

Morningstar DBRS Confirms Intralot S.A.'s Issuer Rating at B and Changes Trend to Positive Following Agreement to Acquire Bally's Corporation's International Interactive Business

SERVICES

DBRS Ratings GmbH (Morningstar DBRS) confirmed Intralot S.A.'s (Intralot or the Company) Issuer Rating at B and changed the trend to Positive from Stable following the Company's announcement that it has entered into a definitive transaction agreement to acquire Bally's Corporation's (Bally's) International Interactive business. Bally's International Interactive division (formerly Gamesys Group) is a global interactive gaming operator predominately operating iGaming activities in the UK.

KEY CREDIT RATING CONSIDERATIONS

Intralot will acquire 100% of the equity of Bally's Holdings Limited (a wholly owned subsidiary of Bally's and the current parent company of the International Interactive Business), for total consideration of approximately EUR 2.7 billion, comprising EUR 1.53 billion in cash and 873.7 million new Intralot shares to be issued. Upon completion of the transaction, Bally's is expected to become the majority shareholder of Intralot, up from its current 33% holding, and Intralot is expected to remain listed on the Athens Stock exchange. The acquisition should occur in Q4 2025, subject to certain shareholder approvals, regulatory approvals, and other closing conditions.

With the change in trend to Positive from Stable, Morningstar DBRS acknowledges the potential improvement to the Company's business profile and the potential for stronger credit metrics following the combination of both companies. However, Morningstar DBRS balances these positives with the recognition that there are significant financing needs along with some potential integration challenges, particularly in realising synergies in excess of 10% of the combined group's EBITDA, as well as a still-leveraged capital structure.

CREDIT RATING DRIVERS

Morningstar DBRS may consider a positive credit rating action if, all else equal, there is a sustainable improvement in the Issuer's business risk profile, such as a noted reduction in contract/customer concentration risk and a continued expansion of profitability margins and ongoing debt repayments that improve key financial metrics from current levels, including debt-to-proportionate EBITDA of less than 4.0 times (x) on a sustainable basis.

Morningstar DBRS may consider a negative credit rating action if, all else equal, Intralot's credit metrics deteriorate below the forecasted assumptions, such as adjusted cash flow-to-debt trending below 10% and/or debt-to-proportionate EBITDA trending higher than 5.0x. Morningstar DBRS may also consider a negative credit rating action if the Issuer takes on incremental debt and/or if negative events affect its business risk profile, such as the loss of a major customer contract or other adverse business development.

EARNINGS OUTLOOK

The pending business combination would be transformative in nature given the relative size of Bally's International Interactive business, which has a carve-out EBITDA of about EUR 280 million, compared with Intralot's standalone Morningstar DBRS-adjusted

EBITDA of approximately EUR 103 million in the last 12 months to March 2025. Additionally, the combination would fundamentally change the group's business mix from Intralot's current focus on business-to-business (B2B) lottery game technology services (circa 55% of Intralot's standalone business) to a marked focus on business-to-consumer (B2C) iGaming and sports betting (expected to represent 73% of the combined business). This shift may require the incorporation of Morningstar DBRS' industry supplement for Casino Operators and Online Gaming Industry within the "Global Methodology for Rating Companies in Services Industries", compared with the current use of only the Service Provider Industry supplement.

FINANCIAL OUTLOOK

To support the cash consideration and to refinance its existing debt, Intralot has obtained commitments for debt financing of up to EUR 1.6 billion and the Company expects to launch a new EUR 400 million share capital increase. Bally's has obtained separate financing to refinance its existing indebtedness, and Morningstar DBRS understands that the International Interactive carve-out will not have existing financial indebtedness upon transfer of ownership. Intralot expects closing net leverage of around 3.3 times (x) with a medium-term net leverage target of 2.5x (under the Company's definition), which roughly translates to Morningstar DBRS-adjusted gross debt-to-EBITDA of about 4.5x to 5.0x upon closing and 3.5x to 4.0x over the medium term. While the opening leverage would represent a weakening from Morningstar DBRS' current base case assumptions, the expected deleveraging from ongoing cash flow generation and targeted synergies of EUR 35 million to EUR 40 million would gradually improve the combined group's credit metrics over the medium term.

CREDIT RATING RATIONALE

Comprehensive Business Risk Assessment (CBRA): B

The business combination would likely have a moderately positive effect on Intralot's current CBRA from the acquisition of complementary business lines, which would strengthen the Company's relative market position and diversification. While Bally's International Interactive B2C iGaming activities may be subject to more volatility and competition than Intralot's contracted B2B services, increasing consumer adoption of iGaming provides structural tailwinds, and the increased scope of the combined business could help mitigate Intralot's recontracting risks. Additionally, Bally's International Interactive reports stronger standalone EBITDA margins, which would benefit operating efficiency, along with the targeted synergies and free cash flow generation supported by the targets' less capital-intensive operations. International Interactive is overwhelmingly concentrated in the UK, and while the combination would diversify into a new material operating region with a robust regulatory environment, the geographic concentration risk would be shifted from the Americas (about 60% for Intralot as a standalone entity) to the UK (60% for the combined entity).

The current CBRA reflects Intralot's credit strengths, including (1) more than 30 years of operating experience in a regulated industry benefitting from high barriers to entry; (2) a proven ability to win long-term contracts from incumbent market players and retain clients with an 89% contract renewal rate; (3) a suite of proprietary technology solutions, supported by 186 patents; and (4) an increasing proportion of revenue and earnings in developed markets from a largely institutional client base. Conversely, the credit rating also reflects certain constraints, including (1) the Issuer's relatively small size compared with larger market players and the concentration risk arising from a limited number of contracts; (2) a long sales cycle that is typical in the industry, averaging 15 years and requiring upfront investment to support growth; (3) potential execution risk and timing uncertainties resulting from Intralot's growth strategy; and (4) foreign-exchange risk exposure, given that the Issuer has global operations without a formal hedging policy, particularly with respect to its 50.01% stake in its partnership subsidiaries in Turkey and Argentina.

Comprehensive Financial Risk Assessment (CFRA): BB

Intralot's current financial metrics are consistent with a BB credit rating range. While the opening leverage following the transaction would represent a weakening from Morningstar DBRS' current base case assumptions, the expected deleveraging from ongoing cash flow generation and targeted synergies of EUR 35 million to EUR 40 million would gradually improve the combined group's credit metrics over the medium term.

Intrinsic Assessment: B (high)

The Intrinsic Assessment (IA) is based on the CBRA and CFRA. Taking into consideration peer comparisons, among other factors, Morningstar DBRS placed the IA in the middle of the IA Range.

Additional Considerations

Morningstar DBRS applied a one-notch negative adjustment for Parent-Subsidiary Relationships because Intralot's financial obligations are structurally subordinate to those of the U.S. subgroup.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

ESG Considerations had a relevant effect on the credit analysis.

Social (S) Factors

The following Social factor had a relevant effect on the credit analysis: Morningstar DBRS considered the Social Impact of Products and Services as a relevant Social factor for Intralot. Morningstar DBRS included this factor in its analysis because of the Issuer's exposure to the lottery and gaming industry, which is subject to safeguards and regulation to uphold responsible gaming practices and to protect vulnerable populations. The increasing regulatory requirements in the regions in which Intralot operates could pose a financial or reputational risk to the Issuer. Morningstar DBRS considered this factor as Relevant (as opposed to Significant) because of the nature of Intralot's technology services, which facilitate its customers' regulatory reporting obligations; its industry certifications, including the World Lottery Association Responsible Gaming Framework Certification, and its operating track record of over 30 years in the sector.

There were no Environmental/Governance factors that had a significant or relevant effect on the credit analysis.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (16 May 2025) <https://dbrs.morningstar.com/research/454196>.

Further details on the Issuer's Intrinsic Assessment can be found at <https://dbrs.morningstar.com/research/457867>.

Notes:

All figures are in euros unless otherwise noted.

Morningstar DBRS applied the following principal methodology:

Global Methodology for Rating Companies in Services Industries (3 February 2025)
<https://dbrs.morningstar.com/research/447184>

Morningstar DBRS credit ratings may use one or more sections of the Morningstar DBRS Global Corporate Criteria (3 February 2025; <https://dbrs.morningstar.com/research/447186>), which covers, for example, topics such as holding companies and parent/subsidiary relationships, guarantees, recovery, and common adjustments to financial ratios.

The following methodologies have also been applied:

Morningstar DBRS Global Corporate Criteria (3 February 2025)
<https://dbrs.morningstar.com/research/447186>

Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (16 May 2025) <https://dbrs.morningstar.com/research/454196>

The credit rating methodologies used in the analysis of this transaction can be found at: <https://dbrs.morningstar.com/about/methodologies>.

A description of how Morningstar DBRS analyses corporate finance transactions and how the methodologies are collectively applied can be found at: <https://dbrs.morningstar.com/research/431153>.

The primary sources of information used for these credit ratings include audited consolidated financial statements and annual reports, detailed business plans, and supporting information obtained from Intralot's management; documentation, and legal agreements relating to Intralot's debt instruments, public information, and enclosures available on Intralot's website; and other information and correspondence provided by Intralot to Morningstar DBRS as of 4 July 2025. Morningstar DBRS considers the information available to it for the purposes of providing these credit ratings to be of satisfactory quality.

Morningstar DBRS does not audit the information it receives in connection with the credit rating process, and it does not and cannot independently verify that information in every instance.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. Morningstar DBRS trends and credit ratings are under regular surveillance.

For further information on Morningstar DBRS historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <https://registers.esma.europa.eu/cerep-publication>. For further information on Morningstar DBRS historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see <https://data.fca.org.uk/#/ceres/craStats>.

The sensitivity analysis of the relevant key credit rating assumptions can be found at: <https://dbrs.morningstar.com/research/457866>.

These credit ratings are endorsed by DBRS Ratings Limited for use in the United Kingdom.

Lead Analyst: Edoardo Danieli , Vice President,
Rating Committee Chair: Anke Rindermann, Managing Director
Initial Rating Date: 11 April 2024
Last Rating Date: 11 April 2025

Information regarding Morningstar DBRS ratings, including definitions, policies, and methodologies, is available on dbrs.morningstar.com or contact us at info-DBRS@morningstar.com.

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Ratings

Intralot S.A.

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
07-Jul-25	Issuer Rating	Confirmed	B	Stb	<div>EU</div> <div>U</div>
07-Jul-25	Issuer Rating	Trend Change	B	Pos	<div>EU</div> <div>U</div>

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