



Sisal 2019 Full Year Results

Ended December 31, 2019

May 15, 2020

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Agenda

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1. 2019 Business Update
2. 2019 Financial Results
3. Covid19 Focus
4. Q&A

Speakers



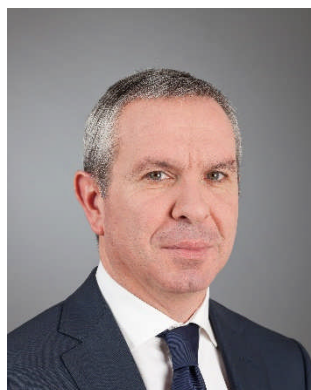
Emilio Petrone

Sisal Group CEO \ Sisal Pay Group CEO



Francesco Durante

Sisal CEO



Roberto Di Fonzo

Sisal CFO

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Key Highlights

In 2019 three important events took place, which strengthened the strategic positioning of Sisal Group:

- **The award of the NTNG concession**
- **The further company diversification through the launch of the International expansion**
- **The partnership with Intesa San Paolo, to create the first proximity banking network in Italy**

Key Factors affecting 12M 2019

- **Macroeconomic factors:** The macroeconomic environment is almost flat: the Italian GDP was slightly up 0.3% compared to 2018 while unemployment was 0.6 p.p. down (from 10.4% to 9.8%).
- The **Italian Gaming market** turnover confirms its growing trend vs 2018, reaching approximately €110.4 billion (+3.5%)^b, mainly driven by the continuous growth of the Online business segment (€36.4 billion +16% vs 2018), while the Offline market is slightly declining (€74.0 billion (-1.7%) vs 2018), mainly due to regulatory changes affecting the Gaming Machines segment (-4.3%) vs 2018, partially offset by Betting and Lotteries segments, growing compared to prior year respectively by 7.7% and 1.5%.
- The **Payments & Services addressable market is** substantially stable compared to 2018, reaching €255.8 billion in 2019, with different dynamics between the different channels: Proximity Retail (bar, tobacconists and newsstands) and Digital still growing compared to 2018, respectively by 6.1% and 24.9%, while Traditional Retail (bank and post office) still declining (-3.7%).

Sisal Group Key Achievements – 12M 2019

- In the above-mentioned context, **Sisal Group recorded €18.7 billion Turnover**, slightly down compared to 2018 (-1.2%). **Gaming Turnover reached €9.7 billion**, up by 10.9% compared to previous year, underpinned by Online gaming growth, the positive performance of Lottery segment and Betting volume increase. **Payments and Services Turnover reached €9 billion**, down by 11.7% compared to 2018, mainly caused by the termination of the commercial relationship with the PostePay which led Sisal to develop SisalPay proprietary prepaid card, whose margins are higher than the PostePay's ones.
- **Revenues** amounted to **€869.4 million**, up approx. €29.5 million or **+3.5%** compared to €839.9 million in 2018, mainly due mainly due to the positive trend in the various product and business segments.
- **Adj. EBITDA^a** reached **€259.6 million**, up to approx. € 26.3 million or **11.2%** compared to € 233.4 million in 2018, mainly driven by volume growth and cost structure efficiency, in addition to the positive impact of the new accounting standard IFRS 16, more than offsetting the negative impact of 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. 12M 2019 Adjusted EBITDA reflects the new accounting standard IFRS 16 "leases", 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

Sisal Gaming Key Achievements – 12M 2019

FY 2019 was a very positive year for the Gaming business, in particular:

- We recorded another positive financial performance: **Turnover at €9.8 billion**, up by 10,9% vs previous year, **Revenues at €653.5 million** (+0,6% vs. 2018) and **Ebitda at €200,8 million** (+18,1% vs. 2018).
- In July 2019 **Sisal was awarded SuperEnalotto and other Numerical Games' licence**
- We consolidated our **Online gaming market leadership** in Italy
- We further **diversified the company** and 2019 was a key year for **international expansion**
- We further **developed our Retail Gaming** business

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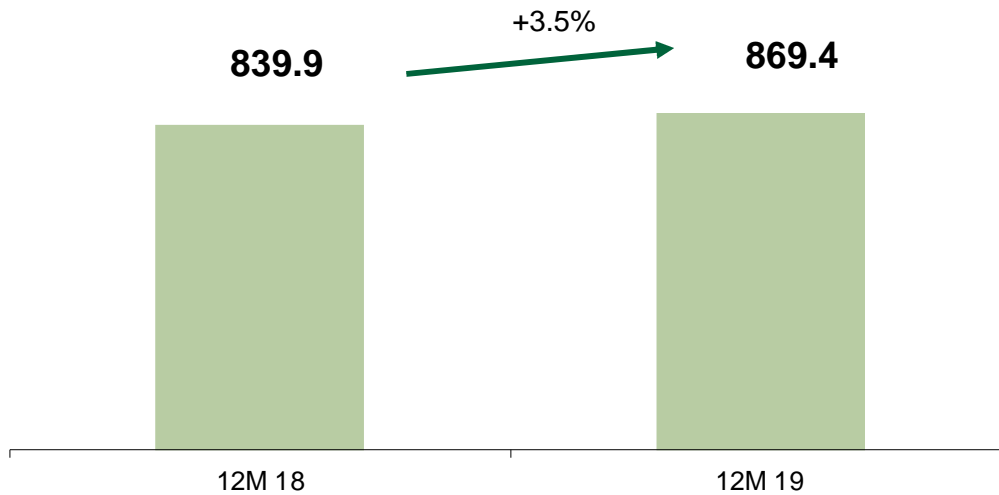
4. Q&A

Financial Presentation

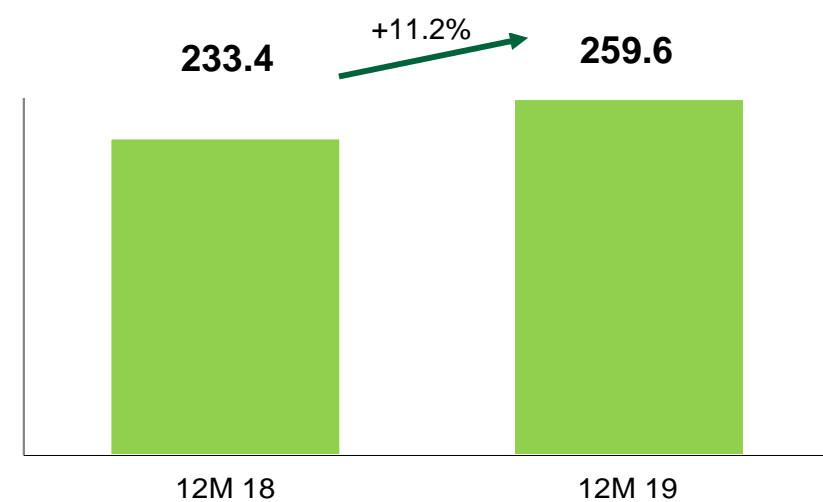
- Considering that, following the reorganization of the Payment Business occurred at the end 2019, the outstanding portion of Sisal Group's bond will be repaid with the cash flow generated by the Gaming business, **this presentation mainly focuses on the Gaming Business performances and results.**
- Moreover, starting from Q1 2020 and with the exception of the annual financial statements, the Sisal Group's consolidated financial statements will only report the results of the Gaming Business, while the investment in SisalPay (i.e. the Payment business's holding) will be accounted for at cost (i.e. it will not be fully consolidated). This approach will allow the Sisal Group's bondholders to get a better and easier understanding of the Gaming Business's performances and results.

Sisal Group Results Highlights – FY 2019

Revenues



Adj. Ebitda^(a)



Figures in € M

Adj. Ebitda Margin %

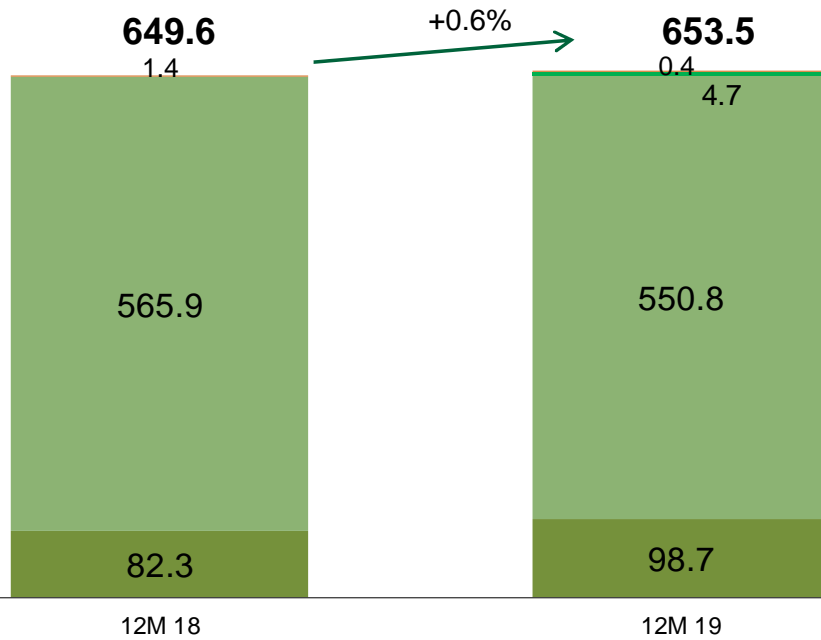
27.8%

29.9%

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

Segments Results Highlights – Gaming FY 2019

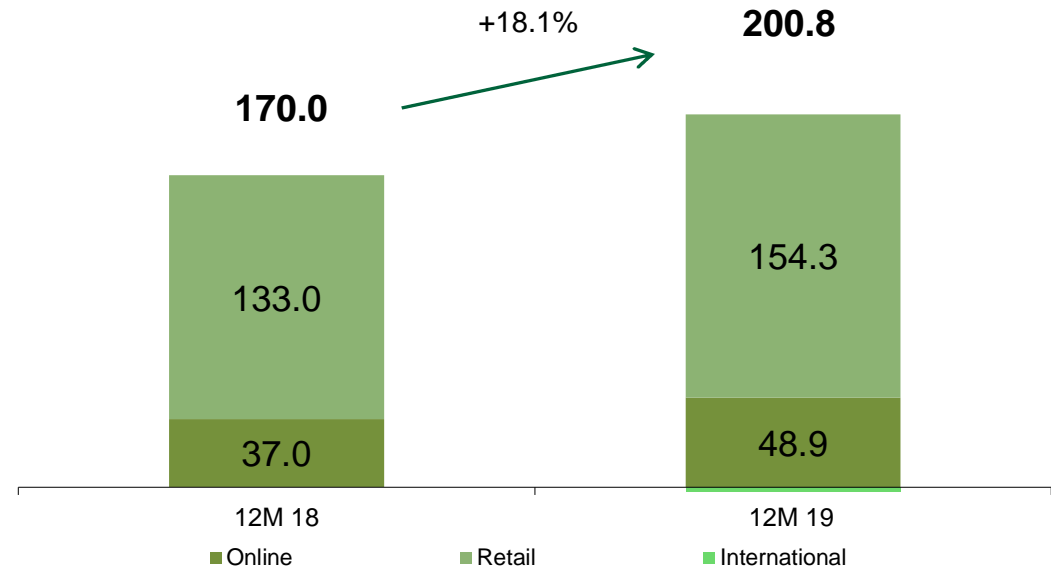
Revenues



Figures in € M

■ Online ■ Retail ■ International ■ Other

Operating Segments Ebitda



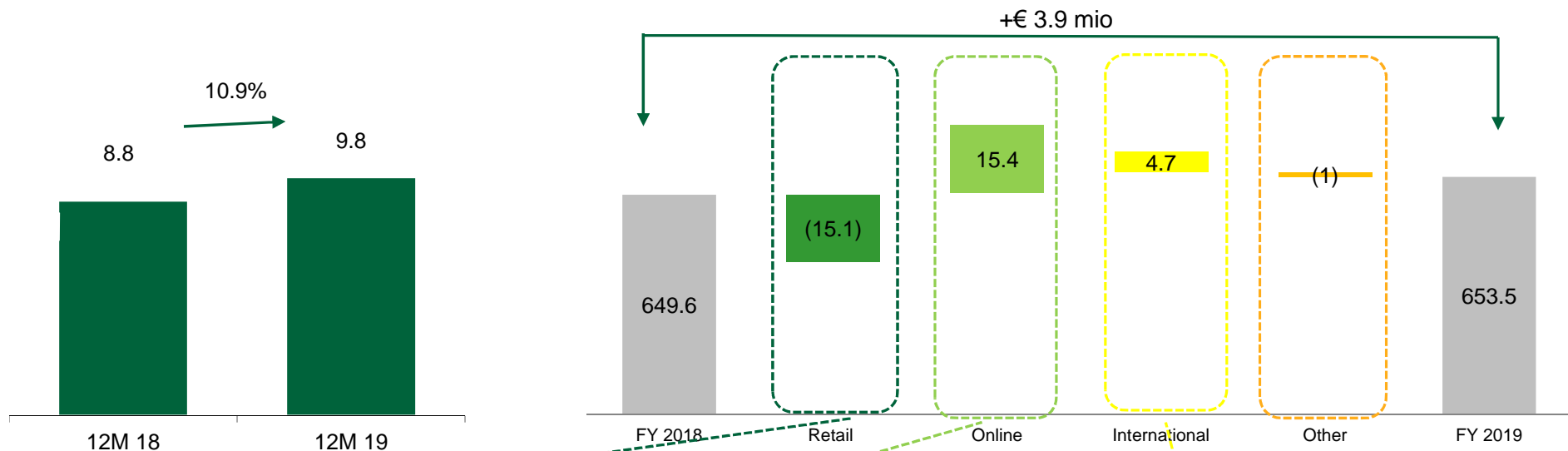
Operating Segments Ebitda Margin %

Total	26.2%	30.7%
Retail	23.5%	28.0%
Online	44.9%	49.5%
International	-	-

FY 2019 vs FY 2018 : Gaming Turnover & Revenues

Gaming Turnover (€ BN)

Gaming Revenues and income (€ M)



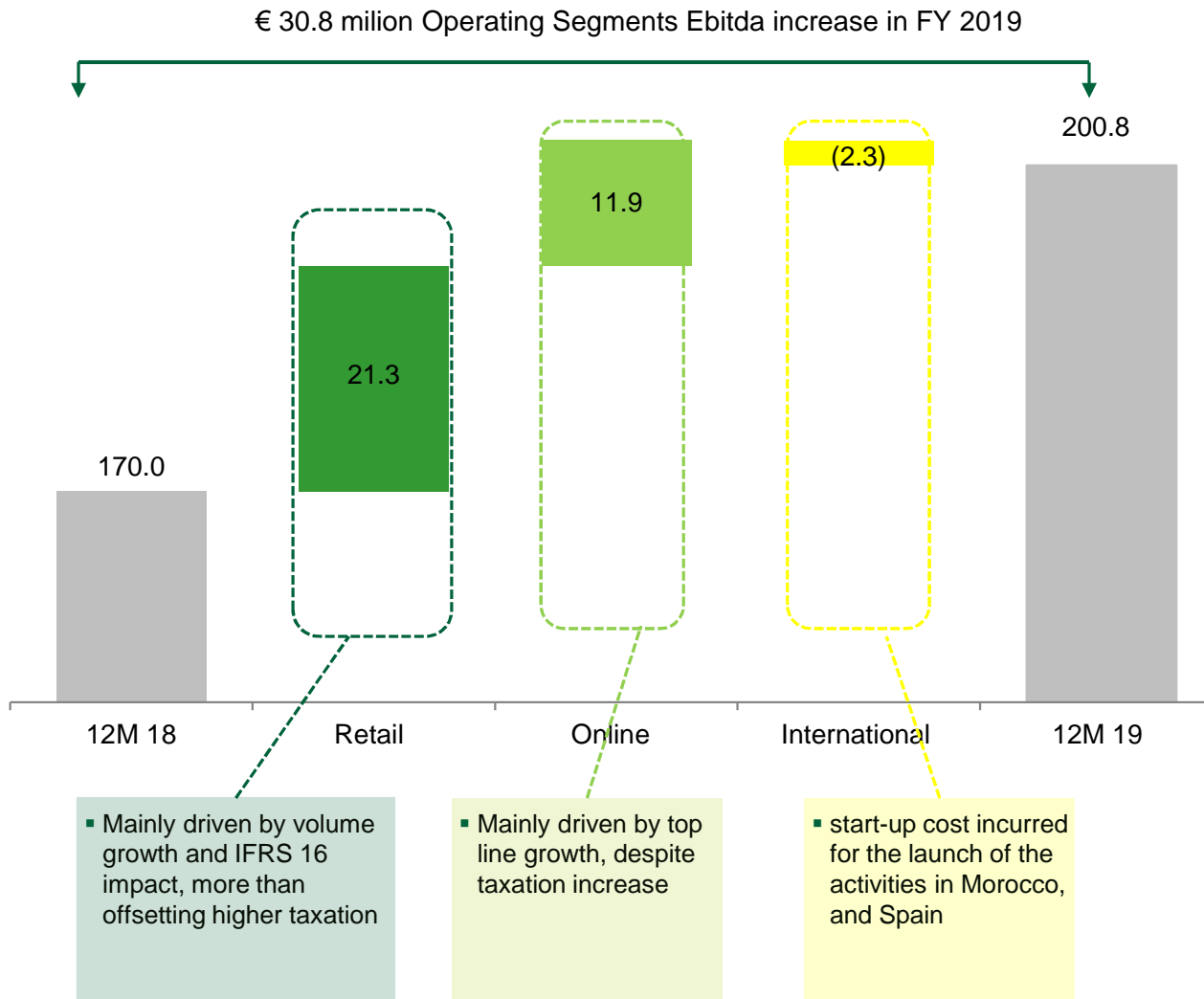
	€ M impact	Primary drivers
Gaming machines	(47.7)	<ul style="list-style-type: none"> Increase in gaming taxation and regulatory changes, partially offset by payout reduction
Lottery	16.3	<ul style="list-style-type: none"> Mainly related to volume growth
Sport Betting	9.5	<ul style="list-style-type: none"> Significant higher turnover, despite of reduced margin and taxation increase
Virtual Races and Others	6.8	<ul style="list-style-type: none"> Volume growth, despite of taxation increase

	€ M impact	Primary drivers
Digital games	3.7	<ul style="list-style-type: none"> Volume growth driven by increased Active Customers, despite advertising ban, and higher ARPU. Taxation increase has negatively impacted revenues.
Betting online & Virtual races online	11.7	<ul style="list-style-type: none"> Driven by higher volumes, despite higher payout and taxation increase

	€ M impact	Primary drivers
International	4.7	<ul style="list-style-type: none"> Start-up of Lottery business in Morocco and Online business in Spain

FY 2019 vs FY 2018: Gaming Profitability

Gaming Operating Segments Ebitda^a (€ M)



Sisal Group Key Figures – FY 2019 vs FY 2018

P&L and simplified cash flow

(€m)	12M-19	12M-18	Change
Turnover	18,769	18,995	(1.2)%
Revenues	869.4	839.9	3.5%
<i>Retail Gaming</i>	550.8	565.9	(2.7)%
<i>Online Gaming</i>	97.7	82.3	18.7%
<i>Payments and services</i>	215.9	190.3	13.4%
<i>International</i>	4.7	0.0	n.a.
<i>Other</i>	0.4	1.4	(73.5)%
Operating Segments EBITDA	264.1	236.2	11.8%
Adj. Ebitda ^(a)	259.6	233.5	11.2%
<i>% margin</i>	29.9%	27.8%	
Ebitda ^(b)	239.8	227.9	5.2%
<i>% margin</i>	27.6%	27.1%	
Cash Flow			
Ebitda	239.8	227.9	
Change in trade W/C	1.7	(9.7)	
Change in other assets and liabilities ^(c)	(119.7)	(11.3)	
Capex	(104.8)	(93.4)	
Other non-Current Assets	(1.2)	(0.3)	
Acquisitions	(5.1)	(0.3)	
Cash taxes	(39.6)	(21.6)	
IFRS 16 rental payments	(22.4)	0.0	
Cash interest	(80.9)	(51.6)	
Total	(132.2)	39.7	
Net Financial Position	730.7	526.0	
Leverage Ratio	2.8x	2.3x	

- Mainly due to regulatory changes and taxation increase, partially offset by Lottery volume growth and positive Sport Betting and Virtual Races performance

- Increased Active Customers and higher Arpu

- Bill-payments volume growth

- Morocco and Spain

- **Trade working Capital:** lower receivables due to different cut-of date and PSD2 impact in 2018

- **Other Assets and Liabilities:** mainly due to NTNG down-payment first installment in M10 2019 (€ 111 mio)

- **Capex** mainly related to investments in software applications and user licenses

- **Acquisition** mainly related to investment in 30% of equity of MyCicero

- **IFRS 16:** repayment of financial liabilities accounted in application of the new accounting standard

- **Cash Interest:** increase mainly due to upfront fees and SSN redemption price related to SisalPay-Banca 5 transaction



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

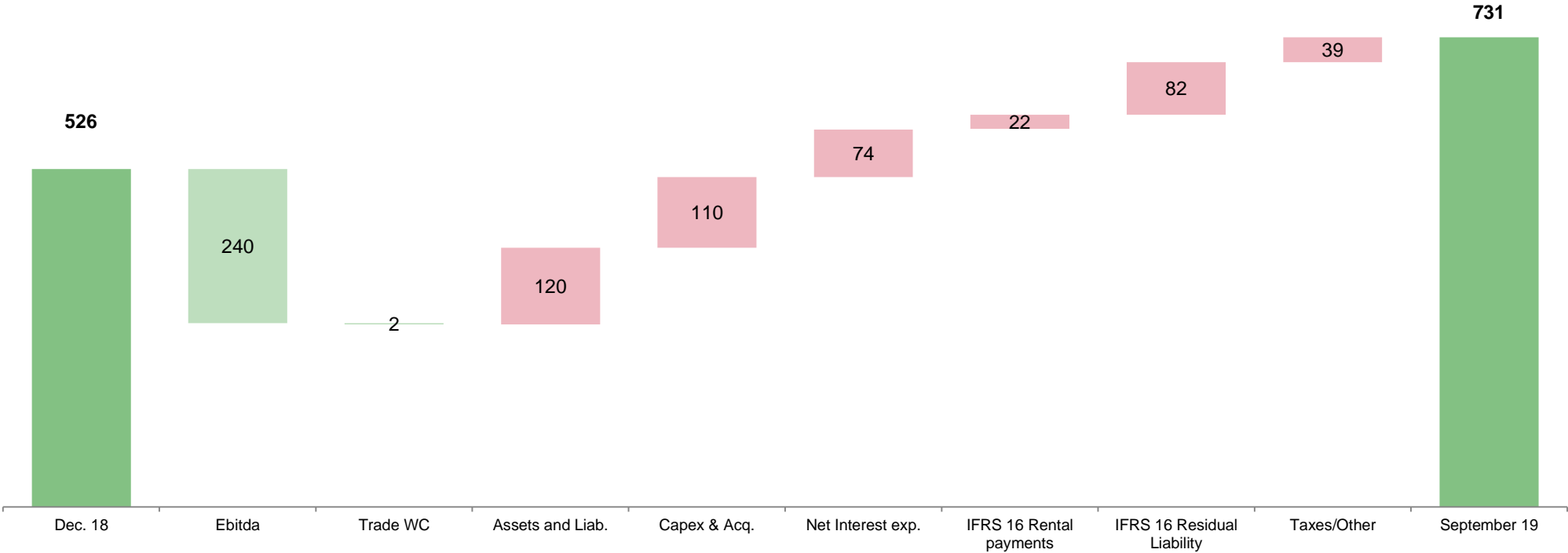
(b) Ebitda defined as profit (or loss) for the period plus net finance expenses and similar, income taxes and amortisation, depreciation, impairments and impairment of receivables

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

Note: 12M 2019 Ebitda and NFP figures reflect new accounting standard IFRS 16 (leases) application

Group Net Financial Position Bridge – FY 2019

Figures in € M



NFP FY2019 –Gaming stand alone

(€m)	Sisal Group	o/w Gaming
EBITDA Adjusted Statutory	259.6	197.6
NFP COVENANT	730.7	257.3
Leverage Ratio	2.8	1.3
EBITDA Adjusted Statutory w/o IFRS16	237.3	176.7
NFP COVENANT w/o IFRS16	654.3	181.5
Leverage Ratio w/o IFRS16	2.8	1.0

Group Consolidated Income Statement – FY 2019

Figures in € M (except ratios)

Income Statement	12M 19	12M 18	% Change
Revenues	731.9	724.0	1.1%
Fixed odd betting income	135.1	114.1	18.4%
Other revenues and income	2.4	1.8	33.3%
Total revenues and Income	869.4	839.9	3.5%
Adj. Ebitda^(a)	259.6	233.4	11.2%
<i>Margin (%)</i>	29.9%	27.8%	
Ebitda	239.8	227.8	5.3%
<i>Margin (%)</i>	27.6%	27.1%	
Ebit	85.4	108.8	(21.5)%
Net financial expenses and similar	74.8	57.3	30.5%
Income before tax	10.6	51.5	(79.4)%
Net Income	(13.6)	36.4	(137.4)%

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

Group Consolidated Balance Sheet – FY 2019

Figures in € M

Balance Sheet	FY19	FY 18
Non-Current Assets	772.5	644.6
Goodwill	807.8	569.3
Net Working Capital/Other ^(a)	(317.4)	(384.0)
Total assets	1,262.9	829.9
Net Financial Position ^(b)	885.3	502.5
Total Equity	377.6	327.4
Total Liabilities and Equity	1,262.9	829.9
	-	-
Payables for unpaid winnings/P&S PSD2 payables	166.5	218.2
Restricted cash balance	148.6	201.6

(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

Group IFRS 16 Impact – FY 2019

Figures in € M

Balance Sheet	FY 19 IFRS 16 EXCLUDED	IFRS 16 IMPACT	FY 19 IFRS 16 COMPLIANT
Non-Current Assets	696.4	76.1	772.5
Goodwill	807.8	-	807.8
Net Working Capital/Other	(316.8)	(0.6)	(317.4)
Total assets	1,187.5	75.4	1,262.9
Net Financial Position	808.9	76.4	885.3
Total Equity	378.6	(1.0)	377.6
Total Liabilities and Equity	1,187.5	75.4	1,262.9

Income Statement	FY 19 IFRS 16 EXCLUDED	IFRS 16 IMPACT	FY 19 IFRS 16 COMPLIANT
Total Revenues and Income	869.4	-	869.4
Ebitda	217.6	22.2	239.8
Amortization, depreciation, provisions and impairment losses and reversals	133.2	21.2	154.4
Ebit	84.4	1.0	85.4
Net financial expenses and similar	72.8	2.0	74.8
Income before taxes	11.6	(1.0)	10.6

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Covid 19 - Continue to deliver while protecting well-being of all stakeholders

- **Support for People - wide protective measures plan activated** including:
 - 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 to support voluntary associations and Civil Protection
- **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 launch of the new NTNG concession in Italy and the lottery concession in Turkey

Covid 19 – Impact on business and outlook

- **Retail network blocked during the month of March:**
 - shutdown of Gaming Halls and Betting shops from March 7
 - stop of the business in the Convenience Channel (bar and tobacconists) from March 11, impacting Gaming Machines and Betting
 - stop of NTNG products (SuperEnalotto) from March 28 and re-start from May 4
- **Online channel remained operational**, although the blocking of sport events and the limitation of Lottery products' offer reduced its potential.
- 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.**

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