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

Tuesday, 5th September 2023, 16:00 (GR Time)

Conductors:

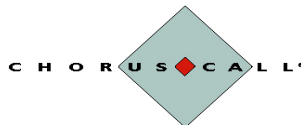
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Conference Call Conducted by Chorus Call Hellas



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KARAS J: Hello everyone and welcome to our Q2 2023 Financial Results Update. Likewise 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 for you at our scheduled conference call later today at 4 p.m. Athens time to take your questions.

Before anything else, I'd like to provide you the key highlights of our Q2 2023 before Pavel takes you through our financials. The Second Quarter marked a period of strong performance, showcasing clear progress towards delivering our strategic goals. Retail maintained its upward momentum, with further growth in footfall, constituting once more our key revenue generation pillar, while online continues recording solid growth, diversifying further our earnings profile, contributing almost a quarter of Group's revenues.

On the profitability side, Q2 evidenced solid growth and healthy margins, allowing us to be confident on the delivery of the communicated outlook for the year. Last but not least, our strong cash position enables us to continue our generous shareholders remuneration, proceeding with a EUR1 per share interim dividend distribution.

The implementation of our fast-forward strategy is evident in every aspect of our business with successful deliverables and for several new initiatives promising initial feedback. Opaponline.gr, our new online entertainment hub for lottery games, was highly welcomed by the customers since its launch in April, upgrading their digital experience and boosting engagement levels.

We continue to build on the awareness of our proposition alongside constant improvement of the gaming experience. Additionally, following the upgrade of our online sports betting platform, we just recently enhanced also our retail sports betting proposition, utilizing the fully new platform, being well positioned for the start of the new sports season.

Last but not least, Opapstore app continued growing further, achieving new record high monthly active players, supported by our new initiative, the FreeWin Game, launched in late June. I will revert later in my presentation to this exciting endeavor.

With that, I'm handing it over to Pavel that will guide you through our financials.

MUCHA P:

Thank you, Jan, and hello to everyone. Before we move on to the results, I would like to share some macro developments with you.

After a solid expansion in the First Half of 2023, the Greek economy is expected to continue growing in a moderate pace amid decelerating price pressures, despite persistent food inflation supported by a booming tourism sector, favorable fiscal developments and increased investments facilitated by political stability. In this framework, OPAP is well placed to deliver on another set of strong results this year, thanks to its scalable business model and diversified earnings profile.

Turning now to our Q2 facts and figures, GGR landed to EUR498 million, the highest ever Q2 figure, up by 12.7%

year-on-year, showcasing growing demand in both channels boosted by overall positive retail sentiment.

On the profitability side, Q2 EBITDA increased by 6.7%, shaping at EUR178 million on the back of elevated revenue generation that counterbalanced OPEX increase, while net profit increased by 34.8%.

Moving on to the next slide, H1 '23 GGR reached EUR1.026 billion, which is higher by 14% versus last year, due to retail operating without any healthcare restrictions. Gross profit from gaming operations increased by 14.2% year-on-year, driven by top-line growth, with margin remaining at high levels. EBITDA increased by 9% on a like-for-like basis, on the back of increased revenue, and regardless of moderate OPEX pickup.

Moving on to the next slide, both our top line and profitability showcase solid performance.

Next, and shedding more light on the Q2 GGR performance of individual segments, numerical lotteries increased by almost 8%, aided by the hefty Kino performance in retail and first steps of our iLottery proposition. Betting landed higher by 13.5% year-on-year, significantly boosted by virtuals and PowerSpin, alongside strong online contribution.

VLTs accelerated by almost 9% year-on-year, maintaining a strong momentum, also supported by high traffic in the stores, aided by promotional initiatives. Instant and passives marked a 11.7% year-on-year increase due to favorable Laiko Jackpot rollovers and successful scratch activations.

Online casino posted considerable growth of 37.5% year-on-year on the back of higher gaming demand.

Commenting now on the cost side, increased GGR resulted naturally to higher revenue related costs, while OPEX increased on the back of elevated operational activity.

On the specific elements, payroll expenses in H1 increased by 12.4% year-on-year due to salary increases to support employees' increased cost of living. Marketing increased by 21.7% year-on-year due to higher sponsorships and social responsibility-related initiatives, while other OPEX marked an almost 3% year-on-year decrease.

In the next slide, and regarding our profitability, H1 '23 EBITDA shaped at EUR376 million, reflecting solid revenue generation in both channels, and recording a very solid margin of around 37%. Net profit in H1 '23 recorded healthy growth supported by the expansion of our revenue streams while achieving a higher margin of 22%.

Moving on to the next slide, cash flow generation remains high, allowing us to be flexible with our funding options, while at the same time distributing value to our shareholders. More specifically, our cash position at the end of H1 '23 stood at EUR563 million, with net-debt-to-EBITDA remaining at low levels at 0.1x.

Summing up on our financial performance and before moving on to some news regarding our shareholders' remuneration policy, in H1 '23, OPAP posted solid financial performance,

well-placed to deliver another successful year. Closing my part, I would like to update you on our shareholders' remuneration.

OPAP has historically been a particularly healthy business with significant cash flow generation and strong balance sheet. This has resulted in very rewarding returns to shareholders of EUR25.3 per share since our IPO. This quarter in particular, we are glad to announce a record interim dividend of EUR1 per share to be paid on 9th of November. This has been also aided by one-off profits recorded by the transfer of our minority stake in the Betano business.

Moving forward, we would also be looking for more balanced distributions between interim and final dividends, therefore returning our shareholders the value earlier. Our dividend policy remains unchanged. We are looking to distribute the maximum net profits as cash dividend, committed for minimum of EUR1 dividend per share.

At the same time, though, after five years successful implementation of the Dividend Reinvestment Program, which is now coming to an end, and reflecting our continuing good operational performance and cash flow generation, we are looking to further complement our shareholders' remuneration by expanding it with a share buyback program funded by any additional surplus cash after maximum dividend has been paid.

Following the AGM approval last April, we now anticipate to initiate a buyback program up to 150 million by the end of 2024. The precise size and duration of course would be

subject to market conditions. Overall, we are working to create long-term value for our shareholders and continue to focus on shareholder remuneration, funding a sustainable dividend and returning excess cash to shareholders. We remain confident on the company's prospects and the business outlook.

With that, I'm passing you back to Jan.

KARAS J: Thank you, Pavel. Moving now to our business and operational update. Our strong financial performance has come as an evident result of the successful implementation of our strategy. So far in 2023, we continue to focus on a strong customer proposition by adding new features and elements to our offerings, while taking all the necessary steps to enrich our online proposition and at the same time sustain our retail estate's momentum.

In that context, we initiated the new campaign to promote the Scratch family concept, boosting customers' engagement and driving daily revenues to record high levels. Additionally, the beloved by our customers feature of Kino, Kino Bonus, was revamped to upgrade customer experience and increase playability, having already managed to attract customers' interest and contribute to the game's solid performance.

Moreover, on the VLTs front, we continue to roll out of our new high-definition screens cabinets in Play Stores while promoting this new gaming experience in our Play New Era campaign. On top of that, in view of our continuous enhancement of our offerings, PowerSpin evolves by

rendering PowerSpin combo to a simpler and more fun version, thus resulting in significant GGR growth.

Now to online. Our recent launch of opaponline.gr was accompanied by an appealing 360 campaign featuring the new Ball Heroes 3D animated characters. Our aspiration to make opaponline.gr the pillar of our online business growth is well on track with promising signs so far. In addition, re-platforming of Sportsbook establishes our pole position for the new sports season ahead of us, while pamestoixima Magicland, our new casino loyalty reward scheme, uplifts playability and spending.

Moving on to some exciting latest developments. Our new retail sportsbook, which we launched in mid-July, transforming our proposition, giving us the ability to significantly upgrade our offering through new features. The new platform enriches players' journey with advanced cash-out options, such as auto and partial, dressed with a user-friendly format. In addition, it offers speedy navigation, providing our customers with faster and upgraded user experience. All these, supplemented by upgraded Opapstore app features that improve bet placement, also with Bet Builder, and the overall app's functionality and response.

While at the same time, is also making our agent's life more simple and efficient through the user interface improvement in the Apollo Terminals. Capitalizing on the features of the new platform, we have in our pipeline lots additional new propositions that you and our customers will hear from us later in the year.

Next, on our regular retail estate update, as I'm sure you remember, we are deeply committed to offering high-quality, affordable entertainment for all, while being established as a fun and pleasant social meeting point. On that front, we constantly continue to offer thousands of in-store events and promos to fulfill our customers' expectations.

And talking about our affordable entertainment commitment, let's move to the next slide to share with you one very innovative proposition we have launched in our Opap stores. Our new FreeWin game. I'm really proud to share with you our new completely free game offered exclusively in our stores through Opapstore app that we launched in late June. FreeWin aspires to become the everyday entertainment option offering players the chance to win up to EUR100,000. So far it has been tested by more than 150,000 unique players having played almost 1.5 million FreeWin games, achieving almost 450,000 wins. FreeWin provides the players with the option to withdraw and get in their pocket real money. However, more than 75% of them converted their winning to play, enjoying our games through the app.

Our customers will see FreeWin evolving throughout the year, providing more excitement also through unique experiential prizes that money cannot buy. On top of the above, FreeWin Game is actively uplifting Opapstore app, promoting our ambition to digitalize our retail offering.

Moving on to the Opapstore app now. I'm very pleased with the continuation of the upward trend of the active play-on-device players that posted 64% quarter-on-quarter increase, while active scanners continue to record high figures,

reflecting strong engagement levels elevated also by our 360 commercial campaign. Opapstore app continues to be our key element towards retail de-anonymization process.

Next, and on to the VLTs front. Q2 posted significant growth compared to the respective quarter last year, with increased walk-ins and playability. We continue to upgrade our VLT software and so far more than 8,000 cabinets have been replaced with modern ones in all Play stores upgrading the gaming experiences. And the rollout doesn't stop here. Thousands more new machines are coming to both our Play as well as Opap stores.

On the online now, our key growth pillar ahead. Online business delivered solid year-over-year growth, contributing 24% of total group revenues, supported by the execution of our strategy and targeted commercial activities. All verticals recorded strong year-over-year growth, while the launch of our new opaponline.gr iLottery proposition increased the weight of the lottery games in our online mix in Q2 2023 to 4.7%, compared to 3.3% in the previous quarter. Opaponline.gr continues building its awareness and recruiting new customers, aiming to become a key online entertainment hub.

Last but not least, at OPAP, we are all very proud that our brand is associated with Greece's most favorite national team through our national basketball team gold sponsorship. I would like to express our congratulations to the team for all the effort and the exciting performance in the 2023 World Cup tournament. We are looking forward for the next year

and the Olympic Games where we hope we will have the chance to celebrate even greater successes.

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. Athens' time. Have a nice day.

Q&A

Thank you, Gelly. Good evening or good morning to everyone, and welcome to our regular Q2 2023 Results Conference Call. I'm very pleased with the set of results that we have announced, delivering strong upwards top line performance across all channels and verticals. We continue also to record solid operating profitability, allowing us to be confident on the delivery of our communicated outlook for the year.

On the operational front, we are very glad with the tangible progress we are showing, upgrading further our customer experience and rejuvenating our recreational mix. The first steps of our opaponline.gr entertainment hub, the upgrade of our retail Sportsbook platform and the continuous evolvement of the Opapstore app supported also by our new FreeWin Game was amongst the few successes that we presented to you earlier in the presentation that we have shared with you.

We are also happy to announce a record interim dividend of EUR1 per share to be paid in November. Continuing our general shareholder remuneration, while at the same time,

we are looking to further complement our shareholders' remuneration by expanding it with the share buyback program funded by any additional surplus cash after maximum dividend has been paid.

For the remainder of the year, we are having a very busy and solid commercial plan towards delivering sustainable value to all our shareholders. Hopefully, you have reviewed and enjoyed the results, recorded video we shared with you earlier today. So, we will jump directly to our Q&A session. Gelly, over to you.

OPERATOR: Thank you, Mr. Karas. The first question is from the line of Draziotis, Stamatios with Eurobank Equities. Please go ahead.

DRAZIOTIS S: Hello there. Thank you very much for taking my questions. Could I, just a couple if I may please. Could we start with the shareholder remuneration? If you could describe us your thought process regarding the interim dividend distribution, I guess the obvious question is what this means for total shareholder returns out of 2023 numbers, profits? Or I guess what I'm wondering is whether it's reasonable to assume that you will top-up the interim dividend with the profits that you will generate in the second half of the year? So that's the first question.

And secondly, yes, just on online. I mean this posted quite healthy growth rates in the Second Quarter. I'm just wondering what has the experience been from the launch of online Kino? Have you seen any meaningful migration so far to the online channel? And you had given some targets, I

think they were a couple of years ago about online, are they the same? Because you've proceeded with the revamp of your product offering since then. So, I'm just wondering what you expect in terms of online penetration in the coming years? Thank you so much.

MUCHA P: Good afternoon from Pavel Mucha. I will take the first question about the interim dividend. So, to answer you, definitely you can expect remaining dividend to be paid next year. Basically, we've announced in the past and you were used to pay -- you were used to us paying twice a year, interim in the autumn and remaining dividend in the summer following year. So, it is very reasonable to assume that we will distribute the Second Half year profits as a remaining dividend for the 2023.

KARAS J: Thank you. On the online side, the -- what is the expense of online Kino so far? So, the -- on your question regarding Kino. We are referring here for the rest of the audience, the opaponline.gr, our entertainment hub that we have launched a few months back. The Kino is one of the games that we are offering as part of our online lottery portfolio now, obviously, one that is getting a lot of customer interest.

We are in the first stage. All of the online products that we had before, they certainly appreciate and explore the new broad portfolio, and we are excited about their engagement with the other games and the development of their time spent on the website as well as the spend and the amount of games that they play. So that's so far going in a positive way.

But we obviously don't stop here. As you may have noticed, we have started in -- back in July, communication, so ATL campaign for our opaponline.gr platform. And as such, we are expecting in the periods to come, especially now with the back-to-school period kicking in, more-and-more order and it is new customers joining this new proposition and exploring its merit.

So that's where we are today, and we hope we have only the most positive expectations going forward because, obviously, online and online gaming is a trend, and we don't want to stay behind, and that's why we enrich this portfolio, and we will continue to do so. So, there is much more coming in the world of opaponline.gr. And alongside of those evolutions, we expect also accordingly the online share on the total lottery gaming to grow towards double-digit numbers.

DRAZIOTIS S: Got it. And I guess what this means for the online channel as a whole within your mix? Are you still targeting something similar to what you had referred to a couple of years ago regarding your own digital offering, or has anything changed?

KARAS J: I'm not sure what exactly you referred to in several years ago target, but our ambition, like I said, is a double-digit share of lottery. If you are asking what exactly is that number...

DRAZIOTIS S: I think it was close to EUR200 million, if I remember correctly, something like that, EUR180 million, EUR190 million?

KARAS J: I would like to abstain now from specific numerical commitments as to where our online will be. But the important thing is that we will explore this opportunity to the

max. And like I said, and if you also look around Europe, the double-digit share or lower double-digit share is the trend, and we expect that we will go down that road ourselves as well.

Keep in mind also, part of your question was how it's influencing retail. The important opportunity of online that we want to explore is an incremental business. Those are incremental opportunities for current customers to play on occasions that they couldn't play in retail, especially given its space and time limitations.

And very importantly, also attracting customers who, for any reason, don't want to engage with retail and other customers, and they want to enjoy the game on their own. This is a new opportunity for them as well. So, there are both current customers being developed from a retail customer to a hybrid customer is one important group. But likewise, it's attracting the completely new customers to our games.

DRAZIOTIS S: Got it. Thank you very much.

KARAS J: Thank you very much for your questions.

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

POINTON R: Good afternoon, everyone. Thank you for taking the questions. I've got three or four, if that's okay. My first one, could you just talk in terms of how perhaps the fires in Greece might have tempered your expectations from earlier in the

year? And has there been any change -- notable change in customers' behaviour?

My second question is in terms of FreeWin, could you just talk about the economics of that to you and the potential financial benefits? Because it's obviously easy to see there's a cost in terms of the payouts that you give to customers. But what are the financial positives? I think in your presentation, you talked about customers [...] for the app?

My third question is in terms of VLTs, there was a slight step back in the quarterly run rate of the revenue there. So could you just talk about that? And my final question is in terms -- with respect to the share buyback. Could you just talk about why you're going for share buyback rather than further -- the reinvestment plan that you've had previously? Thanks.

KARAS J: Thank you very much. I got a second, third and fourth question. Could you please repeat again the first one?

POINTON R: Yes, it's really just about how the tragic fires have been happening in Greece over the last few months. Has that tempered your outlook a bit...

KARAS J: You're referring to fires. I don't understand -- all right. Yes. Now I understand. Yes. Thank you. So, starting with that. Obviously, the very unfortunate events of extreme heat that unfortunately turned into extreme fires, and according to many, those were probably worst fires in the last at least 15 years, with a lot of negative implications. For us, it was obviously, also for our business, it was obviously a disruption as well as many areas have been affected. Several stores

have been closed for several days. And very importantly, it certainly influenced the psychology of customers in the affected areas.

So yes, it had an influence. We obviously are not able to exactly size as to what influence that was, but it was certainly not a usual summer, unfortunately. By the way, speaking on that front, we as OPAP have also provided a lot of help to the affected communities, as many others did to help this extraordinary situation.

On your second point, regarding the FreeWin logic, it's relatively simple. We want to attract customers to our stores. We want to attract those who come -- generally, the idea is for customers to come more often and give them a reason to come more often, it's one thing. And the other thing is further promote the important element of our business, and that is affordable entertainment. With us, no matter how much money you are prepared to spend, from a few euros to more euros, we have options for everyone. And we decided to take it to the extreme and the ultimate definition of affordable entertainment is ability to play for free. And that's what we want to offer to our customers, to play, play it, come, play for free. Once a day, you have a chance to win EUR100,000 through an exciting and engaging game provided through the digital app of Opapstores.

What's in it for us? Point number one, we are acquiring customers. We are bringing them more often. Point number two, when they are winning, we are giving them -- while we are giving the money, we are giving them also an opportunity to play. And they want to play and they enjoy to play. Most

of the winnings that people are collecting are single or low double-digit euros. And most people just want to maximize their chances to win and they keep recycling and playing and enjoy what we offer them in the wider perspective of the whole portfolio.

So that's the whole thing. People come more often and play. So activity is the name of the game, and that's where the return on investment as well is. Assessment of the whole business case and how much our forecasts, which are -- certainly even for this FreeWin game, positive in terms of P&L implication, is something that we will come back to in the next month because we are now in the early days of the whole proposition.

Third question was around VLT activity. Indeed, we see a little bit slowdown. But at this moment, nothing that would significantly concern us because it's largely connected with the activity of players and how often they come. And that was affected during Q2, but not to an extent that would make us anyhow concerned. We have counteracted this with a dedicated campaign focused on activity of players, and we see continuous solid performance on VLT aligned with our expectations. So hopefully, we will not have any surprises on that front. For the fourth question, I will hand over to Pavel.

MUCHA P: Yes. Thank you. Well, our thinking about scrip program and share buyback was quite simple, really. Scrip dividend program, it was very successful five-year running program, which we had approved, which now has come to its end. And we were thinking how to take it forward and reflecting our good continuing operational performance and cash flow

generation, we were thinking how to further complement our shareholder remuneration, and we decided to expand it with the share buyback program.

However, we want to use the only -- any additional surplus cash after we still continue to pay the maximum dividend. With the scrip program, it was very popular and many of the free float shareholders were participating fully or partially. We heard from some shareholders who didn't participate that they get diluted, so we decided basically to move forward with the share buyback program, where pretty much all the shareholders benefit from this. As a complementary remuneration on top of maximum dividend, which we continue to pay and intend to pay in future.

KARAS J: Did we succeeded to cover your questions?

POINTON R: Yes. That's great. Thank you.

KARAS J: Thank you very much.

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

MEMISOGLU O: Hello. Many thanks for the presentation and your time. Just wanted to touch upon the cost side and the outlook given that we've seen some increase in Q2, particularly on the marketing expenses side. How shall we expect this to unfold over the next few quarters? Thank you.

MUCHA P: Okay. Obviously, we have certain phasing of the costs during the year. So, what we assured you and what Jan repeated at

the beginning of this call, we are definitely aiming to achieve the range outlook, which is quite narrow, which we provided. So there is nothing unusual in Q2 marketing expenses. We were doing a lot of activations within the Q2. It's all related to the new launches which we had. We launched opaponline. We had a new platform in the sports betting. So, I would say it's normal stuff. And even with these increased Q2 expenses, they are sometimes a bit higher, sometimes a bit lower depending on how the plans are phased during the year, and we will deliver the outlook which we provided.

MEMISOGLU O: Thank you. I guess if I could follow up on that. You are -- given the momentum in the top line, you're probably feeling comfortable about the top end of your EBITDA range? Would that be fair to say?

MUCHA P: We've provided quite narrow range. So, I don't want to speculate at this stage whether it's at the top range. We are definitely comfortable that we will be within the range provided.

MEMISOGLU O: Understood. Thank you.

OPERATOR: The next question is from the line of Puri, Karan with JP Morgan. Please go ahead.

PURI K: Hi everyone. Congrats on the good set of results. I was just wondering below EBITDA line items in terms of net finance expense, I mean, it came in much better than expected. How should we be thinking about it for the Full Year, just to get an idea of forward trends there?

MUCHA P: Okay. If I understood well the question, well, we've been constantly repaying the debt during last year and even at the beginning of this year, our cost of funding remains to be very low, in the region of 2.5%. So that's why we have very good development of the finance costs below EBITDA, if that answers your question.

PURI K: Yes, 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, Gelly. Thank you very much to all of you for being with us today. We will be looking forward to talk to you again in a couple of months in middle of November upon the Q3 2023 results announcement. Thank you very much for your time, for your questions, and have a great day. Thank you Gelly as well.