



Sisal 2020 Nine Months Results

Ended September 30, 2020

November 27, 2020

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Agenda

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1. Business Update
2. Financial Results
3. 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 Factors affecting the business

- **Covid-19** pandemic strongly impacted global economy, including **Italian economy**, which **has undergone a major slowdown**. **Italian GDP** forecasted for 2020 is **significantly down by 10.6%** compared to last year.
- **Italian Gaming market** has been severely impacted by the emergency and the restrictions caused by Covid-19 pandemic, which led activities shutdown in the Retail Channel, from March to mid-June, while the Online market segment remained active, benefitting from the rapid acceleration of consumer digitalization, even if the lack of sport events has limited its growth potential.
- **Gaming Market Turnover**, after the significant decline recorded in the first semester 2020, has marked a strong recovery in the third quarter, reaching €64.5 billion, with a decrease of 20.4% compared to the same period of last year, mainly due to the sharp drop in the Retail channel (from €54.9 billion in 2019 to €30.9 billion in 2020 or -43.7%) while the Online channel confirmed its growth trend (from €26.2 billion in 2019 to €33.7 billion in 2020 or + 28.4%).

How we reacted to Covid-19 pandemic

Several initiatives have been implemented to ensure employees' safety, to support all the stakeholders and to protect the business.

■ Employees' Safety

- Covid-19 Health coverage for all employees and strengthen of workplace cleaning
- Increase of smart-working mode; limitation of travel in Italy and abroad

■ Commercial Partners support

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

■ Support to the community

- Fundraising in favour of the Italian Civil Protection and direct donation to leading no-profit organizations

■ Business protection

- Cut of discretionary and structural costs and capex to maximize liquidity
- Action plans to execute all key strategic initiatives in Italy and in the International markets
- Boost the Online business growth, accelerating the omnichannel strategy

Covid 19 impact on business

■ Retail Channel

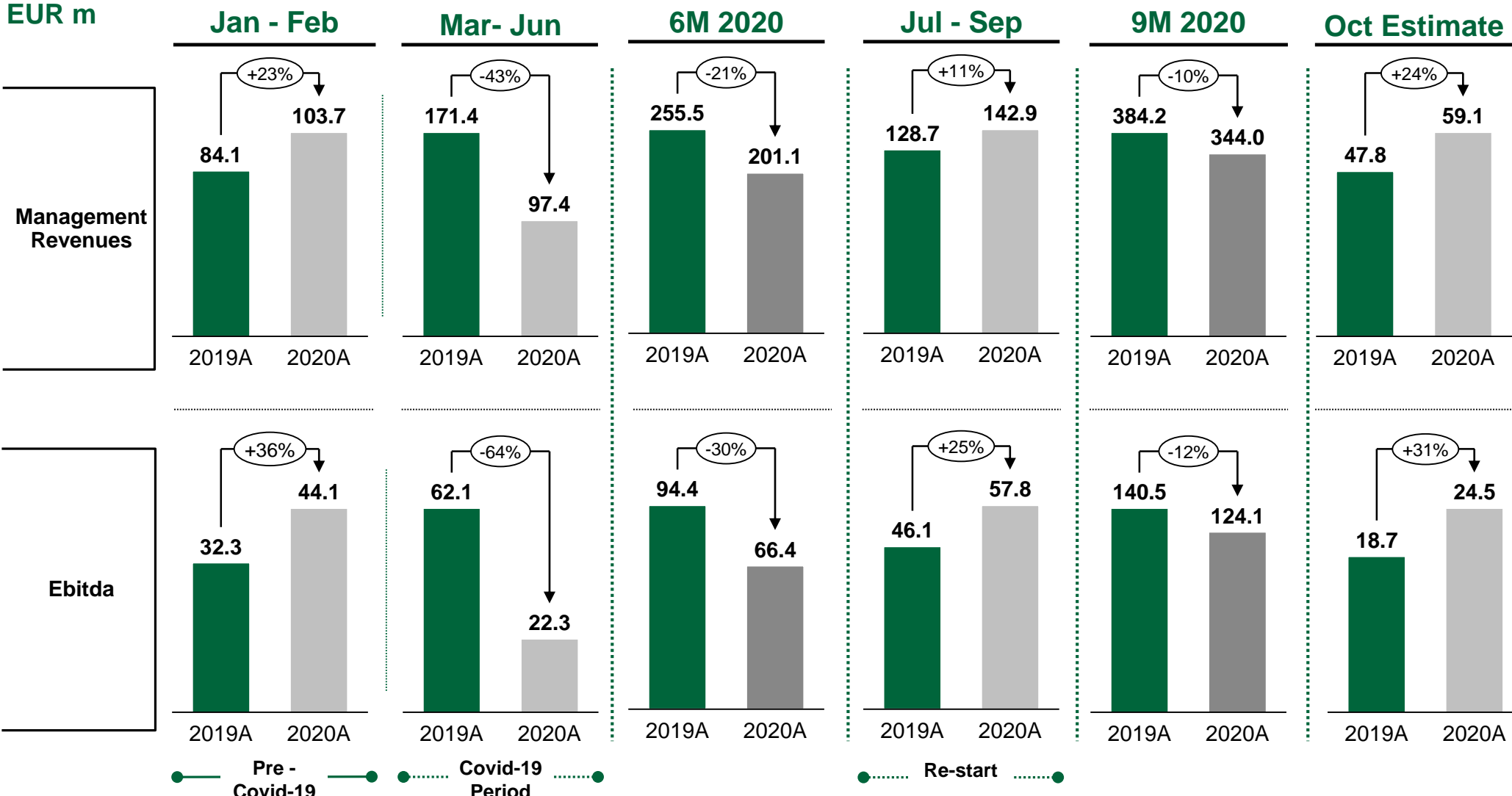
- The lockdown from the beginning of March to the mid of June, led shutdown of Gaming Halls, Betting shops and Convenience channel (bar and tobacconists), impacting Gaming Machines and Betting businesses. Lottery business was stopped from March to May 4th .
- The business restart from mid June was positive: very fast recovery on the specialized channel with Betting and VLT's close to pre-Covid 19 volumes, while convenience channel performance is still impacted by lower consumers' traffic, penalizing Lottery and AWP volumes.

■ Online Channel

- The business has always remained active, even if the lack of sporting events has limited its growth potential.
- After the lockdown and the restart of sporting events, the Online business continued its growing trend, even if at lower pace, reconfirming the positive pre-lockdown trend.

- **The Italian government has activated measures to support the gaming sector:** Gaming machines taxes due in April, May and June postponed to the second semester and payments due in July/August rescheduled in September; Supplementary wage funds for employees who are on layoffs; Tax credit on rental cost; incentives for easing sanitation

Business resilient during the lockdown; very positive restart since mid-June, confirmed by strong Q3 performance.



Key Achievements 9M 2020

- **Proactively reacted to Covid-19 pandemic and managed business lockdown**, implementing initiatives to ensure employees' safety and support to stakeholders.
- **Boost Online business growth** during the lockdown, focusing the organization on accelerating omnichannel strategy execution.
- **Proven ability to drive efficiency and process optimization to increase liquidity**, working on several initiatives to fulfill savings on structural/discretionary costs and reducing/postponing capex.
- **Positive restart of the business** after the lockdown and very strong Q3 performance.
- **Successful launch of the Lottery concession in Turkey** (Aug 1st), recording positive performance since the start-up, with Online segment achieving results significantly above expectations, with 225K active customers and a weight of 24% on total Turnover.
- **Current NTNG concession extended by 18 months, at the current conditions.** New concession will start on December 1st 2021, while the second instalment of concession downpayment of €111 millions has been executed on September 29th 2020.

Key Financials 9M 2020

- Gaming Business recorded **Turnover of €5.8 billion**, down by 18.7% compared to the same period of last year; the performance mainly reflects the **Covid 19 impact**.
- **Market share on Turnover at 8.7%**, with a slight decrease in comparison to last year, mainly due to the different business mix.
- **Revenues** reached **€ 373.1 million**, down by **20.5%** compared to **€ 469.1 million** in 2019, mainly due to the combination of Covid-19 and increased taxation on gaming machines, partially offset by a very positive Online business performance.
- **Adj. EBITDA^a** reached **€ 123.9 million**, down by **11.9%** compared to **€ 140.6 million** in previous year.
- **NFP at €308.6 million**, with a **Leverage ratio of approx. 1.67**.
- **Cash position at €143 million**, (including the fully draw of €100m of RCF). **At the end of October is in the range of € 165 million**. In addition, we have €25 million of bank overdraft still available and not yet used.

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

Covid-19 second wave

Since the beginning of October **the spread of the virus has resumed** and has undergone a strong acceleration. **New Covid-19 restrictions have been adopted** by the Italian Government on November 3rd, in order to contain the virus diffusion, mainly affecting our Retail business.

The measures were effective since November 6th and will last until December 3rd

- **Allocation of Italian regions into different clusters, with differentiated restrictions** according to the relevance of the Covid 19 pandemic;
- **Shutdown of Gaming Machines and Betting businesses** and of the specialized network (eg. gaming halls, bingos, sports betting shops);
- **Lottery business operational**, since the limitations are not affecting tobacconists and are partially affecting bars;
- **Online business not impacted**, since all the major sport events have been confirmed. Significant part of the consumer spending in the Retail channel is shifting to the Online channel.

We quickly reacted to the second wave, ensuring business continuity and financial mitigation plan

▪ Business Continuity Plan

- **Ensure safety** of our people and customers: non-critical employees on layoffs, benefitting of supplementary wage funds, smartworking for more than 80% of employees, new security protocols.
- **Minimize impact** on company operations: all key strategic initiatives in Italy and International markets will continue to be developed according to the plan.
- **Boost the Online** performance: accelerate the omnichannel strategy exploiting the available resources already trained in our retail network.

▪ Financial mitigation Plan

- **Cash available as of end of October approx. €165m** and €25 millions of bank overdraft still not utilized.
- **Additional costs and capex cuts implemented** to protect liquidity.
- **Gaming Machines taxes due in November and December substantially reduced by the regulator:** the first two instalments have been cancelled and the third reduced to one sixth.
- **In spite of the restrictions we expect a positive Ebitda in the months to come,** mainly driven by Online and International businesses.

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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.**

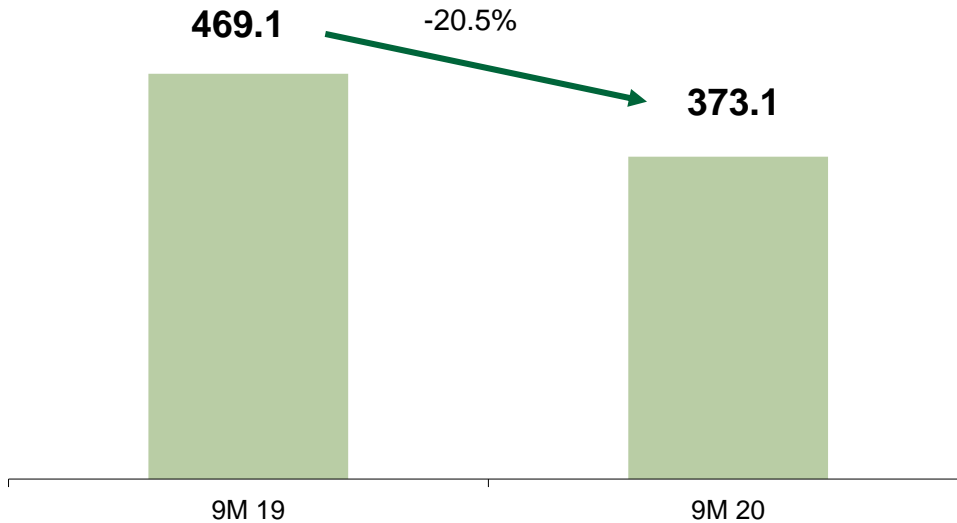
Moreover, for the purpose of this document, starting from Q1 2020, and with the exception of the annual financial statements, Sisal Group's consolidated financial statements have only reported the results of the Gaming Business, while the investment in SisalPay has been accounted for at cost. **This 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 September 2020:

- the statements are only referred to the Gaming Business perimeter, as well as the Statement of Financial Position as of December 31, 2019.
- the Statements of Comprehensive Income and Cash Flows for the nine months ended on September 30th, 2019 are instead related to the Group full consolidated accounts, including the Payment business (slide 18 and 21 of this presentation).

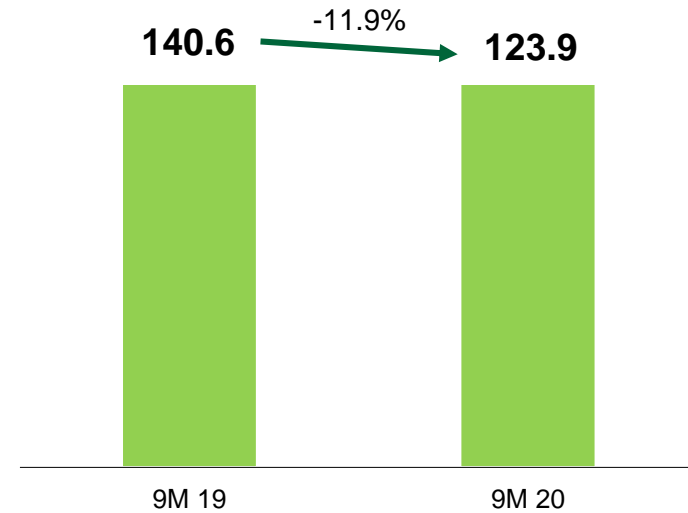
Sisal Gaming Results Highlights – 9M 2020

Revenues



Figures in € M

Adj. Ebitda^(a)



Adj. Ebitda Margin %

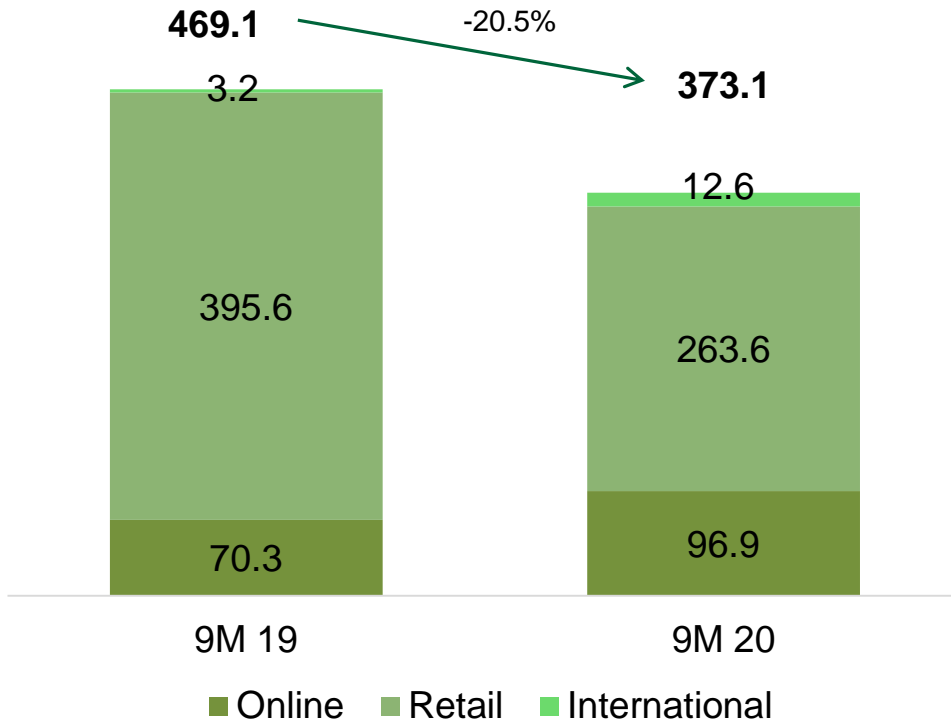
30.0%

33.2%

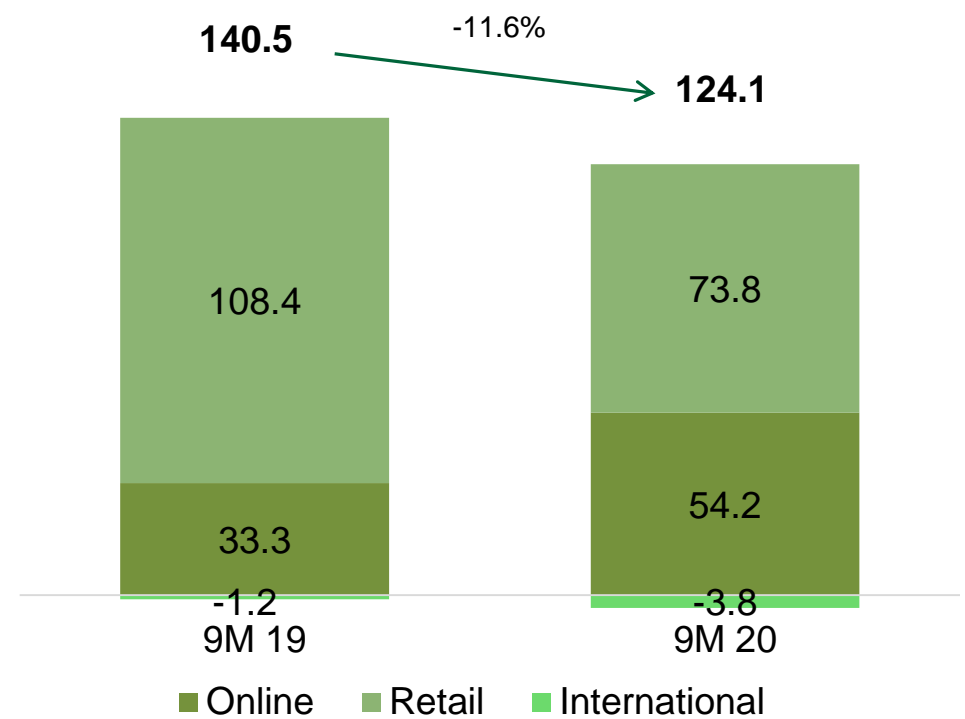
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Gaming Segments Results Highlights – 9M 2020

Revenues



Operating Segments Ebitda



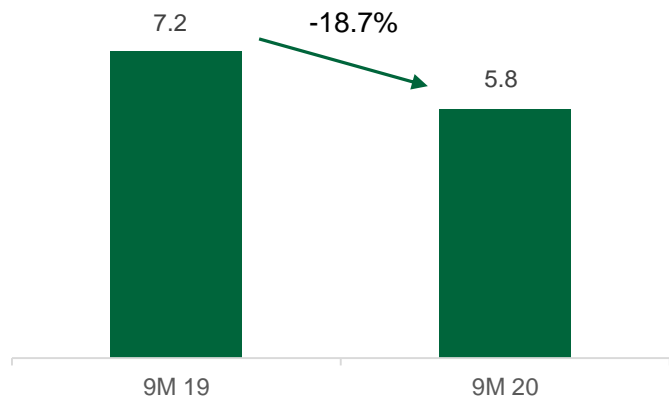
Figures in € M

Operating Segments Ebitda Margin %

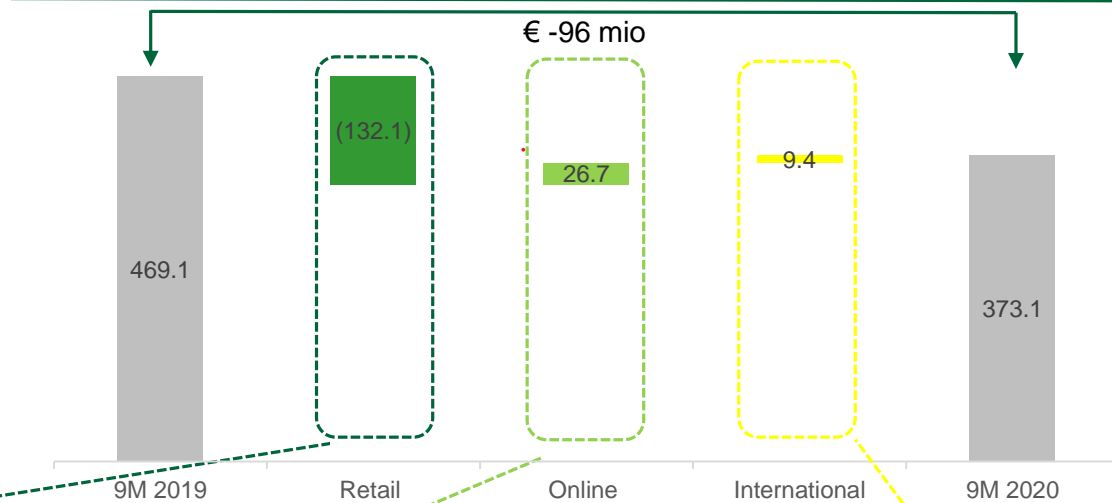
Total	29.9%	33.3%
Retail	27.4%	28.1%
Online	47.4%	55.9%

Gaming Turnover & Revenues: 9M 2020 vs 9M 2019

Gaming Turnover (€ BN)



Gaming Revenues and income (€ M)



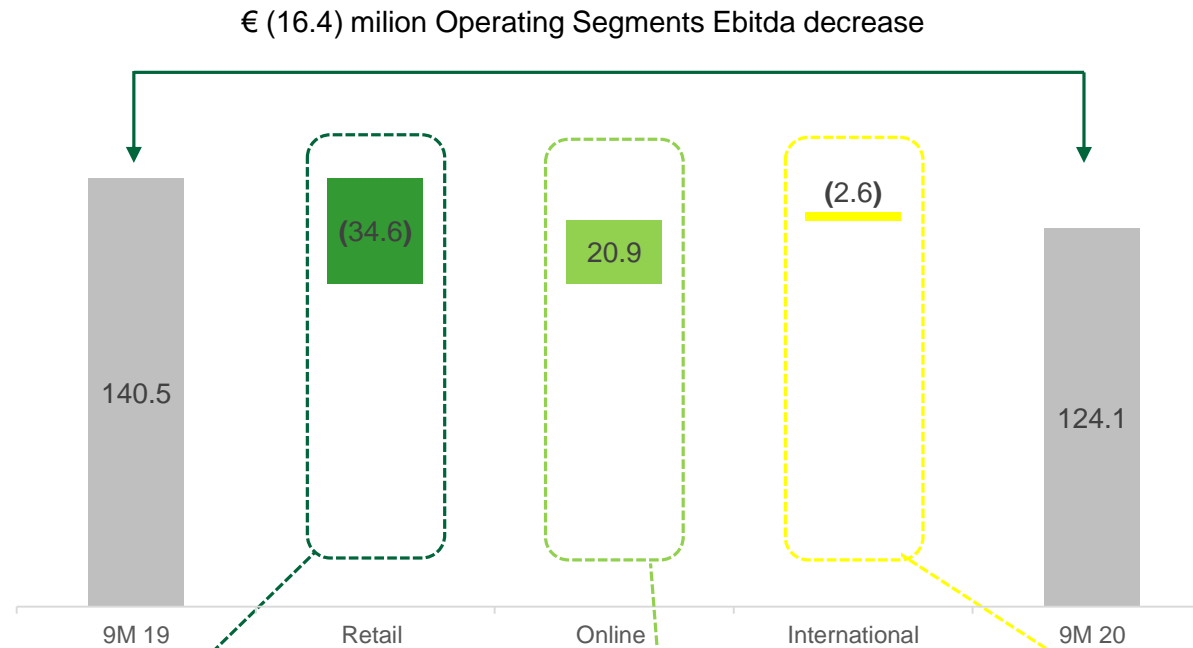
	€ M impact	Primary drivers
Gaming machines	(105)	<ul style="list-style-type: none"> Drop in volumes due to Covid 19 pandemic impacts, unfavorable taxation increase and introduction of VLT's health card. Gradual recovery after lockdown.
Lottery	(3.1)	<ul style="list-style-type: none"> Negative performance mainly affected by PoS shutdown during the lockdown, for approx. 2 months. Positive restart after lockdown. Higher affiliation fees, after launching the new MySisal program.
Sport Betting	(16.8)	<ul style="list-style-type: none"> Decrease mainly due to the lack of sport events and the shutdown of betting shops during lockdown. Positive performance in third quarter thanks to lower payout and volume growth.
Virtual Races and Others	(7.1)	<ul style="list-style-type: none"> Negative performance mostly related to Covid 19 impact in Retail Channel.

	€ M	Primary drivers
Digital games	15.2	<ul style="list-style-type: none"> 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.
Betting & Virtual races online	11.5	<ul style="list-style-type: none"> increase in the monthly average number of active players, despite the advertising ban, and the Monthly Average Spending increase. Positive incremental growth after lockdown thanks to the restart of sport events.

	€ M	Primary drivers
International	9.4	<ul style="list-style-type: none"> Turkish operations led to positive performance after the launch of the Lottery business on August 1st Business shutdown in Morocco for about 2 months due to Covid-19, and postponement of new gaming introduction (VLT's) to Q4. Incremental business in Spain, even if Covid-19 has impacted the performance; recovery is accelerating since from mid-June the advertising and promotional bans have been removed.

Gaming Profitability: 9M 2020 vs 9M 2019

Gaming Operating Segments Ebitda (€ M)



- Mainly due to volume drop in first semester, caused by retail lockdown. Retail accelerated the recovery following business restart from mid of June onwards.
- Negative performance mainly due to 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.

- Mainly driven by top line growth enhanced by successful customers acquisition strategy. Very strong Q3 performance.

- Turkish set up operations led to an outstanding performance after the launch of lottery business on August,1
- Start-up cost incurred in Morocco, Spain and Turkey
- Covid 19 negative impact which led to the Morocco's business shutdown for approx. 2 months.
- In Spain Business started in 2020, fully incremental in comparison with 2019

Sisal Group Key Figures – 9M 2020 vs 9M 2019

P&L and simplified cash flow

(€m)	9M-20	9M-19	Change
Revenues	373.1	624.0	(40.2)%
<i>Retail</i>	262.8	395.6	(33.6)%
<i>Online</i>	96.9	70.3	38.0%
<i>Payments and services</i>	0.0	155.0	(100.0)%
<i>International</i>	12.6	3.2	296.5%
<i>Other</i>	0.8	0.1	1,276.2%
Operating Segments EBITDA	124.1	189.6	(34.5)%
Adj. Ebitda ^(a)	123.9	189.8	(34.7)%
<i>% margin</i>	33.2%	30.4%	
Ebitda ^(b)	113.2	184.1	(38.5)%
<i>% margin</i>	30.3%	29.5%	
Cash Flow			
Ebitda	113.2	184.1	
Change in trade W/C	(24.6)	(44.4)	
Change in other assets and liabilities ^(c)	(27.4)	(29.8)	
Capex	(90.4)	(61.4)	
Other non-Current Assets	0.5	(0.7)	
Acquisitions	(3.0)	0.7	
Cash taxes	0.0	(19.2)	
IFRS 16 rental payments	(16.9)	(12.3)	
Cash interest	(22.8)	(47.5)	
Total	(71.3)	(30.6)	

- Mainly due to Covid-19 emergency, taxation increase and VLT's health card introduction. Mitigated by recovery of the business in Q3. .

- Successful customers' acquisition strategy via SEO and effective affiliation activities. The entire product portfolio recorded a positive performance.

- Great results of Turkish business go-live mitigated by Covid 19 impact in Morocco and Spain

- **Trade working Capital:** lower payables due to lower expenditures and higher receivables due to initiatives aimed at supporting customers liquidity.

- **Other Assets and Liabilities:** mainly related to the second installment of the NTNG downpayment (€111m); collection of €42m from SisalPay Group; postponement of Gaming machines taxes payments, 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, as well as 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 mainly referred to the Senior Secured Note of € 275 mio

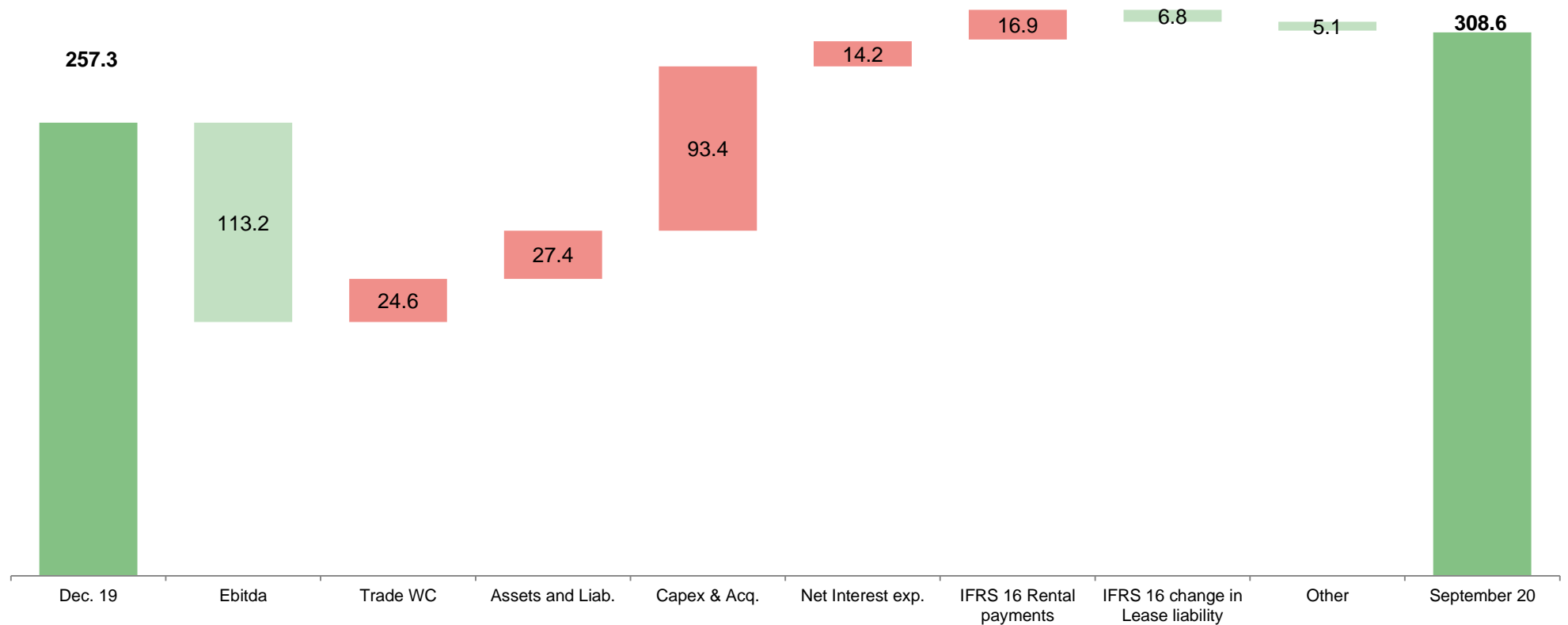
(a) We define Adjusted EBITDA as EBITDA adjusted for the effect of extraordinary items and provisions related to disputes with regulatory bodies

(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) – 9M 2020

Figures in € M



Covenant leverage ratio – 9M 2020

(€m)	Sisal Gaming
LTM EBITDA Adjusted Statutory	184.5
NFP COVENANT	308.6
Leverage Ratio	1.67
LTM EBITDA Adjusted Statutory w/o IFRS 16	156.9
NFP COVENANT w/o IFRS 16	243.9
Leverage Ratio w/o IFRS 16	1.55

Group Consolidated Income Statement – 9M 2020

Figures in € M (except ratios)

Income Statement	9M 20	9M 19	% Change
Revenues	285.9	529.0	(46.0)%
Fixed odd betting income	85.9	94.5	(9.1)%
Other revenues and income	1.3	0.5	160.0%
Total revenues and Income	373.1	624.0	(40.2)%
Adj. Ebitda^(a)	123.9	189.8	(34.7)%
<i>Margin (%)</i>	33.2%	30.4%	
Ebitda	113.2	184.1	(38.5)%
<i>Margin (%)</i>	30.3%	29.5%	
Ebit	13.0	76.5	(83.0)%
Net financial expenses and similar	15.6	44.7	(65.1)%
Income before tax	(2.6)	31.8	(108.2)%
Net Income	(8.1)	18.4	(144.0)%

(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 – 9M 2020

Figures in € M

Balance Sheet	M9 20	FY 19
Non-Current Assets	877.9	871.2
Goodwill	261.0	261.0
Net Working Capital/Other ^(a)	(99.5)	(140.8)
Total assets	1,039.4	991.4
Net Financial Position ^(b)	302.4	249.5
Total Equity	737.0	741.8
Total Liabilities and Equity	1,039.4	991.4
Payables for unpaid winnings	192.4	149.3
Restricted cash balance	173.9	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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