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“First Half 2024 Financial Results Conference Call”

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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 Konstantinos your Chorus Call operator.

Welcome and thank you for joining the Intralot conference call and Live Webcast to present and discuss the First Half 2024 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: Hello everyone. Let me first of all welcome you to the presentation of our financial results for the first half of this year. I will have a brief introduction and then I will invite our group CFO Andreas Chrysos to walk you through the detailed results.

I will start by saying that in this period we maintained a stable trajectory and we successfully mitigated most of the exchange rate challenges that we faced in Argentina. In the second quarter there was an absence of a significant jackpot in the US so there was no boost in the sales performance but at the same time I can say that our continued investment in marketing in Turkey, in Bilyoner, has already in the last couple of months begun to yield positive results. Now looking ahead, I would say that we are cautiously optimistic.

Statistically first of all we do anticipate a major jackpot in the US and along with a strong second half both in Turkey and in Argentina both of those operations traditionally are back loaded meaning they see stronger performance in the second half than the first one of the year and we also believe that this will complement the solid results that we have already seen both in Australia and Croatia. Obviously, a key focus for us is going to be the renewals or extensions of existing operations and also the expansion in new business that we are after through various RFPs.

As you probably know last week, we have announced three-year extensions in the Netherlands where in NLO we extended the retail sportsbook and also in Ireland where PLI extended again for three years the lottery and iLottery contract that we have there while we remain optimistic about the various opportunities that we have in front of us. With that I would like to give the floor to Andreas and then happy to take any questions that you might have. Andreas please.

CHRYSOS A: Thank you Nikos. So, after this short introduction let's move directly to the first half of 2024 financials presentation. So, if you have it in front of you go to Page number 5, we see the revenue analysis per business activity. So, our management contracts activity line including our projects in Turkey and in Morocco performed substantially better by 7.6 million year-over-year, representing a 25.4% growth. This effect comes fully from Bilyoner, as Nikos already said, which is the result of the intense marketing activities undertaken by Bilyoner to boost the market share in a market which is

growing in Turkey the online sports betting market substantially.

In euro terms the revenue in Turkey grew by 67% managing to fully counterbalance the negative effect of the headwinds of the Turkish lira. This positive effect was partly counterbalanced by the lower revenue in Morocco attributed to the lower scale contract that we have now in the country compared to the old contract that was in effect last year. In licensed operation we see a lower performance of EUR7.4 million compared to the respective period of last year affected by the steep devaluation of the peso in Argentina in 2023, but we already see a smaller deficit in the second quarter of 2024 compared to the same quarter of last year as we see gradually the effect of the devaluation smoothing out. On the technology activity line, the organic growth in Oceania affected revenues positively by 3.5% but on the other hand the Argentinian technology line business here as well affected negatively the FX translation and was lower by EUR2.9 million.

The performance in the US was marginally lower primarily affected by the timing of the jackpot's occurrence compared to previous year as Nikos also mentioned previously.

Turning to Page 6, we see the overall P&L performance for the first half of 2024 compared against 2023's respective period. The revenue line was marginally lower affected by the currency devaluation in Argentina which impacted by EUR10.3 million in total, although in local currency this year's revenue presented a 131.4% growth, counterbalanced to the larger

extent by the better performance in the rest areas of the world and especially in Turkey.

At this point I would like to mention that the effect that we are discussing in Argentina actually occurred in the last month of the year, so the respective period of 2023 does not include this impact. So, this means that the rest of the businesses are performing much better in order to counterbalance the effect that we see this year, which is gradually smoothing out, as I previously mentioned.

So, the better performance in Turkey also affected the gross profit line which was better by EUR2.7 million in the half of 2024 and this was almost entirely attributed to the second quarter's performance and indication of what Nikolaos previously said that the actions undertaken with the intense marketing activities are showing the results already in the second quarter and we expect an even better performance in the remaining of the year.

So, moving down to the opex line, the year-on-year increase is entirely related to Bilyoner, again, because it invested significant amounts to increase the market share and strengthen its presence in the local market and we see the results already in the revenue line.

As a result of the above, EBITDA for the period was lowered by 3.3 million, and if we analyze this further, it all comes from Argentina and Turkey, with Argentina being down by EUR2.4 million, due to the effects already analyzed, and also Turkey which was negative by EUR1.6 million.

All other projects' performance partially counterbalanced this deficit of EUR4.0 million from these two companies. The second quarter's performance was in line with last year's EBITDA performance and the EBITDA margin was in the region of 34% for the first half of 2024.

Higher depreciation and amortization in the first half of 2024 versus 2023 because of the hyperinflation impact year-over-year of Bilyoner license and moving down to the EBT line, it was lower by 10 million due to the EBITDA, the depreciation and amortization, the interest and refinancing expenses variance.

The net income after tax and minority interest was positively affected by a reversal of the deferred tax liability coming from Bilyoner following the harmonization of inflation accounting treatment under IFRS and local accounting tax principles, therefore, being this line slightly better year-over-year overall.

Turning to Page 7, the upper two graphs clearly show the signs of the stabilization and have been analyzed in detail in the previous slides. On the bottom left graph, operating cash flow was lower by EUR5 million attributed mainly to the lower recorded EBITDA and to a smaller extent to a negative swing of working capital, mainly due to the impact on inventories, the majority of which coming from the US referring to equipment building that will be installed to clients such as in Illinois and Ohio in the next period throughout the year.

Capex was lowered by EUR2.5 million mainly due to the lower investment requirements in the US. On the bottom right of the slide, we see that the net debt and leverage ratio adjusted for the restricted cash referring to debt servicing and repayments remained at the same level as at the end of 2023 in the order of EUR330 million-EUR340 million regarding the net debt and regarding the leverage ratio 2.6x to 2.7x, respectively.

Turning to Page 8, we see the net debt movement bridge from December 2023 through June 2024. Free cash flow generation for the first half at EUR22.4 million and the net interest payments at EUR15.7 million. Overall, net debt as of June 30th stood at EUR362.2 million and adjusting the impact of the EUR24 million from restricted cash, adjusted net debt shaped at EUR338.2 million keeping the adjusted net leverage ratio at 2.7 times as already mentioned previously.

So, after the successful raise of funds amounting to EUR235.4 million in the first quarter of 2024, which required a guaranteed deposit of EUR24 million and EUR6.2 million of issuance costs, the company proceeded with the full redemption of its notes due to September 2024, amounting to EUR230 million more or less. In addition, the company proceeded with the capital payments of EUR5.8 million towards the term loan in the US, but due to the negative FX movement on our US denominated debt, the gross debt increased by a total of EUR2.4 million.

Lastly, moving on Page 9, we see the contribution per region in our revenues and EBITDA. In terms of EBITDA, North America had a slightly better performance, while Europe and

Oceania's performance partly counterbalanced the lower performance in South America due to Argentina and in the rest of the world attributed to Bilyoner to a small, and to Morocco already mentioned in the previous slides, to a larger extent.

So, this has been the performance of the Intralot Group for the first half of 2024. And we are now at your disposal for any questions you may have.

OPERATOR: The first question comes from the line of Memisoglu Osman with Ambrosia Capital.

MEMISOGLU O: Regarding your comments for Turkey and Argentina, you mentioned seasonality will help. For Turkey specifically, will there be any other changes at the operating level? Do you expect, for example, to continue to spend on marketing at the same space at the same intensity? That's my question.

NIKOLAKOPOULOS N: Yes, let me answer that, Osman. In Turkey, what we have done in the past period is that we augmented our acquisition and retention spending, in order to increase our market share, an end result that we have achieved.

Now what we have experienced at the end of the first and the second quarter of the year is that from very small operators, not the market leaders, there was an aggressive policy of spending in order to take market share, so we had practically to cope with that and make sure that we were going to maintain and increase what we have gained in the previous months, which again we have achieved. In the last couple of months, we have seen that this attribute has completely

changed, and things went normal again, which, in my point of view, it's a little bit of a normal situation as you cannot continue to spend and increase the acquisition cost.

So, all in all, we do expect that we are going to get back in our normal spendings in order not only to maintain but also to continue increasing the market share, and if there is something abnormal again in the market, we will be ready to adjust.

OPERATOR: The next question comes from the line of Tsourtis Petros with Optima Bank.

TSOURTIS P: One question, if I may. You mentioned on your press release and earlier that you are pursuing a large number of commercial opportunities in North America and Australia. Can you give us more colour on them, please? And when we should expect positive news? I mean within the third quarter, in the fourth quarter of the year or in 2025? Thank you very much.

NIKOLAKOPOULOS N: Okay let me tell you what is also public and give you some dates and as much color as I can. On the pipeline where we have already submitted proposals because the RFP process has already started and it's underway in Australia where the TLC - that has 90% market share as an operator in Australia - is in the process of revamping or changing their technological infrastructure, this is the first one.

In US, we have submitted on the 5th of August if I'm not mistaken Illinois, which is the monitoring system for give or take 50,000 VLTs in the state and also two other opportunities.

One in Loto-Quebec and the other in Ontario in Canada. All of those four we have already submitted at the end of July beginning of August and I presume, because there is a process with presentations and all the process of the RFP questions, answers, reference visits, I believe that within the year before the end of the year we are going to have some news. Now what lies ahead is, we have Missouri which is a big state in terms of lottery in the US mid of September that we are going to submit, we have a small VLT project in Nebraska, that the submission date is 1st of October, we have West Canada Lottery Corporation that they are going to issue an RFP - I think it's going to be also mid-October for the lottery-, and we have Maryland at the end of October, I think it should be around 28th.

We have also some other opportunities that we're discussing without an RFP process. I believe that we are going to have either an extension or some news to announce within the month of September.

TSOURTIS P: Thank you very much.

OPERATOR: The next question comes from Tzioukalia Fani with Euroxx Securities. Please go ahead.

TZIOUKALIA F: Hi, hello from my side. One quick question please. Would it be possible to clarify on the working capital increase within the second quarter specifically and how would you see this evolving towards the second half of the year? Thank you.

CHRYSOS A: Compared to the first quarter the working capital has been improved but we still have the impact on the inventories, which we also mentioned in the first quarter of the year.

Referring to infrastructure on hardware specifically in the US which are being built and are currently in our inventory in the warehouse which will be installed in the clientele base in the next few months.

So, we expect this to smooth out and also move from the inventories to the capex line which of course will have an impact on the revenues as well, because as you can imagine when we install these new products in the market it will also generate some additional revenues and especially in clients such as in Illinois and Ohio as I already mentioned.

TZIOUKALIA F: Okay, so you mentioned that there is a quarter-on-quarter improvement on the working capital so we should expect a gradual improvement towards the end of the year?

CHRYSOS A: Correct Fani, correct.

TZIOUKALIA F: Okay thank you, thank you so much.

CHRYSOS A: Welcome.

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

POINTON R: Good afternoon gentlemen. A couple of questions from me if that's okay. Could you just talk firstly a bit about the trends between Q1 and Q2 in the US in terms of what you're seeing you know from the users, and I note that the possibility moved around a bit relative to the revenue.

Moving on and have you seen any impact from you know there's some fears that the mid-career environment is getting slightly more challenging for people so have you seen any

impact on that? Second question is, on Turkey just to push you a bit on the margin. I think the margin is effectively halved over the last 12 months.

You sound a bit more confident about your marketing spend normalizing so how much of that margin could potentially come back in Turkey? And my last question is, it looks as though there was quite a big pickup in the winner's payout ratio in the second quarter, so could you just talk about what's driving that please? Thanks.

NIKOLAKOPOULOS N: Andreas let me take the first one about the US and the trends. First of all, there are two specific categories that I would like to address differently. In the US the market, give or take, is 65% instance, 35% draw-based games. Draw-based games have a huge effect on the jackpot and especially Powerball and Mega Millions are games that are driven by the jackpots. So, the absence of the significant jackpot has clearly skewed the picture. That's why I said in the beginning that statistically we should expect something to come in the next months until the end of the year.

Therefore, this category not only in our clients, in our customers, but generally in the whole US market the US lotteries experienced a decline versus last year. The second thing now is the issue of instance when we are in our operation, in our customers close to 2% year-on-year growth, where the market I think is running 0% to 1% percent. So, all in all there is I wouldn't say a decline, but it is not the growth that we should expect especially even as last year it was driven as I said by the jackpots. I think this is going to be normalized,

we don't see that there is an impact on consumer spending, scratch cards the instance is the indicator of that, and I think we are on a good track and when the jackpots are going to come things are going to get normal. Finally, you can see that we managed to increase our EBITDA in the US because as we've seen these trends and we've seen the jackpot not to realize in the first half, we took some measures in order to be cautious on spending.

CHRYSOS A: Yes, let me take the Turkey margin. I think Russell, Nikos already mentioned the issue with Turkey. So, we are facing quite intense competition in Turkey which indeed has led to a lower margin compared to last year. How much of it will be recovered, this is something that we cannot assume currently. It depends on the market conditions, and I think Nikos already said that we face some intense competition from smaller players, which is something that we did not expect.

In any case we will try to safeguard our market share there and actually enhance it. This is our primary target, in order to strengthen our presence in the market which by the way is continuously growing. So, we cannot make a provision of how much of the margin will be recovered, it depends on the market conditions. In any case the absolute number is going to improve. Now regarding the last question, I think you mentioned about the payout, which is indeed slightly higher. By the way let me tell you that this refers to a very small part of our gross profit which is our business in Argentina. So, this is the only licensed operation, this is the only part of the world where we are having this payout. So, it's a very small part of the business, we expect that this throughout the year will be

smoothed out, but again we are not talking about a material impact on the overall numbers.

POINTON R: Thank you very much Andreas and Nikos.

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: Thank you very much for the attendance and the interest.

I hope we cover the major parts of our first half. Before we close, I would like to read the statement from our Chairman Mr. Kokkalis: "Half year results confirm the company's stable course and maintenance of key financial indicators at desired levels, in spite of FX headwinds and seasonality effects. Strengthened by the group's improved financial position, the company continues to deploy and take live its new advanced lottery engine, Lotos X, and further developing the entire lottery technology ecosystem in developed markets such as Canada. At the same time, we are currently pursuing a large number of promising commercial opportunities in North America and Australia while renewing the trust and cooperation with existing important clients such as in the Netherlands and in Ireland".

Again, thank you very much.