



# Sisal 2020 Three Months Results

Ended March 31, 2020

May 29, 2020

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# Agenda

## Agenda

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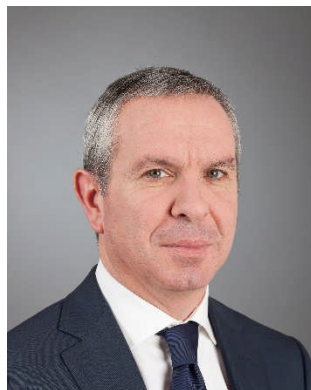
- ★ Covid19
- ★ 3M 2020 Business Update
- ★ 3M 2020 Financial Results
- ★ Q&A

## Speakers

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**Francesco Durante**  
Sisal CEO



**Roberto Di Fonzo**  
Sisal CFO

# Agenda

**1. Covid 19 Follow up**

**2. 3M 2020 Business Update**

**3. 3M 2020 Financial Results**

**4. Q&A**

# Covid 19 – Initiatives aimed at ensuring support to all stakeholders and business protection

## ■ Support for People:

- Increase of smart-working mode, implementation of new technological solutions for remote access to company applications and meeting management
- Limitation of travel in Italy and abroad
- Workplace cleaning activities and safety measures have been strengthened

## ■ Support for commercial partners:

- Postponement to second half of the year of Merchant affiliation fees due in April and May
- Distribution of protective masks to point of sales

## ■ Support for the communities:

- Fundraising for the Italian Civil Protection and direct donation to leading non-profit organizations

## ■ Business protection:

- Costs and capex cuts implemented to maximize cash availability
- Marketing and commercial initiatives launched to support online business growth
- Action plan to ensure the timely launch of the new NTNG concession in Italy and the lottery concession in Turkey

# Covid 19 – Impact on business

- **Retail network blocked during the month of March, April and May:**
  - shutdown of Gaming Halls and Betting shops from March 7, still ongoing
  - stop of the business in the Convenience Channel (bar and tobacconists) from March 11, impacting Gaming Machines and Betting, still ongoing
  - Reboot of the NTNG products (SuperEnalotto) from May 4
- **Online channel remained operational**, although the blocking of sport events and the limitation of Lottery products' offer reduced its potential.
- **The Italian government has activated a series of measures to support the gaming sector:** Gaming machines taxes due in April, May and June postponed to the second half of the year; Supplementary wage funds for employees who are on layoffs; Tax credit on retail rental cost during the lockdown
- Although at the moment it is not possible to quantify the impact of Covid-19 on 2020 expected performance, **liquidity situation is such as to ensure normal operations and does not raise an area of concern since plenty of actions have been put in place to mitigate the Covid-19 impact.**

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1. Covid 19 Follow up

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3. 3M 2020 Financial Results

4. Q&A

# Key Factors affecting 3M 2020

- **Macroeconomic factors:** The macroeconomic environment in the first three months 2020 has been severely impacted by the pandemic spread of the Covid19 virus: Italian GDP fell by 6.5% in the first quarter of 2020 compared to the same period of last year.
- **Covid19** is affecting people's freedom of movement, their spending power and the mood that generally leads to increased savings by reducing consumption; all aspects, these, which particularly affect our industry, or rather mainly on the retail operating sector.
- The **Italian Gaming market** turnover reached approximately €23.7 billion, with a decrease of -15.8% versus the same period of last year, mainly due to the sharp drop in the Retail channel -31.4% (€13,1 billion in 2020 vs €19,1 billion in 2019), while the Online channel confirmed its positive trend growing by 17,4% (€10,6 billion in 2020 vs €9,0 billion in 2019).



# Sisal Gaming Key Achievements – 3M 2020

- Gaming Business recorded **€2.1 billion of Turnover**, down by 12.0% compared to the same period of last year; all these negative trends mainly reflect **Covid 19 impact**.
- **Market share on Turnover at 8.6%**, with a slight increase of +0,1 p.p. compared to previous year.
- **Revenues** reached **€ 146.6 million**, down approx. **5.8%** compared to **€ 155.6 million** in 2019, mainly caused by the combination of increased taxation on gaming machines and Covid19 impact, partially offset by the positive performance of the Online business.
- **Adj. EBITDA<sup>a</sup>** reached **€ 50.1 million**, up to approx. € 4.7 million or **10.4%** compared to **€ 45.4 million** in 3M 2019.
- **Cash Flow** in the quarter **has been positive (€16,6 million )** and **NFP improved**, with **Leverage ratio approx. x1**

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

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# Financial Presentation of the 3 M2020

Considering that, following the segregation of the Payment Business occurred at the end 2019, the outstanding portion of Sisal Group's bond will be repaid with the cash flow generated by the Gaming business, **this presentation focuses on the Gaming Business performances and results.**

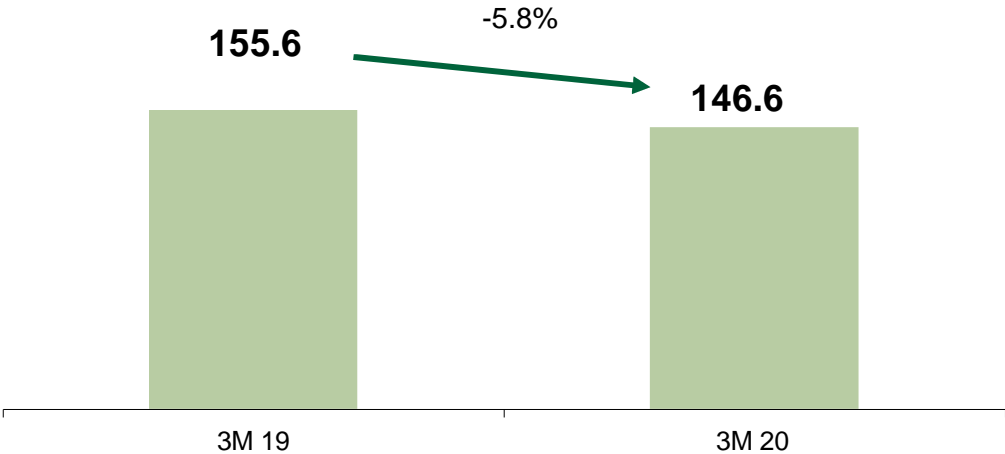
Moreover, starting from Q1 2020, and with the exception of the annual financial statements, Sisal Group's consolidated financial statements will only report the results of the Gaming Business, while the investment in SisalPay will be accounted for at cost. This approach will allow the Sisal Group's bondholders to get a better and easier understanding of the Gaming Business's performances and results.

In the Condensed consolidated interim financial statements at the end of March 2020:

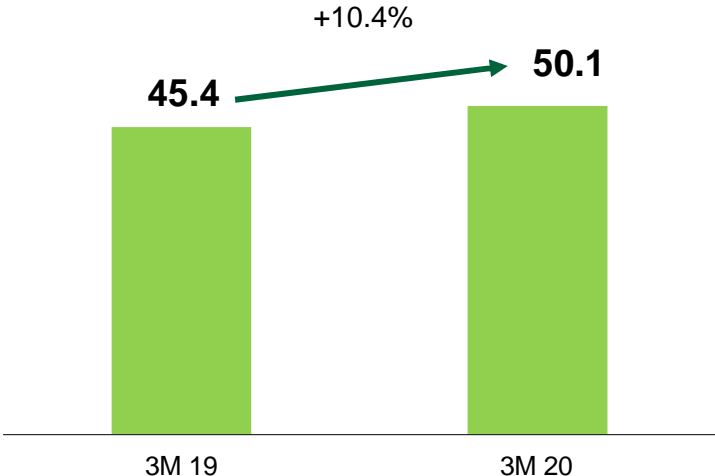
- the statements are only referred to the Gaming Business perimeter, as well as the Statement of Financial Position at December 31, 2019.
- the Statements of Comprehensive Income and Cash Flows for the three months ended March 31, 2019 are instead related to the Group full consolidated accounts, including the Payment business (slide 15 and 18 of this presentation).

# Sisal Gaming Results Highlights – 3M 2020

## Revenues



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



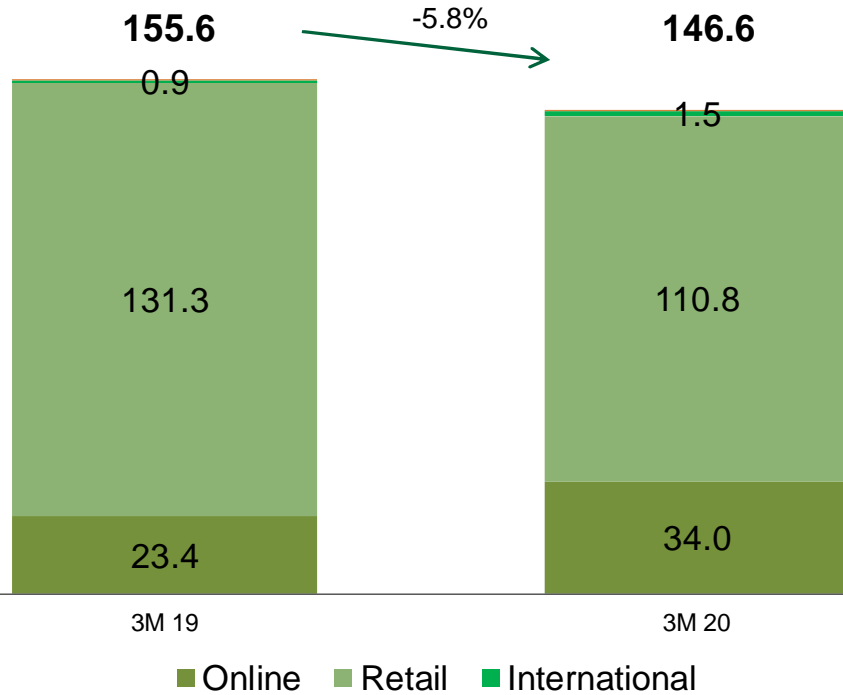
Figures in € M

Adj. Ebitda Margin %	
29.1%	34.2%

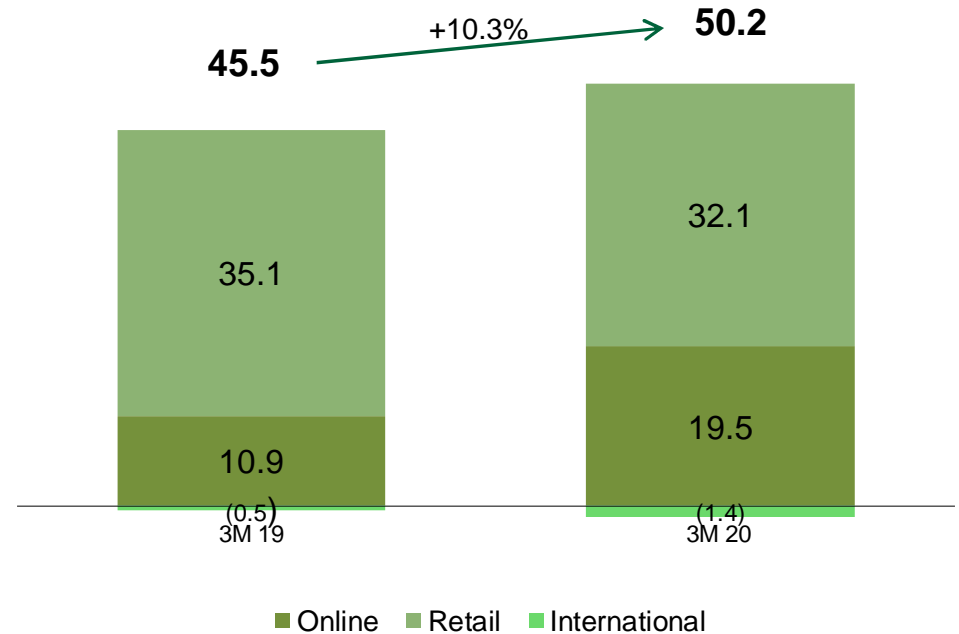
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# Gaming Segments Results Highlights –3M 2020

## Revenues



## Operating Segments Ebitda



Figures in € M

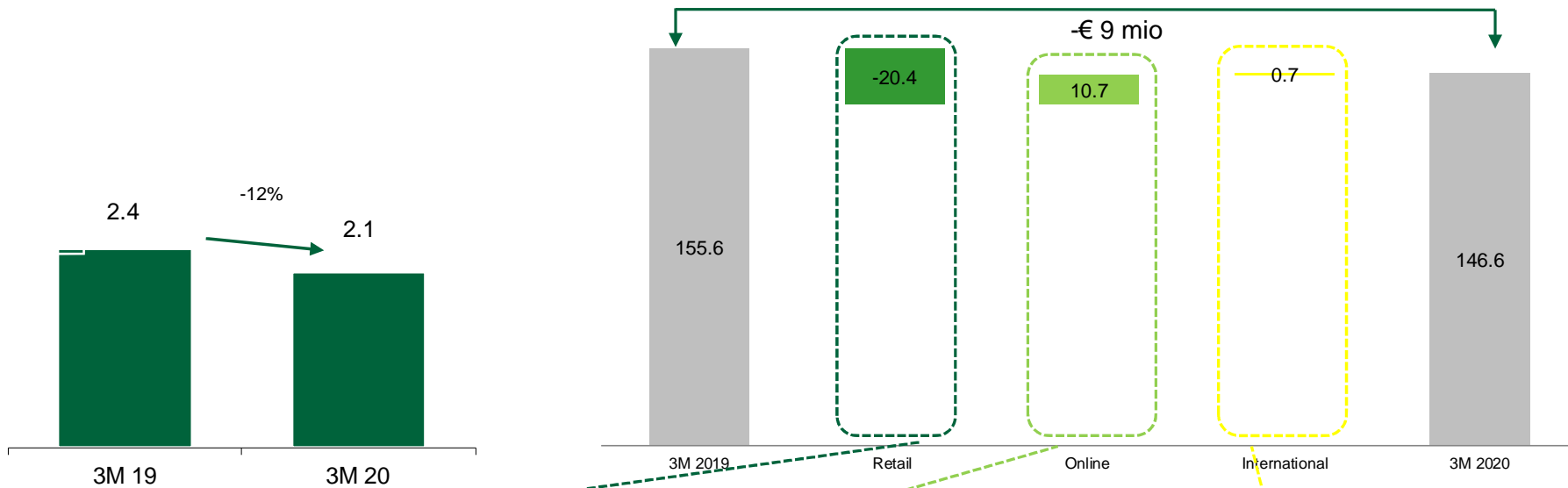
## Operating Segments Ebitda Margin %

<b>Total</b>	<b>29.3%</b>	<b>34.3%</b>
<b>Retail</b>	<b>26.7%</b>	<b>28.9%</b>
<b>Online</b>	<b>46.8%</b>	<b>57.4%</b>

# 3M 2020 vs 3M 2019 : Gaming Turnover & Revenues

Gaming Turnover (€ BN)

Gaming Revenues and income (€ M)



	€ M impact	Primary drivers
<b>Gaming machines</b>	(25.5)	<ul style="list-style-type: none"> <li>Increase in gaming taxation and Covid 19 pandemic emergency impact</li> </ul>
<b>Lottery</b>	3.0	<ul style="list-style-type: none"> <li>Mainly related to volume growth in the first two months, partially slowed down by Covid 19 effects.</li> </ul>
<b>Sport Betting</b>	2.8	<ul style="list-style-type: none"> <li>Volume growth, despite of reduced margin and March slow down due to stop of sport events</li> </ul>
<b>Virtual Races and Others</b>	(0.7)	<ul style="list-style-type: none"> <li>Decrease mainly due to national horse races</li> </ul>

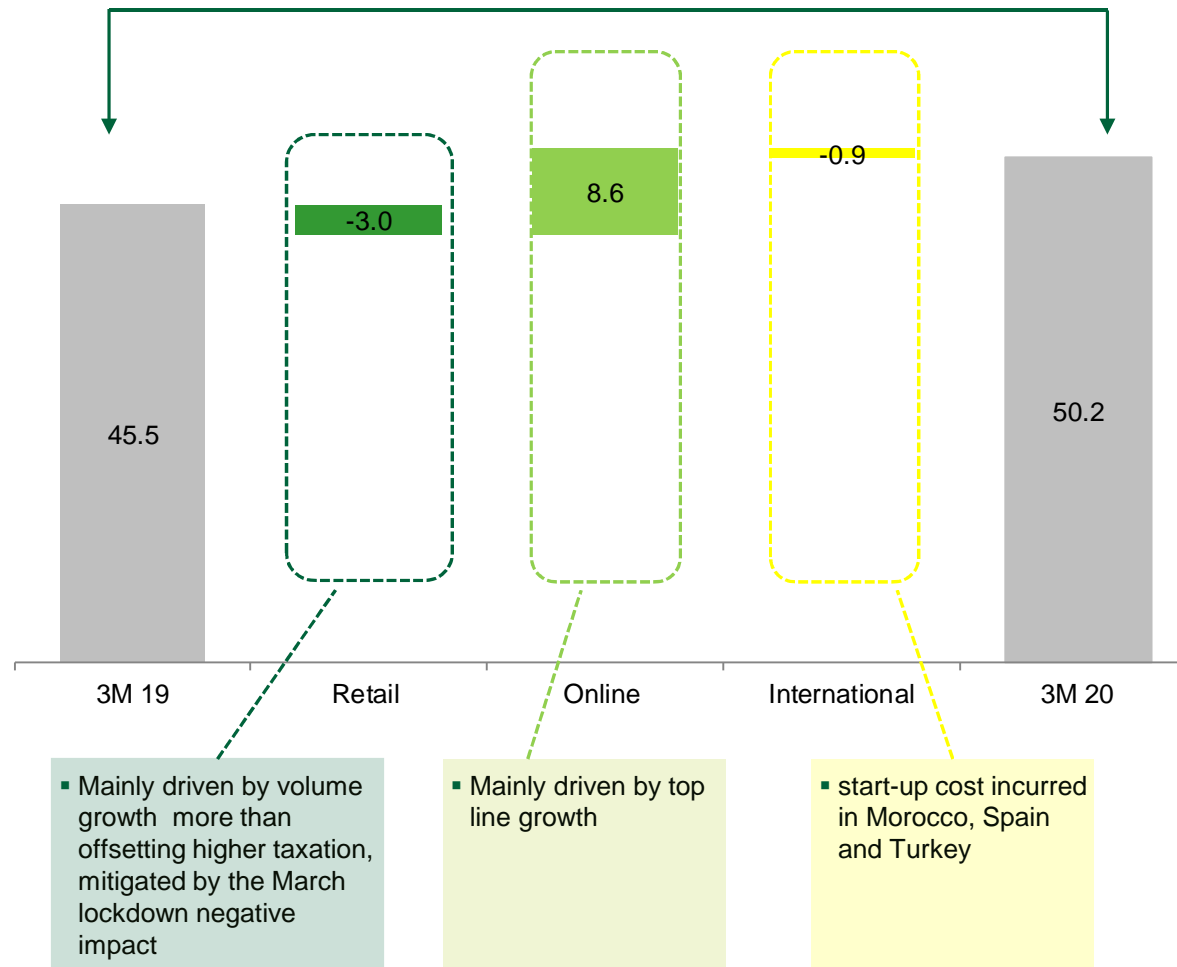
	€ M impact	Primary drivers
<b>Digital games</b>	4.0	<ul style="list-style-type: none"> <li>Great performance fostered by the March's Retail lockdown leading to a favorable customers switch in the Online channel</li> </ul>
<b>Betting &amp; Virtual races online</b>	6.7	<ul style="list-style-type: none"> <li>Strong sport betting performance in spite of the sport events stop occurred in March which was partially offset by the significant increase in virtual races</li> </ul>

	€ M impact	Primary drivers
<b>International</b>	0.7	<ul style="list-style-type: none"> <li>Lottery business in Morocco and Online business in Spain still in a start-up stage</li> </ul>

# 3M 2020 vs 3M 2019: Gaming Profitability

Gaming Operating Segments Ebitda (€ M)

€ 4,7 million Operating Segments Ebitda increase



# Sisal Group Key Figures – 3M 2020 vs 3M 2019

## P&L and simplified cash flow

(€m)	3M-20	3M-19	Change	
<b>Revenues</b>	<b>146.6</b>	<b>208.0</b>	<b>(29.5)%</b>	▪ Mainly due to increased taxation and Covid 19 emergency
<i>Retail</i>	110.8	131.2	(15.5)%	
<i>Online</i>	34.0	23.4	45.5%	▪ Positive performance mainly related to Casino games and sport betting
<i>Payments and services</i>	0.0	52.4	(100.0)%	
<i>International</i>	1.5	0.9	54.5%	
<i>Other</i>	0.3	0.0	2,504.7%	▪ Morocco and Spain revenues still in a start-up stage
<b>Operating Segments EBITDA</b>	<b>50.2</b>	<b>60.8</b>	<b>(17.5)%</b>	
<b>Adj. Ebitda <sup>(a)</sup></b>	<b>50.1</b>	<b>60.8</b>	<b>(17.6)%</b>	▪ <b>Trade working Capital:</b> decrease in trade receivables linked to the effects of Covid 19, offset by the trend in trade payables which decreased due to the effect of seasonality
<i>% margin</i>	34.2%	29.2%		
<b>Ebitda <sup>(b)</sup></b>	<b>48.3</b>	<b>60.3</b>	<b>(20.0)%</b>	▪ <b>Other Assets and Liabilities:</b> favorable dynamic mainly referred to the settlement of the asset transfer to the Payments business occurred in 2019
<i>% margin</i>	32.9%	29.0%		
<b>Cash Flow</b>				▪ <b>Capex</b> mainly related to investments in tangible assets and to the renewal of the Gaming betting concession
Ebitda	48.3	60.3		▪ <b>IFRS 16:</b> repayment of financial liabilities accounted in application of the new accounting standard
Change in trade W/C	(10.4)	(33.5)		▪ <b>Cash Interest:</b> decrease mainly related to the deleverage achieved at the end of previous year by the Gaming Credit Group in connection with the segregation of the Payments Business.
Change in other assets and liabilities <sup>(c)</sup>	30.0	(5.7)		
Capex	(33.3)	(19.9)		
Other non-Current Assets	(0.2)	(0.8)		
Acquisitions	(1.4)	(0.2)		
Cash taxes	0.0	0.0		
IFRS 16 rental payments	(5.3)	(5.3)		
Cash interest	(11.1)	(20.8)		
<b>Total</b>	<b>16.6</b>	<b>(25.9)</b>		

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

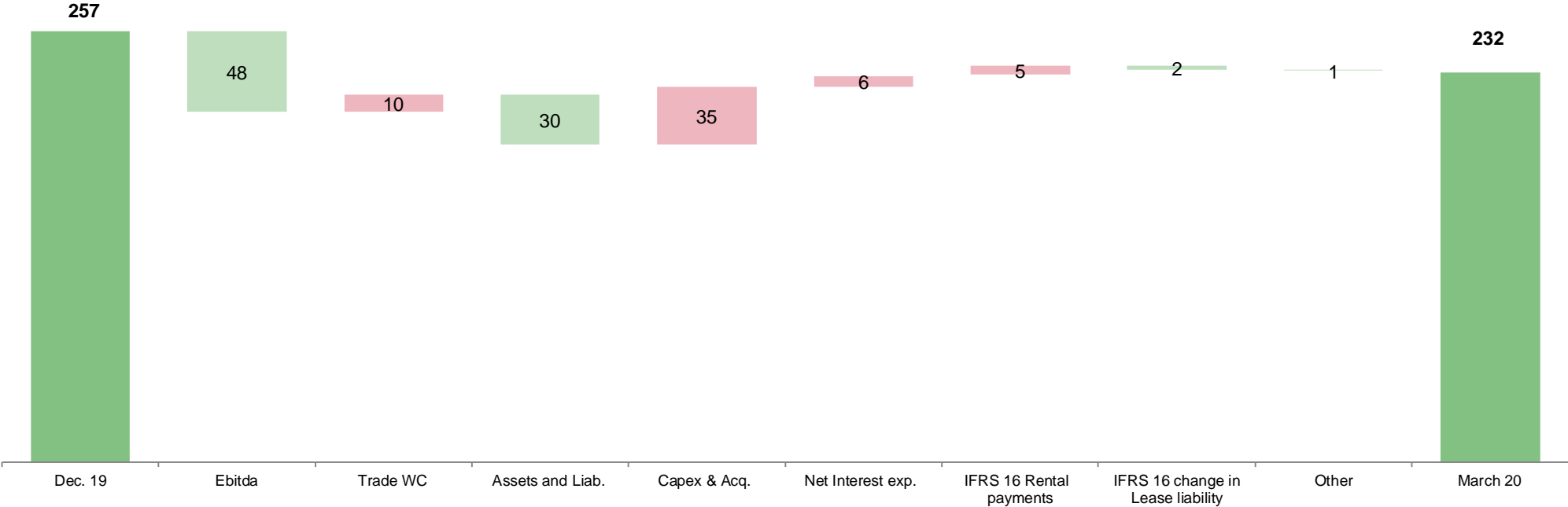
(b) Ebitda defined as profit (or loss) for the period plus net finance expenses and similar, income taxes and amortisation, depreciation, impairments and impairment of receivables

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



# Gaming Net Financial Position Bridge – 3M 2020

Figures in € M



# Covenant leverage ratio–3M 2020

(€m)	Sisal Gaming
LTM EBITDA Adjusted Statutory	205.5
NFP COVENANT	232.4
<b>Leverage Ratio</b>	<b>1.13</b>
LTM EBITDA Adjusted Statutory w/o IFRS 16	186.0
NFP COVENANT w/o IFRS 16	159.6
<b>Leverage Ratio w/o IFRS 16</b>	<b>0.86</b>

# Group Consolidated Income Statement – 3M 2020

Figures in € M (except ratios)

Income Statement	3M 20	3M 19	% Change
Revenues	105.5	175.7	(40.0)%
Fixed odd betting income	40.9	32.2	27.0%
Other revenues and income	0.2	0.1	100.0%
<b>Total revenues and Income</b>	<b>146.6</b>	<b>208.0</b>	<b>(29.5)%</b>
<b>Adj. Ebitda</b> <sup>(a)</sup>	<b>50.1</b>	<b>60.8</b>	<b>(17.6)%</b>
<i>Margin (%)</i>	34.2%	29.2%	
<b>Ebitda</b>	<b>48.3</b>	<b>60.3</b>	<b>(20.0)%</b>
<i>Margin (%)</i>	32.9%	29.0%	
<b>Ebit</b>	<b>16.0</b>	<b>27.2</b>	<b>(41.2)%</b>
Net financial expenses and similar	3.6	14.5	(75.2)%
<b>Income before tax</b>	<b>12.4</b>	<b>12.7</b>	<b>(2.4)%</b>
<b>Net Income</b>	<b>8.0</b>	<b>8.4</b>	<b>(4.8)%</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

# Gaming Consolidated Balance Sheet – 3M 2020

Figures in € M

Balance Sheet	M3 20	FY 19
Non-Current Assets	880.1	871.2
Goodwill	261.0	261.0
Net Working Capital/Other <sup>(a)</sup>	(161.7)	(140.8)
<b>Total assets</b>	<b>979.4</b>	<b>991.4</b>
Net Financial Position <sup>(b)</sup>	225.1	249.5
Total Equity	754.3	741.8
<b>Total Liabilities and Equity</b>	<b>979.4</b>	<b>991.4</b>
Payables for unpaid winnings	177.5	149.3
Restricted cash balance	169.8	131.4

(a) Includes Payables for unpaid winnings

(b) Net of upfront fees and including subordinated shareholder loan vs Banca 5, which is not relevant for NFP covenant

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