



Sisal 2019 First Half Results

Ended June 30, 2019

11 September, 2019

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Agenda

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1. H1 2019 Business Update
2. H1 2019 Financial Results
3. Q&A

Speakers



Emilio Petrone
Group CEO



Corrado Orsi
Group CFO

Agenda

1. H1 2019 Business Update

2. H1 2019 Financial Results

Key Factors affecting H1 2019

- **Macroeconomic factors:** the macro environment shows a flat scenario. In the first half of 2019, the Italian GDP was in line^a with the same period of previous year. Unemployment was decreasing compared to the first half of 2018 (from 11.2% to 9.7%).
- The **Italian Gaming market** turnover confirmed the positive 2018 trend reaching approximately €55 billion (+4.5%)^b, mainly driven by Online gaming growth and Betting volume increase, despite regulatory changes impacting the Gaming machines segment.
- **Payments & Services addressable market** reached approx. €42.8 billion up almost +2.4%^c versus H1 2018, mainly driven by the financial services growth.

^a Istat data

^b Sisal Market Intelligence Estimate on ADM data

^c Sisal Market Intelligence Estimate

Sisal Key Achievements – H1 2019

- In this context, **Sisal recorded €9.3 billion Turnover**, slightly down compared to H1 2018 (-1.1%). **Gaming Turnover** reached €4.7 billion, up approx. €0.3 billion versus H1 2018 (+7.6%), mainly driven by online gaming and betting growth. **Payments and Services Turnover** reached €4.6 billion, down approx. €0.4 billion (-8.7%), mainly due to telephone top-ups declining trend and lower prepaid volume (termination of Postepay contract in January 2019), partially offset by payments volume growth driven by Sisal's leading position on payment to the Public Administration. Excluding PostePay volume, Turnover growth would have been approx. +60%.
- **Revenues** reached **€414.2 million**, down approx. €3 million or **-0.8%** compared to €417.4 million in H1 2018, mainly due to the further taxation increase introduced by the 2019 Budget Law, net of gaming machines payout reduction, partially offset by volume increase in almost all the other product categories.
- **Adj. EBITDA^a** reached **€126.0 million**, up to approx. €7.3 million or **6.1%** compared to €118.7 million in H1 2018, driven by volume increase and the positive impact of the new accounting standard IFRS 16, more than offsetting the 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. H1 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

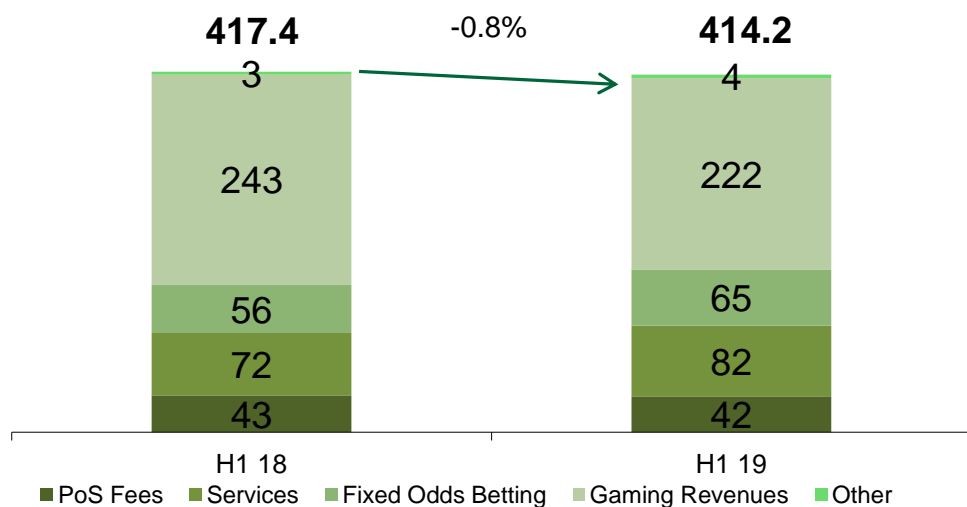
Agenda

1. H1 2019 Business Update

2. H1 2019 Financial Results

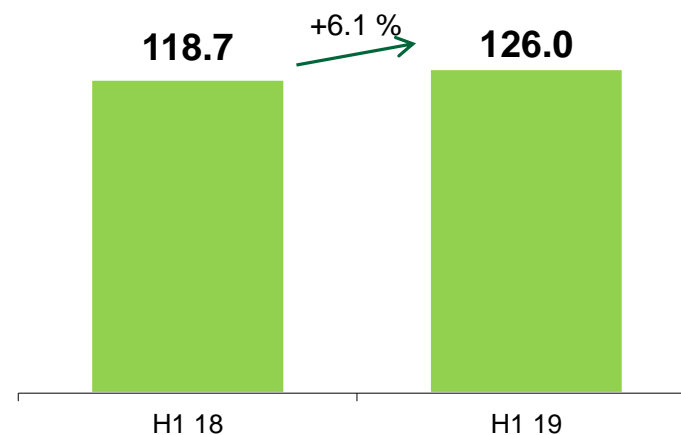
Sisal Results Highlights – H1 2019

Revenues



Figures in € M

Adj. Ebitda^(a)



Adj. Ebitda Margin %

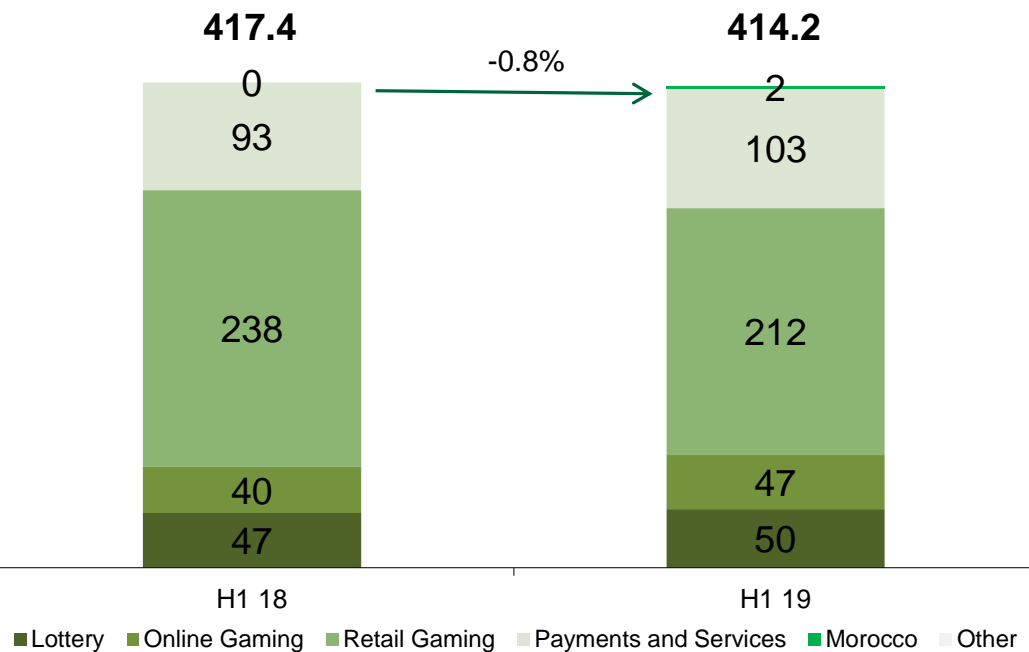
28.4%

30.4%

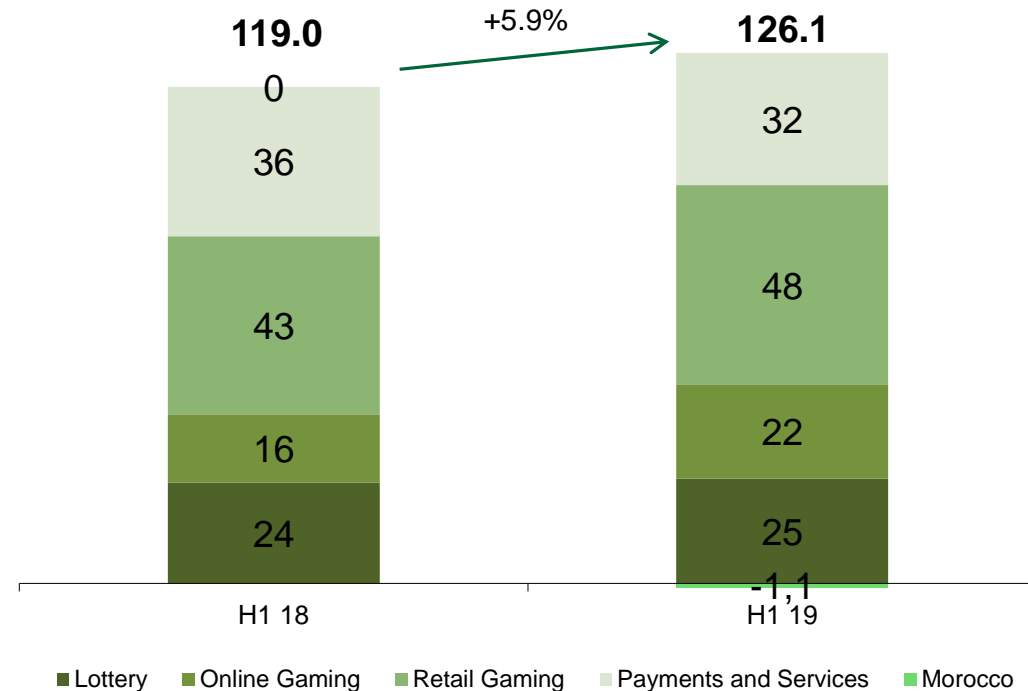
(a) We define Adjusted EBITDA as EBITDA adjusted for the effect of extraordinary items and provisions related to disputes with regulatory bodies. H1 2019 Adjusted EBITDA reflects the new accounting standard IFRS 16 "leases" application

Segments Results Highlights – H1 2019

Revenues



Operating Segments Ebitda



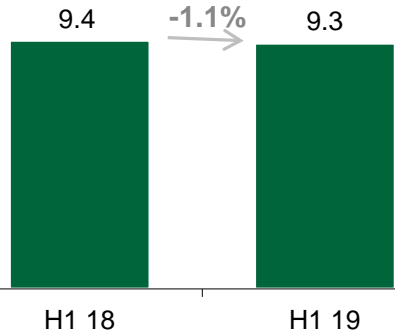
Operating Segments Ebitda Margin %

Total	28.5%	30.4%
Retail Gaming	17.9%	22.5%
Online Gaming	41.2%	48.3%
Lottery	51.5%	49.9%
Payments & Services	38.5%	30.7%

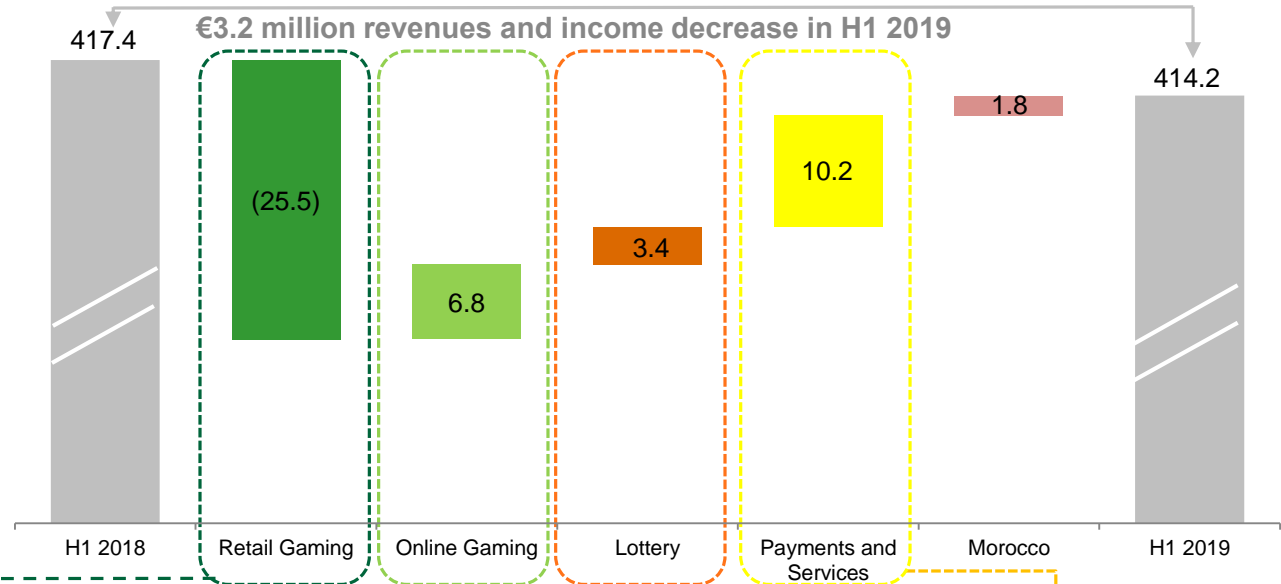
Figures in € M

H1 2019 vs H1 2018 comparison: Revenues

Turnover (€ BN)



Revenues and income (€ M)

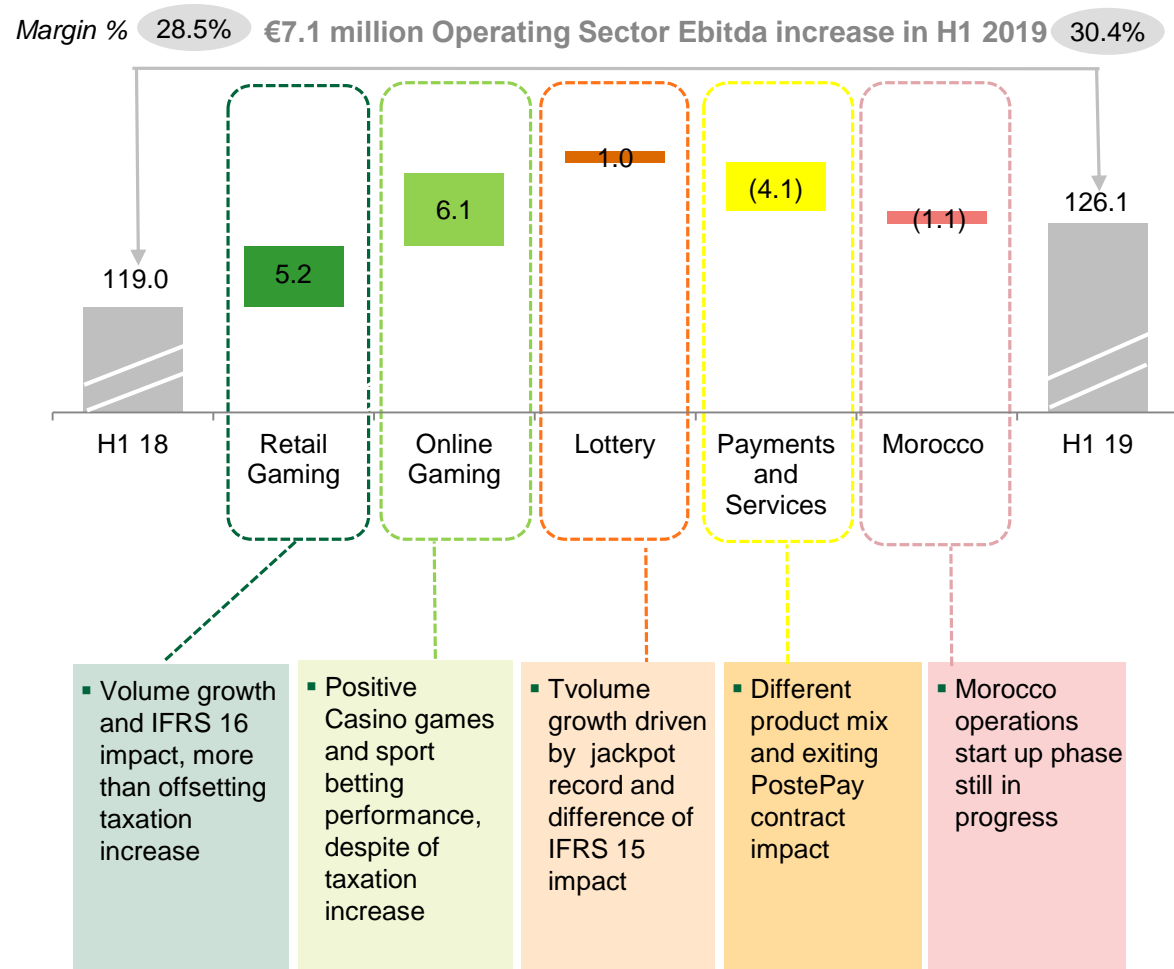


	€ M impact	Primary drivers	€ M impact	Primary drivers	€ M impact	Primary drivers	€ M impact	Primary drivers
Gaming machines	(31.6)	<ul style="list-style-type: none"> Mainly driven by increase in gaming taxation, partially offset by payout reduction 	Digital games	1.8	<ul style="list-style-type: none"> Good performance mainly driven by Casino Games volume growth, despite of taxation increase 	Lottery	3.4	<ul style="list-style-type: none"> Mainly driven by jackpot record
Sport Betting	3.7	<ul style="list-style-type: none"> Mainly driven by turnover increase, despite of reduced margin and taxation increase 	Betting online	5.0	<ul style="list-style-type: none"> Strong sport betting performance, despite of taxation increase 	Services	9.8	<ul style="list-style-type: none"> Mainly driven by payments volumes and different product mix
Virtual Races and Others	2.0	<ul style="list-style-type: none"> Mainly driven by volume growth, despite of taxation increase 				Point of Sale fees	0.4	<ul style="list-style-type: none"> Driven by further network expansion
Others	0.4							

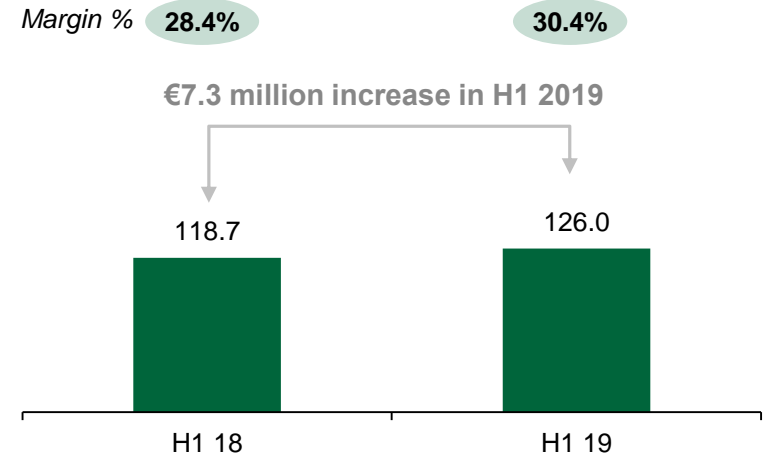


H1 2019 vs H1 2018 comparison: Profitability

Operating Segments Ebitda^a (€ M)



Adj. Ebitda^b (€ M)



- 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 – H1 2019 vs H1 2018

P&L and simplified cash flow

(€m)	H1-19	H1-18	Change
Turnover	9,345	9,447	(1.1)%
Revenues	414.2	417.4	(0.8)%
Retail Gaming	212.3	237.8	(10.8)%
Online Gaming	46.5	39.7	17.2%
Lottery	50.4	46.9	7.3%
Payments and services	103.1	92.9	11.0%
Other	0.1	0.1	(55.2)%
Morocco	1.9	0.0	n.a.
Operating Segments EBITDA	126.1	119.0	5.9%
Adj. Ebitda ^(a)	126.0	118.7	6.1%
% margin	30.4%	28.4%	
Ebitda ^(b)	123.8	118.3	4.7%
% margin	29.9%	28.3%	
Cash Flow			
Ebitda	123.8	118.3	
Change in trade W/C	(56.6)	(79.5)	
Change in other assets and liabilities ^(c)	(31.8)	(39.6)	
Capex	(39.2)	(23.1)	
Other non-Current Assets	(0.3)	0.0	
Acquisitions	(2.1)	0.0	
Cash taxes	0.0	0.0	
IFRS 16 rental payments	(9.8)	0.0	
Cash interest	(27.2)	(25.8)	
Total	(43.1)	(49.7)	
Net Financial Position	655.5	616.2	
Leverage Ratio (LTM) ^(d)	2.7x	2.7x	

Performance mainly impacted by **Taxation increase**, partially offset by a **strong sport betting performance**

Performance mainly driven by **casino games and sports betting**

Driven by a **strong turnover performance**

Revenues growth mainly driven by **payments segment trend**

Morocco activities started in January 2019

Trade working Capital: the lower cash absorption vs prior year due to a more favourable trade working capital performance, mainly as a result of PDS2 reversal impact in first half 2019

Capex mainly related to investments in software applications and user licenses

Acquisition mainly related to investment in 30% of equity of MyCicero Srl

IFRS 16 rental instalments previously accounted in EBITDA

Leverage ratio is flat at 2.7x, despite of PSD2 and IFRS 16 accounting standard; excluding IFRS 16 impact, leverage ratio at 2.5x

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

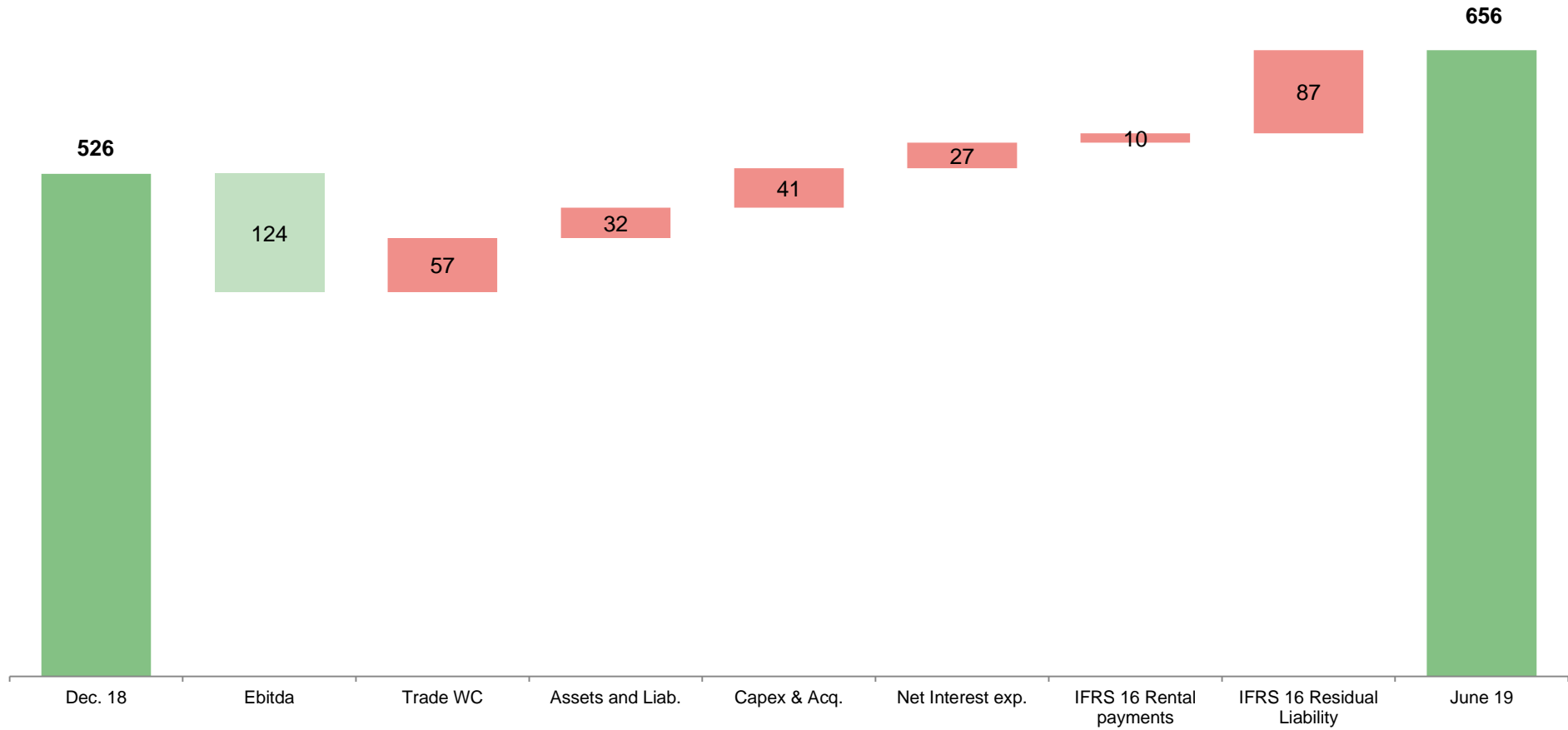
(b) Ebitda defined as profit (or loss) for the period plus net finance expenses and similar, income taxes and amortisation, depreciation, impairments and impairment of receivables

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

(d) Computed based on Adjusted EBITDA LTM (€227.7 in H1 2018 and € 240.7M in H1 2019)

Net Financial Position Bridge – H1 2019

Figures in € M



Consolidated Income Statement – H1 2019

Figures in € M (except ratios)

Income Statement	H1 19	H1 18	% Change
Revenues	349.2	360.2	(3.0)%
Fixed odd betting income	64.5	55.9	15.4%
Other revenues and income	0.5	1.3	(61.5)%
Total revenues and Income	414.2	417.4	(0.8)%
Adj. Ebitda ^(a)	126.0	118.7	6.1%
<i>Margin (%)</i>	<i>30.4%</i>	<i>28.4%</i>	
Ebitda	123.8	118.3	4.7%
<i>Margin (%)</i>	<i>29.9%</i>	<i>28.3%</i>	
Ebit	53.2	60.6	(12.2)%
Net financial expenses and similar	29.3	27.9	5.0%
Income before tax	23.9	32.7	(26.9)%
Net Income	14.4	22.6	(36.3)%

(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
- H1 2019 Ebitda figures reflect new accounting standard IFRS 16 (leases) application

Consolidated Balance Sheet – H1 2019

Figures in € M

Balance Sheet	H1 19	FY 18
Non-Current Assets	727.1	644.6
Goodwill	574.9	569.3
Net Working Capital/Other ^(a)	(325.1)	(384.0)
Total assets	977.0	829.9
Net Financial Position ^(b)	634.5	502.5
Total Equity	342.5	327.4
Total Liabilities and Equity	977.0	829.9
Payables for unpaid winnings/P&S PSD2 payables	300.7	218.2
Restricted cash balance	288.5	201.6

(a) Includes Payables for unpaid winnings

(b) Net of upfront fees

IFRS16 Impact – H1 2019

Figures in € M

Balance Sheet	H1 19 IFRS 16 EXCLUDED	IFRS 16 IMPACT	H1 19 IFRS 16 COMPLIANT
Non-Current Assets	640.1	87.0	727.1
Goodwill	574.9	-	574.9
Net Working Capital/Other	(324.4)	(0.7)	(325.1)
Total assets	890.7	86.3	977.0
Net Financial Position	547.5	87.0	634.5
Total Equity	343.1	(0.7)	342.5
Total Liabilities and Equity	890.7	86.3	977.0

Income Statement	H1 19 IFRS 16 EXCLUDED	IFRS 16 IMPACT	H1 19 IFRS 16 COMPLIANT
Total Revenues and Income	414.2	-	414.2
Ebitda	113.7	10.1	123.8
Amortization, depreciation, provisions and impairment losses and reversals	61.0	9.7	70.6
Ebit	52.7	0.5	53.2
Net financial expenses and similar	28.2	1.1	29.3
Income before taxes	24.6	(0.7)	23.9