Intralot S.A.

The Rating Watch Positive (RWP) status on Intralot's Issuer Default Rating (IDR) reflects Intralot's improving operating performance, resulting in organic deleveraging in 2022 that Fitch Ratings expects to continue in 2023. We believe stronger leverage metrics improve Intralot's ability to refinance its upcoming 2024 debt maturities. Subject to the completion of the 2024 notes refinancing, we believe Intralot's credit profile will be commensurate with a 'B-' rating, based on our current rating case to 2026, resolving the RWP.

Key Rating Drivers

US Operations Driving Performance: As of 2022, over 60% of Intralot's EBITDAR was generated in the US and Canada markets through Intralot Inc., its wholly-owned US subsidiary. Fitch forecasts that the new contracts signed in 2023 in Ohio, British Columbia and Wyoming, will additionally support low-to-mid single-digit revenue growth in the region over the medium term. We expect Intralot's US operations to continue showing strong profitability, with EBITDAR margins maintained above 40%.

Refinancing Risk Looming: Uncertainty around the refinancing risk present in our rating case to 2026 currently constrains the rating, with the majority of Intralot's debt maturing in 2024 and 2025. However, the RWP reflects our belief that, based on its improving operating performance, the company is facing its debt maturities with strengthening credit metrics. We expect the company to proactively address the refinancing well ahead of September 2024 maturities. The equity placement, in October 2023, will further reduce refinancing risk.

The successful refinancing of the 2024 debt, completed six months before its due date, would lead Fitch to review the RWP, with a possible one-notch upgrade based on our current rating case, assuming continuation of the positive operational momentum and prudent capital allocation.

Change in Financial Strategy: Fitch acknowledges the shift in Intralot's financial strategy towards greater conservatism and disciplined capital allocation. In 2022, Intralot used equity placement to streamline its capital structure and refinanced its US subsidiary debt with less restrictive terms and gradual principal repayment. However, this US subsidiary debt remains structurally senior to Intralot's 2024 notes.

Low Leverage for the Rating:

Fitch Adjusted Financials

(EURm as of 31 December 2022)	Notes and formula	Reported values	Sum of adjustments	Lease

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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