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## **"Full Year 2023 Financial Results Conference Call"**

Tuesday, 2<sup>nd</sup> April 2024, 17:00 (GR Time)

### **Conductors:**

**Mr. Chrysostomos Sfatos, Deputy Group Chief Executive Officer**

**Mr. Andreas Chrysos, Group Chief Financial Officer**

**Mr. Nikos Nikolakopoulos, Chairman and CEO Intralot Inc.**

**Mr. Vasileios Vasdaris, Group Tax & Accounting Director**

**Mr. Antonis Skiadas, Group Finance, Controlling & Budgeting Director**

**Mr. Michail Tsagkalakis, Capital Markets Director**

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 Full Year 2023 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: Hello, and welcome to the 2023 Earnings Call. We're very happy to convene this call and thank you for joining us at a time that we feel particularly positive about the recent developments, not just the financial results that we will be discussing in this call, but also all the other developments that I'm sure most of you are aware of.

Just very recently, we have completed all our plans for the refinancing of the old notes in a way that has resulted in a much smaller leverage ratio, much smaller Gross and Net Debt and we have extended the maturities in a way that secures significant new runway and smaller debt servicing costs.

While we are talking about the Capital Structure, the new Capital Structure is also characterized by the fact that half of our debt now is in U.S. dollars and is served by flows generated in U.S. dollars, which corresponds to approximately half of our EBITDA and revenues, and the other half is in euros and served in euros. It's also

characterized by new relations with U.S. and Greek banks, which we think is very important.

We would like, of course, to thank all the investors who have participated in the Share Capital increase and in the recent Bond issue in Greece.

All these recent developments have been reflected in the strong performance of our stock price and its trading volumes. And we think that the strong performance of 2023, in spite of some headwinds in FX, which we will be discussing, prove that the Company is now in a stable course, and we are ready to grasp all the opportunities in the future. And we will discuss a little bit about that as well after we discuss the numbers.

So, with these introductory comments, I would like to pass the microphone to Mr. Andreas Chrysos, Group CFO.

CHRYSOS A:

Good afternoon, Ladies and Gentlemen. 2023 was a milestone year for INTRALOT, as already mentioned by Mr. Sfatos, because we managed to deliver on all important strategic objectives that we have set. This applies both for the operational and for the financial aspect.

The successful completion of the Share Capital increase in October 2023 marked an important step in a sequence of strategic initiatives planned and executed by the Management to reinforce the capital profile of the Company and the Group.

Following the successful execution of the share capital increase, the equity of the Group returned to positive territory and subsequently, the Company's shares were immediately lifted from the Surveillance segment and are now traded in the main markets of the stock exchange. This move was followed by two consecutive financing initiatives. The first one was the successful issuance of retail bond of EUR130 million, at an interest rate of 6%- and five years maturity.

This public offering attracted high interest from the market and was oversubscribed by 1.55 times. It was completed at the end of February with the commencement of the trading of 130,000 bonds on the fixed income segment of the regulated market of the Athens Stock Exchange.

The last action was the issuance of a Syndicated Bond loan with 5 Greek banks of €100 million maturing on June 2025 that was successfully completed on the 28th of March, when full amount was paid and INTRALOT issued bonds of equal value. The proceeds from all these three refinancing activities have been used to fully redeem the remaining outstanding 2024 notes with the last tranche of around €100 million to be redeemed on the 9th of April as already announced.

Last but not least, the extension by one more year of the syndicated loan in the U.S. now maturing in June 2026 was also an important milestone on the financing front, offering a clear short-to-mid-term horizon on the maturities of our loans, and allowing us to focus on the

business development front and on the opportunities ahead.

In addition, apart from the maturities' extension and the more balanced capital structure, net debt is also reduced substantially, which at the end of 2023, stands at €333 million with a consolidated net leverage ratio of 2.6x.

Operationally, our business grew by 5.4% at €129.5 million in terms of EBITDA and almost 17% at €112.5 million in terms of operating cash flow, making up for the impact of strong FX headwinds from the devaluation of the Peso in Argentina in December 2023, as well as strong rates of the EUR versus the USD and Australian dollar compared to the previous financial year.

EBITDA margin reached almost 36% as a result of Group's strategic choice to focus more on higher profit margin contracts and in mature markets. Adjusting free cash flow generation for exchange differences and adverse working capital mainly due to the Taiwan project that was delivered late in 2023, the free cash flow stands in the order of €45 million to €50 million.

Now we are moving to the 2023 Financial Presentation. Going directly to Page number 6, we see a very strong growth in Croatia with revenue increasing by €4 million year-over-year, a business that now has a significant EBITDA contribution to the group reaching around €11 million for 2023, €10.9 million exactly.

Better performance in rest jurisdictions positively affected by the implementation fees for our new contract

in Taiwan, which I mentioned previously. Higher revenues in the U.S. for the 12-month period organically driven by the growth in numerical, iLottery and Instant Games and stable good performance in Australia.

Turning to Page number 7, we see a significantly improved performance of our Management Contracts, which have improved by €21.8 million or around 43%, primarily driven by the strong momentum of our online business in Turkey, and the growth of the respective Sports Betting segment by 1.9x year-over-year in the country.

Turning to Page number 8, we see the overall P&L Performance Metrics for the 12 Months and the last quarter versus a year ago. Takeaways on the operational front are the following: First of all, in the revenue line, we see a lower performance year-over-year analyzed already in the previous slides, but primarily affected by the license expiration in Malta.

In relation to the Fourth Quarter, the strong performance in Turkey, the new contract in Taiwan that had a positive year-on-year delta in the parent company and the better performance in all other jurisdictions revenue was counterbalanced by the FX impacts in Argentina and to a lower scale from the U.S.

Gross profit line was affected strongly by the shift of the business mentioned already to more profitable line of activities, and therefore, was better by 14% or €17.5 million accompanied by a better margin of 7.4 percentage points versus a year ago. Moving down to the Opex line,

it was higher by 14% or around €14 million year-over-year and €8 million higher quarter-on-quarter.

The reason behind this increase relates to the necessary adjustments on the cost side to support the top line growth and future business development costs in Turkey mainly as well as one-off implication from closing arrangements from the previous contract in Morocco.

Increased costs in Bilyoner led to the acquisition of additional market share that stand in March 2024 at an all-time high of 19% in the new era in Turkey, already increased by more than 1% just in the first Quarter of 2024. And of course, this will benefit the Group in the next periods as well.

All in all, EBITDA improved by 5.4% year-over-year and landed at €129.5 million. In line with the gross profit margin, the EBITDA margin over sales was higher by 4.3 percentage points versus last year, standing in the vicinity of 36%.

As a result of the above metrics, but also due to the lower depreciation and amortization result of €2.3 million, EBT was positive and better compared to the previous year by around 13%. Bottom line result at €5.8 million for the year versus last year's result of €11.9 million, which, however, included a profit of €5.6 million from discontinued operation and was only an accumulated FX translation gains recycled to the PNL due to a sale of asset, therefore accounting element only. On a continuing basis, bottom line result was more or less the same year-over-year.

Turning to Page number 9 and going directly to the bottom left graph, as mentioned already, the Operating Cash Flow at €113 million, €112.5 million exactly for the year, higher by 17% compared to the respective figure of 2022, while the Capex almost at similar levels year-over-year.

On the bottom right of the slide, as mentioned in the introduction, we also see here the implications of the continuously improved performance on the financing and on the operational front with the Net Debt and the Net Debt-to-EBITDA ratio for 2023 standing at €333 million and 2.6x, respectively at the end of this year, considerably improved compared to the respective performance of 2022.

Turning to Page number 10, we see the Net Debt movement bridge for December 2023 compared to December 2022 indicating a strong free cash flow generation of €59 million and an overall improvement of net debt by €157 million.

The successful share capital increase of €130 million more or less, net of fees - so this was the net effect of the share capital increase- was almost entirely guided to the repayment of the 2024 notes and we also used some cash from our balance sheet for the amortization payments and the repayment of the revolver in the U.S. Therefore, reducing the gross debt by around €142 million due to the repayments and €148 million, including also the accounting treatments on this slide, accounting differences.



Lastly on Page number 11, we see the contributions per region in our revenues and EBITDA. Key take away from this slide is that there is a balanced contribution on basic operational metrics between North America and the rest of the world, since 45% of the revenues and 54% of our EBITDA comes from North America, with the rest coming from the rest of the world.

And at this stage, the Presentation of the Results for 2023 is finished and INTRALOT Executive Team is at your disposal for any comments you may have.

SFATOS C: Before going to the Q&A, and since we had many opportunities in the past months during our public process, both for the share capital increase and the publicly traded bond, we spoke to investors, we presented the new story of INTRALOT now having dealt with the capital structure, looking at the growth opportunities. And to that end, I would like to invite Mr. Nikolaos Nikolakopoulos, the Chairman and CEO of Intralot Inc. in the U.S., who's joining us on the line from Atlanta to say a few words about the future prospects of the Company.

NIKOLAKOPOULOS N: Good afternoon from my side, I hope you can hear me well. As Mr. Sfatos said, we have pointed out the fact that 2024, it's going to be a very busy period in terms of new RFPs, of contracts that expire and subsequent request for proposals that will be, INTRALOT also would be willing to pursue.

So just to give you an update where we stand now, at this moment, we have a significant number of projects

that have already started the process. In the U.S. part, North Dakota is for a lottery, Central Lottery System, has a submission within April as well as also Ohio. Minnesota, Wisconsin and New Mexico have been also in the process of request for information and after that most probably within 2024, they are going to issue a request for proposals.

In Canada, in BCLC, we expect to go live end of May with our new system, and we are already into discussion in order to see what would be the next day, adding additional services and software.

In Brazil, the Banco de Brasilia is about to start the process, in order to seek for a partner for the State Lottery in the state of Brasilia as well as all their customer base that they have as a bank throughout Brazil. And last but not least, in Australia, the lottery company TLC, has started a process to revamp their complete technology, which is a very big project. We are in the process now of the workshops with the aim to submit the final bids at close to the end of May.

So, we are expecting also within the next couple of months, another four, five projects, mainly in the U.S. and some other parts of the world that are going to issue RFPs. So, as I said in the beginning, it is a busy period for business development and the new business. And as Mr. Sfatos said, we do believe that we are very well positioned after having taken care of the capital structure exercise to be able to go with very good chances after the bid that we have identified. That's from my part.

SFATOS C: Thank you very much, Nikos. So now we can turn over the microphone to the Q&A session.

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

POINTON R: Good afternoon Gentlemen. I have a few questions, if that's okay. Can you just talk about trends in the U.S., it looks as though growth slowed a bit in the second half. So, could you just talk about, what's happening at the game level and why that may be? Second question on Turkey. There was strong growth and you do point to high-cost growth. Was that marketing? Because the margin has come little bit. And therefore, why you're anticipating a rebound in the margin from here?

And my third question is just on free cash generation. Working capital was positive, but a number of the parts of the common, a lot of that were just phasing. But has there been any structural improvement in your working capital investments? Thanks very much.

SFATOS C: Thank you, Russell. I would ask Mr. Nikolakopoulos to take the first question on trends in the U.S., Nikos, is that right?

NIKOLAKOPOULOS N: Yes absolutely. There are two things that I believe it is important to distinguish. The first is, as we say, how the business is going in terms of same store sales, meaning that in our installed base, and the second thing is that, what is the expectations that we have in terms of new business, either with additional verticals like iLottery or with the new contracts.

On my previous remark, I was referring to the second one, which is the new business, the contracts that are going to go up for, that expire and they go up again for either renewals or in the competitive process. What you are referring rightfully is the same sales, meaning that, what is happening in the installed base, which in general, last year was a very peculiar year in terms of the jackpots.

Meaning that both in the block state, the multistate games in Powerball and Mega Millions, especially in Powerball, we had quite a few in the last quarter of 2022 and the beginning of 2023, big jackpots that drove sales high. And then what we experienced was a fatigue on the smaller jackpots. Therefore, in comparison with Q4 of 2023, there was a slowdown. This slowdown continued also within the industry in the first couple of months of 2024 mainly because there was some, especially in January, it was very bad weather conditions at some points, which significantly impacted the ability of the people to go out and subsequently, the lottery sales. but what we have seen in March was a clear rebound. With give or take, even though we do not have yet the final results, we believe that March has compensated for the first two months of the year.

SFATOS C: I think there are two jackpots in March and the one is still going in Powerball. So that was very big, yes.

NIKOLAKOPOULOS N: It is very cyclical. You want me, Chrys, to take Turkey?

SFATOS C: Yes, if you want, we can say also what have on the books.

NIKOLAKOPOULOS N: In Turkey, the spending that we decided to do - there is a subsidiary there- is to strengthen the bonuses, practically the acquisition cost and also in the CRM, the retention, because we do believe that now we have stabilized the business, this is a good time to take some market share. That's why you saw the incremental in terms of marketing costs during December, the last quarters, which practically paid off as we are running with a market share that is above 19%, which is the biggest for many years and we do believe that this is sustainable. This will continue to grow even though the marketing spend is going to normalize.

SFATOS C: And your question about free cash flow, Andreas will...

CHRYSOS A: Regarding the free cash flow generation, yes, it will improve. There were some one-off items. I mentioned already, the Taiwanese contract that was delivered at the end of December. So, we had this impact on the P&L. But we will collect in the 1st months of 2024, we are about in the process. So, this was a negative effect on the working capital. And this is why we also said that adjusting for those elements that were one-off, the free cash flow generation jumps to €45 million to €50 million region.

POINTON R: Ok, Thank you all.

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

MEMISOGLU O: Hello. Many thanks for your time. A few on my side, please. First one is, can you comment on the outlook for

EBITDA performance in Argentina in 2024. Obviously, we had sharp decline last year for FX reasons, inflation reasons. Just wondering how you see it for '24? And then maybe a quick update on some of your recent business announcements. One is the FanDuel agreement.

Just wondering about the impact rationale on that one. And the other one is the Malaysia agreement. Again, if you could give us any color on the impact on financials, that would be helpful. Thank you.

SFATOS C:

Yes. On Argentina, the treatment there is, first of all, the impact is on the consolidated EBITDA. So, half of it is ours. Now what happens in this hyperinflation economies apart from the fact that it's difficult to predict, but usually, inflation catches up. So, in the end, there is a normalization.

The problem in last year was that this devaluation happened in the last days of the year, and it impacted cumulatively the whole EBITDA of the year given the particular standard that is used for these economies.

What we anticipate is what we read from the reports internationally. It will depend on the macro situation. If it stabilizes, there is good reason to believe that it does. So, we have a clean start in that market, but overall, it does not affect the critical elements of our business plan and our free cash flow generation and all the elements on which we rely for the future growth of the Company.

But we believe that the situation will come around as it usually does in this country. It was unfortunate that this

devaluation happened in the last days of the year, but this is a technical matter.

Nevertheless, the overall results were so good that we have fully counterbalanced this, and we even recorded growth as we expected. Because operationally, the performance was good in all the markets as we expected. On FanDuel, I will refer to Nikos for comments.

NIKOLAKOPOULOS N: Yes. The agreement with FanDuel: let me first start with the rationale. As we have said also in previous times in all our presentations, for us the main focus is the lottery system, the retail and the digital part and the monitoring system.

We do have some sports betting contracts throughout the world. Especially in the U.S., the market is so competitive, that we have decided that this for us is not a priority. Being in DC and have this contract, after discussions with FanDuel, which is the number 1 operator here in the U.S., we decided that it would be a win-win situation both for INTRALOT, for FanDuel, and for the State to have FanDuel as a subcontractor in order to keep running a product which we are not heavily invested in.

Practically, FanDuel is going to be a subcontractor to INTRALOT. Keep in mind that technically, we have a contract in DC that expires this July. Obviously, we have started the discussions in order to renew the contract and we are going to go through all the necessary approvals with the city council. This contract is one contract, both for Lottery – iLottery - and FanDuel and provided that we

are going to have a successful outcome practically extended this contract.

On the sports betting part, we are going to use the FanDuel solution on the mobile application, very soon we are going to start. On the retail, it's going to take migration period up to September, which is the plan. So, all in all, we are going to completely disengage with all the associated costs from DC, and FanDuel is also going to utilize its brand. So Gambet DC is not going to be the brand for the State. FanDuel is going to be the brand.

On the impact, we do believe that this is going to have a positive impact. Still depending on how we are going to materialize this deal because we are discussing a few elements. We are going to see the magnitude of that. I do not expect something which is going to be game changer. Nevertheless, this is something that reputational wise and focus wise for all the 3 parties, as I said, we believe that this is a good solution.

OPERATOR: Mr. Memisoglu, have you finished with your questions?

MEMISOGLU O: And any color on the Malaysia agreement? If possible. Thank you.

SFATOS C: The Malaysia agreement was an international tender that we won. It's a client that we had. There will be a significant upfront payment, and then it will be more or less like the contract as it used to be. But it's important that we keep this client who has been a very good client, and we have a good relationship with the people there.



MEMISOGLU O: Great. Thank you.

OPERATOR: The next question is from the line of Boulougouris Alexandros with Euroxx Securities. Please go ahead.

BOULOUGOURIS A: Hello. Congratulations on the numbers, and thanks for the presentation. A quick question on your debt following the capital increase, the reduction in the net debt and the retail bond and the agreement with the banks.

Could you let us know a bit on the average cost of debt that we should expect, and we should input in our models for 2024? I assume also the level of interest expenses we see in the year 2023 numbers that at the peak and we should see that number coming down in 2024? Thank you.

CHRYOSOS A: Okay. As you already know, a big portion of our debt servicing cost currently is floating. And we expect that gradually, this will be reduced. So, we expect short to mid-term this to be below 6% with the debt servicing costs in the order of €30 million to €32 million for the year.

BOULOUGOURIS A: Great. Many thanks. And just a clarification on the Q4 EBITDA, the reduction we see a bit compared to Q4 last year. It's mainly due to the devaluation in Argentina that you mentioned?

SFATOS C: Yes, mainly, it's due to Argentina, plus some onetime costs like what we mentioned, the marketing expenses in Turkey which already converted to market share and

some closing fees of the old contract in Morocco. These are all one-off items. The main impact was the recalculation of the Argentinian contribution.

BOULOUGOURIS A: Very clear. 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 for attending this conference call. We will be back with you in a couple of months with the First Quarter Results. Thank you very much.