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"First Half 2023 Financial Results Conference Call"

Thursday, 31st August 2023, 17:00 (GR Time)

Conductors:

Mr. Chrysostomos Sfatos, Deputy Group Chief Executive Officer

Mr. Andreas Chrysos, Group Chief Financial Officer

Mr. Vasileios Vasdaris, Group Tax & Accounting Director

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

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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 Mina your Chorus Call operator. Welcome and thank you for joining the Intralot conference call and Live Webcast to present and discuss the First Half 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 CH: Welcome to the Earnings Call for the First Half of 2023. I will pass the mic to the Group CFO, Mr. Andreas Chrysos for his statements.

CHRYSOS A: Good afternoon, ladies and gentlemen. In the First Half of 2023, Intralot continued to grow and presented healthy cash flows, supported by strong operational metrics, following the same trend of the last two years. Strong EBITDA growth for the period, as well as higher last 12 months EBITDA of EUR130.6 million, compared against EUR123 million at the end of 2022, indicates the continuous improvement on the operational front.

In addition to this, the strategic choice to exit from markets with lower margins and engage further in higher profit margin contracts and markets is marked by the growing EBITDA margin which reached 35.8% in the First Half of 2023, which was an increase of 9 percentage points year-over-year.

Improved credit profile with lower leverage ratios and continuous deleveraging are the targets on the financing front in which Intralot has already shown substantial progress in the last two years, and we will continue the same way in the next short-term period.

Yesterday, we announced during our shareholders' meeting the plan for a share capital increase by rights issue that will strongly contribute to the company's deleveraging efforts, expecting to bring the net leverage ratio below 2.8x. This will allow us to free up cash flows accompanied also by the strong technological capabilities which will be directed towards addressing significant opportunities that we see ahead in the US market and in other areas of the world we are focusing on.

The First Half of 2023 key takeaways are the strong EBITDA growth of 14% year-over-year, positive earnings after tax, a further decrease in leverage ratios, as well as strong operational cash flow generation which was higher by 20% year-over-year. We are now moving to the Six Month of 2023 financials presentation that you have in front of you.

In page number five, we see the results of our licensed operation which have contracted by around 66% or EUR43.2 million due to the license expiration in Malta in July 2022, affecting negatively the First Half of 2023 revenues. In Argentina, although in local currency terms there was a substantial increase year-over-year, headwinds in the FX resulted to a slightly lower performance in Euro terms.

Turning to page number six, we will notice a material improvement in the performance of our technology contracts, which have been improved by around 5%. Key takeaways in this activity line are, first of all, the high revenues in the US for the Six Month period, organically driven by the growth in the numerical and instant games, and secondly, a better performance in our business in Croatia.

Finally, turning to page number seven, we see a significantly improved performance of our management contracts, which have improved by EUR8 million or 36.7%, primarily driven by the strong momentum of our online business in Turkey with our company Billionaire and the growth of the respective sports betting segment by more than 2x year-over-year in the country. Strong performance has been partially mitigated by the headwinds in the local currency.

And now moving to page number eight, we see the overall profit and loss statement performance metrics for the Six Months versus a year ago. Takeaways on the operational front are the following: First of all, the lower performance in the revenue line year-over-year, analyzed in detail in the previous slides, but primarily affected by the license expiration in Malta.

Secondly, the gross profit line, as mentioned already, was affected strongly by the shift of the business to more profitable lines of activities and therefore it was better by 12% or EUR6.3 million, accompanied by a better margin of 8.5 percentage points versus respective period in 2022.

Thirdly, the opex line was better by 5.2% or EUR2.6 million, primarily due to the ability of the Group to adjust its cost base very quickly following the license expiration in Malta. If excluding this effect, the opex line was pretty stable year-over-year, therefore the increase of the top line was directed down to the EBITDA, which finally stood at EUR62.8 million for the period, 14% better compared to the respective period of last year.

In line with the gross profit margin, EBITDA margin over sales was also higher by 8.9 percentage points versus last year.

As a result of all the above metrics, but also due to the lower depreciation and amortization result of EUR4.6 million, EBT was strongly positive and doubled if compared to the previous year, standing at EUR16.3 million versus EUR8 million in 2022, while the bottom-line result continuing in positive trajectory for one more reporting period, indicating the improvement on the operational as well as on the financing front.

A major highlight of the P&L is also the improvement of the last 12 Months metrics with the EBITDA reaching EUR130 million trajectory and EBT and earnings lines being also strongly positive, which is one more indication of the positive outlook of our performance.

Turning to page number nine, the upper graphs have already been analyzed in detail in the previous slides. Focusing on the bottom left of the slide, we see the operating cash flow standing at EUR50 million for the First

Half of 2023, which was higher by 20% compared to the respective period of 2022, which was a direct effect of the higher EBITDA.

Net capex was higher by EUR3.6 million versus a year ago, mainly due to the higher capex needs in the US. On the bottom right of the slide, we see the implication of the continuously improved performance on the financing, as well as on the operating front, with a net debt and net debt to EBDA ratio standing at EUR480 million and 3.7x respectively at the end of June 2023, considerably improved, not only versus a year ago, but also compared to the respective performance six months ago metrics at the end of 2022.

Turning to page number ten, we see the net debt movement bridge for the Six Months from December 2022 through June 2023, indicating a strong free cash flow generation of around EUR21 million and an overall improved net debt by around EUR10 million in the Six Month period. This metric was also positively affected by a gross debt movement of EUR11 million that includes the capital payments towards the term loan in the US and the favorable effect from the FX differences for our US dollar denominated debt.

Lastly, on page number eleven, we see the contributions per region in our revenues and EBITDA. The key takeaway from this slide is that there is a balanced contribution on basic operational metrics between North America and the rest of the world, since around 46% of the revenues and

54% of our EBITDA come from North America, with the rest coming from the rest areas of the world.

And at this stage, the presentation of the results for the First Half of 2023 is finished and the Intralot executive team is at your disposal for any questions you may have. Thank you.

OPERATOR: The first question is from the line of Schaus Lino with PSquared Asset Management. Please go ahead.

SCHAUS L: Hi, thank you very much for the question. Two questions from my end, please. Could you provide us kind of an update on how you think about the refinancing, particularly what kind of timing you have in mind? And also if you could kind of repeat the comment you made at your opening statements. Did I understand correctly, you're doing a rights issue that gets leveraged down to two turns? If you just could repeat that and give a bit more color around it. Thank you.

SFATOS CH: Yes, thank you very much. Indeed, we announced yesterday in our shareholders' meeting, a share capital increase that's coming up. Basically, the shareholders authorized the Board of Directors to present the terms of such a share capital increase via rights issues, the same way we did rights issues last year.

So, this the time frame for this to announce the terms and perspectives is by the end of September and we also plan to do the refinancing, so part of these proceeds will be used for the refinancing. And our goal is to take the leverage ratio below 3, and we believe it will be below the area of 2.8 according to our plans, but the details of the rights issue will be announced by the end of September.

And also, we are in discussions with banks for issuing a retail bond here in Greece and also getting a syndicated loan with a group of banks. So, the refinancing of the EUR356 million outstanding, or 24 notes, which expire in September 15, 2024, so basically in a year from now, they will be refinanced by means of these three moves. Some of the funds that will be raised from the rights issue are retail bond and syndicated loan. And we are in discussions with the banks, of course, and soon we will be announcing some more details about this.

So, the time frame for having all the funds to refinance the notes is in the next couple of months, definitely before the end of, I mean the plan is to do this before the end of 2023.

SCHAUS L: Perfect, that is very clear. Thank you.

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

CARLIS C: Good evening there. Could you provide us guidance for the Full Year 2023 turnover? And where do you expect the total, the net capex for this financial year to as a full number? These two questions, please.

SFATOS CH: Yes, we normally do not provide guidance. We are excited about the strong results that we have presented for the first Six Months. Actually, from what we know, the Third Quarter is stronger than the Second Quarter, which was weaker than the First Quarter, but this is normal. The First Quarter had two jackpots in the United States, which contributed significantly in the First Quarter results, which didn't happen in the Second Quarter. Usually, we have two such events per year.

We had two strong jackpots in the months of July and August, which is going to contribute significantly in the Second Half results. We also have announced that we have some income coming from our new Taiwan contract, which will be a very strong one-time income coming in the Fourth Quarter. And we see continuously strong performance in our Turkish operations, which will also be probably more heavily loaded in the Fourth Quarter.

So, with all this considered, we stand by our optimism for completing this year with much stronger performance than last year, and the Six Month results are indicative to that end. But giving you specific guidance, I would refrain at this point.

CARLIS C: Okay, thank you very much.

OPERATOR: The next question is from the line of Barbato Francesco with JPMorgan. Please go ahead.

PERMALLOO J: Hi, can you hear me?

OPERATOR: Yes, you are heard on the conference. Please go ahead.

PERMALLOO J: Hi, it's Jemma Permalloo, I'm from JPMorgan. I just wanted to maybe come back on the refinancing question and just want to make sure, I heard it correctly. So, did you say that you're already in discussion with banks and you're possibly looking at a retail bond? I was just curious if you're looking at a Euro bond.

And then my second question along the lines of refinancing, are you planning to do anything in the US at all? And by that I mean, when I look at the refinancing that you did last year, that was through the loan, the dollar note and the terms, they were quite attractive. So I was just curious to know if you're planning anything at all in terms of US when you're thinking about refinancing? Thank you.

SFATOS CH: Let me start from the second question. Right now the US market is not as attractive as it was last year and so we're continuing to service that loan that we had last year. We're not looking to refinance that loan right now. Our focus is on the 24 notes that expire in 12 months from now.

And as I said, I mean you're asking specifically about the bond part and this the plan is to issue a retail bond here in Greece because the rates are much more attractive here. But the chances will be smaller than what you usually see in the international high-yield market. That's why we have three different sources of financing.

PERMALLOO J: That's very clear. Thank you for confirming.

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 CH: Thank you very much for participating in this earnings call. And as I said, we will be making more announcements on the refinancing front and on the share capital increase front later in September. Thank you very much and look forward to the next one.