



# 2016 Nine Months Results

Ended September 30, 2016

November 30<sup>th</sup>, 2016

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# Agenda

## Agenda

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1. 9M 2016 Business Update
2. 9M 2016 Financial Results
3. Q&A

## Speakers

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**Emilio Petrone**  
Group CEO



**Corrado Orsi**  
Group CFO

# Agenda

**1. 9M 2016 Business Update – Emilio Petrone (Group CEO)**

**2. 9M 2016 Financial Results – Corrado Orsi (Group CFO)**

**3. Q & A**

# Key Factors affecting 9M 2016

- **Macroeconomic factors:** In the first nine months 2016, the Italian GDP was up 0.8%<sup>a</sup> compared to the same period of last year. In Q3 2016 unemployment was 11.7%, down 0.1% compared to Q2 2016
- **The Italian gaming market** showed positive developments. The turnover confirmed the 2015 trend, growing by 9.4% to approximately € 70.0 billion<sup>b</sup>
- **The Payments and Services addressable market** confirmed the ongoing positive trend, growing by 6.2%, reaching €61.3 billion<sup>c</sup>, mainly 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 ADM data

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

# Sisal Key Achievements – 9M 2016

- Sisal performance during 9M 2016 was affected by the 2016 Budget Law impact
  - 2016 Budget Law envisaged:
    - The cancellation of the 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 AWPs minimum payout from 74% in 2015 to 70%, with effect from Jan. 1 2016 to be rolled-out over the next few quarters
- In the above mentioned context, **Sisal 9M 2016 achievements were extremely satisfactory**
  - **Turnover** amounted to **€12.2 billion** in 9M 2016, **up 9.5%** vs 9M 2015, mainly driven by Lottery (+45%) and Online Gaming (+26%)
  - **Revenues** amounted to **€569.1 million**, **up 2.1%** from €557.3 million in 9M 2015, mainly driven by a positive performance of lottery, online gaming and payments and other services revenues, fully offsetting the impact of the Budget Law 2016 on Gaming machines
  - **Adj. Ebitda<sup>b</sup>** reached **€145.0 million**, **up 9.4%** vs €132.5 million in 9M 2015

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

# Agenda

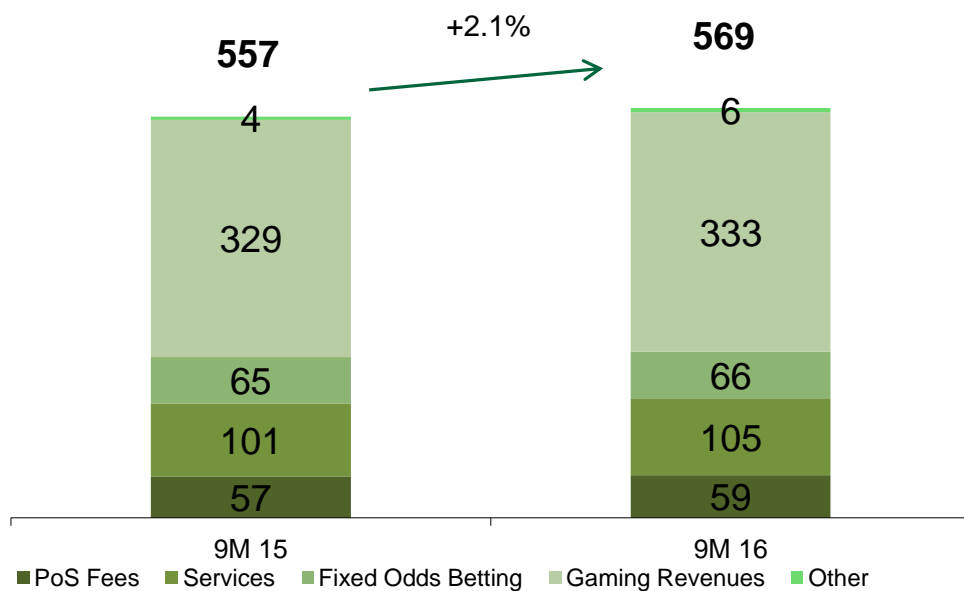
1. 9M 2016 Business Update – Emilio Petrone (Group CEO)

2. 9M 2016 Financial Results – Corrado Orsi (Group CFO)

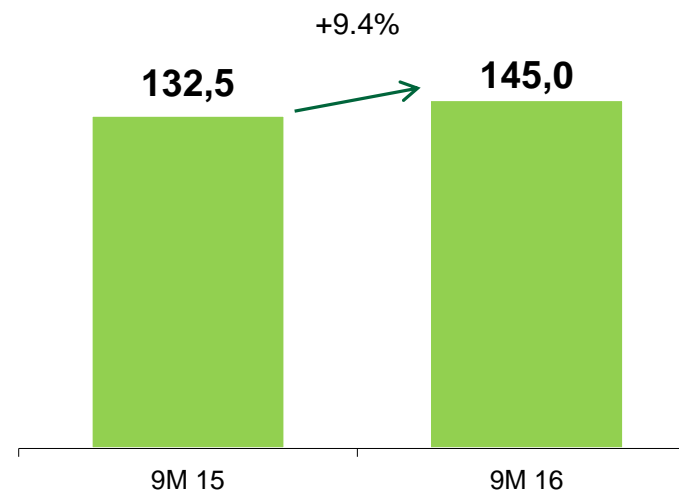
3. Q & A

# Sisal Results Highlights – 9M 2016

## Revenues



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



### Adj. Ebitda Margin %

23.8%

25.5%

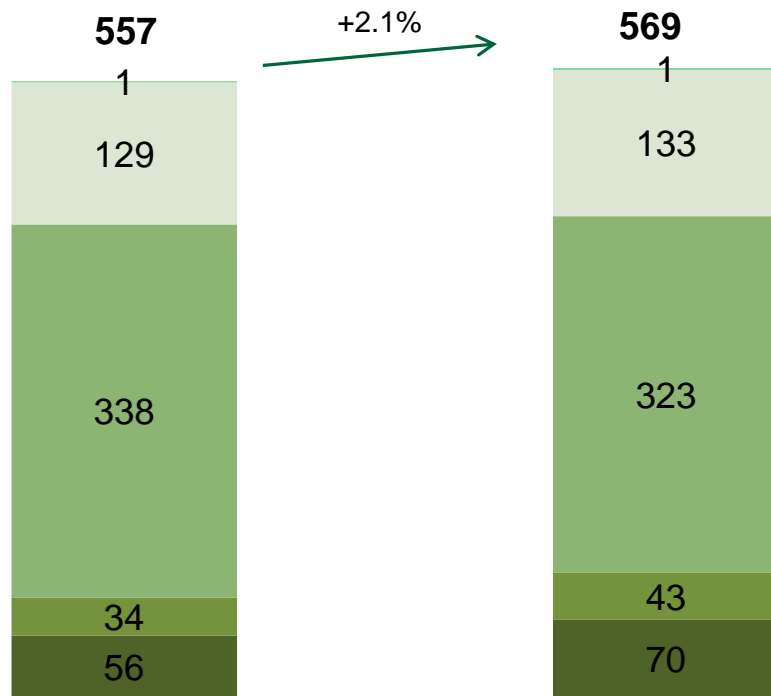
Figures in € M

(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 – 9M 2016

## Revenues

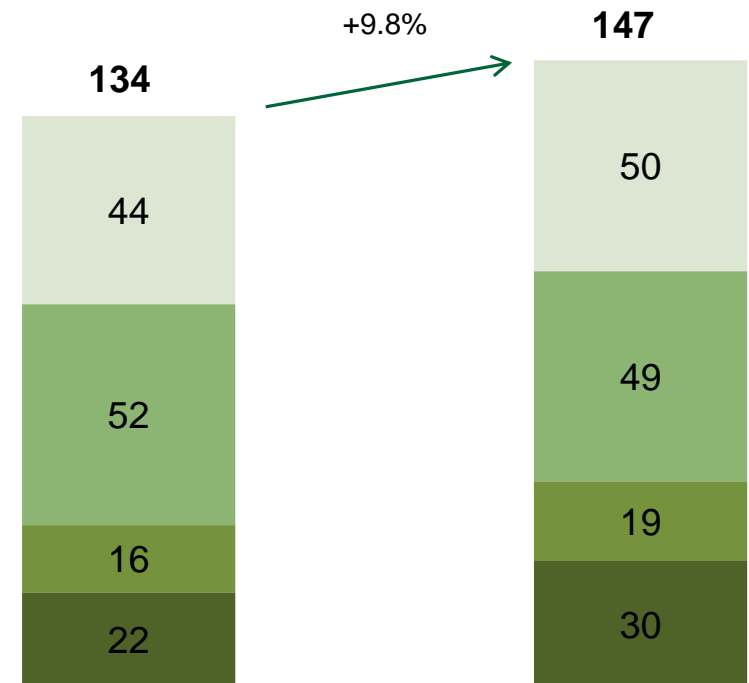


9M 15

9M 16

■ Lottery ■ Online Gaming ■ Retail Gaming ■ Payments and Services ■ Other

## Operating Segments Ebitda



9M 15

9M 16

■ Lottery ■ Online Gaming ■ Retail Gaming ■ Payments and Services

Figures in € M

### Operating Segments Ebitda Margin %

<b>Total</b>	<b>24.0%</b>	<b>25.8%</b>
<b>Retail Gaming</b>	<b>15.4%</b>	<b>15.3%</b>
<b>Online Gaming</b>	<b>46.1%</b>	<b>43.9%</b>
<b>Lottery</b>	<b>39.8%</b>	<b>42.3%</b>
<b>Payments &amp; Services</b>	<b>34.2%</b>	<b>37.2%</b>

# Sisal Key Figures – 9M 2016 vs 9M 2015

## P&L and simplified cash flow

(€m)	9M-16	9M-15	Change
<b>Turnover</b>	<b>12.161</b>	<b>11.103</b>	<b>9,5%</b>
<b>Revenues</b>	<b>569,1</b>	<b>557,3</b>	<b>2,1%</b>
<i>Retail Gaming</i>	322,8	337,9	(4,5)%
<i>Online Gaming</i>	42,5	34,3	24,0%
<i>Lottery</i>	70,0	55,7	25,7%
<i>Payments and services</i>	133,1	128,9	3,3%
<i>Other</i>	0,8	0,6	28,0%
<b>Operating Segments EBITDA</b>	<b>147,1</b>	<b>134,0</b>	<b>9,8%</b>
<b>Adj. Ebitda</b>	<b>145,0</b>	<b>132,5</b>	<b>9,4%</b>
<i>% margin</i>	25,5%	23,8%	
<b>Ebitda</b>	<b>144,5</b>	<b>131,0</b>	<b>10,3%</b>
<i>% margin</i>	25,4%	23,5%	
<b>Cash Flow</b>			
Ebitda	144,5	131,0	
Change in trade W/C	(41,8)	(43,5)	
Change in other assets and liabilities <sup>(a)</sup>	(19,2)	12,1	
Capex	(21,4)	(24,8)	
Other non-Current Assets	0,0	0,0	
Acquisitions	(1,0)	(1,2)	
Cash taxes	(2,2)	(4,7)	
Cash interest	(46,9)	(46,5)	
<b>Total</b>	<b>12,0</b>	<b>22,5</b>	
<b>Net Financial Position<sup>(b)</sup></b>	<b>854,5</b>	<b>874,2</b>	
<b>Leverage Ratio (LTM)<sup>(c)</sup></b>	<b>4,4x</b>	<b>4,7x</b>	

▪ Performance driven by **Budget Law impact** partially offset by a **overall good performance in AWP's and VLT's**, partially offset by **lower performance in sport betting** due in particular to a weak 3<sup>rd</sup> quarter

▪ Performance mainly driven by **Sport betting, Slot games and Casino games**

▪ Driven by the **February 1<sup>st</sup> re-launch of the new SuperEnalotto**

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

▪ **Working Capital** movements mainly related to Q3 seasonality and a Q3-16 less favourable cut off day vs Q3-15

▪ **Other Assets and Liabilities:** mainly related to a delay in collection of the gaming machines security deposit, collected in the 1<sup>st</sup> week of October

▪ **Capex** mainly related to AWP's cabinets, games and AWP's rights and refurbishing, accessories and opening of new Pos

▪ **Acquisitions:** €1.0m of performance based price adjustments related to Merkurwin sport corners

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

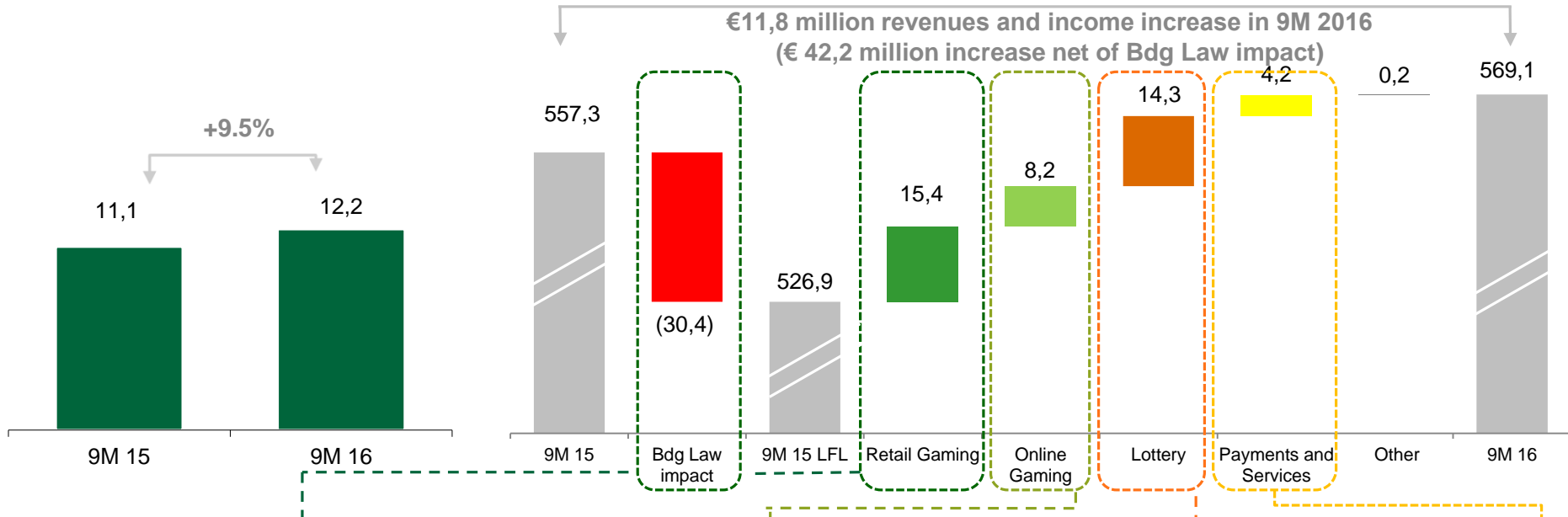
(b) We define Net Financial Position as Sisal Group net debt plus Gaming Invest (GI) net debt which consists of the principal amount of total debt of the Issuer and its consolidated subsidiaries excluding amounts due under the Shareholder Loans and net of unrestricted cash of the Issuer and its subsidiaries, 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 (€194.8M in 9M 2016 and € 185.0M in 9M 2015)

# 9M 2016 vs 9M 2015 comparison: Revenues

Turnover (€ BN)

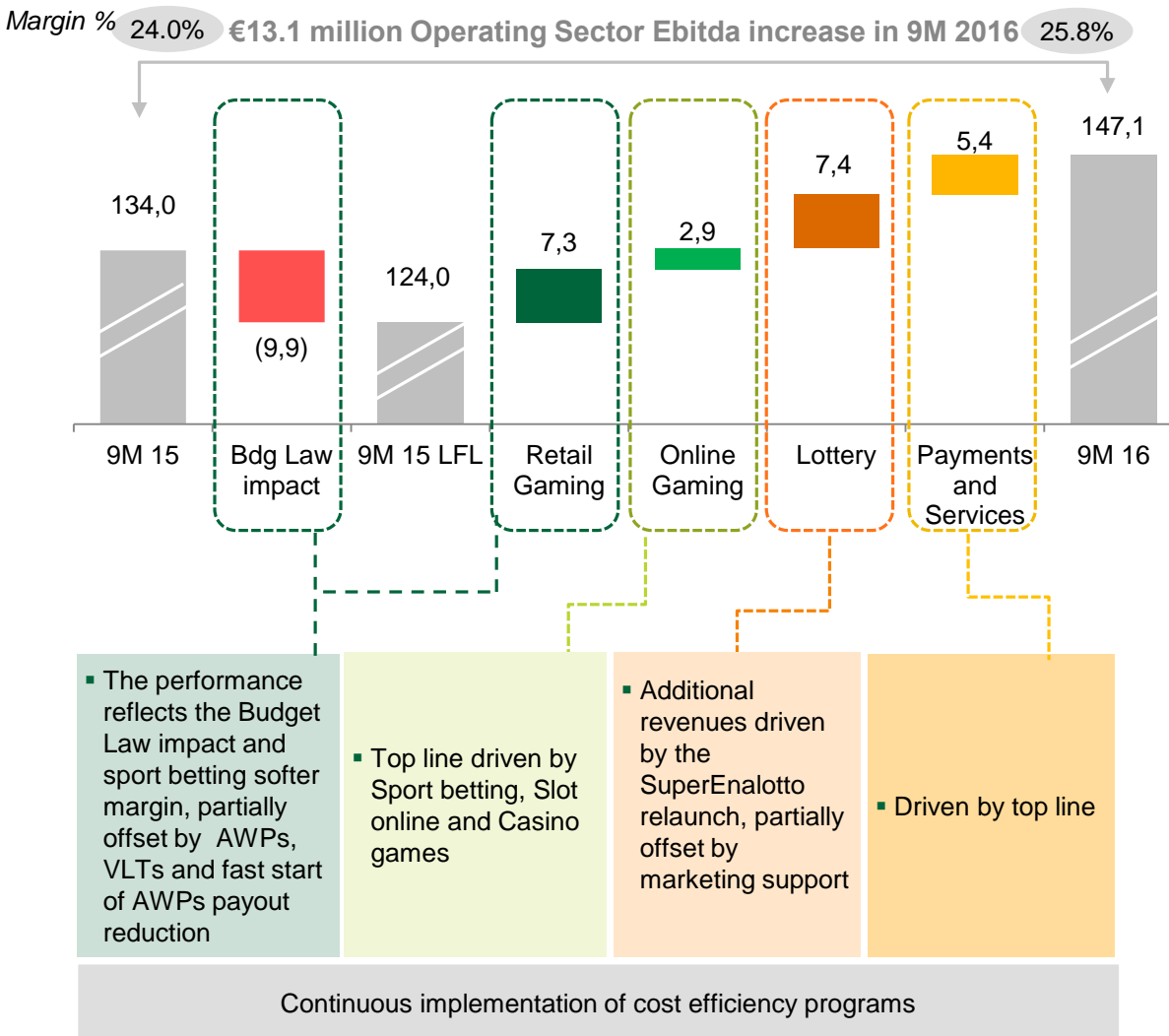
Revenues and income (€ M)



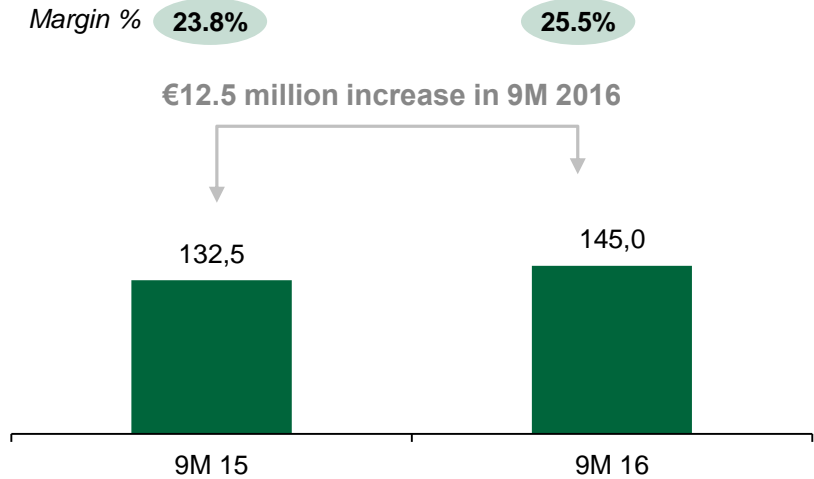
	€ M impact	Primary drivers		€ M impact	Primary drivers		€ M impact	Primary drivers
<b>Gaming machines</b>	(11.5)	<ul style="list-style-type: none"> <li>€30,4 M Bdg Law impact</li> <li>Good performance in AWP and VLTs</li> <li>Fast roll out of AWP pay-out reduction</li> </ul>	<b>Digital games</b>	5.9	<ul style="list-style-type: none"> <li>Strong performance of Casino and slot games, also related to an increase of active players</li> </ul>	<b>Lottery</b>	13.1	<ul style="list-style-type: none"> <li>SuperEnalotto successful relaunch: positive acceptance thanks to a higher frequency of winnings and a higher average jackpot</li> </ul>
<b>Sport Betting</b>	(1.6)	<ul style="list-style-type: none"> <li>Turnover growth partially offset by soft margins</li> </ul>	<b>Betting online</b>	2.1	<ul style="list-style-type: none"> <li>Strong Sport betting turnover growth partially offset by softer margins</li> </ul>	<b>Point of Sale fees</b>	1.2	
<b>Virtual Races</b>	(1.9)	<ul style="list-style-type: none"> <li>Mainly due to higher competition</li> </ul>	<b>VR online</b>	0.2		<b>Services</b>	4.0	<ul style="list-style-type: none"> <li>Driven by payment and financial services</li> </ul>
<b>Other</b>	(0.1)					<b>Point of Sale fees</b>	0.2	

# 9M 2016 vs 9M 2015 comparison: Profitability

## Operating Segments Ebitda (€ M)



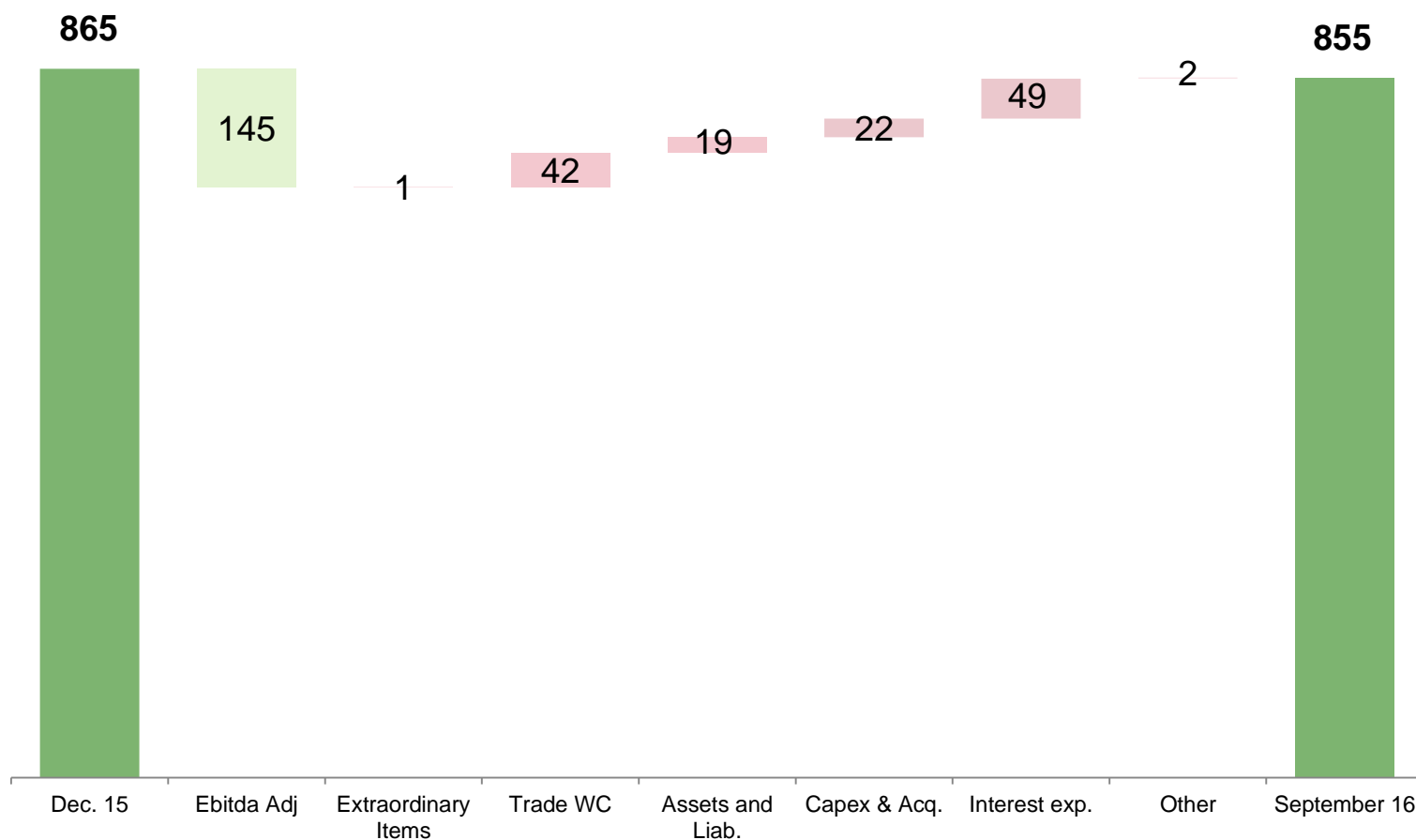
## Adj. Ebitda (€ M)



- Adj. Ebitda margin increase mainly driven by:
  - Payments & Services
  - Online Gaming
  - Lottery
  - Cost efficiency programs
 ...allowing to more than offsetting 2016 Budget Law impact

# Net Financial Position<sup>(a)</sup> Bridge – 9M 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 30 September 2016 equal to € 323,8 M and 9M 2016 GI Interest expenses equal to € 21,1M

# Consolidated Sisal Group Income Statement – 9M 2016

Figures in € M (except ratios)

Income Statement	9M 16	9M 15	% Change
Revenues	501,7	491,4	2,1%
Fixed odd betting income	65,8	64,8	1,5%
Other revenues and income	1,6	1,1	45,5%
<b>Total revenues and Income</b>	<b>569,1</b>	<b>557,3</b>	<b>2,1%</b>
<b>Adj. Ebitda</b> <sup>(a)</sup>	<b>145,0</b>	<b>132,5</b>	<b>9,4%</b>
<i>Margin (%)</i>	25,5%	23,8%	
<b>Ebitda</b>	<b>144,5</b>	<b>131,0</b>	<b>10,3%</b>
<i>Margin (%)</i>	25,4%	23,5%	
<b>Ebit</b>	<b>70,8</b>	<b>49,2</b>	<b>43,9%</b>
Net financial expenses and similar	64,0	63,2	1,3%
<b>Income before tax</b>	<b>6,9</b>	<b>(14,0)</b>	<b>(149,3)%</b>
<b>Net Income</b>	<b>1,2</b>	<b>(14,8)</b>	<b>(108,1)%</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 – 9M 2016

Figures in € M

Balance Sheet	9M 16	FY 15
Non-Current Assets	243,4	293,5
Goodwill	860,9	860,9
Net Working Capital/Other <sup>(a)</sup>	(143,1)	(197,0)
<b>Total assets</b>	<b>961,2</b>	<b>957,4</b>
Net Financial Position <sup>(b)</sup>	968,6	966,0
Total Equity	(7,3)	(8,5)
<b>Total Liabilities and Equity</b>	<b>961,2</b>	<b>957,4</b>
Payables for unpaid winnings	261,4	105,2
Restricted cash balance	252,8	101,9

(a) Includes Payables for unpaid winnings

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

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