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"OPAP S.A First Quarter 2023 Financial Results Conference Call"

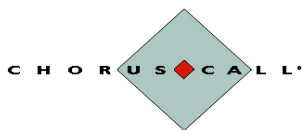
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Conductors:

Mr. Jan Karas, Chief Executive Officer OPAP

Mr. Pavel Mucha, Chief Financial Officer, Executive Director OPAP

Conference Call Conducted by Chorus Call Hellas



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KARAS J: Hello everyone and welcome to our Q1 2023 Financial Results Regular Update. Like previous quarters, I'm joined by our CFO, Pavel and we will present you in this video the business and financial update and we will be waiting you at our scheduled conference call later today at 4 p.m. Athens time to take your questions.

To begin with, I'd like to provide you with our high-level view of our Q1 2023 achievements and key metrics before Pavel takes you through our financials. The First Quarter has started promisingly, with both retail and online channels showcasing strong underlying momentum and growth supported by targeted commercial activities. Online penetration reached 40% for games offered in both channels, affirming our continuous focus to offer upgraded customer experience getting us closer on achieving our strategic objectives for the year.

On the profitability side, the First Quarter of 2023 posted healthy organic growth well on track to deliver on our annual outlook. Across the business we continue to drive customer engagement via the implementation of our fast forward strategy. During the first months of the year, we are satisfied with the progress made so far. We just launched our new iLottery proposition opaponline.gr an umbrella brand hosting all lottery products aspiring to become our new online entertainment hub. Pamestoixima.gr our rejuvenated online sports betting platform has been capturing market opportunities with its full potential to be witnessed during the new sports season in September.

In retail, our innovative OPAP Stores app is highly welcomed by our customers. Unlocking new opportunities and boosting engagement, resulting in record high monthly active users and players.

With that I'm handing over to Pavel.

MUCHA P:

Thank you, Jan. And hello to everyone. Before we jump to results, I would like to comment on some macro developments. Following a robust 2022 economic expansion the First Quarter of 2023 reflects the positive carryover effect of previous year despite widespread price pressures. The overall economic sentiment has strengthened in Q1 '23 on the back of decelerated inflation mainly attributed to easing energy prices. OPAP's resilient business model and diversified portfolio place us in a favorable position to deliver on another successful year.

Turning now to our Q1 facts and figures. GGR landed to EUR527 million, the highest ever Q1 reading up by 15.4% year-on-year reflecting an overall strong gaming demand in both channels. Also supportive by positive retail sentiment amid the absence of COVID related restrictions alongside solid online growth. On the profitability side, Q1 EBITDA increased by 16.4% landing at EUR196 million, outperforming revenue increase on the back of continuing prudent cost control, while net profit increased by 33.6% or by 25.7% on a recurring basis, significantly benefited also by financial de-leverage and its subsequent decrease of our financial expenses.

Moving on to the next slide, our key performance indicators are moving from strength-to-strength reaffirming our resilient business model and operational efficiency. Next and on to our verticals analysis. Numerical lotteries increased by 11% year-on-year driven by accelerated Kino performance and favorable Tzoker jackpot rollovers well supported by targeted initiatives. Betting marked an upward performance by 10.5% year-on-year reflecting significant boost by Virtuals and Powerspin alongside strong online contribution.

VLTs accelerated by 21.7% year-on-year maintaining a strong momentum and showcasing expanded activity rates. Instant and passives posted considerable growth of 29.8% year-on-year on the back of customer base scalability and successful activations both in Scratch and Laiko games. Online casino increased by 32.4% year-on-year due to higher levels of gaming demand.

Commenting now on the cost side, increased GGR resulted naturally to higher revenue related costs, while opex remained marginally flat on the back of efficient cost control. On the specific elements, payroll expense in Q1 increased by 9.4% year-on-year due to increased headcount and ongoing initiatives to support our people's increased cost of living. Marketing increased by 18.6% year-on-year in order to support retails busy activity and new online propositions. While other opex marked a 13.1% year-on-year decrease reaffirming our continuous cost focus.

In the next slide and on the profitability front, Q1 '23 recurring EBITDA reached EUR197 million, posting a strong 12.7% year-on-year increase showcasing solid margin. On

top, recurring net profit stood at EUR118 million, up by 25.7% also aided by the decrease of financial expenses following debt repayment.

Moving on to the next slide. Cash flow generation continues to be at high levels reflecting increased cash conversion rates providing us with flexibility on optimizing our funding lines. Our cash position at the end of the quarter, stood at 761 million with net debt-to-EBITDA shaping at low 0.1 times. To sum up, OPAP delivered a solid set of Q1 financial results well placed for another strong year.

With that I'm passing you back to Jan.

KARAS J:

Thank You, Pavel. Moving now to our business and operational update. Our headline growth numbers reflect the impact of the implementation of our fast-forward strategy and our ambitions. During 2023, we have made significant progress on the rejuvenation of existing offerings. Strengthening further, the social element of our retail estate while at the same time providing an exciting interactive online hub.

Across the business enhancing the entertainment experience of our players, we continue to drive customers' engagement and activity. Some of the great examples of this are solid commercial second volume of better-odds campaign that expanded the number of retail PAME STOIXIMA players, resulting in record high base over the last years further energizing betting performance. Additionally, we continue to deliver on our customers needs expanding our free-to-play arsenal offering by introducing PlayBall capitalizing the

success of its predecessor MundoBall with appealing prices and recreational content. And we have more plans on the free-to-play concept in the pipeline.

On top, upon the anniversary of Kino 1 million draw, we also launched a loyalty promotion campaign resulting once again in incremental GGR generated. We also remain committed to providing disruptive innovation of our products and as such, we introduce a new printing solution for Laiko, one of our traditional games. Offering personalization functionalities and moving the game to a new era.

Moving now to online. We have made significant strategic progress introducing our new sports betting offering earlier this year achieving smooth transition to the new platform. Our aspiration is to change the perception of our customers with our competitive proposition and thus increase activity rates and playability. We expect to captivate the hype of this development during the new sport season after summer period.

Additionally, a set of commercial campaigns is embracing our online offering not just in PAME STOIXIMA but also in Tzoker increasing engagement levels and elevating customer experience. Last but not least, I have some exciting news to share with you on our new iLottery proposition that we have just launched. But I will deep dive into this at the later stage in my presentation.

Moving on next on our regular retail estate update. We are working non-stop on establishing a retail store as a social entertainment hub, delivering affordable entertainment

experience for all. We address our customers' needs for fun and socialization by offering a wide range of in-store activities and events. Where at the same time, they can enjoy our wide portfolio of games. We are in parallel, digitalizing our customers experience via the innovative OPAP Stores app.

I'm happy with the steep acceleration of active scanners during the last year. And its subsequent important increase in active players affirming our strategic focus on digital channels and showcasing higher engagement levels also supported by a robust 360 communication plan. OPAP Stores app is evolving as a key element towards a digital retail journey.

Next, and on to the VLTs front. Q1 posted significant growth compared to average quarter of last two years supported by a solid commercial plan increasing walk-ins and playability. We are also pleased with the progress of upgrading our VLTs estate. So far more than 1,500 stores have benefited from cabinets optimization, while more than 7,000 cabinets have been replaced with modern ones. Upgrading the gaming experience of around 70% of active players during the last three months.

Moving on to online, our key growth pillar ahead. Online demonstrated strong year-over-year growth contributing 24% of total Group revenues, showcasing sequentially increased active monthly players also supported by targeted commercial initiatives. Online penetration for games offered in both channels in Q1 2023 landed at solid 39% level affirming our focus on delivering competitive proposition to players.

Closing my presentation, I'm proud to present you our new iLottery proposition opaponline.gr that we launched on April 3rd. opaponline.gr aspires to become our overarching brand under which all our lottery games will be offered online with a fresh and appealing look and feel and innovative experience. Initial signs appear encouraging showcasing impressively high customer satisfaction also verified by the 4.8 out of 5 rating of our application in the App Store. Additionally, more than 40% of our existing customers have already tried the new lottery games resulting in substantial increase in activity. We constantly remain focused on offering best in class entertainment experience to our customers and opaponline.gr sits squarely in that direction.

Thank you very much for your attention and we will be waiting you to take your questions at our regular conference call later today at 4 p.m. up and start.

Q&A

OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Popi your Chorus Call operator.

Welcome and thank you for joining the OPAP S.A conference call and Live Webcast, Question and Answer Session to discuss the First Quarter 2023 Financial Results. Please note a video presentation has been distributed and is also available on the OPAP Investor Relations website.

At this time, I would like to turn the conference over to Mr. Jan Karas, CEO of OPAP S.A.

Mr. Karas you may now proceed.

KARAS J: Thank you very much. Good evening or good morning everyone and welcome in our regular Q1 2023 results conference call. I'm pleased to share with you another set of solid results for OPAP positively affected by our sound commercial plan and leading to increased retail activity and strong online contribution. We continue to build on the fast forward strategy pillars and we just launched opaponline.gr, our new umbrella brand for our iLottery proposition. These make us confident and we are well on track to deliver our 2023 outlook.

Hopefully, you had a chance to review the results recorded video that we shared with you earlier today. So, we will jump directly to our Q&A session. Popi over to you.

OPERATOR: The first question comes from the line of Draziotis Stamatios with Eurobank equities. Please go ahead.

DRAZIOTIS S: Yes. Hello there and thank you for taking my questions. I have a couple if I may please. Firstly, on VLTs, we seem to have returned to levels of daily net win near EUR40, which is a level seen prior to 2019 i.e. before full deployment of the machines. I'm just wondering has this been driven by footfall or spending and what in your view would the driver of higher machine performance in the future be? Would it be more players or higher player activity or maybe machine optimization? That was the first question.

And secondly, on online. I'm just wondering, I mean, I know this is a transition period for you but your own digital platform seems to remain rather subdued in terms of performance. If

I'm doing the math correctly revenues were a little changed versus the same quarter last year. Which is the segments, you know, struggling the most? I presume it must be sports and could you tell us what the experience has been with the migration to the new hub encompassing, you know, all the full product offering and of course the launch the experience from the launch of online Kino these past seven or eight weeks? Thank you.

KARAS J:

Thank you very much for your questions. I will take them one-by-one. So, starting with the VLTs, your expectation is correct. Going forward, we certainly have ambitions to further grow the activity of players meaning increasing the active players base as well as increasing their activity. And that is again driven by commercial plans and actions. The VLT replacement is an important part of it so we have at this moment something around 7,000 machines replaced and that's what our customers can enjoy but as you know, our total estate is 25,000.

So, there is still many to go. So that's going to be helping but we are also planning further evolution of things like, loyalty schemes, the customer journeys, the simplicity of topping up the accounts and machines, digital communication etc. So, there is quite a lot on our plan and I don't think I can highlight any specific element of that being the predominant driver of the success. It's a combination of multiple elements and those that you have mentioned are certainly part of it. I don't think that Q1 results in any way indicate any mid-to-long term trends. Our ambitions are certainly continuous growth and it stays that way.

Regarding the online which was your second question, I would like to remind ourselves that we have launched a new sports betting platform in the first week in March and the new iLottery platform that you could see the screenshots in the presentation in the first week in April, one month later.

So certainly, Q1 performance had nothing to do with the introduction of new proposition and it was only very partially affected by the repositioning of the, sorry, relaunch of the sports betting or replacement of the platform or migration to the new platform. So those moves are something that we now settle and onboard customers and make sure that everything works perfectly but obviously that is we need to wait a couple of months.

And with sports betting certainly wait for the new sports betting season to kick-in in end of August, beginning of September to start making judgments and year-over-year comparison as to how the new environments for the customers and new experiences have impacted our performance, which we certainly expect to have a significant impact going forward.

As to migration of customers that you have asked about, that is certainly something we can consider a success. Both migration from the old sports betting platform to the new sports betting platform went absolutely smooth. We kept all the players on board and the same went for iLottery platform but just to remind ourselves that it was not a change of platform, the technical solution is still the same. It was expansion of the game portfolio and introduction of new interfaces but also this change went really smooth.

Thank you for your questions.

DRAZIOTIS S: Thank you very much and just a follow-up on regarding your experience since the launch of online Kino, has the game been performing in sync with your expectations or is it too early to say?

KARAS J: So far, it's performing in sync with our expectations but it's certainly too soon to make conclusions because don't forget we didn't go yet for massive communication and certainly not ATL. So, at this moment this was more onboarding of the existing base and there the early numbers are quite encouraging in terms of how much the customers enjoy playing multiple games and not just Tzoker as in the past.

So that's certainly a good one. However, it's too early to make conclusions because the opportunity is not only in upselling the ex-tzoker.gr customers, the opportunity is to go of course much bigger than that and bring more people to online and bring also completely new customers to our active base and that remains to be seen once the communication kicks-in.

DRAZIOTIS S: Thank you very much.

KARAS J: You're welcome, thank you.

OPERATOR: The next question comes from the line of Pointon Russell with Edison. Please go ahead.

POINTON R: Hello all, I have three questions. My first one is just going back to that previous question on your -- on OPAP's own

online business. You've had good growth in active users, but the spend is pretty flat, so -- which implies lower spend per active. So, is that a matter of reducing frequency, or is it a matter of reducing spend per visit?

My second question, I mean, broadly, you speak about better engagement with players as you've invested. But a key part of the investment is also to shift the demographics of the businesses a bit. You have more younger players, more females. So, could you just give an update on what you've seen so far on the most recent launches?

And my final question is on cash flow. I appreciate that quarterly cash flow can be a bit volatile. But could you just give some detail on the working capital outflow and the cash tax, please? Thank you.

MUCHA P:

Okay, good afternoon from Pavel Mucha. I'll start with the last question on the cash flow. It's -- there is nothing unusual really in cash flow. There is a movement compared to the same quarter last year in the payables. And basically, it's just different phasing of payments to our vendors. There is nothing unusual.

And in terms of the income taxes paid, it's again only just phasing how we pay the advanced payments during the year and final settlement. Obviously, you have to bear in mind that because of the performance during the 2021, the final corporate tax liability for '21, which was much lower than what we had for 2022 following the lockdown. And that then impacts the advance payments for corporate tax and final

settlement. So, it's, I would say, phasing of the payment of the income taxes.

KARAS J: If that's all from you Pavel, I will cover the other questions regarding the activity of players and their spend. For sports betting, and for our iLottery platform, it was quite similar. Obviously, the early weeks were totally focused on ensuring we are not losing any customer that we had before. And we are focusing on absolutely smooth customer experience on the new platform. So that was the focus of Q1.

And for the iLottery and sports betting platform, it continues to be focused also throughout April, just to make sure we offer the best customer experience possible before we go out with ATL communication and mass market-focused acquisitions.

With that also, I really would like to abstain from any early judgments of the performance and impacts of any of the new platforms and/or propositions on overall performance. Don't forget that when we grow and we keep growing. You are getting into different segments of customers with different behaviors, with different spends.

Our ambition is always the same. Maximize the active players' base. And we have no smaller target than continuously grow across all of our online verticals the number of active players. And second, maximize the spend within the vertical and/or across the verticals. Obviously, always respecting the competitive flow limitations and the wall that we have between the lottery world and the sports betting world.

POINTON R: Okay. And I mean, could you provide any demographic detail in terms of whether you're managing to see your customer base younger and more female?

KARAS J: This is younger audience -- well, slightly different answers per vertical. So, if I will be speaking about sports betting, it's sports betting fan is our target group. There is more than 1.6 million players in Greece. We want to be relevant to all of them. And the age groups, when you look at the publicly available statistics, it's really going across all age groups. So there, our focus is for all of them, and I think we are successfully, I would say, with increasing success because we are certainly far from where our ambitions lie, we address those segments.

When it comes to casino, that's a bit traditional segment that we were trying to make more relevant to the younger audiences with the introduction of casino games vertical. It has helped us. We have increased our presence in the younger segment. So, I'm referring to 21 to 35. But again, here, it's not the end of the journey. That's a continuous case, and we are always working on further enhancements of the propositions. But I think with the casino games vertical is a nice example of innovation and attracting new audiences, especially among the youth.

When it comes to iLottery, it's quite a different story because while casino and sports betting have their specific audiences, the iLottery should be really the mass-market proposition. And with that, it absolutely must be relevant also to women and younger audiences. And that's why what you will see

coming in the future are further enhancement towards the entertainment element, social elements.

So, to give you an example, chats among the people, different rewards, loyalty, collecting points, free games, etc. So just think of really an entertainment hub where there should be something for everyone to have a couple of minutes a day fun just to break out of the day and play for some time and enjoy. That is our ambition. And with that, we will follow our commercial plans to deliver that. Hope that helps.

POINTON R: Yeah. That's great thank you.

KARAS J: You're welcome.

OPERATOR: The next question comes from the line of Scherzer Reuben with Times Square Capital Management. Please go ahead.

SCHERZER R: Thank you. Can you hear me?

KARAS J: Yes, yes.

SCHERZER R: Okay great. Hi, this is Reuben Scherzer, Times Square Capital Management in New York. Thank you for taking my question. Congratulations on a strong Q1 results. And on the back of that point, I'm curious, based on the initial guidance for the year, what kind of circumstances would have to occur for OPAP to raise guidance for the year 2023 given the strong start of the year?

KARAS J: Thank you very much for your question. Yes, well, thank you for your kind words. We are indeed satisfied with our solid

performance in First Quarter. It was a good start of the year. And certainly, we are optimistic for the remaining of 2023 likewise.

Now since we have provided the outlook for the year just two months ago, currently, we are sticking with this outlook. And I will -- I don't have any new updates for you on that front. That outlook stands. And we remain certainly confident that we are well on track to deliver on this target.

So just to repeat for the whole audience, the EBITDA is expected to be within the range of 740 to 760. In any case, we will come back to you on that with an update. And you should expect that post summer, along with our Q2 results, I think that would be a good time to be more specific on the expectations on any results.

SCHERZER R: Okay. Thank you for that detail.

KARAS J: You're welcome.

OPERATOR: The next question comes from the line of Memisoglu, Osman with Ambrosia Capital. Please go ahead.

MEMISOGLU O: Hi, thank you very much for your time and presentation. Just following up on the previous questions. You've given us quite a bit of detail on the product side. More on the demand side customer spending, I guess, a bit of macro sentiment from your perspective. How was Q1? And how are you seeing Q2 so far? And any color on outlook given the recent developments? Thank you.

MUCHA P: Okay. Well, macro is moving in the right direction in Greece. On -- across all metrics, things are improving compared to the last year, namely inflation is easing. I would say, the recent elections provide also some optimism. And I would say there is a good mood, which we see across the whole retail industry in Greece. And so, people do spend more, and we see basically the entertainment wallet of the players, of the customers generally increasing. From our tracking results, we've seen constant increase really since the autumn last year, and it continues also beyond Q1 into April and May.

So, I would say, on -- in this respect and also expecting another record tourist season given the bookings and progress so far. I think on macro front and the whole retail and us being affordable entertainment venues, we see the summer and Q2 also quite optimistic.

MEMISOGLU O: Thank you. Thank you very much.

OPERATOR: The next question comes from the line of Puri, Karan with JPMorgan. Please go ahead.

PURI K: Hi, congratulations on strong set of results, everyone. Just had a question on the growth profile of your core products, numerical lotteries and retail betting. I mean, the 10%- 11% growth was very, very strong, obviously underpinned by some help from COVID comps as well and strong retail momentum. Going forward, Q2 onwards, how would you -- is it fair to assume a deceleration in growth going forward? And when do you sort of see it getting back to the low single-digit growth that you've historically sort of guided on for that segment?

KARAS J: I assume you are referring to year-over-year growth of the given quarters, right?

PURI K: Exactly. Yes.

KARAS J: Well, I don't like to forecast too much on deceleration of our success. That remains to be seen. We always aim high. And I think we are lately quite successful with engaging players because we have been during Q1, as you have seen in the deck, reaching some very high numbers in terms of activity players -- activity of players and that across all the different vertical. And we have some cards in our sleeves going forward to further trigger activity of players.

So I certainly don't aim for anything less than continuation. But at the same time, putting aside ambitious CEO trends we should see a single-digit growth comparison quarter-on-quarter going forward as well. How much we will succeed to go to double-digit range remains to be seen because don't forget that there are still some macroeconomic question marks ahead of us, like the final results of the political elections. That seem to be hopefully on a good track, but it's still not closed.

We have a touristic season ahead of us, which again seems to be on a good track, but far from conclusive as to where it's going to and how it's going to end up. We have some interesting forecast on weather that possible tropical, high weathers might have an influence and impact on people going out and spending time outside of our store show. So, there's quite a lot of things that can influence how the rest of the

year will go, not just the default GDP or our encouraging Q1 performance. So, I really would like to abstain from speculation and come back to my statement that I said before that we will hopefully give you a much better insight as to how the year will end with the Q2 results.

PURI K: Perfect, thank you so much.

OPERATOR: The next question comes from the line of Zouzoulas, Constantinos with Axia Ventures. Please go ahead.

ZOUZOULAS C: Thank you. A couple of years ago, if I'm not mistaken, we have discussed about the prospects of the online market in Greece. Forwarding -- fast forward two years, how do you see the market evolving? Do you believe that the trends that you were discussing or thinking were conservative or aggressive? Thank you.

KARAS J: We -- I'm sorry because I cannot refer to optimistic or conservative statement as to -- since I'm not sure to exactly what data point a couple of years back you are referring to. But in terms, when it comes to the future, our expectation continues to be some healthy growth of online at around 10% year-over-year rate. And while certainly protecting our business on the retail side, that is also what we are seeing in the European benchmarks, so further jurisdictions that are more advanced than OPAP on the lottery online side.

Having said that, similar to my statement before, there is quite a few possible interesting opportunities that we may be able to explore, like how much we will manage to attract new players to our iLottery proposition or new generation players

that are possibly not with us today. And likewise, as always, there might be some unpleasant surprises along the way in terms of constantly evolving customer preferences as to what they want and what they don't want and what they consider entertainment that they want to pay for.

While generally, a very diverse array of opportunities and challenges ahead of us, coming back to my original statement, we don't expect to be anywhere else than of around at least 10% growth year-over-year for our online business.

ZOUZOULAS C: Thank you.

KARAS J: You're welcome, thank you.

OPERATOR: The next question comes from the line of Chauhan, Virendra with AlphaValue, please go ahead.

CHAUHAN V: Good afternoon, Jan and Pavel. Quick question on the online business, specifically, iLottery. So, I'm sorry if you have addressed this during the Q&A. I had some trouble getting on the call. But the iLottery business was down about 2% in Q1 and coming on the back of very strong performance towards the end of last year, if I remember correctly.

So, my question is, is this a reflection of the transitional period that you had, and you were awaiting the launch of the new platform, and hence, less marketing intensity, if I could term it that way, or is there anything else at play? Because it's moved from, I think, 20%-plus growth in Q4 to about a decline in Q1? So, can you just clarify that for me? Thank you.

KARAS J: Thank you very much for your question. The answer is very simple. The explanation is very simple, and that is the -- now I can say, think of the past and that is very high dependency on the jackpot. So, since it was a Tzoker.gr only, it was all about, do we have a high jackpot or not. And that is some -- so it had nothing to do with the new platform because that has been launched at the beginning of April.

But that kind of dependency is exactly one of the things we are trying to change with the introduction of the whole iLottery portfolio and everything that is coming going forward, which should be much more about creating a habit of people coming on a regular basis and spending a few minutes a day, having some fun rather than praying and waiting for jackpot. So it remains to be seen how successful we will be on our ambition, but I'm optimistic on that front.

CHAUHAN V: Okay. And so, if I understand correctly, you're saying that comparable had a higher jackpot-driven business last year. And now that's the reason for this drop in business, right?

KARAS J: I'm not sure I understood the question. But in terms of what we always do, if that is your question, we always do -- we are looking at performance in comparison to the similar jackpot in the past. And on that front, we are not seeing any decline on the contrary so -- if that's what you were asking.

CHAUHAN V: Okay. Yes, perfect. So, I was looking for some kind of underlying growth in the business. And I think that's clear. Thank you.

KARAS J: Thank you very much.

OPERATOR: Ladies and gentlemen, there are no further questions at this time. I will now turn the conference over to Mr. Karas for any closing comments. Thank you.

KARAS J: Thank you very much, Popi. And thank you very much all for being with us today, and thank you very much for your questions. And it's beautiful that at this moment, I can wish you to enjoy a great summer, and we will be looking forward to talking to you again in September for our Q2 2023 results, where I'm sure we will have another set of exciting news for you.