INSPIRED ANNOUNCES ACQUISITION OF SPORTECH LOTTERIES

NEW YORK, Jan. 4, 2022 /PRNewswire/ --

- ***Acquisition to expand Inspired's content reach to new customers and geographies and build out a platform of turnkey lottery/iGaming systems solutions.***
- ***Concurrently, Inspired and LEIDSA have agreed to a 10-year extension to the lottery systems contract***
- ***Upfront purchase price of US$12.5 million represents a multiple of 4.0x Sportech Lotteries' Adjusted EBITDA1 for the last twelve months (LTM) ended June 30, 2021 and 3.5x Sportech Lotteries' (pre-COVID) Adjusted EBITDA[1] for calendar year 2019***

Inspired Entertainment, Inc. ("Inspired" or the "Company") (NASDAQ: INSE), a leading B2B provider of gaming content, systems and solutions, announced today that it has acquired Sportech Lotteries, Inc. ("Sportech Lotteries"), a subsidiary of Sportech PLC ("Sportech") (LSE: SPO.L). The principal asset of Sportech Lotteries is the lottery systems contract to provide online and retail lottery services, as well as the upcoming launch of Sportech's iLottery solution, to Loteria Electronica Internacional Dominica S.A. ("LEIDSA") of the Dominican Republic. The current lottery systems contract with LEIDSA had been scheduled to run until March 9, 2025. Concurrent with closing of the acquisition of Sportech Lotteries, Inspired and LEIDSA extended the lottery systems contract through March 9, 2035.

This marks Inspired's first acquisition in the lottery sector, further diversifying its business model on a product, customer and geographic level. It is expected to provide additional growth opportunities in North America, a key strategic geography for the Company, bolster the Company's positioning in the growing iLottery market and enhance the Company's ability to offer a platform with a full turnkey lottery/iGaming solution to new customers in the future, in line with its cross-platform approach.

"This acquisition accelerates our entry into the lottery business, where, as a management team, we have extensive collective experience and long-standing relationships," said Lorne Weil, Executive Chairman of Inspired. "We expect to build on Sportech's established lottery supply contract to increase our scale and scope within the lottery and gaming ecosystem. We are excited to enhance the value proposition we provide to operators and consumers as we seek to realize on significant opportunities in the sector."

Weil continued, "LEIDSA is one of the largest and most successful lotteries in Latin America. Beyond the immediate potential in the Dominican Republic, we anticipate that the lottery systems platform can be further enhanced in order to accelerate the path of our strategic objectives in the worldwide online and retail lottery market."

Inspired acquired Sportech Lotteries for US$12.5 million on a cash free/debt free basis, subject to certain customary adjustments and up to US$2.0 million of potential additional earnout consideration. The upfront consideration represents a multiple of approximately 4.0x Sportech Lotteries' unaudited Adjusted EBITDA[1] of US$3.1 million for the LTM ended June 30, 2021, and 3.5x Sportech Lotteries' unaudited (pre-COVID) Adjusted EBITDA[1] of US $3.5 million for calendar year 2019. This acquisition was funded with cash from Inspired's balance sheet.

LEIDSA is a private lottery operator in the Dominican Republic that has offered electronic lottery products (draw games, Keno, etc.) as well as a host of other services since the lottery's inception in 1997. In conjunction with the acquisition, Inspired will control Sportech's Quantum™ System for LEIDSA, which supports more than 2,100 land-based outlets as well as software and field service support. Inspired will also license Sportech's Lot.to system, an omni-channel iLottery solution that manages the entire lottery business from the cloud, which is currently undergoing testing with LEIDSA to launch digital lottery sales during 2022.

About Inspired Entertainment, Inc.

Inspired offers an expanding portfolio of content, technology, hardware and services for regulated gaming, betting, lottery, social and leisure operators across land-based and mobile channels around the world. The Company's gaming, virtual sports, interactive and leisure products appeal to a wide variety of players, creating new opportunities for operators to grow their revenue. The Company operates in approximately 35 jurisdictions worldwide, supplying gaming systems with associated terminals and content for approximately 50,000 gaming machines located in betting shops, pubs, gaming halls and other route operations; virtual sports products through more than 32,000 retail venues and various online websites; interactive games for 170+ websites; and a variety of amusement entertainment solutions with a total installed base of more than 16,000 terminals. Additional information can be found at www.inseinc.com.

About Sportech

Sportech is a technology supplier and operator in the gambling market with two core businesses: A digital omni channel platform for gaming verticals including its own in-house lottery module as its B2B offering. In B2C, the Company operates Sports Bars and other venues in the State of Connecticut USA where it deploys its exclusive licence to offer pari-mutuel wagering in the State and a distribution agreement with the Connecticut Lottery Company to offer sports betting in the State. It also has the exclusive licence to operate pari-mutuel betting online in Connecticut, which it does under the MyWinners.com brand, and a general licence for pari-mutuel betting online across the wider USA under the 123Bet.com brand.

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Non-GAAP Reconciliation: Sportech Lotteries Adjusted EBITDA

(Unaudited) ***Figures in 000s of USD***	**2019A**	**LTM Jun '2021A**
Revenue	$ 4.8	$ 4.4
Operating Expenses	(1.2)	(1.3)
Management Fee[(1)]	(1.1)	(0.5)
Depreciation & Amortization	(0.2)	(0.5)
Withholding Taxes	(1.4)	(1.2)
Net Income	$ 0.9	$ 0.9
Plus: Management Fee	1.1	0.5
Plus: Depreciation & Amortization	0.2	0.5
Plus: Withholding Taxes	1.4	1.2
Adjusted EBITDA	$ 3.5	$ 3.1

Note: USD figures based on IFRS using the USD:DOP exchange rate of 57.05 as of December 31, 2021, which may not be the applicable exchange rate under GAAP.

[1] Fee charged for former parent company (Sportech PLC). Sportech Lotteries will no longer incur a parent company management fee upon closing of transaction.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures, including EBITDA and Adjusted EBITDA, to analyze our operating performance. We use these financial measures to manage our business on a day-to-day basis. We believe that these measures are also commonly used in our industry to measure performance. For these reasons, we believe that these non-GAAP financial measures provide expanded insight into our business, in addition to standard U.S. GAAP financial measures. There are no specific rules or regulations for defining and using non-GAAP financial measures, and as a result the measures we use may not be comparable to measures used by other companies, even if they have similar labels. The presentation of non-GAAP financial information should not be considered in isolation from, or as a substitute for, or superior to, financial information prepared and presented in accordance with U.S. GAAP. You should consider our non-GAAP financial measures in conjunction with our U.S. GAAP financial measures.

We define our non-GAAP financial measures as follows:

EBITDA is defined as net loss excluding depreciation and amortization, interest expense, interest income and income tax expense.

Adjusted EBITDA is defined as net loss excluding depreciation and amortization, interest expense, interest income and income tax expense, and other additional exclusions and adjustments. Such additional excluded amounts include stock-based compensation U.S. GAAP charges where the associated liability is expected to be settled in stock, and changes in the value of earnout liabilities and income and expenditure in relation to legacy portions of the business (being those portions where trading no longer occurs) including closed defined benefit pension schemes. Additional adjustments are made for items considered outside the normal course of business,

including (1) restructuring costs, which include charges attributable to employee severance, management changes, restructuring, dual running costs, costs related to facility closures and integration costs, (2) merger and acquisition costs and (3) gains or losses not in the ordinary course of business. This does not include any adjustments related to COVID-19.

We believe Adjusted EBITDA, when considered along with other performance measures, is a particularly useful performance measure, because it focuses on certain operating drivers of the business, including sales growth, operating costs, selling and administrative expense and other operating income and expense. We believe Adjusted EBITDA can provide a more complete understanding of our operating results and the trends to which we are subject, and an enhanced overall understanding of our financial performance and prospects for the future. Adjusted EBITDA is not intended to be a measure of liquidity or cash flows from operations or a measure comparable to net income or loss, because it does not take into account certain aspects of our operating performance (for example, it excludes non-recurring gains and losses which are not deemed to be a normal part of underlying business activities). Our use of Adjusted EBITDA may not be comparable to the use by other companies of similarly termed measures. Management compensates for these limitations by using Adjusted EBITDA as only one of several measures for evaluating our operating performance. In addition, capital expenditures, which affect depreciation and amortization, interest expense, and income tax benefit (expense), are evaluated separately by management.

Forward Looking Statements

This news release may contain "forward-looking statements" within the meaning of the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as "anticipate," "believe," "continue," "expect," "estimate," "plan," "will," "would" and "project" and other similar expressions that indicate future events or trends or are not statements of historical matters. These statements are based on Inspired's management's current expectations and beliefs, as well as a number of assumptions concerning future events.

Forward-looking statements are subject to known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside of Inspired's control and all of which could cause actual results to differ materially from the results discussed in the forward-looking statements. Accordingly, forward-looking statements should not be relied upon as representing Inspired's views as of any subsequent date, and Inspired does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as required by law. You are advised to review carefully the "Risk Factors" section of Inspired's annual report on Form 10-K for the fiscal year ended December 31, 2020, and in Inspired's subsequent quarterly reports on Form 10-Q, which are available, free of charge, on the U.S. Securities and Exchange Commission's website at www.sec.gov.

1 "Adjusted EBITDA" is a non-GAAP financial measure defined below under "Non-GAAP Financial Measures" and reconciled to the most directly comparable IFRS measures in the accompanying supplemental table.

SOURCE Inspired Entertainment, Inc.

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