



# 2016 First Quarter Results

Ended March 31, 2016

May 27<sup>th</sup>, 2016

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# Agenda

## Agenda

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1. Q1 2016 Business Update
2. Q1 2016 Financial Results
3. Q&A

## Speakers

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**Emilio Petrone**  
Group CEO



**Corrado Orsi**  
Group CFO

# Agenda

**1. Q1 2016 Business Update – Emilio Petrone (Group CEO)**

**2. Q1 2016 Financial Results – Corrado Orsi (Group CFO)**

**3. Q & A**

# Key Factors affecting Q1 2016

- **Macroeconomic factors:** in the first quarter of 2016, Italian GDP was up 1.0%<sup>a</sup> compared to Q1 2015, driven by private consumption (+1.8%) and unemployment was down (-0.2%) vs. previous quarter
- The **Italian gaming market** showed positive developments. Turnover and Gross Gaming Revenues reached respectively €23.5 billion<sup>b</sup>, up approx. 6.9% compared to Q1 2015 and €4.4 billion<sup>b</sup>, up approx. 4.7% compared to Q1 2015
- Total **Convenience Payments Services** market confirmed the ongoing positive trend and reached a total turnover of €20.1 billion<sup>c</sup>, an increase of +0.4% compared to Q1 2015, driven by payment and financial services

<sup>a</sup> Sisal Market Intelligence Estimate based on Istat data

<sup>b</sup> Sisal Market Intelligence Estimate based on AAMS, Agicos, Agipro, Agimeg

<sup>c</sup> Sisal Market Intelligence Estimate

# Sisal Key Achievements – Q1 2016

- **Sisal performance during Q1 2016 was affected by the 2016 Budget Law impact**
  - **2016 Budget Law envisaged:**
    - **The elimination of the gaming machines concessionaires lump-sum fee for concession activities (overall €500 million) as per 2015 Budget law**
    - **The introduction of a taxation increase on gaming machines (AWPs from 13% in 2015 to 17,5% from January 1st in 2016; VLTs from 5% in 2015 to 5,5% from January 1st in 2016)**
    - **The reduction of AWP's minimum payout from 74% in 2015 to 70%, with effect from 2016 to be rolled-out over the next few years**
- **In the above mentioned context, Sisal Q1 2016 achievements were extremely positive**
  - **Turnover** amounted to **€4.0 billion** in Q1 2016, **up 5.0%** vs Q1 2015, driven by successful relaunch of SuperEnalotto (+20%) and Online Gaming (+23%) driven by Casino games and Online Sport Betting
  - **Revenues** amounted to **€192.4 million, up 0.6%** from €191.2 million in Q1 2015, mainly driven by a strong performance of fixed odds sport betting, Lottery and Payments and Services revenues, fully offsetting the impact of the Budget Law 2016 on Gaming machines
  - **Adj. Ebitda<sup>b</sup>** reached **€53.2 million, up 14.4%** vs €46.5 million in Q1 2015

# Agenda

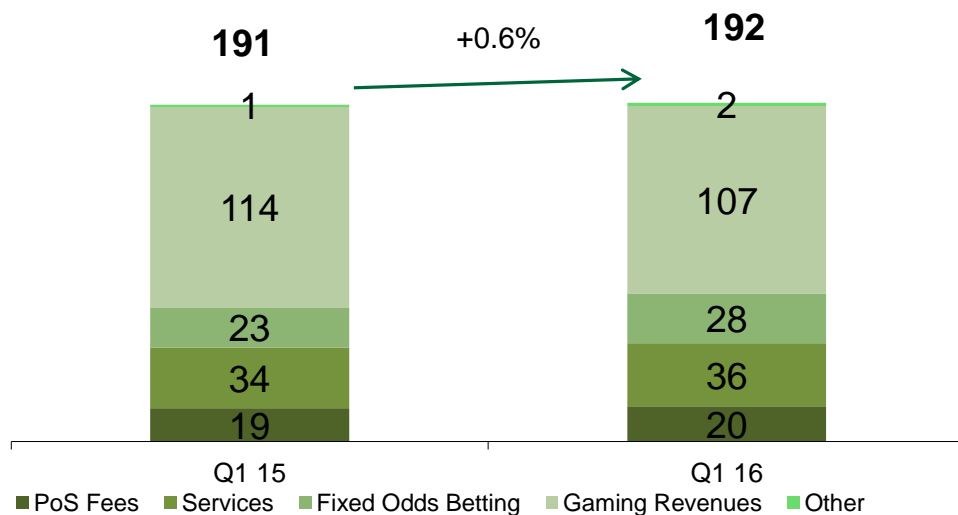
1. Q1 2016 Business Update – Emilio Petrone (Group CEO)

2. Q1 2016 Financial Results – Corrado Orsi (Group CFO)

3. Q & A

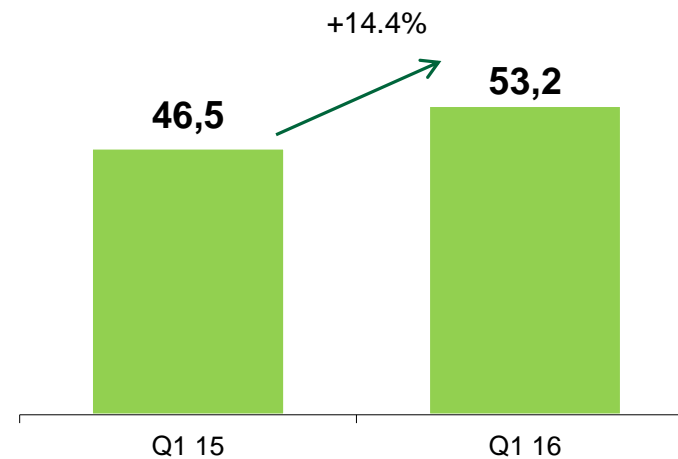
# Sisal Results Highlights – Q1 2016

## Revenues



Figures in € M

## Adj. Ebitda<sup>(a)</sup>



## Adj. Ebitda Margin %

24.3%

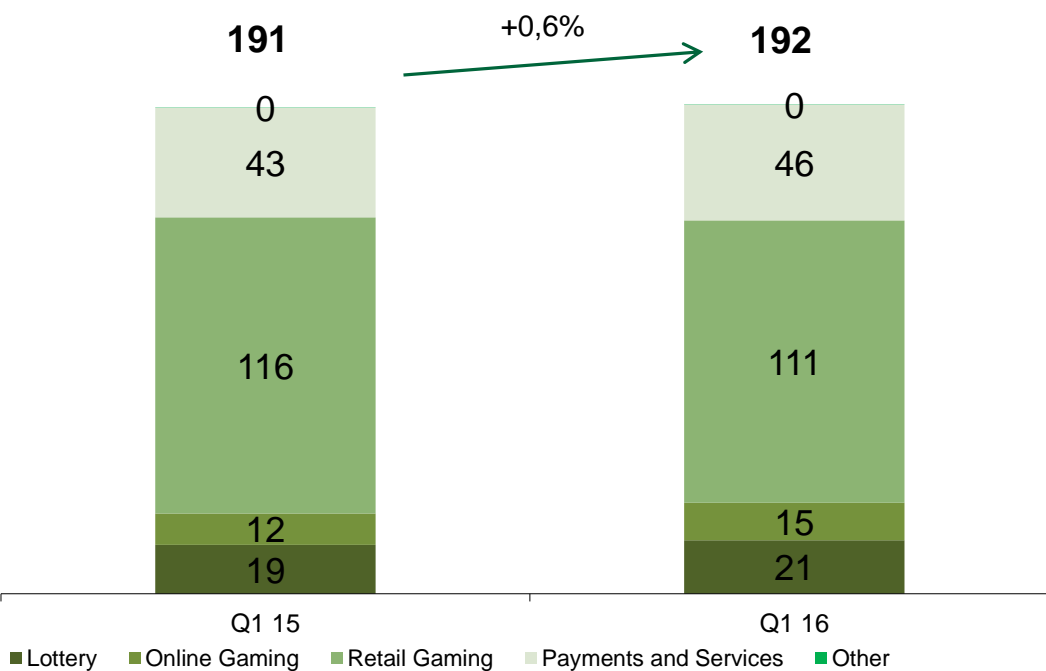
27.6%

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



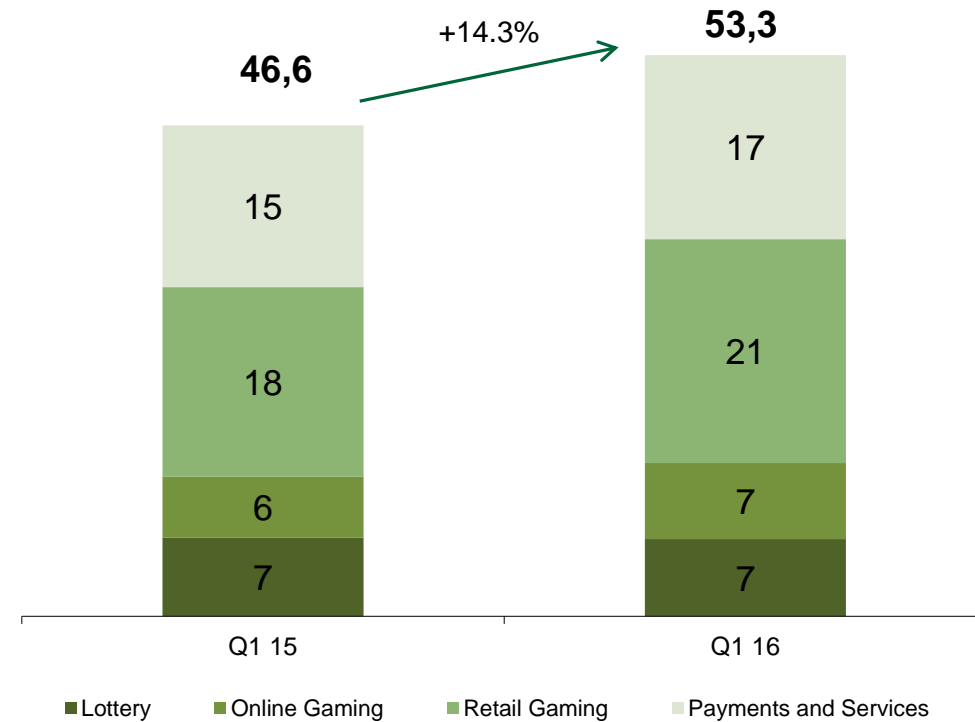
# Segments Results Highlights – Q1 2016

## Revenues



Figures in € M

## Operating Segments Ebitda



### Operating Segments Ebitda Margin %

	Q1 15	Q1 16
<b>Total</b>	<b>24.4%</b>	<b>27.7%</b>
<b>Retail Gaming</b>	<b>15.5%</b>	<b>19.2%</b>
<b>Online Gaming</b>	<b>46.7%</b>	<b>48.9%</b>
<b>Lottery</b>	<b>39.0%</b>	<b>35.0%</b>
<b>Payments &amp; Services</b>	<b>35.6%</b>	<b>38.4%</b>

# Sisal Key Figures – Q1 2016 vs Q1 2015

## P&L and simplified cash flow

(€m)	Q1-16	Q1-15	Change
<b>Turnover</b>	<b>4.024</b>	<b>3.833</b>	<b>5,0%</b>
<b>Revenues</b>	<b>192,4</b>	<b>191,2</b>	<b>0,6%</b>
<i>Retail Gaming</i>	111,0	116,4	(4,7)%
<i>Online Gaming</i>	14,8	12,4	19,3%
<i>Lottery</i>	21,0	19,1	9,6%
<i>Payments and services</i>	45,6	43,1	5,7%
<i>Other</i>	0,1	0,1	(28,3)%
<b>Operating Segments EBITDA</b>	<b>53,3</b>	<b>46,6</b>	<b>14,3%</b>
<b>Adj. Ebitda</b>	<b>53,2</b>	<b>46,5</b>	<b>14,4%</b>
<i>% margin</i>	27,6%	24,3%	
<b>Ebitda</b>	<b>53,2</b>	<b>46,5</b>	<b>14,4%</b>
<i>% margin</i>	27,6%	24,3%	
<b>Cash Flow</b>			
Ebitda	53,2	46,5	
Change in trade W/C	(12,0)	(14,9)	
Change in other assets and liabilities <sup>(a)</sup>	4,4	(6,6)	
Capex	(4,4)	(8,6)	
Other non-Current Assets	0,0	0,0	
Acquisitions	(0,3)	(0,4)	
Cash taxes	0,0	(0,2)	
Cash interest	(19,0)	(18,9)	
<b>Total</b>	<b>21,8</b>	<b>(3,1)</b>	
<b>Net Financial Position<sup>(b)</sup></b>	<b>842,4</b>	<b>894,7</b>	
<b>Leverage Ratio (LTM)<sup>(c)</sup></b>	<b>4,5x</b>	<b>5,0x</b>	

▪ Performance driven by **Budget Law impact** partially offset by the **strong performance in sport betting**

▪ Performance mainly driven by **Slot games** and **online sport betting strong performance**

▪ **Mainly driven by the re-launch of new SuperEnalotto** (launched on February 1st)

▪ **Revenues growth** mainly driven by **payment and financial services**

▪ **Working Capital** movements mainly related to a more favourable trade working capital performance and cut off impact on restricted cash account funding

▪ **Capex** mainly related to AWP's cabinets, retrofit and retail network technology and equipment

▪ **Acquisitions** related to € 0,3M Merkur Win corners acquisitions

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

(b) We define Net Financial Position as Sisal Group net debt plus Gaming Invest (GI) net debt which consists of the principal amount of total debt of the Issuer and its consolidated subsidiaries excluding amounts due under the Shareholder Loans and net of unrestricted cash of the Issuer and its subsidiaries, plus amounts due by GI under the Mezzanine Facilities Agreement and the Second Lien Facilities Agreement net of cash at GI

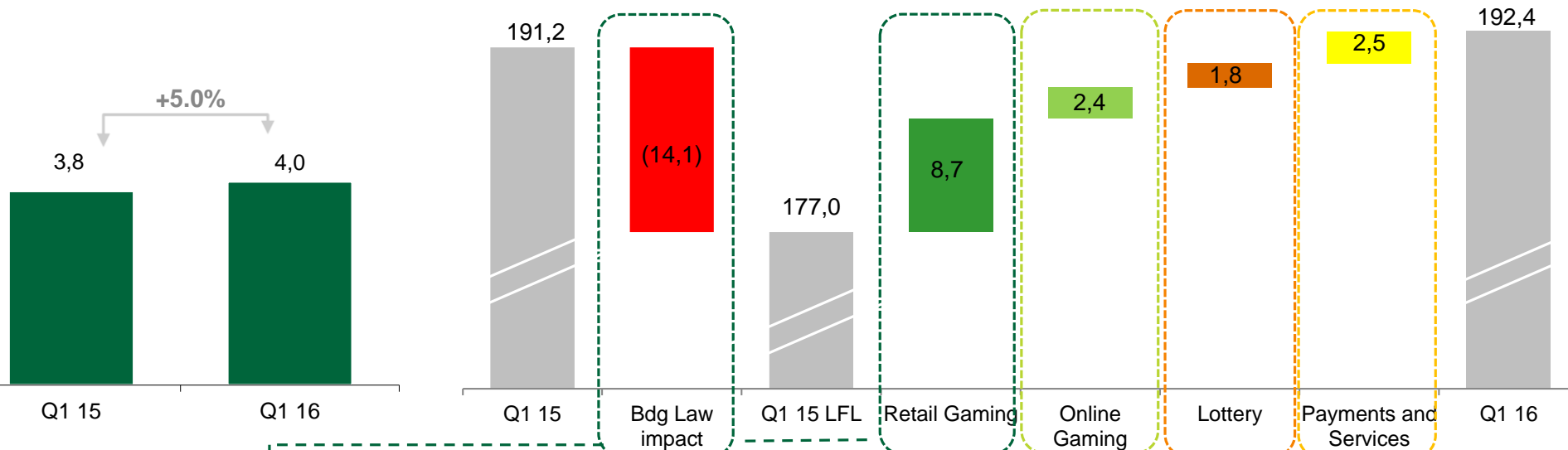
(c) Computed based on Adjusted EBITDA LTM (€189.0M in Q1 2016 and € 180.6M in Q1 2015)

# Q1 2016 vs Q1 2015 comparison: Revenues

Turnover (€ BN)

Revenues and income (€ M)

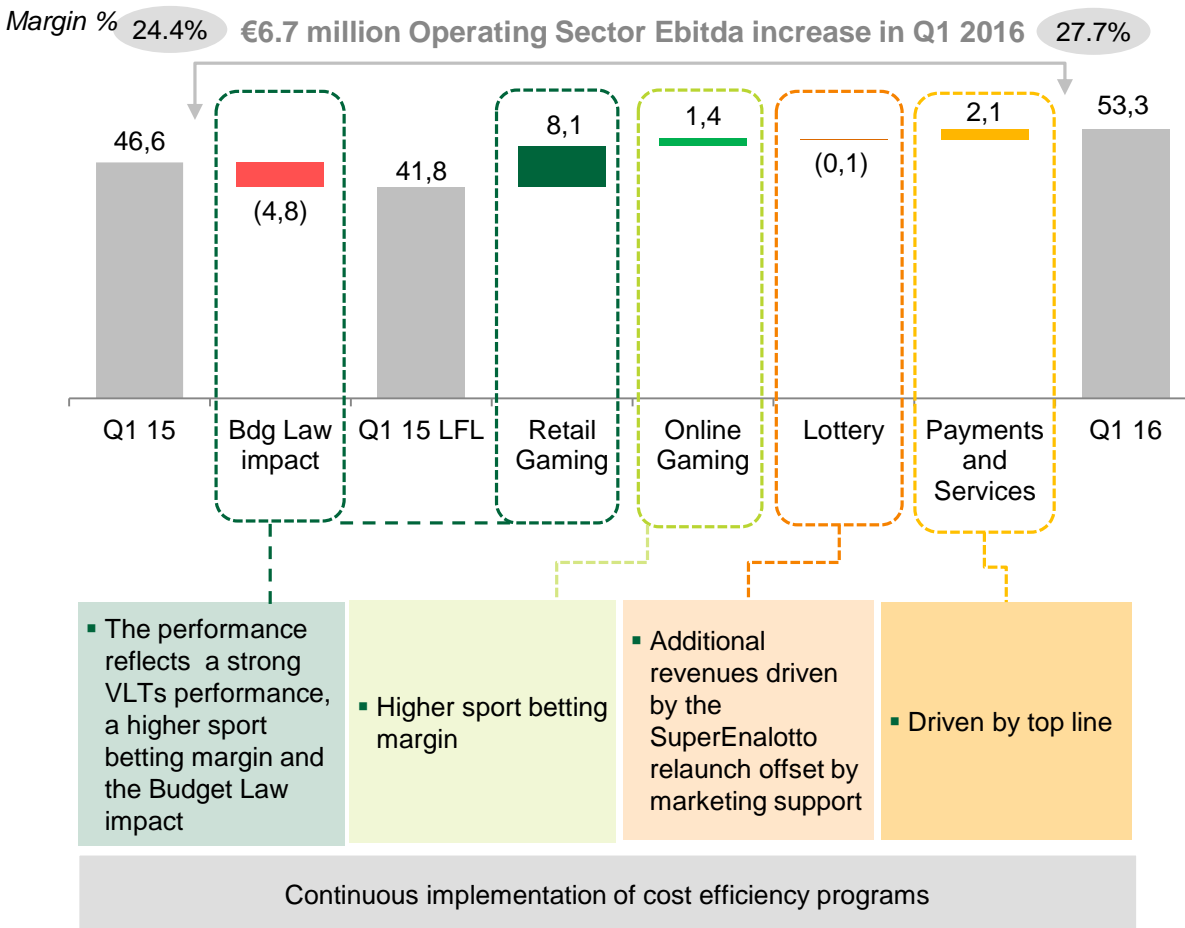
€1,2 million revenues and income increase in Q1 2016 (€ 15,4 million increase net of Bdg Law impact)



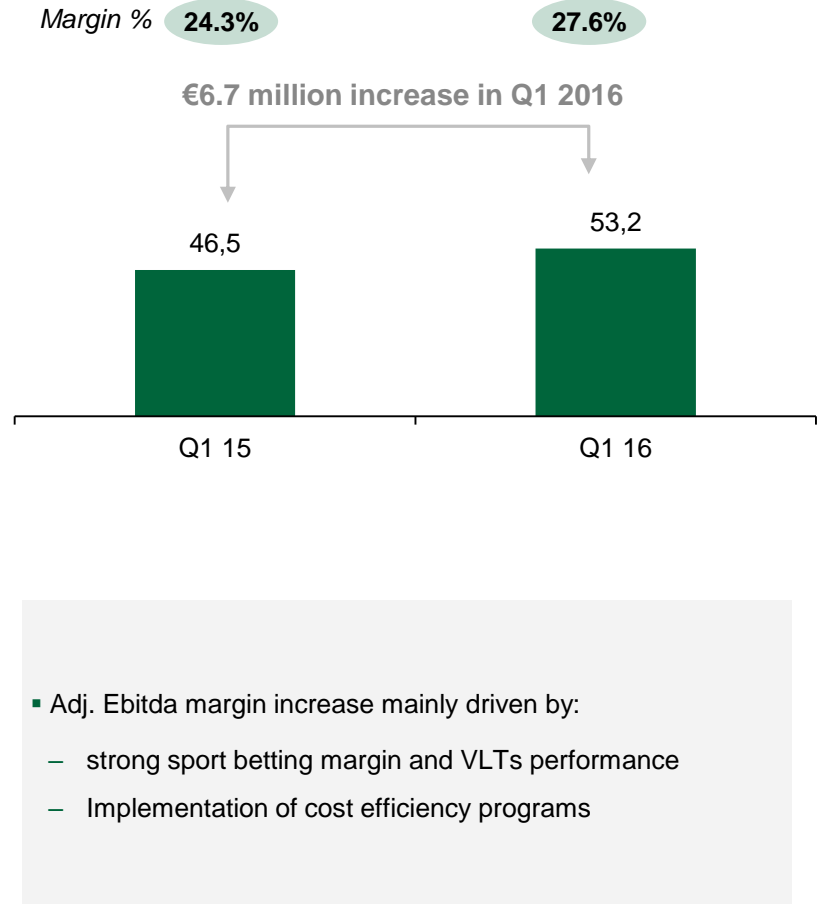
	€ M impact	Primary drivers	€ M impact	Primary drivers	€ M impact	Primary drivers	€ M impact	Primary drivers			
<b>Gaming machines</b>	(7.5)	<ul style="list-style-type: none"> <li>Bdg Law impact partially offset by a strong VLTs performance together with a fast start of payout reduction</li> </ul>	<b>Digital games</b>	0.1	<ul style="list-style-type: none"> <li>Driven by a growing consumer base which also drove the strong performance of Casino games, Skill games and online lottery</li> </ul>	<b>Lottery</b>	2.0	<ul style="list-style-type: none"> <li>Successful relaunch of SuperEnalotto</li> </ul>	<b>Services</b>	1.5	<ul style="list-style-type: none"> <li>Driven by payment and financial services</li> </ul>
<b>Sport Betting</b>	2.7	<ul style="list-style-type: none"> <li>Higher profit margin in fixed odds sport betting</li> </ul>	<b>Betting online</b>	2.3	<ul style="list-style-type: none"> <li>higher profit margin in online betting</li> </ul>	<b>Point of Sale fees</b>	(0.2)	<ul style="list-style-type: none"> <li>Decrease primarily as a result of retail network optimization program</li> </ul>	<b>Point of Sale fees</b>	0.9	<ul style="list-style-type: none"> <li>Increase driven by services turnover and roll out of service-only POS</li> </ul>
<b>Other revenues</b>	(0.5)	<ul style="list-style-type: none"> <li>Soft Virtual Races performance</li> </ul>									
	(0.2)	<ul style="list-style-type: none"> <li>Other</li> </ul>									

# Q1 2016 vs Q1 2015 comparison: Profitability

## Operating Segments Ebitda (€ M)

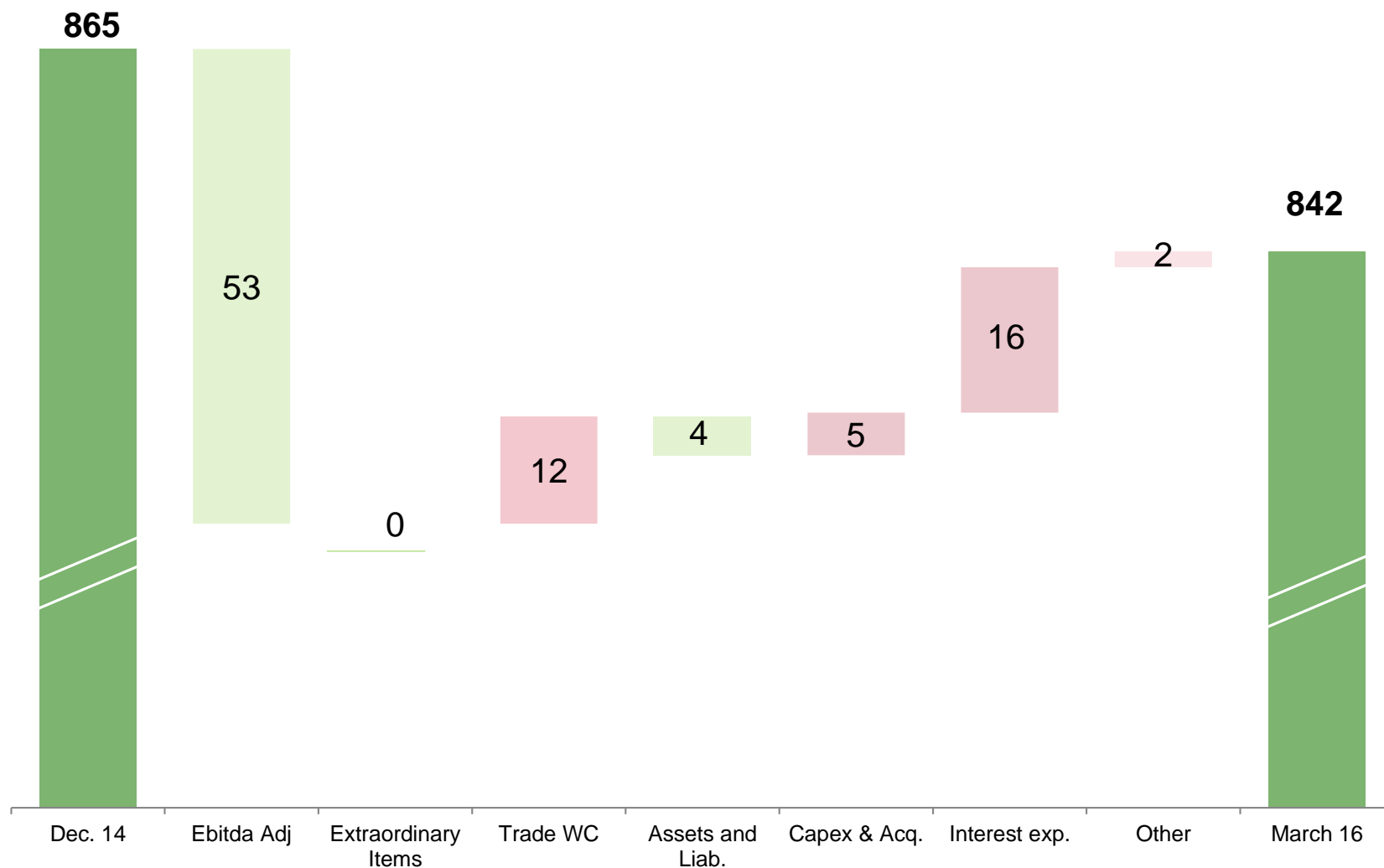


## Adj. Ebitda (€ M)



# Net Financial Position<sup>(a)</sup> Bridge – Q1 2016

Figures in € M



(a) We define Net Financial Position as Sisal Group net debt plus Gaming Invest (GI) net debt which consists of the principal amount of total debt of the Issuer and its consolidated subsidiaries excluding amounts due under the Shareholder Loans and net of unrestricted cash of the Issuer and its subsidiaries, plus amounts due by GI under the Mezzanine Facilities Agreement and the Second Lien Facilities Agreement net of cash at GI

Note: GI Principal Amount of debt at 31 March 2016 equal to € 316,0 M and Q1 2016 GI Interest expenses equal to € 7,0M

# Consolidated Sisal Group Income Statement – Q1 2016

Figures in € M (except ratios)

Income Statement	Q1 16	Q1 15	% Change
Revenues	164,2	167,9	(2,2)%
Fixed odd betting income	28,0	22,9	22,3%
Other revenues and income	0,2	0,4	(50,0)%
<b>Total revenues and Income</b>	<b>192,4</b>	<b>191,2</b>	<b>0,6%</b>
<b>Adj. Ebitda</b> <sup>(a)</sup>	<b>53,2</b>	<b>46,5</b>	<b>14,4%</b>
<i>Margin (%)</i>	<i>27,6%</i>	<i>24,3%</i>	
<b>Ebitda</b>	<b>53,2</b>	<b>46,5</b>	<b>14,4%</b>
<i>Margin (%)</i>	<i>27,7%</i>	<i>24,3%</i>	
<b>Ebit</b>	<b>27,3</b>	<b>21,3</b>	<b>n.m.</b>
Net financial expenses and similar	21,4	20,8	2,9%
<b>Income before tax</b>	<b>5,9</b>	<b>0,5</b>	<b>n.m.</b>
<b>Net Income</b>	<b>2,1</b>	<b>(1,2)</b>	<b>n.m.</b>

(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

# Consolidated Sisal Group Balance Sheet – Q1 2016

Figures in € M

Balance Sheet	Q1 16	FY 15
Non-Current Assets	271,6	293,5
Goodwill	860,9	860,9
Net Working Capital/Other <sup>(a)</sup>	(192,9)	(197,0)
<b>Total assets</b>	<b>939,7</b>	<b>957,4</b>
Net Financial Position <sup>(b)</sup>	946,1	966,0
Total Equity	(6,4)	(8,5)
<b>Total Liabilities and Equity</b>	<b>939,7</b>	<b>957,4</b>
Payables for unpaid winnings	171,6	105,2
Restricted cash balance	162,0	101,9

(a) Includes Payables for unpaid winnings

(b) Includes amounts due under the Shareholder Loans and restricted cash balance

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