

LOTTOMATICA

Sector: Consumers

OUTPERFORM

Price: Eu20.42 - Target: Eu27.70

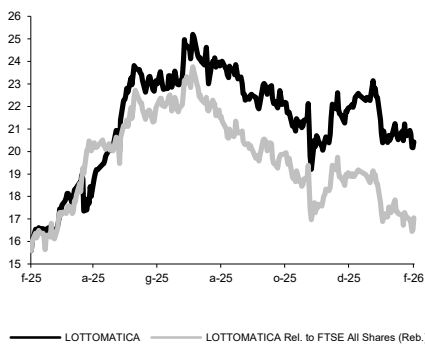
FY25 to Meet Guidance, Positive Momentum to Continue into 2026

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Stock Rating				
Rating:	Unchanged			
Target Price (Eu):	Unchanged			
	2025E	2026E	2027E	
Chg in Adj EPS	0.6%	3.9%	3.8%	

Next Event
4Q25 Results Out 3rd March

LOTTOMATICA - 12M Performance



Stock Data			
Reuters code:	LTMCI.MI		
Bloomberg code:	LTMCI IM		
Performance	1M	3M	12M
Absolute	-1.7%	-1.0%	30.9%
Relative	-1.4%	-2.6%	11.1%
12M (H/L)	25.20/16.08		
3M Average Volume (th):	942.88		

Shareholder Data	
No. of Ord shares (mn):	252
Total no. of shares (mn):	247
Mkt Cap Ord (Eu mn):	5,138
Total Mkt Cap (Eu mn):	5,138
Mkt Float - Ord (Eu mn):	5,138
Mkt Float (in %):	100.0%
Main Shareholder:	
Fidelity	10.0%

Balance Sheet Data	
Book Value (Eu mn):	1,073
BVPS (Eu):	4.34
P/BV:	4.7
Net Financial Position (Eu mn):	-1,785
Enterprise Value (Eu mn):	6,713

We expect FY25 results to match the outlook provided. Our minor estimate tweaks reflect 4Q public market data and the share buyback executed to date. We anticipate 2026 will mirror 2025's growth path, supported by a strong Online performance thanks to market consolidation under the new concession framework, PWO brand recovery post-integration (ended in Aug-25), and revamp of the Totosi brand. We confirm our DCF-based TP of €27.7 and OUTPERFORM rating. LTMCI currently trades at 7.1x EV/EBITDA 2026, at a discount to peer OPAP despite stronger EBITDA growth expected. We do not see short-term regulatory risks, and healthy cash generation (8% FCF yield) should enable M&A as well as generous shareholder remuneration.

■ **4Q market data: iGaming strong, sports betting hit by high payout.** In 4Q25, online market Gross Gaming Revenue continued to show robust momentum at iGaming (+17% YoY), while iSport was affected by weaker wagers and unfavourable payout trends (GGR -3% YoY). Lottomatica maintained a stable overall Online market share of 30.9%, on which basis we estimate divisional GGR up 9% YoY (~60% of Group EBITDA). In-agency GGR declined 3% YoY, reflecting the same payout trend as iSport. Lottomatica's market share increased to 43.7%, which we expect to support broadly stable GGR in the Sports Franchise division (~15% of Group EBITDA). Finally, AWP and VLT continued to experience a low single-digit drop in wagers, and we expect LTMCI to have mirrored market trends, with Gaming Franchise GGR -3% YoY.

■ **4Q25 preview: on track to meet guidance.** With a normalised payout, we would expect the company to meet its guidance, which envisages FY revenues of €2.27bn (+13% YoY) and adj. EBITDA of €860mn. For 4Q, we estimate sales of €616mn (+5% YoY), supported by a 14% increase in the Online division (€270mn), while we expect the Sports Franchise down 2% at €145mn and the Gaming Franchise to have declined 1% to €202mn. The higher contribution from Online, alongside the recovery of PWO following its integration, should result in 4Q EBITDA of €240mn (+7% YoY), implying a 38.9% margin. Finally, we estimate solid FCF of €246mn and net debt at €2.1bn, after accounting for buybacks (€294mn) and dividends (€76mn).

■ **Positive momentum expected to continue into 2026.** We expect 2026 trends to mirror 2025, with mid-teens growth in Online, mid-single digits in Sports Franchise, and flat trends in Gaming Franchise. We forecast revenues at €2.4bn (+8%) and adj. EBITDA at €950mn (+11%), with margins improving to 39.0%. Online market consolidation should further strengthen Lottomatica's leadership of the Italian market in 2026.

■ **Change in estimates.** We are making minor adjustments to our 2025 estimates to account for the unfavourable payout in 4Q market data, while for FY26/27 we are reflecting an improved business mix, with higher profitability from Online and a lower contribution from the low-margin Gaming Franchise. Regarding NFP, we include the buyback executed to date, resulting in €2.1bn/€1.8bn for FY25/26. The change in EPS, which would have otherwise been neutral in 2026/27, reflects the impact of the buyback execution.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	1,632	2,005	2,256	2,436	2,589
EBITDA Adj (Eu mn)	580	707	857	950	1,030
Net Profit Adj (Eu mn)	216	254	359	442	508
EPS New Adj (Eu)	0.834	0.988	1.432	1.841	2.120
EPS Old Adj (Eu)	0.834	0.988	1.423	1.771	2.043
DPS (Eu)	0.267	0.308	0.455	0.559	0.643
EV/EBITDA Adj	6.1	6.8	8.4	7.1	6.2
EV/EBIT Adj	7.8	8.9	10.8	8.7	7.3
P/E Adj	24.5	20.7	14.3	11.1	9.6
Div. Yield	1.3%	1.5%	2.2%	2.7%	3.2%
Net Debt/EBITDA Adj	2.2	2.6	2.4	1.9	1.4

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIIB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and - 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	32.33%
OUTPERFORM:	37.59%
NEUTRAL:	29.33%
UNDERPERFORM:	00.75%
SELL:	00.00%

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NEUTRAL:	12.50%
UNDERPERFORM:	01.39%
SELL:	00.00%

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