



Sisal 2019 Nine Months Results

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November 29, 2019

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Agenda

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1. 9M 2019 Business Update
2. 9M 2019 Financial Results
3. Q&A

Speakers



Emilio Petrone
Group CEO

Agenda

1. 9M 2019 Business Update

2. 9M 2019 Financial Results

Key Factors affecting 9M 2019

- **Macroeconomic factors:** The macroeconomic environment is almost flat: in the first 9M 2019, Italian GDP was slightly up 0.3%^a compared to the first 9M 2018 while unemployment was 0.4 p.p. down compared to 9M 2018 (from 10.3% to 9.9%).
- The **Italian Gaming market** turnover confirms its growing trend vs 2018, reaching approximately €81.1 billion (+3.8%)^b, mainly driven by the continuous growth of the Online business segment (€26.2 billion +15% vs 2018), while the Offline market is slightly declining (€54.9 billion -0.8% vs 2018), despite regulatory changes relating to Gaming Machines, almost completely offset by Betting and Lotteries segments growth.
- The total **Payments & Services addressable market** reached approx. €64.3 billion up almost +2.4%^c versus 9M 2018, mainly driven by the financial services growth.

^a Sisal Market Intelligence Estimate on Istat Data

^b Sisal Market Intelligence Estimate on ADM Data

^c Sisal Market Intelligence Estimate on Istat Data

Sisal Key Achievements – 9M 2019

- In the above-mentioned context, **Sisal recorded €13.9 billion Turnover**, slightly down compared to 9M 2018 (-0.3%). **Gaming Turnover reached €7.1 billion**, up approx. €0.6 billion versus 9M 2018 (+8.0%), mainly driven by Online gaming growth, the positive performance of Lottery segment and Retail Gaming volume increase. **Payments and Services Turnover reached €6.8 billion**, down approx. €0.7 billion (-9.4%), mainly driven by telephone top-ups declining trend and lower prepaid volume (termination of Postepay contract in January 2019), partially offset by the significant payments volume growth and the leading position that Sisal achieved in the electronic payment system designed to make any payment to the Public Administration (PagoPA). Excluding PostePay volume, Turnover growth would have been approx. +58%.
- **Revenues** amounted to **€624.0 million**, up approx. €4 million or **+0.6%** compared to €620.2 million in 9M 2018, mainly due to volume increase in almost all the product categories, despite the further taxation increase.
- **Adj. EBITDA^a** reached **€189.8 million**, up to approx. €8 million or **4.4%** compared to €181.8 million in 9M 2018, mainly driven by volume growth and cost structure efficiency, in addition to the positive impact of the new accounting standard IFRS 16, more than offsetting the negative impact of further taxation increase.

(a) We define Adjusted EBITDA as EBITDA adjusted for the effect of extraordinary items and provisions related to disputes with regulatory bodies. 9M 2019 Adjusted EBITDA reflects the new accounting standard IFRS 16 "leases" application which has modified for most of the operating leases the accounting treatment, moving to the recognition on balance sheet of the right of use of the underlying asset and of the corresponding financial liability

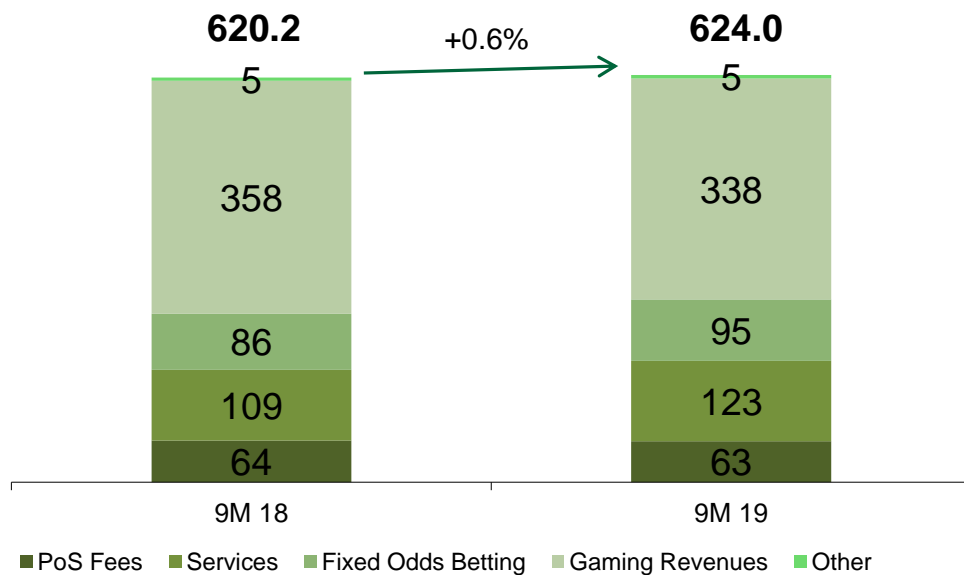
Agenda

1. 9M 2019 Business Update

2. 9M 2019 Financial Results

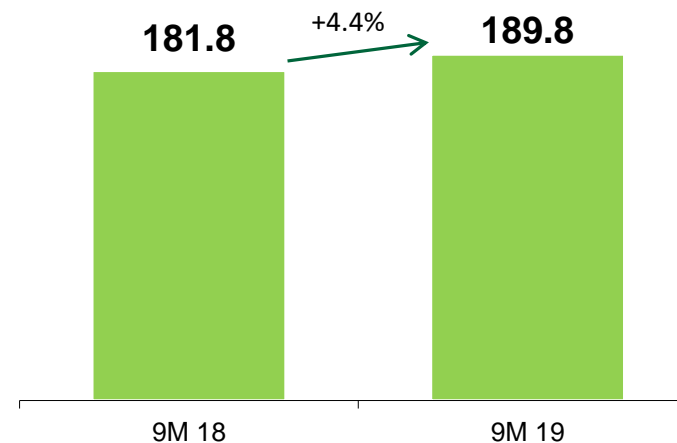
Sisal Results Highlights – 9M 2019

Revenues



Figures in € M

Adj. Ebitda^(a)



Adj. Ebitda Margin %

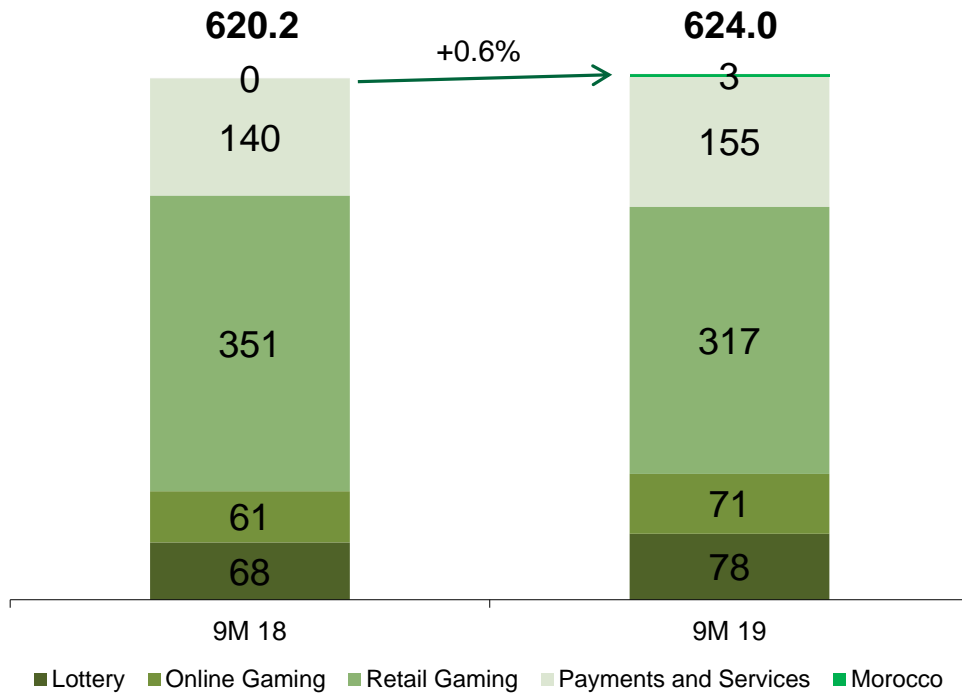
29.3%

30.4%

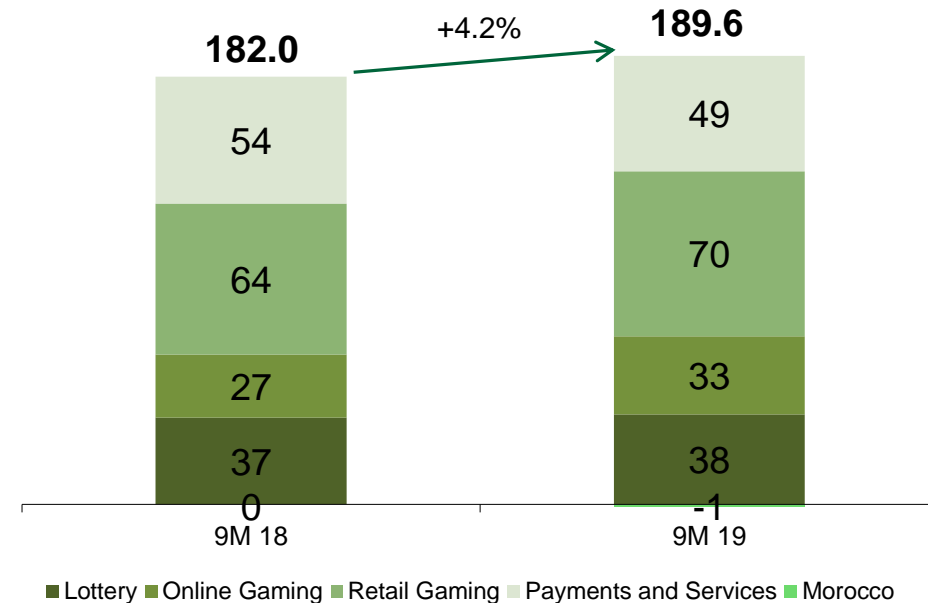
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Segments Results Highlights – 9M 2019

Revenues



Operating Segments Ebitda



Figures in € M

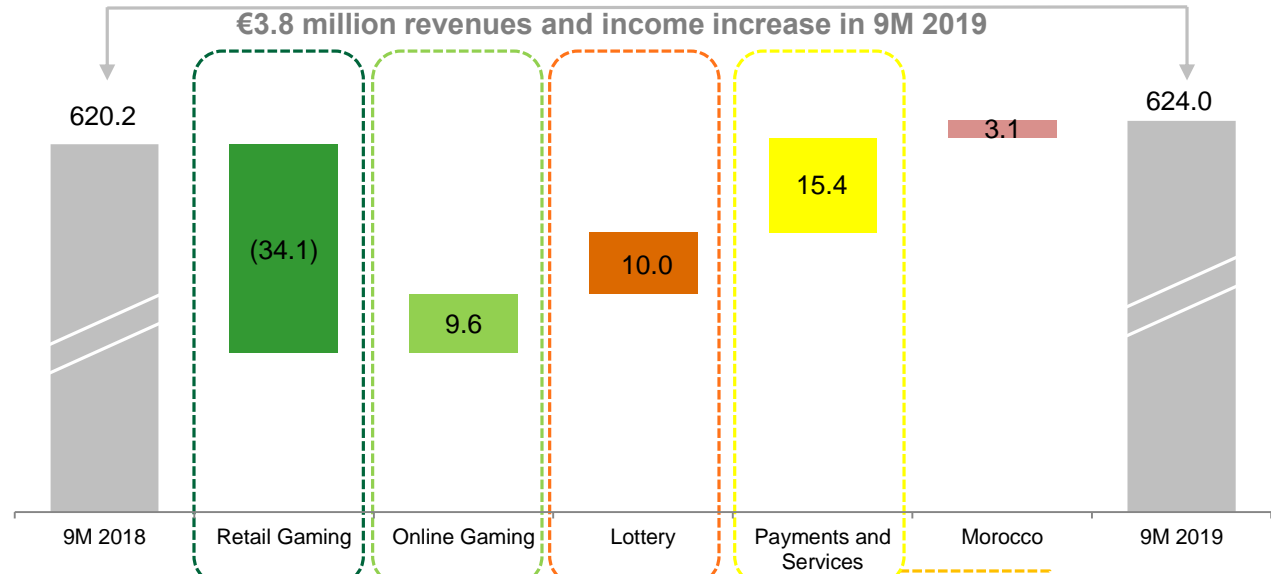
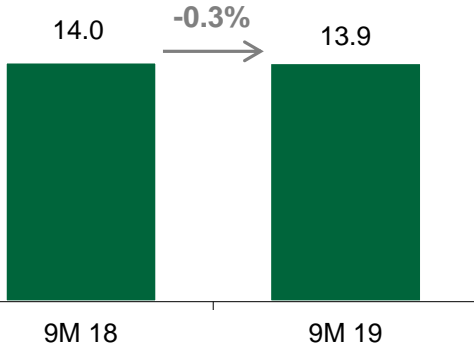
Operating Segments Ebitda Margin %

	9M 18	9M 19
Total	29.3%	30.4%
Retail Gaming	18.3%	22.1%
Online Gaming	44.2%	47.3%
Lottery	54.3%	49.1%
Payments & Services	38.7%	31.7%
Morocco	n.m.	n.m.

9M 2019 vs 9M 2018 comparison: Revenues

Turnover (€ BN)

Revenues and income (€ M)

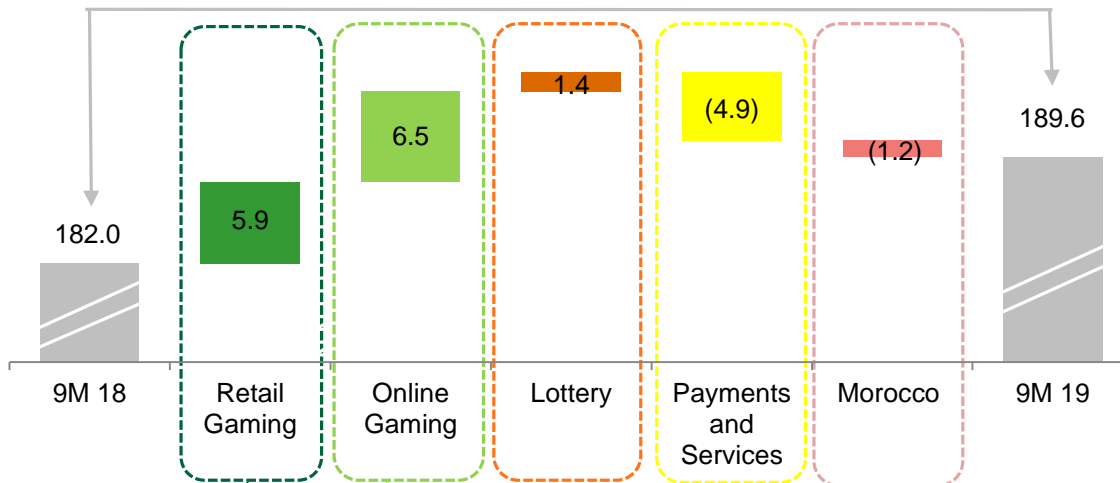


	€ M impact	Primary drivers	€ M impact	Primary drivers	€ M impact	Primary drivers	€ M impact	Primary drivers
Gaming machines	(40.9)	<ul style="list-style-type: none"> Increase in gaming taxation and regulatory changes, partially offset by payout reduction 	Digital games	3.4	<ul style="list-style-type: none"> Volume growth driven by increased Active Customers, despite advertising ban, and higher ARPU. Taxation increase has negatively impacted revenues. 	Lottery	10.0	<ul style="list-style-type: none"> Driven by the successful activities carried out on the product and the effective marketing plans. Lottery volume growth was also driven by the highest average Jackpot level vs previous year
Sport Betting	2.8	<ul style="list-style-type: none"> Significant higher turnover, despite of reduced margin and taxation increase 	Betting online	6.2	<ul style="list-style-type: none"> Driven by higher volumes, despite of higher payout and taxation increase 	Services	14.6	<ul style="list-style-type: none"> Driven by the significant bill-payments volume growth and the leading position that SisalPay reached in the PagoPA more than offsetting the further Top Ups decrease and the impact of exiting the contract with PostePay
Virtual Races and Others	4.0	<ul style="list-style-type: none"> Volume growth, despite of taxation increase 				Point of Sale fees	0.8	<ul style="list-style-type: none"> Driven by further network expansion

9M 2019 vs 9M 2018 comparison: Profitability

Operating Segments Ebitda^a (€ M)

Margin % 29.3% €7.6 million Operating Segments Ebitda increase in 9M 2019 30.4%



- Mainly driven by volume growth and IFRS 16 impact, more than offsetting the higher taxation

- Mainly driven by good performance in casino games and sport betting, despite of taxation increase

- Mainly driven by positive turnover performance driven by Jackpot

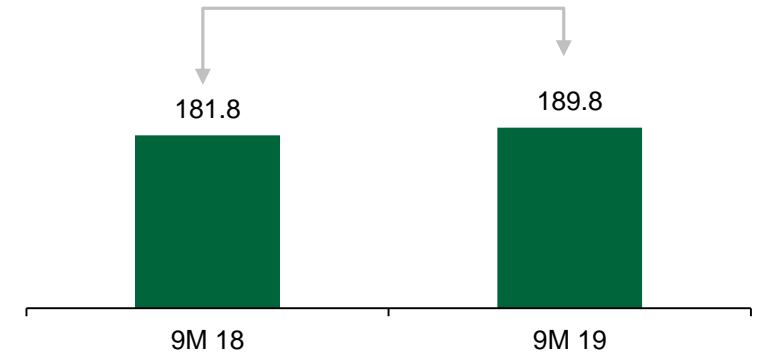
- Mainly driven by different product mix and exiting PostePay contract impact

- Morocco operations start up phase still in progress

Adj. Ebitda^b (€ M)

Margin % 29.3% 30.4%

€8.0 million increase in 9M 2019



- Adj. Ebitda margin increase mainly due to:

- Volumes increase
- Gaming machines taxation increase net of payout reduction
- New accounting standards IFRS 16

Sisal Key Figures – 9M 2019 vs 9M 2018

P&L and simplified cash flow

(€m)	9M-19	9M-18	Change
Turnover	13,911	13,951	(0.3)%
Revenues	624.0	620.2	0.6%
Retail Gaming	317.4	351.5	(9.7)%
Online Gaming	70.3	60.7	15.9%
Lottery	78.2	68.1	14.7%
Payments and services	155.0	139.6	11.0%
Other	0.1	0.3	(78.7)%
Morocco	3.1	0.0	n.a.
Operating Segments EBITDA	189.6	182.0	4.2%
Adj. Ebitda ^(a)	189.8	181.8	4.4%
<i>% margin</i>	30.4%	29.3%	
Ebitda ^(b)	184.1	181.0	1.7%
<i>% margin</i>	29.5%	29.2%	
Cash Flow			
Ebitda	184.1	181.0	
Change in trade W/C	(44.4)	(89.2)	
Change in other assets and liabilities ^(c)	(29.8)	(57.4)	
Capex	(61.4)	(40.4)	
Other non-Current Assets	(0.7)	2.8	
Acquisitions	(2.9)	0.0	
Cash taxes	(19.2)	(13.2)	
IFRS 16 rental payments	(12.3)	0.0	
Cash interest	(47.5)	(45.7)	
Total	(34.2)	(62.1)	
Net Financial Position	644.2	621.8	
Leverage Ratio (LTM) ^(d)	2.7x	2.7x	

▪ Mainly due to **regulatory changes and taxation increase**, partially offset by **Sport Betting, VLT and Virtual Races performance**

▪ Increased Active Customers and higher Arpu for Digital Games, and Sport Betting volume growth

▪ Driven by the **positive impact of higher average Jackpot in 2019**

▪ Revenues growth mainly driven by **SisalPay leading position in bill-payments segment and in the PagoPa**

▪ **Marocco activities started in January 2019**

▪ **Trade working Capital:** PDS2 reversal impact in the first nine months 2019 and higher reduction of top ups payable in 9M 2018

▪ **Other Assets and Liabilities:** lower receivables vs gaming administration (full collection in Q3 2019 of 2018 0,5% deposit) and higher gaming taxes payable, due to the gaming machines taxes increase and higher NTNG volume.

▪ **Capex** mainly related to investments in software applications and user licenses

▪ **Acquisition** mainly related to investment in 30% of equity of MyCicero

▪ **IFRS 16:** repayment of financial liabilities accounted in application of the new accounting standard

(a) We define Adjusted EBITDA as EBITDA adjusted for the effect of extraordinary items and provisions related to disputes with regulatory bodies

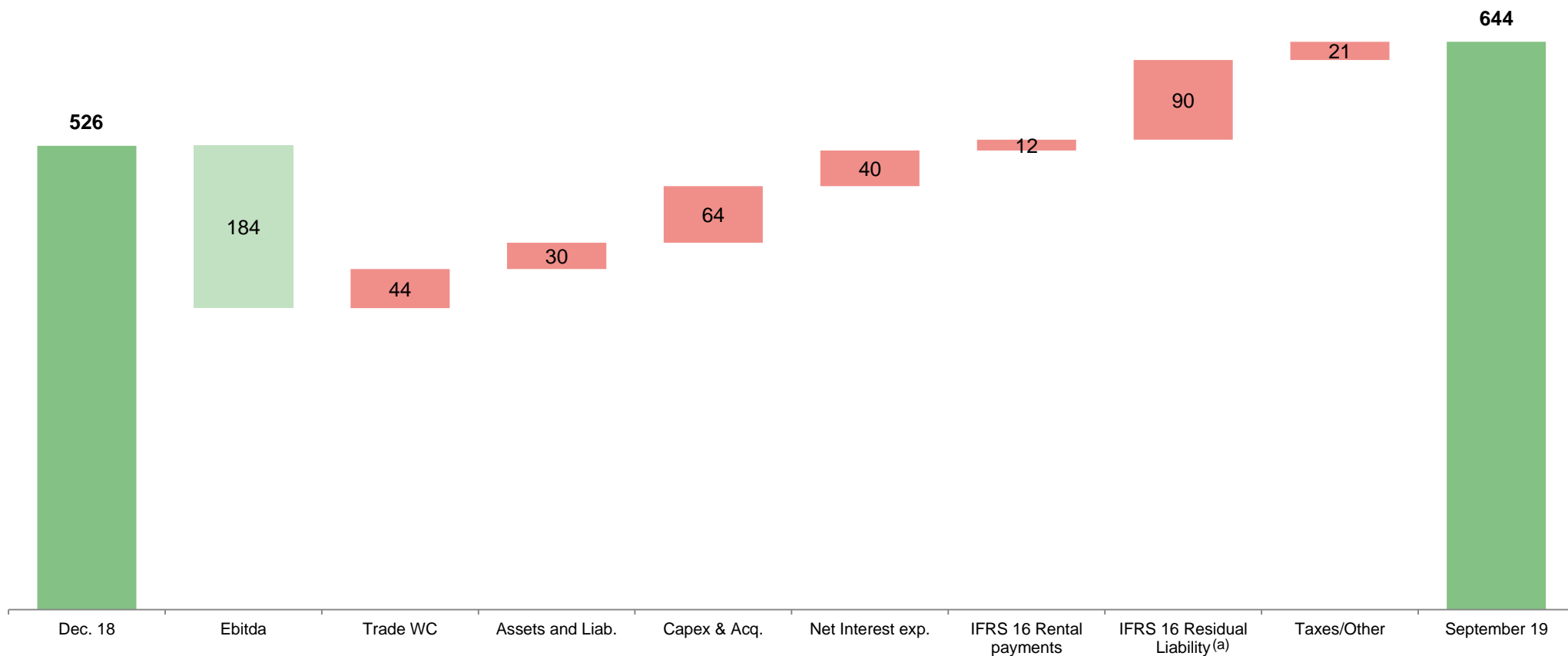
(b) Ebitda defined as profit (or loss) for the period plus net finance expenses and similar, income taxes and amortisation, depreciation, impairments and impairment of receivables

(c) Shows the impact of payables of unpaid winnings net of the restricted cash balance

(d) Computed based on Adjusted EBITDA LTM (€234.1 in 9M 2018 and € 241.5 in 9M 2019)

Net Financial Position Bridge – 9M 2019

Figures in € M



(a) IFRS16 residual liability also includes approx. €3m capital lease related to the purchase of Payments terminals

Consolidated Income Statement – 9M 2019

Figures in € M (except ratios)

Income Statement	9M 19	9M 18	% Change
Revenues	529.0	533.1	(0.8)%
Fixed odd betting income	94.5	85.5	10.5%
Other revenues and income	0.5	1.6	(68.8)%
Total revenues and Income	624.0	620.2	0.6%
Adj. Ebitda^(a)	189.8	181.8	4.4%
<i>Margin (%)</i>	<i>30.4%</i>	<i>29.3%</i>	
Ebitda	184.1	181.0	1.7%
<i>Margin (%)</i>	<i>29.5%</i>	<i>29.2%</i>	
Ebit	76.5	94.6	(19.1)%
Net financial expenses and similar	44.7	42.4	5.4%
Income before tax	31.8	52.2	(39.1)%
Net Income	18.4	36.0	(48.9)%

(a) We define Adjusted EBITDA as EBITDA adjusted for the effect of extraordinary items and provisions related to disputes with regulatory bodies.

Note:

- Ebitda defined as profit (or loss) for the period plus net finance expenses and similar, income taxes and amortisation, depreciation, impairments and impairment of receivables
- 9M 2019 Ebitda figures reflect new accounting standard IFRS 16 (leases) application

Consolidated Balance Sheet – 9M 2019

Figures in € M

Balance Sheet	9M 19	FY 18
Non-Current Assets	725.5	644.6
Goodwill	575.0	569.3
Net Working Capital/Other ^(a)	(328.5)	(384.0)
Total assets	972.1	829.9
Net Financial Position ^(b)	624.7	502.5
Total Equity	347.4	327.4
Total Liabilities and Equity	972.1	829.9
Payables for unpaid winnings/P&S PSD2 payables	370.4	218.2
Restricted cash balance	356.0	201.6

(a) Includes Payables for unpaid winnings

(b) Net of upfront fees

IFRS 16 Impact – 9M 2019

Figures in € M

Balance Sheet	9M 19 IFRS 16 EXCLUDED	IFRS 16 IMPACT	9M 19 IFRS 16 COMPLIANT
Non-Current Assets	860.1	87.4	947.5
Goodwill	575.0	-	575.0
Net Working Capital/Other	(549.4)	(1.1)	(550.5)
Total assets	885.7	86.3	972.1
Net Financial Position	537.1	87.6	624.7
Total Equity	348.8	(1.4)	347.4
Total Liabilities and Equity	885.8	86.3	972.1

Income Statement	9M 19 IFRS 16 EXCLUDED	IFRS 16 IMPACT	9M 19 IFRS 16 COMPLIANT
Total Revenues and Income	624.0	-	624.0
Ebitda	168.6	15.5	184.1
Amortization, depreciation, provisions and impairment losses and reversals	92.4	15.2	107.6
Ebit	76.2	0.3	76.5
Net financial expenses and similar	43.0	1.7	44.7
Income before taxes	33.2	(1.4)	31.8