



## Intralot SA

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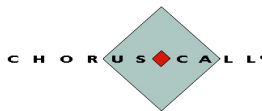
### **"First Quarter 2016 Financial Results" Conference Call**

Wednesday 18<sup>th</sup> May 2016, 17:00 (GR Time)

#### **Conductors:**

**Antonios Kerastaris, Group CEO,**  
**Giorgos Koliastasis, Group CFO**  
**Nikolaos Pavlakis, Group Tax & Accounting Director**  
**Elias Athanasiou, Group IR Director**

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 First Quarter 2016 Results Conference Call.

At this time, I would like to turn the conference over to Mr. Elias Athanasiou, Group IR Director.

Sir, please go ahead.

ATHANASIOU E: Yes, hello, everyone. We would like to welcome you to this Conference Call for INTRALOT's First Quarter 2016 Results. Together with Mr. Kerastaris, the Group CEO, Mr. Koliastasis, our Group CFO, and Mr. Pavlakis our Group Tax and Accounting Director will briefly review INTRALOT's financial results and operating achievements for the three months ended March 31<sup>st</sup>, 2016. Following the brief presentation, we will be at your disposal for any questions you may have. Mr. Koliastasis, please.

KOLIASTASIS G: Thank you, Elias. Good afternoon, everybody. Welcome to our first quarter results presentation. Before starting, we would like to note that Italy is reported as discontinued operations in accordance with IFRS 5 and you can go to notes Page 43 in Greek Latin or 41 in English for further details.

Following our agreements with...to merge our local operations with those of Gamenet, if we go on Slide, Page 3, we see on the top left the revenues performance. Revenues have decreased by 3.6% to €335 million versus Q1, 2015 which was €347.7

million, of course due to negative foreign exchange variance of around €42 million and lower sales in Azerbaijan, Jamaica and Australia. Countries where we experienced double-digit growth compared to same period a year ago are Argentina, Bulgaria, USA and Peru. On an attributable basis, revenues have increased 6.3% year-over-year.

Gross game revenue reflects-a decrease on a nominal FX rate, while we see this relative figure on a constant FX rate, we have an increase of 7.8% versus the same period a year ago or flat versus Q4 2015.

Licensed operations consist of 76% of the business, while the revenue streams from important portfolio perspective were more on lottery games than sport betting driven by the adverse market conditions in Azerbaijan. Elias will brief on you the segmental section with more details. On a constant currency basis, revenue and you see on the top left slide, on the top left chart on the right part, you will see that the revenues on a constant FX have increased by 8.6% year-over-year.

If we go now on the top right chart, we see that the EBITDA has reached €47 million in Q1, an improvement of 5.6% versus same period year ago, but more importantly, an improvement of 1.2 percentage points versus the same period continued operations only. If we see the figure of the EBITDA margin, we have landed at 14.1%, which is a significant improvement versus 9.2 over full fiscal year 2015, while on a constant currency basis the improvement on the first quarter is around 20% versus same period a year ago.

This I think highlights the improved underlying performance of our core business and the strategic choices that we have made so far. The increase in EBITDA is attributed mainly at the gross margin level by the positive sales mix, sales expansion in the US, Turkey and Argentina which has fully...more than fully offset the negative payout on our operations of around 3 points which has created an adverse variance in the Q1 results of circa €7 million. On top of that, operating expenses have increased, have been contained by 7.2% and there is an improvement in the other operating income line driven by instant ticket services growth in US and an improvement in the Turkey operations.

On the bottom left, we see the NIATMI where it has been negatively affected mainly by the exchange rate differences of around the total exchange rate that has affected the NIATMI close to €14 million, excluding rent we see that on the first quarter of 2016, we have been at minus €4 million at NIATMI level compared to minus €14 million of the same period a year ago. We do the comparison on a constant foreign exchange variance, on foreign exchange rate due to the reason that the foreign exchange variances are placed at 67% are reported variances and not realized in our results, which means that we will not...probably we will not face the negative effects in the quarters to come.

On the bottom right, net debt from continuing operations developed at €483 million which is more or less stable versus prior quarter and I would like to mention here that it is the second consecutive quarter where net debt remains stable. In CAPEX there was...we have invested close to €11.1 million and major CAPEX items include investments in US businesses, and R&D.

And now I am passing to Elias for segmental performance.

ATHANASIOU E: Thank you Mr. Koliastasis. Going on to Slide 7 for our analysis of contract type...per contract type, license operations continued to be the largest contributor to our top-line in Q1 2016 contributing 76%, management contracts, 8.7% and technology 15.3%. This compares to 77.8% of licensed operations contribution last year. As Mr. Koliastasis mentioned before, this does not include our operations in Italy. Should this have been the case, this 77%, 78% almost would have been 83%, so we have lost something around 4.5% to 5% of contribution on licensed operations because of the non-consolidation of Italian operations in our accounts starting in Q1.

Going on to the next slide, Slide 8, we present the revenue per product analysis. Sports betting sales in the quarter...in the first quarter of 2016 compared to the first quarter 2015 were down by almost 8%. This was solely due to the underperformance by Azerbaijan. Just to try to add more color here, if we exclude the Azerbaijan from this calculation, the rest of the sports betting operations increased by more than 12%, actually the number is 12.5%.

Numerical games increased by 104%, VLTs and AWP's increased by a 68%, this is due to the new project that we have in the State of Georgia in the United States our monitoring system, this started in late Q3 last year, so practically in Q1, 2015 we did not have any such operations, and this is driving the growth in this particular sector.

Racing was down by 38%; again here Azerbaijan is driving the performance of this sector. Again, if we exclude Azerbaijan from our calculations, the rest of the countries increased by more than 19% their revenues. IT products and services down 6.7%, this is mainly because of the related services...in Jamaica sales were softer this year compared to the previous year; and leading to the consolidated revenues being down by 3.6%.

Going on to Slide 9, revenues per product, as we said before due to the deconsolidation of our Italian operations sports' betting is not anymore the primary contribution to our top-line. Numerical games are now contributing more with 47% of total sales. Sports is contributing 38%, IT products and services almost 10%, VLTs, AWP 3% in the racing... 2,3%

Wagers and our regional basis, Eastern Europe was flattish on 0.3% growth, Western Europe down by 4% bringing the total of Europe down by 2%. North America because of our projects there that as I said includes the monitoring system in Georgia were up by almost 29%, South America a bit softer, mainly driven by Jamaica down by 4%, Asia down by 6%, and Africa up by 10% leaving the total wagers doubled by almost 3% more than last year.

Going on to Slide 11, wagers analysis, the wagers that we have handled around the world, Asia continues to lead being the largest contributor with €2.5 billion, followed very closely by Europe that was €2.3 billion, Western Europe of €1.25 billion and Eastern Europe €1.1 billion, South America is €250 million and Africa is approximately €70 million.

This is the end of our presentation, I would like to invite our CEO to make his closing statement, and then we will be able to take any questions you may have. Mr. Kerastaris, please.

KERASTARIS A: Thank you. Our performance in Q1, 2016 despite adverse FX confirms that we are on the right track in terms of the operational model and the alignment of our portfolio offering following the market trends generating measurable results. I think this is the second quarter in a row where all of the things that we have been talking about in the last year, year and a half are being translated into figures. You can obviously understand that, it is not an exercise whereby results are immediately visible. And in that context we will continue pursuing the same objectives and the performance so far confirms our conviction that this is the right road ahead.

Our strategy for growth through local partnership in new and existing markets is guided by expanding and diversifying our portfolio with complementary products and market share. Additionally, a unique understanding of traditionally industry verticals, such as lottery and betting retail, as most technology providers end operated drives a new product roadmap towards universal customer experience. We will continue to remain focused on sports betting and lottery operations. This is our core business, and we will continue to serve our operations and our customers in the best possible way and translating this to tangible results for all stakeholders.

With that initial comments, myself and the team are at your disposal for any questions. Thank you.

Q&A

OPERATOR: The first question comes from the line of Mr. Draziotis Stamatis of Eurobank Equities. Please go ahead.

DRAZIOTIS S: Yes, hi there, and thank you very much for taking my questions. I have three questions, if I may, please. The first one has to do with the performance of your continuing business which appears to have had good start of the year as you said growing €9 million on a constant currency basis in terms of EBITDA. Would you like to elaborate a bit on the main contracts that drove this improvement and potentially focusing more on the US, I mean you mentioned Georgia also Turkey, Peru, Bulgaria and any other contract which has performed well in the quarter? And for the continuing business again is the 6% EBITDA growth delivered in the first quarter what we should be looking for FY'16 or you feel that there might be room for even better performance in the remainder of the year? My second question has to do with costs, operating expenses also seem to have entered downward trajectory, could you may be elaborate a bit on areas you have been focusing on in terms of costs rationalization, please. And the last question would be with respect to gross gaming revenue could you repeat what the percentage change in gross gaming revenue was in for the first quarter, please.

KOLIASTASIS G: Hey, I will start gross gaming revenue has been improved in the first quarter compared to the same period year ago by 7.8% it is flat versus Q4. The improvement in EBITDA comes...we do not...as far as I understand, we do not report contracts with...we report on a country level. So on a country level performance was significant in terms of EBITDA in Turkey, US, Argentina and then minor improvements in the rest of the



portfolio at operating level. The months to come in terms of year to go, we do not give guidance in terms of how we will anticipate our full year performance will be. There are some significant events in the current year; on the other hand there are also some potential macro headwinds that we do not know how it will affect our business.

KERASTARIS A: On that, 2016 is a year with euro caps or a year where we will have one more month of solid sports betting performance, so historically this drives the revenue in the sports betting area. We think that the changes that we have done in both top-line and the cost elements are structural, so in that context we would expect a trend to continue.

DRAZIOTIS S: Okay that's clear. So just a quick follow-up on this, in the US in particular was there like you know, excluding Georgia was there growth in the rest of the business in terms of profitability?

KOLIASTASIS G: There was growth in all aspects of the business, we had a very good Q1, and all of the industry had a very good Q1. There was a significant jackpot and power board that historically drives all of the business upwards. On top of that we have made significant improvement or product portfolio across the states. So you have an extraordinary venture that's important, on top of that you have all of the day-to-day improvements that you do in your portfolio. And in that aspect it was a very good Q for us.

DRAZIOTIS S: That's helpful, and I think that the last part of the question...the operating expenses, if you want to, you know, elaborate a bit more on the cost rationalization efforts that you've been making.

KOLIASTASIS G: So we are addressing in terms of our cost elements. We are addressing through our global procurement activities that are global in our operation. So we try to maximize purchasing synergies across the Board, and we had a specific focus in 90 operations.

DRAZIOTIS S: Okay. Thank you very much.

OPERATOR: The next question comes from the line of Mr. Lienert, Stephen from Jefferies. Please go ahead.

LIENERT S: Yes, good afternoon. Just interested if you give us some color on the INTRALOT Italian merger with Gamenet, maybe how much EBITDA was contributed to that merger. And then how it was structured, in other words what type of dividends should we expect comes out of that joint venture back to the Group?

KOLIASTASIS G: Okay. So this was a merger where both parties contribute their operations. There are significant synergies on the cost line. I think more importantly there will be considerable synergies in the network, which means by expanding the product portfolio we should expect an uplift in the top-line. We will not be consolidating obviously the performance to the EBITDA level, but the idea is that, the addition of the two businesses together and the synergies on top will create a very strong cash flow performance for the Company, and the appetite of both shareholders is to extract in the form of dividends as much value as it makes sense for continuing to run the business and competing in the market. So both of us are in this for strategic reasons, and the appetite of both shareholders is to extract the

right level of dividend that will protect the business going forward.

LIENERT S: Okay. Thank you.

OPERATOR: The next question comes from the line of Mittleman, Chris of Mittleman Brothers. Please go ahead.

MITTLEMAN C: Hi, actually, there were some talk publicly about the possibility of maybe an additional listing for the Company, possibly in the London International Exchange, has that idea been you know discussed further and decided upon or is it something that you guys have decided to abandon pursuing or just still under a consideration?

KOLIASTASIS G: This is an ongoing discussion; it is a discussion for the shareholders more than it is a discussion for the management of the Company. Again, let me for one more time repeat that we as the management of the Company see significant upside potential, significant benefits for the business from a listing in stock market like the London Stock Exchange. But this is something that should be addressed to the shareholders rather than the management of the Company.

MITTLEMAN C:: Thank you.

OPERATOR: The next question comes from the line of Mr. Cowie Simon from Société Générale. Please go ahead.

COWIE S: Good afternoon, and that's for taking my call. Can I follow-up on a question that Steven made on the Italian business? Can I ask what EBITDA contribution was made in Italy last

year...obviously with that dropping out in 2016? I know we got Q1 numbers, but it will be helpful to know that the year as a whole?

KOLIASTASIS G: The question is what was the EBITDA of Italian operation in 2015 or in Q1?

COWIE S: Yes, please. For 2015, please. We can back out the Italian numbers from Q1 but for the year as a whole?

KOLIASTASIS G: Okay, please. We have to take into consideration that there is a significant change in the taxes in Italy. So you probably...this question does not reflect the real value of the contributed businesses, because the tax that was in 2015 has been cancelled in 2016. So we anticipate that the forgone EBITDA. So I think this is a better, it is less...something less than €10 million.

COWIE S: Okay, thank you. A couple more questions, if I may. Can you talk about any major contracts that they might be expiring this year, what the CAPEX plans as described before. And then just if we could move on, and talk about the dividend, which might be paid this year, obviously the...so the dividend in Turkey was particularly high last year that I assume it might be repeated?

KOLIASTASIS G: Okay. Let's start from the dividends. Like you said, Turkey last year was a distribution of practically three years of dividend. The agreement is that this year there will be the normal distribution of our operation in Turkey. So we should see this as roughly a third of what we paid out of last year. On the question about...sorry the other question was?

COWIE S: Can I just come back to the dividend; it was €9.4 million for Q1. I had always thought you are guiding to around €25 million for the year on an underlying basis or should I increase that number a bit?

KOLIASTASIS G: No, I just spoke about Turkey. I didn't mention anything about the whole Group. You mentioned Turkey and said last year was extraordinary. Last year was extraordinary because in Turkey, we distributed dividend of three years. This year, we would distribute the dividend of 2015 only. So one should expect from the Turkish operation 1/3<sup>rd</sup> of the dividend paid in 2016 from what it was in 2015. Does that answer your question?

COWIE S: Could I ask for the group as a whole? What the dividend paid is likely to be?

KOLIASTASIS G: It will be around €30, €35 million.

COWIE S: Okay. Thank you.

KOLIASTASIS G: You're welcome.

OPERATOR: The next question comes from Chang Lisa from Bank of America. Please go ahead.

CHANG L: Thank you for taking my question. So just to clarify on the EBITDA, are you able to provide like trailing 12 months EBITDA without the Italian business?

KOLIASTASIS G: Sorry, will you please repeat. The EBITDA in Q1 without the Italian business is the EBITDA reported from continued operations...

CHANG L: I was asking if there is a number we can use for the last 12 months.

KOLIASTASIS G: Last...the IFRS EBITDA of 2015, it was around 3 point something million euros for 2015. But you have to adjust this figure based on the adjustment of the tax, that's why we have mentioned that on a going forward basis, the expected contributed EBITDA is less than €10 million from our side.

CHANG L: So, if I take the year end EBITDA of €177 million and subtract 10 would that give me last year's EBITDA without Italy?

KOLIASTASIS G: The last year without Italy was around €175 million.

CHANG L: Okay, €175, all right great. Thank you. And then, regarding the plan to do potential mergers or the disposals of some minority stakes, do you have anything to say on the outlook for that and is the choice to do such deals related to low margin businesses such as Italy?

KOLIASTASIS G: No, the choice to do that is how do you best drive and grow the business going forward and what is the right partner in the specific location, so there will be further announcements on similar deals like the ones in Italy or like the one in Bulgaria where we will either be acquiring into businesses with local partners or we will be diluting our percent and bringing in local partners in the business. The criteria for those decisions are two, one is, what is good for the long term performance of the business and the second criteria is, what is the best value crystallization for the Group. So we have only done deals like

that at multiples that make sense at valuations that makes sense for the Group.

CHANG L: Okay. And then, pro forma for Italy, what would you say are the top contributors to revenues and EBITDA for the Group?

KOLIASTASIS G: It's around €0.5 billion of revenue and around €10 million of EBITDA.

CHANG L: Understood. But, what are the other large jurisdictions because I know Italy was one of your major geographies?

KOLIASTASIS G: Italy was the major geography in terms of top-line not a major contributor in EBITDA. Our major contributors to EBITDA are US, Turkey, Bulgaria, Argentina, Malta, Morocco.

CHANG L: And are any of those above 10%, would you say?

KOLIASTASIS G: Yes.

CHANG L: Okay, great. Thank you.

KOLIASTASIS G: You're welcome.

OPERATOR: The next question comes from the line of Mr. Rogge Ralph of Rogge Global Partners. Please go ahead.

ROGGE R: Hi, there. Sorry, there was an earlier question regarding CAPEX and the potential contracts ending. Did you answer that question regarding the contracts?

KOLIASTASIS G: No, we didn't answer that. So there are no contracts, major contracts expiring in 2016, our first expiring contract is potentially in August 2017. The CAPEX guidance for this year is the same as last year, so in the range of €60 million, Q1 is on track for that. And the CAPEX that we mentioned for the US is CAPEX for projects we assigned in 2015 and materialized and already have contributed revenues and EBITDA in 2016.

ROGGE R: Thank you.

OPERATOR: We have a follow-up question from the line of Ms. Chang Lisa from Bank of America. Please go ahead.

CHANG L: Hi, just the one follow-up. Well, how much of your EBITDA would you say is attributed to minorities?

KOLIASTASIS G: The EBITDA attributed to INTRALOT is around 65%.

CHANG L: Okay, great. Thank you.

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

KERASTARIS A: Thank you very much all for joining us once more for the Q1 results. Hope to hear you again in three months. Thank you and have nice afternoon. Bye-bye.