

# The Intertain Group Limited Enters into Letter of Intent to Acquire Leading Online Casino Provider Vera&John for up to €89.1 million (\$126.1 million)

**The transaction is expected to provide access to new geographic markets and growing, stable cash flows**

TORONTO, Oct. 9, 2014 /CNW/ - The Intertain Group Limited ("**Intertain**" or the "**Company**") (TSX: IT) is pleased to announce that it has entered into a non-binding letter of intent to acquire (the "**Acquisition**") the entire issued share capital or all of the assets of Dumarca Holdings Limited, the Malta-based parent company of the Vera&John group ("**Vera&John**"), for an initial payment ("**Initial Payment**") of €44.5 million in cash and €36.5 million in common shares ("**Common Shares**") of Intertain at the 20 day volume-weighted-average price prior to announcement (\$10.29 per share), representing approximately 5.0 million Common Shares (based on an exchange rate of €1.00 = \$1.4148). The Initial Payment is subject to certain net cash and working capital adjustments. Furthermore, Intertain may be required to make a further cash payment (the "**Earn Out**") in the event Vera&John generates earnings before interest, taxes, depreciation and amortization ("**EBITDA**")<sup>1</sup> over certain thresholds in 2015 and 2016. In 2015, for every Euro generated by Vera&John in excess of €10.1 million of EBITDA, Intertain will be obligated to pay to the vendors, subject to certain adjustments, 4.0x such amount in excess of €10.1 million of EBITDA. In 2016, for every Euro generated by Vera&John in excess of the greater of €10.1 million of EBITDA and the EBITDA generated in 2015, Intertain will be obligated to pay to the vendors, subject to certain adjustments, 4.0x such amount in excess of the greater of €10.1 million of EBITDA and the EBITDA generated in 2015. The cumulative Earn Out payment over 2015 and 2016 is subject to a cap of €8.1 million. Based on current run-rate results, the Company expects to make the full Earn Out payment. Assuming Intertain pays the maximum Earn Out amount, the total consideration to be paid for Vera&John will be €89.1 million (\$126.1 million).

Vera&John is being acquired on a debt-free basis. The Acquisition is subject to completion of satisfactory due diligence and negotiation and settlement of definitive documentation, which is expected to be completed in December 2014, as well as regulatory approvals. Intertain expects to fund the cash portion of the consideration through a combination of cash-on-hand, and debt. Intertain may also receive proceeds from the exercise of outstanding warrants, which it may use to help fund the cash payment(s) in respect of the Acquisition.

Vera&John, is a leading, fully-integrated global online casino, operating in 11 countries globally. Vera&John operates under three core brands: Vera&John, Vera&Juan and Vera&John Social. Vera&John generates approximately 75% of its sales from the Nordic region, which will give Intertain access to a growing and large market. Vera&John offers 800 games and has approximately 490,000 registered customers. Vera&John receives approximately 10,000 deposits per day and reached 1.0 billion real-money spins in 2014. In 2013, Vera&John grew total net gaming revenue from €11.6 million in 2012 to €25.9 million in 2013 (124% growth). In 2013, Vera&John generated €4.6 million of EBITDA.<sup>1</sup> Canaccord Genuity Corp. is acting as exclusive financial advisor for Intertain with respect to the Acquisition.

"Vera&John provides immediate accretion<sup>1</sup> and meaningful operating cash flow to our business and gives us access to the growing Nordic markets. Furthermore, Vera&John has developed and owns a fully-integrated, proprietary software offering, giving us future flexibility with respect to our business. Vera&John also has a mobile platform, including a leading mobile casino, with 35% of their expected 2014 sales being generated through this growing medium" said John Kennedy FitzGerald, CEO of Intertain. "We are very excited about this transaction and feel both parties bring excellent value going forward. We reviewed alternatives to this deal and felt Intertain was the best partner, given their aligned interest and exciting growth prospects. We are committed to this partnership as shown in our material ownership in Intertain going forward," said director of Dumarca Holdings Limited, Dan Anderson.

The Acquisition rationale includes:

- **Leading, Fully Integrated, Online Casino Provider:** Acquisition of leading, fully-integrated online casino offering, active in 11 countries, offering 800 games with approximately 490,000 registered customers. Vera&John's proprietary software makes them independent of any service providers, other than in respect of any games that it may license from third parties.
- **Proven Track Record of Growth:** Grew total sales from €11.6 million in 2012 to €25.9 million in 2013. Vera&John generated €4.6 million of EBITDA<sup>1</sup> in 2013 and based on current run-rate results, the Company expects to make the full Earn Out payment.
- **Access to New Growing Markets:** Approximately 75% of Vera&John's revenues are generated in the Nordic region. According to H2 Gambling Capital, the Nordic region interactive casino market grew at a compounded annual growth rate ("**CAGR**") of 36.6% from 2003 to 2013. This compares favourably to the World CAGR of 14.2% during the same period. Furthermore, according to H2 Gambling Capital, win per adult in 2014 is expected to average €350 across the Nordic region, respectively, versus €137 for Europe as a whole.
- **High Cash Flow Conversion:** Given favourable tax treatment, low maintenance CAPEX and negative working capital requirements, Vera&John has historically achieved an operating cash flow to EBITDA conversion rate<sup>1</sup> of approximately 100%.
- **Experienced and Aligned Management Team:** As part of the Acquisition, Intertain will be acquiring approximately 103 employees, including the senior management team of Vera&John. The management team has extensive experience in the field of online casinos and has a track record of growing Vera&John. The management team and founders of Vera&John will also be aligned with Intertain, given that they will own approximately 13% of Intertain on a fully-diluted *pro forma* basis. They will also be incentivized through the Earn Out provision and employment compensation, which will be tied directly to Vera&John's and Intertain's financial results.

## **About The Intertain Group Limited**

Intertain is an online gaming company that provides entertainment to a global consumer base. Intertain currently offers casino, bingo and poker games to its customers using the InterCasino, InterPoker, Costa and other brands. The InterCasino and InterPoker gaming platform is supplied by Amaya Gaming Group Inc. and its bingo offering operates off of the Dragonfish platform, a leading bingo software service provided by 888 Holdings plc.

## **Forward-Looking Statements**

This press release contains forward looking information within the meaning of Canadian securities laws concerning the business, operations and financial performance of Intertain and Vera&John. Forward looking information includes but is not limited to statements with respect to the future financial performance of Vera&John, requirements for capital expenditures, and working capital, expected EBITDA, the growth of the internet gaming market in the Nordic countries, the retention of existing management and statements with respect to the anticipated timing, mechanics, completion and settlement of the Acquisition. In particular, there can be no assurance that the Acquisition will close or that a financing for the Acquisition will be completed. This forward looking information is based on certain assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While the Company considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Forward-looking information is subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what the Company currently expects. These risks, uncertainties and other factors include, but are not limited to: credit, market, currency, operational, liquidity and funding risks, including changes in economic conditions, interest rates or tax rates, limited operating history, the fact that on-line gaming is a heavily regulated industry and that such regulation is subject to change, competition from other providers of online gaming services, the possibility that the Company be unable to integrate Vera&John's business successfully, the risks associated with international and foreign operations and the risks discussed under the heading "Risk Factors" in Intertain's annual information form for the year ended October 31, 2013, Although the Company believes its expectations are based upon reasonable assumptions and has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

The foregoing factors are not intended to represent a complete list of the factors that could affect the Company and the Acquisition. The Company does not intend or undertake to publically update any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. Any forward-looking statements or facts (including financial information) related to Vera&John, H2 Gambling Capital's expectations or CGAR discussed or disclosed herein are derived from information obtained from Vera&John and publicly available sources and has not been independently verified by the Company.

## Reconciliation of Non-GAAP Measures

In this press release, the Company uses the terms "accretion", "free cash flow", "EBITDA". These terms do not have a standardized meaning in accordance with International Financial Reporting Standards ("IFRS") and, are therefore, unlikely to be comparable to similar measures presented by other companies. Rather, these measures are used to provide management and investors with additional measures of performance.

Accretion, as used in this press release, represents increase in the Company's earnings per share on a *pro forma* basis following the Acquisition; operating cash flow to EBITDA conversion rate, as used in this press release, represents the portion of EBITDA which is realized in operating cash flow (calculated by dividing operating cash flow by EBITDA); and EBITDA, as used in this press release, represents net earnings before financing expenses, taxes, and amortization. The most comparable GAAP measure to EBITDA is net revenue from gaming operations, and set forth below is a reconciliation of such amount to EBITDA.

	<b>2013</b> € (000s)
<b>Net Gaming Revenue</b>	<b>25,909.8</b>
<b>Profit for the Year</b>	<b>2,175.5</b>
Add: Depreciation and Amortization of Assets	931.0
Add: Finance Costs	41.1
Add: Income Taxes	1,487.5
Less: Finance Income	2.8
<b>EBITDA</b>	<b>4,632.3</b>

<sup>1</sup> Non-GAAP measure. See "Reconciliation of Non-GAAP Measures" at the end of this press release.

SOURCE The Intertain Group Limited

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