



# **Sisal 2020 Six Months Results**

Ended June 30, 2020

September 11, 2020

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# Agenda

## Agenda

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

## Speakers

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**Emilio Petrone**

Sisal Group CEO \ Sisal Pay Group CEO



**Francesco Durante**

Sisal CEO



**Roberto Di Fonzo**

Sisal CFO

# Agenda

**1. Business Update**

**2. Financial Results**

**3. Q&A**

# Key Factors affecting the business

- **Covid-19** pandemic led activities shutdown, from March to mid-June, of Gaming Halls, Betting shops and Convenience channel (bar and tobacconists), due to the lockdown. The online business remained active, even if the lack of sporting events has limited its growth potential.
- **Italian economy has undergone major slowdown.** GDP, after shrinking by 6,5% y-o-y in the first quarter, at the end of the first semester 2020 was significantly down 8,3% compared to the same period of last year.
- **Italian Gaming market** has been severely impacted by emergency caused by Covid-19 pandemic. Turnover reached approximately €38,9 billion, with a decrease of 29,5% compared to the same period of last year, mainly due to the sharp drop in the Retail channel (from €37,5 billion in 2019 to €16,8 billion in 2020 or -55%) while the Online channel confirmed its positive growing trend (from €17,6 billion in 2019 to €22,1 billion in 2020 or + 25%).

# How we reacted to Covid-19 pandemic

Several initiatives implemented aimed at ensuring employee safety, support to all stakeholders and business protection.

## ■ Our People

- Signing of Health Policy for all employees and strengthen of workplace cleaning
- Increase of smart-working mode; new technological solutions for remote access to company applications and meeting management
- Limitation of travel in Italy and abroad

## ■ Our Commercial Partners

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

## ■ The communities

- Fundraising and direct donation to Civil Protection and other non-profit organizations

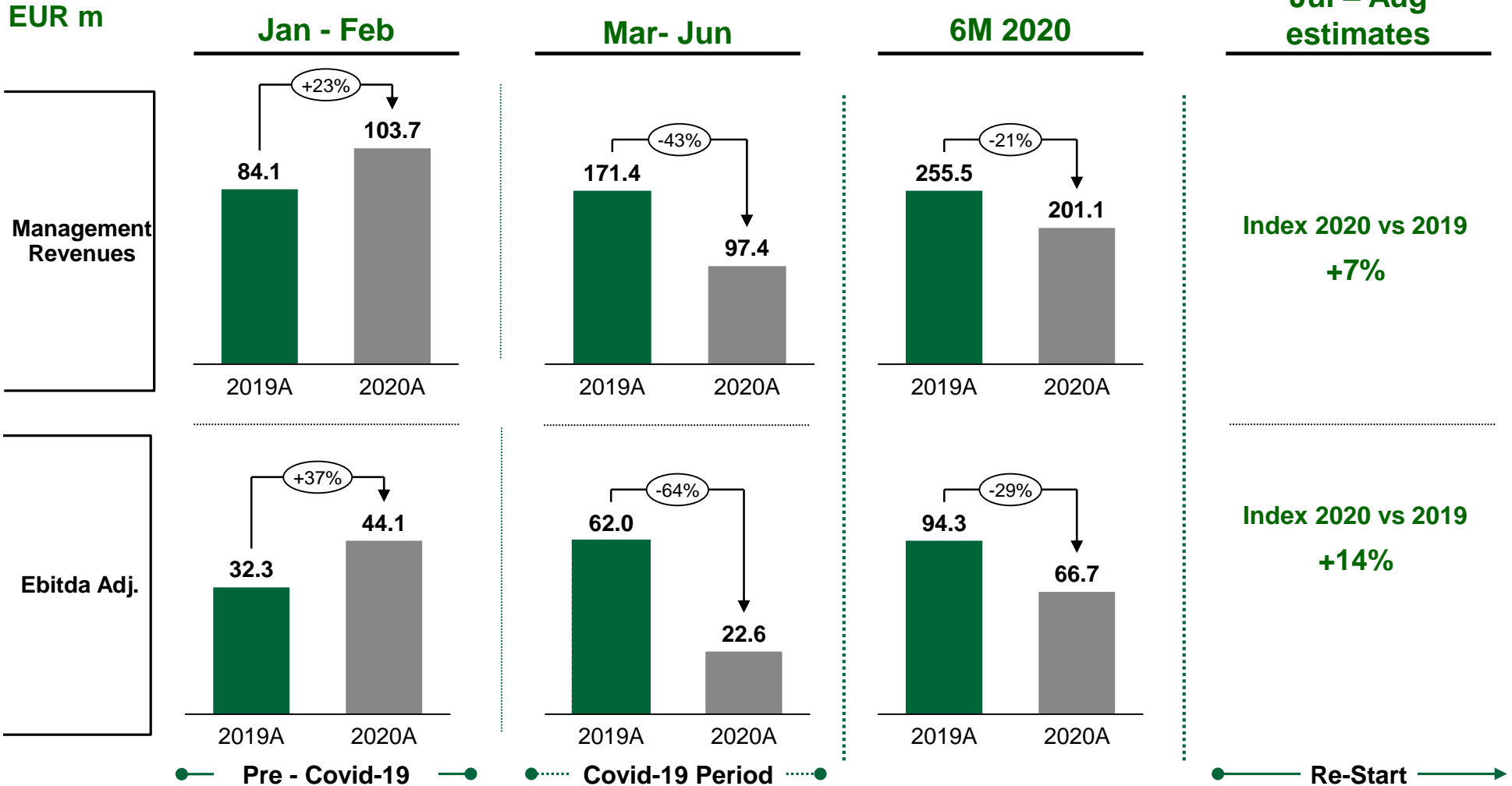
## ■ Business protection

- Costs and capex cuts implemented to maximize cash availability
- Major focus on marketing and commercial initiatives to support Online further 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

- **Retail network blocked from March until mid-June:**
  - shutdown of Gaming Halls and Betting shops
  - stop of the business in the Convenience Channel (bar and tobacconists)
  - reboot of the NTNG products (SuperEnalotto) from May 4
- **Online channel operational**, although the lack of sport events and the limitation of Lottery products' offer limited its growth 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 and incentives for environmental sanitation.
- **Since mid June we have restarted the Retail business.** Volume recovery was very fast on the specialized channel with Betting and VLT's close to pre-Covid volumes. The generalist channel performance is still impacted by closed p.o.s. and lower consumers' traffic, penalizing Lottery and AWP volumes.

# Business restart positive. Growth trajectory resumed.





# First Semester Key Achievements

- **Proactively reacted to Covid-19 pandemic and managed business lockdown**, implementing initiatives aimed at ensuring employee safety and support to stakeholders.
- Focus the organization on **supporting the growth of the Online business** during the lockdown.
- Focus on **driving efficiency and process optimization to increase liquidity**, working on several initiatives to fulfill savings on structural/discretionary costs and reducing/prioritizing capex.
- **Successful execution of action plan to ensure the go live on August 1<sup>st</sup> of Lottery concession in Turkey**, as planned on both Retail and Online channels. The start up has been successful and the Online performance has been significantly above our expectations with more than 200 k customers and with a 26% share of total turnover.
- **Current NTNG concession extended by 18 months** at the current conditions. **New concession will start on December 1st 2021** and the **second one-off payment of 111 m€** is required by **September 30th 2020**.

# First Semester Key Financials

- Gaming Business recorded **€3.4 billion of Turnover**, down by 28.4% compared to the same period of last year; all these negative trends mainly reflect **Covid 19 impact**.
- **Market share on Turnover at 8.6%**, in line with the same period of previous year.
- **Revenues** reached **€ 208.9 million**, down approx. **32.8%** compared to **€ 311.1 million** in 2019, mainly caused by the combination of Covid 19 lockdown impacts, increased taxation on gaming machines, partially offset by the positive performance of the Online business.
- **Adj. EBITDA<sup>a</sup>** reached **€ 66.7 million**, down approx. € 27.6 million or **29.3%** compared to **€ 94.3 million** in previous year.
- **NFP at €293 million**, with **Leverage ratio approx. 1.7**
- **Cash position and liquidity at €171 million**. At the end of August is in the range of €250m (including the fully draw of €100m of RCF.) In addition, we have additional €25 million of bank overdraft still available and not used.

(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

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.**

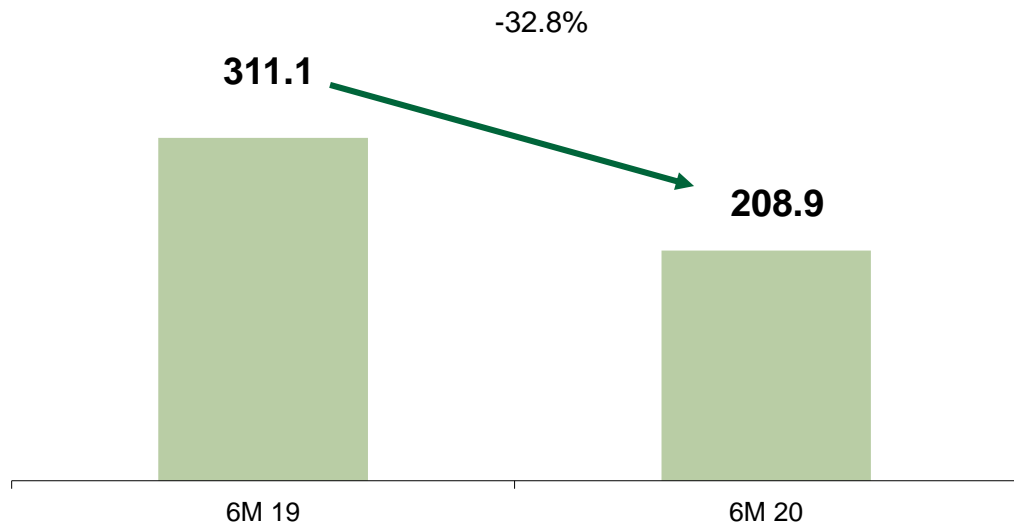
Moreover, starting from Q1 2020, and with the exception of the annual financial statements, Sisal Group's consolidated financial statements, for the purpose of this document, have only reported the results of the Gaming Business, while the investment in SisalPay has been accounted for at cost. This approach allows the Sisal Group's bondholders to get a better and easier understanding of the Gaming Business's performances and results.

Therefore, in the Condensed consolidated interim financial statements at the end of June 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 six months ended June 30<sup>th</sup>, 2020 are instead related to the Group full consolidated accounts, including the Payment business (slide 16 and 19 of this presentation).

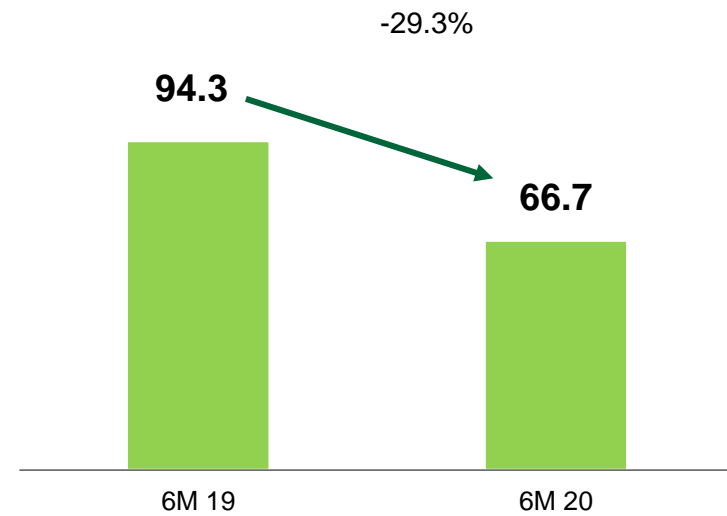
# Sisal Gaming Results Highlights – 6M 2020

## Revenues



Figures in € M

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



## Adj. Ebitda Margin %

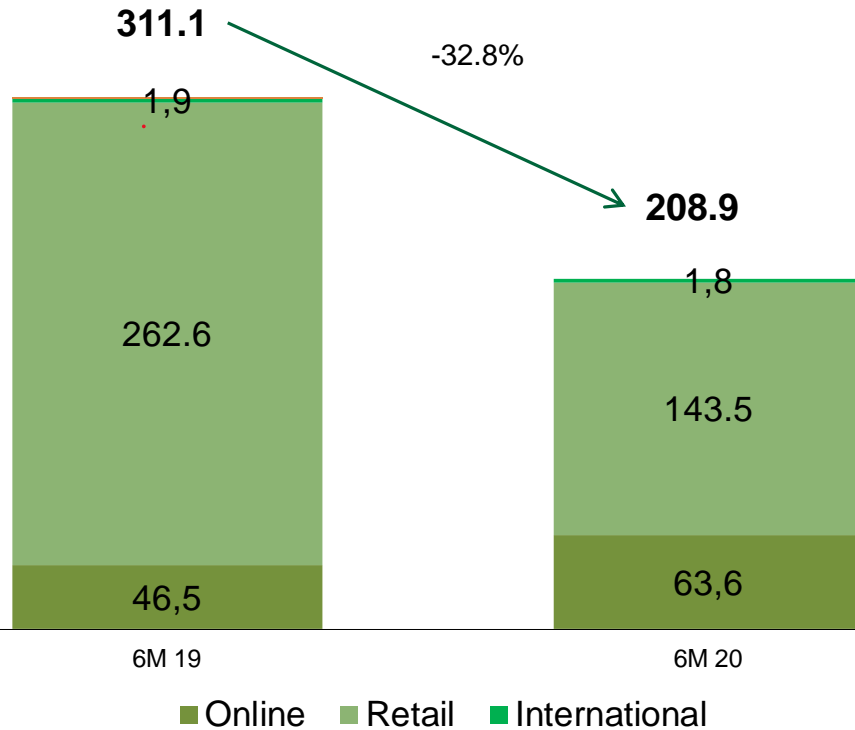
30.3%

31.9%

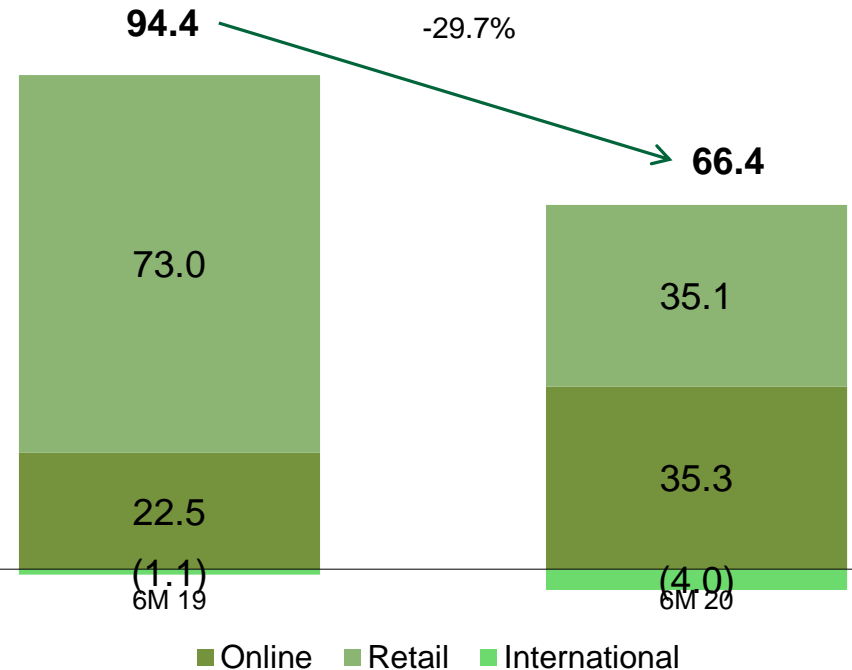
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# Gaming Segments Results Highlights –6M 2020

## Revenues



## Operating Segments Ebitda



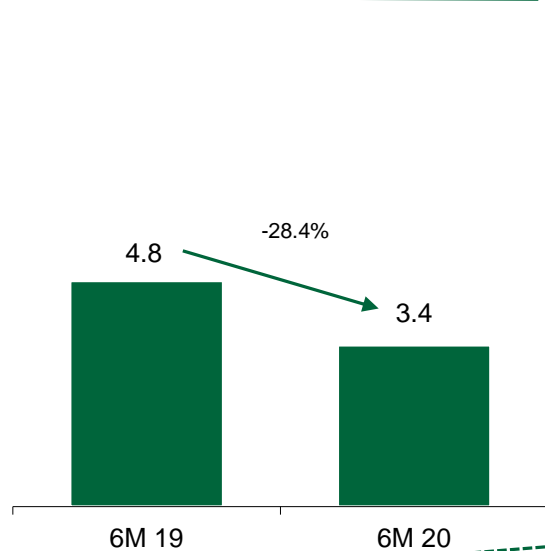
Figures in € M

## Operating Segments Ebitda Margin %

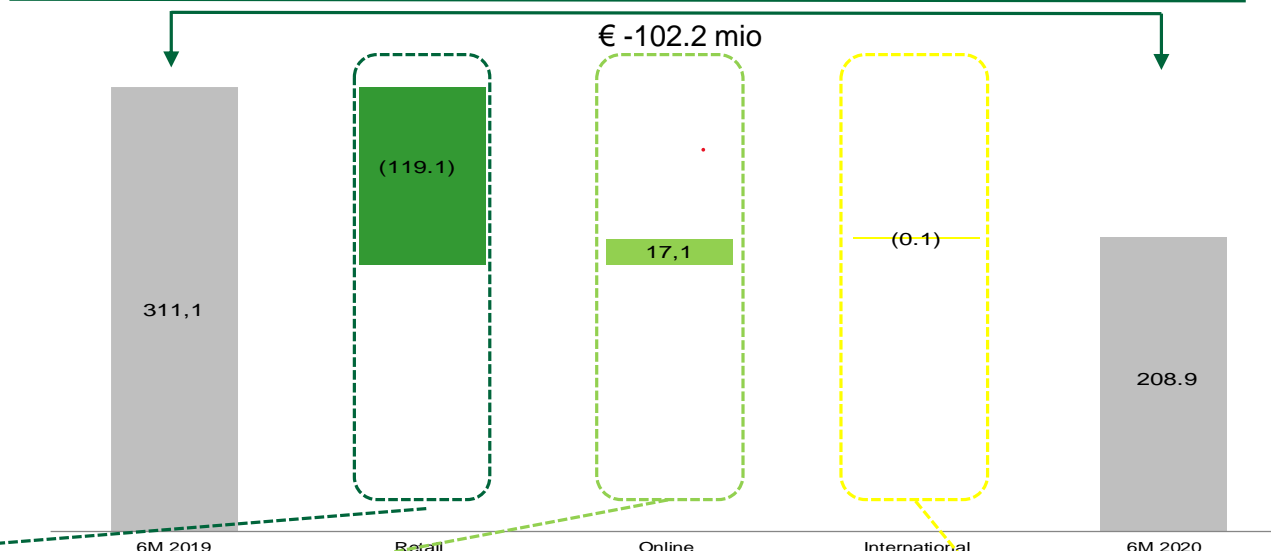
<b>Total</b>	<b>30.3%</b>	<b>31.8%</b>
<b>Retail</b>	<b>27.8%</b>	<b>24.6%</b>
<b>Online</b>	<b>48.3%</b>	<b>55.4%</b>

# Gaming Turnover & Revenues: 6M 2020 vs 6M 2019

Gaming Turnover (€ BN)



Gaming Revenues and income (€ M)



	€ M impact	Primary drivers
<b>Gaming machines</b>	(89.4)	<ul style="list-style-type: none"> <li>Drop in volumes due to Covid 19 pandemic impacts, unfavorable taxation increase and introduction of VLT's health card</li> </ul>
<b>Lottery</b>	(5.5)	<ul style="list-style-type: none"> <li>Negative performance mainly affected by Pos shutdown during the lockdown, for approx. 2 months</li> </ul>
<b>Sport Betting</b>	(18.3)	<ul style="list-style-type: none"> <li>Decrease mainly due to the lack of sport events and the shutdown of betting shops during lockdown</li> </ul>
<b>Virtual Races and Others</b>	(5.9)	<ul style="list-style-type: none"> <li>Negative performance mostly related to Covid 19 drop in Retail Channel</li> </ul>

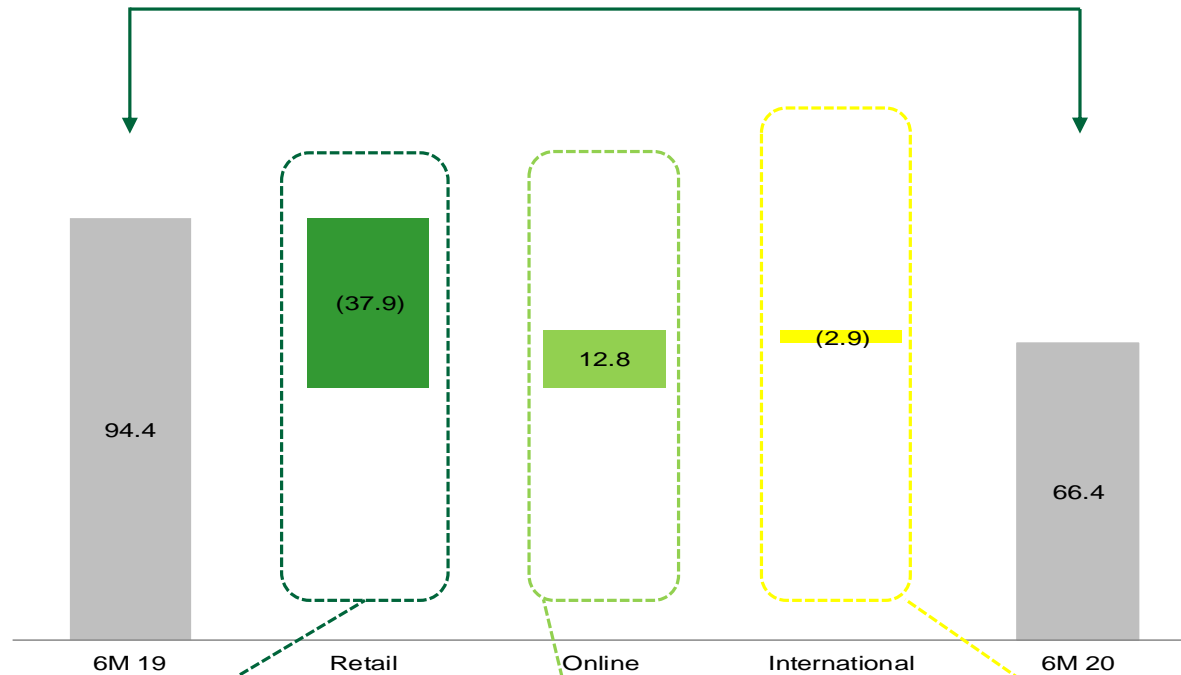
	€ M impact	Primary drivers
<b>Digital games</b>	11.2	<ul style="list-style-type: none"> <li>Successful customers' acquisition strategy via SEO and effective affiliation activities. Furthermore, the entire product portfolio recorded a positive performance and the cross-selling activities have been very effective.</li> </ul>
<b>Betting &amp; Virtual races online</b>	5.9	<ul style="list-style-type: none"> <li>increase in the monthly average number of active players, despite the advertising ban, and the Monthly Average Spending increase. Lack of sport events limited growth potential</li> </ul>

	€ M impact	Primary drivers
<b>International</b>	(0.1)	<ul style="list-style-type: none"> <li>Business shutdown in <b>Morocco</b> for about 2 months due to Covid-19, and postponement of new gaming introduction (VLT's) to Q4</li> <li>Incremental business in <b>Spain</b>, even if Covid-19 has impacted the first 1<sup>st</sup> sem, but the recovery is accelerating since from mid-June the advertising and promotional bans have been removed</li> </ul>

# Gaming Profitability: 6M 2020 vs 6M 2019

## Gaming Operating Segments Ebitda (€ M)

€ (28) million Operating Segments Ebitda decrease



- Mainly due to volume drop, caused by retail shutdown due to lockdown.
- Negative performance is also explained by the further Gaming machines taxation increase and by the introduction of “health card” VLT’s, starting from January 1st, 2020. These negative impacts were partially offset by the Gaming machines payout reduction.
- Finally, in May 2020 has been introduced a new tax on Betting business to support the Italian sport sector.

- Mainly driven by top line growth enhanced by successful customers acquisition strategy, enabling a partial recovery of Covid 19 negative impact

- Start-up cost incurred in Morocco, Spain and Turkey furtherly amplified by Covid 19 negative impact which led to the Morocco’s business shutdown for approx. 2 months and to the postponement of the Turkish concession go-live from June to August 1<sup>st</sup>.



# Sisal Group Key Figures – 6M 2020 vs 6M 2019

## P&L and simplified cash flow

(€m)	6M-20	6M-19	Change
<b>Revenues</b>	<b>208,9</b>	<b>414,2</b>	<b>(49,6)%</b>
<i>Retail</i>	142,5	262,6	(45,7)%
<i>Online</i>	63,6	46,5	36,9%
<i>Payments and services</i>	0,0	103,1	(100,0)%
<i>International</i>	1,8	1,9	(4,8)%
<i>Other</i>	1,0	0,1	1.409,2%
<b>Operating Segments EBITDA</b>	<b>66,4</b>	<b>126,1</b>	<b>(47,3)%</b>
<b>Adj. Ebitda <sup>(a)</sup></b>	<b>66,7</b>	<b>126,0</b>	<b>(47,0)%</b>
<i>% margin</i>	31,9%	30,4%	
<b>Ebitda <sup>(b)</sup></b>	<b>60,0</b>	<b>123,8</b>	<b>(51,6)%</b>
<i>% margin</i>	28,7%	29,9%	
<b>Cash Flow</b>			
Ebitda	60,0	123,8	
Change in trade W/C	(42,7)	(56,6)	
Change in other assets and liabilities <sup>(c)</sup>	25,5	(31,8)	
Capex	(65,8)	(39,2)	
Other non-Current Assets	(0,7)	(0,3)	
Acquisitions	(2,6)	1,6	
IFRS 16 rental payments	(6,3)	(9,8)	
Cash interest	(12,1)	(27,2)	
<b>Total</b>	<b>(44,7)</b>	<b>(39,4)</b>	

- Mainly due to Covid-19 emergency, taxation increase and VLT's health card introduction

- Successful customers' acquisition strategy via SEO and effective affiliation activities. The entire product portfolio recorded a positive performance and the cross-selling activities have been very effective.

- International business start up phase furtherly affected by Covid 19

- **Trade working Capital:** lower payables due to lower expenditures in the 1<sup>st</sup> sem, and higher receivables due to initiatives aimed at supporting customers liquidity.

- **Other Assets and Liabilities:** mainly related to the collection from Sisal Pay Group of the settlement for the transfer of the Payments business, partially offset by other negative movements in the period.

- **Capex:** mainly related to investments in terminals for the go-live of the Lottery concession in Turkey and the new NTNG concession in Italy, and to software developments and the extension of Betting concession in Italy.

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

- **Cash Interest:** refers to interest paid in the period

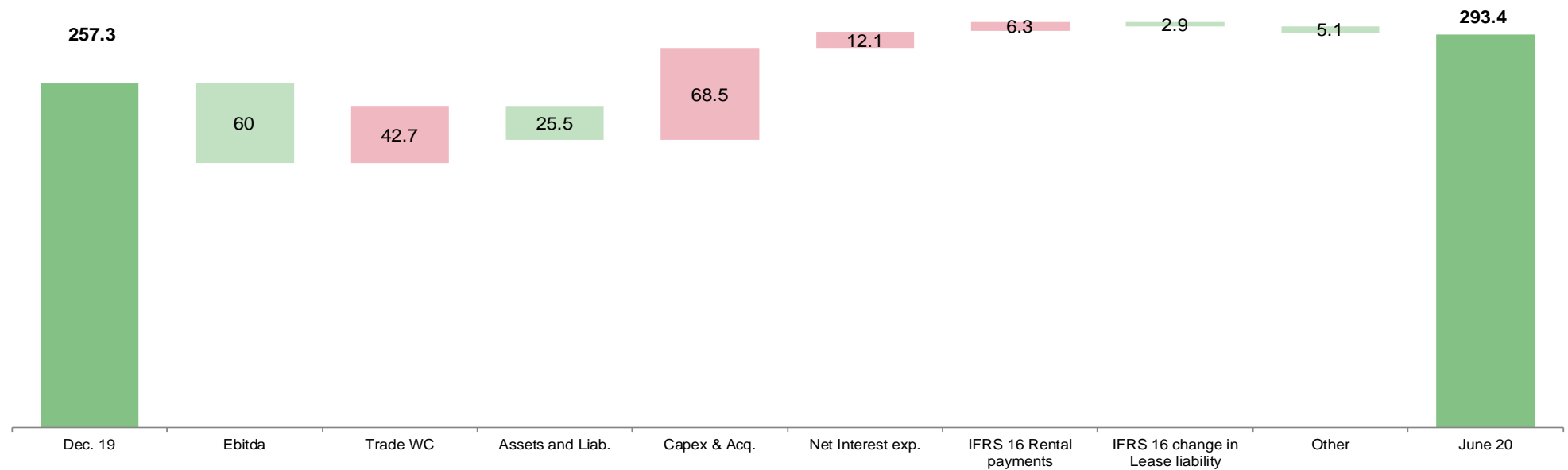
(a) We define Adjusted EBITDA as EBITDA adjusted for the effect of extraordinary items and provisions related to disputes with regulatory bodies

(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

# Net Financial Position Bridge (Gaming) – 6M 2020

Figures in € M



# Covenant leverage ratio–6M 2020

(€m)	Sisal Gaming
LTM EBITDA Adjusted Statutory	172.8
NFP COVENANT	293.4
<b>Leverage Ratio</b>	<b>1.70</b>
LTM EBITDA Adjusted Statutory w/o IFRS 16	146.5
NFP COVENANT w/o IFRS 16	222.6
<b>Leverage Ratio w/o IFRS 16</b>	<b>1.52</b>

# Group Consolidated Income Statement – 6M 2020

Figures in € M (except ratios)

Income Statement	6M 20	6M 19	% Change
Revenues	158.6	349.2	(54.6)%
Fixed odd betting income	49.4	64.5	(23.4)%
Other revenues and income	0.9	0.5	80.0%
<b>Total revenues and Income</b>	<b>208.9</b>	<b>414.2</b>	<b>(49.6)%</b>
<b>Adj. Ebitda</b> <sup>(a)</sup>	<b>66.7</b>	<b>126.0</b>	<b>(47.0)%</b>
<i>Margin (%)</i>	31.9%	30.4%	
<b>Ebitda</b>	<b>60.0</b>	<b>123.8</b>	<b>(51.6)%</b>
<i>Margin (%)</i>	28.7%	29.9%	
<b>Ebit</b>	<b>(7.2)</b>	<b>53.2</b>	<b>(113.5)%</b>
Net financial expenses and similar	8.9	29.3	(69.6)%
<b>Income before tax</b>	<b>(16.1)</b>	<b>23.9</b>	<b>(167.4)%</b>
<b>Net Income</b>	<b>(15.0)</b>	<b>14.4</b>	<b>(204.2)%</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 – 6M 2020

Figures in € M

Balance Sheet	M6 20	FY 19
Non-Current Assets	885.3	871.2
Goodwill	261.0	261.0
Net Working Capital/Other <sup>(a)</sup>	(129.4)	(140.8)
<b>Total assets</b>	<b>1,016.9</b>	<b>991.4</b>
Net Financial Position <sup>(b)</sup>	286.5	249.5
Total Equity	730.4	741.8
<b>Total Liabilities and Equity</b>	<b>1,016.9</b>	<b>991.4</b>
Payables for unpaid winnings	178.7	149.3
Restricted cash balance	160.2	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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