Intralot S.A.

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	B+	Stable	Affirmed 17 May 2017

Click here for full list of ratings

Financial Summary

(EURm)	Dec 2015	Dec 2016	Dec 2017F	Dec 2018F
Gross Revenues	1,236	1,324	1,351	1,402
Operating EBITDA Margin (%)	13.3	13.3	13.7	14.0
FFO Margin (%)	5.0	5.1	5.2	5.4
FFO Fixed-Charge Coverage (x)	1.7	1.8	2.2	2.1
FFO Adjusted Leverage (x)	7.1	5.6	6.0	6.0

Source: Fitch

Fitch Ratings' Stable Outlook for Intralot S.A (Intralot)'s 'B+' IDR reflects our belief that the underlying business model and financial trends appear to have stabilised, underpinned by steady recurring contracted revenues and cash-flow generation. We also view management's attempts to rebalance the portfolio over the past year positively.

Despite the improvement seen in FY16 Intralot's high gross leverage remains not fully aligned with a 'B+' rating, but the business profile is commensurate with a 'BB' rating category for the sector. The solid business risk profile together with a weaker financial profile supports Intralot's IDR at 'B+'. In its assessment Fitch estimates that Intralot will maintain a conservative financial structure. Any evidence of a deteriorating operating environment, contracts not renewing or renewing on worse terms, unexpected cash leakages, or weakening of liquidity will be negative for the rating.

Key Rating Drivers

Recurring Contracted Revenue Base: Intralot's credit profile benefits from more than 85% of revenues recurring and contracted up until 2021, with only three contracts up for renewal in 2018. The fall in EBITDA margin appears to have stabilised, and we expect this to improve to 13.7% in 2017. However, we expect many of the contracts to be renewed due to high switching costs, although we continue to believe these could be on lower margins in future and may require a higher renewal fee. EBIT margins are now above the minimum threshold of 7%, supporting the 'B+' rating.

Weak Free Cash Flow: We expect free cash flow (FCF) to be negative in 2017 and 2018, bottoming at -1.8% in 2018 due to one-off investments and some renewal fees and then to turn positive thereafter. FCF can be volatile as a result of upfront investments related to new contracts of contract renewals; however, this does contribute to a steady operating cash-flow generation due to its recurring profit stream as a key credit support.

Leverage Down from 2015 Peak: Fitch expects funds from operations (FFO) adjusted gross leverage to remain high at about 6.0x in 2017 and 2018. Our base-case projections do not factor in any proceeds from the sale of Oceania. This level of gross leverage is not commensurate with a 'B+' rating which indicates low financial headroom. However, FFO adjusted net leverage remains within our sensitivity guidance for the rating below 4.5x. We anticipate some deleveraging from the group's underlying operating performance, but the potential sale of Oceania or other assets could still be used to accelerate the debt reduction process.

Reputable Gaming Operator, Technology Supplier: Intralot has established itself in the international gaming sector as a reputable provider of products such as systems to manage lotteries through software platforms and hardware terminals; and in betting, a large algorithm-based sportsbook. This has enabled it to win important contracts for the supply of technology and the management of lotteries in the US and Greece and for sports betting in Turkey and Germany.

Positive Scope for Growth: The gradual liberalisation of gaming markets, governments' keenness on finding ways to raise tax proceeds and the increasing supply of new games, should all provide increasing opportunities for Intralot. The company should be able to leverage on its experience and reputation and also benefit from the limited number of reputable suppliers in the industry, allowing the group to expand into new geographies. Intralot is also well positioned to benefit from opportunities in the US.

Limited Linkage with Greece: Intralot generates only less than 10% of its EBITDA in Greece (rated 'CCC' with a country ceiling of 'B-'). We view Greece's low sovereign rating as neutral for Intralot's ratings, given its contractual requirement to maintain large portions of its cash outside Greek banks. In the event of a sovereign default, including Greece's exit from the euro – a scenario that we do not currently envisage – the company has contingency plans in place that it could complete within three months. Intralot's wide geographic diversification of its business and lack of meaningful reliance on Greek banks for funding mitigates its exposure to Greece and other countries with a 'b' economic environment.

Above-Average Recovery Expectations: Our recovery analysis assumes that Intralot would be considered a going concern in bankruptcy and that the company would be reorganized rather than liquidated. We have assumed a 10% administrative claim.

Intralot's going concern EBITDA is based on 2016 EBITDA of EUR108 million (after deducting attributable EBITDA to minority interests). We apply a 25% discount to arrive at an estimated going concern post-restructuring EBITDA available to creditors of EUR81m. We then apply a conservative distressed enterprise value EV/EBITDA multiple of 4.5x to Intralot's wholly owned operations resulting in an EV of EUR364.5 million.

We then estimate an additional EV of EUR102m of additional value stemming from minority interest, mainly from emerging markets. This is calculated as EUR68 million of attributable EBITDA discounted by 50% with a conservative distressed enterprise value EV/EBITDA multiple of 3.0x.

In terms of distribution of value, all unsecured debt would recover 58% in the event of default consistent with an 'RR3' and an instrument rating of 'BB-', one notch above the assigned IDR.

Rating Derivation Relative to Peers

Rating Derivation versus Peers	
Peer Comparison	Intralot is positioned well in the 'B' rating category, the main differentiating factor being its visibility of revenue from recurring contracted EBITDA. Intralot has smaller revenue and EBITDA than Ladbrokes (BB/Stable), William Hill, IGT and Scientific Games (b-*/positive). However, it does have broad geographic diversification and benefits from the more profitable emerging markets. It also has an established position in the US, and is well placed for potential growth opportunities. Intralot displays unique, stronger characteristics than its peers in the 'B' rating level, with contracted EBITDA and specialist supplier-technology expertise.
Parent/Subsidiary Linkage	No Parent/Subsidiary Linkage is applicable.
Country Ceiling	No Country Ceiling constraint was in effect for these ratings as Intralot only generates less than 10% of its EBITDA in Greece (where the country ceiling is B-).
Operating Environment	No Operating Environment influence was in effect for these ratings due to geographically diversified business operations.
Other Factors	n.a.

Source: Fitch

Rating Sensitivities

Future Developments That May, Individually or Collectively, Lead to Positive Rating Action

- Revenue growth and steady profitability supported by a stronger return on capital on existing and future contracts with limited capex outlays
- FFO adjusted net leverage reducing sustainably below 3.0x (or FFO gross lease-adjusted leverage below 4.0x), with cash deposited predominantly at investment grade-rated counterparties
- FFO fixed-charge cover above 3.0x, unaided by favourable interest carry
- Evidence of sustained positive FCF generation in the- low to mid-single digits of sales.

Future Developments That May, Individually or Collectively, Lead to Negative Rating Action

- Evidence that new contracts or renewals are occurring at materially less favourable conditions for Intralot, resulting in continuing weak EBIT margins of under 7%, large upfront concession fees or capex outlays (2016: 8.2%)
- FFO adjusted net leverage sustainably above 4.5x (or FFO adjusted gross leverage above 5.5x) (FY16: 4.3x and 5.6x, respectively)
- FFO fixed-charge cover below 2.0x (2016: 1.8x)
- Material reduction in liquidity without a commensurate reduction in gross debt levels

Liquidity and Debt Structure

Comfortable Liquidity Following Refinancing: At end-2016, Intralot had EUR164 million of cash on its balance sheet, of which about 7% was deposited in Greek banks, and around EUR65 million of undrawn availability under committed facilities. This was sufficient for liquidity purposes, with no significant debt maturity until 2019 when the term facilities mature, while the two bonds (totalling EUR500 million) mature in 2021. At the start of 2017, Intralot drew EUR15 million under its RCF with respect to the new Amelco partnership.

In response to the Greek debt crisis and to protect its liquidity position, Intralot fully drew on its syndicated revolving credit facility (RCF; EUR120 million of EUR200 million facility) maturing May 2017. This was replaced by a new EUR225 million syndicated facility maturing in 2019 (RCF EUR86 million, term loan EUR99 million and standby RCF EUR40 million) following the successful placement of the EUR250 million unsecured notes in September 2016 which extended maturities.

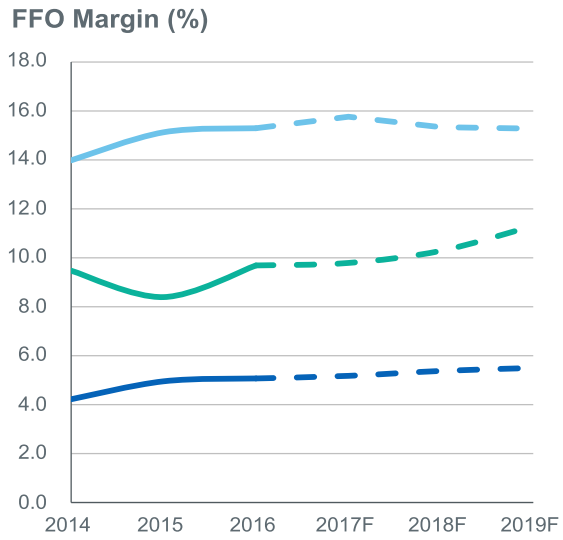
Debt Maturities and Liquidity at FYE16

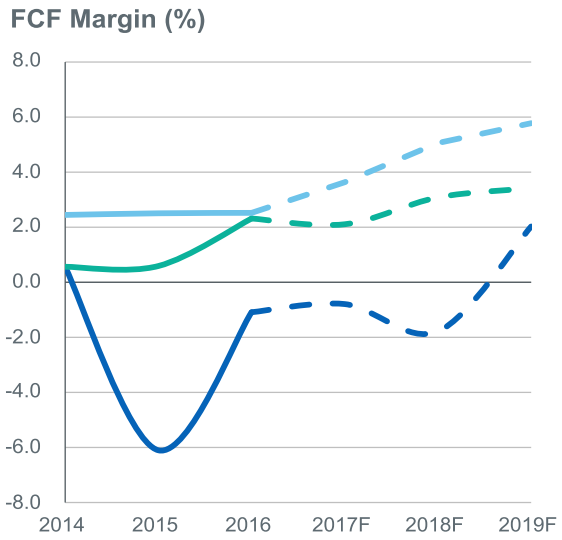
Debt Maturities	EURm
2017	0.0
2018	0.0
2019	157.0
2020	0.0
2021	500.0
After 2021	0.0
Total debt	657.0
Liquidity Analysis	**EURm**
Unrestricted cash	164.4
Committed banking facilities	139.0
Available undrawn portion	68.0
Total Liquidity	232.4
Fitch-Forecast 2017 FCF (post dividend)	-11
Short-term debt	0.0

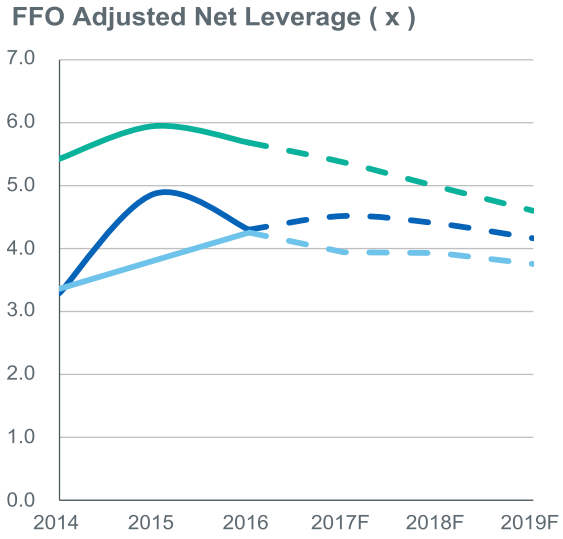
Source: Fitch

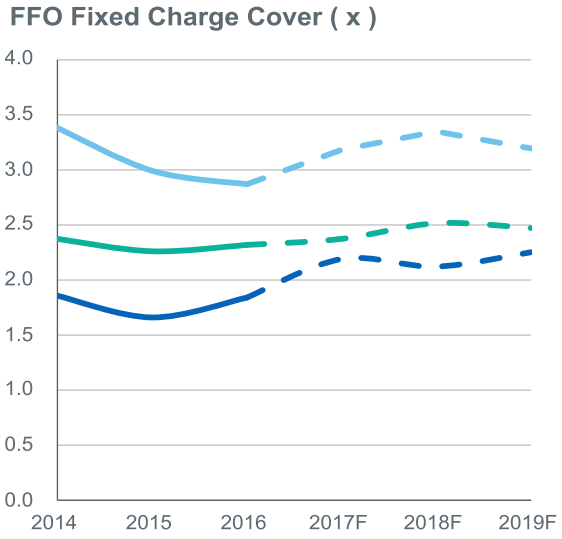
Trends and Forecasts

Intralot S.A. — Developed B Cat Median — Gaming, Lodging & Leisure Median









Note: Including Fitch expectations
Source: Fitch

Definitions

FFO Margin: FFO divided by Revenues.
FCF Margin: FCF divided by Revenues.
FFO Adjusted Net Leverage: Total Debt with Equity Credit + Lease equivalent Debt + Other off Balance Sheet Debt - Readily Available Cash & Equivalents divided by Funds From Operations [FFO] + Gross Interest (Paid) - Interest Received + Preferred Dividends (Paid) + Operating Lease Expense for Capitalised Leased Assets.
FFO Fixed Charge Cover: FFO + Gross Interest paid minus interest received + Preferred Dividends paid + Operating Lease Expense for Capitalised Leased Assets divided by Gross Interest Paid + Preferred Dividends Paid + Operating Lease Expense for Capitalised Leased Assets.

Key Assumptions

Fitch's key assumptions within our rating case for the issuer include:

- revenue growth of 2% in 2017, accelerating in 2018 and 2019 underpinned by new contracts and some organic growth;
- EBITDA margin remaining steady at between 13.5% and 14.0%;
- rental expenses lower as a result of leases associated with expiring contracts;
- minority profits fully paid out fully as dividends: EUR39 million in 2017, EUR44 million in 2018;
- capex higher in 2017 and 2018 due to contract renewals and investments in new contracts which we assume will be partially funded by debt drawdowns;
- we forecast capex falling back towards about EUR45 million-50 million per annum from 2019;
- no common dividends.

Financial Data

	Historical			Forecast		
(EURm)	**Dec 2014**	**Dec 2015**	**Dec 2016**	**Dec 2017F**	**Dec 2018F**	**Dec 2019F**
SUMMARY INCOME STATEMENT						
Gross Revenues	1,853	1,236	1,324	1,351	1,402	1,495
Revenue Growth (%)	20.4	-33.3	7.1	2.0	3.8	6.6
Operating EBITDA (before income from associates)	176	165	176	185	196	203
Operating EBITDA Margin (%)	9.5	13.3	13.3	13.7	14.0	13.6
Operating EBITDAR	185	174	184	189	200	207
Operating EBITDAR Margin (%)	10.0	14.1	13.9	14.0	14.3	13.9
Operating EBIT	88	99	108	117	129	136
Operating EBIT Margin (%)	4.8	8.0	8.2	8.7	9.2	9.1
Gross Interest Expense	-71	-68	-88	-49	-55	-51
Pretax Income (Including Associate Income/Loss)	37	48	5	73	81	94
SUMMARY BALANCE SHEET						
Readily Available Cash & Equivalents	417	277	164	174	199	166
Total Debt with Equity Credit	805	802	659	664	714	651
Total Adjusted Debt with Equity Credit	877	876	723	697	748	687
Net Debt	388	525	495	491	516	486
SUMMARY CASH FLOW STATEMENT						
Operating EBITDA	176	165	176	185	196	203
Cash Interest Paid	-66	-65	-63	-49	-55	-51
Cash Tax	-29	-28	-26	-29	-31	-36
Divs received less Divs paid to minorities (inflow / (out)flow)	-23	-42	-41	-39	-44	-46
Other Items Before FFO	7	19	14	-6	0	0
Funds Flow from Operations	78	61	67	70	75	82
Change in Working Capital	-1	-42	5	5	-1	-5
Cash Flow from Operations (Fitch Defined)	78	19	72	75	74	78

Total Non-Operating/Non-Recurring Cash Flow	0	-24	-21			
Capital Expenditure	-67	-71	-65			
Capital Intensity (Capex/Revenues)	3.6	5.7	4.9			
Common Dividends	0	0	0			
Net Acquisitions & Divestitures	8	-3	7			
Other Investing and Financing Cash Flow Items	3	-12	-5	0	0	0
Net Debt Proceeds	254	-50	-95	5	50	-63
Net Equity Proceeds	-1	0	-5	0	0	0
Total Change in Cash	274	-140	-112	9	25	-33
DETAIL CASH FLOW STATEMENT						
FFO Margin (%)	4.2	5.0	5.1	5.2	5.4	5.5
Calculations for Forecast Publication						
Capex, Dividends, Acquisitions & oth. Items before FCF	-60	-98	-79	-70	-99	-47
Free Cash Flow after Acquisitions & Divestitures	18	-79	-7	4	-25	30
Free Cash Flow Margin (after net acquisitions) margin (%)	1.0	-6.4	-0.6	0.3	-1.8	2.0
COVERAGE RATIOS						
FFO Interest Coverage (x)	2.0	1.8	1.9	2.3	2.2	2.4
FFO Fixed Charge Coverage (x)	1.9	1.7	1.8	2.2	2.1	2.3
Operating EBITDAR/Interest Paid + Rents (x)	2.2	1.8	2.0	2.8	2.7	2.9
Operating EBITDA/Interest Paid (x)	2.3	1.9	2.2	3.0	2.8	3.1
LEVERAGES RATIOS						
Total Adjusted Debt/Operating EBITDAR (x)	5.4	6.6	5.1	4.6	4.8	4.3
Total Adjusted Net Debt/Operating EBITDAR (x)	2.8	4.5	3.9	3.5	3.5	3.2
Total Debt with Equity Credit/Operating EBITDA (x)	5.3	6.5	4.9	4.5	4.7	4.2
FFO Adjusted Leverage (x)	6.3	7.1	5.6	6.0	6.0	5.5
FFO Adjusted Net Leverage (x)	3.3	4.9	4.3	4.5	4.4	4.2

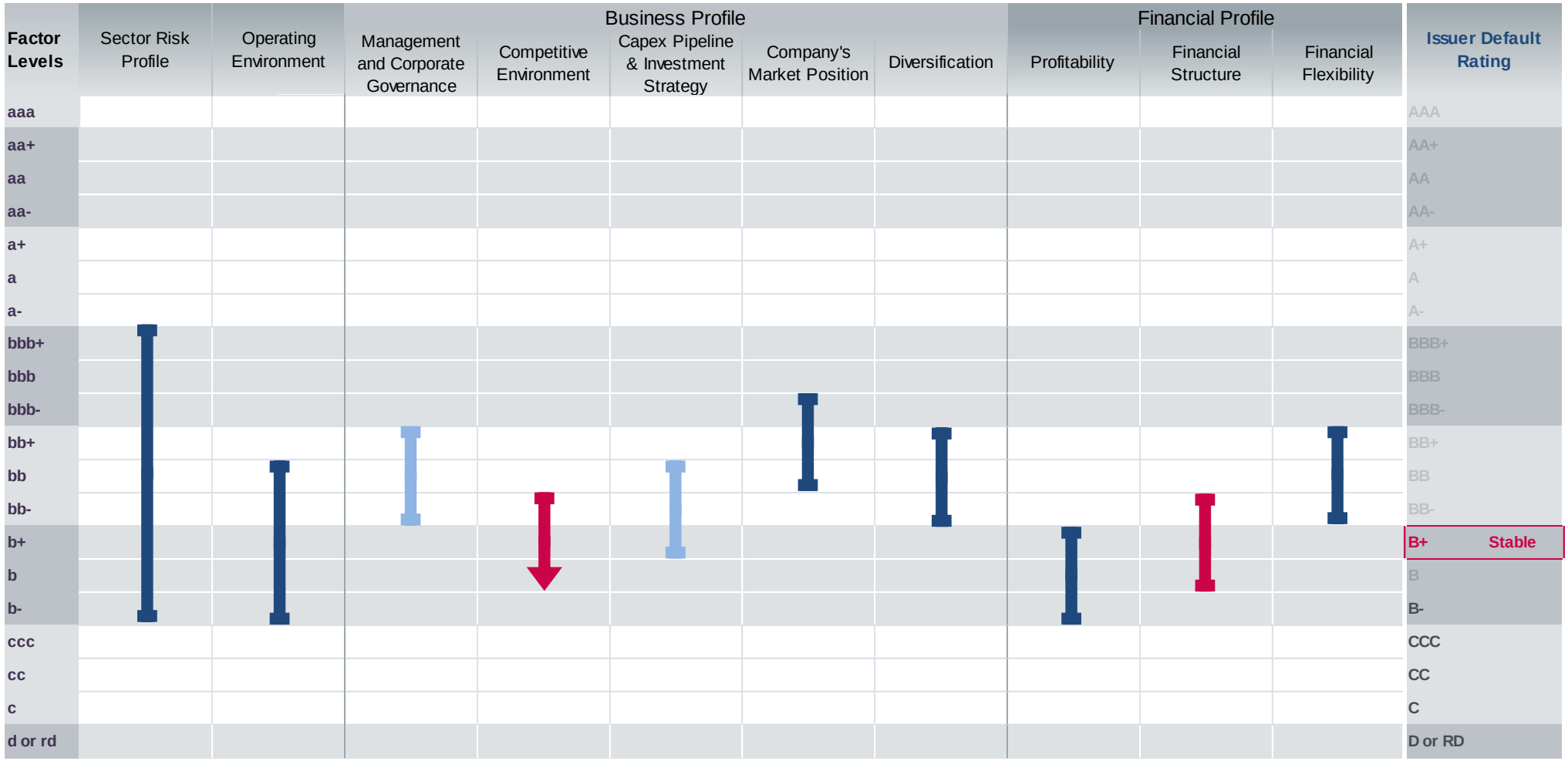
How to Interpret the Forecast Presented

The forecast presented is based on the agency's internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch's rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch's forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch's own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch's own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch's own internal deliberations, where Fitch, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch may update the forecast in future reports but assumes no responsibility to do so.

Rating Navigator

Intralot S.A.

Corporates Ratings Navigator
Gaming



FitchRatings

Intralot S.A.

Corporates Ratings Navigator
Gaming

Operating Environment

bb+	Economic Environment	bb	Below average combination of countries where economic value is created and where assets are located.
bb	Financial Access	bb	Below average combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	b	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'b'.
b-			
ccc			

Management and Corporate Governance

bbb-	Management Strategy	b	Strategy lacking cohesion and/or some weakness in implementation.
bb+	Corporate Governance	bb	Board effectiveness questionable with few independent directors. "Key man" risk from dominant CEO or shareholder.
bb	Group Structure	bb	Complex group structure. Related-party transactions exist but with reasonable economic rationale.
bb-	Financial Transparency	bb	Financial reporting is appropriate but with some failings (eg lack of interim or segment analysis).
b+			

Competitive Environment

bb	Barriers to Entry	b	Exposure to markets easily susceptible to new competition. High likelihood that new entrants could emerge.
bb-	Supply/Demand	bb	Exposure to markets that have modest gaming supply growth prospects, which can be absorbed by stable growth in demand.
b+	Promotional Environment	b	Exposure to markets susceptible to aggressive promotional activity that drives competitive responses or revenue share losses.
b	Gaming Regulatory Environment	bb	Exposure to jurisdictions that have short or volatile histories of regulating gaming and tax regimes.
b-			

Capex Pipeline & Investment Strategy

bb+	Scale	b	Existing and potential pipeline is heavy relative to a weak discretionary FCF profile and weak liquidity profile.
bb	Funding	bb	Project/development spending funding is likely to skew materially toward debt relative to equity and/or existing cash flow.
bb-	Prospects	bb	Projects have reasonable ROIC prospects and/or some diversification benefits.
b+			
b			

Company's Market Position

bbb	Market Share	bb	Predominantly second-tier player in most markets.
bbb-	Competitive Advantage; Brand Recognition	bb	A level of brand building and loyalty programs, but less sophisticated/established. Supported by regular property improvement programs.
bb+	Property Quality		n.a.
bb	Market Exposure/Opportunities; Multi-Channel Offering	bbb	Attractive opportunities in underserved markets or new distribution channels (eg online) and/or strong position in stable markets.
bb-			

Diversification

bbb-	Geographic	bbb	Exposure to several markets and several jurisdictions, potentially including international exposure.
bb+	Property/Locations		n.a.
bb	Business and Customer Segment	b	Narrow focus on primarily gaming-related activities.
bb-			
b+			

Profitability

bb-	FFO Margin	b	7%
b+	EBIT Margin	ccc	Persistently and structurally break-even or loss-making at EBIT level.
b	FCF Margin	b	Neutral to negative FCF margin.
b-	Volatility of Profitability	bb	Volatility of profits in line with industry average.
ccc	EBITDAR Margin	b	10%

Financial Structure

bb	Lease Adjusted FFO Gross Leverage	b	6.0x
bb-	Lease Adjusted FFO Net Leverage	b	5.5x
b+	Net Debt/(CFO - Capex)	ccc	8.0x+
b	Adj. Gross Debt/(EBITDAR-Minority	bb	5.0x
b-			

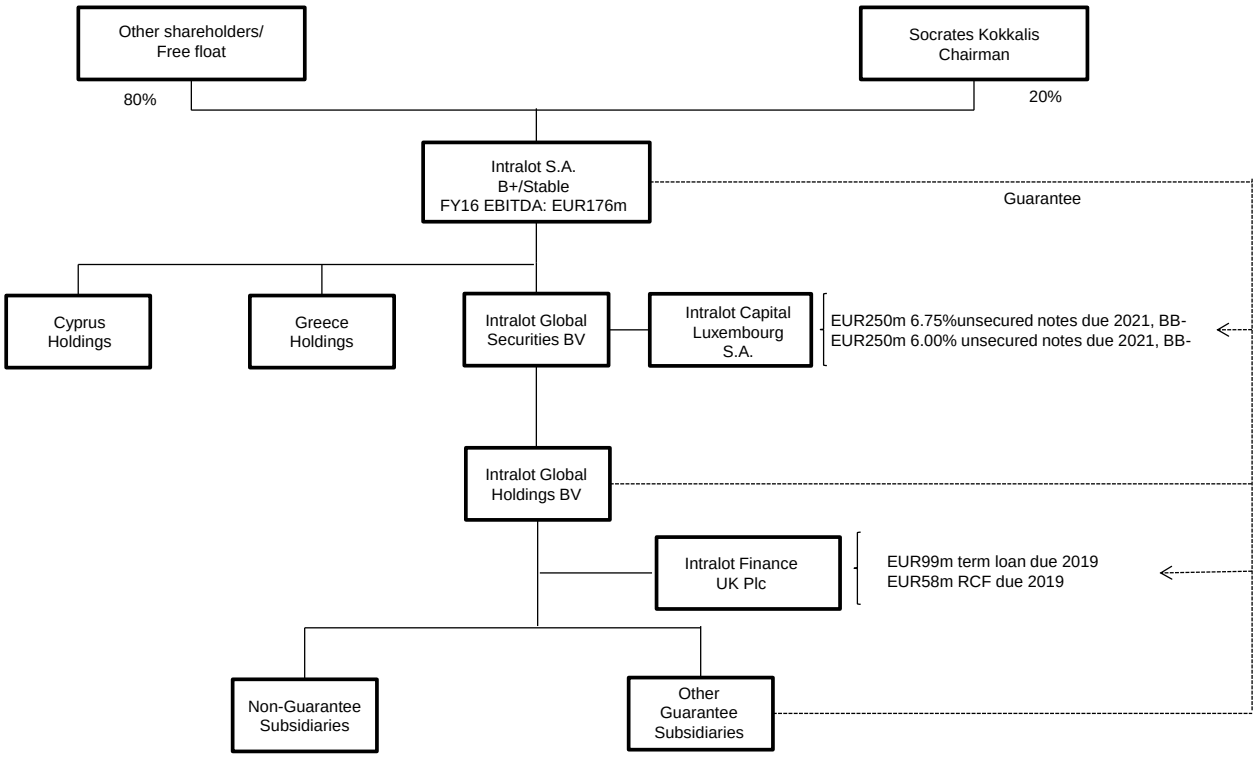
Financial Flexibility

bbb-	Financial Discipline	bb	Expressed commitment to maintain a conservative policy with some deviations allowed.
bb+	Liquidity	bb	Liquidity ratio around 1.0x. Less smooth debt maturity or concentrated funding.
bb	FFO Fixed Charge Cover	b	2.0x
bb-	FX Exposure	bb	FX exposure on profitability and/or debt/cash flow match. Some hedging in place but only partly effective.
b+			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Navigator Version: RN 1.39.47.0

Simplified Group Structure Diagram



Source: Fitch, as of July 2017

Peer Financial Summary

Company	Date	IDR	Gross Revenues		EBITDA Margin (%)	FFO Margin (%)	FFO Fixed Charge Coverage (x)	FFO Adjusted Leverage (x)
William Hill Plc	2015	NR	1,591	22.9	17.9	3.7	3.0	2.5
	2016		1,604	21.6	15.5	3.2	3.5	3.2
	2017F		1,654	21.5	17.1	3.7	3.2	3.0
	2018F		1,680	21.5	17.0	3.7	3.2	2.8
Ladbrokes Coral Group plc	2014	BB	1,175	18.5	13.9	2.7	3.8	3.7
	2015	BB	1,200	13.1	7.9	2.0	4.7	4.5
	2016PF		2,378	17.7	14.5	3.0	4.3	4.2
	2017F		2,399	18.7	15.0	3.0	3.8	3.7
	2018F		2,498	20.2	16.6	3.4	3.2	3.0
GVC Holding Plc	2016pf	NR	894	206	15.4	3.8	2.2	0.8
	2017F		921	226	22.2	19.0	1.3	1.1
	2018F		948	242	22.8	19.9	1.2	0.9
Paddy Power Betfair	2015	NR	1,318	22.5	20.3	8.4	1.5	1.0
	2016		1,551	25.8	23.3	11.0	1.3	0.6
IGT	2015	NR	4,689	34.4	14.9	6.7	10.4	9.7
	2016		5,154	34.1	20.0	3.3	5.4	5.2
	2017F		5,051	33.3	19.7	3.4	5.6	5.4
	2018F		5,079	33.2	19.7	3.4	5.3	5.1
Intralot SA	2015	B+	1,236	13.3	5.0	1.7	7.1	4.9
	2016	B+	1,324	13.3	5.1	1.8	5.6	4.3
	2017F		1,351	13.7	5.2	2.2	6.0	4.5
	2018F		1,402	14.0	5.4	2.1	6.0	4.4
Gamenet S.p.A.	2014	NR	546	11.8	8.1	2.8	4.0	3.5
	2015		533	11.9	9.8	3.1	3.6	2.9
	2016F		1,062	7.2	5.3	3.2	3.5	2.7
	2017F		1,105	7.5	5.7	3.7	3.4	2.8
Schumann S.p.A.	2014	NR	821	23.0	14.3	2.3	6.3	5.8
	2015		787	23.2	15.1	2.5	6.5	5.8
	2016F		792	24.2	15.6	2.6	4.6	3.9
	2017F		782	24.8	16.7	2.8	4.5	4.3
Codere S.A.	2014	NR	1,386	15.4	10.8	2.1	7.	7.2
	2015		1,640	17.1	12.6	2.3	6.5	6.2
	2016		1,499	16.8	9.1	1.8	5.3	4.9
	2017F		1,562	16.8	9.3	1.8	5.2	4.7
	2018F		1,583	16.7	9.2	1.8	5.2	4.5
Snai S.p.A.	2014	NR	528	21.7	8.5	1.8	5.4	4.6
	2015		632	14.4	5.3	1.6	6.9	5.7
	2016F		974	13.9	5.7	2.3	6.3	5.3
	2017F		1,014	14.1	7.6	2.7	5.2	4.6

Source: Fitch

Reconciliation of Key Financial Metrics

(EUR Millions)	31 Dec 2016
Income Statement Summary	
Operating EBITDA	176
+ Recurring Dividends Paid to Non-controlling Interest	(42)
+ Recurring Dividends Received from Associates	1
+ Additional Analyst Adjustment for Recurring I/S Minorities and Associates	0
= Operating EBITDA After Associates and Minorities (k)	**135**
+ Operating Lease Expense Treated as Capitalised (h)	**8**
= Operating EBITDAR after Associates and Minorities (j)	**143**
Debt & Cash Summary	
Total Debt with Equity Credit (l)	**659**
+ Lease-Equivalent Debt (Op. Lease Expense Treated as Capitalised * Capit. Lease Multiple) (h*i)	64
+ Other Off-Balance-Sheet Debt	0
= Total Adjusted Debt with Equity Credit (a)	**723**
Readily Available Cash [Fitch-Defined]	164
+ Readily Available Marketable Securities [Fitch-Defined]	0
= Readily Available Cash & Equivalents (o)	**164**
Total Adjusted Net Debt (b)	**559**
Cash-Flow Summary	
Preferred Dividends (Paid) (f)	**0**
Interest Received	8
+ Interest (Paid) (d)	**(63)**
= Net Finance Charge (e)	**(55)**
Funds From Operations [FFO] (c)	**67**
+ Change in Working Capital [Fitch-Defined]	5
= Cash Flow from Operations [CFO] (n)	**72**
Capital Expenditures (m)	**(65)**
Multiple applied to Capitalised Leases (i)	**8.0**
Gross Leverage	
Total Adjusted Debt / Op. EBITDAR* [x] (a/j)	**5.1**
FFO Adjusted Gross Leverage [x] (a/(c-e+h-f))	**5.6**
Total Adjusted Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)	
Total Debt With Equity Credit / Op. EBITDA* [x] (l/k)	**4.9**
Net Leverage	
Total Adjusted Net Debt / Op. EBITDAR* [x] (b/j)	**3.9**
FFO Adjusted Net Leverage [x] (b/(c-e+h-f))	**4.3**
Total Adjusted Net Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)	
Total Net Debt / (CFO - Capex) [x] ((l-o)/(n+m))	**76.2**
Coverage	
Op. EBITDAR / (Interest Paid + Lease Expense)* [x] (j/-d+h)	**2.0**
Op. EBITDA / Interest Paid* [x] (k/(-d))	**2.2**
FFO Fixed Charge Cover [x] ((c-e+h-f)/(-d+h-f))	**1.8**
(FFO - Net Finance Charge + Capit. Leases - Pref. Div Paid) / (Gross Int. Paid + Capit. Leases - Pref. Div. Paid)	
FFO Gross Interest Coverage [x] ((c-e-f)/(-d-f))	**1.9**
(FFO - Net Finance Charge - Pref. Div Paid) / (Gross Int. Paid - Pref. Div. Paid)	

*EBITDA/R after Dividends to Associates and Minorities

Source: Fitch based on company reports

Fitch Adjustment Reconciliation

(EUR Millions)	Reported Values 31 Dec 16	Sum of Fitch Adjustments	Preferred Dividends, Associates and Minorities Cash Adjustments	- CORP - other	Other Adjustment	Adjusted Values
Income Statement Summary						
Revenue	1,324	0				1,324
Operating EBITDAR	203	-19		-19		184
Operating EBITDAR after Associates and Minorities	203	-60	-41	-19	-0	143
Operating Lease Expense	8	0				8
Operating EBITDA	195	-19		-19		176
Operating EBITDA after Associates and Minorities	195	-60	-41	-19	-0	135
Operating EBIT	108	0				108
Debt & Cash Summary						
Total Debt With Equity Credit	659	0				659
Total Adjusted Debt With Equity Credit	723	0				723
Lease-Equivalent Debt	64	0				64
Other Off-Balance Sheet Debt	0	0				0
Readily Available Cash & Equivalents	164	0				164
Not Readily Available Cash & Equivalents	0	0				0
Cash-Flow Summary						
Preferred Dividends (Paid)	0	0				0
Interest Received	8	0				8
Interest (Paid)	-84	21			21	-63
Funds From Operations [FFO]	87	-20	-41		21	67
Change in Working Capital [Fitch-Defined]	5	0				5
Cash Flow from Operations [CFO]	92	-20	-41		21	72
Non-Operating/Non-Recurring Cash Flow	0	-21			-21	-21
Capital (Expenditures)	-65	0				-65
Common Dividends (Paid)	0	0				0
Free Cash Flow [FCF]	27	-41	-41		-0	-14
Gross Leverage						
Total Adjusted Debt / Op. EBITDAR* [x]	3.6					5.1
FFO Adjusted Leverage [x]	4.2					5.6
Total Debt With Equity Credit / Op. EBITDA* [x]	3.4					4.9
Net Leverage						
Total Adjusted Net Debt / Op. EBITDAR* [x]	2.8					3.9
FFO Adjusted Net Leverage [x]	3.3					4.3
Total Net Debt / (CFO - Capex) [x]	18.5					76.2
Coverage						
Op. EBITDAR / (Interest Paid + Lease Expense)* [x]	2.2					2.0
Op. EBITDA / Interest Paid* [x]	2.3					2.2
FFO Fixed Charge Coverage [x]	1.9					1.8
FFO Interest Coverage [x]	2.0					1.9

*EBITDA/R after Dividends to Associates and Minorities

Recovery Worksheet

Recovery Analysis

Issuer Intralot S.A.
Currency EUR
Statement Date 31/12/2016

Issuer Default Rating B+

Going Concern Enterprise Value	
Going concern EBITDA	81
EBITDA multiple (x)	4.5
Additional Value from Affiliates, Minority Interest, Other	102
Going concern enterprise value	**467**

Enterprise Value for Claims Distribution		
Greater of going concern enterprise or liquidation value		467
Less Administrative Claims	10%	47
Total Enterprise Value		**420**

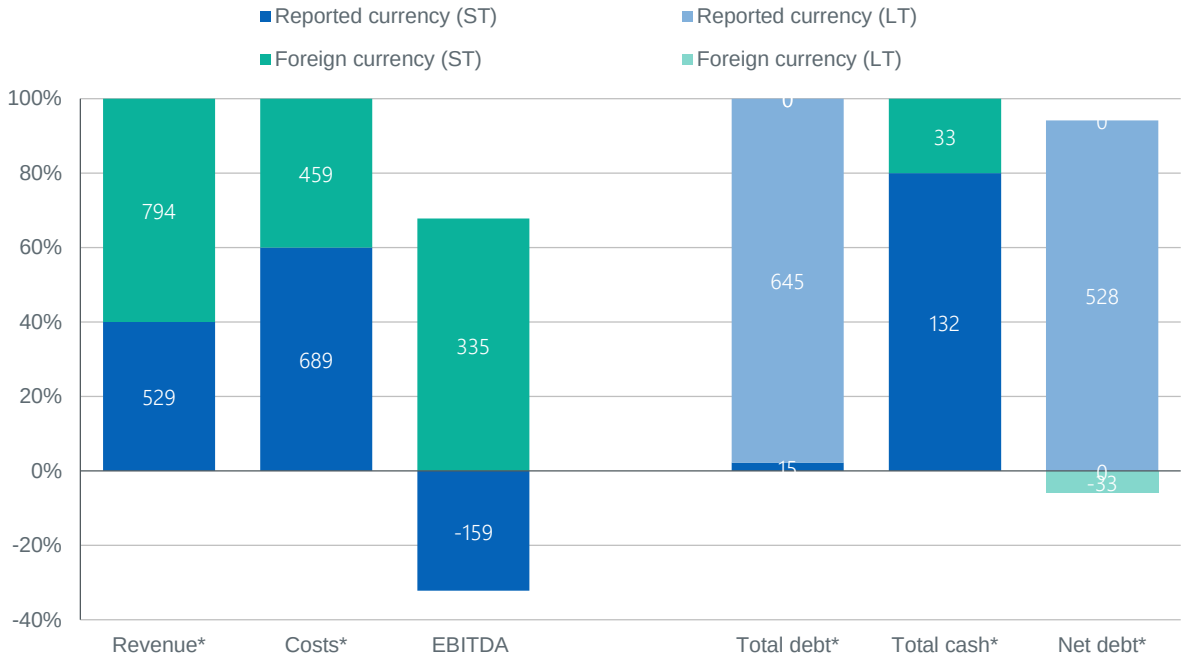
Liquidation Value	Book Value	Advance Rate	Available to Creditors
Cash	164	0%	0
A/R	91	75%	68
Inventory	34	50%	17
Net PPE	13	50%	7
LV of Off-Balance Sheet	0	100%	0
Additional Value from Affiliates, Minority Interest, Other	182	100%	182
Total Liquidation Value			**274**

Distribution of Value

Priority	Amount	Concession Allocation	Value Recovered	Recovery	Recovery Rating	Notching	Rating
Unsecured Notes	725	0	420	58%	RR3	1	BB-

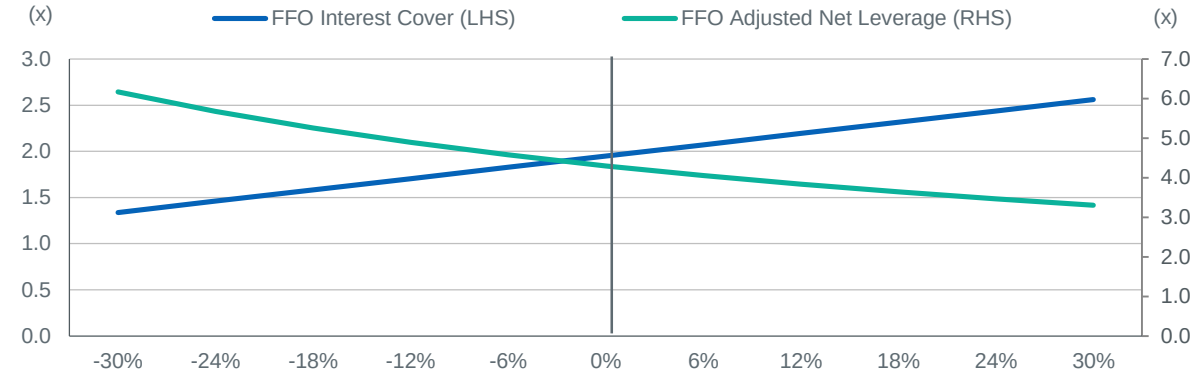
FX Screener

Fitch FX Screener
(Intralot S.A. — B+/Stable, Dec-16, EURm)



*Post hedge, absolute figures displayed are Fitch's analytical estimates, based on publicly available information
Source: Fitch

Fitch FX Screener - Foreign to Reported Currency Stress Test - Absolute Variation
(Intralot S.A. — B+/Stable, Dec-16)



Source: Fitch

B+/B/B-/CCC Table

Considerations	B+	B	B–	CCC	Trend	Fitch's View
Business Model	Robust	Sustainable	Intact	Compromised	◀▶	86% of Intralot's revenue is contracted until 2020, while a large proportion of EBITDA is also visible. Intralot is smaller than Ladbrokes Coral, William Hill, IGT and Scientific Games. However, it has broad geographic diversification and benefits from the more profitable emerging markets. It also has an established position in the US, and is well placed for potential growth opportunities.
Strategy/ Execution Risk	Limited	Moderate execution risk	Meaningful execution risk	High execution risk	◀▶	Execution risk is moderate due to the timing of the Oceania transaction. For all other matters we view strategy as reasonable with limited execution risk.
Cash Flow	Consistently Positive	Neutral to positive FCF	Volatile FCF	Constantly negative FCF	◀▶	We expect FCF to be negative in 2017/2018 bottoming at -1.8% in 2018 due to one-off investments and some renewal fees and then to turn positive thereafter. FCF can be volatile as a result of upfront investments related to new contracts of contract renewals; however this does contribute to a steady operating cash-flow generation due to its recurring profit stream as a key credit support.
Leverage Profile	Clear deleveraging path	Deleveraging capacity	High but sustainable	Unsustainable	◀▶	Fitch expects FFO adjusted gross leverage to remain high at 6.1x in FY17, rising to 6.5x in FY18 due to expected issuance for the Illinois contract. Such leverage is not commensurate with a 'B+' rating, and there is no headroom under the sensitivity guidance. However, we expect that the group would have to ability to reduce the gross leverage in light of the high cash balance, to be seen from FY19. This is demonstrated by FFO adjusted net leverage metrics that are in line with the current rating.
Governance and Financial Policy	Committed	Some commitment to deleveraging	Aggressive	Uncommitted/biased towards equity interests	◀▶	Intralot reduced total gross debt by about EUR140 million in 2016; evidence of some commitment to deleveraging.
Refinancing Risk	Limited	Manageable	High	Excessive	◀▶	Intralot managed to reduce total gross debt during FY16 through refinancing and using cash to repay. This transaction (referred to above) pushed the maturities out until FY21 while the credit facilities mature in 2019. Cash flows can be somewhat volatile due to lumpy capex, although we expect the group to be able to refinance in future years.
Liquidity	Comfortable	Satisfactory	Limited	Poor/partly funded	◀▶	Intralot had EUR164 million of cash on the balance sheet at FYE16, of which about 7% is deposited in Greek banks; and around EUR65 million of undrawn availability under committed facilities, which was sufficient for liquidity purposes with no significant debt maturity until 2019. During the start of FY17, Intralot drew EUR15 million under its RCF with respect to the new Amelco partnership.
CONCLUSION	**B+**					

Source: Fitch

Full List of Ratings

	Rating	Outlook	Last Rating Action
Intralot S.A.			
Long-Term IDR	B+	Stable	Affirmed 17 May 2017
Intralot Capital Luxembourg SA			
Senior unsecured notes rating	BB-/RR3		Affirmed 17 May 2017

Related Research & Criteria

Country-Specific Treatment of Recovery Ratings (October 2016)
Corporate Rating Criteria (August 2017)
Non-Financial Corporates Notching and Recovery Ratings Criteria (June 2017)
Fitch Revises Intralot's Outlook to Stable: Affirms IDR at 'B+' (May 2017)
European Speculative Gaming Handbook (May 2017)
European High-Yield Gaming Issuers Remain Stable Despite Evolving Regulatory Regimes (May 2017)

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