



# Schumann Group 2017 Nine Months Results

Ended September 30, 2017

November 24, 2017

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# Agenda

## Agenda

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1. 9M 2017 Business Update
2. 9M 2017 Financial Results
3. Q&A

## Speakers

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**Emilio Petrone**  
Group CEO



**Corrado Orsi**  
Group CFO

# Agenda

**1. 9M 2017 Business Update**

**2. 9M 2017 Financial Results**

**Appendix I: Sisal business profile**

# Key Factors affecting 9M 2017

- **Macroeconomic factors:** the macro environment is confirming a positive trend. In the first nine months 2017, the Italian GDP was up 1.5%<sup>a</sup> compared to the same period of last year. Unemployment was 11.3%<sup>a</sup>, down 0.3pp compared to the first nine months 2016. Private consumption continue being positive, with a growth of 1.3% in the first half 2017 compared to the same period of last year, also fostered by the highest consumers' confidence of the last decade
- The **Italian gaming industry** showed very positive developments. **Turnover** reached **€74.6 billion**<sup>b</sup>, up approx. 6.6% compared to the same period of 2016
- The **Payments and Services** market addressable market was in line with the same period of 2016

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

<sup>b</sup> Sisal Market Intelligence Estimate on ADM data

## Sisal Key Achievements – 9M 2017

- In the above-mentioned context, **Sisal 9M 2017** confirmed a **positive and improving performance**
  - **Turnover** reached **€13.2 billion**, up €1 billion or **+8.5%**, compared to €12.2 billion in the same period of 2016, mainly driven by Online Gaming (+27.9%), Payments & Services (+9.1%) and Sport Betting (+12.1%)
  - **Revenues** reached **€601 million**, up €32 million or **+5.6%** compared to €569 million in 9M 2016
  - **Adj. EBITDA<sup>a</sup>** reached **€162.9 million**, up €17.9 million or **+12.3%**, compared to €145 million in the same period of 2016, driven by the fast growing Online Gaming (€22.5 million, up €3.8 million or +20.3%) and Payments and Services (€54.4 million, up €4.9 million or +10.4%). The cost optimization programs executed in 2016 and 2017 also contributed to achieve these positive results
  - Sisal was able to **more than offset the higher Gaming Machine taxation impact** on Retail Gaming revenues, thanks to the positive performance of the other business lines

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

# Agenda

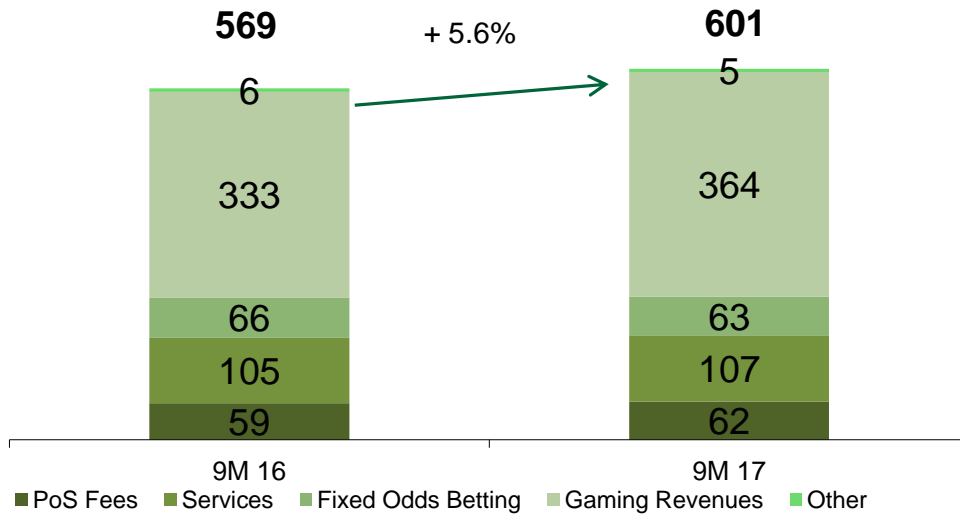
1. 9M 2017 Business Update

2. 9M 2017 Financial Results

Appendix I: Sisal business profile

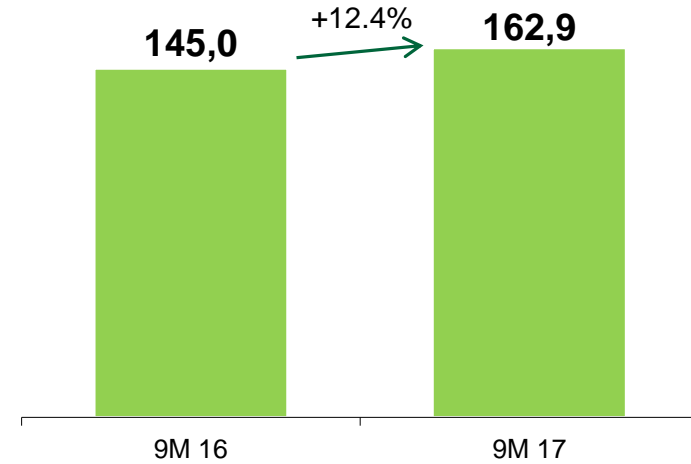
# Sisal Results Highlights – 9M 2017

## Revenues



Figures in € M

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



## Adj. Ebitda Margin %

25.5%

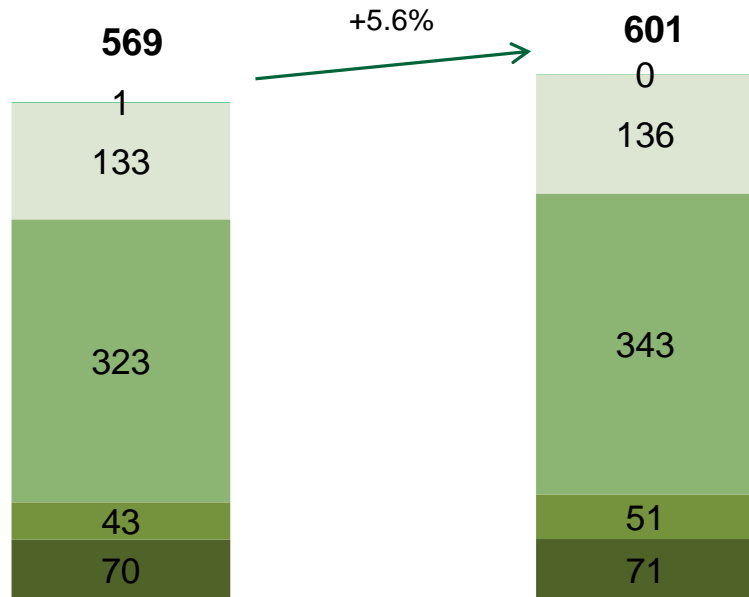
27.1%

(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 2017

## Revenues



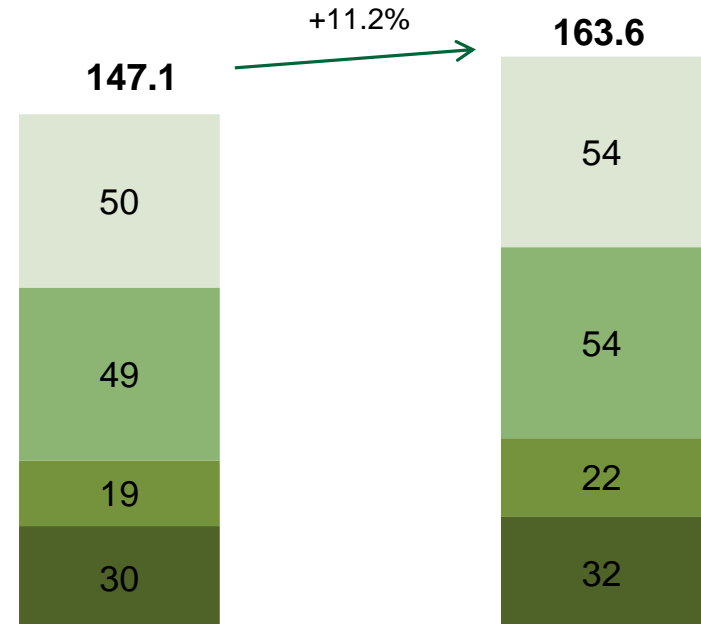
9M 16

9M 17

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

Figures in € M

## Operating Segments Ebitda



9M 16

9M 17

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

### Operating Segments Ebitda Margin %

	9M 16	9M 17
<b>Total</b>	<b>25.8%</b>	<b>27.2%</b>
<b>Retail Gaming</b>	<b>15.3%</b>	<b>15.9%</b>
<b>Online Gaming</b>	<b>43.9%</b>	<b>44.3%</b>
<b>Lottery</b>	<b>42.3%</b>	<b>45.7%</b>
<b>Payments &amp; Services</b>	<b>37.2%</b>	<b>40.0%</b>

# Sisal Key Figures – 9M 2017 vs 9M 2016

## P&L and simplified cash flow

(€m)	9M-17	9M-16	Change
<b>Turnover</b>	<b>13.197</b>	<b>12.161</b>	<b>8,5%</b>
<b>Revenues</b>	<b>601,1</b>	<b>569,1</b>	<b>5,6%</b>
<i>Retail Gaming</i>	343,3	322,8	6,3%
<i>Online Gaming</i>	50,7	42,5	19,3%
<i>Lottery</i>	70,6	70,0	0,9%
<i>Payments and services</i>	136,2	133,1	2,4%
<i>Other</i>	0,2	0,8	(71,6)%
<b>Operating Segments EBITDA</b>	<b>163,6</b>	<b>147,1</b>	<b>11,2%</b>
<b>Adj. Ebitda</b>	<b>162,9</b>	<b>145,0</b>	<b>12,4%</b>
<i>% margin</i>	27,1%	25,5%	
<b>Ebitda</b>	<b>161,7</b>	<b>144,5</b>	<b>11,9%</b>
<i>% margin</i>	26,9%	25,4%	
<b>Cash Flow</b>			
Ebitda	161,7	144,5	
Change in trade W/C	(26,5)	(41,8)	
Change in other assets and liabilities <sup>(a)</sup>	(22,0)	(19,2)	
Capex	(28,2)	(21,4)	
Other non-Current Assets	0,0	0,0	
Acquisitions	0,0	(1,0)	
Cash taxes	(3,7)	(2,2)	
Cash interest	(48,8)	(46,9)	
<b>Total</b>	<b>32,6</b>	<b>12,0</b>	
<b>Net Financial Position</b>	<b>658,5<sup>(c)</sup></b>	<b>854,5<sup>(b)</sup></b>	
<b>Leverage Ratio (LTM)<sup>(d)</sup></b>	<b>3,2x</b>	<b>4,4x</b>	

▪ Mainly driven by VLTs strong performance and slot machines payout reduction impact, partially offset by lower performance in sport betting margin

▪ Mainly driven by Slot and Quick games strong performance

▪ Driven by the positive consumers' acceptance of the new SuperEnalotto

▪ Mainly driven by payments and financial services

▪ Working Capital movements mainly driven by a particularly positive performance in Q3

▪ Capex mainly related to AWP's new cabinets, POS technology and SW licenses

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

(b) 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 (previous capital structure)

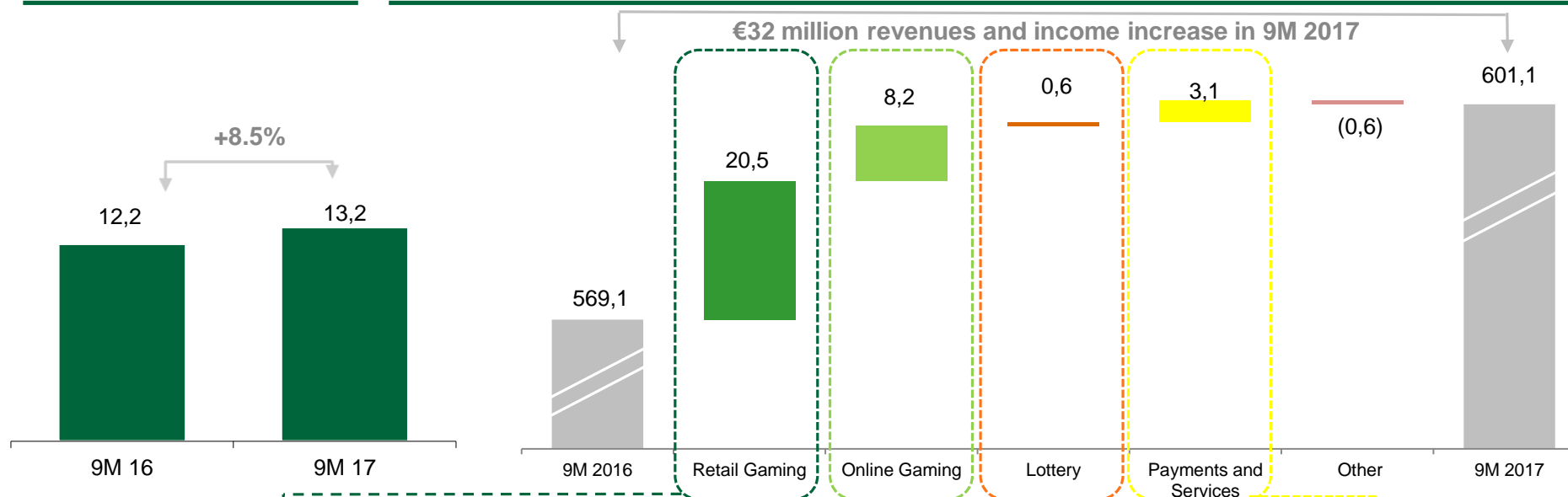
(c) New capital structure after CVC acquisition

(d) Computed based on Adjusted EBITDA LTM (€194.8M in 9M 2016 and €205.1M in 9M 2017)

# 9M 2017 vs 9M 2016 comparison: Revenues

## Turnover (€ BN)

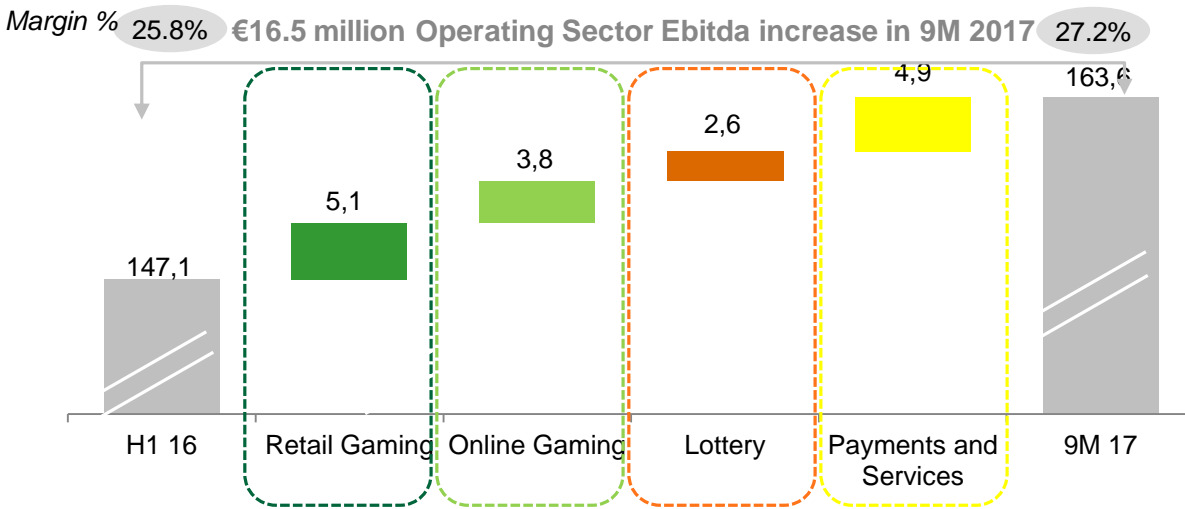
## Revenues and income (€ M)



	€ M impact	Primary drivers	€ M impact	Primary drivers	€ M impact	Primary drivers	€ M impact	Primary drivers			
<b>Gaming machines</b>	25.5	<ul style="list-style-type: none"> <li>Strong VLTs turnover performance, together with a fast rollout of AWP's payout reduction</li> </ul>	<b>Digital games</b>	6.7	<ul style="list-style-type: none"> <li>Strong turnover performance of Slot games and Casino games driven by a large consumer base</li> </ul>	<b>Lottery</b>	(0.7)	<ul style="list-style-type: none"> <li>Positive turnover performance despite a lower average jackpot, affecting revenues</li> </ul>	<b>Services</b>	2.0	<ul style="list-style-type: none"> <li>Driven by payment and financial services</li> </ul>
<b>Sport Betting</b>	(4.6)	<ul style="list-style-type: none"> <li>Turnover growth offset by soft margins</li> </ul>	<b>Betting online</b>	1.3	<ul style="list-style-type: none"> <li>Strong sport betting turnover growth offset by soft margins</li> </ul>	<b>Point of Sale fees</b>	1.3		<b>Point of Sale fees</b>	1.1	
<b>Virtual Races</b>	(0.7)	<ul style="list-style-type: none"> <li>Mainly due to higher competition</li> </ul>	<b>VR online</b>	0.2							
<b>Other</b>	0.3										

# 9M 2017 vs 9M 2016 comparison: Profitability

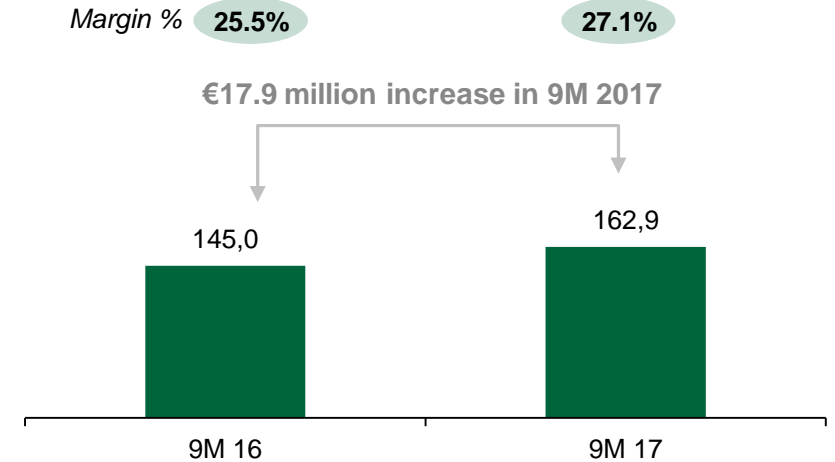
## Operating Segments Ebitda (€ M)



- Driven by a positive VLTs turnover performance and a fast rollout of AWP's payout reduction executed in 2016
- Mainly driven by a strong turnover fostered by a large consumer base
- Driven by revenues growth and lower opex
- Driven by top line

Continuous implementation of cost efficiency programs

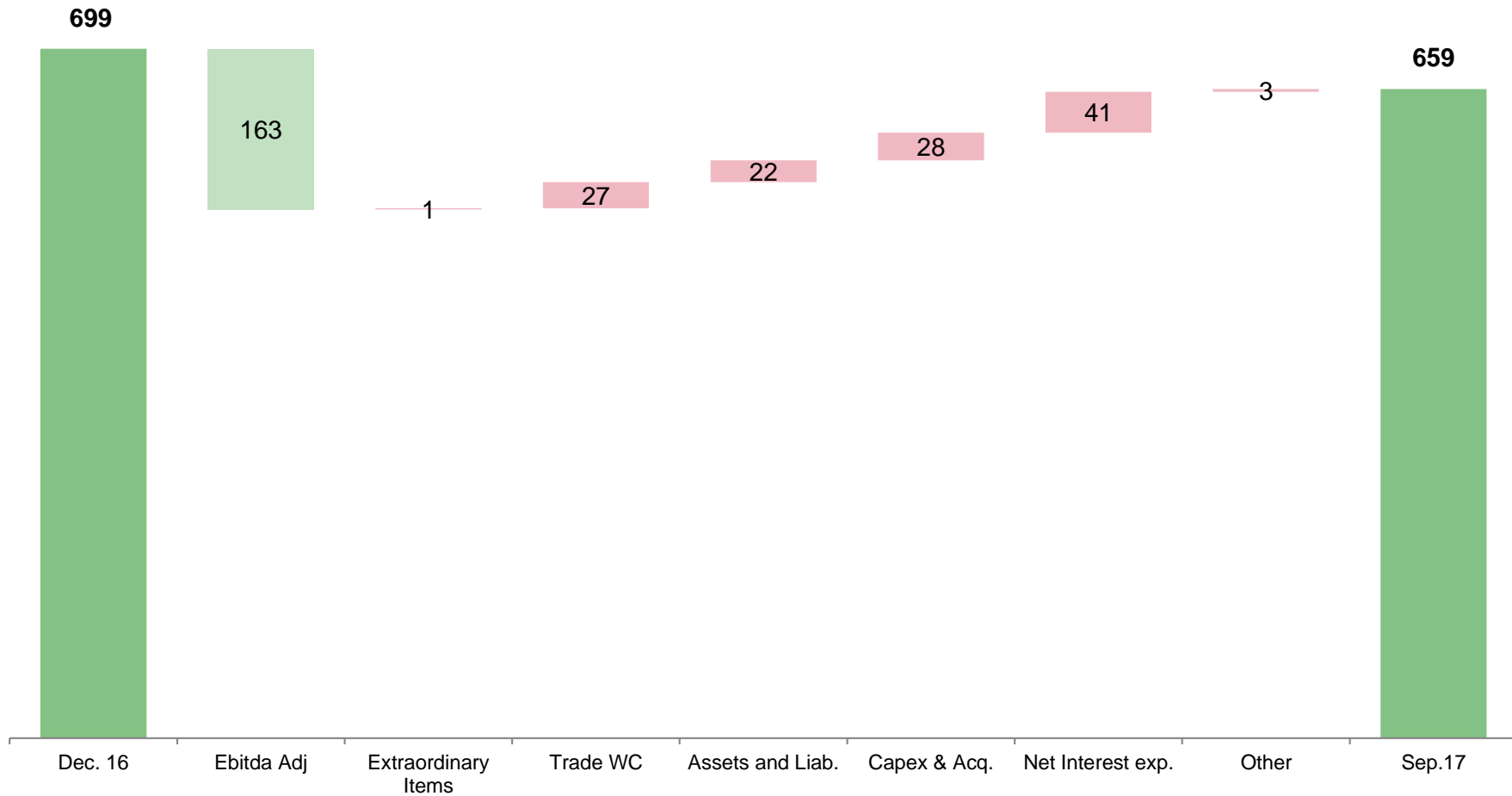
## Adj. Ebitda (€ M)



- Adj. Ebitda margin increase mainly driven by:
  - Top line growth
  - Cost optimization programs delivered approx. €7.5M in 9M 2017

# Net Financial Position Bridge – 9M 2017

Figures in € M



# Consolidated Income Statement – 9M 2017

Figures in € M (except ratios)

Income Statement	9M 17	9M 16	% Change
Revenues	537,2	501,7	7,1%
Fixed odd betting income	62,8	65,8	(4,6)%
Other revenues and income	1,0	1,6	(37,5)%
<b>Total revenues and Income</b>	<b>601,1</b>	<b>569,1</b>	<b>5,6%</b>
<b>Adj. Ebitda <sup>(a)</sup></b>	<b>162,9</b>	<b>145,0</b>	<b>12,4%</b>
<i>Margin (%)</i>	<i>27,1%</i>	<i>25,5%</i>	
<b>Ebitda</b>	<b>161,7</b>	<b>144,5</b>	<b>11,9%</b>
<i>Margin (%)</i>	<i>26,9%</i>	<i>25,4%</i>	
<b>Ebit</b>	<b>89,0</b>	<b>70,8</b>	<b>25,7%</b>
Net financial expenses and similar	42,4	64,0	(33,8)%
<b>Income before tax</b>	<b>46,7</b>	<b>6,8</b>	<b>586,8%</b>
<b>Net Income</b>	<b>28,0</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 Balance Sheet – 9M 2017

Figures in € M

Balance Sheet	9M 17	FY 16
Non-Current Assets	202,3	248,4
Goodwill	895,3	895,3
Net Working Capital/Other <sup>(a)</sup>	(176,4)	(213,1)
<b>Total assets</b>	<b>921,2</b>	<b>930,7</b>
Net Financial Position	629,1	666,6
Total Equity	292,1	264,1
<b>Total Liabilities and Equity</b>	<b>921,2</b>	<b>930,7</b>
Payables for unpaid winnings	195,4	315,4
Restricted cash balance	183,8	297,6

(a) Includes Payables for unpaid winnings

**THANK YOU!**



# Agenda

**1. 9M 2017 Business Update**

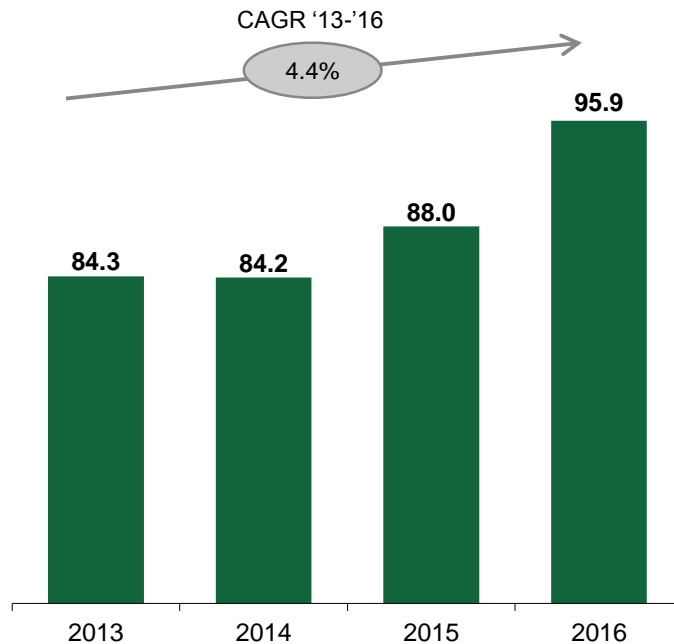
**2. 9M 2017 Financial Results**

**Appendix I: Sisal business profile**

# Sisal is a leading Gaming and Payment & Services player with balanced exposure to 2 markets with strong fundamentals

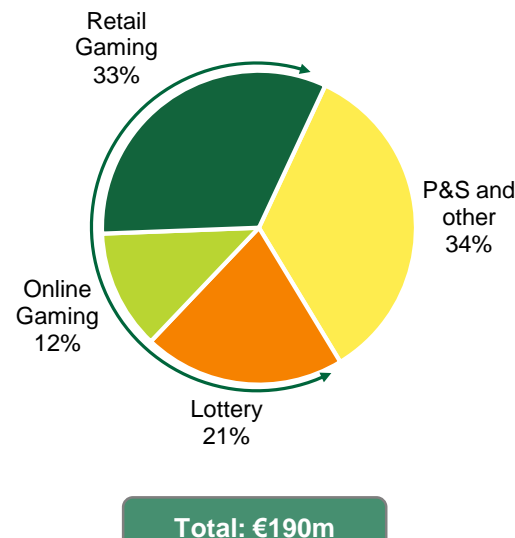
## Gaming

Gaming market turnover (€bn)



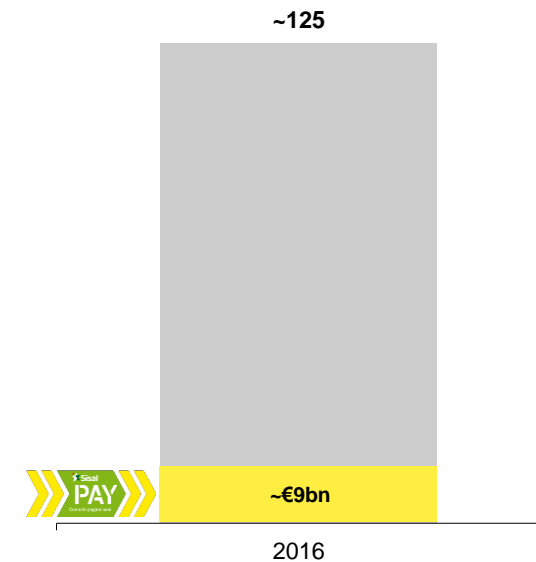
- ✓ Regulated by Agenzia delle Agenzia delle Dogane e dei Monopoli (AADM)
- ✓ Largest market in Europe
- ✓ Fully diversified product offering
- ✓ Significant barriers to entry

EBITDA Breakdown 2016<sup>(a)</sup>



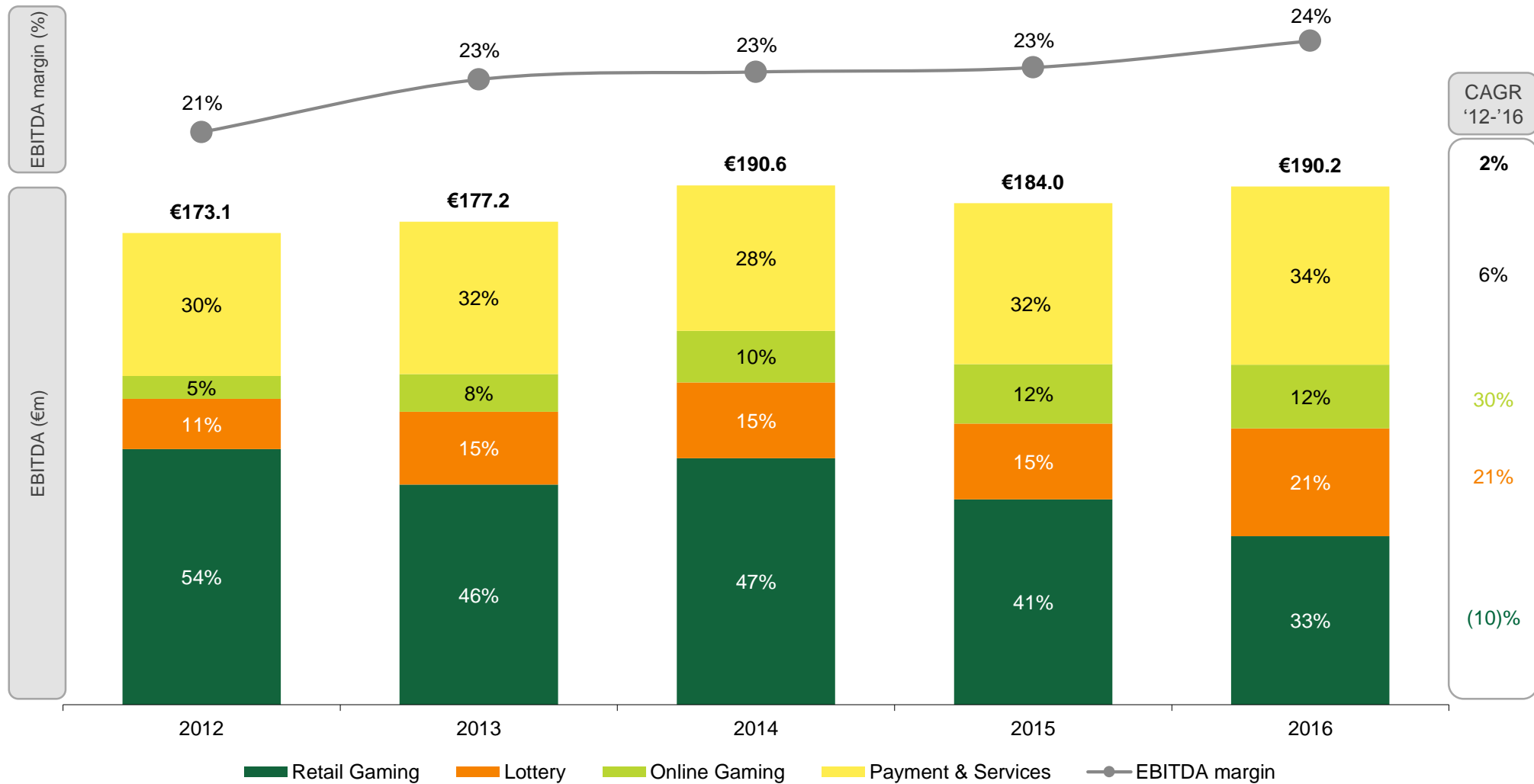
## Payment & Service

P&S addressable market turnover (€bn)



- ✓ Regulated by Bank of Italy<sup>(b)</sup>
- ✓ Sizable and steadily growing market
- ✓ Fully diversified product offering
- ✓ Consumer preferences shift from banks/post offices to bars and tobacconists: a favourable secular trend

# Increasing diversification driving both growth and profitability



# Full spectrum of gaming products, delivering continuous innovation...

	Key products	Key products / brands	KPIs (2016)
Retail Gaming	Betting		<b>Betting # PoS (units)</b> 3,923 Sport margin <sup>(a)</sup> (%) 14.6%
	Virtual races		<b>Virtual races # PoS (units)</b> 3,799 Virtual races margin <sup>(a)</sup> (%) 13.0%
	AWP		<b># AWP (units)</b> 31,780 Avg. daily coin-in (€) 182
	VLT		<b># VLT (units)</b> 5,379 Avg. daily TVP (€) 991
Online Gaming	Casino and slots		<b># yearly active customers</b> 304,736
	Quick games		<u>In 2015 Sisal has become the first operator in Italy per customer base</u>
	Betting and virtual race		
	Poker and skill games		<b># games offered</b> 433
	Lotteries and bingo		
Lottery	SuperEnalotto (Re-launch on 2 <sup>nd</sup> Feb-2016)		<b>Lottery # PoS (units)</b> 34,366
	WinForLife!		
	VinciCasa		
	SiVinceTutto		
	EuroJackpot		

# ...where Sisal online positioning is now consolidated

Profitable business model

- Main strategic goal is **profitable growth**

Effective consumer acquisition & retention

- Multichannel Customer Acquisition Strategy: **153k new consumers** in 2016 vs. 95k in 2015
- Tailored Customer Relationship Strategy: **15% Italian customer share** in 2016 vs. 14.4% in 20115

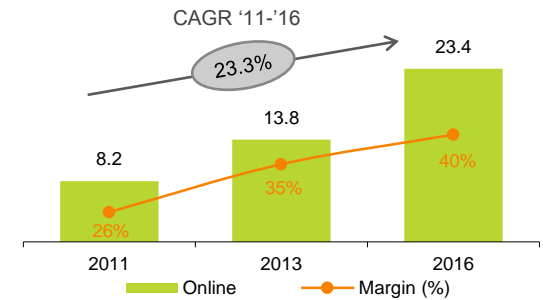
Product innovation and sophisticated technology

- High rate of **product innovation: 433 games available**
- Multiple gaming platforms**
- Strong mobile gaming business**

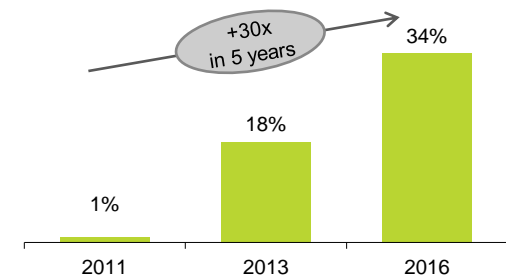
Payments & Services digital platform ready

- Complete Payments & Services **online offering**
- Online Payments Market still immature but Sisal ready to **capture future market opportunity**

EBITDA Online (€m)



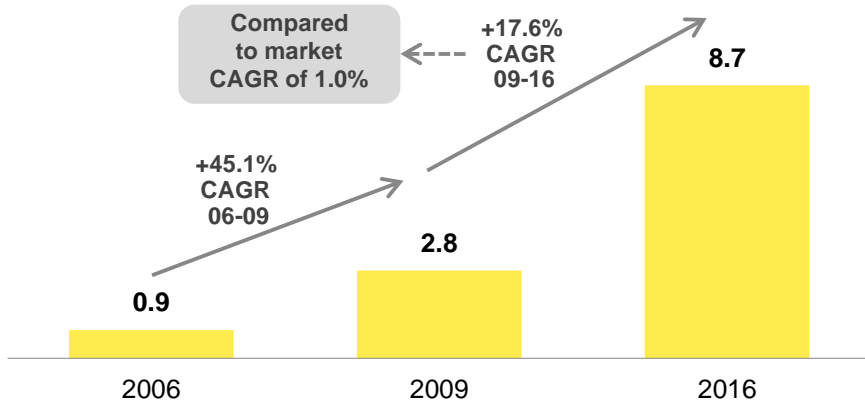
Mobile revenues share<sup>(a)</sup>



# ...complemented by Payment & Services business growing exponentially

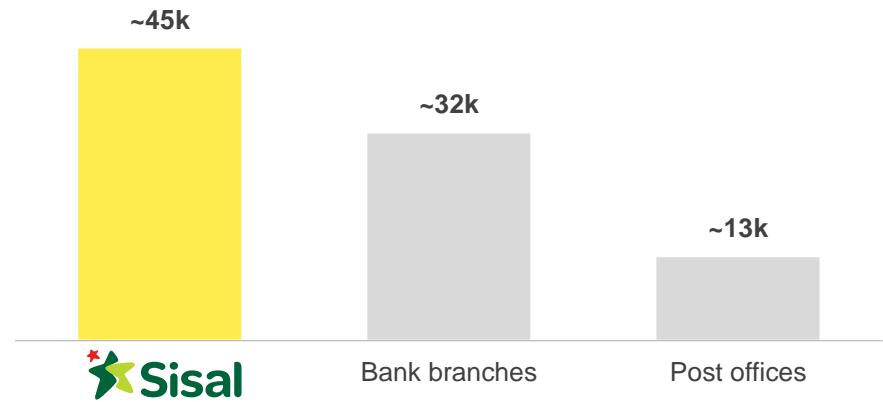
Sisal strong performance...

Turnover (€bn)

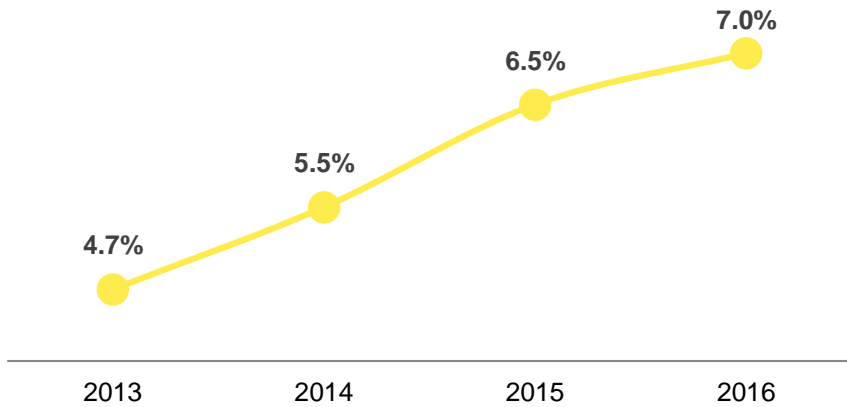


...supported by a superior distribution network...

PoS network (#)

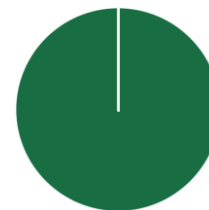


...leading to market share increase...



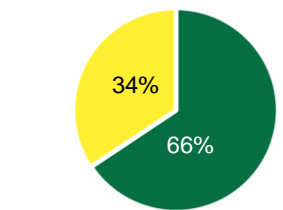
...and resulting in a higher diversification

EBITDA split (%) 2006



Primarily lotteries

EBITDA split (%) 2016



Payments & Services Gaming