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Lottomatica Group

Nine-month 2026 results conference call · Q3 2026 · 3 November 2026

INTRODUCTORY SUMMARY FROM SOURCE

Nine-month normalized revenue and EBITDA grew 10% and 19%, respectively, despite payout pressure. Online growth, share gains and unchanged normalized guidance underpin the outlook, while CIRSA integration and retail concession costs remain key considerations.

FULL CONFERENCE TRANSCRIPT — ORIGINAL ENGLISH

Operator

Good morning. This is the Chorus Call conference operator. Welcome, and thank you for joining the Lottomatica Group's nine-month 2026 results conference call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions by pressing star and one at any time. Should anyone need assistance during the conference call, they may signal an operator by pressing star and zero on their telephone. At this time, I would like to turn the conference over to Mr. Mirko Senesi, Investor Relations Director of Lottomatica. Please go ahead, sir.

Mirko Senesi

Investor Relations Director, Lottomatica Group

Thanks, operator, and good morning to everyone. Welcome to Lottomatica Q3 2026 result presentation. I am here today with our CEO, Guglielmo Angelozzi, and our CFO, Laurence Van Lancker. Now, the floor directly to Guglielmo for the presentation. Guglielmo, please.

Guglielmo Angelozzi

CEO, Lottomatica Group

Thank you, Mirko, and good morning. Let's start from page number two of the presentation. Another strong quarter. Revenues are up 12% on a normalized basis, and EBITDA is up 17%. Of course, as you know, the quarter has seen unfavorable payout across Europe, so the reporting numbers are lower for the impact of the payout. When we go and look at the dynamics by business, online is up a very strong 19% in terms of revenues. Sports Franchise is in the same range. Gaming Franchise continues to be a very low single-digit decrease, and so this explains the total revenues dynamics. Please note that online is up 13% in any case, despite the unfavorable payout.

Next page in the deck, page number three, you can see that when you open online in its components of iGaming, iSports, and then you also have a look at Sports Franchise, the dynamics are the same for every sub-segment, so very healthy growth for each business line. This goes together, goes along with page number four of the deck. Very good performance in terms of market share. We achieved record high market share in September on total online, and also for sports, where we also score the highest quarter ever. Page number five of the deck, we continue to see the same dynamics in the competitive environment with the tails that continue to shrink. This has been going on for a while. The dynamics are unchanged. This tells you that the results of the quarter are backed by very strong underlying business dynamics.

The market is there, the performance is there, and the competitive environment continues to go in the same directions that we've seen in the last several quarters. Going in page number six of the presentation and also the following, there's a few slides which talk about Lottomatica, but you can also see a reference to CIRSA, as we presented the deal some time ago. Page number six is about our growth, our market share growth since we started really focusing on online. We started in 2016 with 1% market share. We were basically a fully retail operator, and at the time mainly focused on, almost all focused on gaming machine. The growth of the market share since then has been for sure due to our capacity to roll up the market, and you see the M&A component.

We've bought, we've put together brands, we've integrated them, and that's the M&A component. For every point of market share that we bought, we've achieved 1.3 points of market share in terms of organic improvements. There's a lot that you can do in a fragmented market when you roll up, but also when you work on the right tech and on the right product and on the right digital marketing activities with the right tools to improve your competitive position. The following two or three pages are, so page number seven, eight , and nine of the presentation, we are at page number seven now, we usually put pages on tech and product because this is at the core of what we do and is one of the most important competitive levers that we have in online and sports.

Again, this is talking about what we do today in Lottomatica, but this also gives you a hint of what we want to do potentially in CIRSA and what we are capable of doing. Page number seven shows you what we do on sports betting and on one of the most important assets that we have in sports betting, which is BIP, Betting Intelligence Platform, which is our 100% proprietary technology asset, through which we basically control the entire value chain. We make the pricing, we make the odds, from the event to the odds, it says on the slide. Basically, it's the internalization of all the data, the models, the capacity to do smart pricing and to tailor the odds. It's not working on a minor amount of our volumes.

In 2026, this has been on, give or take, half of our volumes and on the most important markets that we have. So, we have the capacity of fully controlling the betting value chain, both for retail and online, and basically making the price and managing the risk. You can see more detail on page number eight. What's the summary of that? There's a lot of information here. How does this compare with just buying the odds from a standard provider? You can find many good ones out there, and we integrate very good ones in our platforms. What's the difference of having this type of technology in-house? Well, the first point is that you can differentiate your offer, and that you make the pricing on the basis of your data, which are a considerable part of the market.

The pricing that you make is very much tailored to the consumer base that you target. The proprietary data gives you a great advantage in terms of competition. Anyone can come up with smart models, but not anyone can train them on the data that we need them to operate on. Differentiate, work on the right data for our customers, cost, because we paid zero fees on this, so the value is kept internally, and you are fast and strategically independent. This is not only a bottom line lever. It does not just operate on cost. It operates on the top line. Next, page nine of the presentation. We have talked several times about the Lottomatica Core, this layer which is above the gaming platforms, the base gaming platforms. The concept is simplified here, and you have a few data points, which I think are also very interesting.

The whole target, the whole objective of that is going from targeting everyone to targeting segments to customizing the offering and the way that you propose the offer to the one, to the single player.

We have talked at length about this in the past, but just a couple of data, the improvement of the click-through rate, the more near to the economic drivers of the performance, you can see the impact that this has had in the last two, three years on the ARPU, as a percentage, our ARPU as compared to the market. We have been able to work on the ARPU of the players much more effectively than the rest of the market. Why I am referring to CIRSA, because, as we discussed with many of you, this is going to be an important focus of our activities in the future down there.

Coming to CIRSA, where do we stand? Integration. We want to be ready to start executing from day one, from the closing, as we have always done. The integration work streams are already up and running with our colleagues in CIRSA. The chemistry is very good. The teams are working very well together. There are four work streams, the synergies, the cost synergies that we have to achieve, the online boost, which is the core of our investment thesis. Of course, integration of the Italian component of the business, which is not the key of the deal. It is relatively small, but still it is something that we have to do. Then, of course, the corporate integration. The teams are working together. We are actively planning every single detail that is possible to plan at this stage in the respect of applicable laws.

The target, again, is to be ready to start execution the day we close. Also because everything is going according to plans. Financing has been secured. Regulatory approvals are in progress. We have our EGM on the 23rd, and CIRSA's hold its EGM on November 30, and so we confirm that we expect to close in Q2 2027. Laurence, floor is yours.

Laurence Van Lancker

CFO, Lottomatica Group

Thank you, Guglielmo. Moving on to page 12. On the left-hand side, you can see revenues reaching EUR 1.7 billion. In the third quarter, we have grown +12% on a normalized basis and +10% in the first nine months. The right-hand side, total EBITDA reached EUR 665 million on a reported basis, with a margin of 38.7%, up from 37.6% reported in the previous year for the same period. This is thanks to the mix effect, more skewed towards online, which has higher margins, but also the sizing of the cost structure that has been undertaken this year. Growth on EBITDA on a normalized basis is +19% for the first nine months and +17% for Q3. Despite the payout headwind, we have still grown in the third quarter, as mentioned by Guglielmo earlier.

Moving on to page 13, looking at the financial performance by segment. Both online and Sports Franchise have grown double digit on a normalized basis, so it is +18% for online, +13% for Sports Franchise, and on an EBITDA basis, it is +24% and +28% respectively. Gaming Franchise has continued revenues in line with previous quarters, with revenues at -2% and EBITDA at -1% year-on-year. Moving on to page 14, looking at the left-hand side, we can see recurring and concession CapEx as a percentage of revenues remained broadly flat at 7% of revenues and totaling EUR 121 million. On the right-hand side, you can see the growth of operating cash flow, which has been 8% on a reported basis. If we excluded the impact of the payout on a normalized basis, that growth would have been 22%.

Moving on to page 15, we can see the evolution of the net financial debt. Starting from June 30, 2026, we include the effect of the adjusted EBITDA, EUR 200 million, a negative impact of net working capital, which is in line with what we had last year, which reflects the seasonality of the gaming tax payments, and notably the Imposta Unica. CapEx for EUR 49 million, that includes also growth and one-off bolt-ons for EUR 9 million. Financial expenses and leases of EUR 10 million, capital returns of

EUR 92 million, and then other costs of EUR 22 million that include part of the CIRSA transaction costs as well as the cost of the closure of the Serbian branch.

On September 30, 2026, we achieve a net financial debt of EUR 2.164 billion, which with a cash balance of EUR 278 million, gives us a total net financial leverage of 2.4 x. On that note, we have concluded.

Operator

Thank you, gentlemen. Would you like to begin the Q&A session?

Laurence Van Lancker

CFO, Lottomatica Group

Yes, please. Thanks.

Operator

Okay. We will now begin the Q&A session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. To remove yourself from the question queue, please press star and two. Please pick up the receiver when asking questions. The first question comes from Ed Young of Morgan Stanley.

Ed Young

Analyst, Morgan Stanley

Good morning. I have three questions, please. My first one, market level growth for online casino has been decelerating through the second half of the year. It was only single digit in October. I know there is some context there, given online licensings in the comps, which perhaps you can touch on. But more broadly, can you tell us what you are seeing in the underlying metrics from player days, engagement, session counts, and what sort of market growth in the category you expect to see in 2027? Should I give second and third questions, or do you want to do them one at a time?

Laurence Van Lancker

CFO, Lottomatica Group

No, no, go for it, Ed. If you ask all the questions

Ed Young

Analyst, Morgan Stanley

Okay, sure. Sure, thanks. My second question, on the retail concessions, I wonder if you could perhaps touch on that, given the news flow. The cost per machine has increased, but do you think you necessarily need the same number of machines? Just given the category seeing, albeit small, revenue per machine declines at the moment, it does suggest the market is a bit oversupplied. How are you approaching the potential mitigation against the headline tax rate increase? Then third of all, Guglielmo, you talked about online boosts as part of CIRSA being a key part of the thesis. Can you give us some idea of what benefits you can put into the CIRSA online business centrally, and how much will require specific market replatforming? I am just trying to get an idea of the phasing between, say, Spain and the Peru and Paraguay markets. Thanks.

Laurence Van Lancker

CFO, Lottomatica Group

Ed, I can go on the first, and then Guglielmo will take number two, number three. For market level growth, I mean, iGaming has grown, in October, year-on-year at 9%. This brings us to a total growth year-to-date of 15% versus in the first nine months, sorry, until October, compared to 2026. When we look at, particularly in the fourth quarter of 2025, the level of promotional activity was significantly higher. This was driven by the fact that a new concession was being awarded, so there were a number of players exiting the market, and some small players were also more on the defensive mode, so the level of promotional activity increased.

Also after the summer in 2025, the RTP, the market level decreased more significantly last year versus the first half of last year compared to when we look at it this year compared to the first half of this year. If you actually look at it on an NGR basis, we are actually growing very similarly, both in Q3 and in October. This year, if you look at an NGR basis, we are actually growing pretty much in line with how we were growing in 2025 versus 2024. Just because when you look at it on a GGR basis, of course, you look at also what is It also includes all the, let's say, bonusing that is included in the GGR. In that respect, frankly, we are not concerned.

From a growth perspective for the market, if you look at it in online, we still continue to see double-digit growth in the online sector. How that will be split between iSports and iGaming, we will see, but we will continue to see iGaming growing faster than iSports. At the appropriate time, we will give guidance, but we continue to feel comfortable with a double-digit growth headline number in the market.

Guglielmo Angelozzi

CEO, Lottomatica Group

Yeah, hi, Ed. On the retail concession cost, there is a price increase, but there is also three years of extension, which is a positive. In general, as you know, we do not like to comment on budget laws, proposals at this stage, as everything is open, and it is not the best thing to do from our perspective. Also, to go on your point, what will we do? Will we decrease the size of our retail footprint to optimize? That is also hard for us to comment at this stage, not because we do not know, but because it is a very sensitive topic from a competitive standpoint. That is why also it is touch on that. Let me comment on a statement, on a question that you make. Is there oversupply? Yes, there is oversupply. That is pretty clear. So I will leave it to that.

On the third question, the online boost, what can we do? As you said, the central level, I would rephrase it as something which is common for all of our future operations. There are four main areas. One is the platforms, making sure that the platform you have in place give you all the product features, the level of flexibility that you need, and so that is one point. The second point is, and that is why it is in the pages that you have seen in this presentation, it is the post-post betting, the risk management, and the pricing management, making sure that you have all the capabilities, the tools to properly manage the risk and to properly manage the pricing, because that is not only about the margins that you make, but it is also about the appeal of the product that you present to your customers.

That is a capability that has to be at the group level. The single operations of the group can benefit from that capability, let us put it this way. Then you have content, casino content, iGaming content. The portfolio should be the best, the widest, and the best for each single jurisdiction without any type

of constraint. What the consumer wants, the consumer should have. Last but not least, and you have another example of this in the pages that I have presented, making sure that the digital marketing tools that we are able to use in our current operations, which produce the increase of the click-through rate or the increase of the ARPU, and which work above the platforms, for many respects, they are kind of, to some extent, also independent from the platform, are available as soon as possible in every local operation that we have.

These are the four main areas. As to the implications of these in terms of cost savings, what I can tell you, we haven't disclosed the breakdown of the OpEx synergies, but I can tell you that out of the EUR 101 million of total OpEx synergies at the 2025 volumes that we stated to the market, the largest chunk of that, the majority of that is pertaining to our online business. Of course, we're not providing at this stage the breakdown, the exact breakdown, and what is platform, what is content, what is that, but that's the situation. That's the majority of the savings coming from there.

Ed Young

Analyst, Morgan Stanley

Very useful. Thank you.

Operator

The next question is from Karan Puri of JPMorgan.

Karan Puri

Analyst, JPMorgan

Hi, good morning, everyone. This is Karan Puri on behalf of Estelle Weingrod. I've got two questions, if I may. First one is a follow-up on Ed's question on the October gaming data. Just trying to understand better in terms of the setup into the upcoming months. Should we expect a similar sort of tough comp setup for the remainder of the quarter and afterwards as well? Second one is on guidance. We know you guide on guidance EBITDA on a normalized payout basis. On a reported basis, when accounting for unfavorable payout, are you still sort of comfortable with the low end of the range? Thank you.

Laurence Van Lancker

CFO, Lottomatica Group

Sure, I can take these. It's a tough comp on a GGR basis, but it's not a tough comp on an NGR basis. Actually, we're growing very much, which is what at the end of the day matters when you look at your impact on revenues and your impact on EBITDA. If you look at Q3, the growth of the NGR from 2025, 2026 is very similar to the growth that we've had in 2024, 2025. Same thing for October. They're very much aligned, the numbers, the growth numbers. The bonusing does affect the market level because of certain periods. It can affect certain biennial events. It can be in relation to, in this case here, to the concessions that were being renewed. In those periods, what happens, they can distort the growth rates, upwards or downwards.

In this case here, we've continued to grow because the market has been, the level of promotional activity has decreased. In this regard, we don't see this as a tough comp. Just to summarize this, on a GGR basis, yes, of course, it's a tough comp, but what matters at the end of the day for our revenues and the bottom line is the NGR. When you look at the, on your second question for the guidance, we'll have to see how we close the year because we've First of all, the guidance is always on a normalized basis.

Karan Puri
Analyst, JPMorgan

Yeah.

Laurence Van Lancker
CFO, Lottomatica Group

Like we've done it for 2025. We've shown you also both sets of numbers. We had a favorable set, favorable payout, so it was the inverse of this year. Obviously, not of the same magnitude, but last year we had favorable payout for the operators, and therefore we ended up with an EBITDA reported which was higher than the EBITDA that is normalized. This year, we'll have to see how we end the year because the volatility of the results and the magnitude can be such that the reported numbers can move significantly. On a normalized basis, we continue to see exactly what we saw when we announced the numbers earlier this year. That does not change. Clearly, the reported numbers will reflect what the ultimate payout will be in Q4.

Karan Puri
Analyst, JPMorgan

Thank you so much.

Operator
The next question is from Clark Lampen of [U.S. bank, BTIG].

Clark Lampen
Analyst, BTIG

Thanks for taking the question. I just had, Laurence, you ran through sort of full-year guidance just a moment ago, I guess, for the preceding two questions. I just wanted to maybe clarify. As we think about, I guess, double-digit growth in the online segment of your business for 2027, I guess maybe moving a little bit further forward than guidance, should we expect online growth in that range to have a similar impact on the offline Sports and Gaming Franchises, or is there a reason maybe to think that those, the declines in, I guess, sort of the respective pieces of the business could get a little bit maybe more intense next year? You talked about volatility of results for 2026 performance. We've seen the iGaming data. Could you comment on October sports performance?

Have we seen any notable or sort of standout positive or negative variants to begin the quarter?

Laurence Van Lancker
CFO, Lottomatica Group

Okay. For in terms of double-digit growth, overall, the overall online market, we expect it to continue to grow double digit. The sports was more of a theme of 2025. Now this year, it's been the second half is the theme is gaming, obviously, because we try to explain all the variance, differences, and nuances. For iSports, if you break it down, iSports tends to be more subject to, let's say, transfers of It's more omnichannel, and therefore, you can have periods where sports and retail grows faster than what we originally expected, and iSports declines because demand moves more towards the retail channel. It's, again, because the walls in between the two channels are much more permeable in sports. I'd say in the coming years, we continue to see overall double-digit growth. That's the thing, the first, the key tenet.

Then iSports can fluctuate depending on. It's very much a function of how also sports retail works. iGaming, if you look at it on an NGR basis, I mean, it continues to grow still double digit. There's no, we don't see a slowdown. I mean, for the time being, we don't really see it, and we attribute it in October, the fact that it's 9% entirely to the difference in promotional activity between the two periods. Going forward, again, sorry, repeat it for the third time, that we continue to see double-digit growth. In terms of what we're seeing in volatility of events, we can't comment on October because the numbers haven't come out yet. When they'll come out, we'll be able to comment on them. Just remember that the volatility can have wild swings upwards and downwards.

If you look at the first quarter of 2023, before we listed, it was extremely favorable. The first half was very favorable, and the first quarter was probably the best quarter we've had in our whole history. Then obviously, it then reversed in the second half, but ultimately, they balanced each other out. For the volatility of events, we'll continue to see volatility of events. That's normal. The size of the impact is clearly on an absolute basis, it's larger because we're growing, right? We're double the size that we were three years ago. But we continue to see normalized levels staying exactly where they were and where we said they were.

Clark Lampen

Analyst, BTIG

Understood. Thank you.

Operator

The next question is from Ben Shelley of UBS.

Ben Shelley

Analyst, UBS

Hi, good morning. Thanks for taking my questions. I've got three, please. One on integration. We saw some revenue and market share volatility when PWO went through its replatforming. As you think about CIRSA, do you see a similar risk around the replatforming process? And fully appreciate the transaction hasn't closed yet, but can you give us any broad sense of the timeline you envisage for migrating the business onto your technology stack? My second question is on GGR to NGR conversion. GGR to NGR conversion looked notably better again this quarter, similar to what we saw in Q2. Could you talk through what's driving that improvement and how sustainable you think it is going forward? My last question is on online EBITDA margins. Can you help us understand the year-on-year decline in online EBITDA margins?

How much of that was simply the flow-through from sports results, and is there anything else in the Q3 cost base? Thanks very much.

Guglielmo Angelozzi

CEO, Lottomatica Group

Yeah, on the integration, I think, Ben, it's a good occasion to provide some more clarity on the PWO dynamics. We saw some volatility, some negative impact on the integration of PWO around the migration and immediately before and after the migration. Which is, by the way, not only the case of PWO, because we had seen that also in the past. We can talk about it in a fairly relaxed manner, because as we mentioned last time, the market share, especially in terms of sport, has been completely recovered, and we are well above pre-migration levels when you look at the total of retail sport and online sport, as PWO is very much omnichannel on this point.

But the point on PWO, why the effect was more visible than in other cases, the very same happened when we bought the assets from IGT, the Lottomatica perimeter or in other migration. But this was more visible, the effect was more visible in the case of PWO, simply because PWO was a decreasing brand. If you take PWO two years before we bought it, one year before we bought it, when we bought it, and before the migration, PWO was going down. Simple as that. It was an asset that we not only had to do replatforming, but we did a replatforming in the context of a turnaround, which is another story. So it was not that you had a flat brand or a growing brand that all of a sudden they slowed down because we did a replatforming. You had a decreasing brand.

And so it is always very hard to say in the mix what was due to the fact that the brand was decreasing, how much you would have decreased if we did not replatform, maybe even more than it has had in the short term. Well, the good news is that it then stopped, and it moved the other way around. It was less visible in the case of the IGT assets, which, by the way, were decreasing also, but at a slower rate around the time when we bought them, because you needed less of a turnaround. The turnaround of the entire company was so deep in the case of PWO that, of course, you saw the effect.

But then you do not have to consider only the effect on the market shares in the case of PWO, because the net effect of that is that we doubled the EBITDA of the company in a time span of one year or so, one year and a half or so. So, part of that was not good market share. I mean, it is not about volumes, it is about also the profitability and the sustainability of those volumes. Long story short, all replatformings bring some noise. PWO is a case where I would say a big chunk of the noise was due to the fact that the brand was decreasing and we had to do a turnaround. It was extremely successful, probably the most successful of all the brands of all the integrations we have managed. In the case of CIRSA, who knows? Nobody knows until we start surgery.

But the point is, CIRSA is not a decreasing brand, first of all. It does not need any turnaround. It needs a boost. It needs a support to accelerate, but it does not need turnaround, so we are in a very different situation. As for the timing of the replatforming, I would defer it to when we close replatforming, or in general, the integration. Let us give it a broader, because there may be nuances to this. Let me defer this, Ben, to when we close the integration plan, and then we are able to disclose to the market a lot more details on the integration plan. Because currently, we are working on making sure that on the day of closing, we are able to start executing, and that comes from every possible detail on how we are going to perform the integration. But let me defer that.

But there is a very big difference to the case of PWO, which you have to consider.

Laurence Van Lancker

CFO, Lottomatica Group

Ben, on your second question, I think, yes, as you pointed out, there has been a better conversion from GGR to NGR, as it has been a good quarter. The previous one also was an improvement. I cannot really give guidance on this point here, because it is really a function of many different things, including, amongst other, the events and the contingencies, the events that occur in specific quarters, right? Last year, in Q4, was an important quarter. It happened ahead of the award of the concession. It started already after the summer, and following through to the end of the year, and partly at the beginning of the year. We kind of guide to a stable level. It will oscillate depending on specific contingencies. In terms of online EBITDA margins, we would say that there are really two factors that affect the margin.

The first one is sports. The payout was three points higher in Q3, so it is quite material for online. The second one is the fact that anyway, the level of activity is, in the third quarter, tends to be the lowest, similar to Q2, but the lowest in the year. So, you have the negative effect of operating leverage in Q3. Q4 tends to be better, and obviously, a normalized payout, you would be back to the levels which we indicated in the previous results presentation.

Ben Shelley
Analyst, UBS

Thanks very much.

Operator
The next question comes from Adrien de Saint Hilaire of Bank of America.

Adrien de Saint Hilaire
Analyst, Bank of America

Yes. Good morning, everyone. A few questions, if you wouldn't mind. I know it's difficult to comment on the Italian budget law, but high level, Guglielmo, previously you had stated that we should expect your CapEx levels to be growing in line with inflation. Is that still the right way to think about it, or is that too early to say? Secondly, maybe more for Laurence, I think your EBITDA guidance on a normalized payout basis implies about 12%-16% growth in EBITDA for 2026. I think you're on 19% after nine months. Is there anything specific happening for Q4 that we should be aware of? Then maybe for either of you, on the normalized payout points, I think you've undershot normalized payouts in 2023, 2024, and 2026.

Do you think it's still fair to use 85.5% as the right base, or maybe has something perhaps changed? Thank you.

Guglielmo Angelozzi
CEO, Lottomatica Group

Yeah, Adrien. On the first point, clearly, the increase envisaged in this first proposal is for the concession part, is actually higher than inflation levels. You should also consider that it's a fixed amount for three years, which you should also compare to other situations where we had one-year extension or two-year extensions. That's one point just to consider in the math. The second point is, I'm not going to comment on that right now, similarly to the previous question. Of course, we'll have to consider when you look at total CapEx, not only a concession CapEx, what is the right level of optimization total CapEx that you have to put in considering the picture in order to stay within the parameters that we mentioned. That's the answer I can give you now.

Laurence Van Lancker
CFO, Lottomatica Group

On, Adrien, on the second point, not much to say, frankly. I think we reiterate what we said earlier, that for the full year, we expect to be at the high end of the guidance, in the upper half of the high end. Not much to read in Q4 numbers. On the normalized payout, yes, if you look at the dynamics of 2024, 2025, 2024 was negative, 2025 was positive. 2023, actually, we had a phenomenal first half and a bad second half. It depends really when you start counting. If probably we were to count the months before the end of 2022, we'd probably get to a great year for 2023. Anyway, it is what it is. 2026 has a negative one. We'll see what 2027 brings us.

But no, this is all to say that we still believe in the averages that define the normalized payout, which is we look at it on a rolling three-year basis, and 85.5 and 80.5 is our numbers that still hold well for us. Remember that the volatility of online tends to be significantly lower than the one in retail. So retail tends to be much more volatile as a result of the higher share of accumulators. So there is much more volatility there. Q3 was quite particular in terms in online as we have had a more pronounced impact in online as a result of, again, volatility results and the number of scores that were done, which were much higher than the average that we have seen in previous seasons. But I would say, so far, we believe these parameters hold true.

Adrien de Saint Hilaire

Analyst, Bank of America

Thank you so much.

Operator

The next question is from Charlie Muir-Sands of BNP Paribas.

Charlie Muir-Sands

Analyst, BNP Paribas

Good morning, gentlemen. Thank you. I just have one question. Going back to your slide four on the iSports market share evolution, I note your comment around being disciplined for marketing in the World Cup when you saw your market share dip by a couple of percent, but it is obviously by far exceeded recovering that in August and September. I just wondered whether you felt that that was a temporary adjustment by your competitors, whether you think that is a point of sustained share gain based upon actions that you and/or they have taken. Thank you.

Guglielmo Angelozzi

CEO, Lottomatica Group

Yeah, no, I mean, the comment is referring to something that we've reiterated several times. We focus on profitable growth in general, so that also applies to market share. We focus on profitable and sustainable market share. It's kind of in line with the comment I made on part of the market share of PWO. I mean, GGR is nice, but if you start paying the consumers to stick to you too much, then that's a problem. It's not an LT GGR or an LT market share. So we thought we had a good strategy for that period of time, considering what is the level of stickiness of the clients that you acquire in those occasions, different type of quality of clients, new clients that you acquire. There are some that you just move for a while because of high bonuses, and then they leave you the month after.

There are clients that maybe you acquire because we have the occasion of the event, you have the news flow, you don't need particularly high bonuses, and they stick to you. So we try to manage also this type of aspect, which is not just focused on growth, but on profitable growth, and that applies to the market share. So we think we did the right thing, as actually August and September clearly show during the World Cup.

Charlie Muir-Sands

Analyst, BNP Paribas

Thank you. But in terms of the behavior of your competitors, have you seen that being sustained into the rest of Q4?

Guglielmo Angelozzi
CEO, Lottomatica Group

No, that's why the comment. I mean, the comment is that we've all led different strategies for the period of the World Cup. There are operators who have pushed more, and for the period, the operators who have pushed less. The comment is about the fact that there was an additional increase of push, which was related to the event, and then you restarted from You went back to the previous levels.

Charlie Muir-Sands
Analyst, BNP Paribas

Yeah. But, sorry to keep going. August, September compared with, let's say, March, April, May, you are ahead. So it is not just a kind of recovery from the June, July levels. Is that due to better risk management, for example, do you think, or?

Guglielmo Angelozzi
CEO, Lottomatica Group

Yeah. But look, you have to look at the. I mean, it is a trend. There is a slow trend of now. I mean, given the level where we are, you do not increase one point or half a point per quarter, right? But there is a trend of constant increase. You may have one month that you slow down for specific events or topics that you have that month. But the important point is the trend. So we are up, but also if you go back to 2025, we are up compared to 2025, and then if you go back, we are up compared to the previous period. So it is a slow trend, which it may have been the case of a slightly better odds management, risk management.

The point is that when you continue to do well on the product, well on the marketing activities, improving the offer, you keep on eroding market share from competition slowly but consistently. So I would not just focus on, we had just a better payout or a better risk management. In part, it is that, clearly. I mean, the level of. Just to be clear, and we said it also the other times this happened, 37%, when you go on sports. So let's move from the total online graph to the sports graph. When you go to 37%, starting from 31% or the average of 33% that you had before, there is clearly a bunch of payout there, a bunch of better risk management. That is not a new level. You do not jump four points in terms of market share in a few months.

I am not saying that 37% is at all a new level for us. I was considering more the total online market share, where you should look at the trend. In sports, you have more volatility. So if the question is, do you get to 37% from 33% in sports also because of better payout management in that location? The answer is yes. If the question is more general on the online, what is the reason why you are at 32.4% and you were at less, 31%, 32% in March, April, May? It is because there is a slight but constant improvement driven by the overall positioning of the group vis-à-vis the competition.

Charlie Muir-Sands
Analyst, BNP Paribas

Okay. Very clear. Thank you very much.

Guglielmo Angelozzi
CEO, Lottomatica Group

Thank you.

Operator

The next question is from Domenico Ghilotti of Equita.

Domenico Ghilotti

Analyst, Equita

Good morning. The first question is on the bolt-on opportunities. I wonder, given the level of consolidation that you have reached, in particular in online, I wonder if we have to assume that bolt-on will be maybe reallocated to new geographies post-combination with CIRSA, or if you still see opportunities in the domestic market. Second, well, just a question on, I have seen the tax rate on my adjusting net profit going up. If you can comment on the cash taxes that you are expecting for the full year, and also in the trend that we have seen, if it is structural or more temporary.

Guglielmo Angelozzi

CEO, Lottomatica Group

Yeah, I'll take the first one, Domenico. On bolt-ons, I do not exclude that there are small things to be done here and there, but the focus is certainly not going to be Italy. Italy has still lots of room to grow organically, but also we have to be mindful of concentration limits when you get to bolt-on. We're not there. We're not at the limit yet. We think we're still distant from the limit also after the CIRSA deal. But clearly, the room is, the strategic focus is less than before. We will put a lot of focus on the new geographies, starting from Spain, but not only. That, I think, is the answer without going into much detail. There's a lot of focus that we currently have for the Italian market on the organic growth.

Many of the slides that I presented and the things that we commented in terms of market shares are all about how you can continue to slowly but consistently increase a profitable market share by leveraging on the risk management, the pricing on the sports, the digital marketing activities that we do, the ARPU, and all this stuff. This will be the focus on Italy. We'll be very mindful on how we deploy capital from now on, also for the bolt-ons.

Laurence Van Lancker

CFO, Lottomatica Group

On the tax, on the cash costs, as you know, in the first, it was in June, we pay the balance for the previous year, and then we pay the first account for the current year. On top of this, you also have to factor in, take into account that you pay every time you upstream, given our level of capital returns that we've carried out so far, we've increased all the dividend distributions from the OpCos up to the HoldCo. I think so far we've spent about, in terms of cash taxes, about EUR 75 million, which is what you see in the first nine months. That amount, obviously, there's a bulk of taxes that gets paid in the end of November, and we should get to roughly around EUR 140 million of cash taxes this year.

Domenico Ghilotti

Analyst, Equita

Thank you.

Operator

The next question is from Andrea Bonfà of Banca Akros.

Andrea Bonfà

Analyst, Banca Akros

Hi, good morning to everybody. Most of my questions have been answered, but I got some, let's say, left one. The first one, I know you don't want to comment much on CIRSA integration, but is it right to assume that the quick fix or the quick synergies will be in Italy with the Gaming Franchise and the online market share of CIRSA, which is 5%, 6%? Then, is it possible to know how you will proceed continuing the integration? Will Spain be the first focus and then the rest of the world, or if you can comment on this point? The second one is, nobody mentioned, but the increase in the minimum bet for the AWPs from EUR 1 to EUR 2, although it's a declining business, we know that, will not be a helpful component in order to offset the higher payout. That's the second question.

The third one is a minor one. Flutter is exiting the Betfair Exchange, the betting exchange. I know it's a minor business for the industry, but will be a small positive contribution for you going forward. Thank you very much.

Guglielmo Angelozzi

CEO, Lottomatica Group

Yeah. Hi, Andrea. Italy is going to be the integration of the Italian operation is going to be on the quick fix in terms of clearly cost opportunity because you streamline operations. On the online, and this answers also to the second part of your question, on the online boost, we're going to be very much focused on Spain as a starting point. That is going to be the priority of the group. Clearly, if there are things that we can do in Italy, and there are, we'll take care of them. But strategically, the integration plan will be focused on delivering results as soon as possible, integration as soon as possible in Spain. On the question on the changes to the AWP product, are those positive changes? Yes, they are. Can they help offset? Yes, they can. That's the short answer. There's a balance there.

Clearly, there is a product improvement that you should consider. On the question on Flutter exiting the Betfair Exchange, that is a minor business. We commented this several times. In such mature market, peer-to-peer type of products in sports betting are not particularly interesting because you are simply not able to propose the type of products that more evolved customer in sports betting look at. So, it is a tiny segment. I would not put too much focus on this thing. I do not think this changes much for us.

Andrea Bonfà

Analyst, Banca Akros

Thank you very much.

Operator

The next question, gentlemen, is from Chiara Pampurini of Intermonte.

Chiara Pampurini

Analyst, Intermonte

Thank you. Thank you. Good morning. I have two questions. The first one is on the Italian market and on the operators, so a slide in the presentation. My question is, you see further space for reduction in the number of smaller operators in the next months, maybe also after February when the new system will start operation? The second one is on the one-off cost you saw in third quarter from CIRSA transaction. If, as I expect, you expect additional one-off impacts in fourth quarter, and if you already have some sort of estimate. Thank you.

Guglielmo Angelozzi
CEO, Lottomatica Group

Yeah. Hi, Chiara. So, on what we call the tails, clearly there is a lot of pressure there. But the pressure, Chiara, was there, as you can appreciate from the graph, also before the new concession system. Clearly, the new concession system has added more pressure, and you can see that. But the decrease was inevitable and was visible also before. You need tech, you need products, you need processes, you need a proper cost position in order to compete. There's been an acceleration, an additional pressure with the new concession system, but the trend was already It's a trend that you see pretty much in every, well, not in every, in most of the markets out there. I think it's been very clear in the last three years.

Laurence Van Lancker
CFO, Lottomatica Group

In terms of one-off costs, in terms of cash costs, there will be a bit, and I would say in the single digits in the fourth quarter. The bulk of the transaction costs will materialize in the first half, depending also on when we close. But in total, they will amount to roughly about EUR 30 million, maybe a little bit north of that. It depends on also how long it will take and the amount of additional effort from signing to closing. That's on the one-off related to CIRSA. Yeah.

Chiara Pampurini
Analyst, Intermonte

Thank you.

Operator

Mr. Senesi, there are no more questions registered at this time, sir. Back to you for any closing remarks.

Mirko Senesi
Investor Relations Director, Lottomatica Group

Yeah. Thank you, operator, and thank you all for participating. I think we can close the call. Thank you.

Operator

Ladies and gentlemen, thank you for joining. The conference is now over, and you may disconnect your devices.