Lottomatica Group S.p.A.

"First Quarter 2024 Results Conference Call"

Tuesday, April 30, 2024, 10:00 AM CET

MODERATORS: GUGLIELMO ANGELOZZI, CHIEF EXECUTIVE OFFICER
LAURENCE VAN LANCKER, CHIEF FINANCIAL OFFICER
MIRKO SENESI, HEAD OF INVESTOR RELATIONS, CAPITAL MARKETS AND M&A

OPERATOR: Good morning. This is the Chorus Call conference operator. Welcome and thank you for joining Lottomatica Group's First Quarter 2024 Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Mr. Mirko Senesi, Head of Investor Relations, Corporate Markets and M&A. Please go ahead, sir.

MIRKO SENESI: Thanks, operator and thank everyone for joining. I am Mirko Senesi the new Head of IR at Lottomatica. I'm here today with Guglielmo, CEO of Lottomatica and Laurence CFO. Now, the floor directly to Guglielmo for the presentation. Guglielmo, please.

GUGLIELMO ANGELOZZI: Thank you, Mirko, and good morning to everybody. So, let's start with the most important news, Page #2 of the presentation. We have completed the acquisition of SKS few days ago, so early in Q2 ahead of plan a new strong brand joins our portfolio. Just to remember, a few key numbers: almost 800,000 registered customers, 400,000 annual unique active online players and 1,000 betting shop licenses.

The company has closed the year with roughly €72 million of normalized EBITDA. Again, the normalization here is on the basis of the 3 year historical average of payout for SKS, which is different than that of Lottomatica. €72 million is practically in line with our expectation. Q1 2024 on a normalized basis looks particularly strong as volumes have been very solid, €23 million EBITDA on a normalized basis and €18 million on an actual basis.

So completed ahead of plan, good start of the year. Page #3, this confirms Lottomatica leadership as the undisputed leader in the Italian market. Roughly 29% of online market share and 41% of sports franchise market share. When we go into the online, this breaks up into 28% iGaming market share and 31% iSports market share. We are the #1 operator in total, with the total of our portfolio. And also #1 operator in each and every operating segment.

Page #4, let's give a look at the market trends and how we've performed. This is clearly without SKS, as it is Q1, and how we have performed in Q1 as a total and by business segment in online. Well, the start of the year was very strong on bets for the market compared to Q1 2023, less so for the GGR because of the sports payout. But the important point is that Lottomatica has way over-performed the market, both in terms of bets 3 times more and in terms of GGR, 6 times more than the market in comparison to Q1 2023. We get a similar picture, when we look at the segments in iSports, iGaming and rest of the online portfolio. Lottomatica by far outperforms the market both in terms of bets and GGR.

We get to Page #5, which is the evolution of the market shares compared to Q1 2023. The group increases its market share, this is without SKS. SKS is basically stable compared to Q1 2023. And this is one of the opportunities and one of the items behind the investment thesis. The asset is very strong and there's a very good team. And we can work on this asset also to improve the competitive position.

Actually, March has been the highest month ever for iGaming and also for total online, if we exclude October 2023, where you may remember we got 25.4% market share in iSports, which was a complete outlier mainly driven by the underperformance of the small operators in a month with a very negative payout. They suffered more than the rest of the market. So, we continue to expect very solid performance in the coming quarters in terms of growth of market share, when we look especially at the March performance. And this is true also by brand, if we compare our brands to Q1 2023, the Lottomatica brands are the ones growing most in terms of market share.

Let's go to Page 6, which Laurence will get into the detailed numbers, into the detailed figures. But this gives you a clear view of the strength of the business. You can see in the graph revenues and EBITDA on a normalized basis. Revenue are up 16% and EBITDA almost 23% and it's positive for every business and double-digit for online sports franchise. Of course, the picture changes when you consider the reporting numbers for the negative payout, given the volatility on sports franchise and online, and of course, the most impacted is sports franchise as online partially offsets the negative outcome of the payout in iSports with the other products, firstly in online casino where the strength of the business is very clear.

Just to spend one minute on the volatility of payout. We continue to monitor that. We've taken the series of market data by quarter in the last 10 years, divided by online and retail. And, you know, basically the payout of Q1 is bang in line with a normal distribution of payout. Just to explain a little better this graph, the red bars are the situations where you have a negative outlier, where the payout is high. More than 2 points circa of payout, 2.2 points for online and 2 points for retail. And the green one is the outlier in the opposite direction, so positive for us.

Well, the first thing you notice here is that the number of reds is the same as the number of greens in a series of more than 40 quarters. And this is true both for online and retail. The second thing that you can see from here, which we confirm, it is what we have always said: retail is more volatile than online due to the larger share of aggregators. And the last point I would say is the sequencing. So, you can have sequences of more than one negative. We had even 3 in the retail especially in the past. So, this is what it is, we are fully in line with the normal distribution.

This is, of course, the market. But we are also sharing a few data for Lottomatica, and we have them only for us. The last bullet on this page is Lottomatica: there is no change in the demand for sports betting. The average legs for aggregators is stable, shy of 4. The incidence of single bets is stable around 40%, and the incidence of live is stable around 30%. These are the main drivers, apart from the results of the sports events of payout in terms of demand.

So, let's go as we usually do on the drivers, some of the drivers of our outperformance, product innovation and technology innovation. These are a few significant examples on these 2 levers of what we have delivered to our players and to the market in the last quarter. We have expanded our product offering with more than a hundred new casino games. We have new type of exclusive bets, some time-based exclusive slot games and branded slot games.

In terms of omni-channel we've rolled out a significant number of terminals, vending machines where you can top up the game account in the retail network. We've improved the user experience of our customer, their customer journey. This has led to mainly 2 points: an increase in the registration of success rate of 15 points, which is a great result, because lots of people in this industry and in every online industry get lost in the registration process, and this is a great improvement. And at the same time, we worked on another key point, which is cross-selling, by working on the user experience and user interface in the sports app. We've increased 4 times the cross-sell on casino from the sports app.

And last but not least, in terms of platforms, we are in the final phase of the switch of the Betflag sports betting platform to the group Pegasos platform. You may remember that while Betflag is very strong online casino, we have always thought that there was a product gap in sports. And, we have the objective of filling this gap by moving everything to the group's properties for the new championship. And we are fully in line with our plan.

So, we come to our final consideration on 2024, on which we maintain a strong view, which has been reinforced by SKS anticipated early closing and also by bolt-ons. The new guidance, which includes SKS pre-synergies, is €2.020 billion for revenues to €2.065 billion, and adjusted EBITDA on a normalized basis of €680 million to €700 million. This includes 8 months of contribution from SKS and implies a full-year normalized EBITDA of SKS of circa €80 million, which compares to the normalized value of €72 million for 2023, which is roughly 11% growth in terms of adjusted EBITDA. We are expecting an 11% increase year-on-year revenues and EBITDA, for revenues EBITDA in SKS.

Then we have bolt-ons, this is a key part of our strategy, we have put during these first 4 months together a very strong pipeline. At the right moment, during the year we will share more details on this, really, this is very promising.

And last but not least, our confidence in the year and in the value creation that we can generate from SKS integration and the bolt-ons is underpinned by the track record. Just to mention the last acquisition we did. We made Betflag. We can make a balance as of today. We acquired the company in September 2022. In April, we paid the full earn out, which was kept at €50 million. We bought the company on €36 million EBITDA, which if you exclude the earn out is shy of 9x, and with the earn out is roughly 10x. But actually, when you look at the EBITDA in the last 12 months in March

2024, which is roughly €73 million, you get to an implied multiple of 5 times the EBITDA. And, you know, this shows the significant value creation that we have achieved in a very short amount of time also with the last acquisition.

Also in terms of synergies, we had committed to the market to €6 million. We are running today for circa €11 million of synergies. And as I said, I already commented the point of the migration of extracting additional value from this last acquisition, which is coming from the migration of the sports product and more to come.

So, with this, I'll leave the floor to Laurence. Thank you.

LAURENCE VAN LANCKER: Thank you, Guglielmo. So, moving on to Page 11, we can see we have totaled at the group level in the first quarter €440 million of revenues and €150 million of EBITDA. As Guglielmo mentioned in the previous section, if you look at the normalized payout the growth would equate to 23% at an EBITDA level, and 16% at a revenue level.

We're going to Page 12, where we're looking at the financials by segment. We can see that in total out of the €150 million of EBITDA, Online contributed €83 million, Sports franchise for €20 million and Gaming franchise for €47 million. Clearly here the margins for online and sports franchise reflects the higher payout I mentioned earlier.

We're onto Page 13, you can look at the CAPEX profile in Q1, 2024. We spent in total €52 million, of which €20 million of recurring CAPEX, €19 million of concession CAPEX, which is in line with the guidance that we have given when we presented our fiscal year '23 results. And then on top of this, we've had one-off/growth CAPEX of €13 million. These relate to the POS carry over of €7 million. As we had mentioned, we had a carry over of approximately €10 million from 2023. So, €7 million have been spent in Q1 this year. We also had the minority buyout of Billions, where we acquired the shares that we did not own for €3 million, and deferred purchase consideration, which relates to all the distribution and sourcing activities and the acquisition of Ricreativo B carried out last year. In terms of operating cash flow for the first quarter, we totaled €110 million.

Moving on to Page 14, you can see the bridge of the net financial debt from 31st of December '23 to the 31st of March '24. So, just to walk through: adjusted EBITDA of €150 million, net working capital, so cash absorption of €24 million, as we know the first quarter tends to be negative in terms of working capital flows. CAPEX €52 million which we described earlier, financial expenses of €35 million, which excludes a negative carry and the related costs of the issuance of the bond that we issued in December for the acquisition of SKS. And then other €14 million that primarily include the negative carry of the bond that we issued in 2023. The total cash position increases from €295 million to €319 million and with a total net leverage of 2.1 turns.

That's it. I'm finished on the financial section.

MIRKO SENESI: Please, operator, you can open up the floor to the Q&A section. Thanks.

Q&A

OPERATOR: Thank you, sir. Excuse me. This is a Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. To remove your question from the question queue, please press "*" and "2." We kindly ask you to use handsets when asking questions. We will pause momentarily while participants join the queue.

The first question comes from Ed Young of Morgan Stanley.

ED YOUNG: Good morning. I've got 3 questions, if that's okay. I'll ask them one at a time. My first question is about your online outperformance. It's been very consistent versus the market, and you've laid out those reasons quite clearly in the past. So I ask you to reiterate them here. But if I look at Slide 4, one thing that's interesting is your outperformance in other, which I guess is virtual, and online is very strong indeed. I just wondered if you could talk about your competitive differentiation in that product. And if I look at the difference between your bets outperformance, which is you know, 35-40 times, and your GGR outperformance, which is more like the sort of overall 6 times you've talked to for your overall online product. Does that suggest your pricing on virtual is better? Or is there something else going on there in terms of comps or noise? That's my first question, please.

GUGLIELMO ANGELOZZI: Yes, maybe I'll take the first part of the question and then Laurence, if you want to comment on the mix. Look, in other, actually it's products like Bingo, Poker, Skill Games. Virtual betting is included in iSports, and the outperformance in the class other is actually due to a couple of things. The first point is that we were starting from an underperformance. So just to be straight, we are recovering and realigning the performance of the segment where it should be. There's been an improvement of the product, which is a third-party product on the Poker, for example. But in this case, it's products we buy for example, same stuff for Bingo. So this is more like a realignment, and then it's also driven by the overall CRM improvement capabilities, user experience. So this has less to do with the product that we produce in-house, and less to do with the omni-channel strategy, and more to do with cross-selling opportunity, the CRM, and those sort of things.

And, Laurence, I don't know if you want to comment on the mixed difference between online bets and outperformance in terms of online bets growth and GGR growth compared to Q1.

LAURENCE VAN LANCKER: Yes, well it's a mix effect between the different channels, between different products of iSports, and iGaming.

If your question is, again, the difference between bets growth and GGR growth in other, again, it's a different change in mix between Virtual, Poker and Exchange.

ED YOUNG: Okay, got it. Thank you, very clear. My second one was on the sports franchise business. You've given the normalized payout growth rates for revenue and adjusted EBITDA on Page 6. I just note that your growth rate for sports franchise looks very high. You're suggesting it was 32% adjusted EBITDA growth on normalized payout. That would be, I think, something like €44 million of EBITDA, if my math is correct, versus the 18, 17 and 20 that you've done over the last 3 quarters. Now, I know you said, the last 3 quarters have been poor payout, I get that, but actually Q1 last year was good payout for the market in sports betting. So, I guess the broader question is, can you help us understand that and also what we should think about broadly as your expected quarterly sports franchise on average? I mean, it's obviously a more volatile segment, but it'd be useful to have your idea on what we should be thinking about there as the sort of good normalized level from an EBITDA perspective franchise.

LAURENCE VAN LANCKER: Yes, on the sports franchise clearly it is not only volatile from a revenue perspective, but volatility at an EBITDA level is even more accentuated, because of the weight of sports betting over the total business that accounts for roughly about 70% of total revenues in sports franchise, when you look at it on a normalized basis. I think what we said in the past still stands true. So if you look at the normalized EBITDA margin for this business, it is in the high 20s. Now, whether it is 28% or 29% with the normalized payout, that is sort of where we trend in terms of margins on a normalized basis.

And then at the revenue level, the bet levels have continued to trend nicely, thanks to the results that we've had, with also our project POS. So if you look at the productivity per point of sale has ultimately increased versus last year. I think if you look at the normalized level, that's the only way you can really look at it because of the volatility of this segment. Assuming a margin in the high 20s, 28% or 29% is what we have guided to in the past also for the mid-term basis. And I think that holds also, let me say, on a yearly basis.

ED YOUNG: Okay. It just seems like, if you're saying that you could have done in the 40s an EBITDA on a 28% margin, it looks like your revenue would be up a lot, but maybe I can catch up offline on that. And the final thing, just on the bolt-ons, you've sort of signaled that the pipeline looks pretty full and you'll elaborate at a later stage on it. I guess, we've spoken in the past about the size of the license fee potentially being difficult for subscale players to afford. So, I wonder, is that starting to inform the willingness of sellers in the market around the ability for you to conduct bolt-ons or to put it another way. Are you starting to see a pullback in or a change of behavior in the market, whether it's you know, marketing or acquisition or whatever it might be for those small players that make up the 15% to 20% tail in the market. So not just a sort of sale position point of view, but are you seeing any operational change from that? Thanks.

GUGLIELMO ANGELOZZI: Yes, in the bolt-ons, you have pretty much everything for all product segments. You would have the standard distribution insourcing, you would have a bit of gaming goals of retail acquisitions, which are strategic both for retail but also strong candidates for increasing the iGaming omni-channel, because of the type of locations. And of course, you would have some also in the betting and online space. So, this is a pot where we have everything.

Going specifically to the question related to the new tender, it's not only about the cost of the license. It's very much about the qualities, the requirements that are needed to be a significant and profitable player within the new framework, because clearly, as it's always happen, the requirements, the accountability levels increases. It is not just a matter of payment, that is one item but there are many others, the quality of the product of course.

And so, let me just say that we are seeing very interesting feedbacks coming from our proposition, which we don't want to unfortunately digging into much in this phase, because it's a sensitive topic, but we see that the market is receptive of what we can offer on this point. Let me just comment that this may not necessarily fall into the category of bolt-ons, as in many case it's not really about acquisitions. It may come in a different form of collaboration.

The long story short, the core of your question is: is there any impact coming from the expectation of the new framework of the market? Yes, there is, we are starting to see that. Of course, it's not yet in the numbers, because it's clearly not flowing in the P&L at this very, very early stage. Clearly, there's a very solid interest for our proposition to the market. And so, we remain optimistic also on that specific point. I don't know if this answers your question Ed?

ED YOUNG: It does. Thank you. Thanks a lot.

GUGLIELMO ANGELOZZI: You're welcome.

OPERATOR: The next question is from James Rowland Clarke of Barclays.

JAMES ROWLAND CLARKE: Hi, there. Thanks for taking my questions as well. I've got 3. The first is on your updated guidance today to include the SKS365 deal. You said that synergies are not included, and I think last time when you updated the market on announcing the deal, you said about 10% of total OPEX synergies, which amounted to about €55 million could be delivered in the first year. So just there is a €5 million additional sort of EBITDA tailwind to your guidance for this year. Could you just update us on whether you still believe that is the case or whether you think that is potentially upside there. And I will ask the next 2 afterwards. Thank you.

GUGLIELMO ANGELOZZI: Yes. James, look the reason why this is not included, it's because actually the first year, it's in any case a small amount, right, like 10%. It's not going to change the shape of our growth. And you know, we completed the acquisition just a few days ago. We have the opportunity now of digging into our original estimates and maybe we confirm exactly the same number. Since few days, with the completion, we can now access all the data. In the past, we had to go through clean teams and all these type of things and there were clearly restrictions on data disclosure. It's not going to change anything for 2024 because it's a few millions in any case, it's not going to be something that changes much.

But on the overall synergies, we just want to have the possibility of spending some time on that, on the retail numbers, refresh that. And as we've always done come out with a more precise view, which we will continue to update if it is the case from time-to-time as long as we execute the plan. As simple as that, so for 2024, it's such a small number that we prefer to have the time to digging into the overall plan and come back when needed. But of course, you know, the numbers that we said are confirmed by definition. Otherwise, we would have said something different.

JAMES ROWLAND CLARKE: Thank you. So my second question is just on the normalized payout in Q1. You would imply, I think that the Q1 EBITDA margin would be 37% and your guidance for the full year ex SKS365 that you provided a couple of months ago suggest about 35% margin if you take the midpoint. So I appreciate that's a little bit is seasonality to Q1, but it appears that the margin is actually higher at the moment on a normalized basis. So any commentary there would be helpful.

LAURENCE VAN LANCKER: No. I appreciate that when you look at the normalized level, you take the benefit of the volumes as well. When you have such strong volumes, your margin effectively increases. So, again, we've always maintained a conservative stance on this, and I think we will continue to do so. We will maintain the margin that we said in the guidance. Cleary, I think we discussed this few times James, depends also on whether we want to keep the benefit of operating leverage or not, and we've always said that right now is the time to invest and therefore any sort of improvements that we get in terms of margin perspective, we would like to invest for growth and that pretty much holds.

JAMES ROWLAND CLARKE: Thank you. So the conclusion there would be that when the online concession kicks in the second half. The margin will fall, ex SKS365 that you have invested in market share gains?

LAURENCE VAN LANCKER: Well, there is also the point about SKS, now that you put SKS in the numbers. SKS as you see has structurally lower margins. SKS is between 22% and 24% margin. Again, given it doesn't have any gaming franchise, it's predominantly only sports franchise and online and so with a heavy exposure to sports. So the margins tend to be more volatile. So the margin of SKS, will drive down overall margin at least before the realization of the synergies. But again, that's more of a mathematical effect because we are starting with a base of a company that has a structurally lower margins. Then over time, as we realize the synergies clearly, the margins will improve.

JAMES ROWLAND CLARKE: Okay. My final one is just on the online share gains that, you know, you clearly taking. If you've got a sense of [technical difficulty]…

OPERATOR: Excuse me, Mr. Rowland Clarke your line is breaking up, could you…

JAMES ROWLAND CLARKE: Sorry, can you hear me?

OPERATOR: Yes, it is better now.

JAMES ROWLAND CLARKE: Have you got a sense of your retail base in sports retail, and in gaming halls the proportion of customers there that you've cross sold into online at this point? Thank you.

GUGLIELMO ANGELOZZI: Hey, James, I'm sorry. Could you repeat the last part of the question, if you have a sense of…?

JAMES ROWLAND CLARKE: Have you got a sense of the proportion of retail customers in sports, retail and in gaming halls that you've cross sold to online at this point?

GUGLIELMO ANGELOZZI: Yes, we do have an idea. But this is not a number that we have disclosed so far. Let's say, we continue to see space in sports, but we see much larger space in gaming. So in sports it has been going around for a long time, there is still space especially in some brands, Better has improved a lot but there are still space compared to GoldBet just to make an example. But clearly the most important opportunity there is the gaming one, that is the part of the business on which we are still at the early stages of this phenomenon and as we said also last time, is one of the focuses. But you know, there's still a long way to go with this, but we will not disclose the number, yet.

JAMES ROWLAND CLARKE: Okay. Thank you very much.

OPERATOR: The next question is from Fabio Pavan of Mediobanca.

FABIO PAVAN: Yes, good morning. Thank you for taking my questions. And thank you also for having provided us updated guidance with SKS. On SKS, my question is, if you can share with us some qualitative comment on how things are going, you know, if you're satisfied with what you are finding inside the company, when you will start working together with the team, if then truly, there is some incremental data point that you can share with us?

My second question is on the payout for April, if it can give us a comment on this?

And the last question is, in view of the busy summer season for sport events, you are preparing to launch new products? Thank you very much.

GUGLIELMO ANGELOZZI: So, Fabio, let me start with the first one on SKS. Clearly, we had lots of restrictions during the interim phase, because of antitrust reasons. We have closed last week, we've already deep-dived on several topics with the team, it's a very strong team. On every aspect, we found a very committed and knowledgeable group of people. Clearly, they've been busy in the last couple of years or so, in the exit process, which is always a bit of disruptive sometimes on the growth opportunities that you may take advantage of. So, we like the asset a lot. We confirm our strong view on the brand, on the properties, on the team, on the people. And we like the attitude also. We are starting already working with them, and will most likely give a more precise update with next quarter. But the teams are already moving, a new organization has come out the very same day of the closing. The respective teams are in contact, there will be additional meetings in the coming days. And so, we come out from these very first few days with a very positive view. In any case, it was really strategic. I'll take the last one, and then I'll ask you to favor if you could repeat the second, Laurence got it, I'm sorry.

So on sport, let me answer in a quiet way, maybe it's not the most precise, but you may appreciate there is a bit of also sensitivity around the topic. For sure, that is an opportunity, and we always are focused on improving our offer. We are very aware of the opportunity that that brings. And as you can see, also in a normal quarter, we continue to come out with new stuff. So we are sure that is something relevant for us. Laurence?

LAURENCE VAN LANCKER: Yes, I mean, Fabio you asked for the payout in April, right?

FABIO PAVAN: Yes, correct.

LAURENCE VAN LANCKER: Yes, payout in April was pretty much in line with the normalized level. So no, it's pretty neutral.

FABIO PAVAN: Okay. Thank you so much.

OPERATOR: The next question is from Domenico Ghilotti of Equita.

DOMENICO GHILOTTI: Good morning, a few questions. The first is on the bolt-ons opportunities, so if you want to share with us how much capital you're ready to allocate on this opportunity in general and particularly in online?

And second question is on the market performance. It has been very, very strong in particularly iGaming year-to-date. So if you can give us your updated view on what can be the market GGR in iSport and iGaming for 2024?

And last, well, a couple of housekeeping questions, when I see that gaming franchises, there is a different rank if I look at bets or if I look at revenues, so bets and GGR were weaker and so I am trying to understand why? And on the concession CAPEX you're running, if I'm not wrong at €19 million for Q1, that is a bit more than the number I had in mind of €60 million for the year, if I'm not wrong.

LAURENCE VAN LANCKER: Okay. Domenico, let me just start with the last question first. So on the concession CAPEX, €19 million, it's just the phasing of the CAPEX and nothing changes versus our guidance. Q1 and Q2 are heavier on CAPEX, Q3 is lighter, and Q4 is slightly lower than the first 2 quarters, but the sum is always 60, so it's just a phasing during the year.

This difference between bets, GGR and revenue/EBITDA in gaming franchise is predominantly driven by the effect of the distribution insourcing, which has a positive impact on revenues, which is accounting, but it also has a direct impact on EBITDA, right, and that also includes the acquisition of Ricreativo B. So, as a result, you will see that bets and GGR is more reflective of market, while revenues and EBITDA more reflective of our performance and includes also all our inorganic growth initiatives.

With regards to the capital we'll dedicate for the bolt-ons. I think in guidance, we had said that we had between €10 million and €30 million of bolt-on CAPEX. Again, depending on the opportunities and we have a very solid pipeline, we may be at the higher end, or potentially even more. We put that statement in the last page, where Guglielmo described this, because the pipeline is pretty full. And therefore if we continue to find value-creating opportunities, we will continue.

In the first quarter, we have been a bit more shy in terms of bolt-on activity particularly because we were waiting to close this SKS transaction. So, now that we have closed, we can sort of resume at probably fastest speed than we had previously. I may have missed one of your…

DOMENICO GHILOTTI: Yes, the last. Yes, on the market GGR in online. If you are changing of your reviewing or updating your expectation of market GGR growth in iGaming, iSports?

LAURENCE VAN LANCKER: Listen for now, no. We'll keep the same. I mean, we have had the benefit now of 4 months. Let's see later or during the year if we continue at this pace. We may want to revisit but for the time being, we keep it as it is.

DOMENICO GHILOTTI: Thank you.

OPERATOR: The next question comes from Simon Davies of Deutsche Bank.

SIMON DAVIES: Good morning. 2 from me, please. Firstly, what impact do you expect from the European Championship Football? Do you view it as primarily an opportunity for new customer recruitment or do you think it could be a significant waste of profits for the full year?

And secondly SKS, you talked about lower structural margin down at 23.2% run-rate. Where do you think that can get to when fully maturing integrated within the group? And sorry, just lastly on SKS, can you break out the revenue contribution from SKS in your raised guidance?

LAURENCE VAN LANCKER: The revenue contribution for the 8 months is around €220 million. We are giving one single number, again to make it easier to add to our range for SKS. In terms of margins, if you do the mathematical calculation and aligned SKS' margins with ours, you get to a higher level of synergies, right, but frankly we feel comfortable with the level of synergies that we have described. So, you basically take the EBITDA of SKS and then add on top the synergies we had included: €50 million of OPEX and, I think we added €5 million of revenues. If you had €50 million of OPEX, this gives you an implied margin for EBITDA. And then going forward we will see and update if appropriate.

On your last point regarding the European championships. We don't disclose a particular number. I think it does not move the needle, we have forecasted like we have done for the World Cup in the past, the impact is relatively small. It's a very good opportunity to bring on board new customers and we have good track records also in keeping those customers. But again, it doesn't really move much the needle with respect to the guidance that we have given and the guidance already includes the European championship.

SIMON DAVIES: Great. Thank you very much.

OPERATOR: The next question comes from Andrea Bonfa of Banka Akros.

ANDREA BONFA: Hello good morning to everybody. Most of my questions have been already answered, but I got a couple of details. One is that if the increase in the synergies for SKS this year is the initial process to overall increase your target or you are just bringing forward what you have been guiding for?

And the second one is on the overall performance of the wager in the first half of the year, especially in online which has been pretty strong. It is possible to know what your underlying, let's say at least in terms of brackets guidance for online wagers in light of your sales guidance, if it's possible? Thank you.

LAURENCE VAN LANCKER: So, maybe to answer the first one. No, we haven't changed the synergies. I mean we have literally just closed last Wednesday. So, the synergy target stays exactly as we had announced at the time of the transaction. And again, if there are any changes, we'll update. If there are any possible changes, we will update when appropriate. So, it's still fair to assume the same assumptions that we have disclosed in November when we signed the deal.

On the second forgive me Andrea but we don't give guidance on all the specific verticals for online. What we have always said is that we continue to see double-digit growth. We have said sort of mid-double-digit growth for online probably iGaming growing faster than iSports. The market is growing and we have been doing better than the market. Again, but providing specific guidance now on the specific segments no, I would just reiterate what we have always been saying so far. And then let's see middle of the year, we may revisit that. We still have some months to go for the end of the year.

ANDREA BONFA: Thank you very much.

OPERATOR: The next question comes from Chenhong Zhu of Aegon. Please go ahead.

CHENHONG ZHU: Hi, thank you for taking my question. I only have one. So, given the low interest rates you probably have to pay now. Is it safe to assume that 2027 bonds will refinanced when it becomes callable in September? Thank you.

LAURENCE VAN LANCKER: Hi, sure. No, this is a very fair question. I think if current interest rates hold, it's very rational for us to refinance a piece of capital with potentially very attractive savings. How and when, again we will update the market, but it is definitely a very expensive piece of capital that deserves attention for the good savings that we can achieve in a refinancing. So, rationally under current market conditions, the answer would be yes.

CHENHONG ZHU: Alright. Thank you.

OPERATOR: Gentlemen at this time, there are no more questions in the conference call.

MIRKO SENESI: I think this conclude our call. Thank you all for joining. We remind you that the next release will be on the 30th of July for H1 results, and of course we remain available for any other follow-ups. Have a nice day everyone. And please, operator, you can close the call.