MOODY'S INVESTORS SERVICE

Rating Action: Moody's downgrades Intralot's CFR to Ca; outlook negative

25 Jan 2021

Paris, January 25, 2021 -- Moody's Investors Service ("Moody's") has downgraded Intralot S.A.'s ("Intralot") corporate family rating ("CFR") to Ca from Caa2, its probability of default ("PDR") to Ca-PD from Caa2-PD and the instrument rating of its guaranteed senior unsecured notes, issued by Intralot Capital Luxembourg S.A., to Ca from Caa2. The outlook on all ratings remains negative.

On 14 January 2021, Intralot announced that it entered into a lock-up agreement in support of a new proposed capital structure with an ad hoc group ("AHG") of bondholders[1] who represent 75% of the senior unsecured notes due 2021 ("2021 SUNs") and 13% of the senior unsecured notes due 2024 ("2024 SUNs").

Intralot is offering to exchange the full EUR250 million of 2021 SUNs for EUR205 million of new senior secured notes due 2025 ("2025 SSNs") issued by Intralot Inc.. In parallel, the company is offering to exchange part of the EUR500 million 2024 SUNs for up to 49% of the share capital of an indirect parent of Intralot Inc. Both exchanges are cross-conditional.

Upon completion, Moody's will likely consider the debt haircut, maturity extension and debt-to-equity swap as a distressed exchange.

RATINGS RATIONALE

Today's rating action reflects the very high likelihood of default and weaker recovery expected as a result of the new proposed capital structure and in particular the debt to equity swap. There is also still some uncertainty with regards to the company's operating performance over the next 12-18 months and whether this will be sufficient to support a sustainable capital structure over the longer-term, even with the proposed debt restructuring.

There are some uncertainties as to whether the proposed restructuring will proceed as planned and what the final capital structure will be. This is because the proposed transaction is dependent on the approval of holders outside the AHG who are eligible to tender up to EUR110 million of the 2024 SUNs. If successful, the debt haircut could therefore rise from EUR113 million (EUR45 million for the 2021 SUNs and EUR68 million backstop commitment for the 2024 SUNs provided by the AHG) to EUR223 million. Depending on the final terms of the proposed debt restructuring it is likely that there will be a weaker recovery on the 2024 SUNs compared to the new 2025 SSNs (former 2021 SUNs) because of the difference in security package and position within the corporate structure.

Moody's believe that a sustained recovery in the company's profitability will be constrained by the prolonged period of coronavirus-related disruptions and the tenuous macroeconomic recovery Moody's forecasts for 2021. Furthermore, Intralot has become highly reliant on its US division where the outlook remains uncertain because of a limited visibility on the run-rate EBITDA in this jurisdiction.

STRUCTURAL CONSIDERATIONS

The EUR250 million 2021 SUNs and EUR500 million 2024 SUNs rank pari passu and share the same guarantee packages. However, in accordance with the proposed terms, the 2024 SUNs would become structurally subordinated to the new 2025 SSNs (former 2021 SUNs). The new 2025 SSNs will be issued within a separated restricted group and will benefit from the security on certain US assets, the main contributors to profit.

LIQUIDITY

Moody's considers that Intralot's liquidity is weak due to the maturity of the EUR250 million bonds in September 2021. However, the contemplated exchanges will push this maturity to at 2024 and will reduce the interest burden by EUR7-13 million, depending on the amount of 2024 SUNs tendered.

As of September 2020, the company reported EUR98 million of non-restricted cash on its balance sheet.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Upward pressure on the ratings could arise if the recovery on the ratings is higher than forecast by Moody's, which could be supported by a stronger and more sustainable recovery in profitability leading to positive free cash flow. A positive rating action would require that Intralot completes successfully the proposed distressed exchange in a manner that leaves it with adequate liquidity.

The ratings could be downgraded if the debt restructuring causes a lower recovery than the one implied by the Ca CFR.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Gaming Methodology published in October 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1244702 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

COMPANY PROFILE

Headquartered in Athens, Intralot is a global supplier of integrated gaming systems and services. The company designs, develops, operates and supports customized software and hardware for the gaming industry and provide technology and services to state and state licensed lottery and gaming organizations worldwide. It operates a diversified portfolio across 42 jurisdictions and is listed on the Athens stock exchange.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1243406 .

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the UK and is endorsed by Moody's Investors Service Limited, One Canada Square, Canary Wharf, London E14 5FA under the law applicable to credit rating agencies in the UK. Further information on the UK endorsement status and on the Moody's office that issued the credit rating is available on www.moodys.com.

REFERENCES/CITATIONS

[1] "Intralot enters into a binding lock-up agreement with key noteholders in support of the proposed capital structure" Press Release posted on the 14th January 2021 and available on the following link: https://www.intralot.com/files/INTRALOT_Announcement_Jan__14_2021_EN.pdf

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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