

Q1-2019 results and strategy update



Group Presentation

June 2019



Disclaimer

This presentation includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends", "may," "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this interim report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

We urge you to read the sections of our **2018 Annual Report** dated April 30, 2019 entitled "Risk Factors," "Operating and Financial Review and Prospects" and "Business" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this interim report may not occur.

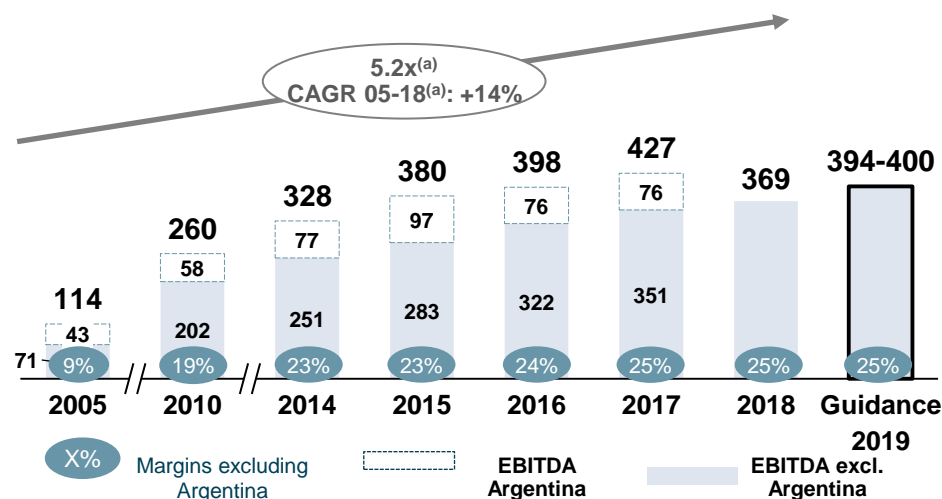
We undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this interim report and the Annual Report.

Cirsa overview

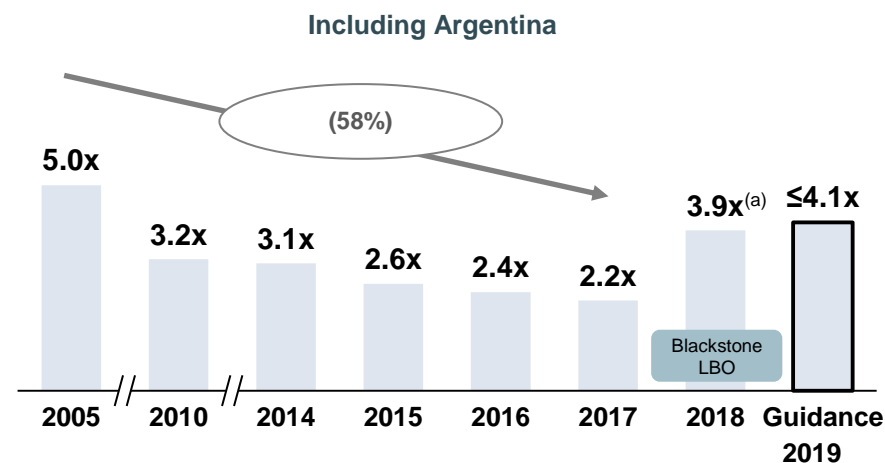
ALL FIGURES UNDER NON IFRS16

- Founded by Mr. Manuel Lao in 1978, Cirsa is a **global gaming operator** focused on **casinos, arcades, bingo halls and slot route operations**, under a retail concept for local customers
- Private equity fund **Blackstone** acquired Cirsa on July 3rd, 2018; the deal **excluded the Argentinian business**
- The Group is present in **Spain, Italy, Morocco and Latin America** with leading positions in each market. Cirsa operates **148 casinos, 190 arcades, over 75,000 slot machines, 70 bingo halls and 2,580 betting locations**
- In **July 2006** a new management team led by **Joaquim Agut (CEO)** was appointed. Since then, the company has **consistently performed strongly and de-levered substantially** (51 quarters of consecutive YoY EBITDA growth)

EBITDA (€m) and EBITDA margin %




Leverage





- After this 13 years period, the company enjoys a **solid leadership position** in most of its markets and a **unique diversification portfolio** in this industry both in terms of **business segment and geography**, supported by a very **solid business strategy**
- **EBITDA Guidance 2019 of €394M-€400M (+6.8%/8.4%), Capex at €180 M and leverage target of ≤ 4.1x**
- **Strong Q1'19 91.6M€/+8% and FQ2'19 96-98M€/+6.7-8.9% on track to deliver 2019**

Diversified geographical presence in 9 countries with 148 casinos, 77k slots, 190 arcades, 70 bingos and 2.6k betting points

Cirsa's Product Offering by Geography (as of Dec 2018; number of assets)

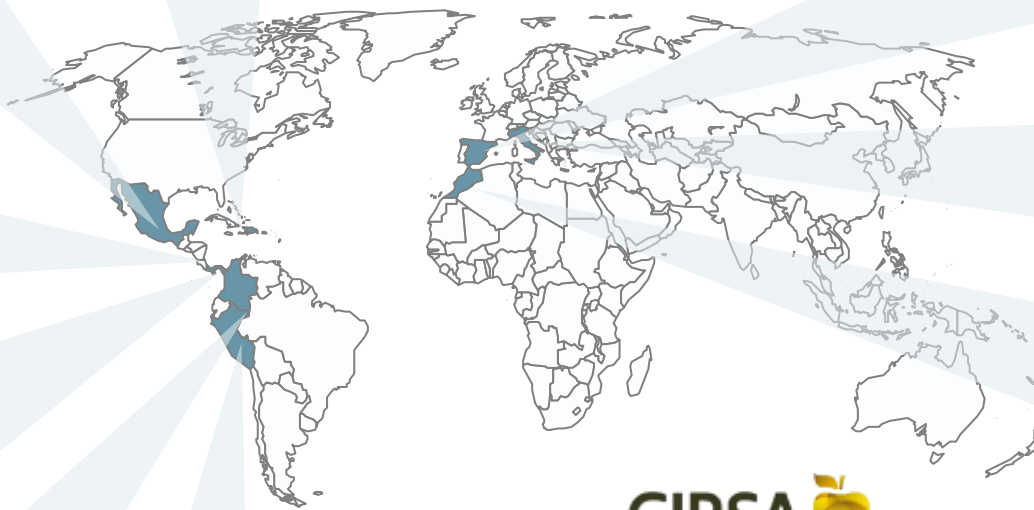
 Mexico ⁽¹⁾ #4
Slot machines: 6,307
Bingo Halls: 21
Tables: 146

 Costa Rica #1
Casinos: 8
Slot machines: 838
Tables: 25

 Panama #1
Casinos: 33
Slot machines: 7,902
Betting points: 5
Tables: 18


 Colombia #1
Casinos: 66
Slot machines: 6,368
Betting points: 77
Tables: 237

 Dominican Rep #1
Casinos: 6
Slot machines: 829
Tables: 87




 Spain #1
Casinos: 4
Slot machines: 40,234
Arcades: 190
Bingo Halls: 37
Betting Points: 2,498
Tables: 38

 Italy Top 10
Slot machines: 9,989
Bingo Halls: 12

 Morocco #2
Casinos: 2
Slot machines: 282
Tables: 28



Casinos:	148
Slot machines:	76,988
Arcades:	190
Bingo Halls:	70
Betting Points:	2,580
Tables:	623

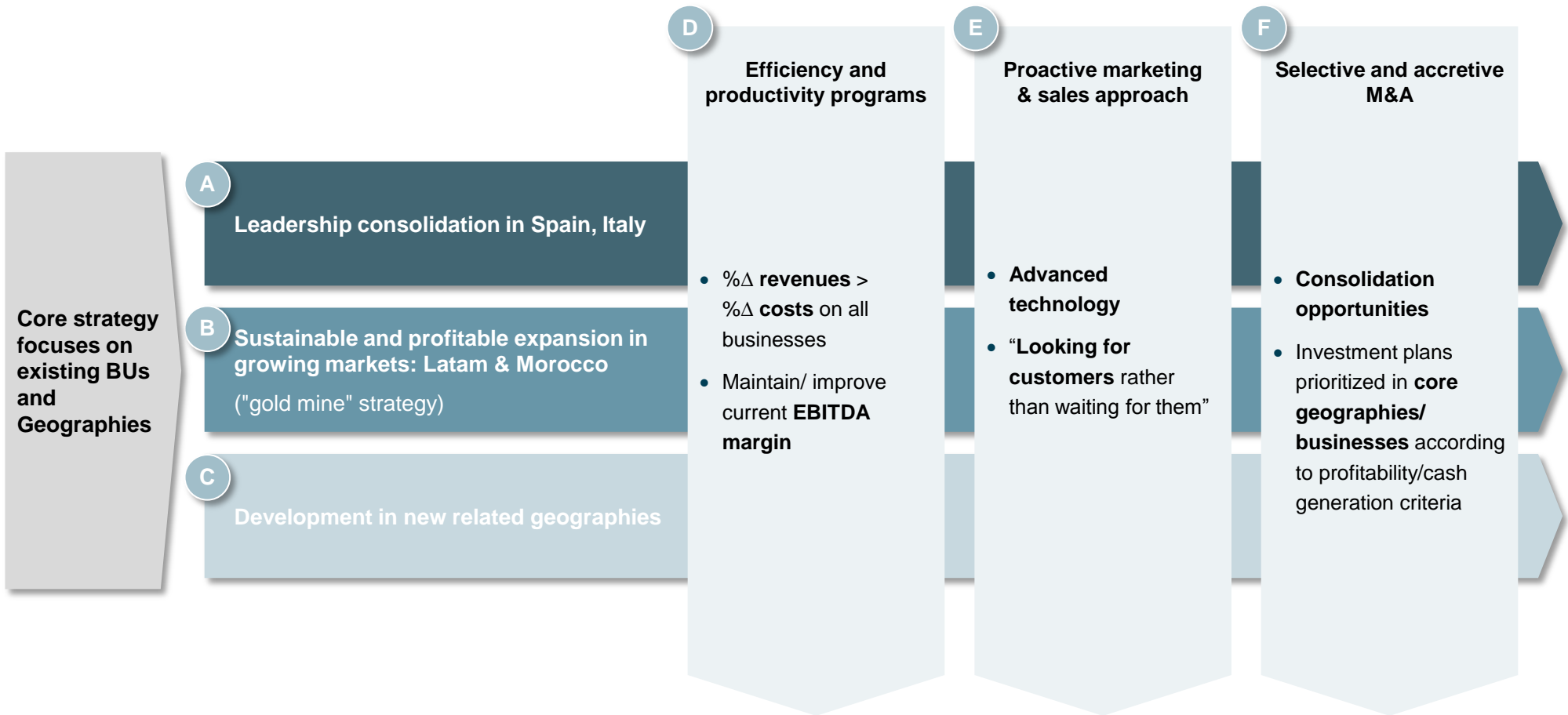
 Peru #2
Casinos: 29
Slot machines: 4,239
Tables: 44



Source: Company information

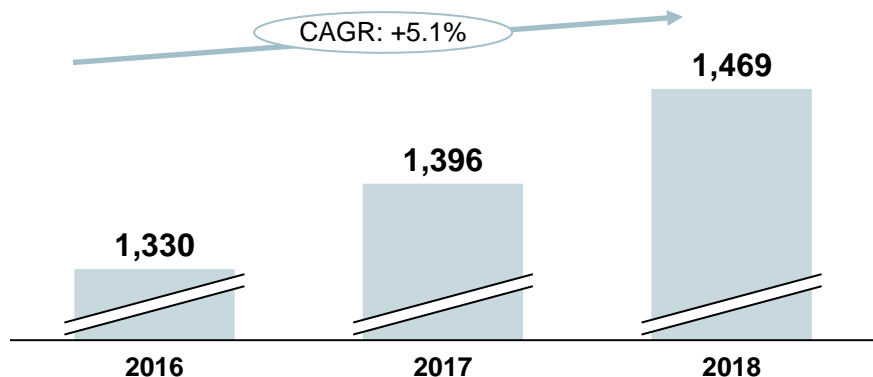
(1) Most of the operations in Mexico are casino type halls, reported as Bingos for historical reasons

Clear and proven strategy supported by 6 key pillars

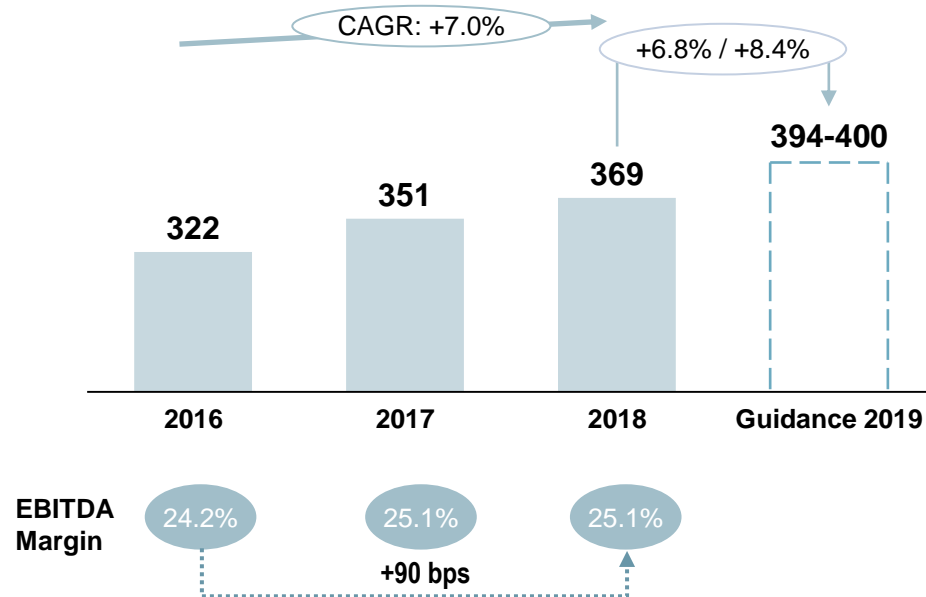


Consistent revenue growth combined with successful margin improvement

Net Operating Revenues (€m)



EBITDA (€m) and EBITDA Margin

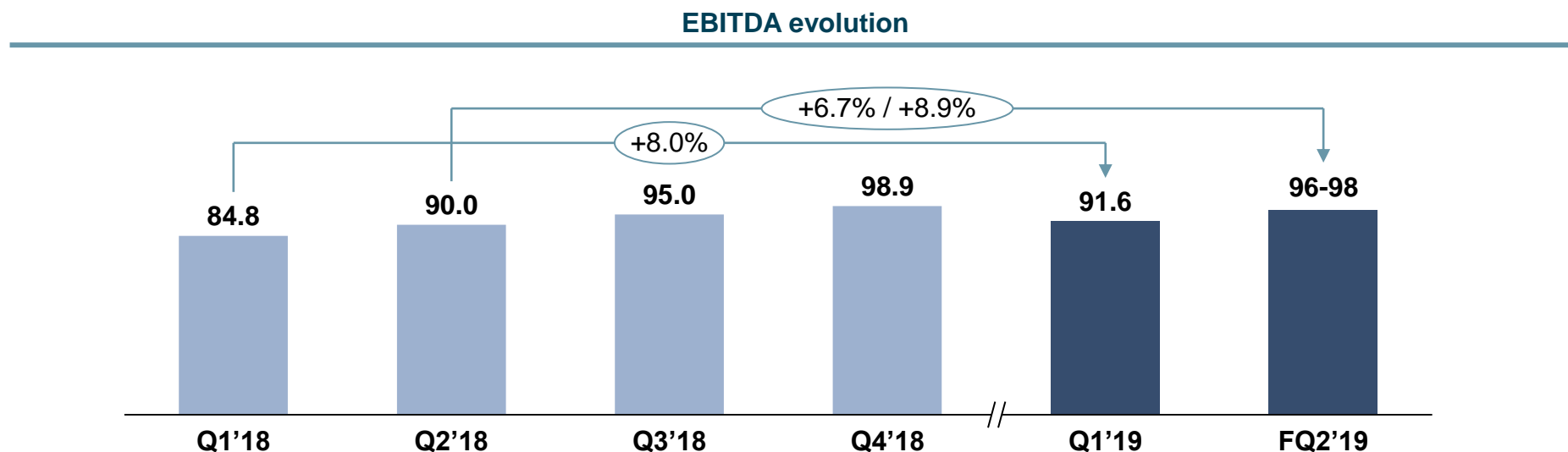


Key financial highlights

- Net operating revenues growth 20016-18 CAGR +5.1%
- EBITDA growth 2016-18 +7% CAGR achieved €369M in 2018
- EBITDA margin at 25.1% improved 1,610 bps from historical 9% in 2005, 2.8x
- Leverage at 4.0x in Q1'19. Commitment at ≤ 4.1x
- EBITDA Q1'19 €91.6M (+8%V) and FQ2'19 €96-98M (+6.7%V / +8.9%V)
- Q1&FQ2'19 confirming guidance 2019: €394-€400M (+6.8% V/ +8.4%V)

13+ years of consistent business achievements and financial commitments

2018-2019 Quarterly EBITDA evolution



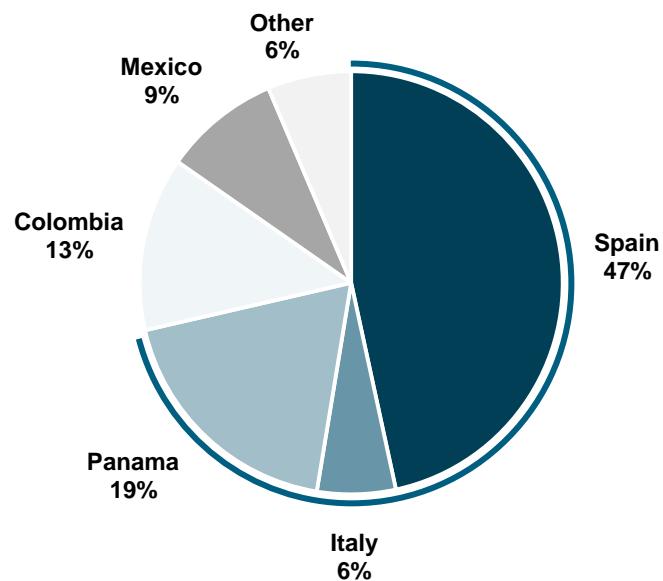
Highlights

- **Solid revenue and EBITDA** growth QoQ and **overperforming Q1** plan
- **€91.6M Q1'19: strong growth** vs Q1'18 (+8%V)
- Key growth drivers:
 - **Spain: all business** units delivering growth
 - **Italy:** delivering revenue growth; EBITDA decrease driven by **new tax increases** (2.6M€)
 - **Latam: Strong revenue and EBITDA** growth
- **FQ2'19: €96 – 98M (+6.7%V / +8.9%V)**

H1'19 performance on track to deliver 2019 EBITDA commitment

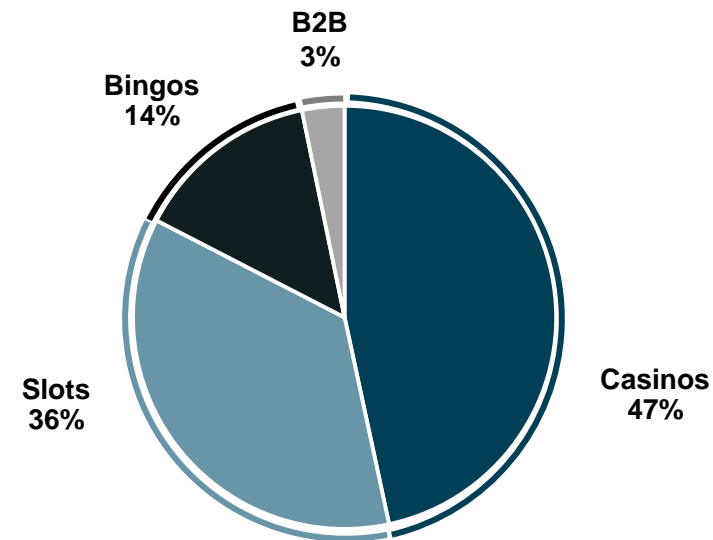
Well diversified geographical and business units exposure

Adjusted EBITDA split by geography as of Dec-18⁽¹⁾



EBITDA split by business unit as of Dec-18⁽¹⁾

Sports betting
€18m⁽²⁾



Total 2018 Cirsa EBITDA: €369m

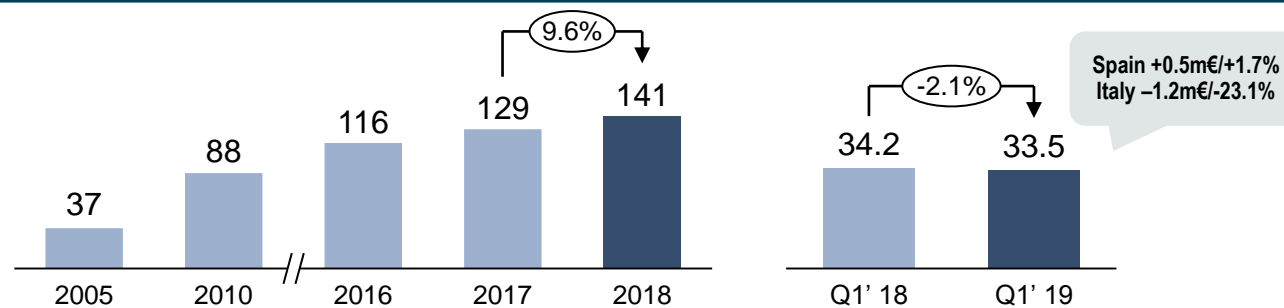
- Cirsa proactively manages its geographical and business units mix to maximize profitability
- Hard currencies account for 72% of EBITDA
- Top 5 countries (Spain, Panama, Colombia, Mexico and Italy) account for ~94% of EBITDA

Cirsa diversification provides unparalleled hedges against key risks (e.g. regulatory, economic downturn, etc.)



Source: Company information
 (1) Excludes structure and adjustments costs
 (2) Not included in the consolidated figures as it is a JV in Spain

Slots: EBITDA (€m) and key actions



Highlights:

- Strong growth in 2018 of almost double digit fuelled by Spain
- Spain growth in Q1 partially balancing Italy's tax impact of 2.6M€

Spain

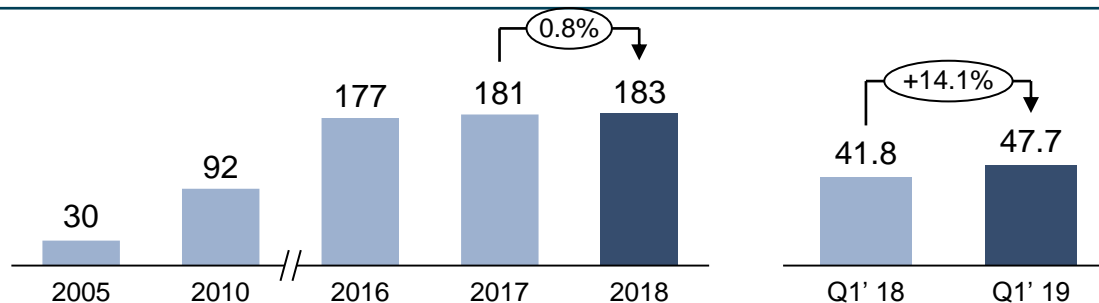
- **Stable macroeconomics: GDP forecast 2019 at 2.1% and unemployment at 14.2%**
- **Best in class machines replacement program, almost 25% portfolio replaced in 2018**
- **Focus on margin improvement through efficiency programs:**
 - Discontinuation of 724 underperforming slots (€2.5m savings) and replacement of closed POS by new signed POS (reopenings & new bars)
 - 45% of total slots with favorable commercial terms with bars, representing >50% collection for Cirsa
 - Online slot performance info to optimize channel negotiation renewals
- **Concentration opportunities through selective M&A in a highly fragmented market, adding 1,905 slots in 2018 and Q1'19**
- **Arcade segment delivering significant growth through a wider product supported by regulation (Andalucía)**

Italy

- **New tax increases impacting heavily EBITDA, one in Sept'18 and three more in 2019**
 - Annual tax impact in '19 +12.6M, special contingency plans to recover 4.5M€
- **Growing top line revenues despite economical uncertainty**
- **VLT's focus in POS optimization: leaders in Bingo channel, highest rev/slot in the market**
- **AWPs: focus in POS & best performing models, fast roll out of new pay-out improving margins**

Consolidating market leadership with best-in-class slot machines in optimal POS & implementation of efficiency programs, keys to improve margins

Casinos: EBITDA (€m) and key actions

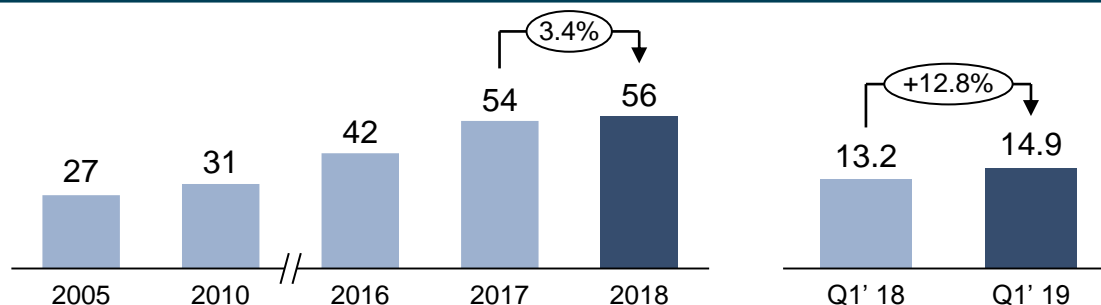


Highlights:

- Strong business performance, with revenue growth in LC in all geographies in '18 and Q1'19
- 2018 FX impact of -6 M€, EBITDA growth at constant FX of +4.1%V

- **Focus across geo's in growth and productivity**
- **Key initiatives implemented across geo's and Best Practices learning:**
 - Annual slots replacement program, about 12% (2,500 slots)
 - Table mix margin optimization
 - Hall extension opportunities through “Gold Mine” strategy execution
 - Development of a full entertainment offer concept (gaming, shows, F&B, parking facilities and safe environment)
 - Marketing Intelligence to leverage customer's data through PT&CRM, supporting proactive marketing activities by customer segment (data mining info, mobile apps, loyalty programs, dedicated salesforce, etc)
 - Cross-fertilization of retail BP's in Casino industry (systematic lay-out reviews, periodical halls update – Habitat project) to maximize rev/slot and hall visits
- **Colombia:** All 4 regions growing; Habitat projects in Restrepo, Mayorca and Cañaveral Casinos; 800 slots replaced (12 %)
- **Panama:** 3 relocations to improve/expand halls (Dorado Mall, El Fuerte y Aguadulce); 1,200 slots replaced (15%)
- **Peru:** Latest acquisition of 17 casinos fully integrated; delivered synergies to plan
- **Costa Rica:** GM+H at Presidente Casino (#2), relaunched in March 2019
- **Dominican Rep.:** acquired Jaragua (Nov'18), top Casino in DR; overperforming synergy plans
- **Morocco:** acquired Le Mirage Casino in Agadir (2nd Casino in Agadir)
- **Spain:** all casinos outperforming 2017 & OP'18; Slots +17%V; Valencia casino extended in October'18
- **Growth priorities fully consistent with historical strategy based on “Gold Mine” approach:**
 - Increase slots portfolio in existing halls / Expand existing locations / New halls / M&A

Bingos: EBITDA (€m) and key actions



Highlights:

- Strong performance in all our Spanish and Mexican bingos in 2018 and Q1'19
- FX negative impact in Mexico of -1.9M€ in 2018 and positive in Q1'19 of +0.4M€

Spain

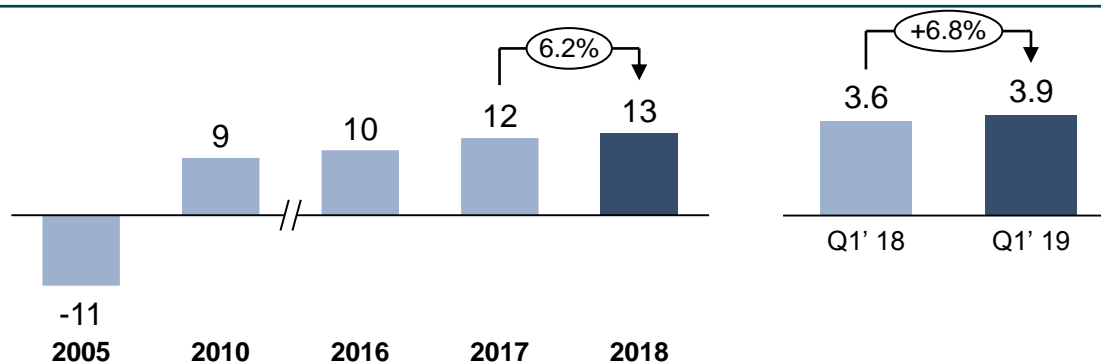
- **More favorable regulation** (allow wider product offer, proactive marketing activities and tax shifts to prizes) and improved macroeconomic environment has resulted in significant **growth in EBITDA and KPIs** (number of visits and expense/visit)
 - **Andalucia's bingo halls refurbished and expanded**, allowing more slot machines and sports betting corners
 - **Product offer**: launching of New Bingo game with more prizes and better margin, to retain and develop new customers
- **Continue portfolio review and looking** for consolidation opportunities (11 consolidation projects executed since 2013) plus two m&a's: **Vendrell (Feb'17) and Salou (Aug'18)**, outperforming synergy plans

Mexico

- Market positioning through **best-in-class complete gaming offer and "proactive" marketing**
 - **Proactive marketing initiatives paying off**
 - **Leading table games segment, key differentiation factor** of our gaming offer
- **Acquisition of Casino Winland (June'18)** in Guadalajara with 575 slots and 26 tables
- **Becoming a significant EBITDA contributor**, from - € 3.5M 2009 to + € 33.7M 2018 (representing 9% of Group's EBITDA)

Strong growth driven by both our Spanish and Mexican bingos

B2B: EBITDA (€m) and key actions



Highlights:

- Undisputed market leadership in the Spanish AWP market
- Very successful New Product Introductions

- **Spain's AWP market leadership:**

- “Secures” sales in kits and refurbished machines segment in a shrinking market
- Successful introduction of “La Perla del Caribe” and “On The Rocks” slots in 2018, plus “Univers”, “Galaxia” and “Tesoro de Java II” in Q1'19

- **AWP continuous focus: productivity programs driving bottom line results in a weak market**

- Working capital improvement (from € 37M in 2009 to € 24.6M in 2018)
- Continuous improvement in manufacturing cost (-10.6% vs 2017)

- **System sales to improve gaming productivity**

- Casino systems to improve productivity: TiTO, player tracking and WAP technologies
- Interconnectivity projects to allow larger jackpots and full transparency with Gaming authorities
- Forward systems: Arcades new management system launched in Q4'18

- **R&D focus in profitable segments, key to sustain future market leadership and profitability**

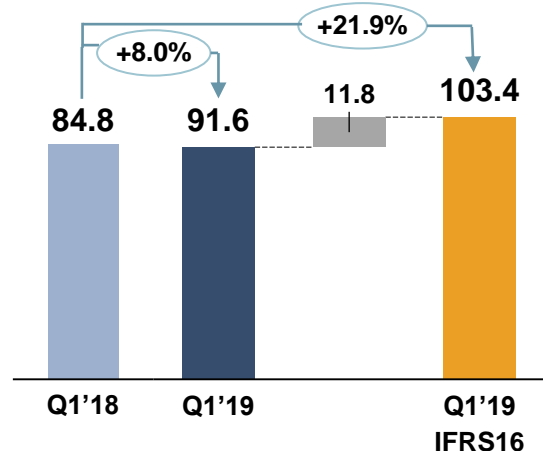
- AWP R&D funnel designed to provide 2-4 new hits per year in Spain
- Retain and update interconnectivity technologies (jackpots, hall to hall, lotteries, etc.)
- All R&D programs selected to impact P&L

B2B profitability driven by Spanish market leadership

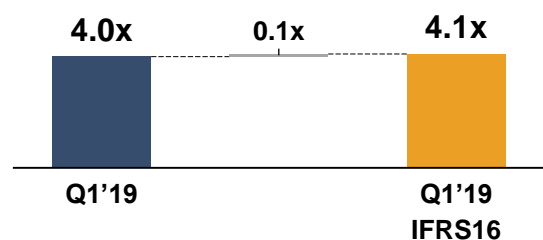
IFRS16 impact

Total Cirsa

EBITDA (€ M)

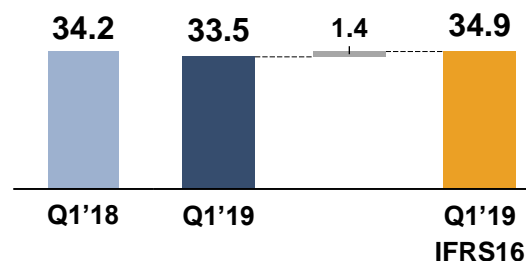


Leverage

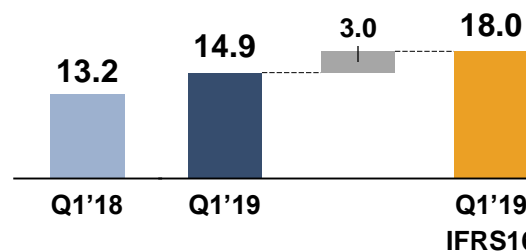


EBITDA by Business Unit (€M)

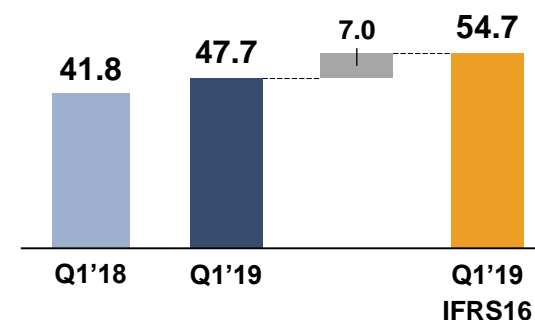
Slots



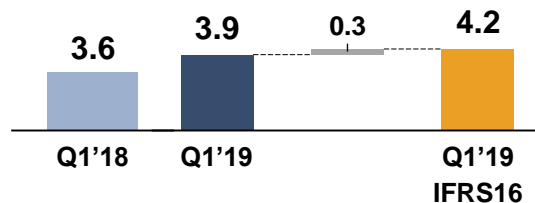
Bingos



Casinos



B2B



- **IFRS16** establishes operational leases to be recognized in the balance sheet as financial debt
- Total IFRS16 impact in **Q1'19 EBITDA of +11.8m** with a corresponding financial Debt of **€269.3 M**
- **Net debt to Ebitda ratio** stands at **4.1x** (non IFRS16 ratio = 4.0x)
- **Casinos BU** with the **highest EBITDA impact (+7.0M)** due to 3rd party lease contracts in most of the halls

Summary

- **Commitment and credibility, 51 Q's growing EBITDA**
 - 2019 Guidance on track (€394M-€400M): Q1'19 (€91.6M) and FQ2'19 (€96-98M)
 - 2019 leverage target maintained $\leq 4.1x$
- **Current strategy, based on profitable growth, business consolidation & selective acquisitions, delivering excellent results in a unique diversified company**
 - Strategy resulted in a significant EBITDA improvement (€71M '05 to €369M '18, 5.2x)
 - EBITDA margin on revenues tripled: 9% in '05 to 25% in '18, 2.8x
 - Leverage ratio reduction from 5.0x (Dec'05) to 4.0x
- **2019-22 strategic plan to remain focused on core business segments and geographies to continue improving profitability**
 - Improve EBITDA / reduce leverage
 - Cost management through efficiency and productivity programs; systems investment rigour
 - Keep B2B focus on AWP Spanish market & gaming productivity
 - Proactive sales & marketing programs across all businesses

Management team ready to execute solid plans to keep delivering stakeholder commitments