

# Gruppo **Gamenet**



## **2020 First Half Results**

**Ended June 30, 2020**

July 28, 2020

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H1'20 Highlights and Scenario Update

Guglielmo Angelozzi, CEO

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# H1'20: impacts from Covid well absorbed

## Financial performance

*Memo: In line with the rules of the new €640M Bond, H1'20 reporting based on Gamenet Group's consolidated results and selected PF information*

- **EBITDA** **€42.3M<sup>1</sup>** in H1'20, **-46.3% vs PY** entirely driven by Covid  
**Online EBITDA registered a strong +23.6% vs PY, reaching €17.3M** (vs €14.0M of H1'19 and representing 41% of Group's EBITDA)  
**LTM EBITDA at €128.2M<sup>1</sup>**  
**The Financial Mitigation Plan activated early on in March delivered above expectations leading to very limited EBITDA and cash burn in Q2:**
  - Q2 EBITDA at -€1M, lower than expected (original estimate of -€3-4M per month)
  - cash absorbed in Q2 at -€2.0M, also thanks to strong capex control (€7.6M in Q1'20 vs €11.1M in H1'20 excluding annual concession renewal)
- **Net Result** **-€8.9M in H1'20 vs €11.2M in H1'19** (pre PPA for the GoldBet acquisition)
- **NFP** **€349.3M**, improving 12.0% vs FY'19 NFP at €396.8M. PF for the Refinancing **€578.2M in H1'20**
- **Leverage** **2.7x<sup>2</sup> in H1'20**, from 2.4x in FY'19; PF for the Refinancing **4.5x<sup>2</sup> in H1'20**
- **Cash flow** **€78.2M** from operations

## Business performance

- **Continued profitability growth of Online, gaming machines impacted by Covid-19 and health card reader (VLTs only)**
- **Strong synergies:** already secured €24.7M in H1'20 of the €27M targeted by 2020

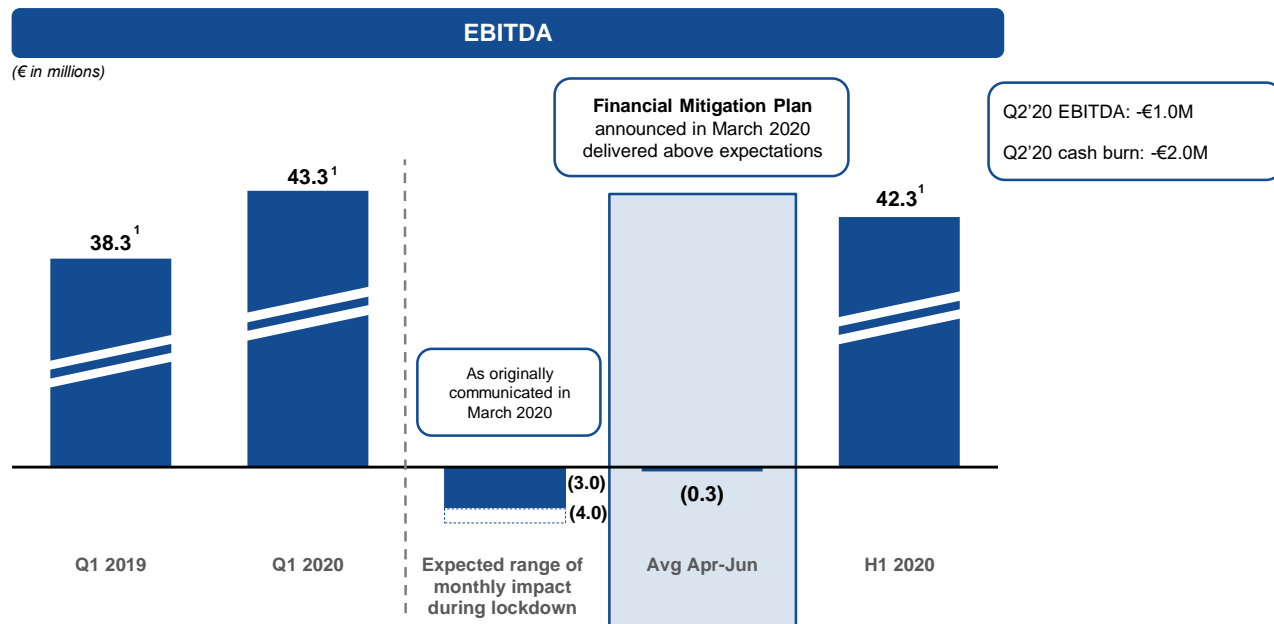
## Refinancing

- **Successfully refinanced existing FRNs with SSNs due 2025:** €300M FRN (Euribor 3M with 0% floor + 6.00%) and €340M Fixed Rate (6.25%)
- **New SSRFC of €100M** in place of previously upsized €85M RCF

The Unaudited Pro Forma (PF) Financial Information has been prepared to represent the following transactions: (i) the offering of the Notes by the Company; (ii) the subsequent use of the related proceeds for the early redemption, satisfaction and discharge of all outstanding senior secured notes due 2023, issued by Gamenet Group in 2018 together with the repayment of the outstanding borrowings under the Gamma Bidco loan and (iii) the payment of certain fees and expenses in connection with the transactions. In addition, the Group entered into a new revolving credit facility agreement for an amount of €100 million, which replaced the existing revolving credit facility.

- (1) H1'20 PF EBITDA equal to €42.1M. H1'20 PF LTM EBITDA equal to €128.0M  
(2) Calculated as NFP/LTM EBITDA

# Q2'20 EBITDA performance ahead of expectations



- **Q1 2020 performance ensured a strong entry point in April / May**, notwithstanding the lockdown being effective in Italy since March 9, 2020
- The Company promptly and effectively managed its **highly flexible cost base** (variable costs represented approximately 86% of total costs in 2019), reducing, for instance, April 2020 variable and fixed costs by 90% and 48% compared to 2019 monthly average costs, respectively

# Update on Covid 19

## Easing of the lockdown

- On May 18, 2020, the Italian government lifted all restrictions to movement within regions and allowed the resumption of several “non-essential” business activities. The responsibility to define reopening dates as well as the related safety requirements was assigned to regional governments
- On June 15, 2020, betting retail and gaming activities recommenced across thirteen of the twenty Italian regions, with a further four regions and one province<sup>1</sup> allowing the resumption of betting retail and gaming activities by June 20, 2020
- On June 20, 2020, betting retail activities recommenced in the Lazio region, with all gaming activities (including AWP, VLTs, gaming and bingo halls) allowed to reopen in the region from July 1, 2020
- As a result, most of the Company’s operations were up and running by June 20, 2020; as of July 15, 2020 Company achieved full operations
- Sports betting benefitted from the gradual recommencement of several national football leagues across Europe from mid-May, including in England, Germany, Spain, Portugal and, from June 20, 2020, Italy’s national football league, Serie A

## Covid-19 regulatory update

- Following the “Cura Italia” Law enacted in April 2020, further directions from the regulatory authority (Agenzia delle Dogane e dei Monopoli (“ADM”)), and other recent changes to the regulatory framework introduced by Italian governmental authorities in response to the COVID-19 emergency:
  - Certain PREU and concession fee payment schedules changed
    - The PREU tax payments balance for January and February 2020, normally due in March, was postponed, with that amount now due in eight equal installments starting from May (paid on May 29) and ending December 2020
    - The PREU tax payments due in May 2020 (based on actual performance for March and April 2020) were paid in May 2020
    - The balance for May and June 2020, normally due in August, and for July and August 2020, normally due in September, will now be due in four equal installments starting from September and ending December 2020
  - In May 2020, a new tax amounting to 0.5% of betting wagers on real / virtual events (online and retail) was introduced to fund Italian sport activities
  - Gamenet Group benefitted directly from the labor cost relief measures introduced by the Italian government, as well as indirectly through the tax deductions and tax credits available to the SMEs that compose its distribution network Group

# Key dates in Italy's reopening

15 June



20 June<sup>1</sup>



1 July<sup>1</sup>



Reopened regions

## Number of POS operating as of 19 July

• AWP:	5,928
• VLT:	609
• Betting Retail <sup>3</sup> :	1,583



## Number of POS fully operating network pre-Covid<sup>2</sup>

• AWP:	6,380
• VLT:	661
• Betting Retail <sup>3</sup> :	1,606

Source:

Company information.

(1)

The Lazio region reopened from June 20, 2020 only for betting activities, while all the other gaming activities, including AWP's, VLTs and gaming and bingo halls reopened from July 1, 2020. Within the Trentino-Alto Adige region, the province of Trento reopened from June 20, 2020, while the province of Bolzano opened as of the July 15, 2020.

(2)

Pre-Covid refers to data as of February 23, 2020. For AWP and VLT, data refers to POS that registered Bet greater than zero; including also the POS with nil Bet, the number of POS for AWP and VLT as of February 23, 2020 would be 7,144 and 733, respectively.

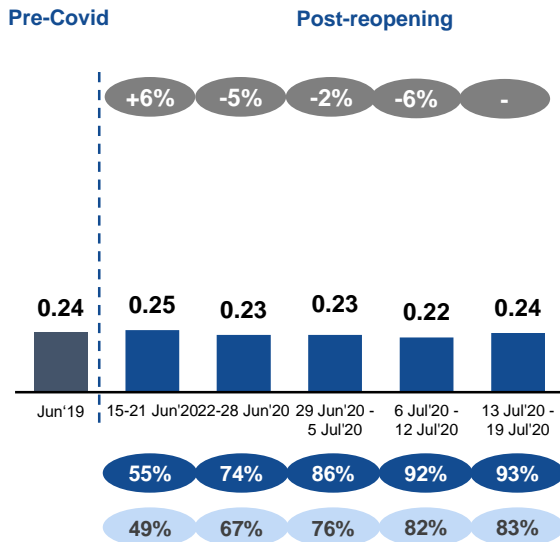
(3)

Data for Betting Retail includes some bet activity from Betting Retail POS that were open prior to lockdown and which could subsequently only be processed when operations and events to which such bets related restarted after lockdown.

# Performance post reopening

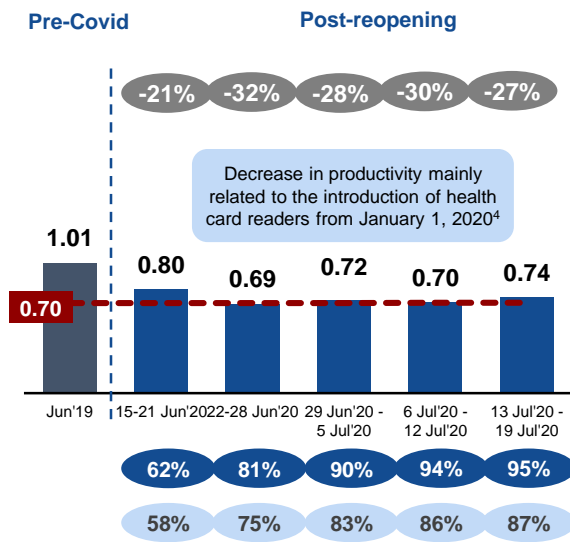
## Daily bet / Avg. # of AWP<sup>1</sup> in operative POS<sup>1</sup>

(€ in thousands)



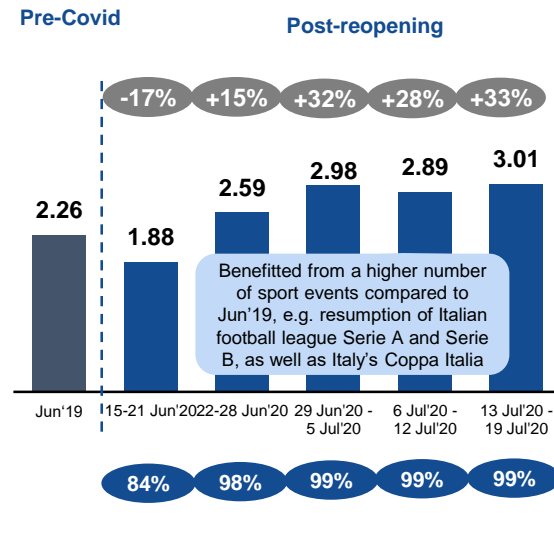
## Daily bet / Avg. # of VLTs in operative POS<sup>2</sup>

(€ in thousands)



## Daily bet / Active Betting Retail POS<sup>3</sup>

(€ in thousands)



% change YoY vs. Jun'19 Pre-Covid levels

Average for Feb'20

Average number of machines in operation during the period over average number of machines in operation during 2019<sup>5</sup>

Average number of POS in operation during the period over total number of POS fully operating network pre-Covid<sup>6</sup>

Source: Company information.

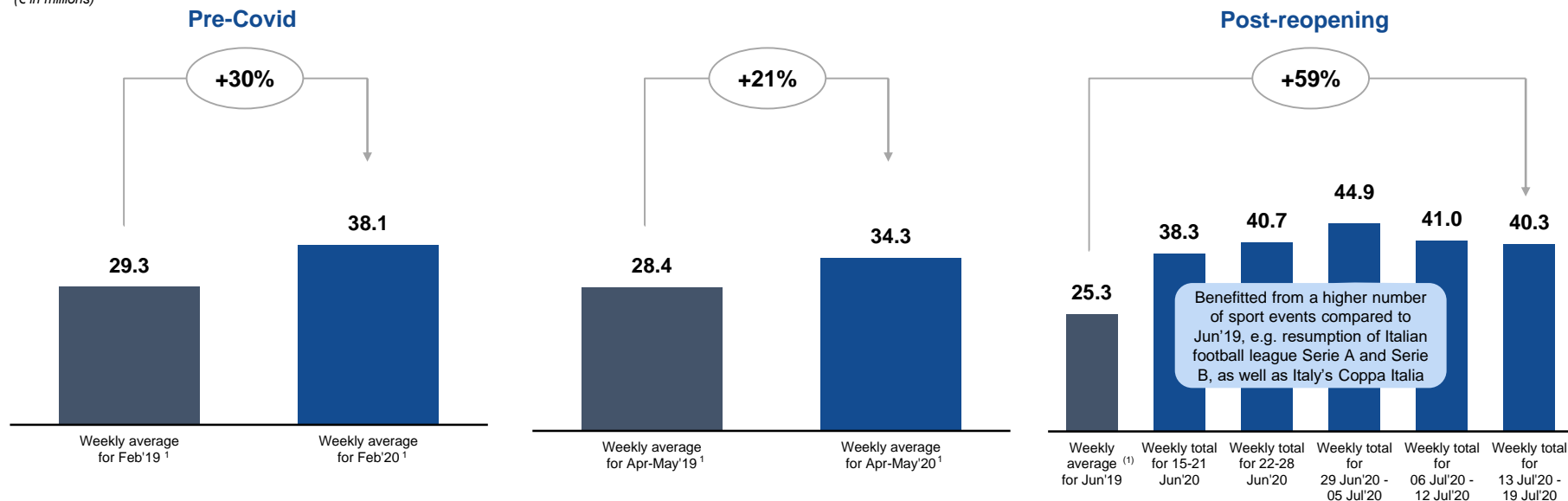
- Computed as the total daily AWP bet for the applicable period divided by the daily average of the total number of machines in operative AWP POS during the applicable period. Productivity is calculated utilizing the average of machines (located in POS with Bet>0; note that there could be machines in the POS that are not collecting/off and therefore productivity is calculated on all the total number of machines placed in active POS) in the regions that have reopened.
- Computed as the total daily VLT bet for the applicable period divided by the daily average of the total number of machines in operative VLT POS during the applicable period. Productivity is calculated utilizing the average of machines (located in POS with Bet>0; note that there could be machines in the POS that are not collecting/off and therefore productivity is calculated on all the total number of machines placed in active POS) in the regions that have reopened.
- Betting Retail includes retail sports, virtual and horse betting. The ratio is computed as the total daily Betting Retail bet for the applicable period divided by the total daily Betting Retail POS in operation during the applicable period. Data for Betting Retail includes some bet activity from Betting Retail POS that were open prior to lockdown and which could subsequently only be processed when operations and events to which such bets related restarted after lockdown.
- Effects of the introduction of health cards are ongoing.
- For AWP and VLT the average number of machines in operations during 2019 are 28,130 and 8,338, respectively.
- Pre-Covid refers to data as of February 23, 2020.



# Online performance post reopening

## Online bet

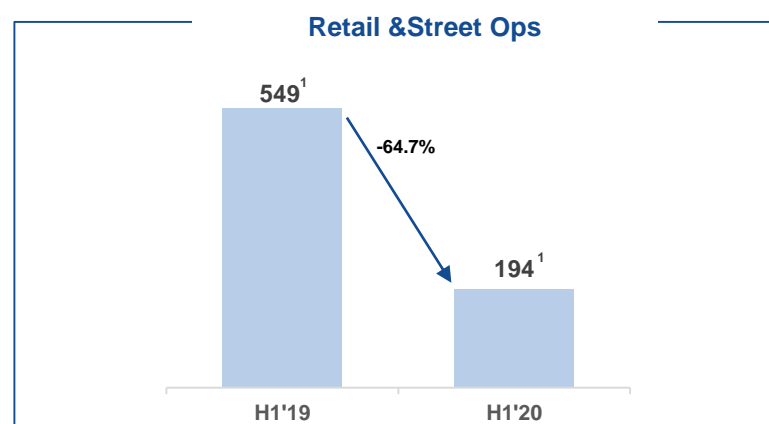
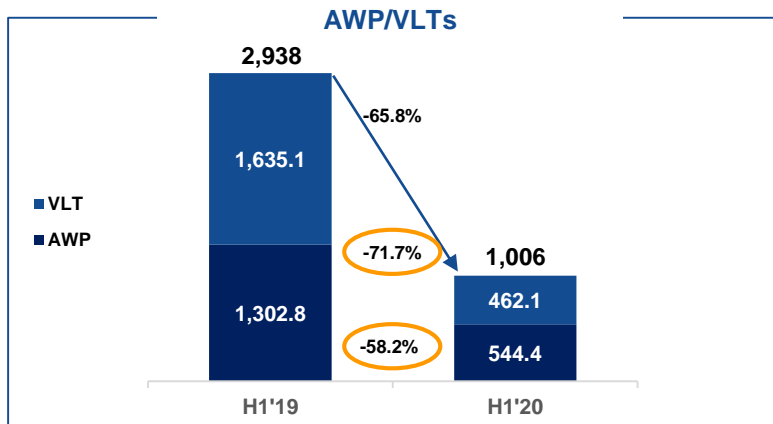
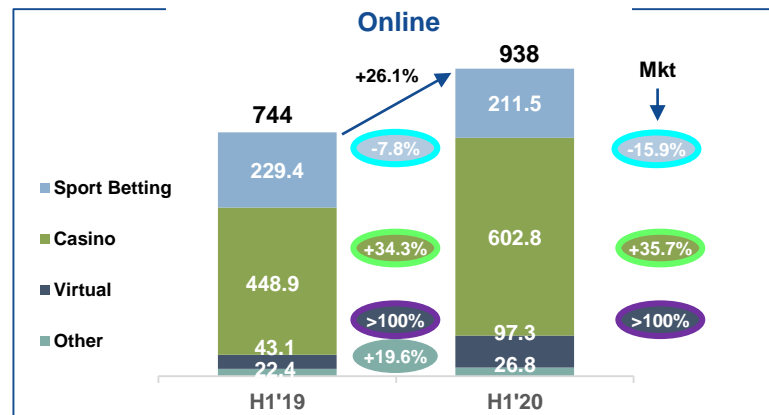
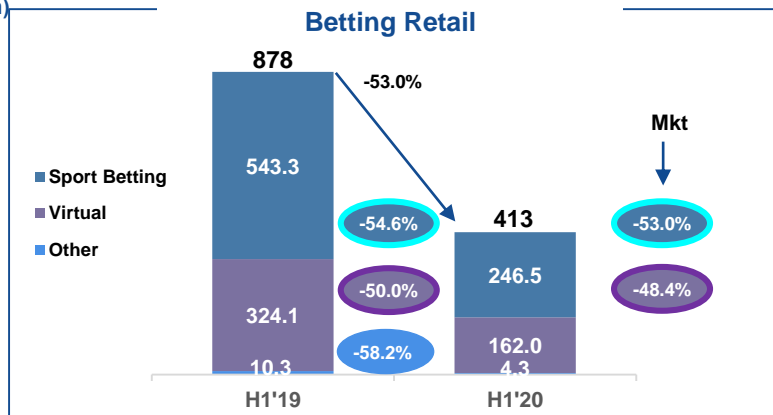
(€ in millions)



- Differently from previous years, **European international football competitions**, such as the UEFA Champions League and the Europa League, are **expected to restart in August 2020**
- The **Italian Open tennis tournament** is **expected** to take place from **around September 2020** and the **Giro d'Italia** is **expected** to take place in **October 2020**

# Bet performance: strong resiliency of betting retail and sound performance of online, notwithstanding the lack of betting corners and a digital omnichannel model. Gaming impacted both by lockdown and health card reader (VLTs)

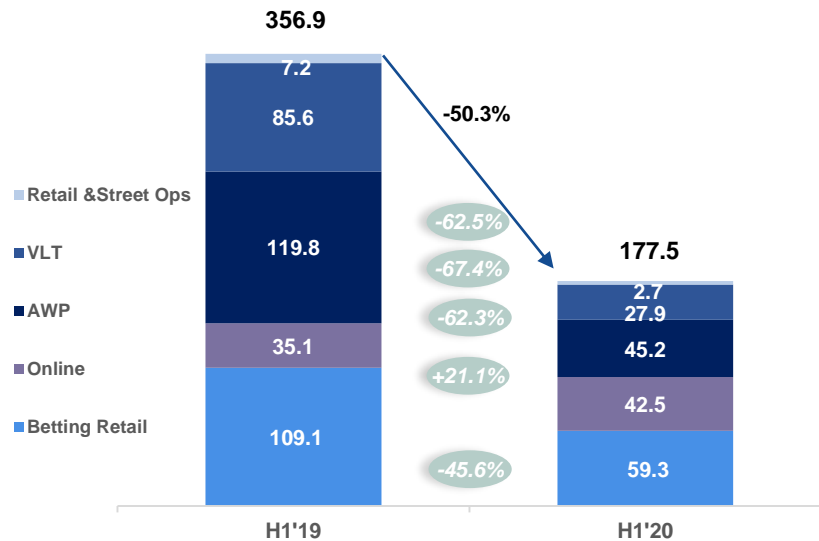
(€ Million)



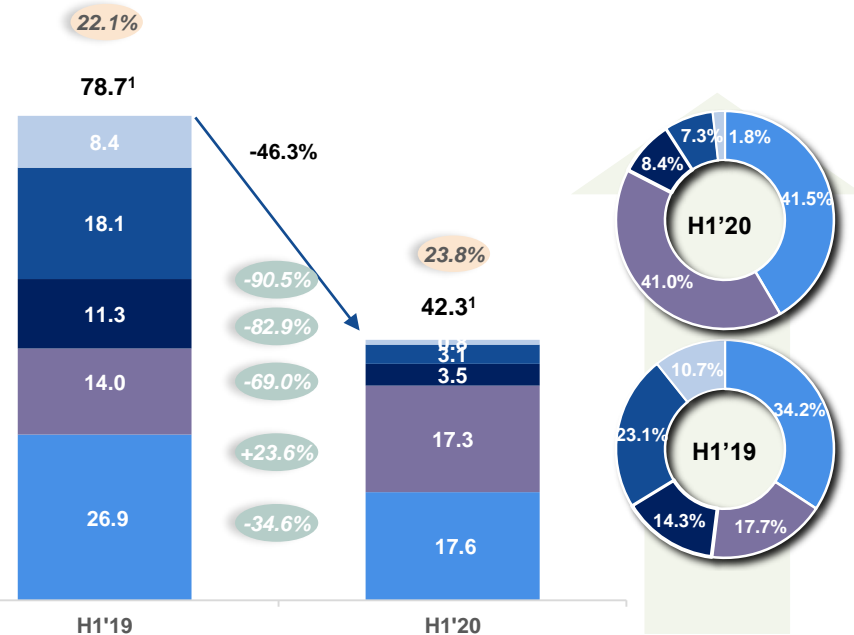
# Revenues / EBITDA evolution

(€ Million)

## REVENUES



## EBITDA



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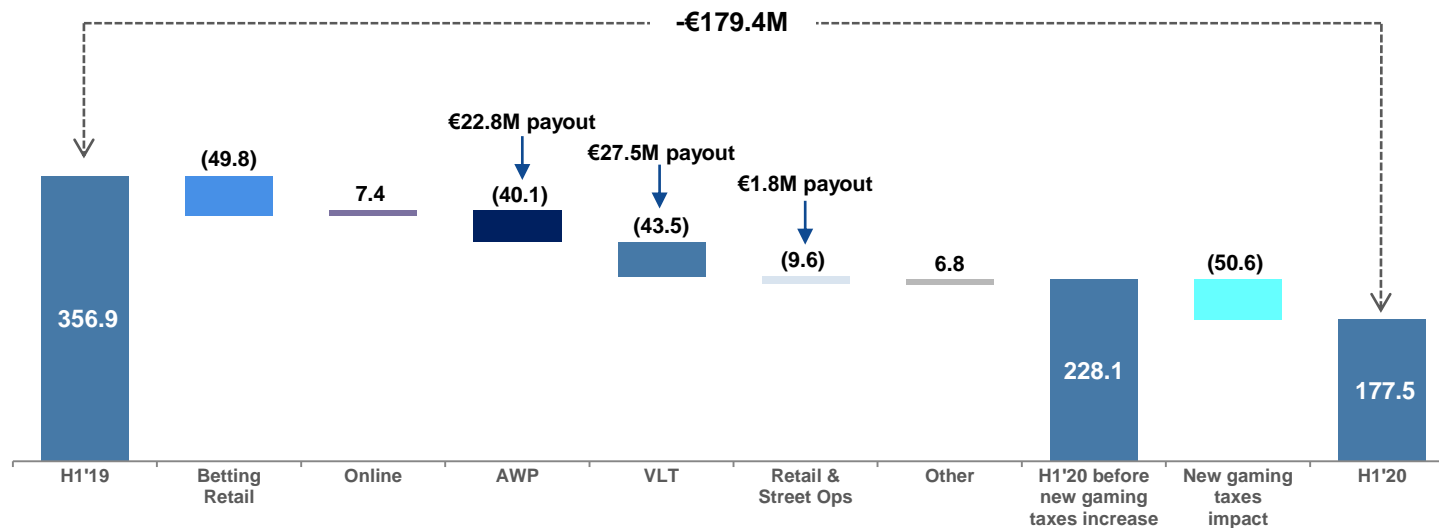
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# Revenues - H1'20 vs H1'19 (As Reported)

(€ Million)



## Betting Retail

Decrease driven by Covid 19 effect

## Online

Increase attributable to the strong traction of the business, continuous improvements in the customer portfolio (including promotional activities of retention / reactivation) as well as the constant introduction of new gaming products

## AWP

Decrease in bet (-€62.9M), mainly due to the lockdown, partially offset by positive impact of change in payout (+€22.8M)

## VLT

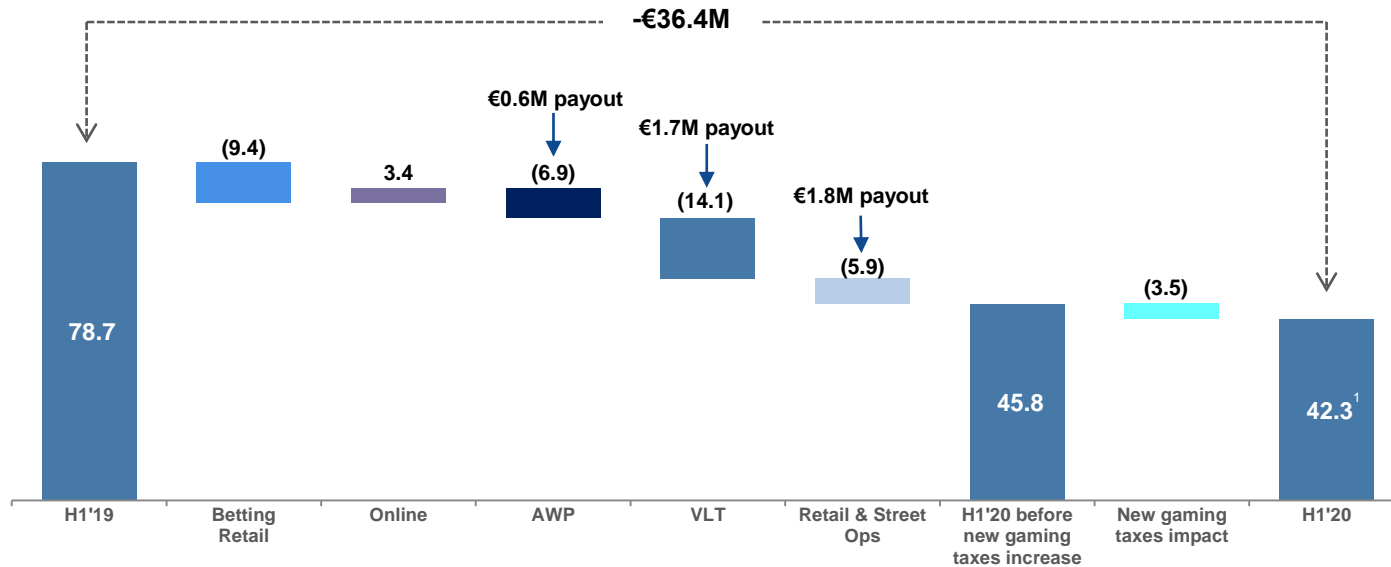
Decrease mainly due to the lockdown and to the health card reader, which led to a reduction in bet (-€71.0), partially offset by positive impact of change in payout (+€27.5M)

## Retail & Street Operations

Decrease driven by Covid 19 effect

# EBITDA - H1'20 vs H1'19 (As Reported)

(€ Million)



## Betting Retail

Please refer to revenue evolution commented on the previous page

## AWP

Please refer to revenue evolution commented on the previous page

## Online

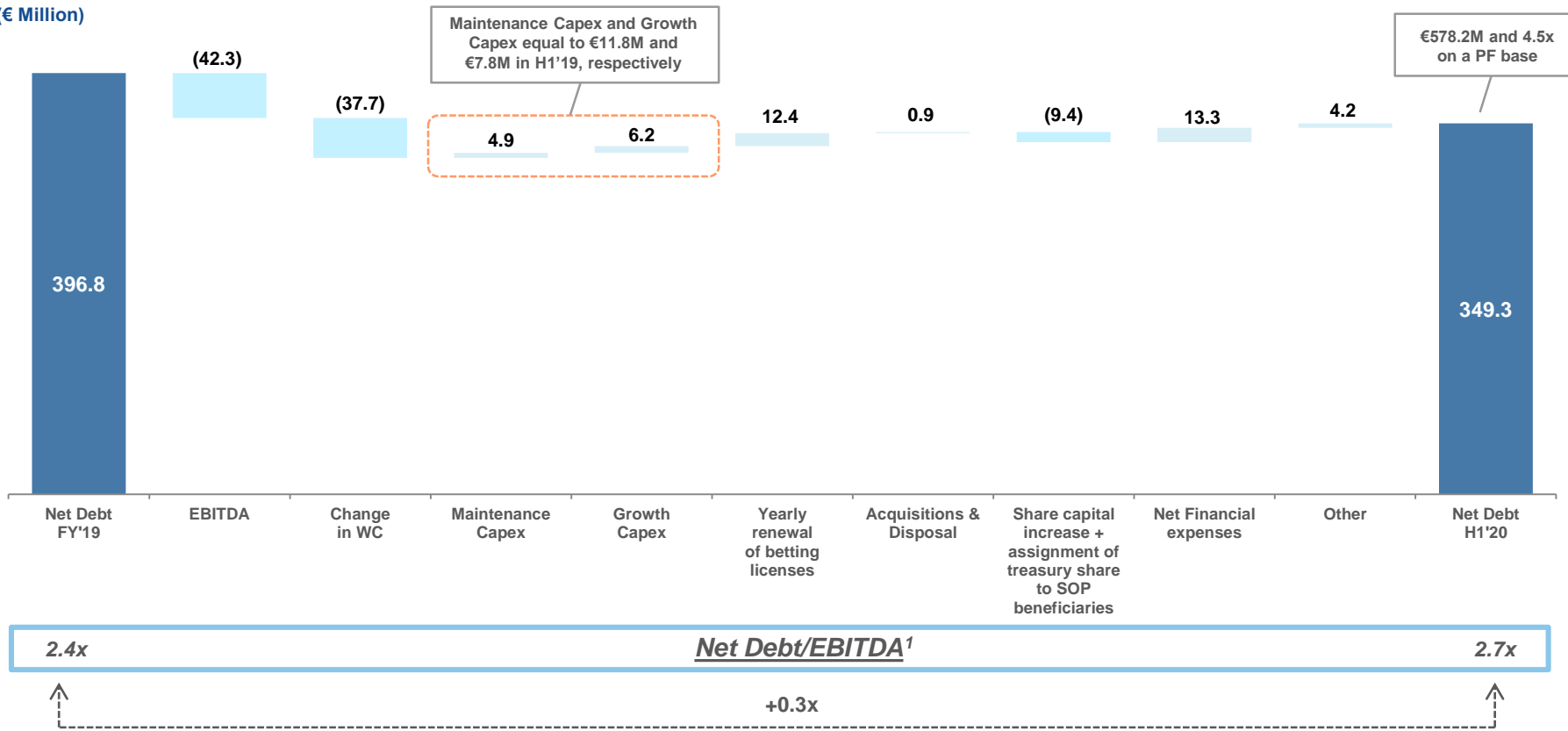
Please refer to revenue evolution commented on the previous page

## VLT

Please refer to revenue evolution commented on the previous page

# Debt and Leverage Profile

(€ Million)



# Cashflow

(€ Million)

	H1'19	H1'20
<b>Total EBITDA</b>	<b>78.7</b>	<b>42.3</b>
Other costs not included in EBITDA	(13.1)	(4.6)
Taxes	-	(1.7)
Delta NWC & Other Assets/ Liabilities	39.2	42.2
<b>Cash flow from operating activities</b>	<b>104.8</b>	<b>78.2</b>
Capex	(24.8)	(11.9)
Betting licenses renewal	(9.9)	(12.4)
<b>Cash flow from investing activities</b>	<b>(34.7)</b>	<b>(24.3)</b>
<b>Financial income/expenses</b>	<b>(13.1)</b>	<b>(13.3)</b>
<b>Lease payment</b>	<b>(3.3)</b>	<b>(2.0)</b>
<b>Financial assets/liabilities (increase/(decrease))</b>	<b>(0.6)</b>	<b>0.3</b>
Bank loans	0.1	(0.2)
Bond	(0.5)	-
Financial assets & liabilities	(0.2)	0.5
<b>Cash flow from financing</b>	<b>(17.0)</b>	<b>(15.0)</b>
<b>FCFE</b>	<b>53.0</b>	<b>38.9</b>
Dividends and treasury shares (purchase and assignment)	(21.8)	8.4
<b>Net Cash flow</b>	<b>31.2</b>	<b>47.3</b>



# Net Financial Position evolution

(€ Million)

	H1'19	H1'20
<b>Financial Debt</b>	<b>513.8</b>	<b>490.2</b>
Shareholders' loan	3.3	-
Bank loans	0.9	0.7
Other financial liabilities	64.6	60.6
Bond	440.9	424.9
Interests	4.2	4.0
<b>Cash</b>	<b>(99.7)</b>	<b>(124.0)</b>
<b>Other financial assets</b>	<b>(16.7)</b>	<b>(16.9)</b>
Other current financial assets	(6.5)	(7.5)
Other non current assets	(2.1)	(1.3)
Non current financial assets	(8.1)	(8.1)
<b>NFP</b>	<b>397.4</b>	<b>349.3</b>

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# P&L - H1'20 vs H1'19 (As Reported)

(€ Million)

	H1'19	H1'20
Revenues	356.9	177.5
Other Income	2.1	2.2
<b>Total Revenues and Other Income</b>	<b>359.0</b>	<b>179.8</b>
<b>Contribution Margin</b>	<b>114.5</b>	<b>64.3</b>
<b>EBITDA</b>	<b>78.7</b>	<b>42.3</b>
<b>D&amp;A (excl. PPA GoldBet)</b>	<b>-32.7</b>	<b>-32.8</b>
<b>EBIT (excl. PPA GoldBet)</b>	<b>32.8</b>	<b>4.9</b>
Financial Charges, Net	-14.8	-15.0
<b>Income Before Tax (excl. PPA GoldBet)</b>	<b>18.1</b>	<b>-10.1</b>
Income tax expense (excl. PPA GoldBet)	-6.9	1.2
<b>Net Profit (Loss) for the period (excl. PPA GoldBet)</b>	<b>11.2</b>	<b>-8.9</b>
D&A related to PPA GoldBet	-10.5	-10.5
Taxes related to PPA GoldBet	3.1	3.1
<b>Net Profit (Loss) for the period</b>	<b>3.8</b>	<b>-16.3</b>

2020 D&A figures include also -€0.9M related to Intralot's acquisition (-€2.3M for 2019)