MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns B1 CFR to Gamenet Group S.p.A. and (P)B1 rating to the proposed EUR200 million senior secured notes due 2021; stable outlook

Global Credit Research - 18 Jul 2016

London, 18 July 2016 -- Moody's Investors Service has today assigned a B1 corporate family rating (CFR) and B1-PD probability of default rating (PDR) to Gamenet Group S.p.A. Gamenet Group S.p.A. is a recently formed entity, incorporated in June 2016 in connection with the Intralot Italia acquisition and the new parent holding company of Gamenet S.p.A.

Concurrently, Moody's has assigned provisional (P)B1 rating to the proposed EUR200 million senior secured notes due 2021 to be issued by Gamenet Group S.p.A., and upgraded the rating on the outstanding EUR200 senior secured notes due 2018 issued by Gamenet S.p.A. to B1 from B2. The outlook on all the ratings is stable.

The proceeds of the 2021 notes, will be used to refinance the outstanding 2018 notes, which rating will be then withdrawn. The refinancing transaction, expected to complete in August 2016, follows the completion of the acquisition of Intralot Holding and Service S.p.A. and its subsidiaries (Intralot Italia) on 27 June 2016 and the incorporation of Gamenet Group S.p.A. as new holding company of the group.

Moody's has withdrawn the B2 CFR and B1-PD PDR of Gamenet S.p.A. Please refer to the Moody's Investors Service's Policy for Withdrawal of Credit Ratings, available on its website, www.moodys.com.

Moody's issues provisional ratings in advance of the final sale of securities. Upon closing of the transaction and a conclusive review of the final documentation, Moody's will endeavour to assign definitive ratings. A definitive rating may differ from a provisional rating.

RATINGS RATIONALE

Today's action reflects Moody's view that the acquisition of Intralot Italia in connection with the refinancing of the 2018 notes is credit positive for Gamenet as (1) it increases the group's revenues size by approximately EUR473 million and EBITDA before synergies by EUR4 million (based on FY2015 figures under the Italian GAAP) and potentially more once expected synergies will be achieved; (2) diversifies the group's business activities into retail and online betting and strengthen its market shares in these two segments; and (3) improves the group's credit metrics and liquidity by pushing ahead the debt maturity, reducing the interest costs and putting in place a new EUR30 million revolving credit facility to fund intra quarter capital swings. Gamenet's debt/EBITDA, pro forma for Intralot Italia's acquisition, remains moderate and expected to fall around 3.0x at the end of fiscal year (FY) 2016 from 3.2x at the end of March 2016 excluding the impact of the acquisition.

These positives are counterbalanced by (1) the risk associated with the integration of the loss-making Intralot Italia and potential delay in achieving the expected EUR8.4 million synergies; (2) the reduced profitability for the group and potential for pressured cash flow in conjunction with the renewal of the betting licences which could occur in 2016 or 2017; and (3) the increased operating risk as betting pay-outs are not fixed but subject to the outcome of sports results and therefore more volatile.

The ratings also continue to reflect (1) Gamenet' s geographic concentration in Italy, exposing the group to the country's challenging macroeconomic environment and to its evolving gambling regulatory and fiscal regime; (2) the presence in mature and competitive market segments which limit organic growth prospects; and (3) the lack of historical growth track record for Gamenet standalone since Moody's assigned its first-time rating, although negatively affected by tax increases year on year.

Liquidity Profile

Gamenet's liquidity position is viewed as adequate to meet its intra quarter needs and other requirements, including concession-related payments and the gradual replacement of AWPs. Moody's also understands that the group may consider smaller add-on acquisitions, but the rating does not factor in any material debt-funded

acquisition, and will not distribute dividends to minorities. At close, Moody's expects Gamenet to have around EUR55 million of cash and access to the EUR30 million super senior revolving credit facility (RCF). The next debt maturity will be the RCF in 2021, six months earlier than the new notes. There is a single financial maintenance covenant under the RCF, a minimum EBITDA of EUR55 million (EUR60 million after 31 December 2018) to be tested quarterly.

Structural Consideration

Gamenet's PDR is in line with the CFR, reflecting Moody's assumption of a 50% family recovery rate as is customary for capital structure including bonds and bank debt. The (P)B1 rating on the new senior secured notes due 2021, secured by share pledges and rights on proceeds loan, are also in line with the CFR. The structure include a EUR30 million super senior RCF, which shares similar security and guarantees, and has priority in case of an enforcement.

RATIONALE FOR STABLE OUTLOOK

The stable rating outlook reflects Moody's expectation that Gamenet's credit metrics should remain stable over the next 12 to 18 months and the profitability will gradually improve despite some uncertainty on concession renewals due in 2016-17.

WHAT COULD CHANGE THE RATING -- UP/DOWN

Upwards rating pressure could develop over time if Gamenet's scale, business diversity and operating performance substantially improve and Moody's-adjusted leverage falls sustainably below 2.5x whilst achieving visible and sustained positive free cash flow, and maintaining good liquidity.

Conversely, negative pressure would be exerted on the ratings if Gamenet's performance weakens or is negatively impacted by a changing regulatory and fiscal regime. Quantitatively, Moody's would consider downgrading Gamenet's ratings if Moody's-adjusted leverage raises sustainably above 3.5x, free cash flow turns negative (excluding one-off capex required to renew betting licences), or liquidity weakens.

LIST OF AFFECTED RATINGS:

Assignments:

..Issuer: Gamenet Group S.p.A.

....Backed Senior Secured Regular Bond/Debenture, Assigned (P)B1

.... Corporate Family Rating, Assigned B1

.... Probability of Default Rating, Assigned B1-PD

Upgrades:

..Issuer: Gamenet S.p.A.

....Senior Secured Regular Bond/Debenture, Upgraded to B1 from B2

Withdrawals:

..Issuer: Gamenet S.p.A.

.... Corporate Family Rating, Withdrawn, previously rated B2

.... Probability of Default Rating, Withdrawn, previously rated B1-PD

Outlook Actions:

..Issuer: Gamenet Group S.p.A.

....Outlook, Assigned Stable

..Issuer: Gamenet S.p.A.

....Outlook, Remains Stable

The principal methodology used in these ratings was Global Gaming Industry published in June 2014. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

Headquartered in Italy, Gamenet Group S.p.A is the new parent holding company of Italian gaming company Gamenet S.p.A. Headquartered in Italy, and operating with legal concessions from Italy's national gaming regulator, Gamenet, proforma for the acquisition of Intralot Italia, is the fourth-largest concessionaire of gaming machines in Italy by amount of bets, the fifth largest sports betting operator with 13% share, and the second largest operator of gaming halls.

As of March 2016, the company operated 8,200 video lottery terminals (VLTs) and 50,000 amusement with price machines (AWPs) with concessions expiring in 2022. Along with VLTs and AWPs, the company is present in the betting and online games segment, with 750 point of sales, which licences expiry in 2016 and dedicated websites. Gamenet also manages 65 gaming halls.

For the 12-month period ending March 2016, Gamenet's pro forma revenues totalled EUR1 billion and EBITDA EUR67 million. All the company's earnings were generated in Italy (Baa2 stable).

Gamenet Group S.p.A. is ultimately controlled by private equity firm Trilantic Capital Partners (79.2%), Intralot Global Holdings B.V. (20%) and the founder of Billions Italia S.r.l. (0.8%).

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Donatella Maso
Vice President - Senior Analyst
Corporate Finance Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Peter Firth
Associate Managing Director
Corporate Finance Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

MOODY'S
INVESTORS SERVICE

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.