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"Fourth Quarter 2018 Financial Results"

Conference Call

Tuesday, 16th April 2019, 17:00 (GR Time)

Conductors:

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Mr. Chrysostomos Sfatos, Group Deputy CEO

Mr. Nikolaos Nikolakopoulos, Group Deputy CEO

Mr. Andreas Chrysos, Group CFO

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Conference Call Conducted by Chorus Call Hellas

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OPERATOR: Ladies and Gentlemen thank you for standing by. I am Gelly your Chorus Call Conference operator.

Welcome and thank you for joining the Intralot conference call to present and discuss the Fourth Quarter 2018 Financial Results.

At this time, I would like to turn the conference over to Mr. Sokratis Kokkalis, Chairman and CEO.

Mr. Kokkalis you may now proceed.

KOKKALIS S: Good afternoon, good morning, Gentlemen, Ladies. The reported revenue of 2018, about earnings points to the need for a wide reorganization of our production and to operational capabilities, towards significant cost reductions and to operational efficiencies. We are currently conducting a management reshuffle in order to design and implement a new cost reduction plan, to better synergies between divisions and between headquarters and subsidiaries.

INTRALOT has grown in the last years to become a leader in lottery and sports betting technology and end-to-end services. While retaining our strength in the retail channel, we invested in upgrading our capabilities for online services through a new dedicated digital division. We are looking to capture new business opportunities, especially in the area of the sports betting in the United States and in Europe.

In the last 3 years INTRALOT has invested in the development of next generation products and services for lottery digital transformation. This year, we launched a new lottery platform, Lotos X, and a new betting platform, INTRALOT Horizon. The cost of new products development will be significantly reduced during 2019 and 2020 as our products become mature resulting in recurring cost savings.

Our strategy is to reorganize our markets portfolio through both divestments from emerging markets, a… new business development investments in mature markets. Our U.S. operation is today our most strategic and important asset and looking forward to capitalizing on our presence in this market including a significant contribution to our earnings from the new operation in Illinois that started in February 2019.

I am personally committed and focused on our mission to best address the needs of our clients and to improve the cash flow generation of our businesses through a combination of new business and organic growth opportunities, coupled with cost optimization while continuing these investments from non-core assets when market conditions will be favorable. Thank you.

CHRYSOS A: Thank you, Mr. Kokkalis. Now we will briefly present the 2018 financial results. Please, you may refer to the presentation that you have in front of you. And the developments of 2018 shed some light on the 2019 expectations, and after this, the Q&A session will follow.

As Mr. Kokkalis already mentioned, 2018 has been a transitional year for INTRALOT which was also reflected in our financial results. The combined implications of issues that we control or new already as well as elements that we do not control such as the FX have contributed to the financial results of 2018, which if compared to those of 2017, but also in terms of the last quarter's performance over the previous 3 quarters, lack materially.

The impact of our investment program primarily depicted through the increased CAPEX in the U.S. market, but also through the finalization of our sports betting platform investment had also affected substantially our cash flow in 2018.

However, these investments have already started yielding additional cash flows for the Group in current year primarily by the go-live of the Illinois contract. Furthermore, as the CEO said, our new lottery suite called LotosX as well as our sports betting platform called Orion are a pretty mature phase and have already started being implemented in our new contracts, and this will be intensified in the near future in our new business ventures.

Our footprint rebalancing is progressing well with a most recent example being the divestment from Poland and the enhancement of our presence in the U.S. On the other hand, the maturity of our products development investment plan allows us to prepare and implement a wide range reorganization of our production and operational capabilities towards significant cost reductions and operational efficiencies.

Having said that, and returning to the 2018 results, 3 were the main areas that affected 2018 results and the respective financial performance being reflected in the operating metrics of our P&L. The first one refers to the projects primarily in Greece and in the U.S. that were discontinued, altered to a new status or prepared to commence. More specifically, the OPAP contract in Greece entered into a new era from August 2018 onwards which due to its smaller scope contains subsequently low remuneration affecting Q4.

On the other hand, the Illinois contract which went live on the 18th of February heavily affected the last quarter of 2018 due to the required startup costs intensified prior to its go-live. Furthermore, the discontinuation of the South Carolina contract and its stakes on the cost side until closing down, as well as the suspension of our license in Cyprus, also had a negative impact on the financial metrics.

The second area refers to elements that affected positively Q4 2017, but were not there in Q4 2018. Being more specific, the sale of the terminals in Ohio in December 2017, which did not occur in 2018, however, we expect it to materialize in current year, since it is already contracted, and a one-off fee in relation to Hellenic Lotteries project also had an adverse effect in Q4 2018 versus a year ago.

Last but not least, is the FX turmoil primarily in the markets of Turkey and Argentina and to a lesser extent in the U.S. and Australia. On the other hand, a high jackpot in the U.S. market in Q4 2018 mitigated in part the lack of the terminal sale. All these elements primarily affected the last quarter of 2018.

So if you move on to Page #8 and started from the revenues line, we see that we have a deficit of around €48 million in Q4 2018 versus a year ago, of which €30 million comes from the markets of Argentina and Turkey, primarily due to the FX, €13 million comes from the U.S. and Greece related to the non-materialization of the terminal sales this year and the new reduced contract with OPAP and the rest coming from the suspension of the license in Cyprus. Same reasons primarily affected full year results versus a year ago.

GGR drop also attributed to the same reasons further deteriorated by increased payout in Q4 2018 versus last year, but also for the full year.

In terms of EBITDA, the worsening margin in Greece mainly affected Q4 2018 versus 2017, accelerating the same trend on the 9-month period. The combined effect of all above dynamics led to an EBITDA deficit of approximately €23 million in Q4 2018 and €34.5 million for the full year versus 2017.

In terms of operating cash flow, the EBITDA deficit, but also the adverse working capital movement impacted largely by the payment of a long due interest-bearing liability of €13 million already communicated throughout the year, as well as the inventory buildup for the Illinois and Ohio projects of around €14 million, again this was already communicated, had led to an adverse decrease… to a decrease of €65 million from the total operations and of €56 million if excluding the discontinued operation.

Net CAPEX also was higher by €30 million year-over-year with a headline variance coming from the U.S. implementations, mainly Illinois.

All in all, net debt movement presented in Slide #10 increased by €105 million, driven mainly by the investments in the U.S. and on the new Sports Betting platform as well as related inventory buildup for the new projects. So nearly 75% of the net debt increase is attributed to the new investments of the Group and to a lesser extent from one-off obligations, and purchase of own shares in the normal course of business.

Here, it is also worth mentioning, as we see in Slide #11, second graph, that the U.S. business along with the Turkish and Bulgarian one account for 75% of our EBITDA performance, while the introduction of Illinois contract in Q1 2019 is expected to increase the contribution of the U.S.A substantially in 2019 and onwards.

Talking about 2019, we will now provide a guidance for 2019. So regarding current year, all our efforts and actions are focused towards and at least cash flow neutral position for the shareholders of the Parent view. To this end and in line with the guidance given by our CEO, we are currently in the process of crystallizing the actions to be undertaken within this year towards this direction.

These actions are a combination of reorganizing our production and operational capabilities as well as some low-hanging fruits on the cost side, both in HQ and in major subsidiaries.

The utilization of stock we built last year, which is not affecting our cash flow for this year, but also a more intense cash pulling from subsidiaries that we control. In line with our strategy to dispose non-core assets, our cash flow maybe assisted by such disposals as well if market prospects are favorable with the proceeds being allocated to support the cost-reduction initiatives.

Regarding the CAPEX, we expect it to return to its normal levels in the range of €55 million to €60 million after 2018's excess spending as already communicated, mainly due to the investments in the U.S.

However, we do not expect these actions to be materialized within H1 2019, which will be negatively affected by a further EBITDA deterioration due to the OPAP full year effect counterbalanced however by the introduction of the Illinois contract, which is already performing as initially expected. All our actions are expected to have material impact from 2019 and onwards.

And with this final statement, I would like to close the analysis and inform you that the INTRALOT team is at your disposal for any questions you may have.

Q&A

OPERATOR: The first question is from the line of Tzagkournis Menelaos with Imperial Capital. Please go ahead.

TZAGKOURNIS M: Good afternoon, and thank you for taking our questions. It is very encouraging to see that you intend to focus on cost rationalization and business continuity in conjunction with asset sales. Touching on cost reductions, my first question would be… and it looks like you have, but we would like to have more color on that, have you identified specific areas, where you have started already implementing cost reductions?

The second question is, are there any big contracts in the pipeline that you would expect to be announced within 2019?

And lastly, have you or do you have any updates on your RCF facilities? Have you signed a new one, when can we expect an official update or announcements on that front? Thank you.

SFATOS C: Good afternoon and good morning. This is Chrysostomos Sfatos the Deputy CEO of INTRALOT. I'm happy to take your first question. On the cost reductions, we have identified many areas. Primarily, we are looking into ways to reorganize our production and operation capabilities in ways that as the Chairman said, will produce more synergies. More importantly, as you know, we have had very intense CAPEX expenditure in product development, as well as, in markets development. As our products become mature, we would expect that our production costs will be significantly lower, but we have identified other operational expenses. And what we can say at this moment, although the plan is developing, but we can commit that you will see a difference and an impact on our numbers by the third quarter of 2019, the impact will be very significant and visible.

On the area of big contracts, yes, we do expect to have some big contracts of material impact during 2019 across the Atlantic. It is the same project we have referred to in the past, it is maturing and it is actually better prospects than we knew like 6 months before when we first discussed it and it will be announced during 2019 and will have an impact on the results of 2020, however.

Finally, on the RCFs, we understand this is an important issue for everyone following our finances. However, let me first say that we have not had any drawn lines. So all the lines we had in the past were undrawn.

Now, you also are aware of the fact that on the 28th of December, we closed the deal of Azerbaijan, and Azerbaijan was significant part of our revenues and our EBITDA. And this part was de-consolidated in our 2018 results and therefore had significant impact on the various ratios in the RCF covenants.

We are in the process of renegotiating and restoring these covenants, although we don't anticipate that we will be in need of these credit lines this year based on our analysis and the results of our plans and efforts that we are developing right now.

In addition, we do have other options for senior or junior debt on the table and clearly we are exploring every option, but we have not committed to anything. But on the RCFs, the combination of the loss of consolidated revenue and EBITDA from Azerbaijan, in combination with expenses and impact on our cash flow which consequently influenced our net debt final number, all of these issues we consider as a consensus in last year with the help of new revenue from projects like Illinois and the cost reductions we will be able first to improve these ratios.

And second, through this ongoing discussion with the banks, we will be able to have a new deal on the RCF front or in any other credit lines that we will announce, as soon as, we have something concrete.

TZAGKOURNIS M: Thank you very much.

OPERATOR: The next question is from the line of Cope Jeffrey with Stifel. Please go ahead.

COPE J: Hi, good afternoon. I was just wondering, I mean, on the previous call, you... I believe you guided us to €90 million of proportionate EBITDA. And, I guess, the call is pretty late in the quarter. I was kind of wondering why proportionate EBITDA came in considerably lower than that, if there is any color there?

CHRYSOS A: Of course, yes, the guidance was for €90 million, but by the time of this call, the Azerbaijan was included in the guidance that we gave. So one reason is that the deconsolidation of Azerbaijan affecting this figure by nearly €5 million to €6 million, and the other issue that we had in mind when we gave this guidance was the sale of the terminals in the U.S., which would have a contribution of around €6 million to €7 million on this figure which did not materialize in 2018, Q4.

But as I already said in the presentation, we expect it to materialize within current year and support our cash flows of this year. So this is a discrepancy of €13 million that you see from the guidance that we gave, but then and the actual €77 million that was finally the result of 2018.

COPE J: Okay. So the U.S., I guess now according to the slides is €23 million of LTM EBITDA, I guess, you are suggesting €7 million of that we will see in 2019 from these terminal sales?

CHRYSOS A: Actually it was not €23 million, it was €29 million. So the variance is €4 million, which is yes… a combined effect of the terminals that did not materialize, counterbalanced, however, by the jackpot that occurred in Q4. So the real variance is €33 million to €29 million; because €29 million is the number LTM, the Q4 LTM and not €23 million. So there is a discrepancy of €4 million which can be explained by, as I said, by the non-materialization of the terminals in 2018, counterbalanced however, by a higher jackpot in Q4.

COPE J: Okay. So then, so the €29 million, including Illinois, what you guys see now is a run rate U.S., based EBITDA?

CHRYSOS A: Okay, the EBITDA, the guidance for the U.S., EBITDA is in the... we have said it in the past, more or less, it is in the range of $50 million, excluding any sale, any MPNGs, any terminal sale in the market.

And in fact, the performance of Illinois, as I said already, it seems that it is in line with our expectations. So on an annualized basis, we expect Illinois to have a positive impact in the range of $20 million to $22 million moving forward.

COPE J: Okay, alright. That's it from me. Thank you.

CHRYSOS A: You're welcome.

OPERATOR: The next question is from the line of Felix Wolfgang with Sarria. Please go ahead.

FELIX W: Yes, hi. Thank you very much for taking my questions. First one, what is your liquidity now, as per last date that you looked at it?

CHRYSOS A: Okay. The liquidity… so the cash balance of end of December 2018 was €163 million, the group cash. However, the cash that is fully controlled by the HQ perimeter, so excluding the cash that resides on our partnerships is... was €85 million, out of these €85 million around €30 million is considered as the necessary working capital in order for our operating entities to operate on a daily basis.

So the amount, the cash amount, that is readily available for servicing debt and covering all other needs of HQ perimeter as we call it, is €55 million. This more or less is the amount as we speak.

And this is also our target, as we said, giving the 2019 guidance, that this will be the amount of cash that we will have readily available at any moment throughout this year.

FELIX W: Okay. Thank you. Second question, which assets would you classify as non-core, is that, I mean, second Gamenet obviously. Do you have a list that you feel you can already commit to, perhaps…?

SFATOS C: Yes, thank you. We have a list, but in general, we classify as non-core the assets that we do not consolidate in our balance sheet. So the disposal of these assets will not have any visible impact on the consolidated sheet that we discuss here. That being said, there are smaller assets and bigger assets. For example, the assets of Gamenet is a non-core asset in that sense, in the sense that we are a minority there and we do not consolidate it.

But it is an important asset from the point of view that it is a company that's very healthy with great prospects and there is great interest in this market which has done unexpectedly well in spite of regulatory headwinds.

So the regulatory headwinds this year were proven, I mean, the markets were expecting adverse regulatory effects from the new government in Italy did not materialize, instead our company Gamenet did very well in the area of sports betting. It is the biggest sports betting company in Italy today across channels, both online and I mean the combined online and retail due to the integration of this buyout of Goldbet. So the company performed €105 million EBITDA this year and is a forecast for nearly €135 million EBITDA.

I'm just throwing the numbers, so that you can make an assessment of the value of this asset, which is very important.

That's one asset that we could dispose if we have the right price, that we will evaluate together with our partners ourselves what is the right price. Of course, other assets are the asset in Peru, the Hellenic Lotteries, many assets of this type, okay?

FELIX W: Okay, yes. Thank you. One more question or 2 more questions perhaps. If and perhaps there is more detail out there than that's immediately found. But you showed some €37 million, I believe, on short-term borrowings, can you shed some light on that? I believe you have a facility somewhere in the U.S., how are they composed?

CHRYSOS A: Can you please repeat, you said €37 million short-term borrowings, you said?

FELIX W: Short-term borrowings is my understanding.

CHRYSOS A: Okay. These primarily are the loans that… the term loan that we have with Nomura which is €15 million. The other one, another component is the revolving facility utilization that we have in the U.S., which was utilized for the investment plan in the U.S. in the range of €10 million. And there is, again, in the U.S., a lease that we have in Ohio in the range of €8 million.

So primarily these are the main elements and some small other, I think, in Totolotek as well. So these more or less are the components of the short-term debt.

FELIX W: Thank you. And last question, I realize it's already been asked to an extent, but in your negotiations with the RCF lenders, is there anything, is there a specific ratio they are asking you to achieve before they increase their covenants, perhaps or allow access or waive? Is there something that we're playing for here?

SFATOS C: This is an ongoing discussion, so we would not like to comment on this right now.

FELIX W: Okay, thank you very much.

CHRYSOS A: Thank you.

OPERATOR: The next question is from the line of Pobjoy Jack with Barclays. Please go ahead.

POBJOY J: Actually, I'm all good. All my questions have been answered.

OPERATOR: The next question is from the line of Kogge Maxime with ODDO. Please go ahead.

KOGGE M: Yes, good afternoon. Can you give first guidance for EBITDA, both consolidated and proportionate for 2019?
Second question, how many CAPEX are still to be cashed out on Illinois, I understand that not everything was spent in 2018?

And third question, what should we expect with Nomura loan which expires in May, are you going to extend it or is it going to be repaid? Thank you.

CHRYSOS A: So regarding the EBITDA guidance, as I said, when I gave the guidance of 2019, we would not like to provide specific metrics. All you can keep is that we will be at least cash flow neutral. And the reason we are not providing the 2019 is that we are currently in the process of not crystallizing everything, so we wouldn't like to provide any specific guidance.

Regarding the CAPEX of Illinois, as I said, again, I wouldn't like to decompose this figure, so the CAPEX for 2019 is expected to return at its normal levels in the range of €55 million to €60 million, including also some tails for the Illinois.

And regarding the Nomura loan, this is a loan that matured on the 31st of March. Half of it has already been repaid and the rest of it will be repaid by mid May. This was a decision that we took when discussing with Nomura. We evaluated that the best option for us although our discussion various other options, the best option for us would be to repay the loan. So this is why we are currently implementing this plan.

KOGGE M: Okay. And when you speak of cash flow, which would be neutral at Parent level, how should we understand what will be the cash flow at consolidated level, should we expect neutral cash flow to pass, payment to JD partners?

CHRYSOS A: No. And then primary reason and the reason we are talking about the parent level is because in 2019, we have the issue with INTELTEK, which, according to what we know as we speak, this contract will terminate in August, meaning that the cash that is with INTELTEK will be distributed to the shareholders, so there is going to be a huge outflow to our partners as well. So it… from what we know now, we expect that on a group level we will not be neutral, however, we will be positive, especially for 2019, and I will shed some more light regarding the INTELTEK issue here.

So from INTELTEK, INTELTEK at the end of 2018 have an amount of €63 million cash, excluding any assets or liabilities, so the equity of INTELTEK at the end of 2018 was €49 million. Out of this €49 million, INTELTEK has already announced that it will distribute €40 million to both partners. Out of this €40 million, €17 million to €18 million will return to us, I mean, in INTRALOT, including also our stake from the sale in Azerbaijan. So this leaves another €9 million in INTELTEK.

And according to the projections for the performance of INTELTEK, it is expected to generate another €7 million to €9 million until August. So this leaves a cash balance by the end of August of around €17 million to €18 million, out of which, we expect to get our stake. So we expect from INTELTEK after August to receive another €5 million to €7 million.

So this makes an overall positive impact for 2019 for INTRALOT of around €22 million to €23 million, although on a group level, it's going to be negative. This is why we're talking about the shareholders of the parent.

KOGGE M: Okay, thank you.

OPERATOR: The next question is from the line of Kandalam Jayanth with Lucror. Please go ahead.

KANDALAM J: Yes, hi, thanks. Quite a few of the questions have been answered. But just on cost reduction, I see that you have given a little bit of detail, but I'm just wondering if you have any targets actually. Because you just mentioned that you see a significant impact beginning Q3, but if you can provide a ballpark estimate and also if you have any costs involved in this regard, that will be helpful? Thank you.

SFATOS C: Yes, we do have a target and it is substantial, but we will not share it right now. But what I can say is that we have identified the areas and we're comfortable with our targets.

KANDALAM J: Okay. I understand maybe we'll wait for the next call to have more clarity. But what exactly is the time frame for achieving this, I mean, full run rate savings, is it this year or the next?

SFATOS C: As we said in the beginning, we expect that these efforts will crystallize in our results later this year, but we're basically looking for recurring savings. So these will be crystallizing also for the coming years and our plan is to have increase in incremental savings actually in the years to come in order to improve our overall performance model.

KANDALAM J: All right and if I could just squeeze in a question on cash flows. You had some one-offs, especially because of the U.S. investments on working capital… on the working capital front. So is it fair to assume that working capital would become kind of a flat or neutral number this year or is there going to be still more pressure?

And also if you could give us a ballpark estimate of minority outflows, dividend outflows for 2019, if you have it? Thank you.

CHRYSOS A: Regarding working capital, it is again the INTELTEK issue will have a negative effect because it has liabilities primarily towards the network. So on a group level this is going to be a negative flow. Now in terms of the dividends to third parties, to minorities, for the same reasons that I explained the issue with INTELTEK, we expect them to be higher in 2018…'19, sorry. So the outflow in 2018 was around €36 million and the figure for 2019 is expected to be in the area of €44 million to €45 million.

KANDALAM J: Okay. Thank you very much.

OPERATOR: The next question is from the line of with Ossowicz Piotr with Ironshield. Please go ahead. We cannot hear Mr. Ossowicz, we will go with our next question, Mr. Chang Chris with Nomura. Please go ahead.

CHANG C: Hi, good afternoon. Thank you for the question and the presentation. Just a few housekeeping questions, so in Q3 '18 conference call, when you mentioned the winning of the Hamburg contract, expansion of New Mexico and Croatia, which combine run rate of €10 million EBITDA going forward. You also hinted that there are some near-term pipeline opportunities that may amount to same amounts.

Could you give us an update on that just on a qualitative level and whether or not that number in your opinion has gone up or down?

NIKOLAKOPOULOS N: I guess, you are referring to a contract that we said it was you know, well the other side of the Atlantic. What I can tell you, since we cannot disclose yet this data this week, we are in the final stage of negotiations and we believe that the contract is going to be signed either at the end of the month, maximum in the beginning of May. So this is the situation. And as Mr. Stafos said before, this is not going to have an impact on 2019 numbers, but depending on this fact, it's going to contribute in 2020 EBITDA-wise.

CHANG C: Understood, thank you very much. And then, could you give us a very quick update on a potential… I mean, the renewal that will be coming in Morocco later this year and also presumably ongoing the BILYONER license renewal?

NIKOLAKOPOULOS N: On Morocco, there is as you know, still the process in place. We have participated. We are optimistic for a good outcome but we cannot say more at this point. But just keep in mind that we are optimistic that we are going to have a favorable outcome.

In BILYONER, at this moment, the license we have an extension of one month. We presume it's because due to the elections that were in Turkey. We are in the process of collecting the necessary data that Spor Toto is asking, so to submit again an application for the renewal of the license for the next coming years. So still it is an ongoing process.

We are optimistic also there that this is going to have also a positive outcome. And I presume in the next conference call, we will be able to share more. Thank you.

CHANG C: Got it. Thank you very much.

OPERATOR: The next question is a follow-up question from Felix Wolfgang with Sarria. Please go ahead.

FELIX W: Yes, hi. Thank you for taking another question. You mentioned that your cash balance at the end of the year and currently is approximately the same. Now, I understood that you were going to spend another €15-ish million in CAPEX in Q1 roughly in the U.S. You seem to have paid €8 million to Nomura as well, I understand the Azeri business was already consolidated as cash in the cash balance, I believe, in the Q4 numbers. What were the sources of cash in Q1 to keep your cash balance stable or maybe I've got my facts wrong here?

CHRYSOS A: Okay, apart from the outflows that you just mentioned, we also expect to have which has not materialized yet. So it may not be exactly Q1, but it's going to be in April. So we expect to receive the proceeds from INTELTEK which more or less will counterbalance the variance and also BILYONER. So these 2 elements, more or less, will contribute positively, you know, yielding the same cash balance as we had previously.

FELIX W: As a central cash balance, basically, for your...

CHRYSOS A: Yes.

FELIX W: Okay, thank you very much.

CHRYSOS A: Yes. Okay, thank you.

OPERATOR: The next question is from the line of Clarke Ronan with Deutsche Bank. Please go ahead.

CLARKE R: Hi, there it is Ronan Clarke. You've answered most of my questions, actually. But maybe just on BILYONER. Could you just explain if there is any implication from the INTELTEK contract why you might or might not be able to maintain that BILYONER contract separately or is there any link between the 2 or does it make it any more less likely that you will win the renewal of BILYONER?

And then just some clarification on the guidance for positive free cash flow, sorry, if I am being a bit vague here. But just to be exactly clearly about what you are saying its group operating free cash flow after cash interest, after CAPEX of what you said, €55 million, €60 million, but before any of those flows from cash in from INTELTEK or BILYONER and obviously before minorities as well, just to be exactly clear, please?

NIKOLAKOPOULOS N: I will start from the operational point of view. This is Nikolaos Nikolakopoulos. We do not expect any implication and any relationship between you know, the INTELTEK contract and BILYONER. As you know, in Turkey, there are already 6 licenses, electronic agent licenses. So the fact that someone has now or will have in the future, the contract the IDDAA with Spor Toto has nothing to do with the number of the electronic agents and you know, the way forward.

It just happened that we have, let's say, at this moment and until August, we have a dual role in Turkey both in terms of INTELTEK and as part of an electronic agent.

I will hand now to Mr. Chrysos about the cash flow issue.

CHRYSOS A: Now, regarding cash flow, we said that we are going to be cash flow neutral, not free cash flow neutral. So all the elements that we discussed and the actions that we will undertake will maintain our cash balance on the shareholders of the parent view at the same level. So it's a combination of all actions that we said on the cash flow and, of course, on the cost-saving initiatives and everything that we have discussed already.

CLARKE R: Okay, so it's in total, the cash balance at the end of the year will be similar.

CHRYSOS A: Correct.

CLARKE R: And just to be clear again, is that excluding...

CHRYSOS A: Not on the group level… not on the group level. On the shareholder of the parent view, okay, because the group level, it's not going to be neutral, I said it already… view to INTELTEK.

CLARKE R: Yes. And that's not implying any further drawdown on the RCF, is it, that's before any, additional debt?

CHRYSOS A: Correct. No additional debt included in this figure.

CLARKE R: Okay, thank you very much.

CHRYSOS A: You are welcome.

OPERATOR: The next question is a follow-up question from Tzagkournis, Menelaos with Imperial Capital. Please go ahead.

TZAGKOURNIS M: Hi, and thank you for taking further question. A few things that I would like to touch on. First of all, you mentioned cash from INTELTEK. Does that include the dividend that you received for 2018, if I'm not mistaken you receive a dividend from INTELTEK in March or April of next year for the previous year. So you will receive any cash balance available at INTELTEK, plus the dividend, plus Azerbaijan, plus any contribution from January 2019 until August 2019. So if you could break that out again, we would be... that would be very helpful.

And then 2 more things, could you tell us at what stage the D.C. Sports Betting contract is right now, specifically I think everybody is interested on your mobile contract there?

And then EBITDA from the U.S., we have 2 different figures, one is 25, the other is 19... 29, sorry. One includes a project from the Philippines, that we... I don't think we have ever discussed on one of the call. So could you just clarify that as well? Thank you.

CHRYSOS A: Of course, let me elaborate on questions #1 and #3, and Mr. Nikolakopoulos will elaborate on the D.C. So let me decompose, again, the INTELTEK proceeds. Correct, as you said, in 2019, we will receive the dividends in relation to the results of 2018. So this amount, dividends and fees for the services because apart from the dividends that we get as a shareholder there, we also have a technology contract. So dividends and fees to be received soon within April or beginning of May, as I said will be in the order of €10 million.

So over and above of this, there is going to be another €7.5 million which is our stake from the sale of Azerinteltek. So this makes a total of €17 million to €18 million for...referring to 2018 to be received within this month or beginning of next. And then I said that this will leave the company with additional cash of €9 million. And according to the performance expected for the company it will generate another, more or less, €8 million. So €9 million plus €8 million is €17 million. So our stake will be in the order of €5 million to €6 million if, finally these are the numbers moving forward. So this makes a total inflow for INTRALOT in the range of €23 million to €24 million for 2019, all inclusive. I hope, I covered the question. However, if there is any unclear topic, please let me know.

Now in terms of EBITDA in the U.S., correct, the €29 million includes also the Philippines contract which is in the order of €4 million. The €50 million, as I gave… the guidance that I gave for the EBITDA of the U.S., does not include the Philippines contract. So it's going to be pure US dollars, ok? So this makes 46, more or less, in terms of euro.

NIKOLAKOPOULOS N: Okay, also for the D.C. contract, as I said, previously, we are in the phase of due diligence. We expect that to conclude soon and we start the contract negotiations. It is… definitely, there is not going to be any, you know, revenue generation within

2019. And we expect that if you know, the time table goes as we plan and all things go well to commence the project beginning Q1 of 2020. Thank you.

TZAGKOURNIS M: Thank you.

OPERATOR: The next line… question is from the line of Ossowicz Piotr with Ironshield. Please go ahead.

OSSOWICZ P: Hello and thank you for taking my questions. Just following up on a couple of points you made before. So first, you have mentioned that the proceeds from non-core disposals will be used to finance the cost of efficiency programs. So can you provide more color whether you will also consider using those proceeds for debt reduction, which I think has been the comment and the intention for the past couple of calls? So that's one question.

Then, the second question, I just wanted to make sure that when I look at your Q4 cash EBITDA, so EBITDA from 100% consolidated entity plus dividend, that's about €10 million, I understand that there was an impact of net €4 million between the terminals and jackpot in the U.S. So that would bring us from 10 to 14; if I annualize it, I get 56. There is still some impact from OPAP, so I know around maybe €5 million, if you annualize the loss, €18 million from Illinois. So that will bring us to around €70 million of EBITDA for 2019 and then, of course, against the €60 million CAPEX, CAPEX and tax, €45 million interest and €23 million from INTELTEK, so that's still negative €14 million. I'm just trying to get a sense whether there's any reason for… am I missing anything? And whether there's any reason for not to annualize the Q4 numbers as I just discussed?

And the third question would be whether you can provide a bit more color, like how much do you expect from… in savings from those initiatives? Thank you.

SFATOS C: On your first question about the destiny of our proceeds from cost savings or asset sales or organic growth, well, thank you for giving us the opportunity to clarify and elaborate. Currently, as our Chairman said in his opening statement, we are committed in a business-first approach. So our primary concern is to use all our liquidity towards first serving our business, and then protecting the interest of all stakeholders. So at this point, we will not comment on the possibility of using the proceeds for debt reduction. Obviously, the capital structure is an issue we are looking at.

But right now, our approach is, our business is first, and we direct our liquidity towards serving all our obligations and our contracts, winning new contracts, entering new markets and improving our products with cost efficiencies and operational efficiencies. On the second question, Mr. Chrysos will follow-up.

CHRYSOS A: Okay. As we said already, Q4 was heavily impacted by items such as the startup costs in Illinois, the new OPAP contract affecting heavy in Q4 2018 compared to 2017. So as I said in the beginning, we wouldn't like not to decompose all elements of the cash flow. What… I will stick to what we said already, that we will ensure that the cash balance will be the same year-over-year with all the initiatives to be undertaken.

So I would refrain from decomposing all elements because there are extraordinary items in 2018, which will not be there in 2019. I will just stick on what we have already said regarding the guidance that we gave.

OSSOWICZ P: Okay. And regarding savings, what's the magnitude?

SFATOS C: Yes. We already answered this question that it will be substantial and it will be visible in the third quarter of this year, but we will not commit to a number right now. But we are comfortable with the areas that we have identified.

OSSOWICZ P: Okay. So thank you for this color. Maybe just to rephrase the question on the cash flow, when you are guiding to be in cash flow-neutral, at which point do you expect to be cash flow-neutral on the purely EBITDA, minus CAPEX, minus tax, minus interest base, excluding all the one-offs in terms of asset disposals or exceptional CAPEX? Is it 2019, is it 2020, or how should we think about it?

CHRYSOS A: On the cash balance?

OSSOWICZ P: On the cash flow, on the free cash flow.

CHRYSOS A: On the cash balance? The €85 million?

OSSOWICZ P: No, no, sorry. I meant free cash flow. At which point do you expect to be cash flow-neutral or cash flow-positive, excluding one-off cash inflows like INTELTEK or asset disposals, which, of course, will help you in 2019.

CHRYSOS A: We would… as I said, already, I would refrain from decomposing all elements. We'll stick again on what we have already said that we are going to be… we have, we will have the same cash, not decomposing all elements.

OSSOWICZ P: Okay. Thank you and good luck.

OPERATOR: The next question is from the line Doerane Thomas with Oak Hill. Please go ahead.

DOERANE T: Hi, good afternoon. Thank you for taking my question. First question, it's a bridge. I know you don't want to… you want to refrain from breaking down all countries, but I'll still ask my question. If I focus on Q4 exclusively, EBITDA was negatively impacted by more or less, €10 million of adverse effects. If I exclude this, consolidated EBITDA in Q4 2018 would have been €29 million versus €42 million last year, so there is a €13 million gap. Is there a chance you can guide me what those €13 million was?

CHRYSOS A: Can you please repeat?

DOERANE T: So in Q4 2018… so not the full year, just Q4, EBITDA, if I exclude any adverse FX movement, was €29 million. Last year, in Q4 2017, it was €42 million. So there is 1-3, €13 million delta. I understand some of it is OPAP, some of it is the startup cost in Illinois, but can you give us a sense for how much is coming from which country?

CHRYSOS A: Okay. Let's decompose this one. It's… are the same reasons as we said in the presentation, so it's the terminals in the U.S. in 2017 Q4 which did not materialize in Q4 2018. This was around €6 million.

The second one has to do with the OPAP contract already mentioned, which was around €5.5 million deficit in 2018 compared to 2017. A one-off sale regarding the Hellenic Lotteries project in Greece, which was in the area of €3 million, so this makes 3 plus 5, 8; plus 6, more or less, this is the variance, these are the major, the headline variance items.

DOERANE T: Got it. And then my second question on Argentina. I know now you apply the IAS 29 for the Hyperinflationary Accounting Standard. What would have been the revenues and EBITDA if you didn't apply it?

CHRYSOS A: Hold on a second, please.

DOERANE T: So my understanding is since the second part of 2018, you need to change the accounting standard you use in Argentina. And you've restated the inflation rate both for the FX for the full year. So my question is what would have been the revenue and the EBITDA if you didn't adjust for this new accounting standard?

CHRYSOS A: Okay. It's around 30% impact. But I think, this question is too technical, so we may take it offline. But it's in the range of 30%, the impact.

DOERANE T: Okay. And then my last question is on Greece. The year-on-year EBITDA declined by €12 million. All of it's happening in the second half of the year. You mentioned 6; €5 to €6 million OPAP, €3 million one-off sale in Hellenic Lotteries. The remaining €3 million, is that just increase in overheads? Or is there some coming from consolidated minorities?

CHRYSOS A: It's the rest impact of OPAP because the new contract started in August, so the €5.5 million reflects the impact only of Q4. So the rest refers to the period from August until, you know, for the 2 months, for the 2 more months.

DOERANE T: Perfect, thank you.

OPERATOR: The next question is from the line of Cowie Simon with Societe Generale. Please go ahead.

COWIE S: Thank you for taking my question. Most of my questions have been answered. Can we just confirm in terms of the cash flow, and I know you've been through this before, but when you talk about being cash flow-neutral for 2019 at the Parent level and the cash to be unchanged, are we talking about the €85 million, the Holding Company and another… Is that the number that we should be focused on to be unchanged year-on-year?

And then in follow-up to that, it seems like there's a first half, second half split to this, with first half, you know, some cash drain; and the second half, better. But at the same time, you seem quite comfortable with liquidity position despite not having access to your bank facilities. I'm not getting a sense that you're especially worried about selling, for example, the stake in Gamenet to generate cash or anything else. Could you talk about your access to liquidity away from the RCF, and whether my understanding that the profile H1, H2 of the cash flow is correct and whether I should be focusing on the €85 million as being flat year-on-year? Thank you.

SFATOS C: On general level, yes, you are right. We think that this combination of the 3 elements we presented in this call and in our results, the combination of growth, organic revenues increasing the top line and the EBITDA, organically is the one. The other is the savings, which will be significant, and our changes will affect both our operational efficiency and our cost structure. And the third, of course, is the disposal of non-core assets. We feel that these 3 elements will be sufficient.

Now the… we will renegotiate, of course, with the banks, like we said. So this will be another potential source… lines, credit lines in the future. We do have the BofA facility right now for our needs in the U.S., plus we have other options for senior or junior debt with various lenders, so we feel that there is liquidity for us out there.

Not that we take this issue lightly, that's why we are doing all these efforts, but we don't think that lending is absolutely necessary at this point for us to serve our needs with our clients and our business at the moment. Okay?

COWIE S: Thank you, sir. And the €85 million cash, is that the number to be focusing on in relation to your comments of free cash flow-neutral at the Parent level?

CHRYSOS A: Yes, correct.

COWIE S: And should we assume to that, that is going to be weaker in the first half and then stronger in the second half? Is that a fair profile assumption?

CHRYSOS A: Okay. There may be some hiccups, some you know, obviously, some intra-Q hiccups, but at the end of the day it's going to be... at the end of the year, it's going to be €85 million, as we already said, because, previously, I also… I said that in Q1, it may not be the same, but we expect to receive the proceeds from INTELTEK. So it will be balanced again in April or May whenever we receive the proceeds. So on a manual level it's going to be 85, yes.

COWIE S: Okay, understood. Kind of as a follow-up and last question, so you have the liquidity that you need for Q1 and obviously you went already through it. So was that because you have tapped other sources of liquidity or actually, it was fine managing it with the cash that you have?

CHRYSOS A: Managing the cash that we have.

COWIE S: Thank you very much.

CHRYSOS A: You are welcome.

OPERATOR: The next question is a follow-up question from Kogge Maxime with ODDO. Please go ahead.

KOGGE M: Yes. Regarding EBITDA, I understand you are quite reluctant to give a guidance for 2019, but if I look, I mean, because of the shifts in the perimeter, but if I look at Greece which was minus 22, last year, is it possible to have guidance on Greece? You gave guidance on your U.S., so I guess that should be possible for Greece, too. So that's the first question.

And the second question is on Malta, I mean, the business segments there in the U.S., there is a mismatch between the documents. General report says that it made €12 million of EBITDA, and the presentation says €9 million. So how should I understand the difference between the two?

CHRYSOS A: Okay. Regarding the guidance of Greece, again, I would not like to give specific guidance because especially in Greece we are going to implement the plan… the optimization plan that we just mentioned already. So I wouldn't give a specific guidance. I said it at the beginning that we are not going to enter into details regarding specific metrics.

Now, in terms of Malta, the variance is the first time consolidation of our Company there, Bit8 which had the negative impact of around €2.5 million. So this is the difference that you see in the presentation.

KOGGE M: And Bit8 was consolidated from when exactly?

CHRYSOS A: November 2017. So in 2018, there was a full year impact.

KOGGE M: And this impact could remain the same in 2019?

CHRYSOSA: Correct.

KOGGE M: Okay, thank you.

OPERATOR: The next question is from the line of Deen Saqib with BNP Paribas. Please go ahead.

SAGIB D: Hi. With the recent rating downgrades and given the bonds that are trading at distressed levels. Do you think this will be... not be an issue when it comes to winning new contracts, especially in the U.S., where you know, granting of these contracts is very politically sensitive and subject to public scrutiny? And don't you think actively addressing the capital structure will help that with the public image?

SFATOS C: Okay, like we said… No, first of all, currently we are not facing this issue. Whatever questions we see, we answer them satisfactorily. And I want to repeat that we are looking first into all the aspects of corrected moves that will improve the business and that will make everybody feel comfortable of our business continuity and our abilities to deliver innovative products and services in the retail and online channel. So this is the main challenge for us.

And like I said regarding the capital structure we keep all our options open. And we feel that once we address the significant business issues and we have a visible effect on our numbers, it will be much more productive to go this way and then address the capital structure issues because we feel that we have the luxury of time in that sense at this point.

SAGIB D: Thank you.

OPERATOR: The next question is a follow-up question from Mr. Cheung Chris with Nomura. Please go ahead.

CHEUNG C: Hi, thank you. Just one very quick follow-up question, perhaps I missed it from prior calls. Could you give us a little bit more details on the $20 million U.S. facility you have, vis-à-vis you know, if it's pledged to any particular U.S. activity, any condition on what the proceeds can be used for? Thank you.

CHRYSOS A: Well, this is a facility which is available, you know, we are… there are no specific uses in relation to this facility. We use it either for working capital needs. Currently, we have utilized part of it in order to repay the investment plan in the U.S. So you know, there is no specific, let's say, purpose for this RCF facility.

CHEUNG C: And just on the collateral debt. Is it a secure facility where certain U.S. asset is pledged to it?

CHRYSOS A: No.

CHEUNG C: And apologies, can I just ask one very quick follow-up question. So in terms of the cap structure, I totally appreciate that the operational efficiency is your current focus. But just to get a sense of your flexibly in a couple of years' time, could you confirm what your secure debt capacity is?

SFATOS C: We don't want to make any specific comment on this at this moment.

CHEUNG C: Okay, appreciated. Thank you.

OPERATOR: The next question is from Mr. Jivkov, Michael with Argo Capital. Please go ahead.

JIVKOV M: Hi, regarding... you've said that at the end of 2019, you expect to have cash of €85 million. Does that include any proceeds you might get from disposals, or is it without?

CHRYSOS A: It's the combined effect of all actions that we have planned. It may, yes, but it may also not. I mean, it's... we said, I said, at least cash flow neutral. So yes, part of them could be from the disposals.

JIVKOV M: So part could be from disposals. Okay. Thank you.

CHRYSOS A: You are welcome.

OPERATOR: The next question is a follow-up question from Mr. Tzagkournis Menelaos with Imperial Capital. Please go ahead.

TZAGKOURNIS M: Hi, again. We understand that the call is taking a while, but… and thank you for answering follow on question. On… two more from me; regarding any potential new contracts that you may win, and if these are large which if the contract is the one we are suspecting, probably, you will require large CAPEX. Could you tell us, if that's going to come in, in 2019 and give us an additional level on that CAPEX requirement or potential CAPEX requirement? That's the first question.

The second question is you've mentioned a couple of times during this call that you have other options when it comes to credit availability. We understand you don't want to give a lot of detail right now, but would those options include, for example, CAPEX financing or would those options be bank debt or maybe other types of debt, like debt from a fund? Thank you.

SFATOS C: Okay. Because, well, first of all, we said we don't want to go very much into specifics and details. We can take all these questions privately because if there is any other general question we can answer in the context of our... the comment of our earnings. But we can explain all of these things in a private discussion, if you wish.

TZAGKOURNIS M: Thank you.

SFATOS C: And, let's take the last question, please.

OPERATOR: The last question is from the line of Neill, Ian with Alchemy. Please go ahead.

NEILL I: Yes, hi. Thanks for taking the questions. I just want to clarify two of the numbers you gave in the bridges for Q4. First of all, on U.S., terminals, did I hear right that in Q4 2017, terminal sales contributed €6 million to EBITDA?

CHRYSOS A: Correct.

NEILL A: Okay. And then regarding OPAP, the run; what is the run rate impact of that contract loss or adjustment? Because I think, again, you said Q4 was €5 million to €6 million and the sort of 2018 full year impact was €2 million or €3 million higher than that book.

CHRYSOS A: The impact of OPAP annualized is going to be in the range of €20 million to €21 million. So €9 million has already been materialized in 2018, the rest will be during H1 2019.

OPERATOR: Mr. Neill, are you done with your questions?

SFATOS C: Okay.

OPERATOR: Ladies and Gentlemen, I will now turn the conference over to Management for any closing comments. Thank you.

SFATOS C: We would like to thank everyone for attending this call. We are available for more questions on our Investor Relations lines and all the Executives, and I convey thanks also from the Chairman and the Board. And we look forward to the next call in the next quarter. Thank you.