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"Nine Months 2017 Financial Results"

Conference Call

Monday 27th November 2017, 17:00 (GR Time)

Conductors:

Antonios Kerastaris, Group CEO,

Georgios Koliastasis, Group CFO,

Nikolaos Pavlakis, Group Tax & Accounting Director,

Andreas Chrysos, Group Budgeting, Controlling & Finance Director &

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Conference Call Conducted by Chorus Call Hellas

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OPERATOR: Good afternoon ladies and gentlemen, this is the Chorus Call Conference operator.

Welcome and thank you for joining Intralot's Nine Months 2017 Results Conference Call.

At this time, I would like to turn the conference over to Mr. Andreas Chrysos, Group Budgeting, Controlling & Finance Director.

Mr. Chrysos, please go ahead.

CHRYSOS A: Good afternoon, all. We would like to welcome all of you on this conference call for INTRALOT's Nine Months 2017 Financial Results. I am here with Mr. Kerastaris, our Group CEO, Mr. Koliastasis, Group CFO, Mr. Pavlakis, Group Tax and Accounting Director, Mr. Tsagalakis, Head of Capital Markets, and we will briefly review INTRALOT's financial results and operational achievements for the nine months ended on September 30th, 2017 and after that we will be at your disposal for any questions you may have.

So going on to the presentation that you have in front of you and we will briefly review the segmental exchange analysis in Pages from 4 to 7, and then we will focus on the main contributors that have affected the financial performance of the nine-month 2017 period.

So starting our analysis from the top left of Page #4, we see that €17.8 billion of worldwide wagers were handled through INTRALOT's systems higher by 2.6% compared to the respective period last year. The main contributor to this performance were the Asian market showcasing a year-over-year increase of 7.1%, while accounting for the 34% of the overall pie and the Western Europe with a year-over-year increase of 5.4 and the contribution of 22%.

On the other hand, North America contributing 26% of the total wagers, geographical pie had a decrease in the respective period of 2% while Eastern Europe with a 12% contribution presented a decrease of 12%.

On the top right of the page we see a high level view of our revenue split by geographical region indicating that Europe and Americas are the main contributors of INTRALOT Group's top line performance, accounting for more than 80% of the total turnover; a detailed analysis per contract and country will follow in the next few slides.

Last but not least, in this page the revenue breakdown per game type, we see that lotteries and sports betting continue to represent the majority of our turnover, accounting for more than 83% of our total sales for the period of the nine months, almost similar to the respective contributions versus one year ago.

If we move on to the next slide, we see that the licensed operations have increased their contribution in our overall turnover by 3 percentage points year-over-year, continuing in this quarter on the same pace as in H1 of current year fueled mainly by the markets of Azerbaijan primarily attributed product enhancements and illegal gambling fight activities.

Jamaica related to the introduction of horse racing following the recent racetrack acquisition, as well as the improved performance in the numerical sales… in the numerical games.

And last but not least, Poland, following recent regulation developments for fighting illegal activities. In Bulgaria, the Eurobets effect which was consolidated in our Group's results for the first time after Half one of 2016, contributed positively in the year-on-year performance and partially offset the declining sports betting revenue due to the decreased payout. Overall year-over-year increase in licensed operations contracts reached 18%.

In the next page, #6, we see that revenues from game management decreased by 3% year-over-year with the last two however showcasing a substantial improvement compared to half one 2017, when respective decrease was 8%.

The main contributors to this positive change have been the markets of Turkey presenting a considerably better performance compared to the first half of the year, attributed to the market growth in Q3 by more than 20% while in H1 2017 it contracted by minus 2%, which counterbalanced the adverse exchange rate of the Turkish lira against Euro being devaluated by 22%. Furthermore, investments and product enhancements in the market of Morocco started yielding positive results in its top line performance.

Finishing with the segmental analysis per contract type in the next Slide #7, we see a contraction of our US business in the nine months period, attributed mainly to a timing variance of multi-play self-service lottery terminal sale in Ohio in 2016, amounting at €13 million, as well as, the effect of a record high Powerball jackpot in Q1 2016, which contributed almost €4 million additional revenue. Counterbalanced, however, partially by organic growth of €2 million year-over-year and a smaller scale Powerball in August in the order of €1.3 million.

This variance however is expected to be mitigated in Q4 2017 with a provision of 750 new multi-play self-service terminal sales in Ohio to be delivered during December 2017, as well as, the additional services that are already offered in this important contract and these things are expected to substantially boost Q4 2017 revenue and EBITDA in our US Company compared to the nine-month performance.

However, the positive contribution of all other technology contracts including among others, the newly introduced contract in Chile and the sale of a software license in Australia supported also by the enhanced performance of INTRALOT S.A., due to the introduction of our new technology contract following our M&A strategy, and our new contract in Kenya managed to fully counterbalance the revenue deficit in our US business for the respective year-on-year period, while continuing at the same pace for Q3 as in H1 2017.

And at this point, I would like to introduce our CFO, who will present briefly the financial results of nine months 2017 and following that our CEO Mr. Kerastaris will make a brief comment for the year and then the Q&A session will follow. Please Mr. Koliastasis, go ahead.

KOLIASTASIS G: Thank you Andrea, hi everybody. Thank you for participating in our results presentation.

Now let's go to Slide #8 of the presentation. Consolidated revenues for the quarter increased by 10% reaching €350.7 million driven by the strong performance in Jamaica, Poland and Azerbaijan. Moreover, margin improvements in Jamaica, USA and Greece point to gross profit margin gains in the quarter by 2.8 percentage points over the same period a year ago.

The gross profit margin gains cascaded down to EBITDA margin improvement in the quarter by 1.8 percentage points resulting into a quarter EBITDA of €45.1 million. In nine months' revenue grew by 13.4% reaching €1 billion and EBITDA grew by 10.5% to €137 million. Though gross profit margin remained at the same levels compared to prior year, EBITDA margin declined by 0.4 percentage points as a result of higher operating expenses in US and advertising expenses in Turkey, mainly and Poland and Azerbaijan.

On top of Page 9, revenue and EBITDA performance steadily improves over the years and last twelve months. Had the mix between the license operations and technology and management contracts remained the same as in 2016, the EBITDA margin would be improved by 0.6 percentage points as a result of improvements in technology contracts and cost containment at headquarter level.

The last twelve-month EBITDA reached €189 million a figure which is 5.5% better compared to the same figure in prior quarter.

INTRALOT generated €120 million of operating cash flow, the same as prior year. However, underlying cash flow generation is about €10 million better due to incorporation of Peruvian and Italian businesses in last year numbers. CAPEX is higher compared to the same period last year due to the AMELCO IP rights acquisition. Net debt to EBITDA slightly improved over the prior period.

Going now to Slide 10, revenues grew in the quarter, both from the licensed operations and the technology contracts given a GGR figure of €177.7 million or 10.9% better than the same period in 2016 and an EBITDA margin on GGR of 25.4% or 3.4 percentage points better than the same period in 2016. Nine-month payout reached 69.9%, almost the same as last year, and GGR at €541 million or 8.2% higher than 2016, giving an EBITDA margin on GGR of 25.4% for the nine months ended in September.

Turning to Slide 11, net debt remained at the same levels as into December 2016. Within net debt, the release of last year collaterals and the IFRS treatment of the 2017 refinancing expenses absorbed the acquisition of AMELCO IP rights and the Eurobet purchase price installments. So more or less, the organic delta in net debt is less than €7 million.

Slide 12 reflects the key contributors in revenues and EBITDA per country.

While turning to Slide 13 INTRALOT's portion of consolidated EBITDA reached to 59% compared to 61% in the same period of 2016, mainly due to the first time consolidation of the Eurobet and the growth in Jamaica and Azerbaijan businesses.

And now, I'm passing to our CEO, Mr. Antonios Kerastaris, for his concluding remarks.

KERASTARIS A: Good afternoon, everybody, another strong quarter for the group. Our financial results for the nine months demonstrate steady progress in all three strategic goals set by the company, namely gains in our operational performance, same contract growth that is, the implementation of M&A strategies to improve the profitability of our offering mix, meaning acquisition of technologies, better product in the market, while facilitating investments in new products and projects and financial profile restructuring to secure long-term visibility.

Our market potential has been manifestly recognized by the success of the 3-plus time oversubscribed €500 million bond offering with seven-year maturity period in September 2017. This is to allow INTRALOT to fully repay its syndicated loans to the Greek banking sector while the diverse mix of investor includes the majority of the highest caliber international investment houses and generates additional confidence and credibility for INTRALOT's prospects.

Furthermore, the performance of the bond post issue gives a very strong signal that the markets continue to support the story of INTRALOT and are very bullish as to its long-term prospects.

And with that, I would like to make my team and myself available for any questions.

Q&A

OPERATOR: The first question comes from the line of Mr. Birbos, Dimitris of IBG. Please go ahead.

BIRBOS D: Yes, good evening. I have two questions, if I may. The first one relates to Slide 12 on your presentation. I can see that other contracts contributed €176 million of revenue but just €3 million in EBITDA. So I presume that most of the other contracts are loss making. So, should we expect some improvement going forward, are you going to discontinue some loss-making operation in the next couple of years? What are… what is your strategy relating to other contracts?

And my second question relates to Turkey. The sports betting contract expires in August. So if you could provide some color on this contract, if there is a public… an international tender or maybe a silent extension, what is happening there? Thank you.

KOLIASTASIS G: Okay, this is Georgios Koliastasis. I will take the first part and Antonios will take the second question. Now, there are plenty of contracts most of them are marginally or more than marginally positive. However, they absorb the headquarter expenses. So it is the cost center of the oversight of the businesses that is being absorbed over the rest of the minor contracts. This is the reason why they are not there.

However, there is a plan of the company to focus and to be… and to focus on the most profitable segments, and according to this strategy the M&A activity will continue in order to implement, in order to deliver into this direction. Now, I am passing to Antonios for the Turkish part.

KERASTARIS A: Like we said the last time, Turkey is one of our most significant contracts. We are following closely, nothing we can disclose officially. I remain at least as confident as I was three months ago about not just the renewal of the existing contract but securing additional business in Turkey. And I think the time frame would be sooner rather than later.

BIRBOS D: Okay, thank you.

OPERATOR: Mr. Kerastaris, there are no more questions registered at this time. You may now proceed with your closing statements. Thank you.

KERASTARIS A: I would like, on behalf of INTRALOT, to thank you all for participating in this call and we will talk again after the full year results. Thank you all.