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"First Half 2022 Financial Results Conference Call"

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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 First Half 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 the earnings call for the first half of 2022. I would like to pass the floor to the Group CFO, Mr. Andreas Chrysos for his report.

CHRYSOS A: Good afternoon, ladies and gentlemen. The first half of 2022 was characterized by the stabilization of the business, evidenced by the stable top line performance and EBITDA compared to the previous year.

Major highlights on the operational front are the accumulated effects of the efforts that the management has undertaken on the cost side in the last few years, especially at headquarters perimeter, the full rebound from the effects of the pandemic that had an impact in the respective period of 2021 in some of our markets, such as Argentina and Australia, smaller though compared to 2020, and thirdly, the ramp-up of the projects that went live in 2021, such as Croatia.

On the financing front, after the completion of the capital structure optimization of 2021, the first half of 2022 was marked by INTRALOT's continuous efforts to further optimize its capital structure and create value for all stakeholders as committed by the management.

As you are aware, INTRALOT completed a share capital increase of up to €129 million in July with the full subscription with cash payment and pre-emptive right in favor of existing shareholders. As part of this process, a new cornerstone investor has entered the shareholding structure of the group. So, this new group, Standard General, and its wholly owned subsidiary, CQ Holding Company, acquired 32.9% of the stake of INTRALOT S.A., by injecting €71 million.

The proceeds of the share capital increase were used to buy-back shares from the minority shareholders of INTRALOT Inc. Also on July 28, INTRALOT Inc. signed a Credit Agreement with KeyBank National Association Inc. as Administrative Agent and Issuing Lender and a syndicate of US financial institutions for a 3-year Term Loan of $230 million, plus a committed Revolving Facility of $50 million, the proceeds of which were used to fully refinance the 2025 PIK toggle notes, which subsequently were canceled. Apart from the repayment of the 2025 notes, the new credit agreements bear lighter terms and covenant package compared to the previous notes, while the revolving credit facility provides flexibility to the company in relation to its liquidity needs.

Apart from the strategic importance of all those actions that put INTRALOT in a stable course to tap new opportunities in the future, the effect of the recent restructuring exercise that was completed successfully in August 2021, also affected positively the P&L with the debt servicing cost being materially lower versus a year ago, while the leverage ratio of the Group was also improved substantially as a result of both better Net Debt but also EBITDA metrics.

On the contract renewals front, during the first half of 2022, INTRALOT extended its current contract with La Marocaine Des Jeux for one more year, which is now due to expire at the end of 2023, and with Magnum Corporation in Malaysia for two more years, which now expires in June 2024. Furthermore, a 5-year extension option has been exercised with the Wyoming Lottery, according to which, INTRALOT Inc., our subsidiary in the US, will continue to provide its lottery operating system and services for the operation of the Lottery through August 2029.

And with this said, we are moving on to the first half of 2022 financial presentation. So, turning on to Page #5, we see the results of our Licensed Operations, which have been improved by 6.5% or €4 million, performance attributed to our better performance of business in Argentina, partly counterbalanced by a lower performance in Malta.

Turning to Page #6, we see a stable performance in the revenues generated by our Technology contracts, the key takeaways in this activity line are, first of all the higher revenue in Australia since last year's respective quarter was still affected by lockdown restrictions and were fully lifted in the next months of 2021. 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.

In the United States, we had a deficit of €5.9 million or 7.5%. Compared to the respective period of 2021, he non-existence of a Jackpot in the first quarter of 2021, the higher merchandise sale in the first half of 2021, and the anticipated correction in the lottery segment performance were the primary reasons for the lower revenue of 2022 compared the respective period of last year. By nature, of course, the frequency and magnitude of Jackpots cannot be predicted, so being the main reasons for the seasonality and peaks of the Lottery top line movements.

Lastly, moving to Page #7, we see the performance of our Management contracts activity, which was reduced by 10.2% or €2.5 million which was solely an effect coming from the Turkish market attributed to the foreign exchange currency implications. Though in local currency, current year results posted an increase of 49.4%. All other effects were minor and counterbalanced each other.

Turning to Page #8, we see the overall P&L performance metrics for the first half of 2022 versus a year ago. Takeaways on the operational front are the following; stable performance in the revenue line year-over-year, which has been analyzed in the previous slides. Secondly, the GGR line is slightly better due to a lower average payout ratio versus respective half of

2021. Thirdly, the Gross Profit line slightly lower compared to previous year performance, but better by €2 million, if excluding the depreciation, which is included in this line. Fourth, the OPEX line performance, worse by €4 million, and if excluding the depreciation here as well, it's €2.8 million, primarily attributed to some costs overruns in the US. And fifth, all of the above resulted to a stable EBITDA performance of €55.1 million in the first half of 2022, slightly better compared to the first half of 2021. Lastly, the EBITDA margin over sales remained at the same high levels as it was in 2021, at around 27%.

Moving down to the EBT line, it was better by €18.4 million year-over-year. So, focusing on the main reasons for this performance apart from the slightly positive EBITDA variance, the rest positive variants in this line were the following: First of all, the non-existence of the reorganization expenses that hit the first half of 2021, so being better in this line by €10.9 million. The second thing was the gains by €9.1 million on the monetary position arising from the first-time application of IAS 29 due to a hyperinflationary economy in Turkey, which is a noncash item. Thirdly, the lower interest expense directly affected by the debt restructuring which was better by €3.9 million. And lastly, the absence of impairments and write-offs that took place in the first half of 2021, so this line being better by €3.9 million.

On the negative variants side, we have the following: First of all, the negative impact from the FX results, by €3.9 million, the higher depreciation and amortization by €4.6 million, and lastly, the recognition of losses versus gains from participations and investments, primarily due to the sale of Peru that took place in the first half of 2021.

Turning to Page #9, the upper graphs have already been analyzed in detail. So, focusing on the bottom left of the slide, the Operating Cash Flow stood at €41 million in the first half of 2022 versus €51 million in 2021, and this was because 2021 was positively affected by an one-off income tax returns received by the parent company in the first quarter, specifically. So Net CAPEX at slightly higher absolute figure versus last year, but almost similar. On the bottom right of the slide, we see the implication of the Net Debt and the leverage ratio being €509 million or 4.6 times respectively, which is a direct effect of the restructuring exercise that took place in 2021.

Turning to Page #11 lastly, we see the contributions per region in our revenues and EBITDA. As always, and in line with our strategy in the last few years to shift our activity towards more developed markets, most of our revenues and EBITDA are produced in the more developed parts of the world, namely North America, Europe and Oceania.

And with this said, at this stage, the presentation of the first half 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 Walther Daniel with Morgan Stanley. Please go ahead.

WALTHER D: Yes. Hi, good afternoon, everyone and congratulations on the successful capital raise, well done. Looking forward, in regards to your outlook, I mean, you are around this €110 million EBITDA level. Do you feel like you have growth potential from there, and if so, what are some of the areas of growth that you see?

SFATOS C: Yes. This is Chris Sfatos. We are definitely looking and evaluating our options and opportunities right now, basically starting from the areas where we are already active. United States and Australia will be the primary countries where we have the strongest base. Right now, we don't have much to share in terms of quantitative targets, we are very happy that in the midst of this environment and especially the pandemic that we are able to maintain this level of EBITDA of €100 million at Group level. And definitely, certain growth opportunities from the areas that I mentioned, we will be able to quantify more specifically in the coming period. But basically, now the company has the runway that we sought for in order to address all these opportunities.

WALTHER D: And thank you for that. And maybe one quick follow-up question, I mean with your new debt facility in the US, which obviously also is very cheap. Do you have the flexibility to move cash freely around from the US into headquarters? Thank you very much.

SFATOS C: Well, first of all, we now have 100% of the US, which significantly increases our access to the dividend. So, our plan is to collect the dividend, which is now possible from the United

States and definitely follow a prudent cash management. First of all, as you realize, we have a revolving facility which gives us tremendous flexibility in the US, to open and close it, and definitely meet any CAPEX needs through that, but also minimize the expenses on the debt servicing. But yes, the answer, mean the bottom line to your question is, we do have now plenty of capacity to move the cash from the United States to the parent structure, if there are such needs. At the same time, you should notice that the cost structure at parent level is significantly lower, and therefore the needs for cash pulling from the United States are much more limited than in the past couple of years.

WALTHER D: Thank you.

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

PERMALLOO J: Hi, good afternoon. And thank you, for taking my questions and also congratulations on getting this transaction done. And couple of questions from me, I think, first of all, given your exposure as well to Europe, I was just wondering if you could provide some color on any sort of change in consumer sentiment that you are seeing across the board?

And secondly, your EBITDA of around ballpark €110 million, any guidance going into year-end? And then just finally, given your net leverage of 4.6 times, could you remind us if you have or had provided any sort of leverage target in the past? Thank you.

SFATOS C: I think the leverage right now is 4.6, right? Is that what you said or…?

PERMALLOO J: Yes, that's what I said.

SFATOS C: Yes. Well, it's significantly better than in the past. And, of course, obviously we're trying to reduce it. The other question was about the EBITDA, if we have any guidance, do you mean for 2022?

PERMALLOO J: Yes, going full year-end 2022, and if any guidance will go into next year, but I appreciate that might be a bit early.

SFATOS C: Well, as I said, we are happy that we are able to be north of €100 million at the moment. And we think that something like last year's performance or thereabout is possible. There is some seasonality, as you realize in the income from the United States. Last year, in the First Half we had 2 major jackpots, these jackpots do occur, and they did not occur in the First Half of 2022, so the seasonality will positively affect the income from the US, in the Second Half. So, taking everything into account, we think that this target is feasible.

PERMALLOO J: Thank you. And then, if I may, just on the first question, if you're seeing any change in sort of player or consumer sentiment, given inflationary pressure as well that we're seeing in Europe? Thank you.

SFATOS C: We haven't seen a change in the sentiment yet. It's not unlikely, but the impact is more likely to be on the cost side rather than on the revenue side. Actually, in the two markets where we had hyperinflation phenomenon like in Turkey and in Argentina, we saw an increase in the turnover that, to a very large extent, covered the loss from the FX. We have analyzed these things in the presentation, so it's hard to predict how inflation will play out on the top line. But no major waves right now on this.

PERMALLOO J: Alright. Thank you.

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

FELIX W: Yes hi. My questions have actually mostly been answered at this stage. One small question, can I ask you to repeat the terms of that new financing that you've got in the US, the coupon, if there's any ring-fencing at all, I think you just said there isn't, but I don't know if there's any sort of other kind of language attached to it, that would be really good? And then maybe if you have...what your plans are now from a corporate or financing perspective, if you're having any plans to raise debt elsewhere perhaps refinance here and there? Yes, thank you, very much.

SFATOS C: Well, to start from the last question, as you realize, we just completed three mega transactions. So first of all, we have the capacity to do such transactions.

FELIX W: I appreciate that. Yes.

SFATOS C: On the US new term loan, it's a term loan. So, it's a secured facility issued by INTRALOT Inc. The spread on so far is three points, as you saw and this spread is locked for a year, and then it follows the performance of the company, but we expect to stay in that area of the three points. So that's a much better package in terms of the coupon compared to the previous bond that we had, which was 7.1 and was bound to increase to 8.3, I believe, in the second year and 8.9 in the third year. Also, the other thing that's of note here is, that this is a 3-year term loan, while the previous bond had a springing maturity to 2024, so now, the 2024's is the next maturity, clearly.

Whether we can raise debt? We have to think about our options, right now I'm not in a position to make any comments about such future exercises. But definitely, we are happy that we have built a relationship with the bank consortium in the United States, and the structure of this loan is something that gives us the flexibility on top of the relations with the banking institutions. It's a very young relation, just one month old, and we want to build on it.

FELIX W: And can I ask, what is the security package of the new US loan?

SFATOS C: It's similar to the previous one.

FELIX W: Okay. Thank you.

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. As we said, we are very confident about now the prospects of the Company and we renew for the Third Quarter results at the end of November.