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"Six Months 2025 Financial Results Conference Call"

Friday, 29th August 2025, 17:00 (GR Time)

Conductors:

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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 operator.

Welcome and thank you for joining the Intralot conference call and Live Webcast to present and discuss the Six Months 2025 Financial Results.

At this time, I would like to turn the conference over to Mr. Nikolaos Nikolakopoulos, Group CEO of Intralot.

Mr. Nikolakopoulos, you may now proceed.

NIKOLAKOPOULOS N: Thank you. Good evening or good morning, everyone. Thank you for joining the results of the First Half of 2025. I will start with a brief introduction, and then I will give the floor to our CFO, Andreas Chrysos, to walk you through in detail with the numbers and the operational performance.

On the First Half, we experienced a stable performance with a slight increase in revenues and EBITDA despite the absence of any significant jackpot activity in the U.S. I think it's worth noted here that August in the U.S. seems to be a good month in terms of top line performance for the industry. General the Powerball jackpot has already accumulated in USD950 million, which is, if I'm not mistaken, among the top 10 jackpot in the history of Powerball and we really hope that this trend is going to continue next week also.

Again on the First Half, we experienced a significant operating cash flow generation that practically helped us to move our net leverage ratio close to a multiple of 2.3x. On new projects, we're going live in Nebraska previous month in July, where we had an implementation on time and I

should say, on a record time frame. We managed to renew Idaho and Montana in the two contracts in the U.S. And we have ended with OPAP in a binding MOU to provide technology for the next tender of Hellenic Lotteries continues the strong partnership that we have with the Greek operator.

I'm sure you all know that last month, we announced the acquisition of the international division of Bally's Interactive and transaction that we believe that is going to be transformative for the industry and obviously for the group. The new entity will remain in the Athens Stock Exchange. The main business, the majority of the business is going to be on the digital services, more than 73 % of the total revenues are going to come from digital and B2C and that transaction is expected to close in Q4 this year. And it is noted here also that the integration of the technology stack that we have started a few months ago is almost concluded, we believe that we are going to have a unified technology stack within October.

With that brief introduction, let me ask Andreas, as I said, to walk you through the operational performance and the results. Thank you.

CHRYROS A:

Thank you, Nikolaos. Good afternoon, good morning to all of you. The operational performance of the First Half of the year, as also Nikolaos stated, was pretty stable, and this was detected in the P&L metrics versus a year ago. At the same time, this was also characterized by a strong operating, but also free cash flow generation supported to a large extent from a strongly positive working capital.

The operating cash flow for the period was approximately EUR72 million, almost EUR27 million higher versus the expected period of last year. The cash balance at the end of the quarter stood at EUR67 million, almost EUR2.4 million higher versus the year-end of 2024, while at the same period, the group repaid approximately EUR20 million in loan amortization in the U.S. term loan and the Greek syndicated loan.

During the same period, Intralot satisfied one of its obligations to restrict additional amounts for coupon payments of EUR6.4 million as per retail bond requirements. Adjusting the free cash flow generation for these 2 elements, it stood at around EUR29 million. Summarizing all the above, adjusted net debt for the First Half landed at EUR303 million improved by around EUR53 million versus year-end of 2024 reflected also on the improved adjusted net leverage ratio, as also Nikolaos mentioned, it's 2.3x versus year-end.

So, we are now moving to the First Half of 2025 presentation. So going directly to Page number 5, we see the revenue analysis per business activity. Our technology activity line was higher by EUR2.9 million, mainly driven by the better performance in our U.S. business.

Although the service revenue for the First Half of the year was negatively affected by the lower jackpots compared to the respective period of 2024, this was offset by increased equipment sales versus the First Half of 2024. Better performance in our Croatian business as well as a solid performance in our Argentinian technology line activities

also supported the revenue performance of each activity line.

Licensed operations in Argentina were higher by 2 million year-over-year with improved macroeconomic conditions supporting market growth. In local currency terms, the results for the current period posted an increase of 91.4% compared to the same period of last year.

The game management activity line was lower for the First Half of 2025 by EUR2.2 million. Despite the continued growth of the local online sports betting market in Turkey, the revenue performance was impacted by adverse accounting effects related to the hyperinflation in the Turkish economy, which contrasted with a positive effect in the same period of last year.

In addition, higher investment in player acquisition and retention activities calculated in the revenue line, also affected the revenue performance negatively, but resulted in an increased market share at the end of the First Half of 2025 versus previous quarter by around 1%.

Turning to Page number 6, we have the overall P&L performance for the First Half of 2025 compared to 2024, which, as already stated, it was pretty stable. Revenue was slightly higher in the First Half and around 5% lower in the Second Quarter versus the respective quarter of last year, affected primarily by negative FX movements.

Gross profit was lower by 12%, mainly due to the higher cost of sales coming from the U.S. due to the increased

merchandise sale activity that supported the revenue line but came with an increased cost of sale.

EBITDA up almost equal levels year-over-year due to the prudent cost handling in the opex line, mainly in the U.S. and in Turkey, managing to fully counterbalance the negative impacts on the gross profit line. EBITDA margin stable at around 36%.

Earnings before tax in the First Half of 2025 amounted to EUR9.8 million compared to EUR6.1 million in the First Half of 2024. The reduction of debt has led to lower interest expense for the period, which was also positively affected by lower reorganization costs in the First Half of 2025 resulting to a much better EBT performance in current versus a year ago.

Turning to Page number 7, the other two graphs have been analyzed already in the previous slides in detail. On the bottom left graph, the operating cash flow was higher by EUR27 million mainly due to the strongly positive working capital movement. CAPEX was at slightly higher levels compared to the last year period primarily due to increased CAPEX spending in the U.S.

On the bottom right, we see the net debt and the leverage ratio adjusted for the restricted cash referring to debt servicing and repayments was EUR303 million and 2.3x, respectively for the First Quarter of 2025, better by EUR35 million and 0.6x respectively.

Turning to Page number 8, we see that the adjusted net debt movement bridge from December 2024 through June 2025

stood, as already stated, at EUR303 million, reflecting a reduction of EUR52.7 million, while adjusted net leverage ratio improved to 2.3x from 2.7x at year-end underscoring the company's enhanced credit profile. The solid financial performance in the First Half is evidenced by the generation of EUR43.5 million in free cash flow.

During this period, principal repayments of funded debt totaled around EUR20 million, while net interest payments amounted to EUR14.6 million. Furthermore, other movements amounted to EUR24.1 million, driven by favorable foreign exchange effects on the U.S. dollar-denominated debt.

Lastly, on Page number 9, we see the contributions per region to our revenue and EBITDA. North and South America revenue performance, namely USA and Argentina, counterbalanced fully the deficit in the rest of the world, while EBITDA contributions were either stable or better year-over-year in all jurisdictions.

And at this stage, the presentation of the results for the First Half of 2025 is finished and the Intralot executive team is at your disposal for any questions you may have. Thank you so much.

OPERATOR: The first question is from the line of Pointon Russell with Edison Group. Please go ahead.

POINTON R: Good afternoon, Nikos. Good afternoon, Andreas. I have a few questions, please. Can I just start off in Turkey? Could you just talk about the actual constant currency revenue growth in Turkey in Q2 and the First Half? Apologies if I've

missed it because management operations revenue is down by over 30% in Q2 and the currency depreciated by quite a bit, but that indicates underlying declines.

And you mentioned a number of things there in terms of investment in player acquisition and retention and that's affected revenue, but also your number of active customers has increased year-on-year quite nicely. So, could you just unpick some of those parts, please, and their effects on the revenue? Thanks.

CHRYCOS A: Thank you, Russell, for the question. So, the underlying growth in Turkey of the 6-month period versus last year were around 6%.

POINTON R: Okay. And all those other, you talked about investment in player activity and whatever, how much of an impact were they on the growth?

CHRYCOS A: It was around EUR2 million.

NIKOLAKOPOULOS N: Sorry, it's Nikolaos. It is difficult now to practically calculate the impact on the growth that the investment is happening because practically, especially all the promotions and the marketing that we are spending, we are expected to have an impact also long term and not realized on the same necessarily quarter. This is the first thing that I think you should take into consideration, if I understood the question.

POINTON R: Yes. I didn't know you had a good increase in customers year-on-year. So, it's showing that you're gaining share, So okay. Can I just move on to Croatia? I mean you've had a good performance there. I'm just interested in the growth there has been quite volatile over the last 18 months. Could

you just talk about why it is so volatile? Is that inflation? Is it other factors?

CHRYSOS A: Russell, can you please repeat the question because...

NIKOLAKOPOULOS N: What is the volatility.

CHRYSOS A: Volatility on what?

POINTON R: If you look at the growth rates between the halves over the last 18 months or so in Croatia it's been quite volatile. So, could you just give some indication of why that is? Are there macro issues? Is it inflation?

NIKOLAKOPOULOS N: No, no. In Croatia, we are providing technology and operational services to the state lottery. And at the same time, we are managing multiple verticals there. So, it is lottery, retail and iLottery, it is also the casino, the iGaming, I mean online casino, and the sports book. So, in order to get in every period the specific, we need to go across verticals because especially sports betting, but also lottery betting, the jackpots, they have a volatility in the performance. All in all, what we experienced is stable and very decent double-digit growth as we are moving forward. I think this is the key message there.

POINTON R: Okay. Thank you. And just moving across to the U.S., you've obviously had a great First Half in terms of contract renewal extensions. There is quite a lot of detail in the results released about Maryland and your legal proceedings. Do you have any idea when that may resolve itself?

NIKOLAKOPOULOS N: The short answer is no. Why? Because it does not depend on us. What I can tell you in Maryland and I think you should

appreciate that this is an active procurement. So, I will refrain for any other judgments or predictions. What is public? It is that we submitted the proposal along with other companies.

Initially, we were awarded through the evaluation committee and the gaming commission, the contract. Then through a decision, which was really surprising, the evaluation committee decided to revert their proposal, and where we stand now is that there is a proposal from the evaluation committee for the second bidder to get awarded contract.

Obviously, we have done what legally we were allowed to follow, we are following this process, for us it is an important contract, but for the time being, I really don't know how and when this practically process is going to be resolved one way or the other.

POINTON R: Okay. Good. Thank you for your answers. I will move on.

OPERATOR: The next question is from the line of Mansfield Colin with CBRE. Please go ahead.

MANSFIELD C: Hi, everybody. Good afternoon, thank you for taking my questions. Maybe first on the operations in the U.S. You called out a little bit of the headwinds in the multistate jackpots. And understand that it's an inherently volatile business. I know some of your peers have also experienced similar trends, but I'm just curious, are there any trends in the U.S. to call out for the second half of this year as it relates to what you're seeing in terms of volume, demand

or just in general, how the casual play is looking on that front?

NIKOLAKOPOULOS N: What we've experienced in the U.S., I think it's the same trends like in Half one, which is in terms, especially on electronic instance, it is practically steady state and scratch cards, physical instance, because this is give or take 65% of the market there.

And in my point of view, this is also practically demonstrating the trends. What is different, I think now, as I said in the beginning is that in August, there is a ramp-up in jackpot on Powerball, which I believe is growing practically to make the results of the industry, not only Intralot, much better because this year was the only year in the last 3-4 years, that practically until now, we had very, very thin performance in terms of jackpot, but other than that, it is a stable market, there is no obvious growth from the normal business and we do still believe that the growth in the U.S. is going to come with the digitalization, especially in the iLottery, where the legislators in each state decides to include this type of activity in the specific states.

MANSFIELD C: Great. That's really helpful color, thank you. And then just one more for me. As it relates to, I think, the financing you guys have communicated, I think September roughly is what's been communicated about the Bally's transaction, both on the equity and the debt side. Any update you can provide there would be helpful.

And then also, just any initial thoughts you can share on what sort of the pro forma capital structure may look like? Are you planning to take out pretty much all of the existing

legacy debt with this new debt that you're raising? And do you think it will be more euro-based or dollar based? Thanks.

SFATOS CH: Yes, thank you for the question. What we have announced is that: we already have a bridge financing of 1.6 billion by a consortium of international banks, and this will be taken out by a mix of term loans and high-yield bonds. So, we're currently contemplating a Term Loan B in sterling, which is the currency where a large part of the future revenue will be generated in GDP from the U.K. operation of Bally's Interactive and a Eurobond.

Also, we have a syndication of Greek banks, which will come into refinance part of the maturing legacy debt of Intralot and our plan is to make necessary amendments to the retail bond that Intralot currently has, the 130 million, so that this remains in place until its maturity. So, the future capital structure will be 1.6 billion of total debt and it will be all that maturing at much longer periods.

MANSFIELD C: Great, that is excellent color. I appreciate it, thanks everybody.

SFATOS CH: The entire transaction will be funded by the combination of this new debt, new shares that will be issued for an in-kind payment of part of the consideration for the acquisition and roughly EUR400 million of new equity that will be raised in cash. Yesterday, we had the AGM that gave authorization to the management to establish and propose the terms of this transaction, and you should expect more announcements probably later in September.

MANSFIELD C: Okay. Thanks everybody.

OPERATOR: The next question is from the line of Memisoglu Osman with Ambrosia Capital. Please go ahead.

MEMISOGLU O: Hello, many thanks for your time. And congrats on particularly the improvement on operating cash flow, linking that and looking forward, can you comment on the outlook for the combined entity post the transaction in terms of cash flow and particularly dividend prospects. How should we think about that? Thank you.

SFATOS CH: Yes. Thank you, Osman. As has been cleared from previous presentations and in case that people on this call have not reviewed the presentations on our website, we are uploading a lot of materials there and the tab of this transaction. So, the part of the business from Bally's International Interactive that's coming into the perimeter of the transaction is a very strongly cash-generating business.

The way we presented currently in our presentations as free cash flow generation of EBITDA minus maintenance CAPEX has a 90% to 95 % conversion rate, which is very high. And it will be a completely different profile going forward compared to Intralot as analysts and investors used to look at it until now.

So, it will be a very strongly cash-generating business that will allow us to quickly come down to a net leverage ratio of 2.5x. This is the target that we will be reaching in 2 years' time.

MEMISOGLU O: Thank you.

SFATOS CH: And also, I think you asked about dividend. We have established that in the financial policy, the leverage, we said it will be 2.5x and the dividend will be 35% of net profits.

MEMISOGLU O: Thanks again.

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.

NIKOLAKOPOULOS N: For once more, thank you very much for your interest and your attendance, and we wish you to have a great weekend. Thank you.