PF LTM
	1H 2016	1H 2015	Delta	%	
<b>Total Revenues</b>	<b>442,4</b>	<b>504,5</b>	<b>-62,1</b>	<b>-12,3%</b>	<b>938,8</b>
<i>o/w non recurring revenues</i>	<i>3,1</i>	<i>28,5</i>	<i>-25,4</i>	<i>-89,1%</i>	<i>7,0</i>
Contribution Margin	139,9	123,5	16,3	13,2%	268,6
<b>EBITDA</b>	<b>67,7</b>	<b>57,5</b>	<b>10,2</b>	<b>16,0%</b>	<b>124,8</b>
Adjusted EBITDA	70,5	60,0	10,5	17,5%	132,8
EBIT*	39,0	42,8	-3,9	-9,0%	24,0
Net Income*	-0,4	1,3	-1,7		-58,3
*Non recurring items included	-1,4	22,0			-13,0
<b>Capex</b>	<b>13,1</b>	<b>11,2</b>			<b>20,4</b>
<b>Net Financial Position</b>	<b>440,1</b>	<b>467,5</b>			<b>440,1</b>



- ❖ Total Revenues reduction due to 2015 Barcrest transaction and AWP tax increase
- ❖ **EBITDA up by € 10.2 mln** to € 67.7 mln due to increased wagers, CM and initial synergies from Cogemat integration
- ❖ Capex of € 13.1 mln includes € 8.4 mln related to the replacement of AWP board
- ❖ NFP improved to € 440.1 mln **with cash generation of € 27 mln** over the last 12 months
- ❖ **Leverage 3,3x (NFP/Adj EBITDA LTM)**

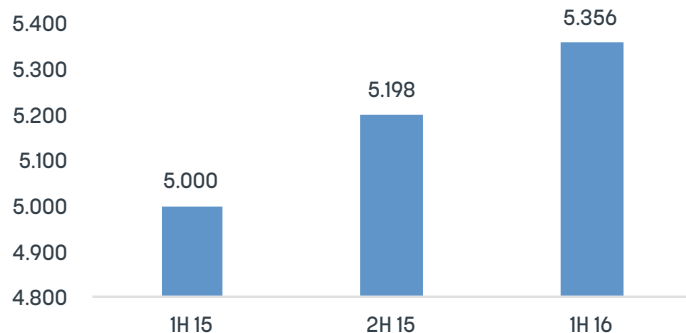
- ❖ **Contribution Margin well balanced**
- ❖ **Payout risk decreased to 23.6% on CM (from 27% of 2015 pro-forma data)**
- ❖ Cogemat integration increased the Gaming Machine contribution to Group EBITDA and reduced the exposure to betting payout swings

# 1H 2016 EBITDA bridge

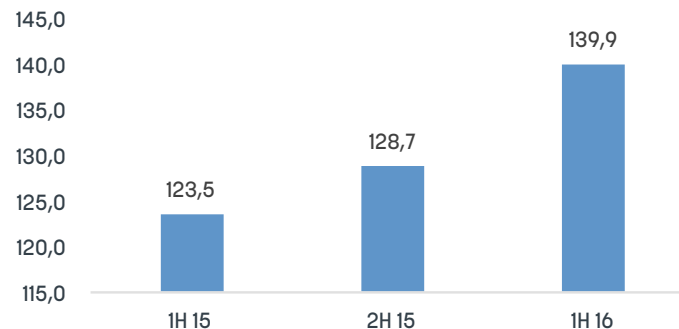


- ❖ 1H EBITDA performance mainly driven by wagers growth
- ❖ € 2.5 mln positive impact from 2016 Stability Law, mainly due to new betting taxation scheme and fast introduction of 70% payout AWP boards
- ❖ € 1 mln positive impact on EBITDA from SIS/Finscom PoS

## Wagers



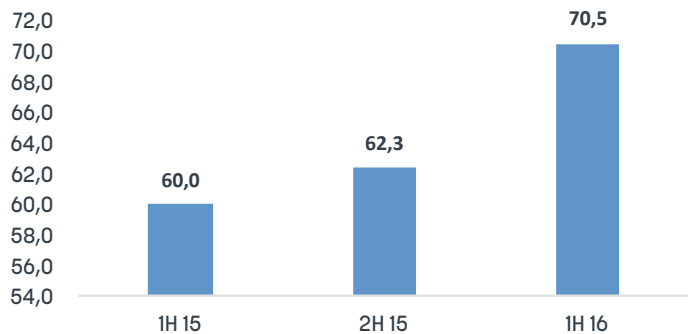
## Contribution Margin



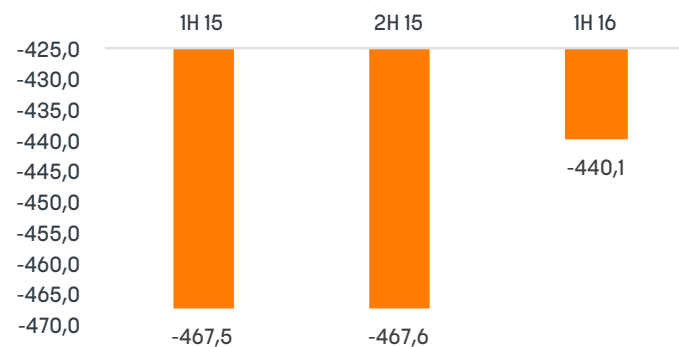
(€, mln)

SNAI (combined)	1H 15	2H 15	1H 16	LTM
Wagers	5.000	5.198	5.356	10.554
Contribution Margin	123,5	128,7	139,9	268,6
EBITDA	57,5	57,1	67,7	124,8
<b>EBITDA Adjusted</b>	<b>60,0</b>	<b>62,3</b>	<b>70,5</b>	<b>132,8</b>
<b>NFP</b>	<b>-467,5</b>	<b>-467,6</b>	<b>-440,1</b>	<b>-440,1</b>

## EBITDA Adjusted



## NFP





## ❖ Multiple areas of synergies

- Headquarters and sites consolidation
- Datacenters and TLC networks integration
- Centralized procurement process
- Synergies in Virtual Events providing costs (SNAI satellite link)
- Cogemat on-line business to be integrated in SNAI systems
- Bookmaking offices integration and provider costs rationalization

## ❖ Main sources of target synergies

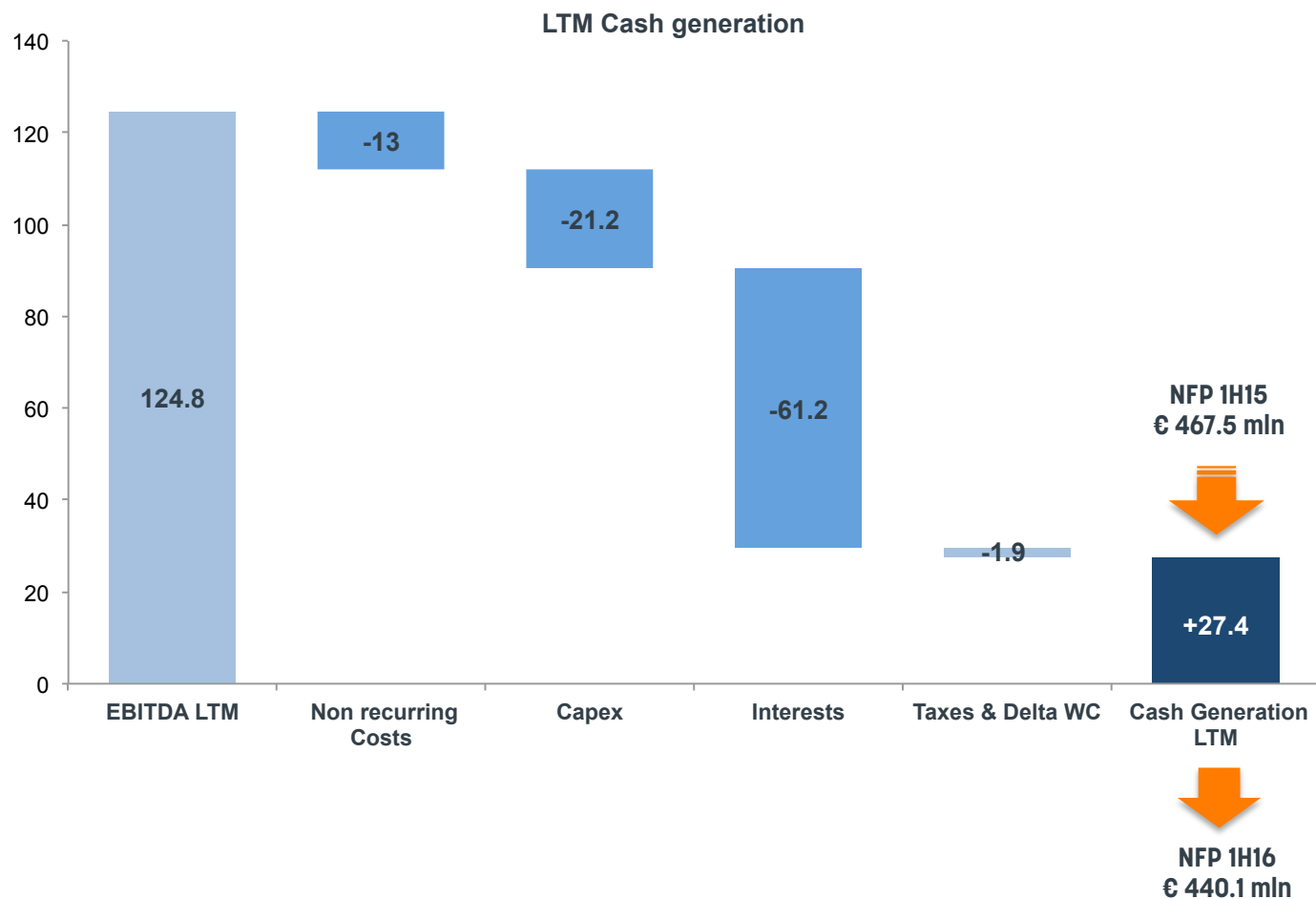
- Integration of TLC networks and datacenters (€ 4 mln)
- Rationalization of logistic and assistance services to PoS (€ 2.5 mln)
- Headquarter consolidation and HR costs (€ 3.5 mln)

## ❖ Achieved synergies and potential Run-Rate

- € 3.2 mln cost saving already achieved in 1H 16
- € 14.8 mln already identified for next 12 months
- Additional cost savings from downsizing



# Cash flow and NFP evolution



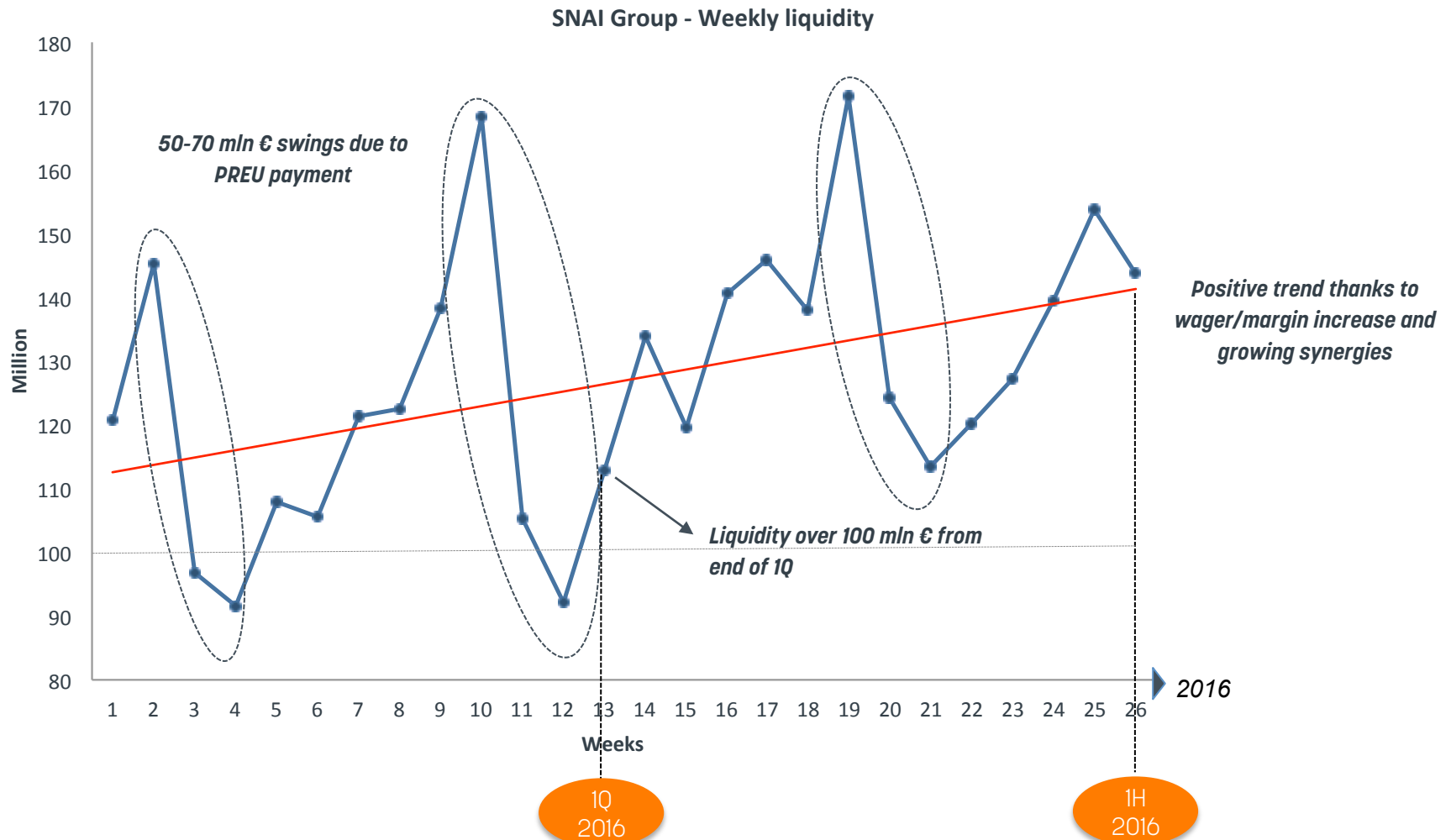
- ❖ 27.4 mln € cash generation over last twelve months
- ❖ 139 mln € cash available as of end of June 2016
- ❖ Non recurring costs mainly related to M&A deals
- ❖ Interest costs include former Cogemat bond

As of 30<sup>th</sup> June 2016

SNAI Note Jun 18	€ 110 mln + 320 mln
SNAI Note Dec 18	€ 160 mln
SSRCF Dec 18	undrawn
Cash Available	€ (139) mln

Key Terms	SNAI 110 mln Jun 18		SNAI 320 mln Jun 18		SNAI 160 mln Dec 18	
<b>Issue Date</b>	28 Jul 2015		4 Dec 2013		4 Dec 2013	
<b>Notional Amount</b>	€ 110,000,000		€ 320,000,000		€160,000,000	
<b>Ranking of the Notes</b>	Senior Secured		Senior Secured		Senior Subordinated	
<b>Coupon</b>	7.625%		7.625%		12.000%	
<b>Interest Payment Date</b>	15 June and 15 December		15 June and 15 December		15 June and 15 December	
<b>Maturity Date</b>	15 June 2018		15 June 2018		15 December 2018	
<b>Redemption Provisions</b>	15 Dec 2015	103.813%	15 Dec 2015	103.813%	15 Dec 2015	112.000%
	15 Dec 2016	101.906%	15 Dec 2016	101.906%	15 Jun 2016	106.000%
	15 Dec 2017	100.000%	15 Dec 2017	100.000%	15 Dec 2016	103.000%
					15 Dec 2017	100.000%
<b>Rating</b>	S&P Moody's	B- B2	S&P Moody's	B- B2	S&P Moody's	CCC Caa2

# Weekly liquidity trend in 1H 2016



- ❖ Strong cash generation in 2016
- ❖ € 139 mln cash available as of end of June
- ❖ Cash available stably over € 100 mln from end of 1Q 16

## ❖ Business outlook

- Current trend on betting and online wagers likely to continue over 2H 2016
- **Uncertainty on timing of the betting tender**
- Gaming Machines wagers and margins should stabilise due to achieved replacement of AWP internal board (70% payout); full development and deployment of 5 VLT platforms over SNAI network
- **Outsourcing of SIS and Finscom** PoS already started in 3Q 2016. 35% shops to be outsourced in 2016

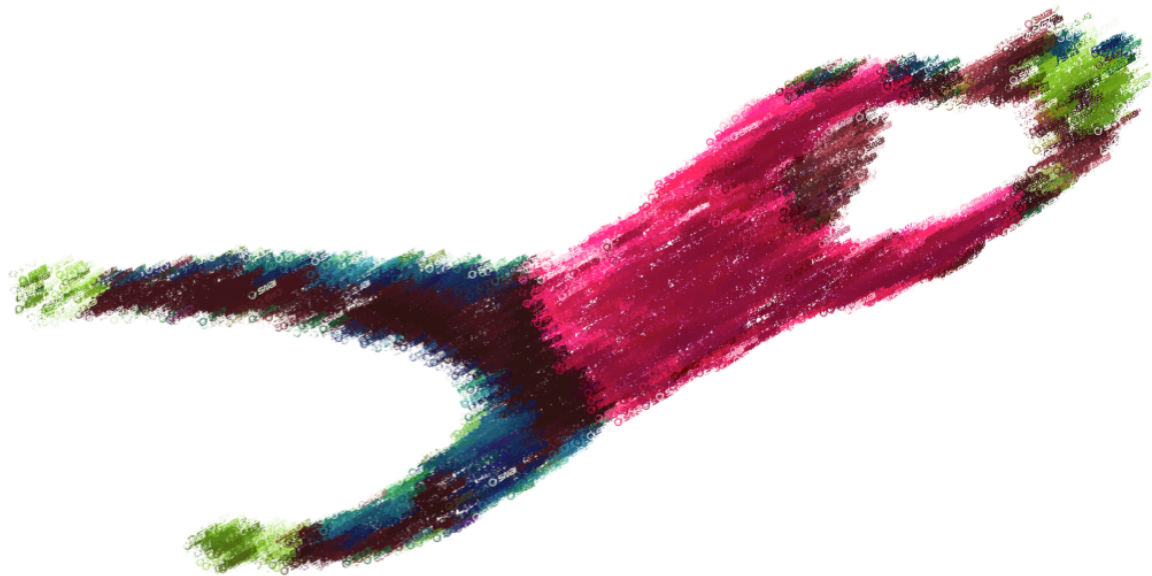
## ❖ Financial outlook

- Expected synergies (additional € 14.8 mln in the next 12 months) and wagers growth will uphold cash generation
- Available cash (€ 139 mln as of 30 June) and future cash generation will cover betting tender capex in any scenario within the horizon of the next 12 months
- RCF undrawn until maturity in 2017
- **Credit Market momentum** for Gaming companies in the High Yield space, possible **window of refinancing opportunity** to be monitored

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*Play with the Playmakers*



*Play with the Playmakers*

