

Gruppo
Gamenet



2019 Full Year Results
Ended December 31, 2019

March 23, 2020

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Another year of strong results, notwithstanding tax increases and local regulation

Financial performance

- **EBITDA** €164.6M in FY'19 (+13.4% PF¹) achieving top end of guidance of €155-165M
Online reached €31.5M Ebitda (19% of total in FY and 22% in Q4)
- **Net Result** €25.0M in FY'19 vs. €8.3M in FY'18 pre PPA for the GoldBet acquisition carried out in FY'19
Adjusted, net of extraordinary charges, at €39.3M in FY'19² vs €25.3M in FY'18²
- **NFP** €396.8M
- **Cash flow** €138.1M from operations

Business performance

- **Retail Sports Betting and Online** showed **continued overperformance vs market**
- **Impressive YoY Online Sports Betting market share growth** on GGR (from 6.8% to 8.4%)
- **VLTs registering weakness** in 4Q'19, with worsening performance in the first two months of 2020 on health card reader introduction as of January 1, 2020, while **AWP growing in profitability**
- **Over delivered on synergies:** already secured €18.9M in 2019 of the €27M declared by 2020

(1) *Unaudited Pro Forma Consolidated Financial Information* for the period ended December 31, 2018 has been prepared in order to reflect retroactively the effects of the following transactions: (i) the acquisition by Gamenet S.p.A. of 100% of the share capital of GoldBet S.r.l., completed on October 9, 2018, (ii) the issuance in September 2018 of €225M senior secured floating rate notes due 2023 used, along with cash available, to pay a portion of the Acquisition price and (iii) the issuance in April 2018 of €225M senior secured floating rate notes due 2023 and the subsequent use of the related proceeds for the early redemption, satisfaction and discharge of €200,000 thousand senior secured notes due 2021. No pro forma consolidated statement of financial position and pro forma consolidated statement of comprehensive income as of and for the period ended December 31, 2019 have been prepared as the effects of the transactions, as described above, are already reflected in the Company's consolidated financial statements as of December 31, 2019.

(2) FY'19 is adjusted both for extraordinary components and PPA (€6.6M) of the period while FY'18 is adjusted for extraordinary components of the period (€16.9M)

Update on Covid19 - Italy in lockdown, including retail gaming operations

Highlights on the Italian situation

- **As of March 20, Italy has 38k actives cases** and 4k fatalities (outbreak started February 22 in Northern Italy and it is the largest in Europe so far)
- **On March 9, the government extended quarantine measures from Northern Italy to the entire country.** Such measures include:
 - Shutdown of schools, universities, theatres and cinemas, bars, gaming halls, sports betting shops, bingo halls, nightclubs, ski resorts and sports events
 - People can exit home only for a few specific reasons and in no case if they are in quarantine (criminal offence, jail applicable)
- **The measures were strengthened on March 12 and will last until April 3** (extensions into April under discussion)
- **On March 16 the government approved the first decree (“Italy Cure”) to mitigate the economic impact of Covid-19**
- **On March 21 the government announced a decree with further restrictions** (shutdown of all non essential activities if not run in smartworking)

Implications on the Gaming Industry

- **AWP, VLT and Retail betting: full shutdown** of both professional (halls, bingos, sports betting shops) and generalist channels (bars/tobacconists)*
- **Online: all up and running**, but many key competitions in Italy and globally are suspended (including Italy/UK premier leagues)

Update on Covid19 - Italy approved a €25B decree (“Italy Cure”) to support the economy, with significant positive measures also for the Gaming Industry

Highlights of “Italy Cure” decree

- **€10 billion will be allocated to support employment and workers** and another **€3.5 billion to help the healthcare system**
- The other **relevant measures include:**
 - **Delayed tax payments**
 - **Government support for companies paying redundancy payments to their staff** (with a 2 months freeze of lay-offs)
 - **Loan guarantees** for businesses hit by the crisis and a **moratorium on loan and mortgage payments**
 - **Support for shops rental costs**
 - Cash bonus for people still working during the lockdown, one-off payments of €600 per person for the self-employed, etc.

Main measures for the Gaming Industry

- **PREU taxes due in March and April will be moved to the end of May 2020 and paid based on the actual performance in January and February 2020, in 8 monthly instalments until December 2020**
 - *PREU is normally paid monthly in advance and based on estimates which take into account the actual performance of the machines 5-6 months earlier (average of 2 months) and, in the odd months – i.e. January, March, May, July, September and November –, there is a true up mechanism based on actual performance*
 - *As an example, the payments for April 2020 are made on the 13th and the 28th, on the basis of November and December 2019 actual performance*
- **Labour costs relief for the companies** on the people who will not be working in this period, subject to certain conditions (initial 9 weeks relief (“FIS”) plus up to 6 months (“cassa integrazione”))

Update on Covid19 – Gamenet Group Business Continuity and Financial Mitigation plans

Business Continuity Plan

- **Objectives:**
 1. **Maximize safety and security** of our people and customers
 2. **Minimize operational disruption**
- **Gamenet activated the Plan early** (prior to the new measures and the full outbreak), achieving all objectives:
 - **100% of personnel working from home**
 - **No operation disruption** (all processes in place from remote, all platforms switched to operate remotely, communication lines enhanced promptly)

Financial Mitigation Plan

- **Cash as of March 20 is c. €130.1M* + €40M of fully drawn RCF** (€10m was already in use as a guarantee for the Goldbet acquisition)
- Gamenet **cost base is mainly variable** vs bet (87% of total costs) and, in addition to this, **we are executing a very thorough Financial Mitigation Plan on both fixed costs and capex**
- **Our objective is to bring Ebitda to -€3-4M and Capex to €1-2M for each month of shutdown**

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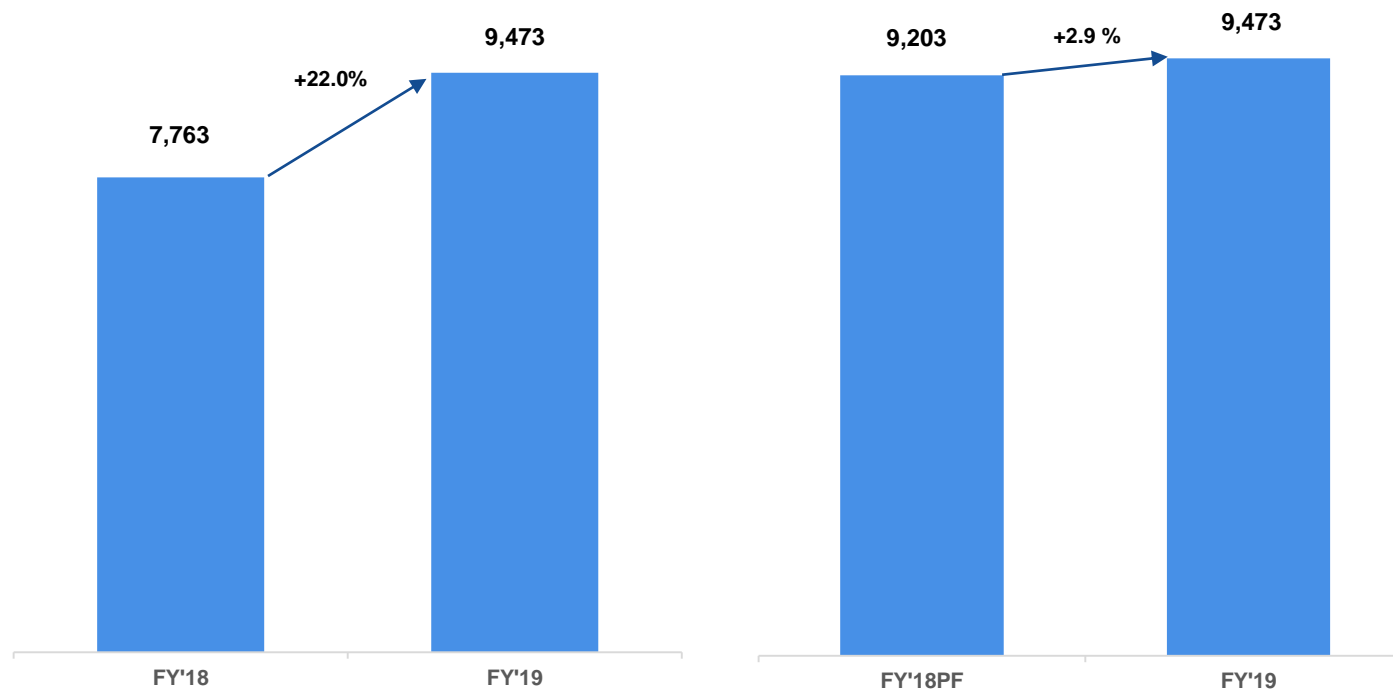
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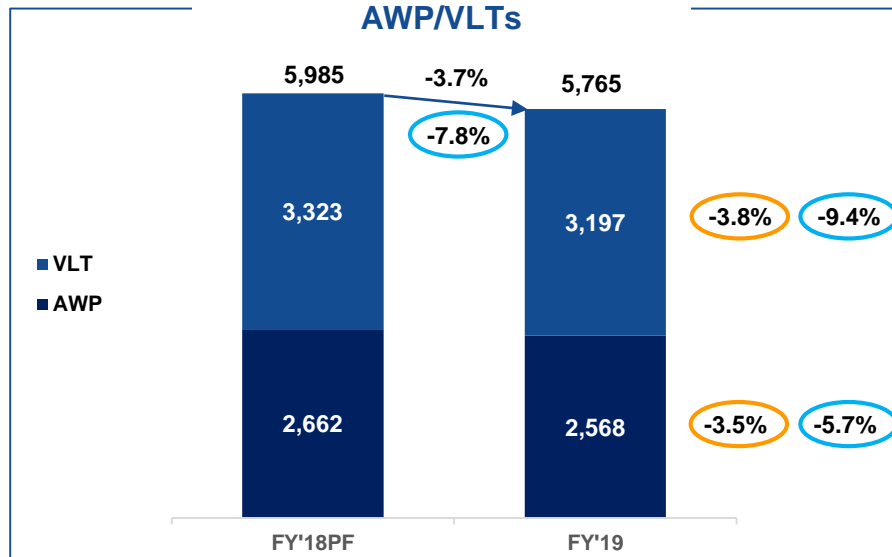
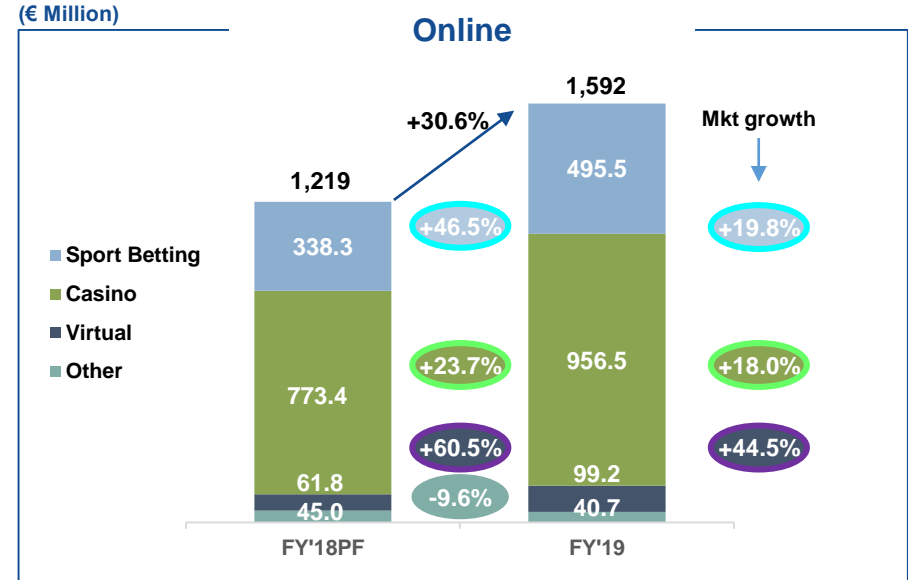
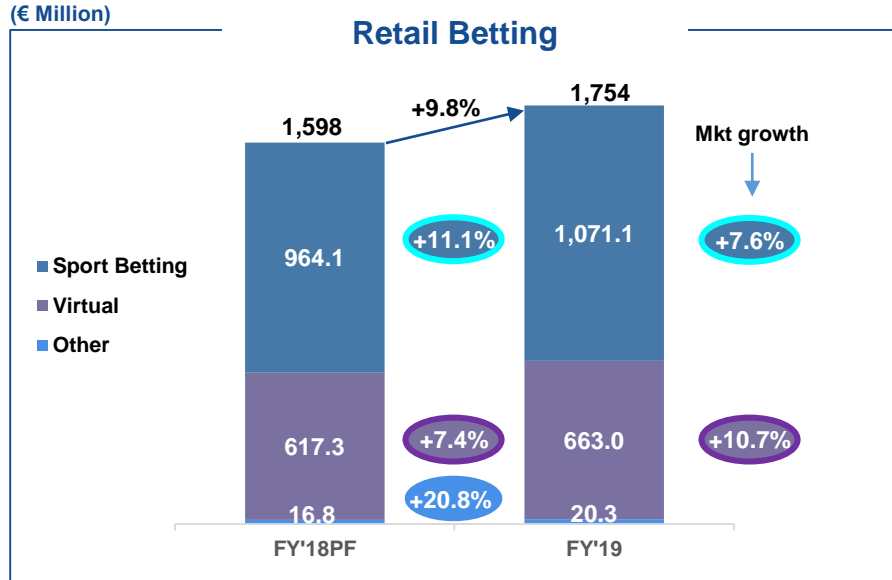
Appendix

Bet growth both on a Reported and on a Pro-Forma basis ...

(€ Million)



... mainly driven by Betting and Online (all product segments), but with a good resilience of Gaming Machines

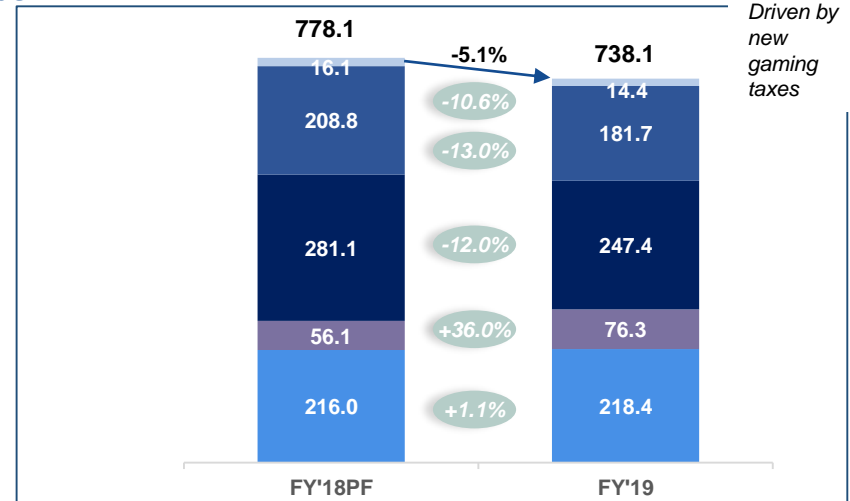
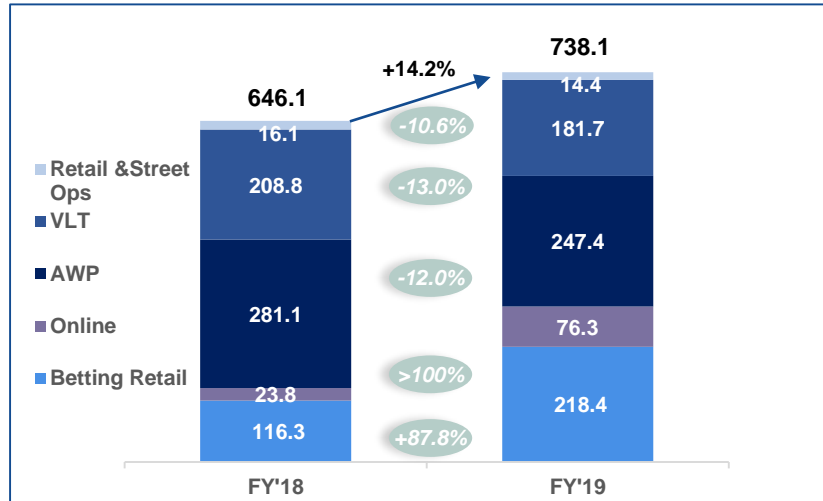


(1) Includes bet generated by company owned gaming halls connected to Gamenet Group's concessionaire.

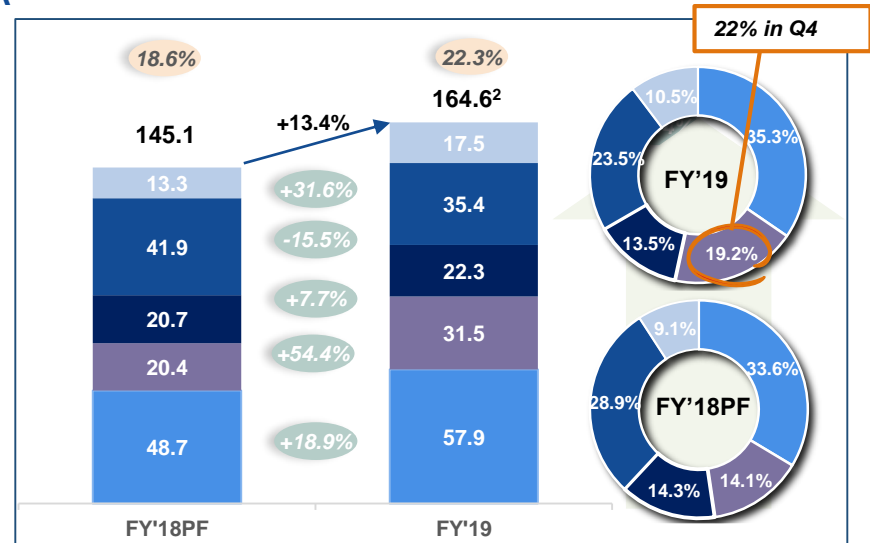
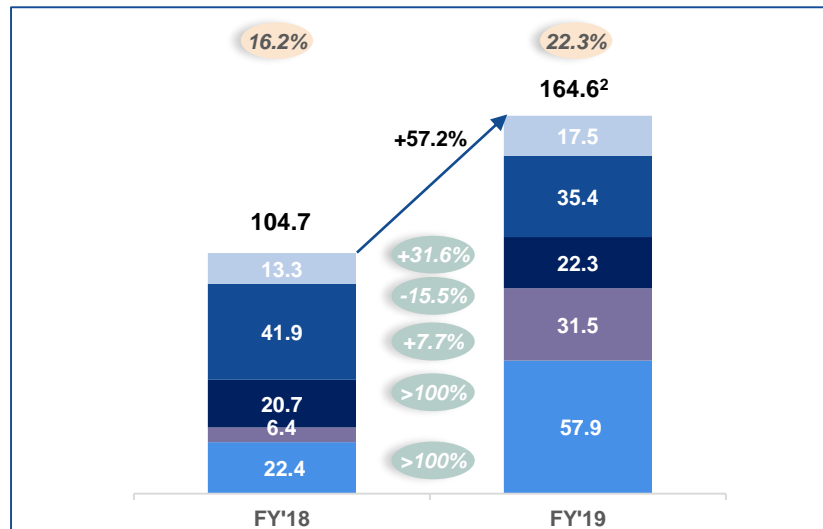
Strong profitability improvement on all business except VLTs (temporary unbalance between PREU/Payout). Impressive performance of Online

(€ Million)

Revenues

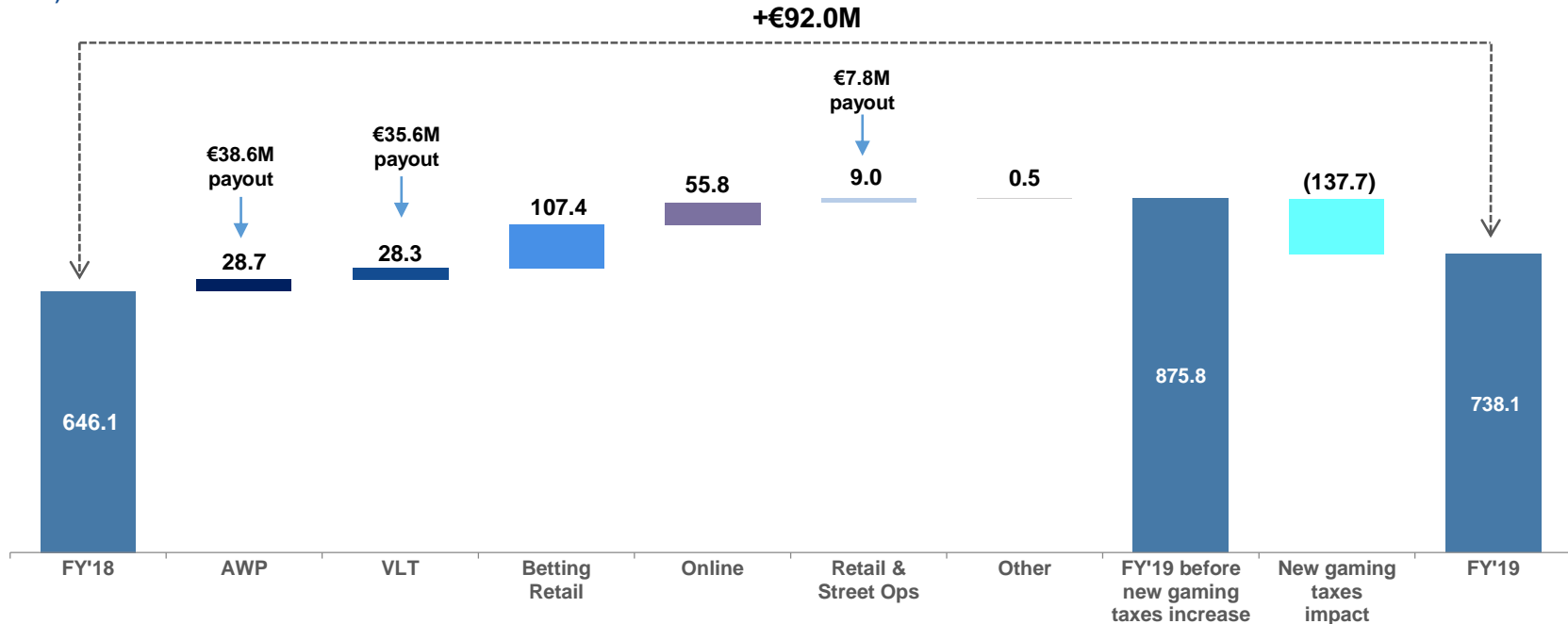


EBITDA



Revenues – FY'19 vs FY'18 (As Reported)

(€ Million)



AWP

- Increase in AWP revenues mainly driven by positive impact of change in payout (+€38.6M) partially offset by slight decrease in YoY bet (-€9.9M)

Betting Retail

- Increase mainly due to GoldBet's acquisition and to the initiatives to further improve the retail network

Retail & Street Operations

- Mainly driven by the payout (+€7.8M)

VLT

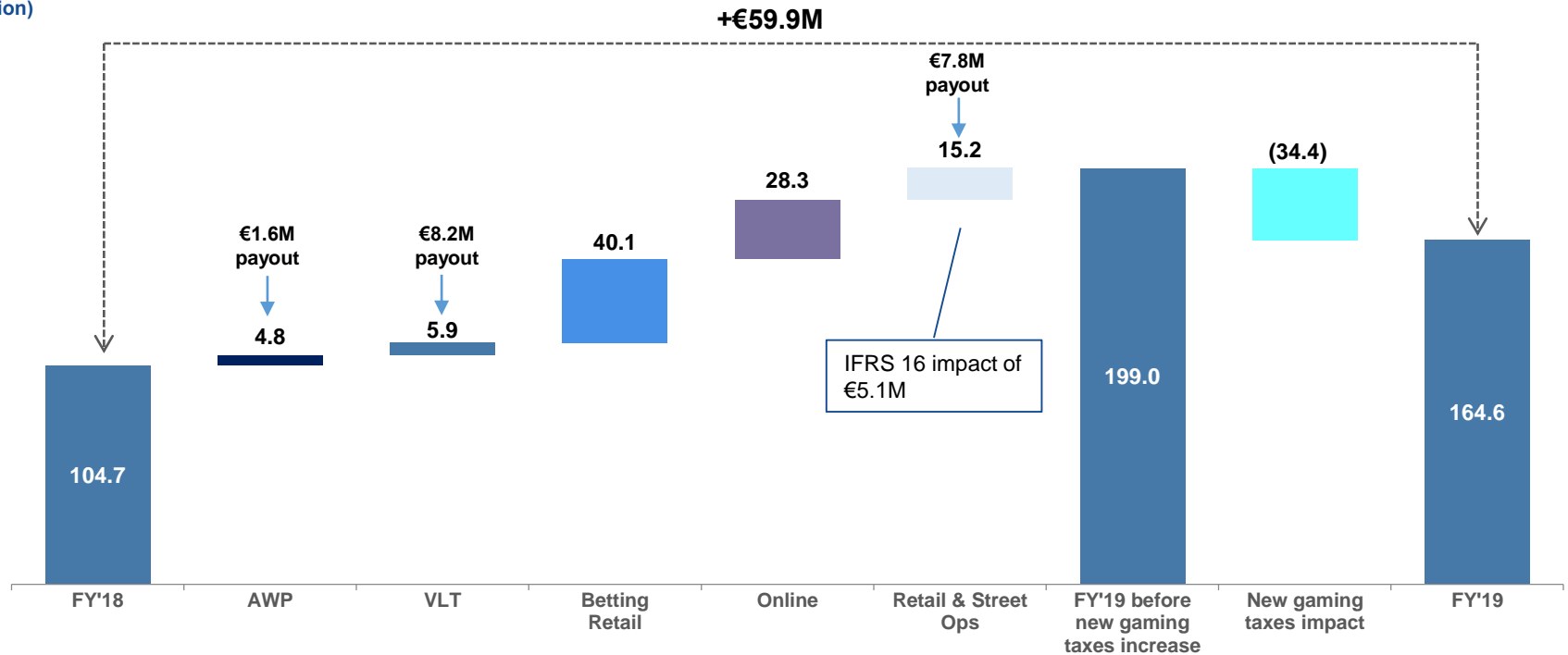
- Increase mainly driven by positive impact of change in payout (+€35.6M) partially offset by slight decrease in YoY bet (-€7.3M)

Online

- Increase attributable to the GoldBet's acquisition, initiatives to improve the efficiency of the online customer portfolio from Intralot Italia as well as the continuous introduction of new gaming products

EBITDA - FY'19 vs FY'18 (As Reported)

(€ Million)



AWP

- Year on year increase mostly attributable to the profitability improvement driven by the larger average number of company owned machines – *distribution insourcing*
- Rest of AWP Revenues pass through due to contractual structure on third parties' machines

Betting Retail

- Please refer to revenue evolution commented on the previous page

VLT

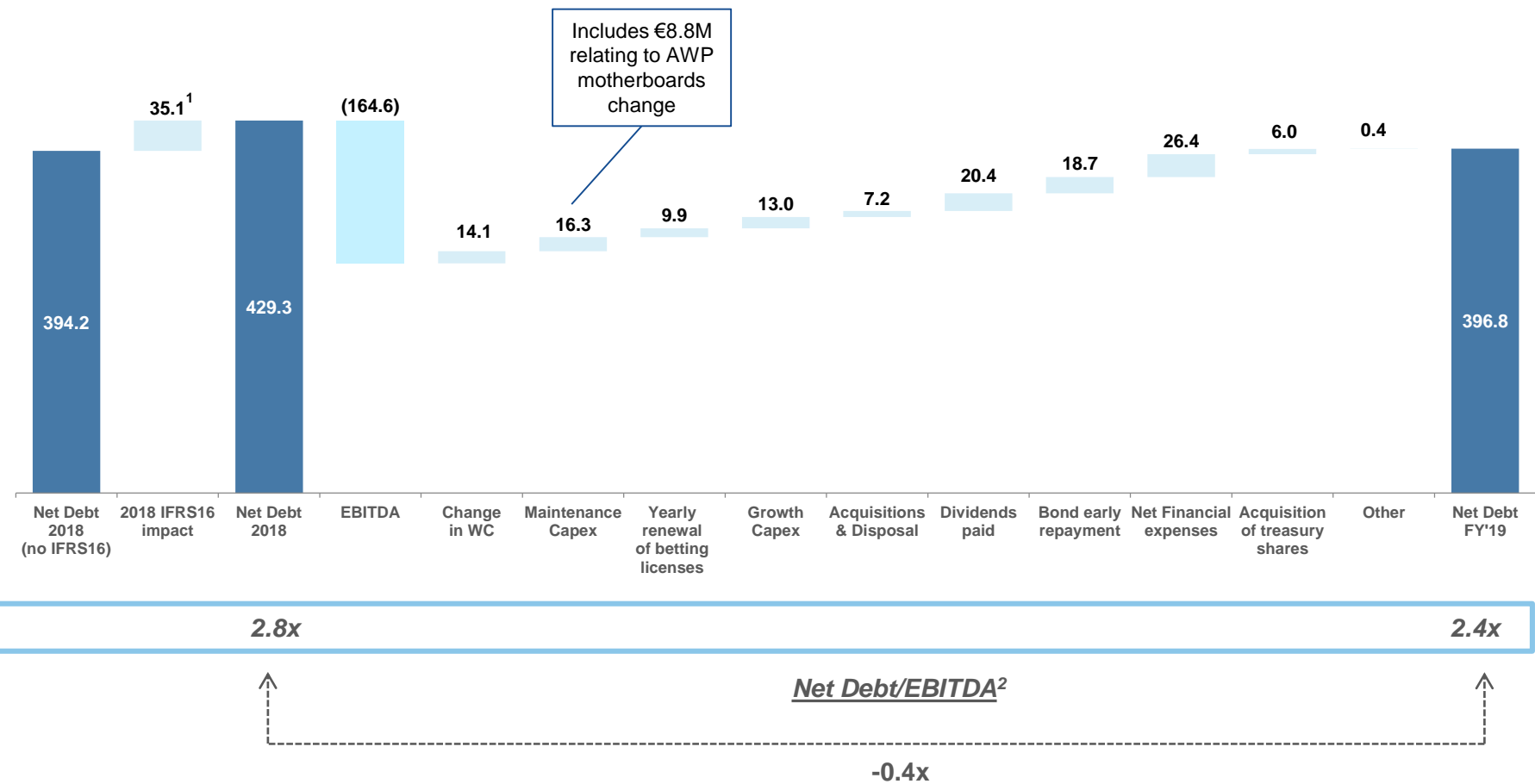
- Please refer to revenue evolution commented on the previous page

Online

- Please refer to revenue evolution commented on the previous page

Debt and Leverage Profile

(€ Million)



Cash Flow

(€ Million)

	2018	2019
Total EBITDA	104.7	164.6
Other costs not included in EBITDA	(7.0)	(10.0)
Taxes	(9.9)	(7.7)
Delta NWC & Other Assets/ Liabilities	(4.1)	(8.9)
Cash flow from operating activities	83.7	138.1
Capex	(42.1)	(46.4)
Goldbet acquisition	(205.9)	
Cash flow from investing activities	(248.0)	(46.4)
Financial income/expenses	(30.1)	(26.9)
Lease payment		(6.3)
Financial assets/liabilities (increase/(decrease))	233.7	(23.9)
Bank loans	(0.4)	0.1
Bond	244.0	(18.7)
Financial assets & liabilities	(9.9)	(1.8)
Shareholders' loan	-	(3.5)
Cash flow from financing	203.6	(57.1)
FCFE	39.4	34.6
Dividend (including treasury shares)	(23.3)	(26.4)
Net Cash flow	16.1	8.2
Cumulated cash	68.5	76.7

Net Financial Position evolution

(€ Million)

	FY'18	FY'19
Financial Debt	481.7	491.1
Shareholders' loan	3.2	-
Bank loans	0.8	0.9
Other financial liabilities	33.4	62.3
Bond	440.0	423.9
Interests	4.3	4.1
Cash	(68.5)	(76.7)
Other financial assets	(19.0)	(17.6)
Other current financial assets	(6.4)	(7.7)
Other non current assets	(4.7)	(1.5)
Non current financial assets	(7.9)	(8.4)
NFP (*)	394.2	396.8

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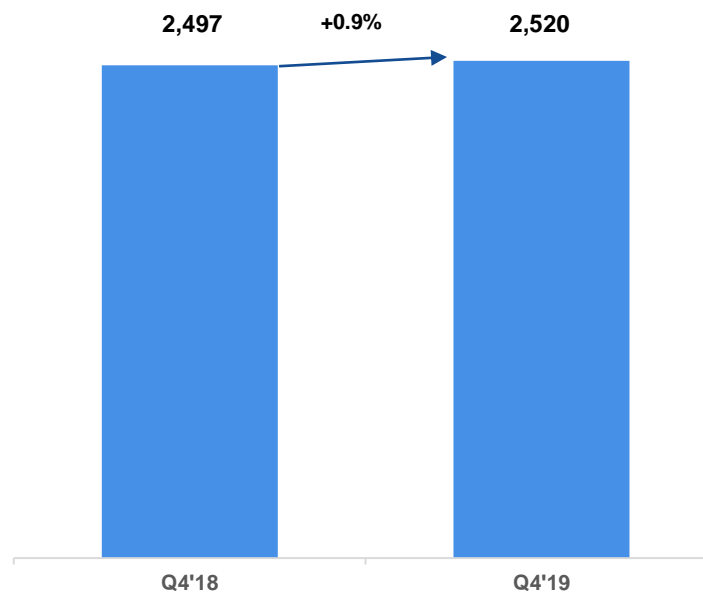
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Bet evolution

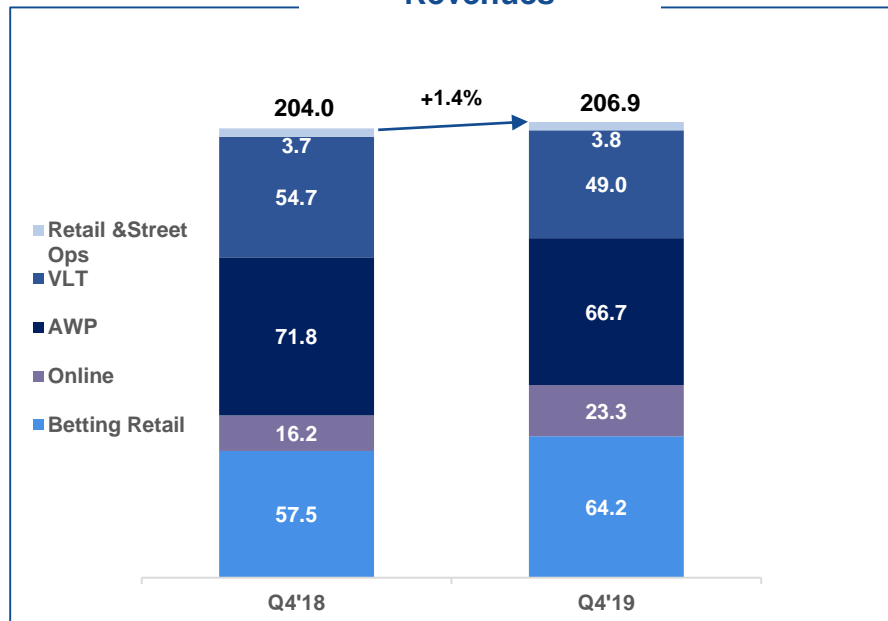
(€ Million)



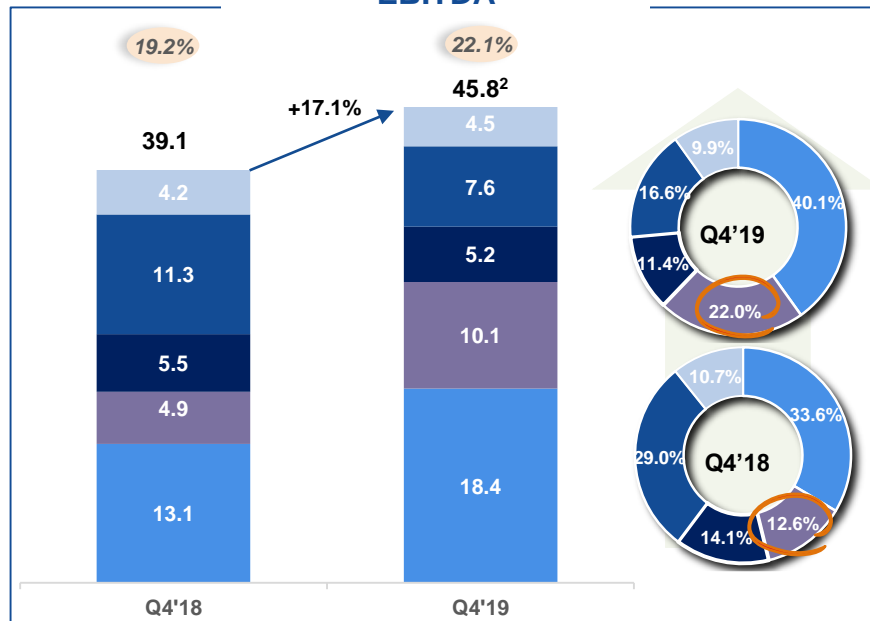
Revenues and EBITDA Evolution – Focus on Q4'19

(€ Million)

Revenues



EBITDA



P&L – FY'19 vs. FY'18 (As Reported)

(€ Million)

	FY'18	FY'19
Revenues	646.1	738.1
Other Income	4.2	4.4
Total Revenues and Other Income	650.3	742.6
Contribution Margin	178.2	231.5
EBITDA	104.7	164.6
D&A (excl. PPA GoldBet)	-50.1	-67.0
EBIT (excl. PPA GoldBet)	41.5	71.9
Financial Charges, Net	-31.2	-30.6
Income Before Tax (excl. PPA GoldBet)	10.3	41.3
Income tax expense (excl. PPA GoldBet)	-2.0	-16.3
Net Profit (Loss) for the period (excl. PPA GoldBet)	8.3	25.0
D&A related to PPA GoldBet*	-5.2	-20.9
Taxes related to PPA GoldBet	1.5	6.1
Net Profit (Loss) for the period	4.6	10.2

* 2019 D&A figures include also -€4.9M related to Intralot's acquisition (-€3.0M for 2018).

KPIs by business line

Retail Betting			Online		
<i>(in € thousands, except non-financial information)</i>	FY'19	FY'18PF	<i>(in € thousands, except non-financial information)</i>	FY'19	FY'18PF
Bet	1,754,480	1,598,151	Bet	1,591,826	1,218,543
Revenues	218,355	215,993	Revenues	76,273	56,092
EBITDA	57,878	48,738	EBITDA	31,521	20,420
	FY'19	FY'18		FY'19	FY'18
Number of licenses	1,732	1,732	Unique actives ('000)	269,010	167,962
Number of Active POS	1,626	1,652			
Average number of POS in ops	1,623	927			

AWPs/VLTs		
VLT	FY'19	FY'18
Number of licenses	8,570	8,570
Average number of VLT in ops	8,338	8,361
Average VLT PREU (as % of bet)	7.7%	6.1%
AWP	FY'19	FY'18
Number of licenses	29,911	29,972
Average number of AWP in ops	28,130	32,533
Average AWP PREU (as % of bet)	21.4%	19.1%
R&SO	FY'19	FY'18
Number of gaming halls EoP	66	70
Average number of VLT	1,523	1,477
Average number of AWP	4,676	4,845