

## Greek Gaming Company Intralot's Proposed €450 Million Senior Unsecured Notes Rated 'B'; Recovery Rating '4'

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LONDON (S&P Global Ratings) Sept. 11, 2017--S&P Global Ratings today assigned a 'B' issue rating and '4' recovery rating to the proposed €450 million senior unsecured notes maturing in 2024 to be issued by Intralot Capital Luxembourg S.A., subsidiary of Greece-based gaming company Intralot S.A. (B/Stable).

Our 'B' issue rating on the existing €250 million senior unsecured notes due in September 2021 and €250 million senior unsecured notes due in May 2021 remains unchanged, but we have now assigned them a '4' recovery rating. This reflects Intralot S.A. and its subsidiaries falling within the scope of our recovery criteria after the new jurisdiction ranking assessment on Greece was published on Sept. 7, 2017.

The '4' recovery rating indicates our expectation of recovery prospects in the range of 30%-50% (rounded estimate: 45%) in the event of a default.

The recovery rating is constrained by the high amount of senior unsecured debt ranking pari passu and relatively weak guarantor coverage.

We understand that Intralot will use the €450 million proceeds coming from the issuance of the proposed notes to repay its existing €250 million senior unsecured notes due in May 2021 with a 6.0% coupon, repay €165 million of currently drawn bank debt, and cover about €15 million of transaction fees.

The draft documentation of the proposed senior unsecured notes mirrors the terms of the existing €250 million senior unsecured notes, with extended maturity from 2021 to 2024 and an expected lower coupon.

Our hypothetical default scenario assumes unfavorable changes in regulation as well as challenging economic conditions leading to a significant decline in discretionary consumer spending.

We value the business as a going concern, given Intralot's leading position in gaming technology and sports betting industries globally.

Our 'B' corporate credit rating on Intralot S.A. is based on our assessment of the company's weak business risk profile and highly leverage financial risk profile. The outlook is stable.

#### SIMULATED DEFAULT ASSUMPTIONS

- Year of default: 2020
- Jurisdiction: Greece

#### SIMPLIFIED WATERFALL

- EBITDA at emergence: €78.2 million (capital expenditures representing 1.5% of three-year average of sales, in line with the company's expectation. 10% cyclical adjustment in line with industry segment. No operational adjustment).
- Implied enterprise value multiple: 5.5x
- Gross recovery value: €430 million
- Net enterprise value after administrative expenses (5%): €408 million
- Remaining value for unsecured creditors: €408 million
- Estimated senior unsecured debt: €831 million\*
- Recovery range: 30%-50% (rounded estimate 45%)
- Recovery rating: 4

\*All debt amounts include six months of pre-petition interests.

#### RELATED CRITERIA

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria - Corporates - General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria - Corporates - Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Leisure

And Sports Industry, March 5, 2014

- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

#### RELATED RESEARCH

- Jurisdiction Ranking Assessments Of National Insolvency Regimes Update, Sept. 7, 2017

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