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CREDIT OPINION

1 December 2023

Update

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RATINGS

Intralot S.A.

Domicile	Athens, Greece
Long Term Rating	Caa1
Type	LT Corporate Family Ratings
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Intralot S.A.

Update following share capital increase

Summary

Intralot S.A. (Caa1 stable) is an international supplier of integrated gaming systems and services. Intralot's credit quality reflects the company's refinancing risks associated with the remaining €229.6 million amount outstanding under its senior unsecured notes due in September 2024 at its non-US business level. Intralot's activities in the US represent 50%-60% of the group's EBITDA but still generate all of the group's free cash flow (FCF) (see Exhibit 1), although we expect this imbalance to reduce over the next two years. Intralot has a complex debt structure with two distinct restricted groups. Intralot's 2024 senior unsecured notes (at the level of its non-US operations) are structurally and legally subordinated to its senior secured US term loan (at the level of its US operations) maturing in 2025.

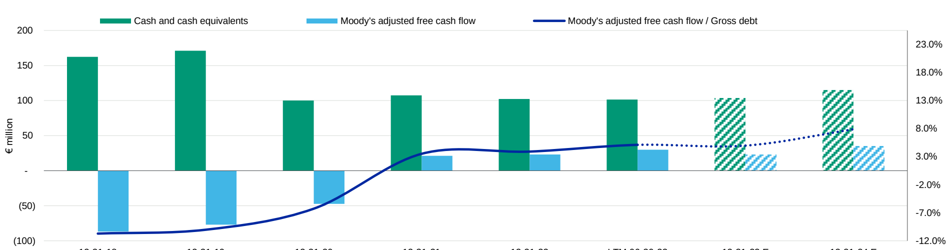
The group's recent restructuring plans, which have centered on refocusing on more profitable contracts in developed markets, along with capital structure transactions, have led to a gradual improvement in the company's leverage. The share capital increase completed at the end of October 2023 is credit positive, being the first step in successfully refinancing the 2024 senior unsecured notes. We expect its Moody's-adjusted gross leverage to decrease to well below 4.0x as of year-end 2023 from 4.8x in 2022. However, Intralot's liquidity remains weak because of its upcoming debt maturities. In particular, the maturity of its 2024 senior unsecured notes falls within the next 12 months.

Intralot's credit profile is supported by its broad geographical coverage, including a greater focus on developed markets, having grown its operations in the US and Australia over the last few years. Growth in lottery activities also provides the group with greater earnings stability than in the past. The company's business is, however, subject to contract renewal risks.

Exhibit 1

FCF is forecast positive and imbalance between cash generation of US and non-US activities is expected to reduce

Historical and expected cash and adjusted FCF



All figures and ratios are based on 'Adjusted' financial data. The estimates represent Moody's forward view, not the view of the issuer.

Source: Moody's Investors Service

Credit strengths

» Broad geographical presence in 39 jurisdictions

» Diversified contract portfolio with more than 50 contracts

» Positive developments in the US business with lottery and sports betting contract wins

Credit challenges

» Complexity of its capital structure with two restricted groups, of which one is at the level of the company's US operations

» Imbalance between the FCF generation in the group's US and non-US businesses, although we expect it to reduce over the next two years with the EBITDA growth in its non-US activities

» Exposure to contract renewal risk because of the significance of some key contracts

» Indirect exposure to the regulatory risks associated with the gaming industry and exposure to foreign-exchange fluctuations

Rating outlook

The stable outlook reflects our expectation that the company will successfully refinance or repay the remaining amount outstanding under the group's September 2024 senior unsecured notes over the next few months.

Factors that could lead to an upgrade

Upward pressure on the ratings could arise if:

» the company successfully refinances or repays its 2024 senior unsecured notes debt maturity while maintaining adequate liquidity

» its Moody's-adjusted gross leverage remains below 6.0x on a sustained basis

» its Moody's-adjusted FCF returns to being sustainably positive across the two restricted groups

Factors that could lead to a downgrade

Negative pressure on the ratings could arise if:

» it becomes unlikely that the company will be able to refinance or repay the 2024 senior unsecured notes, and there are uncertainties surrounding the sustainability of the capital structure or a further restructuring

» the company's operating performance deteriorates, with a weakening of its FCF and liquidity

Key indicators

Exhibit 2
Intralot S.A.

	12/31/2019	12/31/2020	12/31/2021	12/31/2022	LTM 06/30/2023	12 to 18 months view
Revenues (USD Billion)	$0.5	$0.4	$0.5	$0.4	$0.4	$0.4
EBIT Margin %	-0.4%	-2.3%	10.9%	13.7%	20.0%	17% - 18%
Debt / EBITDA	9.7x	12.5x	5.2x	4.8x	4.2x	3.3x - 3.4x
RCF / Net Debt	-0.4%	1.2%	11.3%	15.0%	17.3%	24% - 28%
EBIT / Interest Expense	0.0x	-0.2x	1.0x	1.4x	1.8x	1.7x - 2.0x

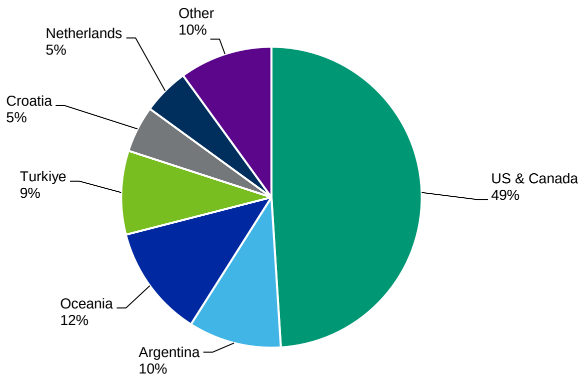
All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Nonfinancial Corporations. The forward-looking view represents Moody's forward view, not the view of the issuer.
Source: Moody's Investors Service

Profile

Headquartered in Athens, Intralot S.A. is a global supplier of integrated gaming systems and services. The company designs, develops, operates and supports customised software and hardware for the gaming industry, and provides technology and services to state and state-licensed lottery and gaming organisations worldwide. It operates a diversified portfolio across 39 jurisdictions. In 2022, the company reported consolidated revenue of €393 million and consolidated EBITDA of €123 million.

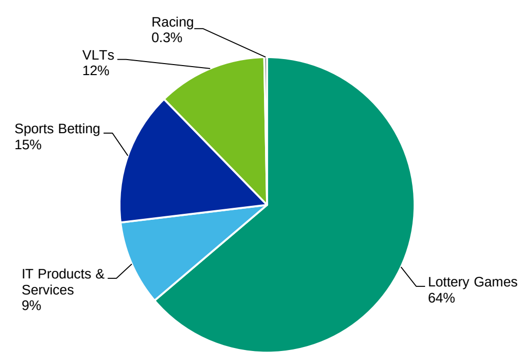
Intralot has been listed on the Athens Stock Exchange since 1999. The group's ownership structure is also composed of Intralot's founder and CEO Socratis Kokkalis, who directly and indirectly owns a total of 20.5% of the group's share capital; and Standard General, an investment firm based in the US holding close to 27% in the group.

Exhibit 3
The US business represents around 50% of the group's EBITDA; close to 60% including countries with negative EBITDA[(1)]
EBITDA by geography in 2022



(1) The 50% figure is excluding countries with negative EBITDA. Including countries with negative EBITDA, this percentage is close to 60%.
Source: Company

Exhibit 4
More than 60% of the group's revenue comes from lottery games
Revenue by product in 2022



Source: Company

Detailed credit considerations

Despite the credit positive impact of the October 2023 share capital increase, high refinancing risks remain

The redemption of a portion of Intralot's 2024 senior unsecured notes using the proceeds of a share capital increase in October 2023 strengthened the company's credit profile because it reduced both the leverage and the outstanding amount maturing in 2024. The decrease in gross debt provides the company with increased flexibility to navigate the higher interest rate environment, reducing the strain on cash flow from rising borrowing costs. More generally, the October 2023 transactions demonstrated the company's reduced appetite for leverage. However, despite the company successfully implementing those first steps on the path to refinancing the 2024 senior unsecured notes, high refinancing risks remain because of the still-sizeable outstanding amount set to mature in less than 12 months. We understand the company is in talks with banks to issue a retail bond in Greece and secure a syndicated loan. The company also has another maturity in less than two years that it needs to address, being its US term loan due in July 2025.

Intralot successfully completed a share capital increase at the end of October 2023, raising €135 million. The proceeds were essentially used to repay €126 million out of the €355.6 million previously outstanding under the 2024 senior unsecured notes. An amount of €229.6 million remains outstanding under those notes. The remaining proceeds from the equity raise were allocated for working capital purposes.

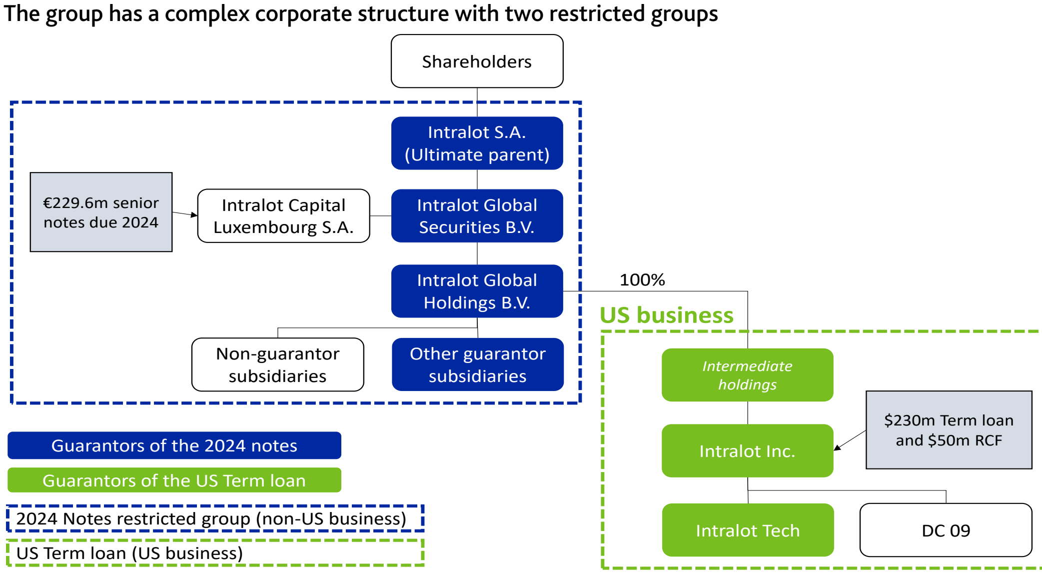
As a result of the share capital increase and €126 million gross debt repayment, we expect Intralot's Moody's-adjusted gross leverage to reduce to well below 4.0x by year-end 2023 from 4.8x in 2022.

A complex capital structure with two restricted groups

Intralot's credit profile is constrained by the complexity of its capital structure. As a result of the restructuring transaction the company completed in 2021, the group has debt at two different levels within the group with two distinct restricted groups — the non-US business, reflecting the 2024 senior unsecured notes restricted group; and the US business, reflecting the restricted group of the US senior secured term loan maturing in 2025. Both groups have different credit profiles and different guarantors. The 2024 notes are unsecured, with a restricted group retaining around a third of the total group EBITDA and still not generating sizeably positive FCF in 2023, yet holding more than half of the group's overall debt amount.

Exhibit 5

The group has a complex corporate structure with two restricted groups



DC09 is a 49% subsidiary of Intralot, Inc. implementing the DC lottery contract.
Source: Company

As shown in Exhibit 5, despite the group holding full ownership of its US business, there is debt at the level of the US subsidiary Intralot, Inc., supported by guarantees from US entities and a security package that includes share pledges from US entities, US business bank accounts and some US business assets. This US debt benefits from a restricted group around US entities. Intralot's 2024 notes are therefore structurally and legally subordinated. The debt in the US business comprises a $230 million (original amount) three-year senior secured term loan. In addition, Intralot's US subsidiary was also granted a $50 million committed revolving credit facility (RCF) as part of the same agreement. The US term loan and the US RCF benefit from guarantees and security packages from US entities.

Business profile more oriented towards developed markets and its more stable lottery business although exposure to contract renewal risk remains

Intralot's business profile has significantly changed over the last five years because the group increased the share of its earnings generated in developed markets, mostly through the development of its operations in North America (the US business) and Australia. Its exposure to emerging markets has declined. In particular, in 2018, Turkiye represented 21% of the group's EBITDA, although this figure is now close to 10% as a result of the expiry of a key contract in 2019. On the contrary, the group's US business went from representing close to 20% of the group's consolidated EBITDA in 2018 to around 50% in 2022, and close to 60% of the 2022 consolidated EBITDA including countries with negative EBITDA.

Despite the above-mentioned factors, Intralot still has a substantial presence in emerging markets, with Turkiye and Argentina together accounting for more than 20% of the group's consolidated EBITDA. However, Intralot only owns 50% of the business in both countries; therefore, on a proportionate basis, both countries together account for around 14% of the group's EBITDA. The exposure to these countries exposes the group to high foreign exchange-rate risks because of the continuing currency depreciation.

The increased earnings generated by the company's lottery business, as a proportion of total revenue, have improved the company's product mix. In 2018, around 51% of the group's revenue was derived from sports betting activities. In 2022, this percentage was down to around 15%, while lottery games accounted for 64% of the group's revenue. Lottery activities generally generate a more stable revenue stream than sports betting.

Intralot enters into multi-year contracts with its customers, which provide a degree of revenue visibility, but the group is exposed to contract renewal risk. The group's contracts length varies from a few years to up to 10 years, with extension options in some instances. Intralot has a diversified contracts portfolio with more than 50 contracts; however, when sizeable contracts come to an end and are not renewed, the company's revenue may decline substantially. In July 2022, the licensed operation contract in Malta ended and was not renewed. The activities in Malta represented around 11% of the group's 2021 EBITDA. In 2022, the loss of the Malta operations was compensated by the ramp-up of the activities in Croatia and the extension of the contract in Morocco by one additional year. From 2024 onwards, Intralot will no longer benefit from the contribution of its former operations in Malta, Morocco and the Netherlands, which together accounted for around 17% of the group's EBITDA in 2021. We expect this to be compensated by strong growth in the US and Turkiye. In the non-US business, the contracts that have expiry dates in the next three years taken together represent each year 3%-10% of the total group's EBITDA. In the US, the contract with the Ohio lottery operator, which represented around 22% of the group's EBITDA in 2022 and was up for renewal in the middle of 2023, was renewed until June 2025. We understand the Ohio lottery operator has signed a document with Intralot, indicating the lottery's intention to renew the contract every two years until 2027.

We expect cash generation breakdown between the US and non-US activities to become more balanced

Although Intralot's cash generation was entirely supported by the group's US activities in recent years, we expect its non-US operations to start generating positive FCF over the next 12-18 months. We therefore anticipate a more balanced cash generation profile between the US and non-US businesses in the next one to three years. This would come as a result of ongoing improvements in non-US business profitability, in parallel with increased contracts renewals-related investments in the US.

We note however, that with the need for the company to address its 2024 and 2025 debt maturities, Intralot's FCF generation potential will be subject to the terms of the refinancing plans and the new borrowing costs.

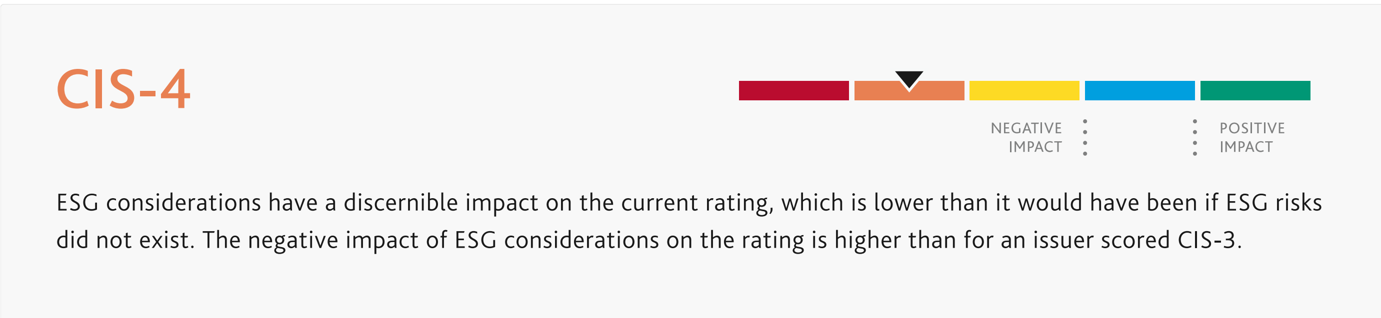
We expect Intralot's EBITDA to stabilize in 2024 after a solid increase in 2023, with growth in the US and Turkiye offsetting the end of the contracts in Morocco and the Netherlands. After several years of revenue and EBITDA decline in the years preceding the coronavirus pandemic, Intralot returned to EBITDA growth starting in 2021. The company implemented an operational restructuring plan and refocused on the more profitable contracts. As a result, although revenue decreased in 2022 and in the first half of 2023 by 5.1% and 14.4% respectively, EBITDA grew by more than 11% and 14%, respectively, over the same period.

Intralot's FCF was negative between 2015 and 2020. In 2021, the group's FCF turned positive because of the recovery in earnings, the contribution from the US business, lower capital spending and lower dividend payments to minorities. The positive FCF largely came from Intralot's US business, while its non-US activities generated negative FCF.

ESG considerations

Intralot S.A.'s ESG credit impact score is CIS-4

Exhibit 6
ESG credit impact score



Source: Moody's Investors Service

Intralot's **CIS-4** indicates the rating is lower than it would have been if ESG risk exposures did not exist, due to the company's high exposure to social and governance risks. Intralot's exposure to challenging demographic and societal trends, as well as its appetite for leverage, weak operating performance track record in the years preceding the coronavirus pandemic, the company's debt restructuring in 2021, and complex organisational structure weigh negatively on the group's credit profile. We note the restructuring plans the group implemented since 2022 successfully led to a gradual improvement in profitability and leverage.

Exhibit 7
ESG issuer profile scores

Source: Moody's Investors Service

Environmental

Intralot's **E-2** score reflects its low exposure to carbon transition and other environmental risks because it operates as a supplier in the industry of in-person and online games and betting.

Social

Intralot's **S-4** reflects its exposure to challenging demographic and societal trends. Intralot is a supplier of products and services to gaming companies and lotteries and is therefore indirectly exposed to the same social risks as the operators. Gaming companies in key markets where Intralot operates are subject to increasingly tight regulations aimed at protecting customers and preventing money laundering. Moreover, gaming and gambling enterprises face the challenge of adjusting to evolving consumer preferences, as the trend leans towards predominantly using digital and mobile devices for play.

Governance

Intralot's **G-4** reflects its exposure to governance risks linked primarily to the company's financial policy, historical appetite for leverage, as well as weak management track record in the years preceding the coronavirus pandemic given the poor revenue performance and the company's debt restructuring in 2021. We note, however, the restructuring plans the group implemented since 2022 successfully led to a gradual improvement in profitability and leverage. The more recent transactions on the company's capital structure have been credit positive. In particular, the proceeds from the share capital increase completed in October 2023 were used to repay debt and can facilitate the refinancing of upcoming debt maturities in 2024 and 2025. Intralot has a complex organisational structure with two restricted groups. The company also has a degree of concentrated ownership and limited level of board independence.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Intralot's liquidity is weak because of the upcoming September 2024 debt maturity. The company's liquidity is supported by €122 million of cash as of the end of September 2023, and around $45 million available under a $50 million RCF at Intralot, Inc. We understand the company is in talks with banks to issue a retail bond in Greece and secure a syndicated loan to refinance the amount maturing in September 2024. We note the company also has another maturity in less than two years that it needs to address, being its US term loan due in July 2025.

Over the next 12 months, we expect the group's FCF to be positive in the €30 million-€40 million range. Although we estimate that FCF will remain negative in the non-US business in 2023 overall, we forecast it will turn positive in 2024 such that Intralot's cash generation will be significantly more balanced between the US and the non-US divisions than in the past.

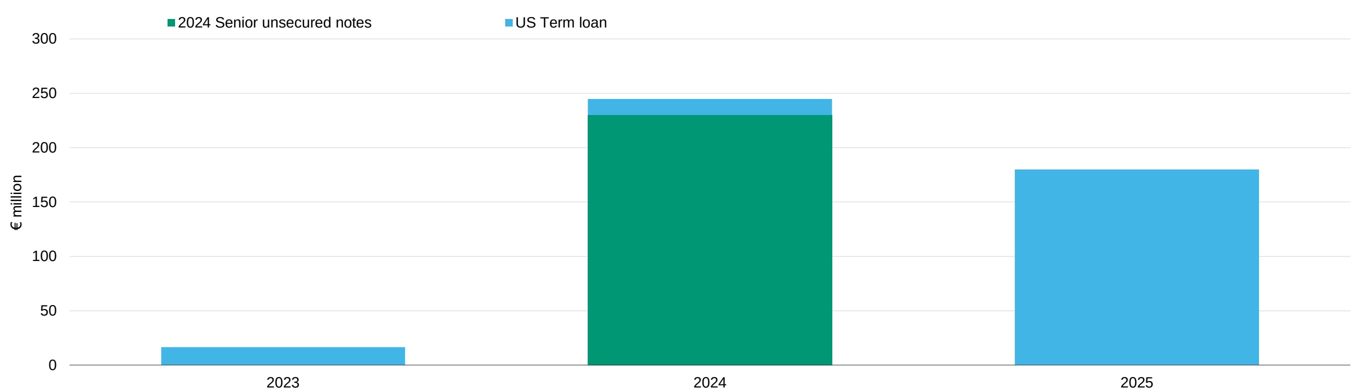
The US term loan is subject to a net leverage ratio covenant of 4x (3.75x from March 2024) and a fixed charge coverage ratio of above 1.25x, both tested quarterly, which we expect to be met. In addition, the upstreaming of cash from the US business is allowed by the US term loan documentation, subject to lock-up covenants that we expect to be met.

The group's next significant debt maturity is the €229.6 million amount outstanding under the senior unsecured notes due in September 2024 (see Exhibit 6).

Exhibit 8

High refinancing risks stemming from the senior unsecured notes maturing in September 2024 as well as the US term loan maturing in July 2025

Intralot's debt maturity profile



The chart above excludes finance lease obligations and around €8 million of other bank debt.
Sources: Company and Moody's Investors Service

Structural considerations

Intralot's probability of default rating is Caa1-PD, in line with the corporate family rating (CFR), reflecting our assumption of a 50% family recovery rate as is customary for a capital structure comprising bonds and bank debt. Intralot's 2024 senior unsecured notes are rated Caa2, one notch below the CFR, reflecting the structural and legal subordination to Intralot's senior secured US term loan maturing in 2025, which benefits from a separate restricted group, as well as guarantees and a security package on certain US assets.

Methodology and scorecard

The principal methodology used to rate Intralot was the Gaming rating methodology published in June 2021. The forward-looking and current scorecard-indicated outcomes are B2 and B1, respectively, two to three notches higher than the assigned Caa1 CFR. The difference is explained by the refinancing risk and weak liquidity as a result of the maturity of the 2024 senior unsecured notes falling within the next 12 months.

Exhibit 9

Rating factors

Gaming Industry Scorecard [1][2]	Current 12/31/2022		Moody's 12-18 Month Forward View As of 11/7/2023 [3]	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenues (USD Billion)	$0.4	Caa	$0.4	Caa
Factor 2 : Business Profile (25%)				
a) Market Characteristics	Ba	Ba	B	B
b) Market Position	B	B	B	B
c) Diversification	Ba	Ba	Ba	Ba
Factor 3 : Profitability and Efficiency (10%)				
a) EBIT Margin %	13.7%	Ba	17% - 19%	Ba
Factor 4 : Leverage & Coverage (35%)				
a) Debt / EBITDA	4.8x	Ba	3x - 3.4x	Ba
b) RCF / Net Debt	15.0%	Ba	24% - 26%	Baa
c) EBIT / Interest Expense	1.4x	B	1.7x - 2.3x	Ba
Factor 5 : Financial Policy (20%)				
a) Financial Policy	B	B	B	B
Rating:				
a) Scorecard-Indicated Outcome		B2		B1
b) Actual Rating Assigned				Caa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 31 December 2023.
[3] This represents Moody's forward view, not the view of the issuer.
Source: Moody's Investors Service

Ratings

Exhibit 10

Category	Moody's Rating
INTRALOT S.A.	
Outlook	Stable
Corporate Family Rating	Caa1
INTRALOT CAPITAL LUXEMBOURG S.A.	
Outlook	Stable
Bkd Senior Unsecured -Dom Curr	Caa2/LGD4

Source: Moody's Investors Service

Appendix

Exhibit 11

Peer snapshot

(in USD million)	Intralot S.A. Caa1 Stable FYE Dec-21	FYE Dec-22	LTM Jun-23	Cirsa Enterprises, S.L.U. B2 Stable FYE Dec-21	FYE Dec-22	LTM Jun-23	Tackle Group S.a r.l. B2 Stable FYE Dec-20	FYE Dec-21	FYE Dec-22	Odyssey Europe Holdco S.à.r.l. B3 Stable FYE Dec-21	FYE Dec-22	LTM Jun-23
Revenue	490	414	380	1,322	1,835	2,047	997	722	645	54	185	239
EBITDA	137	130	144	369	578	638	398	411	326	8	52	67
Total Debt	689	634	636	2,966	2,624	2,639	1,847	1,744	1,631	339	302	310
Cash & Cash Equivalents	122	109	111	319	228	203	405	302	184	30	58	52
EBIT margin %	10.9%	13.7%	20.0%	0.9%	14.4%	15.5%	31.8%	45.5%	39.0%	-31.2%	12.6%	14.2%
EBIT / Interest Expense	1.0x	1.4x	1.8x	0.1x	1.8x	2.0x	4.2x	4.1x	3.9x	-0.7x	1.0x	1.5x
Debt / EBITDA	5.2x	4.8x	4.2x	8.4x	4.5x	4.0x	4.3x	4.4x	4.9x	42.3x	5.8x	4.4x
RCF / Debt	9.3%	12.4%	14.3%	5.7%	13.6%	14.1%	18.5%	-4.5%	-3.6%	-4.6%	7.7%	11.4%
FFO / Debt	10.4%	13.1%	15.2%	5.9%	14.5%	15.5%	18.5%	16.4%	15.5%	-4.6%	8.3%	11.8%

All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics™

Exhibit 12

Select historical and projected Moody's-adjusted financial data
Intralot S.A.

(in EUR million)	FYE Dec-21	FYE Dec-22	LTM Jun-23	FYE Dec-23 proj.	FYE Dec-24 proj.
INCOME STATEMENT					
Revenue	414	393	363	387	383
EBITDA	116	123	138	134	133
Interest Expense	45	39	39	40	35
BALANCE SHEET					
Cash & Cash Equivalents	107	102	101	103	115
Total Debt	606	594	583	452	439
CASH FLOW					
Capital Expenditures	(27)	(32)	(36)	(49)	(55)
Retained Cash Flow (RCF)	57	74	83	85	91
Free Cash Flow (FCF)	21	23	30	22	35
RCF / Debt	9.3%	12.4%	14.3%	18.8%	20.7%
FCF / Debt	3.5%	3.9%	5.1%	5.0%	7.9%
PROFITABILITY					
EBITDA margin %	28.1%	31.4%	37.9%	34.7%	34.7%
INTEREST COVERAGE					
EBIT / Interest Expense	1.0x	1.4x	1.8x	1.7x	2.0x
EBITDA / Interest Expense	2.6x	3.2x	3.5x	3.4x	3.8x
LEVERAGE					
Debt / EBITDA	5.2x	4.8x	4.2x	3.4x	3.3x

FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics™

Exhibit 13

Moody's-adjusted debt reconciliation

Intralot S.A.

(in EUR million)	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Jun-23
As Reported Total Debt	765	751	605	593	582
Pensions	4	1	1	1	1
Moody's Adjusted Total Debt	769	752	606	594	583

All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics™

Exhibit 14

Moody's-adjusted EBITDA reconciliation

Intralot S.A.

(in EUR million)	FYE Dec-19	FYE Dec-20	FYE Dec-21	FYE Dec-22	LTM Jun-23
As Reported EBITDA	71	48	185	138	142
Unusual Items - Income Statement	(13)	11	(70)	(15)	(5)
Pensions	1	1	1	0	0
Moody's Adjusted EBITDA	59	60	116	123	138

All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics™

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