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"Nine Months 2022 Financial Results Conference Call"

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Conductors:

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Mr. Fotis Konstantellos, Deputy Group CEO

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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 Konstantinos your Chorus Call operator.

Welcome and thank you for joining the INTRALOT Conference Call and Live Webcast to present and discuss the Nine Months 2022 Financial Results.

At this time, I would like to turn the conference over to Mr. Chrysostomos Sfatos, Deputy Group CEO of Intralot.

Mr. Sfatos, you may now proceed.

SFATOS C: Thank you, welcome to our Nine Months Financial Results Call. I would like to pass the microphone to the CFO, Mr. Andreas Chrysos for his presentation.

CHRYSOS A: Good afternoon ladies and gentlemen. The first Nine Months of 2022 presented stable revenues and an improved EBITDA compared to the respective period of 2021, indicating a stabilization of the business on the one hand and an efficiency on the cost side on the other.

Major highlights for the period on the operational front are: Number one, the accumulation of the efforts that the Management has undertaken on the cost side in the last few years, especially at the headquarters perimeter.

Secondly, full rebound from the effects of the pandemic that had an impact in the respective period of 2021 in Australia.

Third, the ramp-up of projects that went live in 2021, mainly in Croatia.

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Fourth, the better performance in some entities in the rest of the world such as Morocco, Ireland, Argentina and Turkey.

Fifth, the positive impact from the effects primarily from the strengthening of the US and the Australian dollar against the euro.

These effects were partly counterbalanced by the correction in the performance of the US following primarily the positive COVID bump’s effect of 2021's first half performance, as well as higher merchandise sales in 2021 that positively affected last year's comparable results, and secondly the negative implications from the license expiration in Malta in early July 2022.

From a cash flow perspective, strong operating results described above along with implications from the credit positive financing restructuring projects that were completed during 2021 and 2022 led to strong cash flow generation depicted on Group cash balance remaining high at the level of €100 million from €107 million at the end of 2021, after the Group used around $25 million from the US balance sheet cash to repay the 2025 PIK Toggle Notes during the summer.

On the contract renewals front, we extended our cooperation with OPAP SA for one additional year from 31st July 2024 to 31st July 2025 with the possibility of further extension for one additional year in the field of numerical lottery products and services.

As regards to the future, we expect continued good performance in the fourth quarter, especially in the US where we have the historical Powerball jackpot in November.

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We are now moving to the Nine Months of 2022 financial presentation, so if we go in page number 5 we see the results of our licensed operations which have contracted by 13.3% or €12.6 million negative, as a result of the license expiration in Malta in early July affecting the third quarter results negatively by around €22 million and the Nine Month period by around €25 million, in part counterbalanced by the better performance in Argentina driven by the considerable local market growth.

Turning to page number 6, we will notice a material improvement in the performance of our technology contracts.

The key takeaways in this activity line is the slightly negative revenues in the US for the period mainly due to lower merchandise sales and the correction of the positive COVID bump effect in 2021, with a positive variance in the third quarter however materially affected though by a strong US dollar versus the euro.

In Australia we see a much better performance since last year's respective period result and a much better third quarter since this part of the world was negatively affected by lockdown restrictions last year.

Same trend in Croatia following the go-live of the lottery contract solution that commenced after the first quarter of 2021 and ramped up throughout the remaining months of 2021.

Lastly on this page, a better performance in other jurisdictions due to higher service sales.

Finally, turning to page number 7, we see an almost stable performance of our management contracts activity with Morocco performing slightly better year over year and

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Turkey in the third quarter counterbalancing the negative variance of the first half of 2022 compared to last year's respective period, favored substantially by the growth in the online segment.

Turning to page number 8, we see the overall profit and loss performance metrics for the Nine Months and for the third quarter of 2022 versus a year ago. Takeaways on the operational front are:

Stable performance in the revenue line year over year, analyzed in detail in the previous slides. The GGR line, which was better by 5% due to a lower average payout ratio versus the respective period of last year.

The gross profit line at equal levels year over year. The OPEX line performance worse by €2.2 million but equal at €60 million year over year if excluding the depreciation.

All the above resulted to a better EBITDA performance of €88 million in the Nine Month period, 6.6% better compared to the respective period of 2021.

And finally, a healthy EBITDA margin over sales at around 30%, better by 1.9% versus last year.

Moving down to the EBT line, it stood at €19.4 million, lower by 66% year over year. Last year’s respective figure was positively affected by the one-off benefit of the refinancing exercise that took place in 2021.

Focusing on the reasons for this performance, the main drivers are:

First of all, the lower interest income of around €45 million arising mainly from the balance sheet optimization transaction that concluded within the third quarter of 2021.

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The lower income from participation and investments of again around €45 million significantly affected by the gain from the balance sheet optimization transaction during the third quarter of 2021.

The higher depreciation and amortization by €5.5 million versus the Nine Months of 2021, mainly in Turkey-Bilyoner and the negative impact from the FX results by 1.9 million versus the Nine Month period of 2021.

The decrease of the earnings before tax line was partially counterbalanced by the lower interest expenses by around €20 million versus the Nine Month period of 2021 which was a direct effect of the debt restructuring process.

The lower reorganization expenses by around €16 million versus the Nine Month period of 2021 following the successful conclusion of our capital structure optimization process.

The gains on the net monetary position by around €13 million versus the Nine Months of 2021 arising mostly from Turkey due to IAS 29 which now is considered a hyperinflationary economy since June 2022, and the positive impact from the EBITDA by €5.5 million versus the respective period of last year.

And lastly, the absence of impairments and write-offs by around €5 million versus the Nine Month of 2021 that took place in the first half of 2021.

Turning to page number 9, the upper graphs have been analyzed already in detail. Focusing on the bottom left of the slide, we see the operating cash flow at €68 million in the Nine months of 2022 versus €84 million in 2021, because 2021 was positively affected by the one-off income of tax returns received by the parent in the first quarter.

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Net Capex, €3 million lower versus a year ago. On the bottom right of the slide, we see the net debt and the leverage ratio being at €510 million and 4.4 times respectively as of the Nine Month period of 2022.

Turning to page number 10, we see the net debt movement bridge that depicts the elements that affected this ratio in the Nine Month period. Strong free cash flow generation and completion of the restructuring actions, mainly the buyback of the minority shares of the US subsidiary through the latest share capital increase, and the US debt refinancing had a positive impact on the net debt.

However, gross debt movement was adversely impacted by the weakening euro that fully offset the benefits from the reduction in our USD denominated gross debt.

Lastly, if we go to page number 11, we see the contributors per region in our revenue and EBITDA with North America, Europe and Oceania contributing the major portion in line with our strategy in the last few years to shift our activity towards more developed markets of the world.

At this stage the presentation of the Nine Months of 2022 results is finished and the Intralot executive team is at your disposal for any questions you may have.

Q&A

OPERATOR: The first question is from the line of Kourtesis, Iakovos with Piraeus Securities. Please go ahead.

KOURTESIS I: Good afternoon gentlemen. My question has to do with your share capital, your balance sheet. I can see there is a positive effect from the share capital increase by €129 million approximately due to the share capital increase that you proceeded in the third quarter. But on the other hand I can see there is an effect due to change in participation that stands at a negative effect at €125 million. Could you please further elaborate on this because this resulted to have a negative equity again, so would you be kind enough to elaborate on this please?

SFATOS C: Yes. As you correctly point out, there is an increase in the share capital and the premiums, so the parent equity has increased. As is depicted in the note, the parent equity is €143 million but as you correctly point out, the change in participation reflects the historical acquisition price, the accounting price of the assets that were acquired with the proceeds of the share capital increase, which is the percentage we did not control at Intralot Inc, our US subsidiary, in the previous year.

This historic value has a different accounting price than the fair market price, so there is a negative effect in the retained earnings, and this is something that will require a further accounting treatment on our part in order to repair this.

So, we want to plan this further in order to accomplish the desired result. This can be done through many strategic initiatives that we have in mind which are a little bit behind due to the volatility in the markets, but we will do all the necessary moves in order to tie this up with our strategic initiatives and we certainly see a lot of opportunities ahead, and as we have proved in the past couple of years, we have no shortage of ideas in designing and executing complex

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transactions. This will encourage some further accounting treatment.

KOURTESIS I: If I could elaborate further, if I understand correctly, you had a price for the Intralot Inc. in your books and you acquired the remain 35% that was held by the bondholders at the higher price which resulted in losses in your retained earnings. Is this correct?

SFATOS C: The problem in this treatment has to do with the fact that we acquired something that we already consolidate. This is why you have the negative impact on the equity.

However, this asset now leaving the accounting treatment aside, this is a very important asset for us and this transaction has been a game-changer for the Group. It gave us access to the liquidity and that's why we did it.

So, the real benefit from this transaction, as we have explained many times, is very significant. Now there is an accounting treatment that we need to complete.

KOURTESIS I: Just to follow up on this, as far as I understood, the initial plan you had in your mind was that they are going to turn positive in your share equity by the end of the year and through this treatment you would go out of surveillance status that you currently are which would provide relief for the share price in the stock market. Is this still in place, because you referred that several plans for Intralot Inc. are going behind due to the current situation of the market?

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SFATOS C: Yes, correct, and these plans are very important plans and I think while at the same time we are delivering good operational results, this would create the assurance necessary that we are moving on the right path.

KOURTESIS I: Okay. Thank you very much.

OPERATOR: The next question is from the line of Permalloo, Jemma with JP Morgan. Please go ahead.

PERMALLOO J: Hi, good afternoon. Thank you for the presentation. I have three questions. To start with, I seem to remember that you had indicated on the previous calls that for the full year 2022 you could probably have an EBITDA print of about €100 to €110 million and that you were basing that on based on 2021 EBITDA being around €110.

So, just looking at year to date, €88 million, even if we were to consider the upper end of that range, call it €22 million of EBITDA in 4Q and looking at last year's 4Q reported numbers, do you think there's actually room for should of EBITDA guidance beat here going into year end and based on what you're seeing in terms of no changes in investors or in consumer sentiment?

My second question is on your upcoming contracts, if there's anything else that's material. It didn't seem like so from the bond docs, but just wanted to check given that obviously you had a Malta contract that expired and that you didn't bid for in the past.

And then finally, now that you do have access to the Intralot Inc liquidity, what are your thoughts on the outstanding

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bonds, and given the recent refinancing that got done at 3%, is there any similar facilities that you could consider to have a short of better refinancing for the outstanding bonds? Thank you.

SFATOS C: Thank you. On the EBITDA forecast guidance, yes, we believe that we will be north of last year's EBITDA given the Nine Month results and everything that we know about the fourth quarter so far.

As Mr. Chrysos mentioned earlier, we expect a better Q4, a much stronger Q4 in the US and overall, the performance in the rest of the world continues to be strong. So, we believe that we will have EBITDA growth for the entire year, so at yearend we definitely expect to be north of €110 million, maybe significantly more.

So, the full year delta we expect may not be so strong as the nine month but we definitely expect positive variance for the EBITDA compared to last year for the full year.

On the second question, yes, we have some developments in the United States. We were hoping that we would be able to announce something on this call, but the formalities have not been completed in the significant sports betting contract that has been in our pipeline for a while. Hopefully soon we will be able to give you some more details, color or specifics with announcements, but we are confident and strong about this.

In general, we are very pleased with our performance in Croatia, so, because you asked about Malta, we think that we will be able to recover the Malta EBITDA from the other contracts that are coming on-stream right now.

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And finally, I guess your third question relates to the outstanding bonds and the refinancing. Actually of course we are having a lot of discussions and recently we've been in London as part of the Athens Stock Exchange roadshow a couple of days ago where we had some discussions.

So, we understand the dynamics in this market. Since there are a lot of maturities coming up in 2024, 2025, there are ideas floating around but the volatility in the market will require a little bit more patience before we rack up our minds and come up with some plans, not very long but definitely with all the experience that we have now in this area we believe that we can have a plan. So, definitely by the next call in the annual results we will have some more color to provide.

We expect that the volatility in the market will subside in the first quarter of 2023 and that would be the right time for us to make our plans. But given the fact that the company has stabilized its EBITDA, has reduced its expenses and we are now generating free cash flow, we are positive in free cash flow this year we were able to partially repay debt. So, we think that it's going to be a much more streamlined exercise than in the past. And given the time horizon and all the conditions, we think that in three months' time we will be able to provide you some more color on this.

PERMALLOO J: Thank you. And if I may just follow up on that one, as for the 2024, 2025 at the term loan that you have there, that was great in terms of the 3% pricing there. For the outstanding bonds, is your intention to still be in the bonds

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market or would you consider call it loans, other facilities to take out these bonds?

SFATOS C: I cannot answer this question definitively. The fact that we have started a good relationship with a banking consortium in the United States definitely provides more optionality, so we will consider both avenues.

In three months, we will be able to give you more information on that. So, both options are on the table. It could be a combination, but our relationship with the banks is very good in the US and the bond markets are what they are, so both options are available.

PERMALLOO J: Thank you. That was helpful.

OPERATOR: The next question is from the line of Walther, Daniel with Morgan Stanley. Please go ahead.

WALTHER D: Hello, good afternoon everyone and great to see nice results and a positive development around the company overall. That's great.

A question, you actually had pretty strong EBITDA growth in this quarter, also versus the last quarter. What was actually driving this?

SFATOS C: Surprisingly it was the performance in the developing markets. And of course, there was a strong rebound in Australia which is a significant market for us, so the Australian rebound was very significant. But Argentina and

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Turkey also gave very good results. In spite of the inflation, they're seeing there, the performance is very strong in actual numbers.

Now, the other fact that is very important in the year-on-year improvement of the EBITDA is the significant reduction of our costs. So, we have in the nine-month period that you see there is about €10 million improvement on the EBITDA based on cost containment, mainly in the rest of the world. So, that's also a very important factor.

That's how you see the revenue stable and the EBITDA increasing.

WALTHER D: Great. The last question is how does your new contract pipeline look these days?

SFATOS C: Like I said earlier, we have something quite mature in the United States. Unfortunately, I cannot give the full details here, but in very little time we will be able to make that announcement.

Overall, we are very upbeat about the opportunities of iLottery in the United States. We have still a lot of time until our maturities of the big contracts, but there are opportunities floating around, even in the rest of the world, and we will be sharing some color soon.

OPERATOR: Mr Walther, are you finished with your questions?

WALTHER D: Yes, thank you.

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OPERATOR: Ladies and gentlemen, there are no further questions at this time. I will now turn the conference over to management for any closing comments. Thank you.

SFATOS C: Thank you very much for attending the call. I would like to close by saying that we are very encouraged by the Nine Months results and by this strong performance in the rest of the world. As I mentioned in a question earlier, given what we know about Q4, this will be another good year for our results. It gives us confidence about the future. Thank you.

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