

# H1-2020 results and strategy update



Group Presentation

November 2020



# 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 involve known and unknown risks, uncertainties and other factors, which may cause such actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements, specially due to the extent of the impact of the COVID-19 pandemic, including the duration, spread, severity, and any recurrence of the COVID-19 pandemic and the duration and scope of related government orders and restrictions in our activities.

We urge you to read the sections of our **2019 Annual Report** dated April 29, 2020 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.

# Introduction to presenters



**Joaquim Agut**  
Chief Executive Officer



**Antonio Hostench**  
Corporate Development &  
Strategy



**Antoni Grau**  
Chief Financial Officer



**David Royo**  
Former CFO and  
Advisor to CEO



**Miquel Vizcaíno**  
Chief Legal Officer

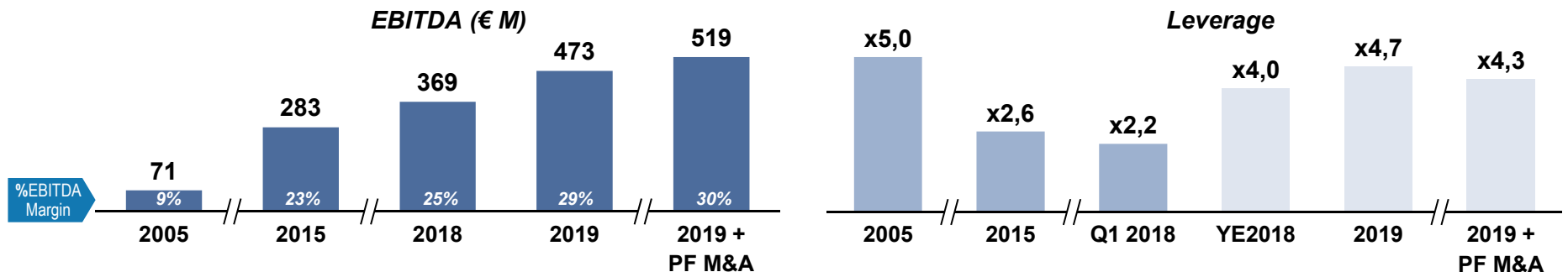


**Juan Antonio Turull**  
Financial Controller

# Executive summary (1/2)

## 1. Strong financial performance since July 2006 and until Covid-19 breakthrough in March'20

- **Current management team** took over Cirsa in **July 2006**. Since then:
  - **Always delivered consistently all financial commitments**
  - **De-levered substantially**
- **July'18 Blackstone** acquired Cirsa. Blackstone contributes with **strong financial markets knowledge and muscle**, fully supporting Cirsa's strategy:
  - **Profitable growth, business consolidation & selective acquisitions**
  - Develops a winning **multi-channel** business model
  - **Achieves solid leadership position** in the different markets
  - Enjoys a **unique diversification portfolio** by geography and **business segment**
  - **Keeps delivering excellent results:**



- Feb/March'20 Covid pandemic broke **54 consecutive quarters** of YoY EBITDA growth, with a **severe impact** on our results in **H1-2020**

# Executive summary (2/2)

## 2. Aggressive Covid-19 plan successfully implemented

- **Cirsa reacted very early** and put in place solid plans to:
  - **Preserve cash** position through **aggressive fixed cost reduction, emergency cash plan and increase liquidity**
  - Look after **employees and customers' health security**
  - Execute **D+1 plan** including “Juega Seguro” program:
    - **Solid CRM/marketing** plans by segment to maximize **revenue and EBITDA recovery**
    - **To be #1 coming back** in all markets, growing and consolidating customer base
  - Implement specific **cost reduction programs for lockdown** period and **other measures to last after pandemic**

## 3-4. Excellent evolution of the re-opened businesses lead us to a fast path to EBITDA and cash generation recovery

- **Operations status:**
  - **71% of total slots**, corresponding to **79% of 2019 EBITDA**, already up & running as of October 25<sup>th</sup>
  - **Remaining 29%** expected to **re-start** during **November** (Peru, Morocco and 10/28 casinos in Mexico)
- **Despite of current business restrictions** in the different countries, **fast recovery** with **revenues at 70%-95%** vs same period 2019 (first 2 months)
- **Strict cost and investment control** led to **positive Operational Cash Flow in September. Positive Financial Cash Flow expected from December'20 and on**
  - **Cash position in September'20 of €353 M**, a **very solid position** to face new potential local outbreaks and support the due course of business during 2021
- **E3Q20 EBITDA €36-37 M; F4Q20 EBITDA €60-66 M**
- 2021 preliminary projections:
  - **By Q4'21**, with current trend, Cirsa should **recover 2019 revenue and EBITDA levels**
  - Tougher than today **evolution of the pandemic** could **impact financial commitments** delivery



## 1. Cirsa's historical track-record

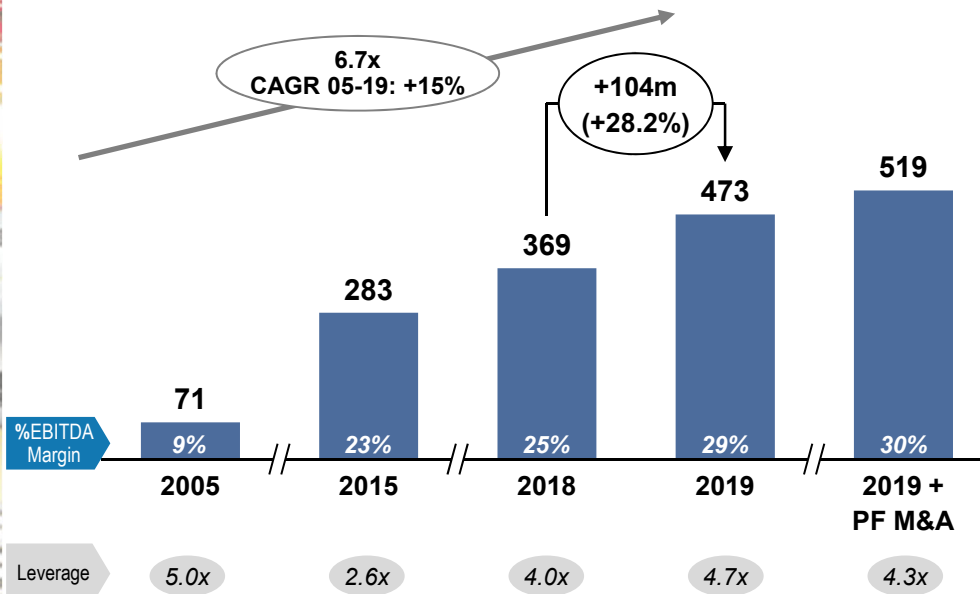
2. Covid-19 contingency plan successfully implemented

3. Excellent business performance after re-opening

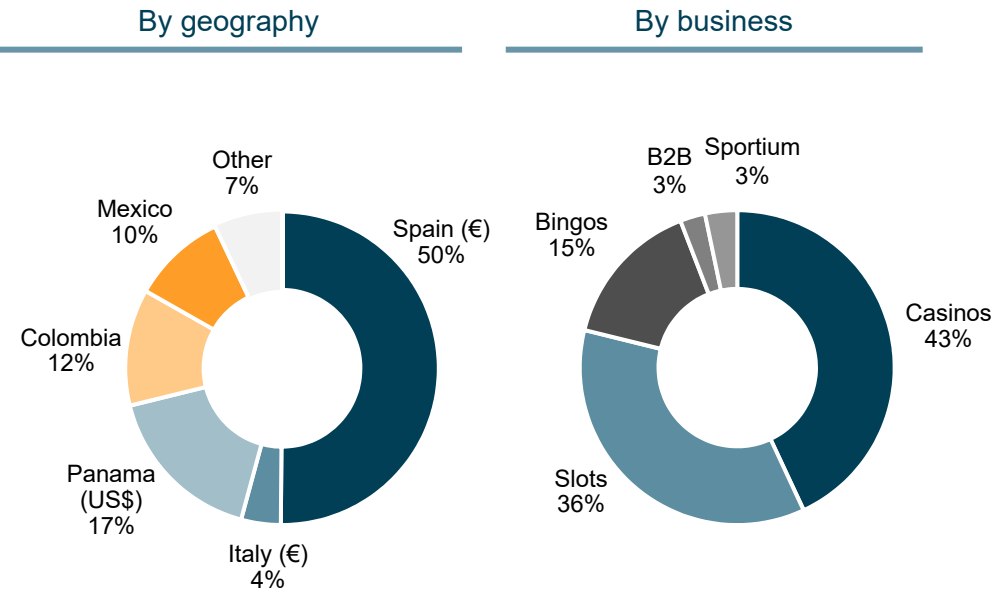
4. H1-2020 results and outlook

# Strong financial performance since 2006; credibility in the market for Cirsa's recurrent reliability in delivering all financial commitments

EBITDA (€m) and EBITDA margin %



PF EBITDA 2019 breakdown



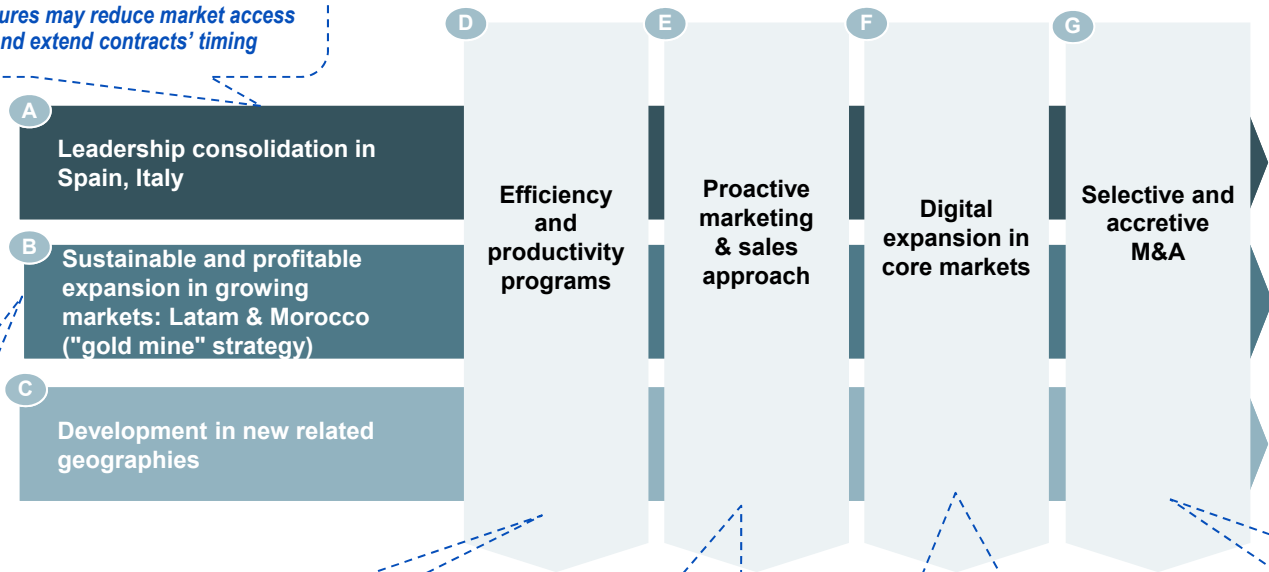
- **6.7x EBITDA improvement** (€71M '05 to €473M '19), following **54 quarters of consecutive YoY EBITDA growth**
- **3.2x EBITDA margin improvement** on revenues (9% in '05 to 29% in '19)
- **Leverage ratio reduction** from **5.0x (Dec'05)** to **2.2x (Jun'18, pre-BX transaction)** and **4.3x (Dec'19)**

- **Unique diversification portfolio** by geography and business segment
- **Hard currencies** account for **71% of EBITDA** (54% Euros; 17% USD)
- **Top 5 countries** (Spain, Panama, Colombia, Mexico and Italy) account for **93% of EBITDA**
- Cirsa **proactively manages** its **geographical and business** units mix to **maximize profitability**
- **Multi-product, multi-channel** business model: 148 casinos, 242 arcades, over 87,000 slot machines, 77 bingo halls, >2,700 betting locations and Sportium's online gaming across countries

COVID-19 broke 54 QoQ (from July'06 –Feb'20) continuous EBITDA growth

# Coronavirus impact on Cirsa's strategy

- Consolidation opportunities of small/medium operators in Slots Route Operations business and arcades at lower multiples
- Expected POS and gaming halls closures may reduce market access investment levels & operating cost, and extend contracts' timing



- Casino industry accelerated consolidation due to COVID impact and family owned co.'s financial issues

- Opportunistic impact in cost improvement (i.e. workforce reduction, F&B, shows/events)

- Improving clients contact during downtime to grow customer base and frequency through CRM segments/Social Media
- To be #1 in halls safety, assure clients going back is safe

- Increase online customer base and casino/slots/poker games during downtime
- Cross-sell campaigns between online and Retail customer base
- Accelerate online platform insourcing to improve speed/service and reduce cost

- Ready to execute "mature" opportunities after downtime with better terms
- Review transformational opportunities timing and conditions

**Keep successful Cirsa Strategy leveraging Covid-19 opportunities in weaker market conditions**







1. Cirsa's historical track-record

**2. Covid-19 contingency plan successfully implemented**

3. Excellent business performance after re-opening

4. H1-2020 results and outlook

# Covid-19 contingency plans to A. Preserve cash position and B. To be ready to ensure the fastest business recovery once the closure is over

A. Preserve Cash Position	Aggressive fixed cost reduction	<ul style="list-style-type: none"> <li>• Cost reduction and cost suspension activities, rather than postponements</li> <li>• 4 cost categories (tax, personnel, lease-rent and other costs) with an overall centralized Cost Leader supported with 4 global Cost Champions, plus weekly follow ups</li> <li>• Standard monthly cost down from 62.5M€ to &lt;25M€ per month (&gt;60% reduction)</li> </ul>
	Emergency cash management plan	<ul style="list-style-type: none"> <li>• Stabilizing cash-flow, defer “all” payments (i.e.: Taxes)</li> <li>• CFO to approve any bill above 1k€</li> <li>• Temporary Capex reduction</li> </ul>
	Increase Liquidity	<ul style="list-style-type: none"> <li>• Cirsa fully funded in March its €200 million Revolving Credit Facility</li> <li>• Additionally, on June 2020 secured new senior credit facilities (€55M RCF, €20m loan ,€23 M ICO guaranteed loans)</li> <li>• No significant maturity in the short-term</li> </ul>
B. D+1 Day Plan preparation	Sanitary plan as a Unique Selling Proposition	<ul style="list-style-type: none"> <li>• Leverage on sanitary plan “Juega Seguro” to differentiate Cirsa in the market place</li> <li>• Customer base needs assure going back to casino/bars is safe</li> <li>• Fulfill increased scrutiny of the health-worthiness of casino/bars</li> <li>• Employees to feel safe and motivated to drive/change new approach</li> </ul>
	Readiness to D+1 Day	<ul style="list-style-type: none"> <li>• Continuous communication with customer base during down time to prepare re-opening and confidence development (“Juega Seguro” campaign)</li> <li>• Segmented sales promotions to get customers back (CRM)</li> <li>• All logistics ready to operate at full speed from day 1</li> </ul>

**Current contingency plan worked above our expectations and can be re-implemented if needed**

# Severe cost reduction during POS lock-down (eg. Actual May'20)

A. Preserve Cash Position

B. D+1 Day Plan preparation

	Average monthly fixed costs – “Standard” month (m€)	Actual costs during lock-down (example May'20*)	
		€m	%
Fixed Gaming Taxes	12,9	4,0	31%
Personnel	26,8	11,2	42%
Rentals	8,2	3,6	44%
Others	14,6	5,9	40%
<b>Total operating costs</b>	<b>62,5</b>	<b>24,8</b>	<b>40%</b>

**Aggressive cost improvement led to a 60% fixed cost savings during May**

\* May'20 with all businesses closed due to Covid-19

# “Juega Seguro” sanitary plan examples

A. Preserve Cash Position

B. D+1 Day Plan preparation

## Example Gaming Halls



- **Personal Protective Equipment (i.e., masks, gloves and hygienic gel)** available for employees and customers
- **Temperature checking** of both **employees** and **customers** in all gaming halls & offices
- **Halls sanitization** between shifts
- Extensive use of **polycarbonate separators** to create **individual spaces** for each customer, and add advert revenue opportunity
- **Employees training on new sanitary rules**, daily mandatory follow up process & mystery shopper checks



1. Cirsa's historical track-record
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# Business Units performance highlights since re-opening up to October 25<sup>th</sup>

## Slot route operations: Spain & Italy

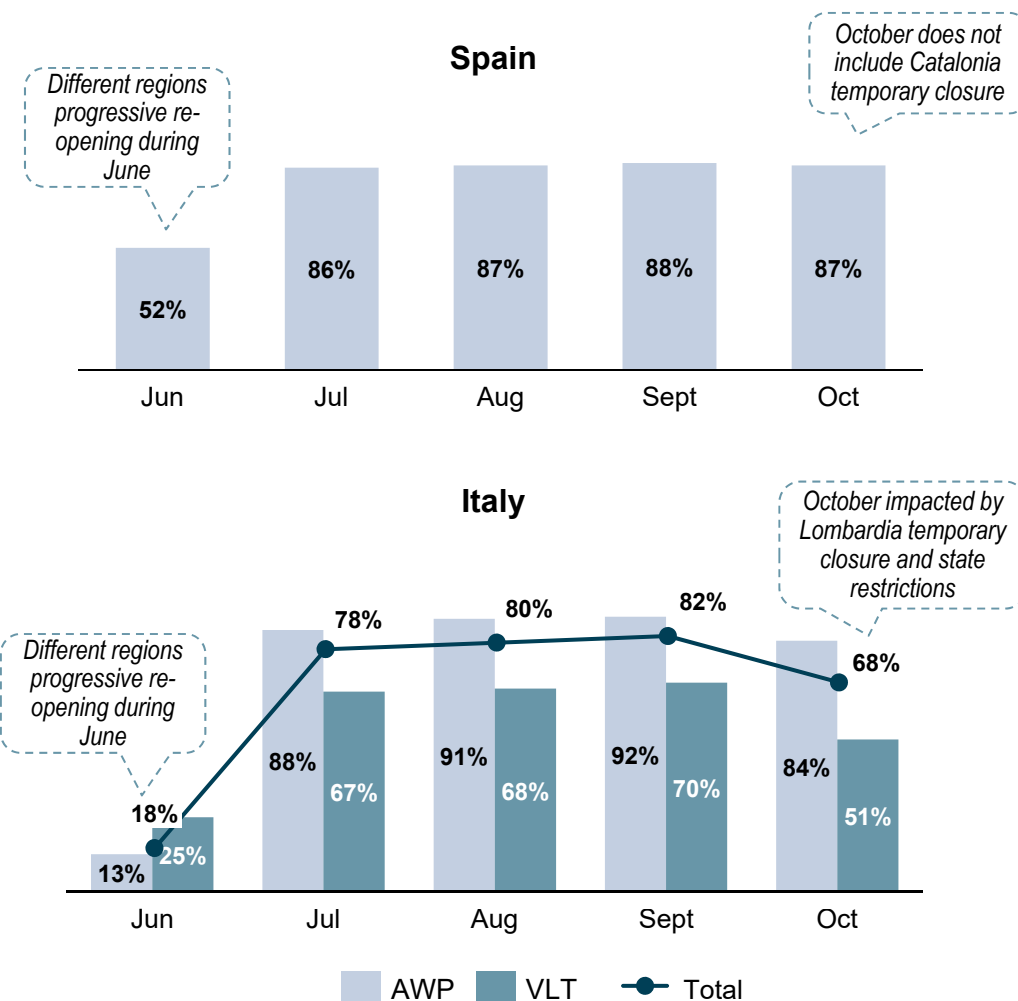
### Slot route operations business

- **Rapidly achieved and consolidated 85-90% revs** vs 2019, -8% in volume and -6% in rev/slot despite of continuous confinement issues
- Future **improvement** driven by outbreak evolution and **#POS reopening**, release of **demand restrictions** and general **economy recovery**
- **Management focus** on:
  - POS **contracts renewal and terms renegotiation** (timing and margin split)
  - **New POS**
  - **Product improvement**

### Arcades

- **All POS opened** since July conditioned by recurrent outbreaks impacting closures / opening hours and customers confidence
- **Revenue and visits at 91% vs 2019**
- **88% VIP clients** and **94% mass segment recovered**
- **Management focus** on:
  - Get **“first” customer visits**
  - Increase visits/customer and €/visit-customer
  - **Improve former standard cost structure**

## Total revenues vs 2019 (%)

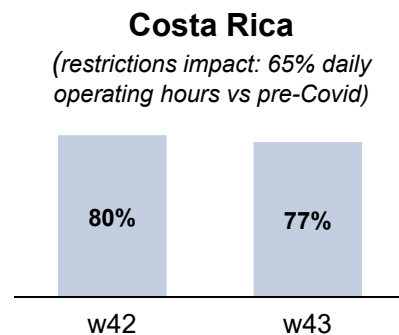
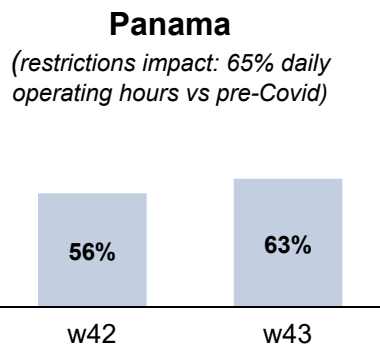


**Fast revenue recovery both in Spain & Italy despite new Covid-19 local restrictions and a weak economical environment**

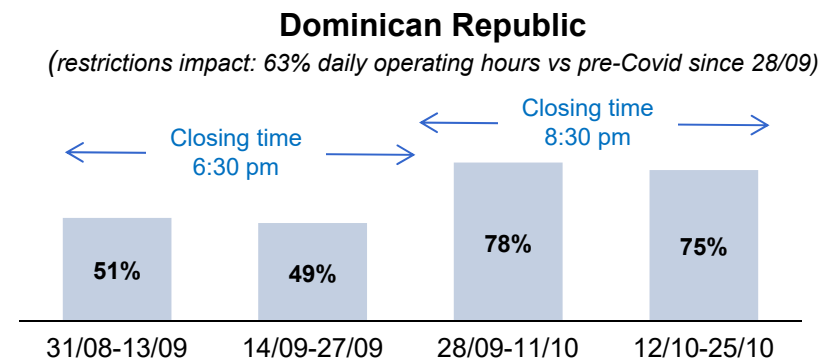
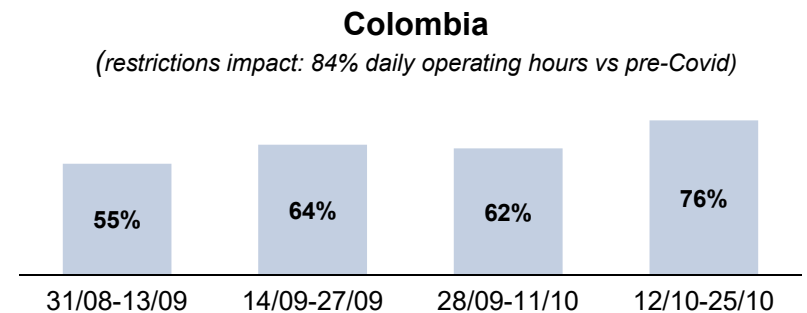
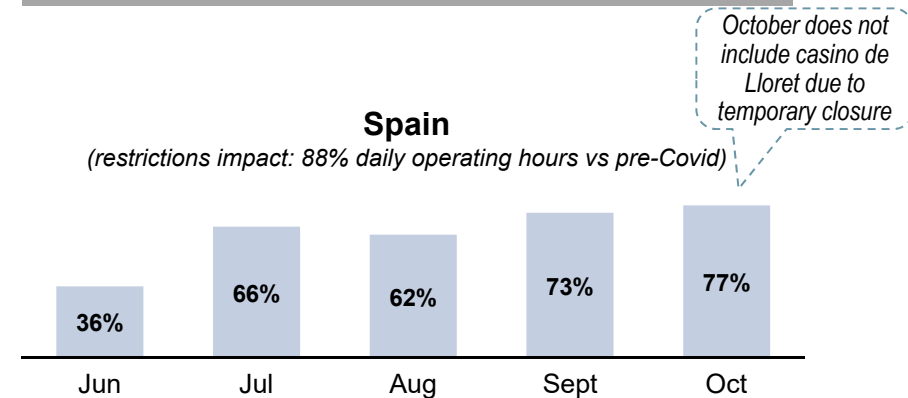
# Business Units performance highlights since re-opening up to October 25<sup>th</sup>

## Casinos

- **All casinos re-opened** (87% of rev's) **except México** (18/28 re-opened), **Perú and Morocco** (to reopen during Nov'20)
- **Rapid revenue recovery, >70% 2019 level** in first two months **despite operational restrictions**
- **Operational restrictions** depend on pandemic evolution and different national/regional/local authorities. Most common ones are:
  - **Opening hours**, curfew restrictions
  - **Capacity**: hall capacity or slots limitations
  - **Non-gaming offer** bans (F&B, events, smoking)
  - **>60 year old** customers prohibited
- **Management focus** on:
  - **Get “first” visit**
  - **Increase visits** and €/visit
  - Improve former standard cost structure



## % Slots revenues vs 2019 (examples)



# Casinos - performance highlights actual 1-25 October

*Restrictions to be released with pandemic improvement*

*Excellent revenues recovery despite operational restrictions*

	Opened casinos (#/total)	Average days of operation since reopening	Restrictions (% of available hours vs pre COVID)	Achieved % slot win (LC) in October vs 10/2019	Comments on restrictions
<b>Spain</b>	4/5	126d	88%	<b>77%</b>	<ul style="list-style-type: none"> <li>1 of 4 casinos (Marbella) highly dependant on non-local customers during summer</li> <li>Lloret currently closed du to temporary closure in Catalonia</li> </ul>
<b>Dom. Rep.</b>	6/6	63d	63%	<b>75%</b>	<ul style="list-style-type: none"> <li>All casinos re-opened on August 24th</li> <li>Opening hour 9am – 8.30pm impacting visits and revenues, especially on tables (65% table rev's from 9pm-6am)</li> </ul>
<b>Colombia</b>	72/72	46d	84%	<b>76%</b>	<ul style="list-style-type: none"> <li>Different restrictions depending on each region/municipality</li> </ul>
<b>Costa Rica</b>	8/8	18d	65%	<b>77%</b>	<ul style="list-style-type: none"> <li>All casinos re-opened on October 9<sup>th</sup> with opening hours restrictions</li> </ul>
<b>Panama</b>	32/32	14d	65%	<b>63%</b>	<ul style="list-style-type: none"> <li>All casinos re-opened on October 12<sup>th</sup></li> <li>Opening hours limited to curfew (including Sunday closure)</li> </ul>
<b>Mexico</b>	18/28	56d	52%	<b>51%</b>	<ul style="list-style-type: none"> <li>10/28 casinos pending to re-open</li> <li>Several temporary closures, opening hours and capacity limits, smoking ban and <b>60y old ban</b> heavily impacting visits</li> </ul>
<b>Peru</b>	0/27	-	-	-	<ul style="list-style-type: none"> <li>Expected to re-open in November</li> </ul>
<b>Morocco</b>	0/2	-	-	-	<ul style="list-style-type: none"> <li>Expected to re-open in November</li> </ul>

**Excellent performance after reopening. Expected fast revenue recovery at >70% in two months of operation unless new limiting restrictions are issued**





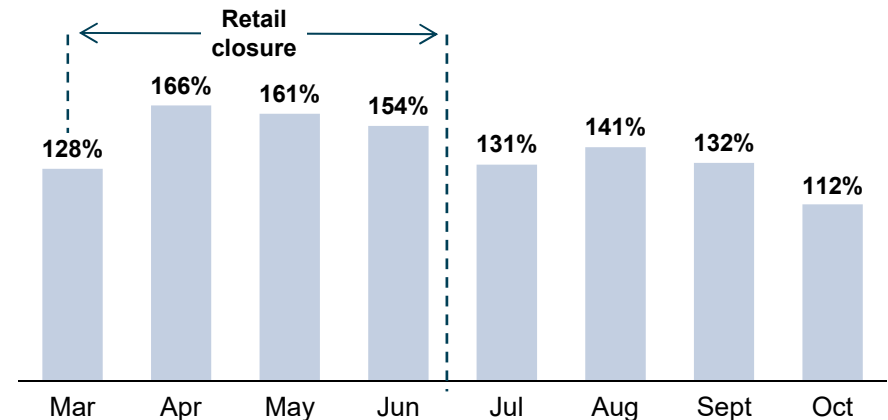
# Business Units performance highlights since re-opening up to October 25<sup>th</sup>

## Sportium: sports betting and Online BU

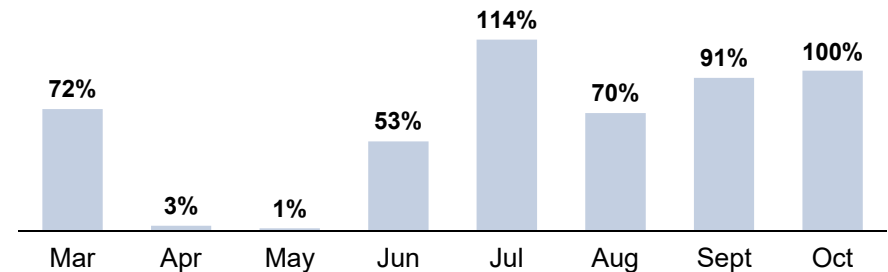
- **Cancellation of sports events during confinement impacted heavily sports betting online and retail** (no virtual games allowed)
  - **Additionally**, Spanish government **prohibited any kind of betting related marketing** (on&off media, customer retention&loyalty, etc) during state of alarm
- **Online gaming remained very strong** during pandemic due to:
  - **Cross-selling sports clients to casino&poker**
  - **Off to online cross selling** campaigns from all our Retail businesses prior to retail closure
  - Highly competitive and **exclusive casino and slots offer**
- Once sports events restarted (still limited offer vs pre-Covid), **online&off-line sports betting recovered >90%** previous levels although **sports offer is still limited in several important sports segments (i.e.: tennis)**
- **Management focus on:**
  - Review market approach under **new expected decree** (publicity ban)
  - Product improvement
  - Expansion in Latam and **selective m&a**

## Total revenues vs 2019 (%)

**% Casino online gaming**



**Retail sports betting**

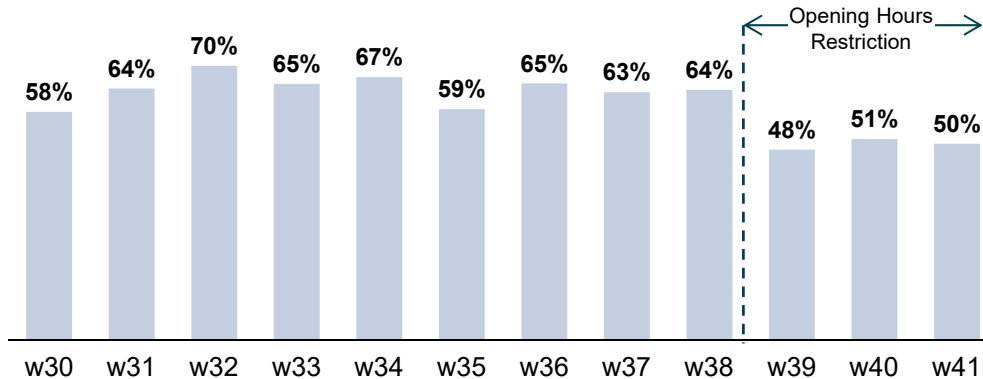


Excellent growth in online gaming to support future expansion. On/offline combination proved to be a competitive advantage

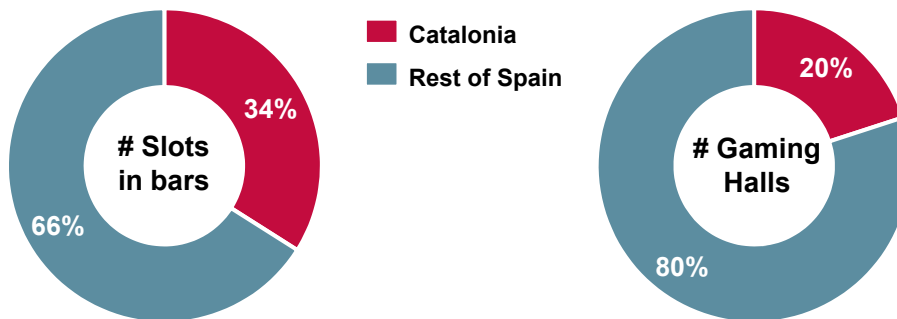
# Covid-19: new outbreaks impact

## If new restrictions required by Covid outbreaks ...

Example Madrid: 3 bingo halls to close after 11pm since week 39  
 % Madrid traditional bingo gross revenues vs 2019 (%)



Example Catalonia: all bars and gaming halls closed 16/10-31/10  
 Spain slots/halls affected by Catalonia closure



New pandemic restrictions worsening current trade but management team has proven ability to minimize impact

## ... the Company is fully prepared to face “new reality”

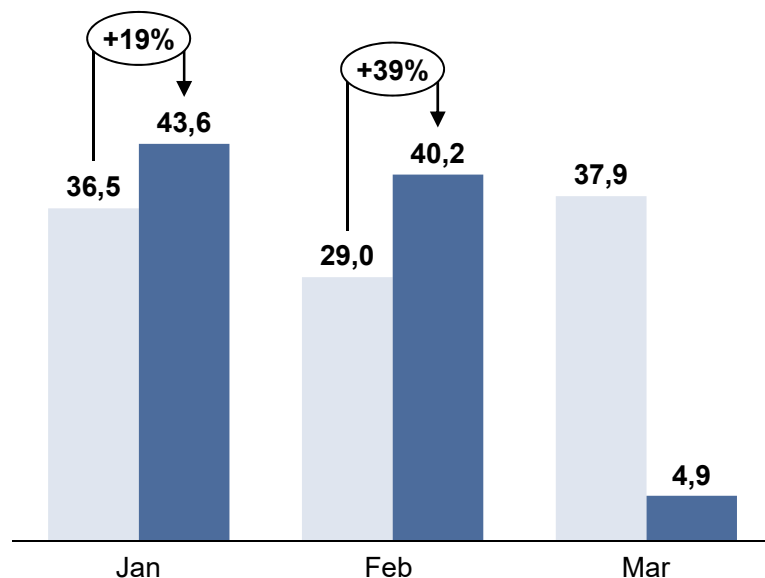
- Strong processes, dedicated organization and first wave learning experience in place, allow immediate re-implementation:
  - **“Juega Seguro” plan**
    - Market differentiation
    - Highly appreciated by customers
    - Strict follow up and reporting vs authorities
  - **Continuous customer communication and contact**
    - Segmented approach
    - Focus on first visit
    - Specific marketing campaigns
  - **Cost management**
    - **Personnel** resources aligned to **customer demand and restrictions**
    - **Fixed taxes exemptions** in case of new closures
    - **Leases conditions review 2020&21**
    - Other cost categories under review to partially extend 2020 savings



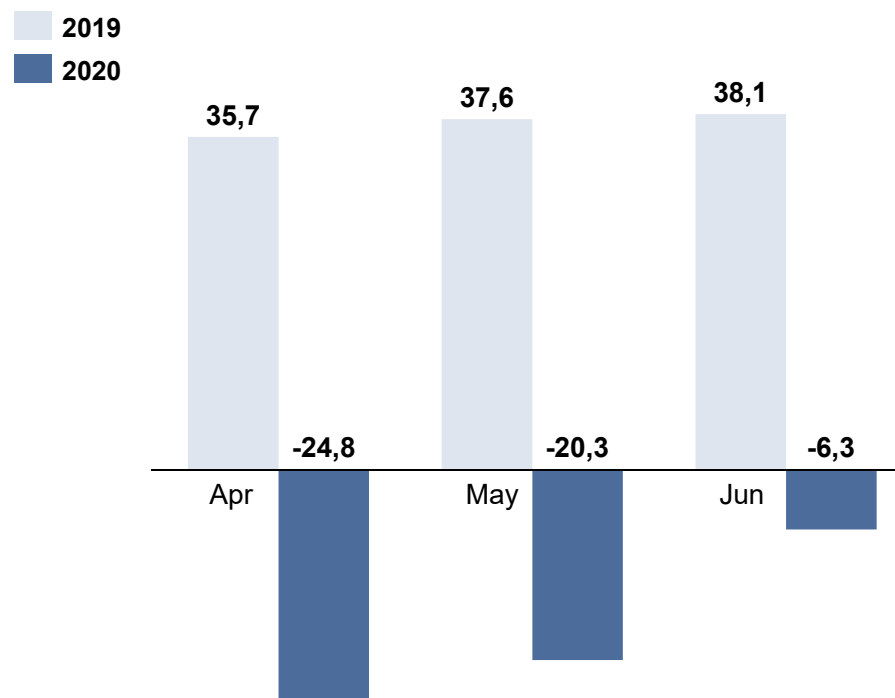
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# H1-2020 Results severely affected by Covid-19

## Q1 EBITDA



## Q2 EBITDA



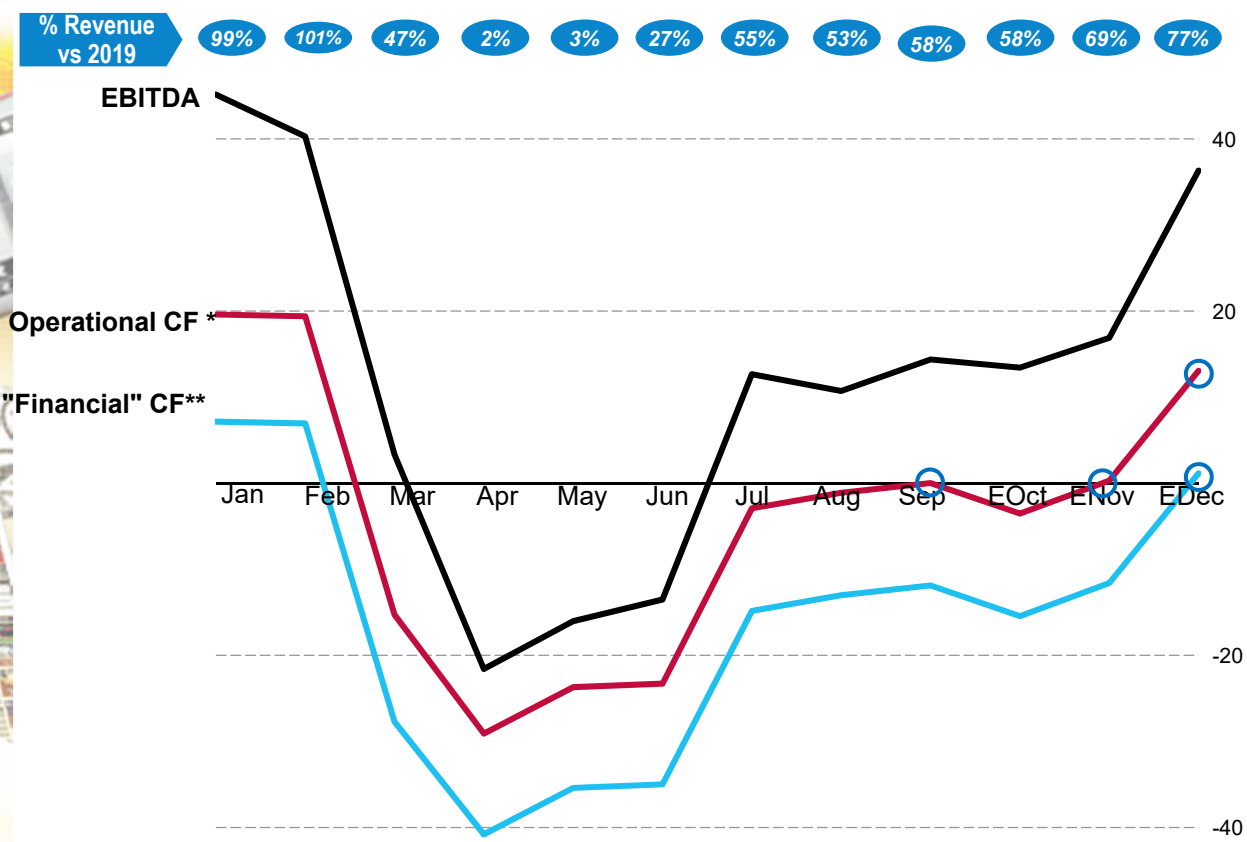
- **Strong performance in January (+19%V) and February (+39%V)** driven by all businesses in all geographies
- **March performance & Q1'20:** Starting on **March 8th until March 25th** all our operations were **closed**:
  - **March'20: €4,9 M, -87%V**
  - **Q1'20: €88,7 M, -14,2%V**

- **No revenues** in April and May due to POS closure
- **Very aggressive fixed cost reduction** minimized the “burning rate” (€62,5 M/month to <€25 M/month)
- **Improved in June, with just partial re-openings in Spain and Italy**
- **EBITDA Q2'20: -€51,4 M**

Excellent start of 2020 but COVID-19 broke an historical track record of 54 quarters of consecutive YoY EBITDA growth since Q3'06

# Cash generation

2020 Cash generation (€m)



Our fast business recovery has minimized cash consumption since July and should turn into cash positive generation from December and on

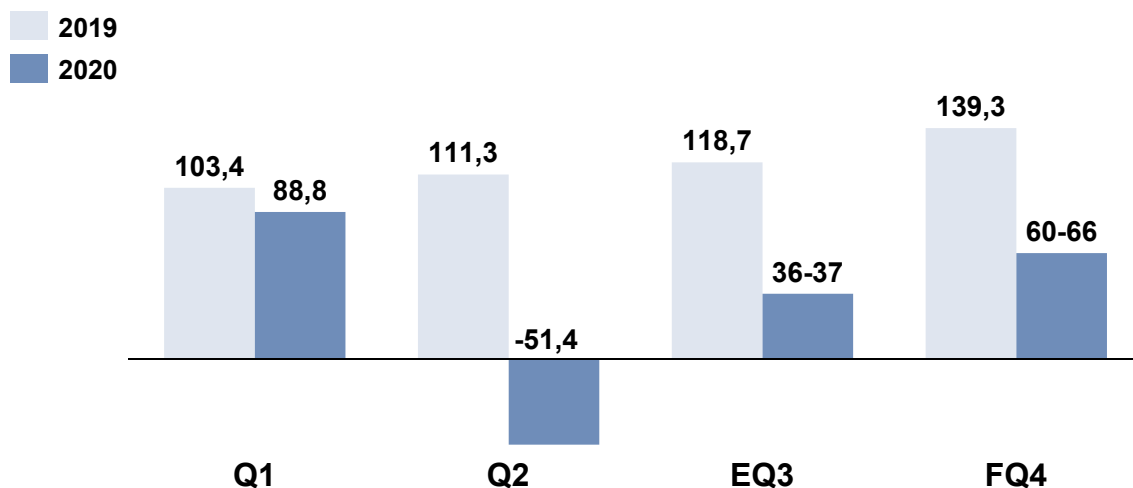
## Key highlights

- Cirsa can reach **Operational Cash Flow at ~58%** of its historical **revenue** level
- The **full re-opening** of the different markets combined with the **proven fast revenue recovery, even under tough operational restrictions**, resulted in a **positive Operational Cash Flow already in September**
- Taking into account the existing financial structure and expenses, **Cirsa is full cash positive at ~75%** of its historical revenue level
- If current “statu quo” remains, we expect to reach **positive Financial Cash Flow in December, and continue/improve this positive trend during 2021**

\*) Operational Cash Flow = EBITDA – Leases – Organic Capex – Income Taxes  
 \*\*) “Financial” Cash Flow = Operational Cash Flow – Dividends (minorities) – monthly pro-forma Financial expenses

# H2-2020 and 2021 Outlook

## 2020 EBITDA (€m)



	Q1	Q2	EQ3	FQ4
<b>NFD</b>	2.265	2.339	2.320	2.350-2.365
<b>Leverage</b>	4.9x	7.9x	H2-2020 leverage at >10x, distorted by the unprecedented COVID-19 impact. In 2021 we will progressively recover <5x level	
<b>Adjusted leverage</b>	4.6x	4.5x		
<b>Cash position</b>	352	265	353	240-255

December interest payment of €55 M included

The actual business recovery and a solid cash position supports a good 2021, reaching 2019 levels by Q4'21

## 2020&21 highlights

### 2020

- **3Q20 expected EBITDA is of €36-37 M** (average 68% of slots on)
- **4Q20 forecasted EBITDA of €60-66 M** under the expected re-opening calendar and current operational restrictions
- By **December'20** the **cash** position will be at **€240-255 M**
- **Very limited NFD variation, +85-100 M (+4%)**

### 2021 outlook

- **With the existing business trend** Cirsa should progressively improve during 2021, reaching **2019 revenues and EBITDA by Q4'21**
- **Leverage should progressively be back at <5x levels**
- Our **current solid cash position** and our **contingency plans** allow us to face **potential new outbreaks and selective m&a** (small and mid size) during 2021

# Summary

- **Since 2006, current management team always delivered all financial commitments during 54 consecutive quarters YoY, and deserved Blackstone acquisition in July 2018**
  - 6.7x EBITDA: €71M (2005) to €473M (2019)
  - 3,2x EBITDA margin: 9% (2005) to 29% (2019)
  - Leverage reduction: 5.0x (Dec'05) to 2.2x (Jun'18, pre-BX transaction) and 4.3x (Dec'19)
- **Immediately launched since the beginning of Covid lockdown solid contingency plans based on strong processes and an accountable organization that can be easily replicated, aiming to:**
  - Preserve cash position through 60% Fixed Cost reduction, payment deferrals and new liquidity sources. Cash at €353 M (Sept'20)
  - Implement D+1 Day Plan combining unique sanitary measures and segmented sales promotions to be #1 in coming back to the market in each country
  - Vast majority of clients (>85%) already came back showing a fast business recovery after lockdown
- **Fast recovery following the re-opening of the markets anticipating a gradual ramp-up during 2021, reaching 2019 levels by 4Q'21**
  - As of October 25<sup>th</sup> 71% of our operational capacity is up and running
  - Revenues ranging from 70% to 95% depending on the different countries' restrictions and timing since re-opening
  - Solid cash position to face new potential local outbreaks and support the due course of business during 2021

**When pandemic mitigates, ready to continue delivering our financial commitments**



# Thank you