

# CreditSights European Outlook Conference

8 December 2022

# European HY Gaming: Coming Up Trumps

Amarveer Singh  
*Analyst - European Retail*





# Storming Back From Covid Lockdowns



Sector Resilience



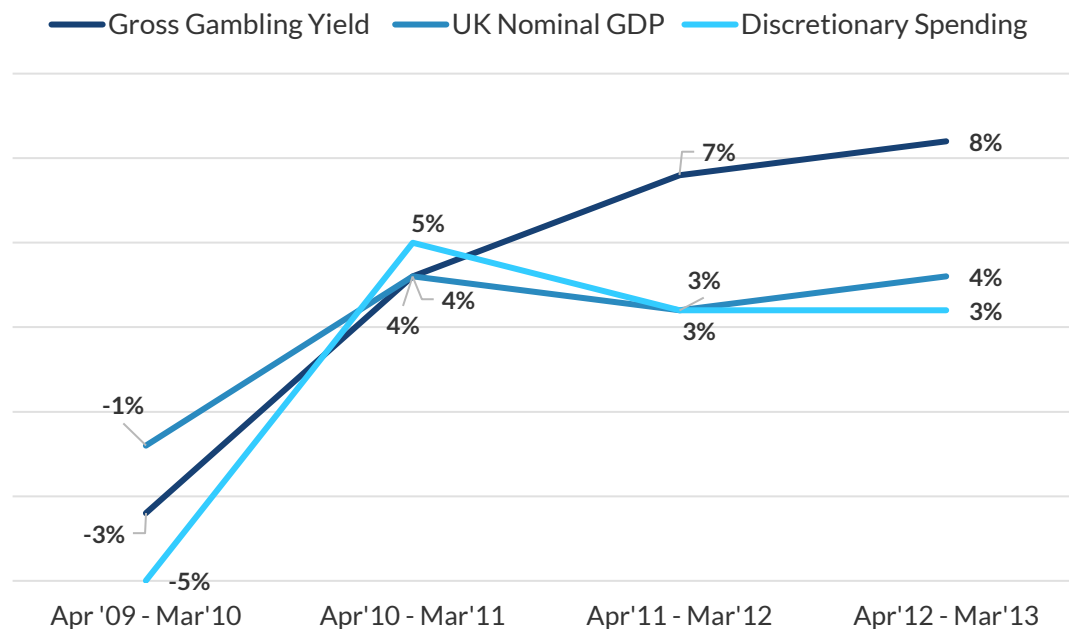
Active M&A Landscape



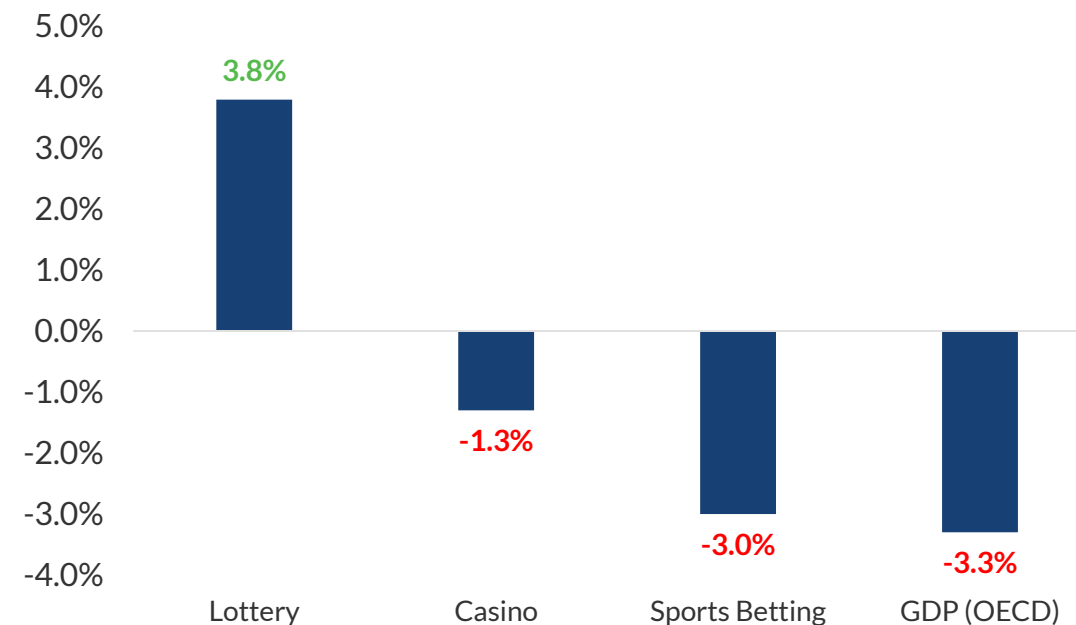
ESG & Regulatory Overhang

# Resilient Through Economic Crises

## UK Gambling Industry Performance through GFC, YoY Growth (%)



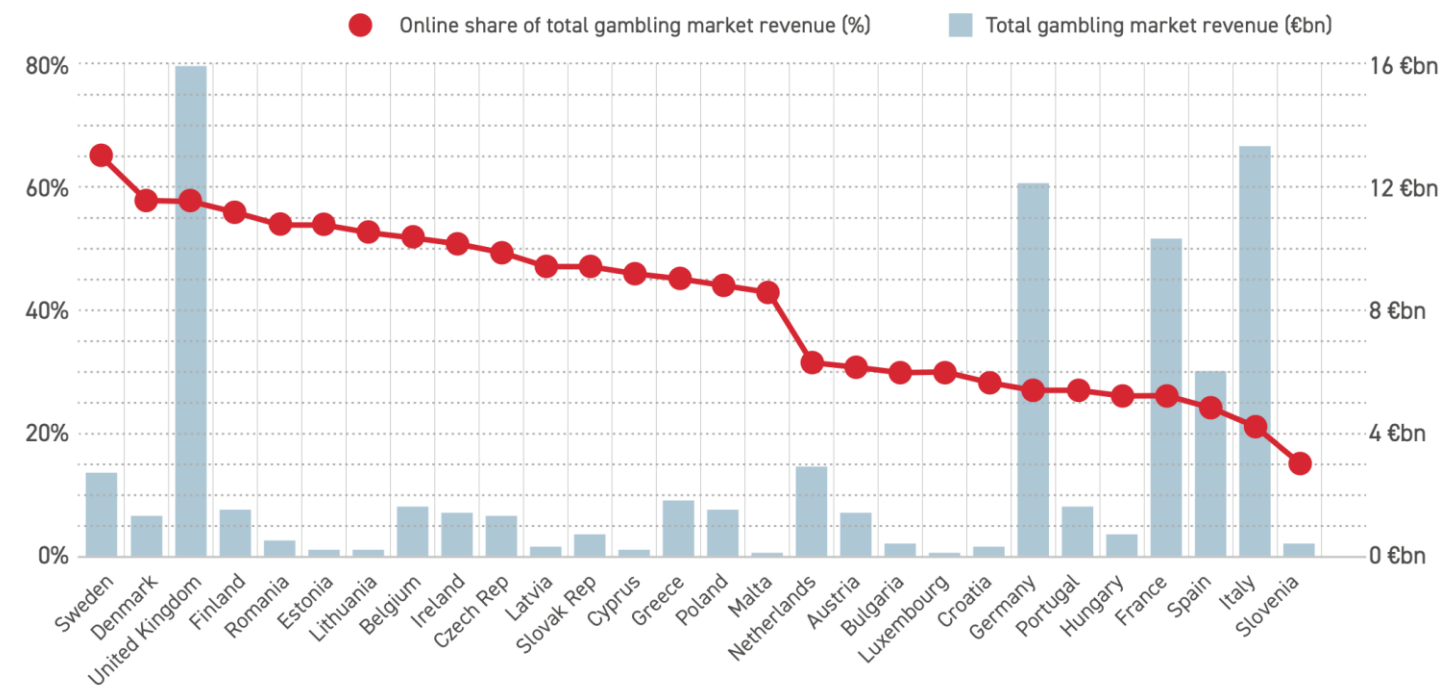
## Global Gaming Performance during Financial Crisis (08-09): YoY Growth (%)



Enviably position of being between “essential” and “discretionary”, no direct exposure to input cost inflation

# Online Penetration On The Rise

Online Gambling Share of National Gambling Markets (2020)

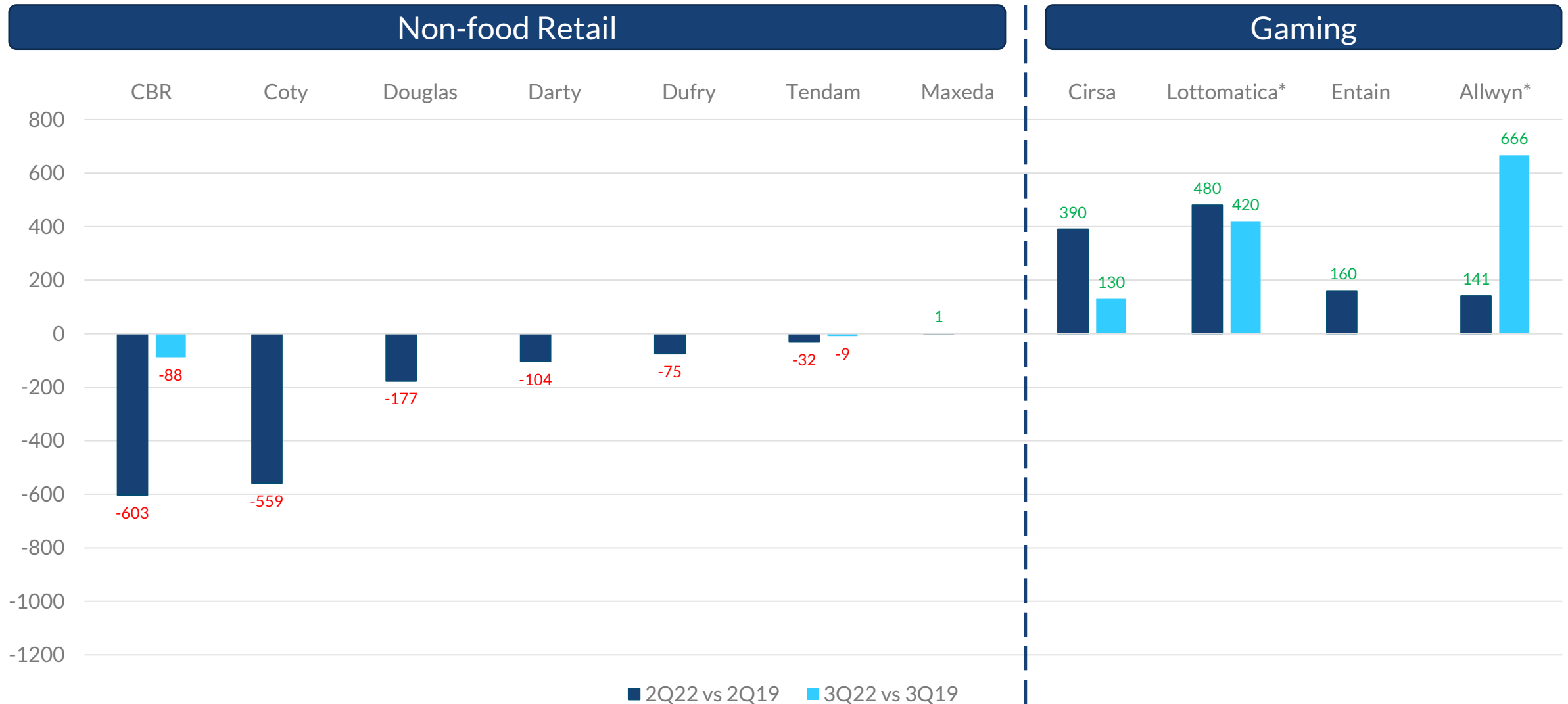


Online Penetration for Companies under Coverage

Online Penetration (%)			
	FY19	FY21	YTD 2022
Entain	59%	79%	69%
Cirsa	2%	12%	9%
Lottomatica	10%	30%	21%
Allwyn			
Austria	18%	26%	21%
Czech Republic	19%	38%	44%
Greece and Cyprus	12%	27%	24%

Online platform likely to remain under pressure in 2023; although medium to long-term prospects are still positive

# Resilient Margins: Adj. EBITDA Margins Change vs 2019



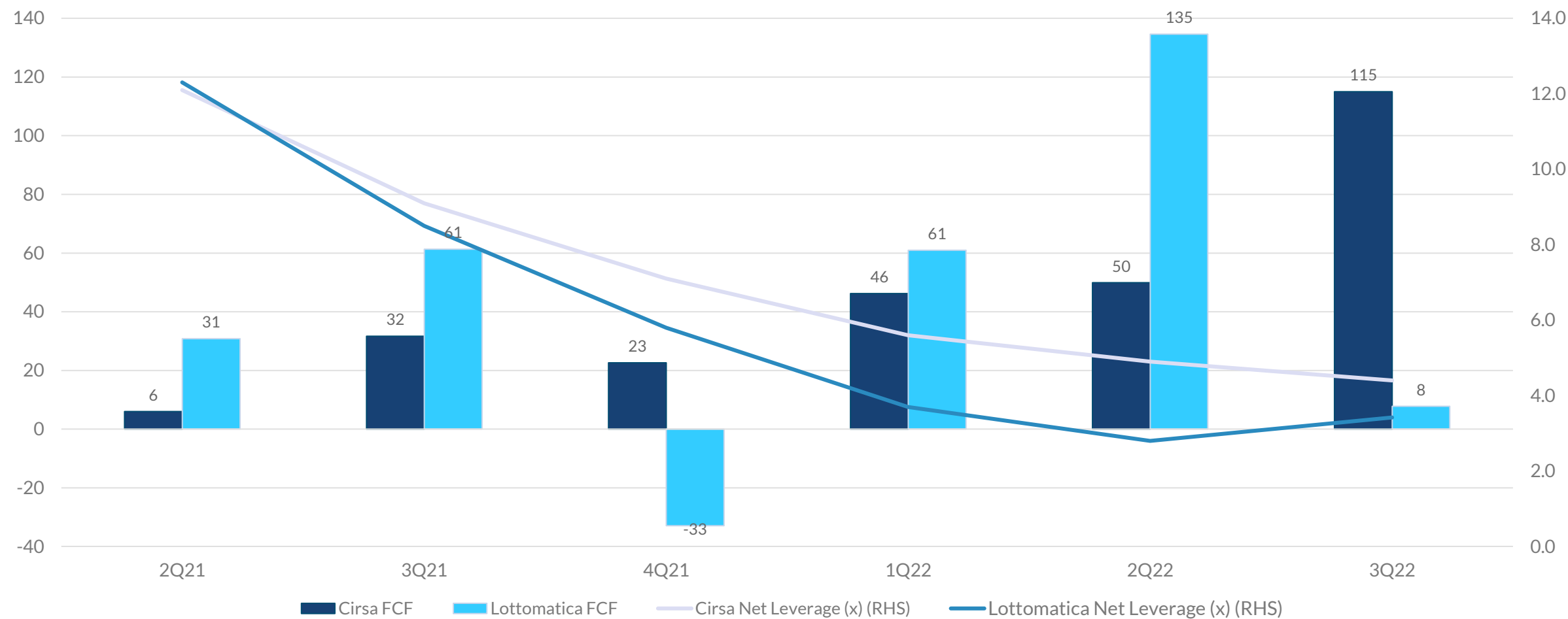
Source: Company Reports, CreditSights

Note: 3Q comparison provided only where 3Q22 financials have been published

\* Lottomatica 3Q comparison on a YTD basis; Allwyn margins on NGR instead of total revenues

# Cash Flow Generation And Deleveraging Ability

Cirsa and Lottomatica Deleveraging Trajectory (EUR mn)



# ESG – Social Stigma & Governance Risk Overhang

- Problem gambling, addiction and consumer debt are obvious issues
- These attract political attention, with the UK being a prime example
- Investors also wary of private equity sponsors and aggressive financial policies





# Regulations – Part Of The Sector's DNA



- UK Whitepaper on the Gambling Act Review
  - early indications for stringent affordability checks, limits on online stakes, etc.
  - recent reporting suggests watered-down proposals



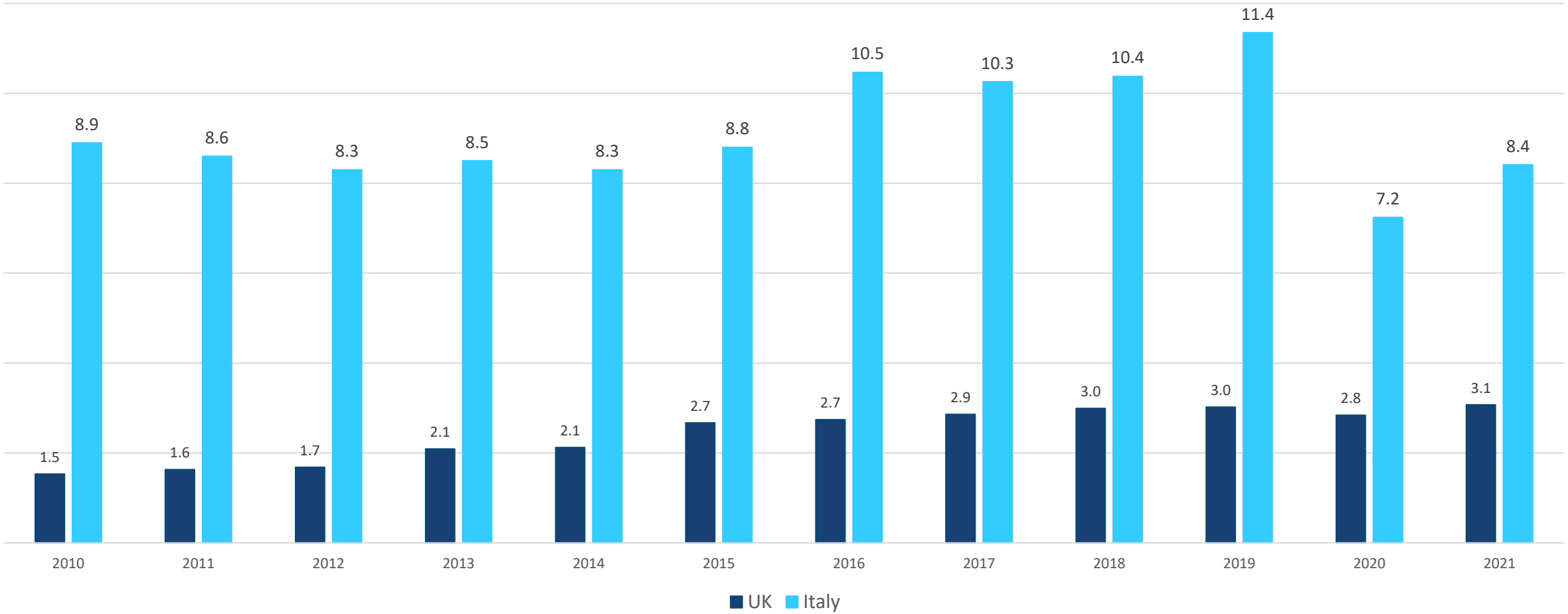
- Italy Licensing Process – 2-year runway for gaming machines and sports betting before retendering







- Lottery Licenses – Near-monopoly businesses with long-term licenses, one of the least regulated parts of the sector due to donations to 'good causes'

# Governments Depend On Gaming Tax Revenues

Gaming Tax Revenue, 2010-2021 (EUR bn)



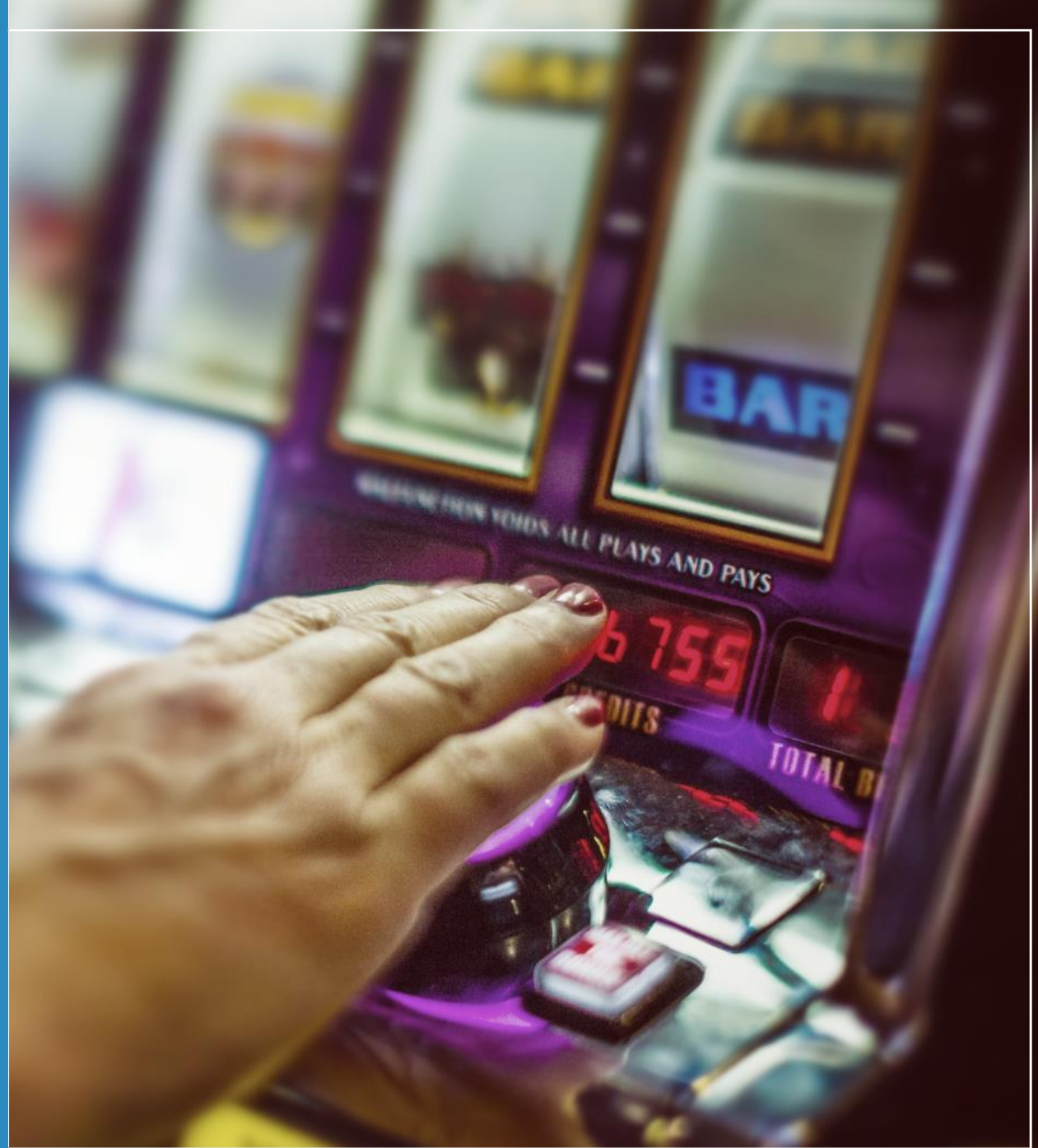
# M&A And Primary Issuance – Will Gaming Continue To Lead The Way?

Target	Country	Acquirer	Consideration
	Croatia	Entain Plc (75%)	€600 mn (initial) + €90 mn contingent
	The Netherlands	Entain Plc	€300 mn (initial) + €550 mn contingent
	Italy	Lottomatica	€310 mn (initial) + €50 mn contingent
	Italy	Cirsa (60%)	Undisclosed

- Companies still looking to kit out their online suite
- Recently regulated markets offer more M&A opportunities

# Key Takeaways

- Positive outlook for 2023 despite expected weakening in consumer spending power
- Even at low volumes, high variable cost bases and high degree of cash conversion protect credit metrics
- Regulatory & ESG concerns remain a core part of the sector's credit story



## Hold / Market Perform

**Σntain**

(Market perform)

**LOTTOMatica**

(Hold on SSNs)

**CIRSA** 

(Hold on SSNs)

## Buy / Outperform

**LOTTOMatica**

(Buy on PIKs)

**CIRSA** 

(Buy on PIKs)

**allwyn**

(Outperform)



This Report is for informational purposes only. Neither the information contained in this Report, nor any opinion expressed therein is intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. CreditSights and its affiliates do not recommend the purchase or sale of financial products or securities, and do not give investment advice or provide any legal, auditing, accounting, appraisal, valuation or actuarial services. Neither CreditSights nor the persons involved in preparing this Report or their respective households has a financial interest in the securities discussed herein. Recommendations made in a report may not be suitable for all investors and do not take into account any particular user's investment risk tolerance, return objectives, asset allocation, investment horizon, or any other factors or constraints.

Information included in any article that includes analysis of documents, agreements, controversies, or proceedings is for informational purposes only and does not constitute legal advice. No attorney client relationship is created between any reader and CreditSights as a result of the publication of any research report, or any response provided by CreditSights (including, but not limited to, the ask an analyst feature or any other analyst interaction) or as the result of the payment to CreditSights of subscription fees. The material included in an article may not reflect the most current legal developments. We disclaim all liability in respect to actions taken or not taken based on any or all the contents of any research report or communication to the fullest extent permitted by law.

Reproduction of this report, even for internal distribution, is strictly prohibited. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion or information contained in this report (including any investment recommendations or estimates) without first obtaining express permission from CreditSights. The information in this Report has been obtained from sources believed to be reliable; however, neither its accuracy, nor completeness, nor the opinions based thereon are guaranteed. The products are being provided to the user on an "as is" basis, exclusive of any express or implied warranty or representation of any kind, including as to the accuracy, timeliness, completeness, or merchantability or fitness for any particular purpose of the report or of any such information or data, or that the report will meet any user's requirements. CreditSights may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this Report, and all opinions are reflective of judgments made on the original date of publication. CreditSights is under no obligation to ensure that other reports are brought to the attention of any recipient of the Products.

Certain data appearing herein is owned by, and used under license from, certain third parties. Please see Legal Notices for important information and limitations regarding such data. For terms of use, see Terms & Conditions.

If you have any questions regarding the contents of this report contact CreditSights at [legal@creditsights.com](mailto:legal@creditsights.com).

© 2022. CreditSights, Inc. All rights reserved.