

Rating Action: Moody's places the ratings of Intralot under review for upgrade

Global Credit Research - 19 Aug 2021

Paris, August 19, 2021 -- Moody's Investors Service ("Moody's") placed the ratings of Intralot S.A. ("Intralot") under review for upgrade, including the company's Ca corporate family rating ("CFR"), Ca-PD probability of default ("PDR") and the Ca instrument rating of its guaranteed senior unsecured notes, issued by Intralot Capital Luxembourg S.A. Moody's also appended a limited default (/LD) designation to Intralot's PDR to Ca-PD/LD to reflect a limited default resulting from the completion of the exchange offers related to the €250 million guaranteed senior unsecured notes due 2021 and the €500 million guaranteed senior unsecured notes due 2024. The /LD will be removed after three business days.

On 5th August 2021, Intralot announced the issuance of \$242 million new senior secured PIK toggle notes due 2025 in exchange for the €250 million existing guaranteed senior unsecured notes due 2021. In parallel, the company announced the transfer of 34.27% shares of the indirect parent of Intralot Inc to holders of the existing senior unsecured notes due 2024 who participated in the exchange.

RATINGS RATIONALE

The review will focus on assessing (1) the sustainability of the new capital structure following the completion of the debt restructuring (2) the improvement in liquidity resulting from the maturity extension and reduced cash interest, which has resulted because of a

lower debt quantum and the PIK interest on the \$242 million notes, as well as (3) the trajectory of Intralot's earnings on a run-rate basis.

Moody's believes that a recovery in Intralot's profitability will be constrained by the prolonged period of coronavirus-related disruptions and the tenuous macroeconomic recovery that Moody's forecasts for 2021. Furthermore, Intralot has become highly reliant on its US division where the outlook and EBITDA recovery remain uncertain.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

A downgrade is unlikely in the near term given the recent debt restructuring and improvement in the capital structure, but could occur if there is evidence, that in spite of this, a further debt restructuring is required.

Upward pressure on the ratings could arise if there is greater certainty that the company's profitability will improve, in particular that there is an improvement in the profitability of its United States operations, and if covid-related disruptions reduce. A positive action would also require a significant improvement in free cash flow generation in the next 12 to 18 months such that this supports strengthening liquidity.

COMPANY PROFILE

Headquartered in Athens, Intralot is a global supplier of integrated gaming systems and services. The company designs, develops, operates and supports customized software and hardware for the

gaming industry and provides technology and services to state and state licensed lottery and gaming organizations worldwide. It operates a diversified portfolio across 41 jurisdictions and is listed on the Athens stock exchange.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Gaming published in June 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1276316. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at:

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