SPRUCE POINT
CAPITAL MANAGEMENT

The Intertain Group Ltd. | TSE: IT

INVESTMENT RESEARCH REPORT

"All Bets Are Off"

RECOMMENDATION: *Strong Sell*

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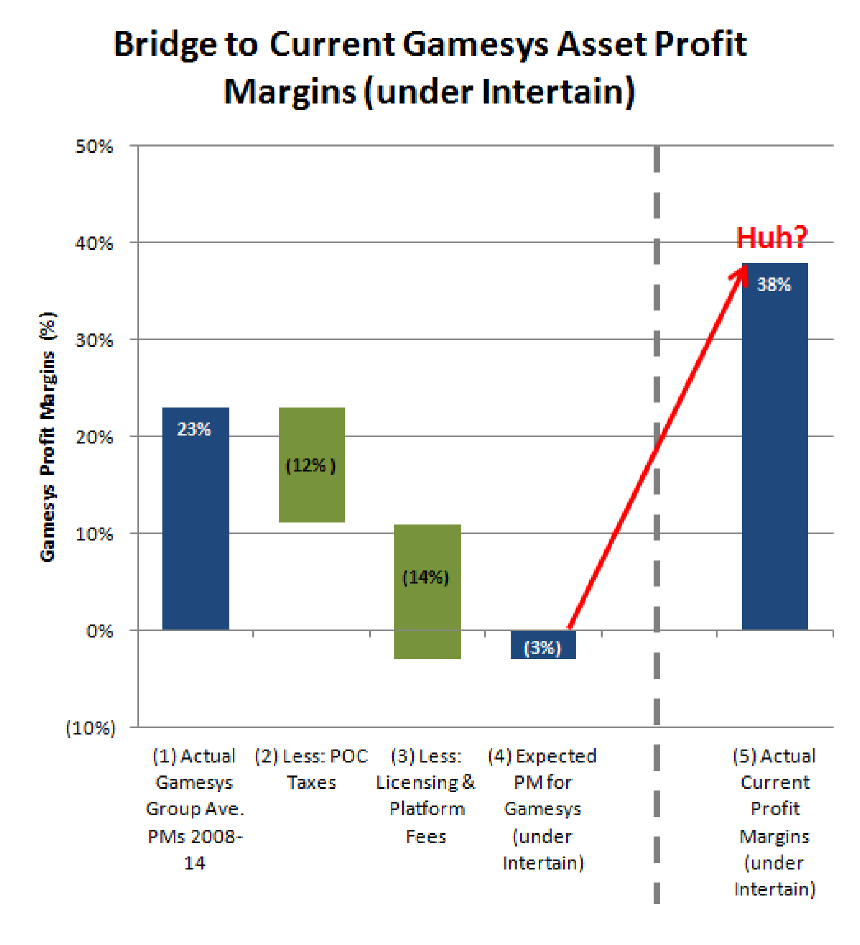
The Fundamental Reason Spruce Point Became Interested in Intertain

Margins generated by Intertain for the Gamesys Assets appears to be impossible; A Tail of Two Cities!



(1) Actual Gamesys Group Ave Profit Margins (PM) between 2008 and 2014 were 23%

(2) We have reduced Gamesys Group PMs for the POC taxes. Point of Consumption (POC) taxes are a newly implemented tax in the United Kingdom which became effective in December 2014 (15% of gaming revenue). They are approximately 12% as not all of Gamesys' revenue is derived from the UK (we have assumed 80% of the 15% POC tax)

(3) We have reduced Gamesys Group PMs for the new Licensing & Platform Fees. Licensing & Platform Fees are an expense which Intertain agreed to pay Gamesys as part of the acquisition and related agreements. They are approximately 13-15% of revenues (or ~C$50-C$60 million).

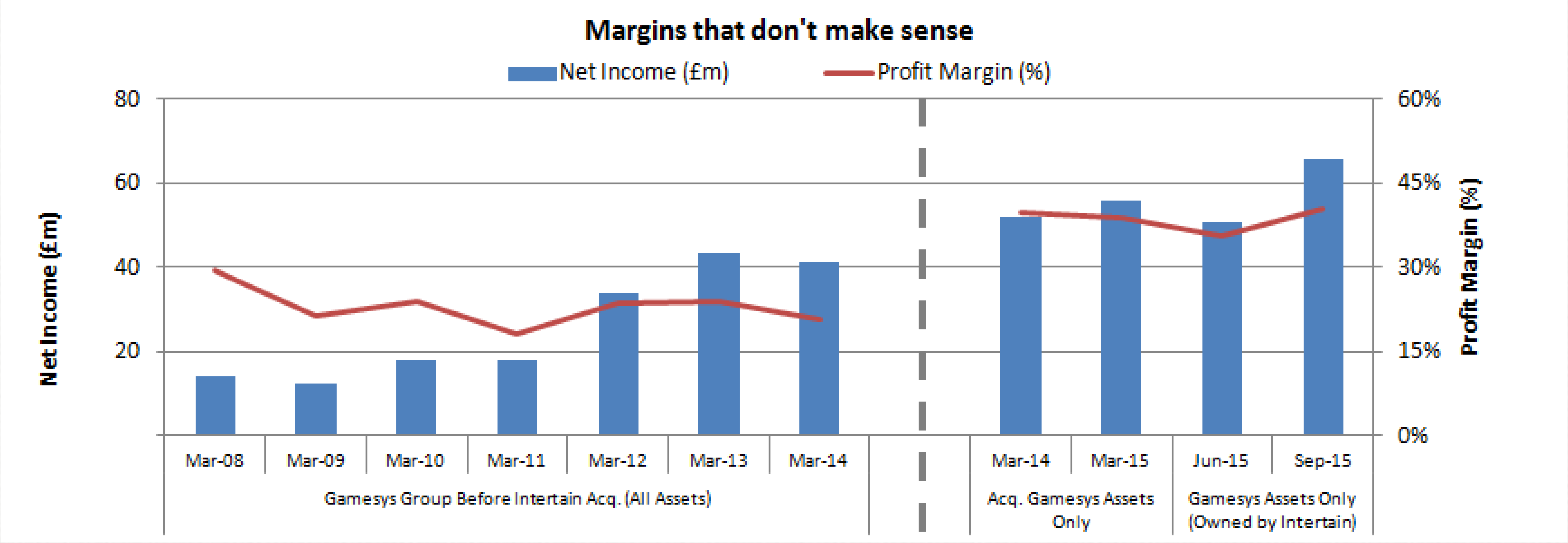
(4) The net result of (3%) profit margin is what would be expected under Intertain for Jackpotjoy (JPJ), Botemania and Starspins

(5) Intertain has however achieved PMs of 38% for the Gamesys assets purchased thus far (based on average of Q2 and Q3 2015) – the fact that (4) and (5) do not tie is highly suspect; the fact that there is a 41% discrepancy is just mind boggling

- Our diligence suggests that the assets not purchased from Gamesys were profitable so this would not assist in bridging the gap
- **The question arises…how are these margins possible with ~26% in friction costs between the POC tax implementation and new licensing fees?**
- An argument can be made that some of the licensing & platform fees replace G&A, but this delta does not solve the mystery

The Fundamental Reason Spruce Point Became Interested in Intertain (cont'd)

Put another way, margins achieved by Intertain do not appear possible for the combined entity based off a flagship Gamesys asset that almost never exceeded 25% profit margins



- Separately, the acquired Gamesys assets and Intertain have other issues which include:
  - Intertain and its shareholders celebrated a Q3 2015 financial results which provided by a top line beat, however, few realized that adjusted net income was down year-over-year across three out of four of Intertain's acquired entities
  - Jackpotjoy (Intertain's primary and flagship asset) player counts continue to appear to be in decline

Spruce Point Is Short Intertain (TSE: IT) For the Following Reasons:

1 **Intertain is Another Speculative Canadian Roll-Up, But in Our Opinion the Worst of its Kind**: Formed from Canadian shell companies, Intertain has completed four acquisitions, each of which has gotten larger and fed Intertain's 'growth at any cost' mentality which is likely to end in disappointment. Intertain's initial transaction was with Amaya Inc (a 2.7% owner), whom is currently being investigated (by FINRA) for insider trading (the largest investigation ever in Canadian history). Intertain acquired Amaya's InterCasino brands for C$70m. Amaya acquired these assets through its acquisition of Cryptologic (where Intertain's CEO was General Counsel). Our diligence suggests Cryptologic paid a 'nominal amount' for Malta's InterCasino gaming license. Our research closely explores Intertain's acquisitions and finds significant issues for a majority of the deals, notably the Gamesys acquisition (the largest acquisition to date – see below).

2 **Management Backgrounds Appear Checkered, Littered With Questionable Business Connections, History of Value Destruction**: John Kennedy FitzGerald (CEO) has ties to penny stock promoters and people who have run afoul of the law. Keith Laslop (CFO) also has ties to questionable individuals and was involved in the collapse of NYSE listed Gerova Financial (an SEC investigated company), an alleged Ponzi-like scheme. Darren Rennick (President, Bahamas) is featured in a book (Fatal System Error) that describes cyber crime, links to sophisticated gangs and stolen financial data. An undisclosed and contentious Management Incentive Plan (MIP) has already enriched the CEO/CFO with C$17m this year, not to mention its bankers (led by Canaccord) have earned upwards of C$127m in fees. We are concerned that Intertain could exist primarily as a vehicle that enriches insiders and advisors, while leaving shareholders left holding a collection of mature gaming assets, saddled with C$758m of debt and financial obligations, which could rise substantially from an increasing earn-out payment schedule. This is not the first time shareholders have been left holding the bag when FitzGerald, Laslop or others are involved.

3 **Management's Recent Acquisition of Gamesys Assets, is Heavily Promoted and Appears Fraught With Issues**: The transaction to acquire Gamesys brands (primarily Jackpotjoy ("JPJ")) requires a massive up-front fee (C$812m), ongoing licensing & platform fees (C$50-C$60m annually) and an earn-out which could be almost as big as the up-front fee (C$249-C$632m or up to 75% of up-front fee – per agreements reviewed by us). Intertain appears to have significantly overpaid; paying a control premium but receiving no control of the underlying assets – this agreement in our view resembles more of an operating lease than an outright purchase. Intertain has purchased a mature asset that appears to be in decline whilst leaving all growth assets and key Gamesys technology with the founders. **Management handily steers investors away from significant new costs like the 15% UK POC tax and licensing & gaming fees (which are ~13-15% of revenues). Despite these headwinds, Intertain has somehow nearly doubled Gamesys' historic margins.** Shortly after the completion of the acquisition, the driving force behind Gamesys' operations officially stepped away from his operating role, but awkwardly his replacement still heads up the Gamesys growth assets not acquired by Intertain.

4 **Industry Data Suggest the Bingo Market in the UK is in Decline**: Management promotes that bingo is a growth market and operations in regulated markets protect its cash flow. Yet, based on our extensive due diligence we find that Bingo trends in the UK (its core market) have been in decline in the last few years, JPJ trending data suggest it may not be a market leader (as they claim), and at worst could be losing share. Furthermore, regulated markets such as the UK have introduced new consumption taxes, with other countries likely to follow. In our view, regulation is a serious headwind which contrasts management's marketing spin, that it is beneficial.

Spruce Point Capital Management

Spruce Point Sees 45% – 70% Downside In Intertain's Shares

5 **Numerous Accounting, Financial Reporting and Disclosure Concerns:** After flipping through three auditors like pancakes, Intertain still can't seem to get its accounting, financial reporting and disclosures straight. Our biggest concern is that Intertain appears to have implemented a stealth change of revenue recognition policies from 'net' to 'gross', which artificially juices its reported revenue, while its margins have mysteriously expanded beyond our comprehension. We've identified multiple errors in its financials, along with financial legerdemain to boost its Adjusted EPS by not tax-adjusting add-backs (properly adjusted EPS in our view with tax effects would be down 50% from levels reported). The company boasts its businesses are doing well, but provides no Key Performance Indicators (KPIs) which are customary financial reporting metrics used in the gaming industry. Not surprisingly, Intertain's governance committee did not meet in 2014 (not even once).

6 **Q3 2015 Financial Results and Cash Management Appears Suspect**: Intertain boasted revenue growth during its Q3 2015 call, but failed to mention that adjusted net income was down across most business units. Shareholders were quick to identify the massive acquisition related fees in Q2 2015 forcing management to hold an investor call over its excessive incentive plans, but everyone seems to have missed the material licensing & platform fees being paid to Gamesys founders, not to mention the new POC taxes. Revenue growth boasted by Gamesys seems to be questionable, especially as marketing expenses appear to be low with industry pressures at an all time high. Contrary to popular belief, Intertain appears to have cash flow issues through the first few quarters right after purchasing the Gamesys assets. Intertain stated that its operating cash flows are being set aside for the company's massive earn-outs, but this doesn't appear to be the case. Nearly all cash generated this year is being used to serve interest costs, mandatory debt repayment, and a buyback put in place in response to shareholder outrage from the excessive management compensation and governance breakdown. Intertain delayed paying its interest expense from Q2 2015 until Q3.

7 **Debt Load and Weight of the Acquisition Earn-outs Could Crush Intertain**: Intertain's debt-funded acquisition spree and earn-outs have pressured its balance sheet, which has little tangible asset value and C$1.4bn of goodwill and intangibles (>85% of EV). By our estimate, Adj. Debt to EBITDA is approximately 5.8x; however, with the Gamesys earn-out alone having the potential to reach up to C$632m, Intertain will have to show investors that its assets have the cash flow sustainability to delever and fund obligations, particularly as **key service agreement costs are set to increase by 25%** in the future.

8 **Valuation Disconnect**: By adjusting Intertain's enterprise value for enormous earn-outs and properly tax-adjusting its Net Income, we find that it trades at a rich EBITDA and EPS multiple compared with industry peers. Management claims that its stock is undervalued and it may be subject to a predatory buyer...nonsense! The implementation of the POC tax and new costs related to licensing & platform fees take a significant chunk out of its valuation. Given our grave concerns about management's history, various accounting and financial reporting inconsistencies, and the mountain of debt placed on its largely intangible asset base, we see 45-70% downside in its share price. **Intertain is highly likely to roll snake eyes.**

Brief Overview of Intertain

Intertain Group: A Motley Collection of Questionable Acquisitions

InterCasino

Date Announced: Feb 11, 2014
Date Closed: Feb 2014
Estimated Employees: 15
Ann. Acquisition Price: C$70M
Transaction Multiple(1): >125x LTM EBITDA
Estimated Fees to Bankers(2): C$4M
Principal Business: oldest online casino brands in the market
Brands: InterCasino, InterPoker
Ownership history: Amaya/CryptoLogic

Mandalay Media (Mandalay)

Date Announced: Jun 4, 2014
Date Closed: Jul 14, 2014
Estimated Employees: 17
Ann. Acquisition Price: C$82M
Max Earn-out: £15M (or C$30M)
Transaction Multiple(1): 13.5x LTM EBITDA
Fees to Mgmt: $2M
Estimated Fees to Bankers(2): C$5M
Principal Business: owns bingo websites in the UK
Brands: Costa Bingo, Sing Bingo, City Bingo, Fancy Bingo and Rio Bingo

Vera&John (V&J)

Date Announced: Oct 9, 2014
Date Closed: Dec 23, 2014
Estimated Employees: 103
Ann. Acquisition Price: C$115M
Max Earn-out: €8M (or C$12M) tied to EBITDA
Transaction Multiple(1): 10.3x LTM EBITDA
Fees to Mgmt: C$3M
Principal Business: online casino
Brands: Vera&John, Vera&Juan and Vera&John Social

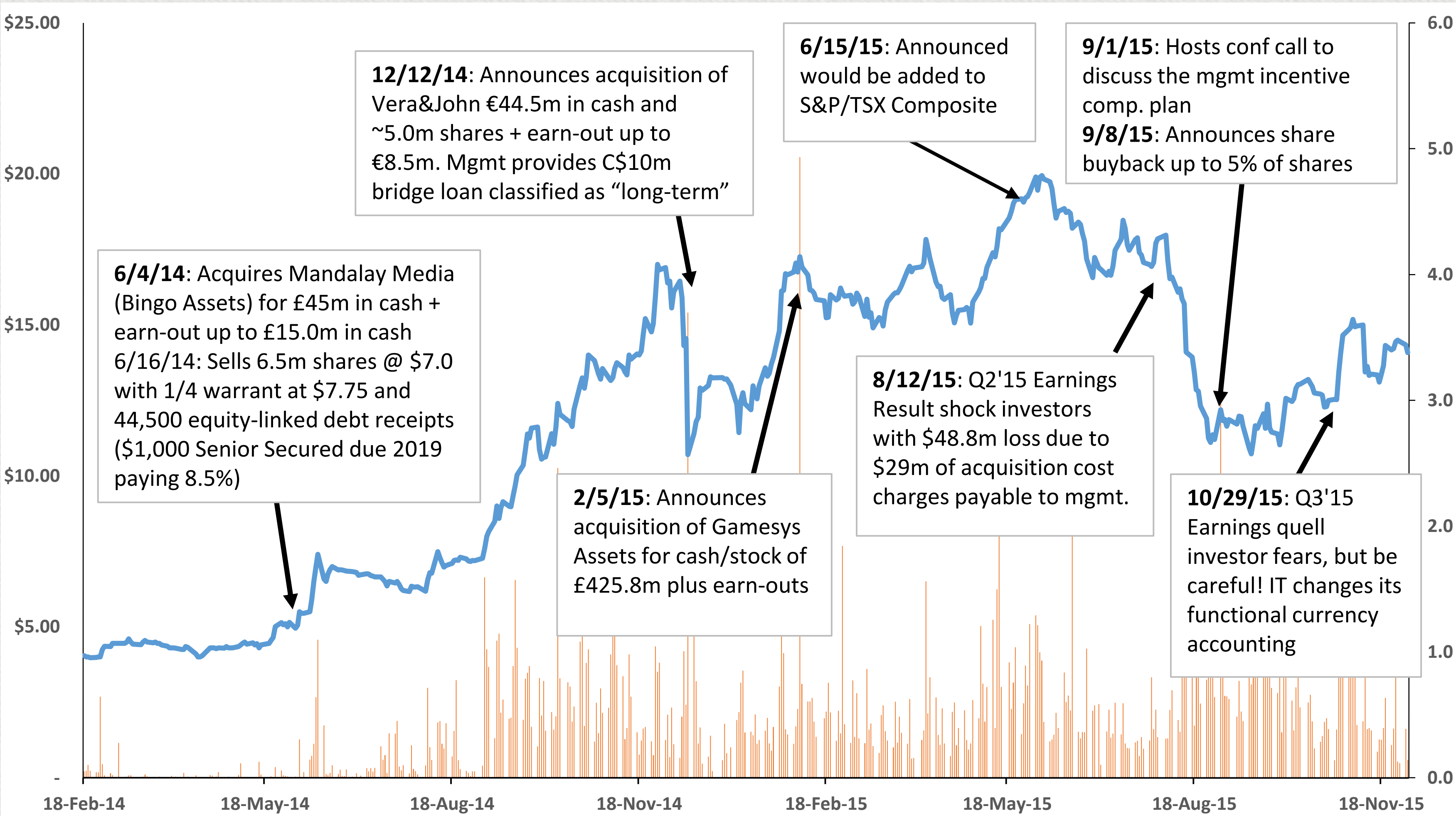
Gamesys Assets

Date Announced: Feb 5, 2015
Date Closed: Apr 8, 2015
Estimated Employees: 250
Ann. Acquisition Price: C$812M
Earn-out Range: C$248-630M
Transaction Multiple(1)(3): 13.7x LTM EBITDA
Fees to Mgmt: C$17M
Estimated Fees to Bankers(2): C$40M+
Principal Business: owns bingo website in the UK
Brands: Jackpotjoy (JPJ), Botemania, Starspins

(1) Reflect acquisition multiples inclusive of earn-out; Mandalay and V&J contemplate maximum earn-out where Gamesys contemplates midpoint of range C248-630M range
(2) Canaccord represents the lion share of the fees paid to bankers; Fees do not include M&A related fees
(3) Transaction multiple is adjusted for estimated POC tax of 15% of revenues (assuming 80% of rev from UK); Announced transaction multiple for Gamesys does not include the PV of the licensing & platform fees which would increase the multiple to over 18x
Note: Announced Acquisition Prices above do not include earn-out figures or ongoing fees in relation to acquisition

Intertain Price History and Key Events

Figures in C$ unless otherwise noted



Spruce Point Capital Management

Capital Structure and Valuation

Intertain's Capital Structure, Valuation and Leverage Needs To Adjust For Earn-Out Obligations

C$ in millions, except per share amounts

Intertain Stock Price	$12.30
Shares outstanding	72.4
(+) warrants, net	1.1
(+) options, net	0.5
(-) est. share repurchases	(2.5)
Diluted Shares Outstanding	71.4
Market Capitalization	**$878.1**
Total Financial Debt	$419.8
Earn-out Obligations	$332.9
Convertible Debt	$15.7
Take-back Loan	$5.5
Total Financial Obligations	**$774.0**
Less: Cash (1)	($68.5)
Enterprise Value (EV)	**$1,583.6**

	FY Ended 12/31		
Valuation Metrics	**LTM 9/30**	**2015E**	**2016E**
EV / Sales	6.3x	4.3x	3.4x
EV / Adj. EBITDA	17.5x	12.5x	8.9x
Price / Adj. EPS (Per IT)	10.2x	7.9x	6.4x
Price / Adj. EPS (Spruce Adj)	19.4x	15.8x	12.8x
Credit Metrics			
Adj. Debt / Adj. EBITDA	8.5x	5.8x	3.8x
Adj. EBITDA / Cash Interest Expense	5.7x	6.9x	8.4x

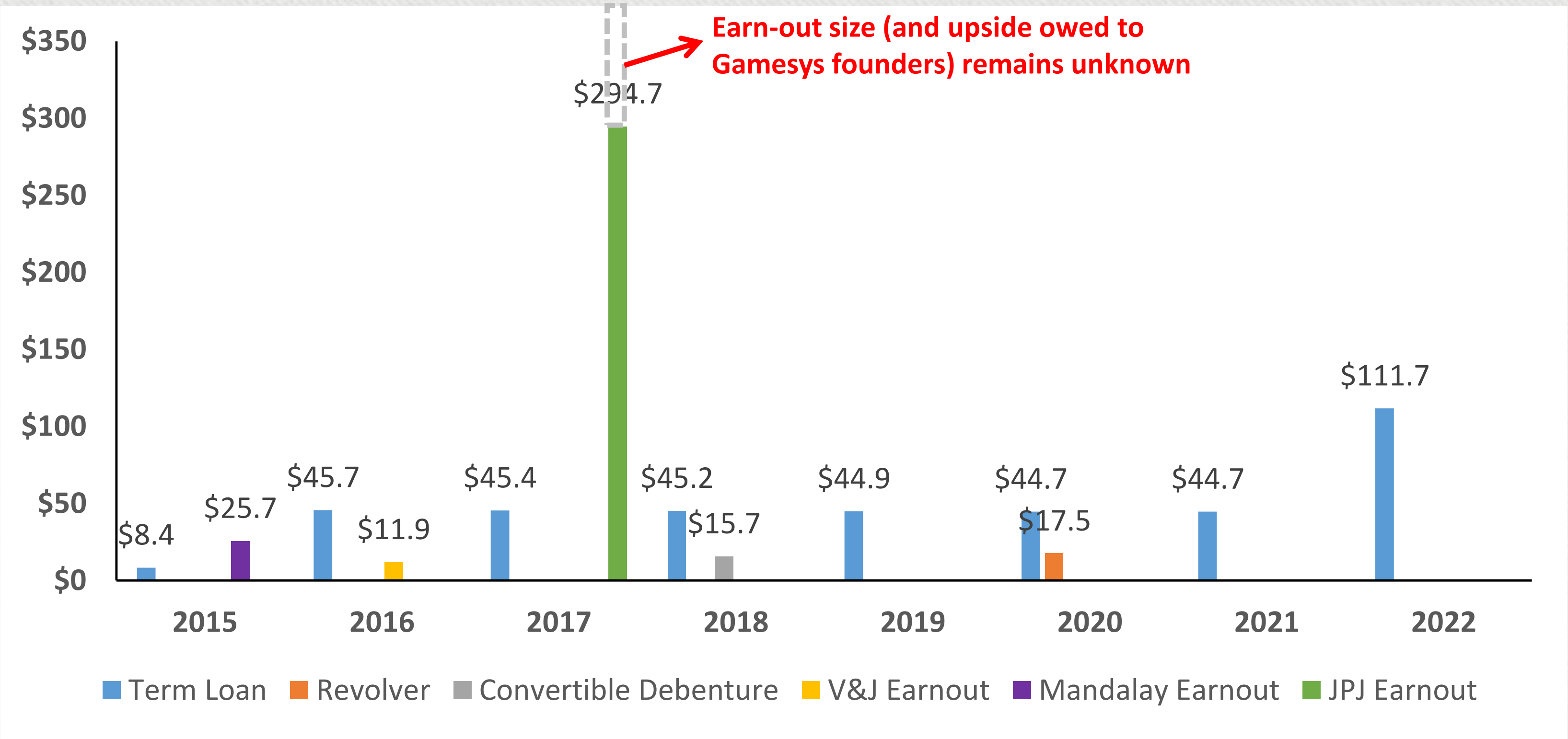
(1) Pro forma cash is $94.5m less $30.5m used for repurchases. Includes $10.1m of restricted cash
Note: Estimates based on average analyst research estimates and Spruce Point estimates.

Spruce Point Capital Management

Intertain's Financial Obligation Maturity Profile

Intertain's Debt Maturity Profile – Uncertainties and Potential Cash Shortfalls Tied to Jackpotjoy Earn-outs

C$ in millions



Note: 1) Revolver is undrawn, but matures in 2017. 2) US$ Term loan amortizes 10% per year; converted to C$ at forward rates. 3) Jackpotjoy (JPJ) and associated earn-outs mature at various periods over 5yrs. For simplicity, on avg we show the amount due mid period.

A Pillar of Investment Analysis is To Critically Analyze Management and Corporate Governance

Intertain's CEO: JKF <u>Not</u> JFK

A central tenant of good investment analysis requires a detailed assessment of the CEO, his background, and history of value creation (or destruction). Academics have rigorously studied the topic of CEO narcissism (source, source 2) and how damaging it can be to a company's success. It is worth considering that the second page of Intertain's 2014 Annual Report prominently features its CEO John Kennedy FitzGerald (not to be confused with John Fitzgerald Kennedy) In the following slides, we detail the background of Intertain's CEO and supporting cast and believe investors should be cautioned

2014 Annual Report (2nd Page) Prominently Features the CEO John Kennedy FitzGerald

Do Not Confuse Intertain's CEO with John Fitzgerald Kennedy, the Respectable U.S. President

John Kennedy FitzGerald, CEO

John FitzGerald has a questionable background who is unlikely to drive shareholder value creation at Intertain

- FitzGerald has connections to penny stock promoters and individuals who have run afoul of the law
- Ironically, FitzGerald is a lawyer by background and training, but does not appear to be a lawyer in good standing. According to our search at the Law Society of Upper Canada website (see next slide), his license has been "surrendered" –he is no longer permitted to practice law
- FitzGerald was previously involved in raising financing for WG Limited (another gaming company)
  - He *"introduced them to three of the defendants who had expressed an interest in investing in the Platform – William Fielding, Barry Alter and Phil Gurian"* (source), the case claims that FitzGerald mislead WG Limited (where FitzGerald and various others were sued for duping shareholders)
  - *"FitzGerald would receive a fee of 2% of the equity taken from the plaintiffs' shares"* – FitzGerald appears to use a similar strategy for Intertain where he collects a 2% fee for arranging M&A deals
  - It is notable that John Fielding, an Intertain director was also named as a defendant in this lawsuit – an initial sign of a cast of characters that keeps resurfacing together
- In February 2012, FitzGerald and Alter were plaintiffs in a lawsuit against Dwayne Bigelow
- A review some of FitzGerald's network noted above:
  - Barry Alter: previously involved with penny stocks like HIET (HiEnergy Technologies) which destroyed shareholder value (source)
  - Phil Gurian: (aka "Florida Phil"): previously sentenced to jail for running an illegal gambling ring and *"sometimes manipulating betting lines established in Las Vegas"*; the judgement against him was for $150 million; (source, source 2)
  - Dwayne Bigelow: April 22, 2015 Dwayne Bigelow Charged In $9 Million "Pump And Dump" Stock Fraud Scheme tied to Emerging World Pharma, Inc. ("EWPI"), SMC Entertainment, Inc. ("SMCE"), and Sierra Resources Group, Inc. ("SIRG") (source)
- During the Q3 2015 Intertain earnings call, FitzGerald states *"This is our first public company"* - this statement does not appear to be accurate
  - FitzGerald was previously General Counsel at CryptoLogic which was publicly listed in Canada, the US and UK
  - Laslop (CFO) was previously a COO of Gerova Financial, another publicly listed company which will be discussed shortly
- John FitzGerald's wife works at Cassels Brock (source), which is Intertain's laws firm
  - Although she does not do Intertain's legal work, she has done legal work for Canaccord (Intertain's banker) involving assets of Amaya (Intertain shareholder) and Crytologic (the CEO's previous company) (source)

FitzGerald Surrenders License

- Definition of Licence Surrendered: *A former lawyer who has surrendered their licence with the Law Society and who is no longer permitted by the Law Society to practise law.*

The Law Society of Upper Canada | Barreau du Haut-Canada

Lawyer and Paralegal Directory

Search Results

The information in this directory was prepared end of day, Thursday, December 10, 2015.

Please see this important notice for information about the frequency of updates and the content of this directory.

Click on the name of the lawyer or paralegal to view information including contact information, and discipline history, trusteeship and practice restriction information, if applicable.

Each listing includes the practising status of the lawyer or paralegal. See status definitions for more information.

New Search Total records returned for this search: 2

Full Name	Licence Type	City	Postal Code	Status Definitions	Main Area(s) of Law/Legal Services Descriptions
John Kennedy Fitzgerald	Lawyer			Licence Surrendered	
Patrick John Fitzgerald	Lawyer	Ottawa		Retired from the Practice of Law	

Source: *The Law Society of Upper Canada*

Forensic Clues Into Managerial Behavior

Q2'15 earnings results released Aug 12th stunned investors with a massive loss from a shocking C$29m of recognized acquisition costs. The CEO appeared on BNN to explain the quarter. We conducted a behavioral analysis of the interview for clues and insights and believe investors should pay close attention to the following points.

Intertain CEO: Q2 miss a matter of spending money to make money

Note: Managerial view on spending philosophy. We will fully explore this during our investment analysis

Note: CEO makes irregular eye contact with the reporter. Researchers study eye contact for clues about the truthfulness of a speaker

Note: Background Cannacord promotion. We'll delve Into this connection later

Note: CEO does not thank the reporter for the interview opportunity appearance

Note: Casual clothing attire for a critical interview appearance following a disappointing quarter could suggest flippant attitude toward shareholders

Source: BNN Interview, 8/12/15

Intertain's CFO: Keith Laslop

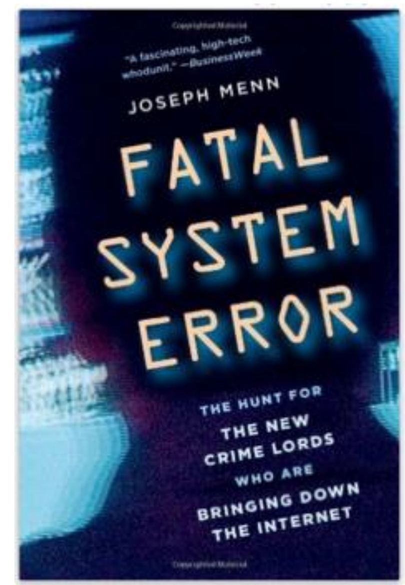
Laslop's current biography omits his role as COO and Director at Gerova, an NYSE listed that collapsed which had ties to Westmoore Capital, an alleged $53m Ponzi-like Scheme.[1]

- Laslop was previously and intimately involved in what appears to be an elaborate Ponzi-like scheme where shareholders lost significant sums of money at Gerova Financial (source, source 2, source 3, source 4)
  - Laslop was director of Rineon Group[(1)] and former Gerova COO (it is noted that this has been omitted in Intertain's current bio for him) – he was sued for fraud by way of a ponzi scheme whereby Laslop and associates assigned Gerova's real estate to an uncontrolled entity thereby creating shareholder losses at the benefit of related parties (which should have been disclosed)
  - Gerova, like Intertain, was created out of a shell company
  - At this entity, Laslop was associated with various questionable individuals who had been sanctioned, sued or shut-down by regulators including Jason Galanis (once known as the "New King of Porn"), Matthew Jennings (barred by FINRA) and Westmoore Capital (alleged Ponzi-like fraudulent scheme raising $53m)
    - **On Sep 24, 2015, the SEC announced charges against most of Laslop counterparts including Jason Galanis for the Gerova Scheme with maximum penalties of 20 years in prison:**
    - *Manhattan U.S. Attorney Preet Bharara said: "As alleged, Jason Galanis and his co-conspirators used their Wall Street credentials and the veneer of a legitimate-sounding financial firm to manipulate the market and fleece investors. Their alleged market manipulation brought them nearly $20 million in profits, but now also a federal indictment."*
  - **Are the SEC and FBI done with there charges on this matter? How come Laslop was not charged as a board member and COO? Is there any chance he was not tried because he cooperated with investigations?**
- Mr. Laslop's bio indicates he was CFO, then President, of Prolexic Technologies (2004-2008) a Distributed Denial of Service migration provider
  - In Nov 2006, New York authorities issued a 33-count indictment, where Prolexic was named, regarding an illegal online gambling operation – at the time, Laslop was Prolexic's President (source)
  - In Mar 2007, Prolexic, once again related to an illegal gambling ring, were charged as a result of association with corruption and money laundering
  - After approximately four years at the company, it was acquired for $11M (source) – likely a poor result for its shareholders

(1) Gerova purchased the Rineon Group; Laslop was director of Rineon Group at the time; Gerova purchased Rineon Group without disclosing Laslop's position. Intertain discloses Laslop's position with Gerova in the Aumento Capital II Prospectus on 2/4/14, but recent biographical references (eg. Corporate Investor Presentation, Autumn 2015) omit his Gerova position.

President, Intertain Bahamas: Meet Mr. Darren Rennick

Rennick was noted in the book "Fatal System Error".
His association with CFO Keith Laslop was also mentioned in the book.



Available on Amazon and Google Books

- Darren Rennick is currently President of Intertain Bahamas and former CEO of Prolexic Technologies alongside CFO Laslop
  - **Rennick appears to be integral to Intertain's success as he is the one person elected to the Governance committee for the Gamesys assets – in this role, he monitors and works with Intertain's largest investment and asset**
  - Oddly, Rennick appears to be located in the Bahamas and with Gamesys in the UK –it would appear that he is not optimally suited to be in this governance role, even before a review of his dubious background
- Rennick is famous! His escapades are documented in the book "Fatal System Error," which is described as a *true-life tale of how US mobsters and Russian gangsters have exploited the Internet and the Web over the past decade to rake in the money* (source)
  - Page 68 of Fatal System Error: ***"For the company's chief financial officer, he picked an old friend, Keith Laslop, whose brother had been Darren's roommate at a Canadian college. In addition, Laslop's father had worked at Darren's old companies, including BetonSports"***
- Rennick was also Director and Executive VP of Fund.com starting Sep 2007
  - Fund.com lost 99% of its value by Apr 2011 (source) and had links to Jason Galanis, the same Galanis that was involved with the Gerova Ponzi-like scheme. Laslop was also a director at Fund.com
  - *"This is the Jason Galanis behind Fund.com"* (source), his theatrical background includes:
    - He is son of John Peter Galanis, the California con artist who defrauded Eddie Murphy and Sammy Davis Jr and inevitably drew prison time for a $400M ponzi scheme
    - Jason was once arrested, but not charged or prosecuted in a drug-dealing case
    - He was barred by SEC from serving as officer/director of a public company for 5 years for *"knowingly and recklessly preparing false financial statements for Penthouse International"* (source)
- Rennick was director, president and co-founder of IQ-Ludorum plc (source)
  - It appears he left IQ for another company which was later sued by IQ for stealing code for running casino games (page 42)

Analysis of Intertain's Board Members

A well functioning Board brings oversight to management, and a diverse group of people with the skills and experience to serve shareholder creation. Intertain's Board is less than perfect!

Board Member	Commentary
Brent Choi	• Has a long and tenured history of involvement in creative, marketing and ad work – JWT Canada (a brand agency where Choi worked) though may have been conflicted given he received $42k of fees in 2014 from Intertain (source)
David Danziger	• Been involved in Cease Trade Order (CTO) at Fareport Capital in 2005 as a result of failure to file financials • Was Director at Hedman Resources when 2 CTO's ordered between Jan 2002 to Mar 2006; Hedman also had trading suspended for investigation of management during this time • Previously director of troubled retail branded fashion apparel, American Apparel (OTC:APPCQ) where stock fell over 75% from highs over his tenure there • Served as Chairman of Renforth Resources Inc (CNQ:RFR) which fell over 90% during his time there • Served as Chairman of Hedford Resources – now delisted • He has also served on the board of Richview Resources, Carpathian and others that appear to have yielded losses for shareholders (source)
Stan Dunford*	• Has been involved with various entrepreneurial endeavors
John Fielding*	• Insider trading allegation and related party issues (source)
John K. FitzGerald	• Connections to penny stock promoters and potential connections those who have run afoul of the law. Refer to slide
Noel Hayden	• Well respected in the online gambling industry • Removed from involvement in Gamesys operation shortly after Intertain closed acquisition of Gamesys assets • Recipient of a massive potential earn-out in the range of C$249-C$632 million
Paul Pathak	• Former director of VoiceIQ from Apr 2002 to Dec 2004; this company was restructured • Chitiz Pathak LLP represented Intertain for both its qualifying transaction and bought deal in Feb 2014 and Jul 2014 respectively - Chitiz Pathak LLP was paid C$1.2 million in legal fees for services during 2014 from Intertain (source) • Pathak was also a director of Renforth Resources and Eurotin with Danziger; he was also involved with Fareport at the same time as Danziger
Mark Redmond*	• Mark has a solid career with time spent as CEO of SiriuxXM and 17 years at Thomson. He is currently director and most recently, its stock is down ~50% since Dec 2013 highs.

- The company's audit committee (*) is made up of Stan Dunford, John Fielding and Mark Redmond, none of whom appear to have any real background in audit, accounting or finance
  - Stan Dunford is the CEO of a transportation company and has an entrepreneurial background
  - Mark Redmond is CEO of SiriusXM Canada
  - John Fielding has a background in technology, horse racing and merchandising

A Lapse In Governance…

A Governance Committee that governs least, governs best?
The Intertain Governance Committee had no meetings during fiscal year 2014

ATTENDANCE RECORD

The following table displays the number of formal Board and committee meetings held during the fiscal year ended December 31, 2014, as well as the attendance by each director:

NAME	BOARD MEETINGS ATTENDED ($)	COMPENSATION AUDIT COMMITTEE MEETINGS ATTENDED ($)	COMMITTEE & COMMITTEE MEETINGS ATTENDED	GOVERNANCE NOMINATING COMMITTEE MEETINGS ATTENDED (1)
Brent Choi	11 of 12	N/A	1 of 1	0 of 0
David Danziger	9 of 12	N/A	1 of 1	N/A
Stan Dunford	9 of 12	2 of 3	N/A	N/A
John Fielding	11 of 12	3 of 3	1 of 1	N/A
John Kennedy FitzGerald	12 of 12	N/A	N/A	N/A
Paul Pathak	11 of 12	N/A	N/A	0 of 0
Mark Redmond	12 of 12	3 of 3	N/A	0 of 0

NOTE:

(1) WHILE THERE WERE NO FORMAL MEETINGS OF THE CORPORATE GOVERNANCE & NOMINATING COMMITTEE, INFORMAL MEETINGS DID OCCUR TO REVIEW AND APPROVE THE BOARD MANDATE AND POLICIES.

Source: Intertain Notice of Annual and Special Meeting of Shareholders and Management Information Circular (page 30), May 20, 2015

Grotesque Management Incentive Plan (MIP) Compensation and Shareholder Revolt

Governance issues are rampant at Intertain. It appears management put its self-interest in compensating itself ahead of its shareholders in a grotesque manner.

- On August 12, 2015 Intertain reported its Q2 2015 financial results
  - Within its financial statements, a gaping hole burned brightly with acquisition related costs for the quarter coming in at C$29.1m and C$53.4m for the first half of the year
  - This represented over 6% of the cost of the Gamesys assets acquisition
- Shareholder's reacted fiercely to the C$48.8m quarterly loss by sending shares from approx. C$16 to the C$11 range by month's end
- On Sep 1, 2015: Intertain had a conference call to explain the recent swirling rumors of an excessive management incentive plan (we dissect some of the issues in the Appendix)
- The previously undisclosed management incentive plan allowed the CEO and CFO to collect fat bonuses tied to acquisitions:
  - *The MIP bonus pool is equal to 2% of the value of each transaction successfully completed by the Company*
  - *That amount is modified by the increase or decrease in market price for the common shares from the date the transaction is publicly announced to the date the transaction closes*
  - *Management receives 25% in cash and the balance, at the discretion of the Board, in phantom equity units, to ensure that future shareholder returns are aligned with future realized value of the compensation, or cash*
- **FitzGerald appears to have taken a page out of his old playbook at WG Limited where he created an arrangement whereby shareholders paid him 2% for funds raised, receiving in excess of C$13m for himself**
- The accompanying press release states that:

> *"The MIP was established to serve the interests of both Intertain and investors, generating substantial reinvestments in the Company, rewarding management for growth and acquisition performance, and contributing to a substantial increase in shareholder value."*

- **Earning a fee tied to a short-term stock price reaction is an aggressive, non-standard, and myopic way to judge management on the success or failure of long-term valuation creation**
- Management, has tried to claim that CEO FitzGerald and CFO Laslop have invested more in Intertain than they have received in after-tax compensation. We have attempted, but failed, to reconcile this statement in the Appendix, and conclude it appears to be inaccurate

Dissecting Intertain's Roll-up Story: From Reverse Merger, to Bank- Rolled Juggernaut

Nipping in the Bud the Intertain Canadian Roll-up Before It Grows Out of Hand

Recent Canadian Roll-up "Stories" Under Short-Seller Scrutiny: Roll-up or Throw-up?

Figures in US$ millions

Company	Exchange/ Ticker	Enterprise Value	Debt Outstanding	# of Acquisitions	Criticism
Valeant Pharmaceuticals	TSE / NYSE: VRX	$70,007	$30,883	50+	Accounting issues, end markets in secular decline, questionable organic growth, insiders sales, undisclosed distributors
DH Corp	TSE: DH	$3,884	$1,517	7	Accounting red flags betray a negative organic growth rate. Large pattern of insider selling. Recent acquisition has serious regulatory problems
Nobilis Health	TSE: NHC AMEX: HLTH	$192	$24	7	Accounting issues, overvalued, insider selling, questionable management history and organic growth
Amaya Inc.	TSE:AYA Nasdaq:AYA	$5,498	$3,043	7	Accounting issues, poor management, poker business lagging, casino growth questionable
Intertain	TSE: IT	$1,273	$690	4	Accounting issues, overvalued, questionable management history, difficult to understand margins

Source: Public information

SPRUCE POINT CAPITAL MANAGEMENT

Intertain's Early Days As Shell Co, Reverse Merger, and Backdoor IPO

Intertain was formed as an amalgamation of Goldstar and Aumento Capital Corp. Goldstar would acquire CryptoLogic's old Malta assets (InterCasino brands) with the support of a C$65m capital raise

- According to an SEC Form D filing, Goldstar Acquisitionco Inc. ("Goldstar") was formed in 2013 and approximately US$ 1 million of capital was raised. Laslop and FitzGerald where named as related officers and directors of Goldstar
    - A prospectus filed at SEDAR on Feb 4, 2014 for Aumento Capital Capital II Corp (to be renamed Intertain Group Ltd.) would later reveal that Laslop, FitzGerald, and Rennick owned 68% of Goldstar
- On Oct 21, 2013 Aumento Capital II Corp. announces proposed transaction with Goldstar and a Subsidiary of Amaya Gaming Group Inc. ("Amaya")
    - All of the issued and outstanding securities of Goldstar will be exchanged for securities of Aumento (the Amalgamation)
    - Immediately preceding the Amalgamation, Goldstar completed the purchase from a subsidiary of Amaya all of the outstanding shares of online casino operator WagerLogic Malta Holdings Ltd. ("WagerLogic") for cash consideration of C$70 million
    - The Share Purchase includes an earn-out agreement pursuant to which the vendor thereunder may receive additional cash consideration payable on the second and third anniversary date from Closing based on the achievement of certain revenue targets, as well as a minimum revenue guarantee agreement pursuant to which the vendor, in the first two years following the Closing, may pay Goldstar cash consideration if certain revenue targets, approximately in line with recent audited revenues, are not achieved.
    - Following closing, subsidiaries of Amaya would continue to supply WagerLogic with software, services and content to power its online casino operations, pursuant to a services agreement.
- Aumento Capital II had limited capital, so funds were later raised. On Dec 19, 2013 Aumento announced the closing of a private placement by Goldstar which sold 11.625m Unit Subscription Receipts at $4.00 per unit and 17,500 Debentures at $1,000 to raise C$64.5m. With the capital raised, along with a C$10.0m take back promissory note, the shares of online casino operator WagerLogic Malta Holdings Ltd were acquired

SPRUCE POINT CAPITAL MANAGEMENT

Every Good Roll-up Needs a Banker and Stock Promotion To Bankroll It!

Canaccord has been an early supporter of Intertain; how is this possible given they are also Intertain's advisor?

- The earliest references and ties of Canaccord to Intertain date back to the company's formation- Canaccord owned 12%

The Resulting Issuer

To the knowledge of management of the Resulting Issuer, the following persons will beneficially own, or control or direct, directly or indirectly, 10% or more of the issued and outstanding Common Shares immediately following Closing:

Name	Type of Ownership	Number of Common Shares	Percentage of Outstanding Common Shares after Closing of Proposed Qualifying Transaction and the Financing
Canaccord Genuity Corp.	Registered and Beneficial	1,687,844	12.41%

Source: Aumento Capital II Corp Prospectus, page 79, SEDAR

- Canaccord even tweets about its darling:

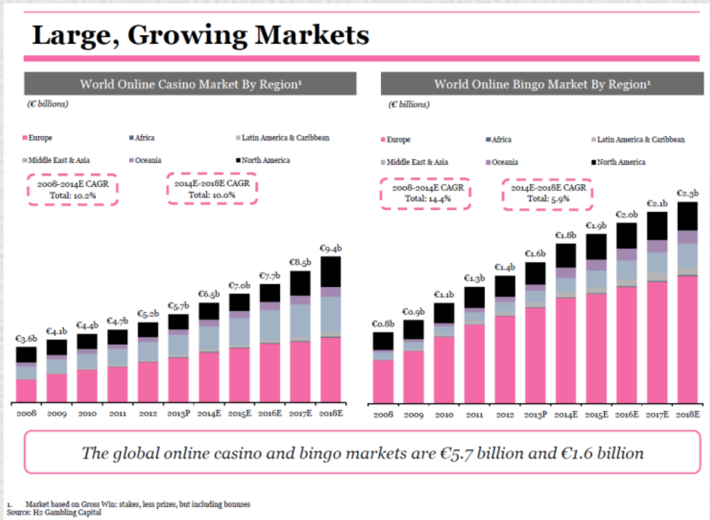
Source: Twitter

Source: Twitter
Note: Daviau is the CEO of Canaccord

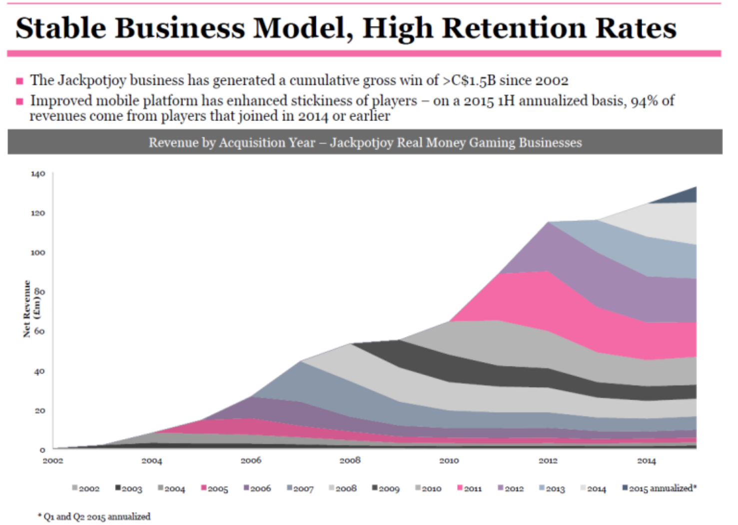
Dissecting Intertain's Investment Pitch

Key Intertain Investor Presentation Pitch Slides

Bingo Is a Growth Story



We Have Stable Cash Flow to Lever Up!



Spruce Point's Observations and Potential Concerns For Investors

- Intertain presents global bingo as large and growing, but the reality its that over 70% of current revenues come from the UK, a mature/declining market
- Expansion into other markets is fraught with risk, not to mention other incumbent competitors, legal, regulatory, and other factors
- Management has shown it is capable of paying for growth via acquisitions, but not enough time has passed to evaluate its ability to grow and expand organically – initial signs are not good

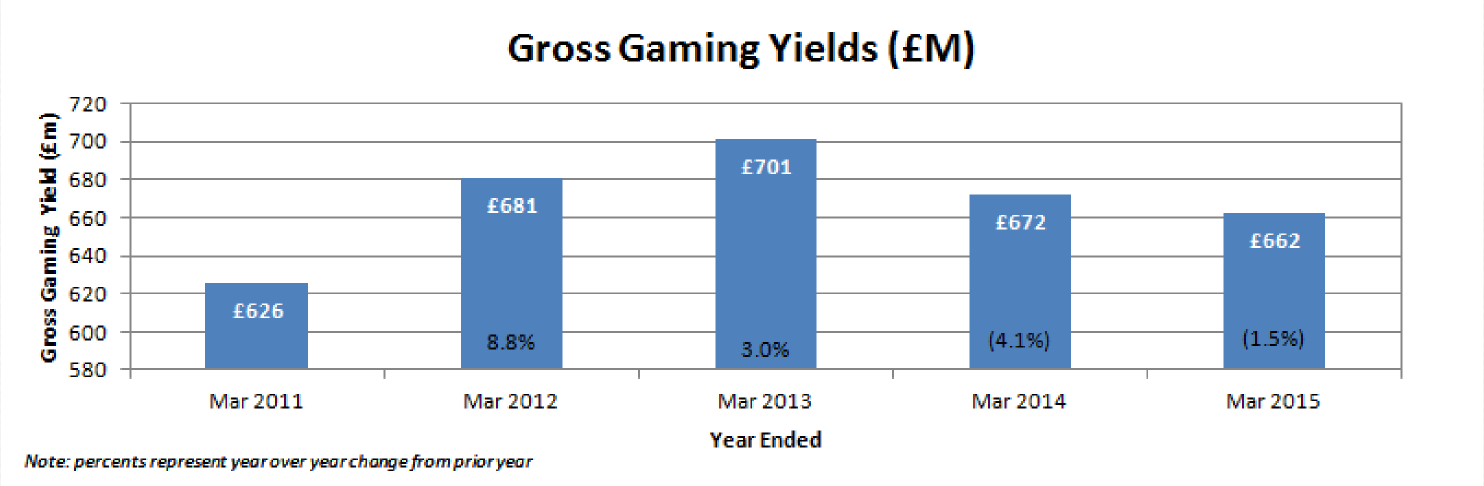
- Intertain presents this slide with the implication being that its overall business is stable, and thus capable of support debt to expand
- The reality is that Intertain does not provide regular KPI (key performance metrics) to allow investors to assess underlying business performance.
- Cash flow may not be as robust as suggested: Cumulative operating cash flow since inception (of Intertain) is just C$12m

Source: Intertain Autumn 2015 Investor Presentation

Rebuttal: Slowing Bingo Market Size Illustrated by Foxy Bingo Data Slowdown

With U.K. bingo clearly in decline and Foxy Bingo, a competitor, also feeling the effects, how has Intertain's key U.K. asset Jackpotjoy posted growth in Q3 2015?

- Bingo industry in UK is in decline dropping 4% and 2% over the prior two years (respectively)



Source

- The market has illustrated excitement about an Intertain acquisition of the FoxyBingo asset from GVC
  - Problem is the assets are in decline and performance has deteriorated; just another sign that the industry is in decline
  - However, Intertain may need to acquire this asset to continue its roll-up strategy and hide the potential cracks that are beginning to surface in Intertain's acquired assets

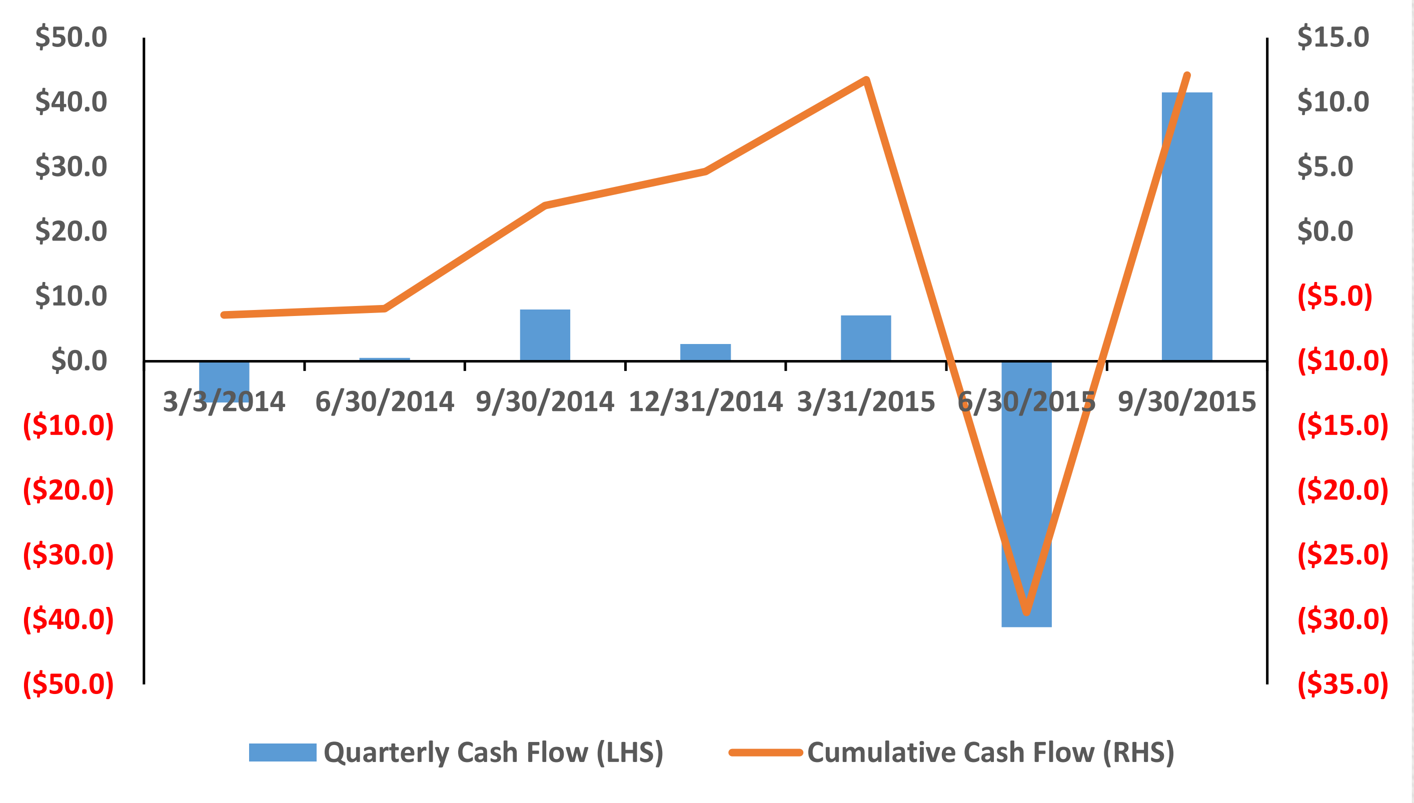
Bwin Party Bingo (Foxy Bingo)						
(€ millions unless otherwise noted)	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Revenue		72.4	64.6	64.3	53.1	51.9
% growth			*(10.8%)*	*(0.5%)*	*(17.4%)*	*(2.3%)*

Spruce Point Capital Management

Rebuttal: Stable Business Model, High Retention Rates = Irregular Cash Flow

Central to Intertain's investor pitch is that its stable business in regulated markets should support its ability to handle leverage. Conversely, we find it has had irregular cash flow and produced just C$12.1m of cumulative free cash flow. Management needs to demonstrate it can manage its operations before embarking on further acquisitions

C$ in millions

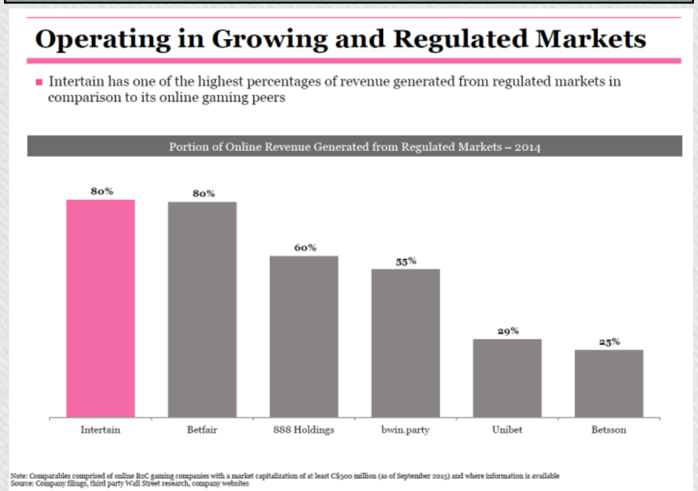


Source: Intertain financials at SEDAR

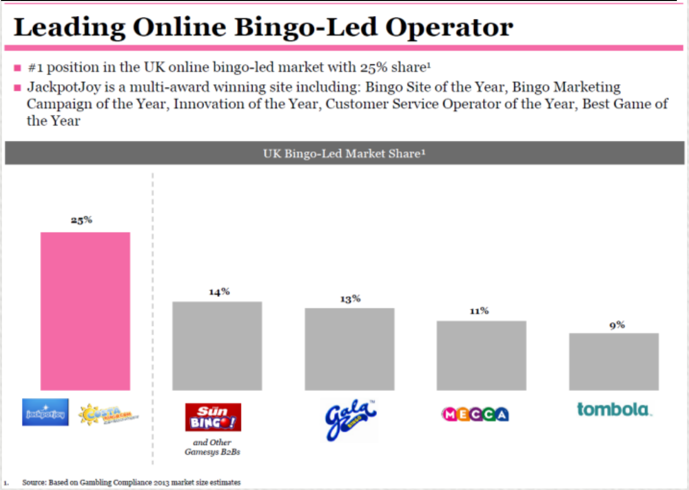
Dissecting Intertain's Investment Pitch (cont'd)

Key Intertain Investor Presentation Pitch Slides

Regulation is Part of the Pitch



We're The Biggest and Best



Summary of Spruce Point's Observations and Potential Concerns For Investors

- Intertain's suggestion to investors is that they should gain comfort that regulation is somehow beneficial to them
- In reality, it is our opinion that regulation limits upside to investors. Increasing regulation (such as the new UK POC tax) and discussions in other countries about increasing taxes, means more of management's time could be directed to compliance matters, and increasing costs that pressure the bottom line for shareholders
- Regulation does not always prevent fraud or other side unsavory side effects from the gaming business: witness the issues faced by Jackpotjoy customers stealing to fund addictions

- Intertain presents itself as having the #1 market position in the UK, its largest market by revenues
- However, the footnote on the slide sources is "Based on Gambling Compliance 2013 market size estimates" – a study that is now outdated by 2yrs!
- Our own independent research suggests that Intertain's dominance in the UK may be questionable:
  - Tombola itself calls it Bingo's largest Bingo site
  - Bingocount.com has JPJ at 8th
  - An industry leading intelligence report, Stickeyes Report, on the UK gambling market **does not place JPJ in the top 10**

Source: *Intertain Autumn 2015 Investor Presentation*

Rebuttal: Regulated Markets Will Only Make It Tougher for Intertain

A counter to the story spun by management → Increased regulation really means less cash flows due to compliance and taxes

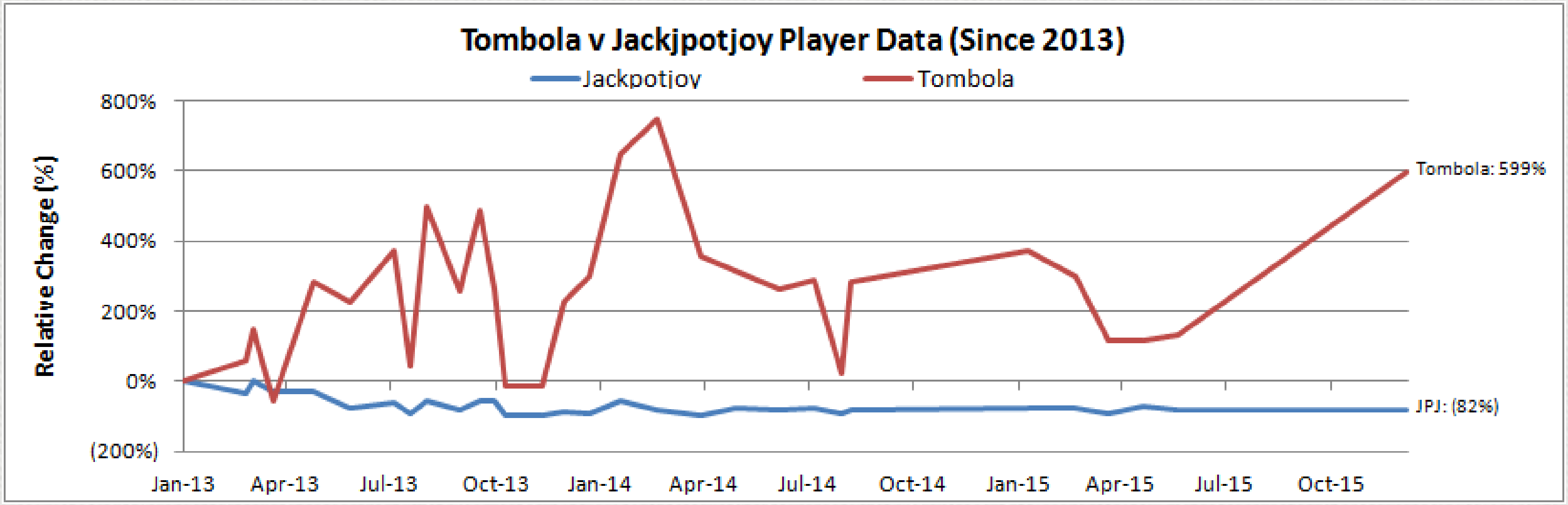
- Various countries are considering implementing equivalent to the UK POC tax:
  - Italy is considering a 25% withholding tax to companies transacting over €5M and operating longer than 6 months (source)
    - As of Sep 1, 2014, JPJ was suspended in Italy – this suspension should impact revenues going forward
  - Spain has considered a tax of 25% of gross profits (source)
    - JPJ re-entered Spain in Q2 2015, revenues appear to be immaterial as Intertain stopped disclosing segmented info in Q3 2015
    - Any business from Spain would be negatively impacted by this proposed tax
  - Sweden is also considering implementing a tax but could be years away
    - JPJ also operates in Sweden and revenues from here (although not disclosed) would take a direct hit as a result of taxes ultimately implemented

Intertain Suggestion	Reality
Operating in regulated markets puts them at a benefit compared to their competitors	• Additional regulation means the government will look to take their piece of the pie (like the December 2014 roll out of the POC taxes in the UK)
Regulated markets will hurt smaller players more than Intertain	• Government regulation requires companies to adhere to laws and regulations • These laws and regulations can change at any time • Compliance and disclosure takes time, effort and costs money • Still we found research that suggests there are still new entrants into the bingo market (source) – a direct contradiction to Intertain's suggestions that smaller players are in trouble
Operating in regulated markets allows for greater liquidity for players	• Liquidity is hampered as moving money across borders comes with significant tax implications • As such, growth in new markets will require an investment in liquidity and thus working capital

Rebuttal: Bingo in the UK (Intertain's Core Market) is Slowing

Bingo Data Trends Per Bingo Tracking Sites and Google Trends JPJ Tracker

- Jackpotjoy somehow claims that it is the largest bingo site in the UK, however all other external bingo sources suggest the opposite – JPJ does not show up in the top five
  - Bingocount.com has JPJ at 8th (source)
  - An industry leading intelligence report, Stickeyes Report, on the UK gambling market does not place JPJ in the top 10 (source)
  - Data by BingoPort and bingotrends from 2012 also suggests Tombola to be the largest (source)
  - Jackpotjoy is not even in the top 10 per Loquax (source)
- Tombola suggests it is the largest in the UK, which seems justified (source)
- **UK Regulators have been contacted to get to the bottom of this**
- We have analysed proprietary data attained from BingoCount on JPJ player numbers and room concentrations
  - **The data is normally quite accurate over quarters**
  - **This time around, our Q3 data suggested revenue should have been flat – it was not and we believe something is amiss**
- Loquax data suggests that Jackpotjoy player counts have deteriorated since the beginning of 2013
  - At the beginning of 2013, Jackpotjoy used to lead the pack however JPJ and Tombola have since switched spots with Tombola now at the top
  - This data has been extracted with data at points in time from Loquax over three years



Note: other Intertain Bingo games have performed well in during this time frame however the focus is on Jackpotjoy, its most important bingo brand and game

Investment Pitch: Blue Sky Market Opportunities
Rebuttal: Our View Is Less Rosy

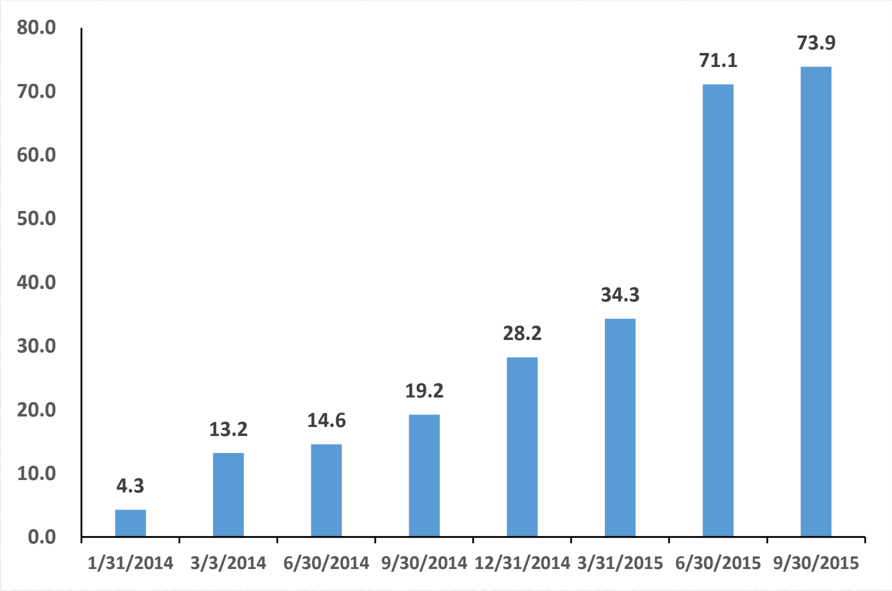
We view Intertain's new market expansion opportunities as unlikely to drive near-term performance, and fraught with business risks given that management has not demonstrated its ability to execute anything other than an acquisition strategy in mature markets

Country	Our Observations on the Challenges
Mexico	• Mexico's online gaming market is estimated to be ~$300M (source, source 2) • Mexico has been late to adopt credit card payment for online gambling • Mexican gov't hasn't provided clear guidance on how it will regulate (source) • Various other entities have tried to establish in Mexico with limited results (Greenplay aka Bingo Crush, Playtech and Caliente partnership)
Spain	• Despite being launched through Intertain's Botemania brand in June, the results have been slow • Despite a heavy Q2-2015 investment of over $1M, minor July revenues were achieved at a little over $1M. Intertain boasts a 48% market share for Spain, this implies that the total Spain market has less than $2M per month • Laslop (CFO) confirms that Spain is not really growing in the Q2-2015 call *"Even Spain isn't growing the entire market"*, the latest data from Spain confirms this (source). Though Gamesys was one of the first entrants into the Spanish Gaming market, there are now over 25 others and competition is now sizzling reducing any chances of Intertain's success • FitzGerald (CEO) Q3-2015 call *"So it's a great stat. I think it's cause for celebration, but in terms of revenue, the market is still quite small."*
Sweden	• Is a small portion of Intertain revenues • Growth will have to be significant to drive any meaningful traction • Only 7k monthly active users as at Sep 2014

Here's How the Investment is Playing Out: Share Dilution + Leverage Rising

Intertain has diluted its original shareholders rapidly, and encumbered the balance sheet with debt for the recent Gamesys acquisition. Time will tell how this plays out…

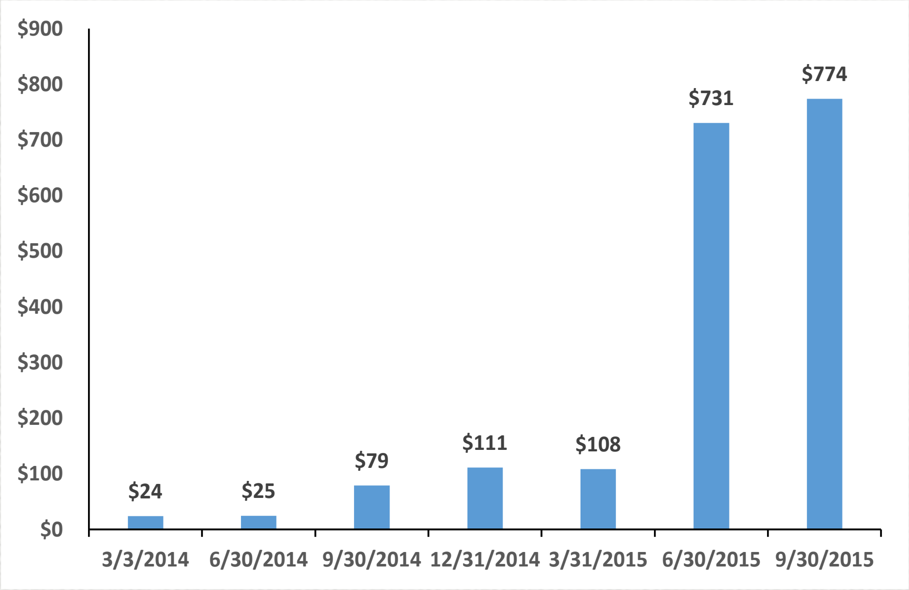
Dilution Baby!
Diluted Share Count Continues to Grow



Source: Intertain quarterly financial filings at SEDAR

Rising Leverage!
Debt Load

C$ in mm



Source: Financial obligations include contingent consideration

Honey, I Shrunk the Assets?

Roll-up strategies typically have some tangible value, in the case of Intertain there appears to be none. Not only that, despite a little over C$1bn in paid acquisitions (prior to earn-outs and fees), the entity has approximately C$1.4bn in intangible assets. <u>Excessive intangibles assets are often a warning sign of overpaying for acquisitions. Keep reading the next few slides.</u>

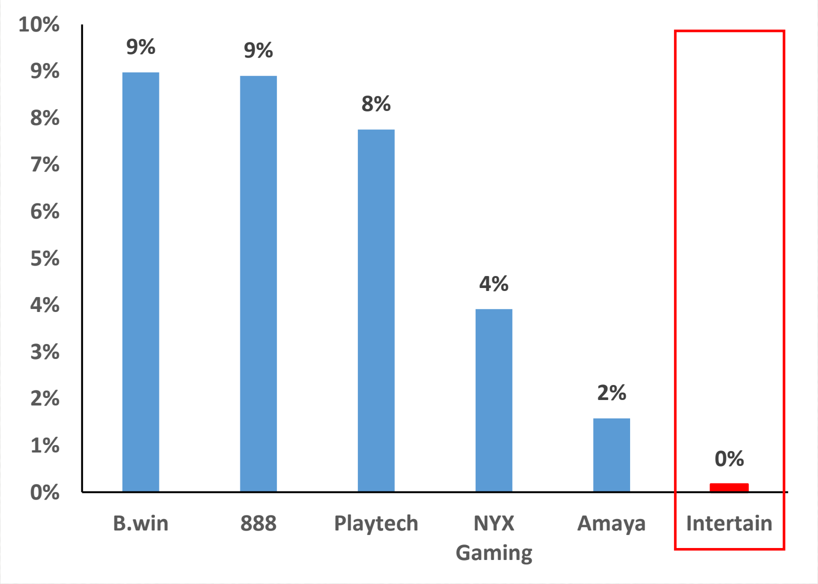
Where Are The Tangible Assets? Goodwill and Intangibles / Total Assets = 90%

The Intertain Group Limited
Unaudited Interim Condensed Consolidated Balance Sheets
September 30, 2015
(Canadian dollars)

ASSETS	Note	As at September 30, 2015 ($000's)	As at December 31, 2014 ($000's)
Current assets			
Cash		94,502	31,252
Restricted cash	5	10,061	328
Prepaid expenses		1,904	829
Customer deposits		12,678	1,356
Receivables	9	24,754	10,363
Taxes receivable		12,869	6,296
Total current assets		156,768	50,424
Tangible assets		607	490
Intangible assets	12	798,469	138,359
Goodwill	4, 12	618,884	148,801
Other long term receivables		1,940	335
Total assets		1,576,668	338,409

Source: Intertain Q3'15 Financials

A Capital Efficient Model, or Worse? Tangible Assets / Long-term Assets %



Source: Company Financials, FY 14

So far, A Slam Dunk Banking Relationship That Generates Mega Fees

No need to cover your eyes – FitzGerald embraces Canaccord investment banker at a Toronto Raptors game; Canaccord made a significant portion of the C$127m worth of fees noted below

C$ in millions

Direct Acquisition & Financing Related Expenses	
Acquisition Related Expenses	
YTD September 2015	$56
YE 2014	$20
YE 2013	$1
Total Acquisition Related Expenses	**$77**
Financing Costs	
Aumento Capital Raise (Shell Co)	$4
Mandalay Related Fees	$5
Gamesys and V&J Related - Equity Offering Commissions	$22
Gamesys Related - Debt Raise Cost	$19
Financing costs of Gamesys acquisition	**$50**
Total Fees	**$127**

- YTD acquisition related fees are C$56 million of which approx. C$17 million are related to compensation to FitzGerald and Laslop; this leaves C$36 million which would represent over 4% of total transaction value
- **Typical M&A fees are for transactions of this size are 1-1.5% which begs the question, why are these so high?**
- Roll ups are good for investment bankers who collect fees

Michael Cohen (left) and John Fitzgerald (right)
Source: gettyimages

Note: fees above do not include trading fees which could be significant

A. Intertain First Acquisition: The Formation of InterCasino From Discarded CryptoLogic Assets Shuffled by Amaya

Spruce Point Capital Management

No Surprise Intertain's First Deal Involved Amaya, A Company Being Investigated

Intertain and Amaya's relations run deep and it is not pretty

- Intertain has followed in Amaya's footsteps
    - Like Amaya, Intertain is a roll-up strategy that has tried to pick up a transformational asset – more on how this is not a transformational asset later
- Intertain has always aspired to be like Amaya Gaming and most recently on its Q3 2015 conference call, management hints at it: *"This is a significant advantage of the gaming industry, online gaming industry. When we compare ourselves to other public companies in Canada with a similar to double our market cap, we generate more unlevered cash flow than 85% to 90% of this peer group."* – there is only one public company that is in online gaming in Canada that has a larger market cap, that is Amaya Gaming
- Amaya and Intertain are also connected through John Fielding
- **Recent unconcluded trading probes into Amaya** – the FINRA list for potentially inappropriate trading includes three hundred individuals of whom 4 are linked to Intertain: John Fielding, Robert Chalmers, Yoel Altman, James Walker and David Baazov (source)
    - Dec 12, 2014: Amaya's headquarters raided by RCMP and securities regulators for potential irregular share trading
        - Canaccord (both Amaya and Intertain's investment banker) was also raided
    - Feb 10, 2015: Amaya questioned over 300 investors who pocketed huge gains by acquiring large volumes of Amaya stock ahead of the Pokerstars transaction
    - Mar 6, 2015: Yoel Altman and Robert Chalmers mentioned cautiously by a prominent Canadian newspaper, The Globe & Mail
        - Mr Altman, like Fielding's holding company, was also on the list of 300 investors that profited handsomely from the Pokerstars transaction
        - Robert Chalmers, a Toronto stock promoter who was hired by Intertain Group
            - Prior to his work with Intertain, Chalmers worked at Canaccord
            - Robert also is apparently on the list of 300 investors who have made the FINRA list with regards to the Pokerstars acquisition by Amaya
- Amaya is Intertain's second largest institutional shareholder at 2.7%

Dissecting Intertain's First Deal: Asset Shuffling and Overpayment?

We can track the WagerLogic assets Intertain acquired from Amaya all the way to Cryptologic, a public company connected to Intertain's CEO FitzGerald

- According to CEO FitzGerald's bio, he assumed the role of General Counsel for CryptoLogic Inc. He was responsible for corporate governance and compliance at CryptoLogic Inc, which was listed on the TSX, NASDAQ and the main board of the London Stock Exchange
- CryptoLogic, a developer and supplier of Internet gaming software, provided software licensing, e-cash management and customer support services for its online gambling software to an international client base, including many top online gaming brand. Along with its business-to-business solutions, CryptoLogic operated an online casino under various brands, including InterCasino, which launched in 1996 as one of the world's first online casinos
- **A closer look at CryptoLogic shows it was approached by Amaya for a deal on Feb 2, 2012 and later acquired by Amaya on July 30, 2012 for $2.54sh (a valuation of approximately US$35.8m) and a 56% and 105% premium to the prevailing TSX and LSE stock prices, respectively.** CryptoLogic had $16.7m of cash at March 31, 2012 ($1.21 per fully diluted share) which suggests that very little value was ascribed to the operating assets and earnings potential of the Company. Furthermore, we estimate CryptoLogic produced $35.1m of revenue and $1.95m of net losses for fiscal year 2012, implying a paltry revenue multiple of just 0.5x
- The enactment in the United States of the Unlawful Internet Gambling Enforcement Act in late 2006, which effectively banned online gambling in the United States by making it illegal to process the related financial transactions, had a very significant negative impact on CryptoLogic's revenues
- The Company reported substantial ongoing challenges in 2010 as it continued its strategy aimed at returning to profitability and long-term growth against the backdrop of a global economic downturn, continuing disappointing returns from major Hosted Casino licensees and licensee delays in the roll-out of Branded Games. By Q1 2010, the Company had incurred eight continuous quarters of significant operating losses and negative cash flows. Against this backdrop of a continuing decline in revenues and working capital, management determined that a material reduction in expenses was necessary in order to preserve cash and give the Company time to focus on increasing revenues
- Accordingly, the Company made a significant restructuring effort, commencing midway through Q3 2010, resulting in a reduction of almost 50% in operating and general and administrative expense to $6.2 million in Q4 2010 from $12.1 million in Q2 2010. Ultimately, the company ran out of options, and when Amaya came to the table with a significant takeover premium, the company was sold

Amaya Paid a Substantial Premium To Acquire This Dog….

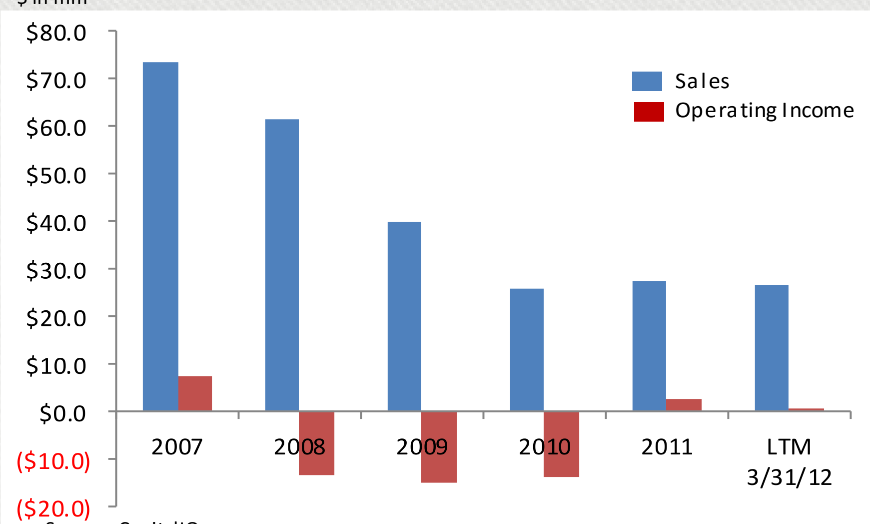
- CryptoLogic was clearly struggling before its white knight savior Amaya came along to acquire its shares a 56% and 105% premium to the prevailing TSX and LSE stock prices, respectively
- However, before receiving the offer in Feb 2012, CryptoLogic made the following announcement on Jan 4, 2012:

  *"CryptoLogic Limited, a developer of branded online betting games and Internet casino software, has **acquired, for nominal consideration**, the Maltese online gaming licenses for InterCasino from OIGE, a long-standing customer of the Company's fully hosted online casino platform. The transfer of the licenses has been cleared by the Maltese Lotteries & Gaming Authority."*

- This deal allowed CryptoLogic to become an online casino operator. As the next slide will illustrate, Amaya would later turnaround and sell something it acquired "**for nominal consideration**" to Intertain's predecessor company for C$70m

CryptoLogic Financials Results Pre-Acquisition

$ in mm



Source: CapitalIQ

CryptoLogic Share Price Pre-Acquisition

Spruce Point Capital Management

Amaya Paid US$36m For <u>ALL</u> of Cryptologic, Along Comes Intertain To Pay C$70m (US$63m) For A Small Piece of Its Declining Business!

Amaya Press Release Announcing Sale of InterCasino, an Asset of CryptoLogic

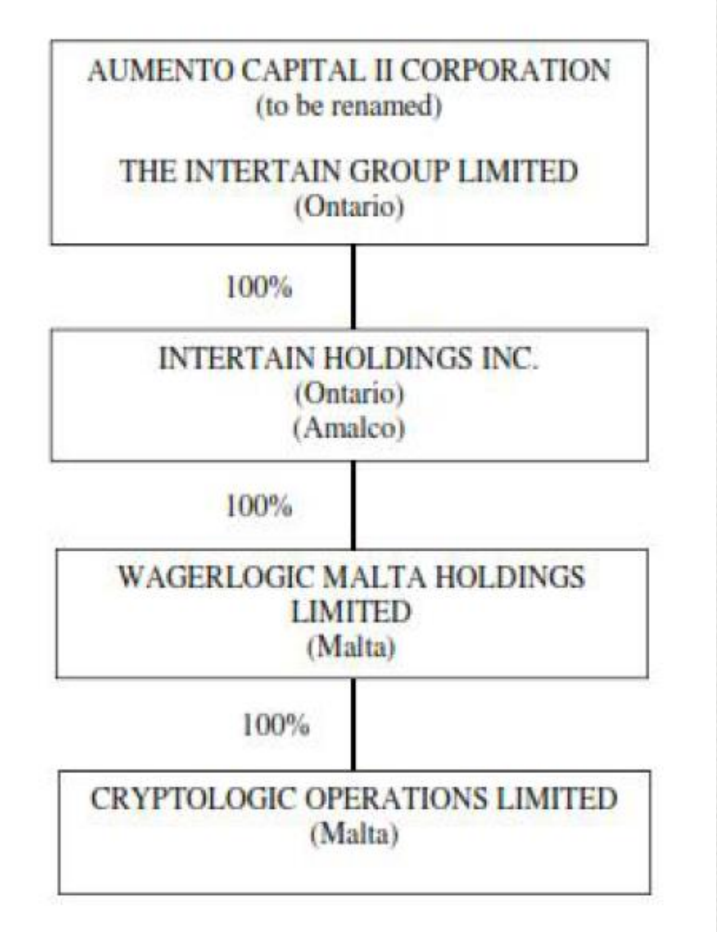
MONTREAL, Canada – February 11, 2014 – Amaya Gaming Group Inc. ("Amaya" or the "Corporation") (TSX: AYA), an entertainment solutions provider for the regulated gaming industry, announced today that, pursuant to a share purchase agreement dated November 27, 2013 (the "Share Purchase Agreement"), one of its subsidiaries has completed the previously announced sale to Goldstar Acquisitionco Inc. ("Goldstar") **of all of the issued and outstanding shares of WagerLogic Malta Holdings Ltd. ("WagerLogic") for $70 million** (the "Purchase Price"), less a closing working capital adjustment of $7.5 million, satisfied through cash consideration of $52.5 million and a vendor take-back in the form of a promissory note of $10 million, bearing interest at 6.0% per annum payable semi-annually in arrears starting in the second year following the closing date and due on the fourth anniversary of the closing date. The Purchase Price is subject to customary post-closing adjustments.

WagerLogic, through a subsidiary, is an online casino operator through its "Inter" brand consisting of InterCasino™, InterPoker™ and InterBingo™, amongst other online names (the "InterCasino Business"). Revenue and net income of the InterCasino Business were US$8.0 million and US$1.8 million respectively for the nine month period ended September 30, 2013. Revenue and net income for the full year 2012 were US$17.2 million and US$5.8 million respectively.

Source: Amaya Press Release, 2/11/14

Corporate Structure Per Aumento Capital / Intertain Prospectus

We Believe The Operating Assets Are At This Entity



Source: Prospectus dated 4/14/14 available at SEDAR

Spruce Point Capital Management

Intertain Disclosures Not Reconciling With Malta Filings For Acquisition

InterCasino Carve-Out Statements as Presented In Prospectus

InterCasino Business Unit
Carve-Out Statement of Comprehensive Income
For the nine months ended 30 September 2013 and 2012, and years ending 31 December 2012

	Note	Sept 30, 2013 US$ (Audited)	Sept 30, 2012 US$ (Audited)	Dec 31, 2012 US$ (Audited)
Revenue	5,18,19	7,956,666	12,509,903	17,203,912
Costs and expenses				
Operating expenses	15,18,19	4,927,415	7,790,531	10,056,352
General and administrative	15,18,19	582,535	355,284	503,250
Depreciation of property, plant and equipment	8,18,19	46,599	80,311	97,605
Depreciation of intangible assets	9,18,19	44,328	27,206	38,122
Impairment of property, plant and equipment	8,18,19	100,657	-	-
Impairment of intangible assets	9,18,19	130,501	-	-
Total costs and expenses		5,832,035	8,253,332	10,695,329
Net income and comprehensive income before the undernoted		2,124,631	4,256,571	6,508,583
Foreign exchange gain/(loss)	18,19	(243,231)	(145,116)	(342,116)
Interest expense	18,19	(1,421)	(1,111)	(1,284)
Interest income	18,19	1,406	1,413	2,325
		(243,246)	(144,814)	(341,075)
Net income and comprehensive income for the period before taxes		1,881,385	4,111,757	6,167,508
Tax provision	18,19	118,464	220,140	342,599
Net income and comprehensive income for the period		1,762,921	3,891,617	5,824,909

Cryptologic Operating Subsidiary Financials Show Less Revenue and Profit

Cryptologic Operations Limited
Report and financial statements
Year ended 31 December 2013

Business performance in rapid decline in 2013!

Income statement

	Notes	2013 US$	2012 US$
Revenue		9,265,151	16,062,107
Administrative expenses		(5,733,816)	(9,310,796)
Operating profit		3,531,335	6,751,311
Finance income		53	33
Finance costs	5	(119,460)	(19,036)
Profit before tax	6	3,411,928	6,732,308
Tax expense	7	(786,360)	(1,857,706)
Profit for the year		2,625,568	4,874,602

Source: Malta filing, 9/1/15

It is difficult to explain why revenues increased by $1.2m in the Carve-Out financials for the same assets. While possible that separating the InterCasino assets resulted in some cost savings, which could account for the $1m of bottom line increase, the revenue disparity is very concerning.

Source: SEDAR filings

Alarming Revenue Recognition Policy Change Could Enable Overstatement

New InterCasino Carve-Out Revenue Recognition Policy

Determination of Revenue

Casino revenue is measured at the fair value of the consideration received or receivable for services provided to customers in the normal course of business.

Casino revenue comprises the net house win represented by the amount of bets placed by players less any amounts won by players, less accrued promotional bonus credits granted by the house in order to incentivize players, less revenue in respect of Affiliate arrangements, where the Business Unit acts as an agent and the third party owns the relationship with the customer, plus fraud recoveries, plus or minus jackpot game net contributions.

Revenue from the online poker business reflects commissions earned from poker games completed by the period end.

Revenue recognition

The Business Unit earns its revenue primarily from operating casino and poker gambling sites on the internet.

Revenues from operating casino and poker gambling sites on the internet are recognized on a daily basis, at the time of the gambling transactions.

Old CryptoLogic Revenue Recognition Policy From Malta Filings

Revenue is measured by reference to the fair value of consideration received or receivable by the company for goods supplied and services provided, excluding VAT and trade discounts

Revenue is recognized when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured, and when the criteria for the company's activities have been met

Pay Close Attention!

Under the old revenue recognition, CryptoLogic would only recognize revenues when it could measure and match its costs. This is consistent with the "Matching Principle"

Under the Carve-Out financials used by Intertain on a going forward basis, revenues are recognized on a "*daily basis, at the time of the gambling transaction.*" This is a much weaker revenue recognition policy that could allow Intertain to accelerate revenue recognition, while potentially delaying expense.

Two Sets of Financials For Wagerlogic?

- **Is Intertain keeping two sets of books for InterCasino?** We reviewed its filings for Wagerlogic Malta Holding Limited (the acquiring entity holdco for the asset) filed both in Canada and Malta. There are striking differences between the filings. The Malta filing shows no revenues and significant losses! Readers and regulators take note!

Wagerlogic Malta Holding Limited SEDAR Filing

Wagerlogic Malta Holding Limited
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2013

	Note	Year ended Dec 31, 2013 US$	Year ended Dec 31, 2012 US$
Revenue	5	2,456,069	-
Costs and expenses			
Operating expenses	15	1,367,032	-
General and administrative		8,317	5,704
Amortisation of intangible assets	9	15,136	-
Impairment of tangible assets	8	5,436	
Impairment of intangible assets	9	79,985	-
Total costs and expenses		1,475,906	5,704
Net income/(loss) and comprehensive income/(loss) before the undernoted		980,163	(5,704)
Finance income/(costs)			
Foreign exchange loss		(97,602)	(347)
Interest income/(costs)		(128)	-
Total finance costs		(97,730)	(347)
Net income and comprehensive income for the period before taxes		882,433	(6,051)
Tax (charge)/credit	10	-	-
Net income/(loss) and comprehensive income/(loss) for the period		882,433	(6,051)

Source: SEDAR filing, 3/31/14
Note: Prior to August 13, 2013 WagerLogic Malta Holding Limited was a dormant company. On that date the ownership of CryptoLogic Operations Limited which operates a number of online casinos (under a license from the Maltese Lotteries and Gaming Authority), the largest being InterCasino and an online poker room, InterPoker was transferred to WagerLogic Malta Holding Limited

Wagerlogic Malta Holding Limited Malta Filings

Wagerlogic Malta Holding
Report and financial statement
Year ended 31 December

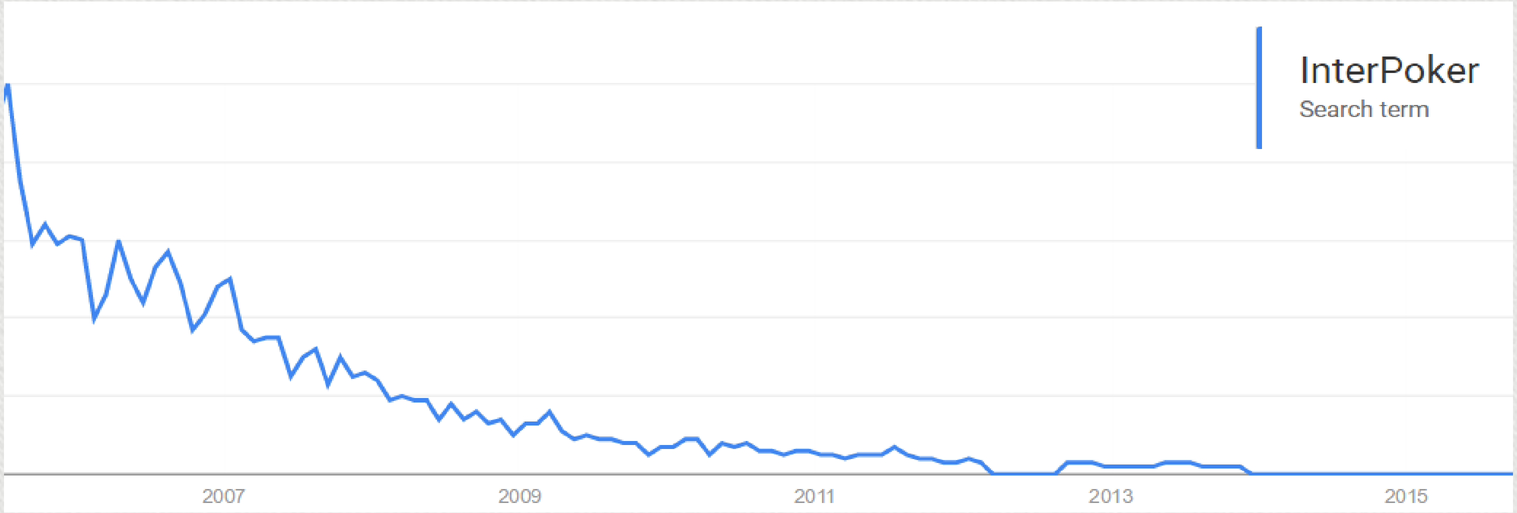
Income statement

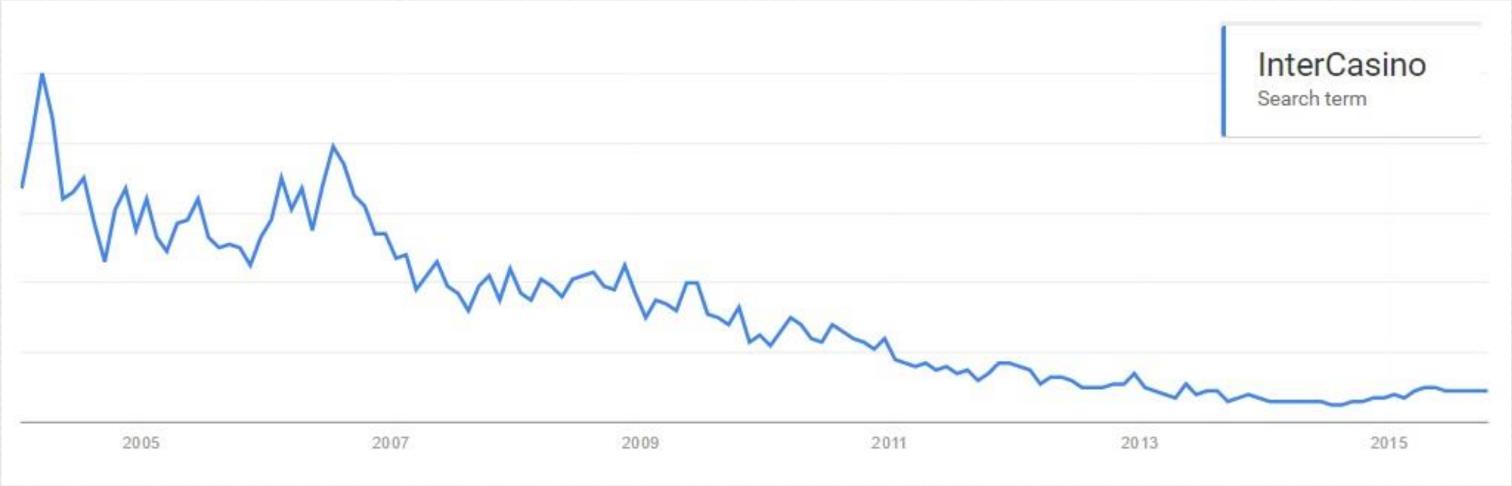
	Notes	2013 US$	2012 US$
Administrative expenses		(5,851)	(5,704)
Operating loss	5	(5,851)	(5,704)
Finance costs	6	(594)	(347)
Loss before tax		(6,445)	(6,051)
Taxation	7	-	-
Loss for the year		(6,445)	(6,051)

Source: Malta filing, 2/2/15

A Picture Is Worth A Thousand Words…

Google Trends Data Suggest Declining Interest of Gaming Brands





Source: Google Trends

What Will Happen When Amaya's Revenue Guarantee Vanishes?

InterCasino may have no value to Intertain soon

- Most of the revenue and net income comes from the revenue guarantee provided by Amaya. When the guarantee ceases in February 2016, the true underlying cash flow generating capability of the InterCasino business will be revealed

- InterCasino's performance at the hands of FitzGerald and Laslop does not appear to have improved:

C$ in mm

Intercasino Financials Under Intertain | Quarterly	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15	30-Sep-15
Net Income	$1.7	$3.4	($1.2)	$2.5	$3.3	$2.8	$2.9
Profit margin	*54.2%*	*60.7%*	*(19.7%)*	*36.5%*	*43.6%*	*36.6%*	*35.7%*

- InterCasino has also significantly underperformed its target. Intertain initially listed US$30m as a revenue earn-out target for 2016. Intertain made the following disclosure in its Q2'15 financials (note 12, Contingent Consideration)

  "During the six months ended June 30, 2015, the Company re-assessed the contingent consideration related to the InterCasino purchase where the Company is required to pay a bonus payment to Amaya Gaming Group Inc. if InterCasino had net revenue greater than $30 million USD by February 2016. The Company no longer anticipates making this bonus payment and derecognized the $0.5 million contingent consideration"

- On the Q3 2015 Earnings Call, Laslop offers a glimmer of hope for InterCasino (though time will tell its true fate)

  "And for the first time, InterCasino was breakeven event without the Amaya revenue guarantee. InterCasino is moving in the right direction."

B. Intertain's Second Acquisition: The Mandalay Bingo Deal

SPRUCE POINT
CAPITAL MANAGEMENT

Mandalay Deal Overview

- June 4, 2014: Intertain announced that it has entered into a share purchase agreement to acquire the entire issued share capital of Mandalay Media Limited ("Mandalay") for an initial payment of £45.0 million in cash, subject to working capital adjustments, with up to a further £15.0 million in cash contingent on future profit performance
- Earn-out: 7x net profit of the Bingo Business, 4x CasinoChoice, and 3x casino.co.uk for 18 month period ended 10/31/15
- **Intertain paid a 1% finder's fee on the initial payment and earn-out to an unnamed individual**
- Mandalay owns some the United Kingdom online bingo websites, including:
  - CostaBingo, Sing Bingo, City Bingo, Fancy Bingo and Rio Bingo as well as leading affiliate sites
  - Casino Choice and Ignite (together the "Bingo Business"). The Bingo Business was founded in 2009
  - offers online bingo 24 hours a day with cash prizes and experiences over 9,000 daily unique players. Since Mandalay launched its first bingo offering, Mandalay has had 1.1 million users register to its bingo sites and has collected approximately £120.0 million in deposits.
- For the fiscal year ending August 31, 2013, the Bingo Business generated approximately £16.1 million in revenue and approximately £7.9 million in net income (implied profit margin of 47.8%)
- Management expects further growth in revenue and income as a result of a £3.0 million marketing campaign that Mandalay undertook in the last six months ending February 28, 2014 versus approximately £1.1 million spent for the entire fiscal year ending August 31, 2013.
- The Bingo Business, other than Casino Choice and Ignite, operates off of the Dragonfish platform, a leading bingo software service provided by The 888 Group.
- CEO FitzGerald stated: "*This bingo acquisition will add a missing gaming vertical, a bingo-focused marketing team, diversify our current casino offering and is expected to be materially accretive to earnings per share and free cash flow*"

Financing Structure:

- Intertain sold C$52.3m Equity Subscription Receipts at C$7.00 per unit (which also included ¼ warrant at C$7.75/sh
- Intertain sold C$51.2m Equity Linked Debt Receipts, C$1,000 per receipt, paying 8.5% semiannually, maturing 6/30/19 (including 40 warrants per receipt)
  - **Both deals were lead by Canaccord, surprise surprise**

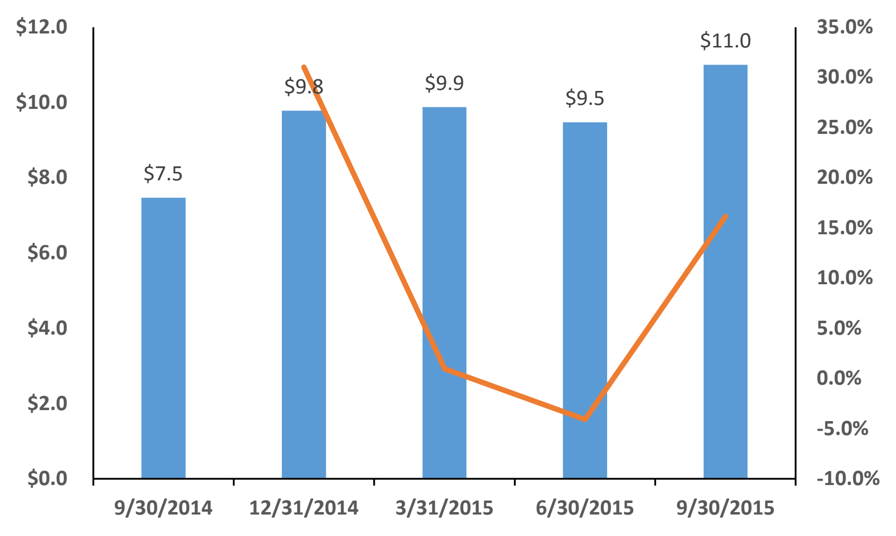
Spruce Point Capital Management

Mandalay's Performance Is Questionable

- On the surface, the Mandalay business appears to be trending well with recent double digit revenue growth.
- Some might point to the latest quarter and speak to the growth; however, there a few factors which illustrate the growth is not fundamental which include:
  - There have been significant FX tailwinds. In particular, by viewing the recent sales data in reported pounds, we find almost no growth in the past few quarters
  - Recent segment income of 10% is suspiciously below the 47.8% profit margin obtained in 2013 according to the deal announcement's press release

Quarterly Revenue and Growth Rate, Look Favorable Due to Stronger British Pound

C$ mm

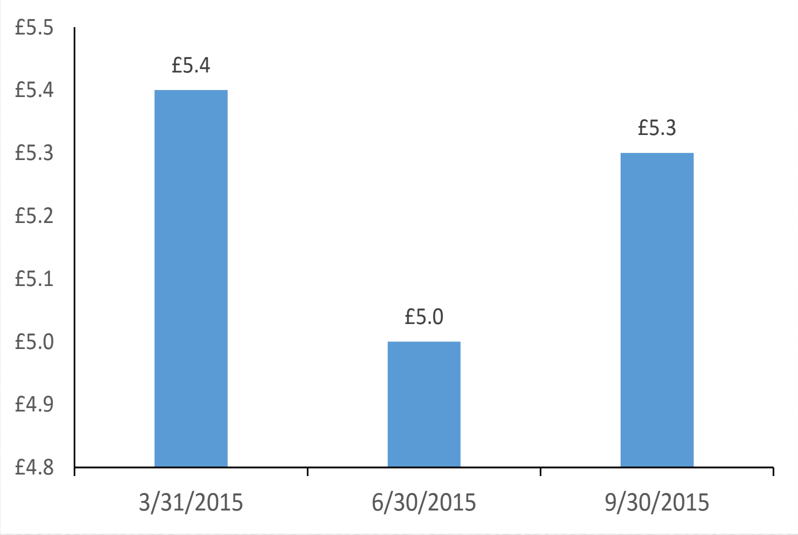


Segment Income: 1% 1% 10%

Note: deal closed 7/14/14, skewing Q4'14 revenue growth

But When Viewed On An As Reported British Pound Basis, Revenue Trends Are Disappointing

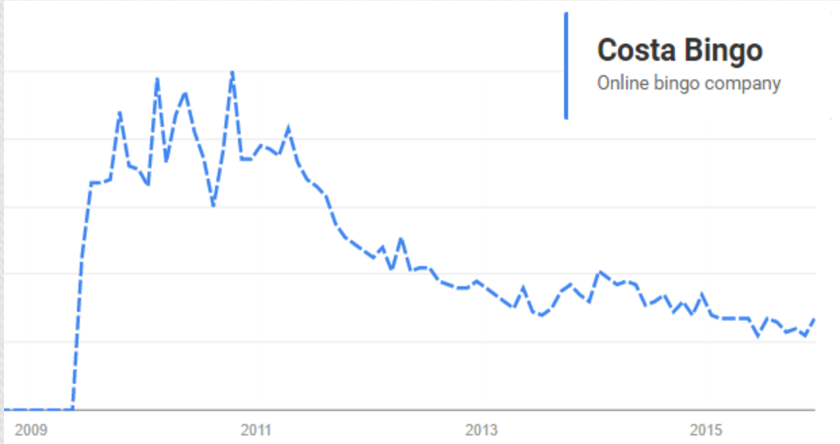
GBP mm



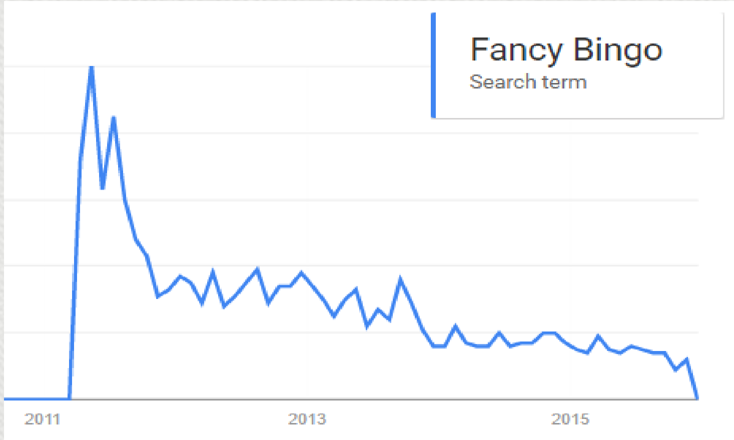
Note: Pound sales disclosed on earnings conf calls

Mandalay Brands Trending Poorly

Google trend data shows that Costa Bingo (acquired through Mandalay Media acquisition) has seen significant downturn in interest since 2011. Similar trends are observed for the three other brands

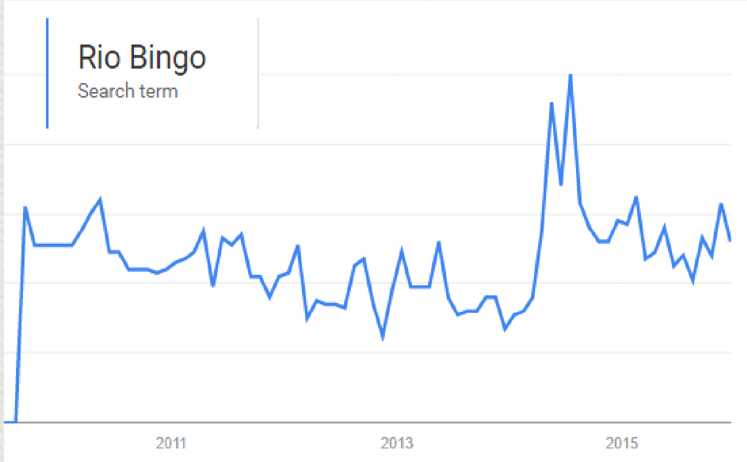


Source: *[Google Trends]*



Source: *[Google Trends]*

Source: *[Google Trends]*



Source: *[Google Trends]*

C. *Intertain's Third Acquisition*: Vera&John, the Lone Bright Spot?

Vera&John Deal Overview

- Oct 9, 2014: Intertain announced it entered into a non-binding letter of intent to acquire all of the assets of Dumarca Holdings Limited, the Malta-based parent company of the Vera&John group ("Vera&John“ or “V&J”)
- **Company Overview**:
  - Vera&John operates under three core brands: Vera&John, Vera&Juan and Vera&John Social
  - Generates approximately 75% of its sales from the Nordic region, which will give Intertain access to a growing and large market
  - 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
- **Deal Terms**:
  - Initial Payment of €44.5 million in cash
  - €36.5 million in common shares of Intertain, representing approximately 5.0 million Common Shares (based on an exchange rate of €1.00 = $1.4148).
  - Earn-Out subject to a cap of €8.1 million :
    - In the event V&J generates EBITDA over certain thresholds in 2015 and 2016. In 2015, for every Euro generated by V&J 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 V&J 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
    - 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 will be €89.1 million (C$126.1 million)

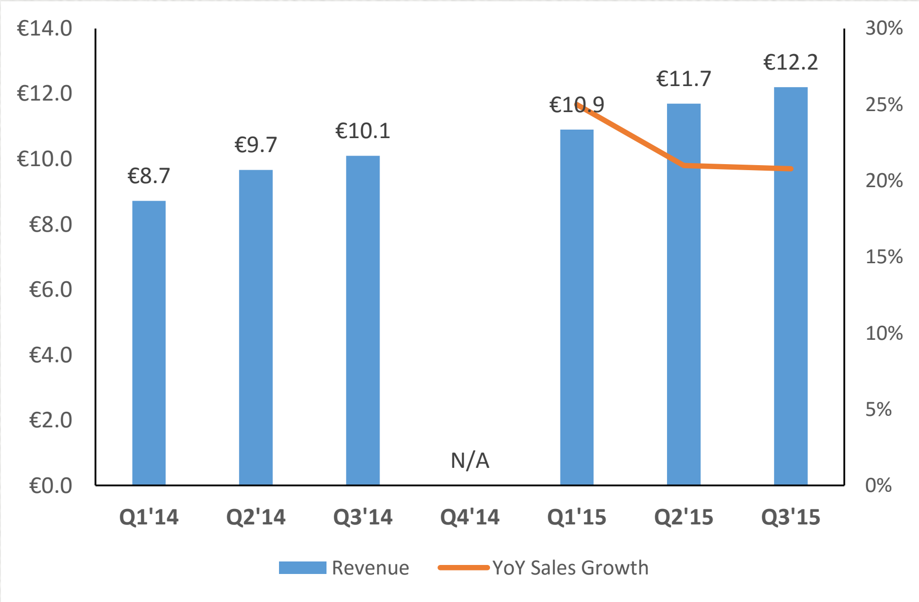
Financing Structure:
- Intertain accelerated the conversion of warrants outstanding to receive C$30.3m
- The transaction was funded through cash on hand, an interim bridge loan of approximately C$10.0m provided by Intertain management
- C$9.2m vendor take-back loan which expires on March 23, 2015

Vera&John's Performance Seems Ok

- **We give credit where it is due, Vera&John acquisition appears to be performing well on top line numbers**
  - Year-over-year revenue trends in reported euros are trending in the 20%+ range, although comps may get more difficult
  - Google trend traffic coincides with stable / growing interest level
- **Our only caution is that margins are curious, especially under Intertain management**
  - Per the acquisition press release, Vera&John reported 39.6% EBITDA margins
  - Under Intertain's reporting, its segment income margin has been negative since Q1'15 and hit a low of -7% in Q3'15 (C$17.7m of sales on -$1.3m of period net income)
  - Management explained the margin deterioration as a result of a move into the UK on the Q3'15 conf call

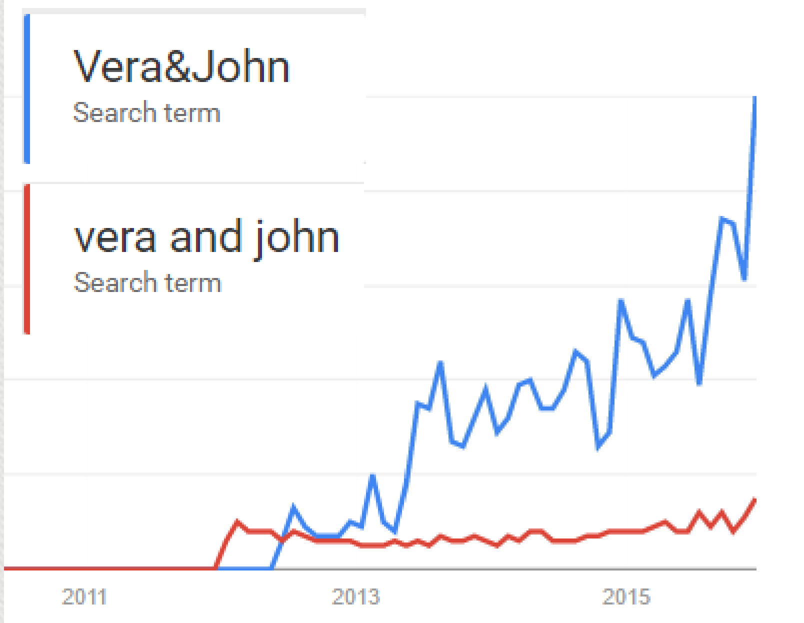
Vera&John Revenue Growth Appears Strong

Euro in millions



Note: Deal closed 12/23/14, Historical quarterly figures from Intertain conf calls

Search Traffic Not In Decline Like Other Brands



Source: Google Trends

V&J Acquisition | someone has a sense of humor

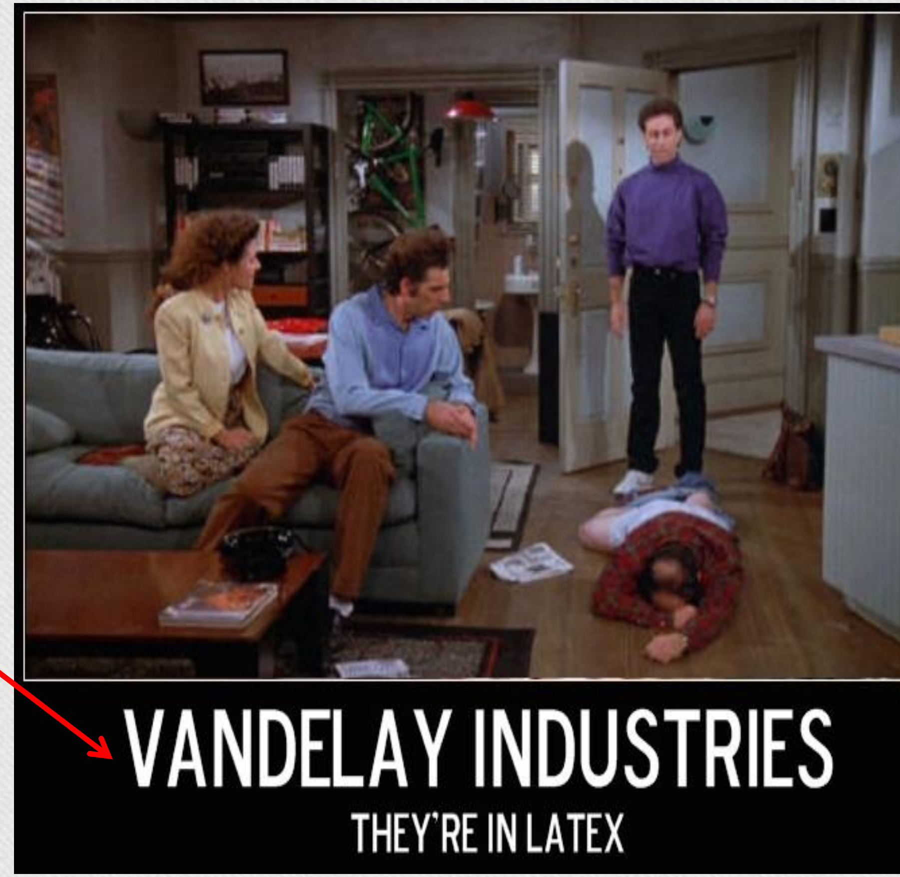
One of V&J subsidiaries is comically named Vandelay Industries Ltd.; Vandelay Industries is a fictional company and is best know for its reference by George Costanza on 90s sitcom Seinfeld

- Per the Feb 23, 2015 Prospectus, it appears that V&J acquisition is not without comical relief

Company owned by or significant influenced by a director in the Group:		EUR	EUR	EUR
Vandelay Industries Ltd	2013	155 464	175 886	-
	2012	53 489	2 963	-
I Want Help SA	2013	313 872	-	-
	2012	307 347	-	-
i Bigger Picture Ltd	2013	48 000	-	-
	2012	45 000	-	-

Vandelay Industries has provided consultancy services related to payment services with focus in the Asian markets.

- The same prospectus notes a €3 million loan issued by V&J to The Intertain Group – the details of which we do not know
- Source: Background on Seinfeld



D. "Transformational" Acquisition: The Gamesys Deal, Has More Holes Than Swiss Cheese

Gamesys Deal Overview

- Following completion of the V&J acquisition, Intertain embarked on an even more ambitious and larger acquisition from the Gamesys Group
- Feb 5, 2015: Intertain announced it entered into a binding purchase agreement to acquire Jackpotjoy, Starspins, and Botemania brands (collectively the "Jackpotjoy Business" or "JPJ") through the purchase of a newly incorporated subsidiary which will hold all of the brands, and player data assets comprised within JPJ
- The parties also entered into a Services Agreement for Gamesys to provide platform services and gaming content to Intertain's new brands. The Services Agreement will have a term of up to ten years and will make Intertain one of Gamesys' largest business-to-business customers
- **Company Overview**:
  - Acquiring the business-to-consumer assets relating to the Jackpotjoy (UK, Eire and Sweden), Starspins and Botemania brands, comprising both the real money gambling and social gaming activities operated by Gamesys and Gamesys Gibraltar under these brands
  - For the last twelve months ending September 2014, the Jackpotjoy Business generated £130.9m of gross win and £67.0m of EBITDA, representing an EBITDA margin of 51.2%, before taking into account UK POC tax that was introduced in December 2014;
  - Management believes the Jackpotjoy Business will achieve an EBITDA to free-cash-flow conversion rate of over 90.0% based on historical results
- **Deal Terms**:
  - The initial purchase price for will consist of cash and share consideration worth approximately £425.8m
  - 13% of the Initial Purchase Price or £56.8 million will be funded through the issuance of Intertain common shares
  - There will be a three-year earn-out based on future EBITDA performance of the Jackpotjoy Business after the closing of the Transaction and future earn-out payments in years three, four and five after the closing date contingent upon the Jackpotjoy Business achieving certain EBITDA targets in such years
  - The earn-out structure is complicated, but it could range from C$249-C$632M (based on agreements between Gamesys and Intertain)
  - **Finder's fee: 0.5% for the Jackpotjoy closing purchase price amount and the earn-out payments to an unnamed party**
- **Financing Structure**:
  - 2/26/15: Raised gross proceeds of C$483m ($15.00 per sub unit) or C$461m ($14.33) after expenses
  - 4/8/15: Closed debt facility consisting of US$325m 7yr Term Loan and 5yr US$17.5m revolving credit facility at L+650bps. A portion of proceeds used to redeem senior secured 8.5% debenture

Dissecting the Massive Cash Extraction from Gamesys Post-Acquisition

Given the implementation of the 15% UK POC Tax on 12/31/14, the timing of Gamesys' founders decision to do this transaction is notable. Why would Intertain acquire a business where costs will increase significantly on the initiation of a new industry tax, they acquire none of the underlying technology (just brands and player data), and have to pay large on-going fees and an earn-out that could almost reach the large up-front acquisition price tag

Pre-Acquisition

- Gamesys founders pulled out £14M a year over 5 [1]
  - This is equivalent to almost C$21-28M depending on FX per annum
- No 15% POC Tax in the UK

Shareholders to be left holding the bag with Intertain and Gamesys founders long gone?

Post Acquisition by Intertain

Payment Type	Payment Amount	Description
Upfront Payment	C$812m one-time	For acquisition of Gamesys brands and player data by Intertain
Licensing & Platform Fees[2]	C$50-$60m annually (6-7% of upfront payment annually)	Ongoing fees to Gamesys founders as technology assets not purchased
Earn-out payment potential	C$249-$C632m over subsequent years (31-78% of upfront payment)	Subject to performance of assets acquired
Estimated Total Cost	C$1.3-$1.7 billion	Note: cost of licensing & platform fees beyond year five would increase the estimated total to C$1.8-C2.2 billion

(1) Per The Sunday Times article, Gamesys shareholders extracted £70M over 5 years (source); Average GBP/CAD FX rate from Apr 1, 2009 through Mar 31, 2014 was 1.6330

(2) Prior to Licensing & Platform Fees which are expected to increase by 25% beyond year five

Note: Gamesys assets in this case contemplates on the Gamesys assets acquired by Intertain

Intertain Upfront Payment For Gamesys Far Exceeds Prior Gamesys Valuation

Intertain appears to have paid more than what management and directors valued the Gamesys assets at by at least 2.9x

- Gamesys issued shares and repurchased others in Apr 2013 and Mar 2014 respectively
- The implied valuation of Gamesys is:
  - 2014: C$284m
  - 2013: C$384m
  - These valuations include all of Gamesys assets including ones not used by Intertain (Virgin Gaming, Tropicana, technology platform, etc.)
  - Does not reflect ongoing licensing & platform fees Intertain would pay to Gamesys or an earn-out
  - Prior to incremental 15% POC taxes and any incremental marketing fees
- Intertain is paying a healthy multiple (just considering the upfront payment) and yet it does not control all of Gamesys
- As we will later illustrate, while Gamesys Group's sales rose 10% from 2013 to 2014, its EBITDA fell by 11%

Figures in C$ million

Gamesys Valuation (Prior to Intertain Acquisition)	
(A) Total Shares Outstanding (at Mar 31, 2014)	167,564
Implied Valuation at Mar 31, 2014 (Based on shares issued during year)	
Total consideration (£)	£1.49
# of Shares issued	1,732
(B) Implied price per share (£/share)(1)	£858
(A x B) Implied Gamesys Market Cap (£)	£144
GBP/CAD	1.8410
Implied Gamesys Market Cap ($)	$265
Net Debt(2)	£19
Implied EV of Gamesys Assets at Mar 31, 2014	**$284**
Intertain overpayment over implied valuation(3)	**2.9x**
Implied Valuation at Apr 8, 2013 (Based on Gamesys Share Buyback)	
(C) Share Buyback (£/share)	£1,380
(A x C) Implied Gamesys Market Cap (£)	£231
GBP/CAD	1.5741
Implied Gamesys Market Cap ($)	$364
Net Debt(2)	£20
Implied EV of Gamesys Assets	**$384**
Intertain overpayment over implied valuation(3)	**2.1x**

(1) Options issued
(2) Total cash less debt
(3) Does not include earn-out
Source: Gamesys Group financials

Gamesys Financials Not Making Sense

Gamesys historical financials are not easily reconcilable to the post-acquisition Intertain numbers

- The Gamesys acquisitions financials do not line-up with financials attained for the prior entity and there are many questions that arise:
  - Why has an entity whose growth was stunted in March 2014 continued to grow when the UK bingo market is in decline?
  - How is it possible for Bingo profit margins for Jackpotjoy to have doubled following the acquisition of Intertain?
    - If profit margins did indeed double, would management not boast this performance?
    - How are margin improvements possible in context of new POC gaming tax and incremental licensing fees?
    - Did the rest of the assets not acquired by Intertain have margins substantially below the consolidated entity?

Gamesys Limited Financials											
(GBP 000s unless otherwises noted)	**Prior to Intertain Acquisition (Consol. Gamesys Group)**							**Carve Out[1]**		**Run-rate[2]**	
	Mar-08	**Mar-09**	**Mar-10**	**Mar-11**	**Mar-12**	**Mar-13**	**Mar-14**	**Mar-14**	**Mar-15**	**Jun-15**	**Sep-15**
Income Statement											
Turnover	47,881	58,998	74,646	98,983	142,338	181,458	199,332	130,944	143,090	143,108	162,800
% growth		23%	27%	33%	44%	27%	10%	(34%)	9%		14%
Cost of Sales								0	-7,410		
Gross Profit								130,944	135,680		
Operating Profit	18,732	15,774	21,273	25,030	46,017	57,464	48,138	63,256	67,161	n/a	n/a
Operating Margin	*39%*	*27%*	*28%*	*25%*	*32%*	*32%*	*24%*	*48%*	*47%*		
Pre-tax Profit	19,350	16,250	21,225	25,103	46,347	57,960	48,433	63,256	67,161		
Taxation (charges are negative)	-5,237	-3,659	-3,403	-7,125	-12,445	-14,400	-7,043	-11,239	-11,439		
Post-tax Profit	**14,113**	**12,591**	**17,822**	**17,978**	**33,902**	**43,560**	**41,390**	**52,017**	**55,722**	**50,898**	**65,806**
Profit Margin	*29%*	*21%*	*24%*	*18%*	*24%*	*24%*	*21%*	*40%*	*39%*	*36%*	*40%*
Dividends Payable	**7,500**	**14,001**	**24,900**	**5,279**	**15,108**	**10,064**	**30,053**				
Retained Profits	6,613	-1,410	-7,077	12,699	18,794	33,496	11,337				

(1) Carve Out Statements include Jackpotjoy, Botemania and Starspins
(2) Run-rate numbers are quarterly results multiplied by four; June 2015 period includes proration for days not owned
Sources: duedil.com/, Intertain Filings, https://www.gov.uk/government/organisations/companies-house

Point of Consumption Taxes

POC Taxes have a ~(18-24%) impact on Gamesys asset free cash flows; Total Intertain POC taxes are significant estimated at over $40M per year

- The POC taxes are an integral part of the Gamesys valuation and story which came into effect on Dec 1, 2014
- They illustrate increasing governmental regulation over online gaming which will inevitably place a damper on cash flow generation as the government opens their hands to take a piece of the industry action
- Potential impact to Gamesys Operations:

C$ in mm

Sensitivity of POC Impact to Gamesys Cash Flows

% in UK	Revenue				
	$200	$210	$220	$230	$240
75%	($23)	($24)	($25)	($26)	($27)
78%	($23)	($24)	($26)	($27)	($28)
80%	($24)	($25)	($26)	($28)	($29)
83%	($25)	($26)	($27)	($28)	($30)
85%	($26)	($27)	($28)	($29)	($31)

- The new POC tax has a $23-31M impact on Gamesys asset cash flows and although free cash conversion is still high as a percent of EBITDA, the percent of free cash flow has immediately fallen 18-24% as a result of the POC tax
- POC taxes have practically had an even larger impact on Intertain than expected with a run-rate figure of $46 million per annum – across the entire entity (across Intercasino, Mandalay, V&J and JPJ) are as follows:

C$ in mm

POC Taxes

Period	Amount
Q2-2015	$10
Q3-2015	$13
Total	**$23**
Run-rate estimate	**$46**

Note: Q2-2015 is only for 83 out of 91 days in the quarter

Spruce Point Capital Management

Credit and Business Deterioration of Gamesys Evident In Rising Cost of Debt

Intertain's cost of debt rose significantly between the Gamesys deal announcement in February to deal closing in April 2015. Credit deterioration is the likely reason!

- The terms of the debt financing provided by Macquarie worsened by 150bps - a net impact of US$ 5 million per annum
  - Raised significant US$ debt (US$ 335m Term Loan +US$ 17.5m undrawn revolver) when a majority of Intertain's business is now in GBP and the parent is in Canada
  - Notable that the debt was raised in US$ when the company has no notable US operations and the company is publicly listed in Canada
  - Despite a repayment of $11M in the quarter, the debt appears to have risen by $29M in C$ terms (during Q3-2015)

US$ Credit Facility	Feb 11, 2015 (Announce)	April 8, 2015 (Close)
Source	Preliminary Short Form Prospectus / SEDAR	Credit Agreement / SEDAR
FX Rate	0.7917	0.7970
Drawn Term Loan US$ Debt	$335m	$335m
C$ Debt	C$423m	$C420m
LIBOR (bps)	40	40
Credit Spread (bps)	500	650
All-in Interest Rate	540 (5.4%)	690 (6.9%)
Annual $ Interest Cost	$18.1m	$23.1m

Change in Jackpotjoy Welcome Bonus Rules Being Used to Inflate Revenues?

A change in bonusing can have a short-term positive impact on results but can sting fundamentals and customer retention for the medium and long-term

- Jackpotjoy's welcome bonus terms have changed
  - Until May 2015: *"You must wager **2 times the value of the Welcome Bonus** before you can make a cash withdrawal (including, but not limited to, any cash winnings or deposits related to the applicable bonus) from your member account."*
  - As of current: *"You must wager **4 times the value of the Welcome Bonus** before you can make a cash withdrawal (including, but not limited to, any cash winnings or deposits related to the applicable bonus) from your member account."*
- A subtle change like this could result in a temporary increase in revenues but would be unlikely to drive long-term value
- May 1, 2015:

Wagering requirements: Wagering is when you place a cash bet (or wager) on a game. Wagering requirements apply to the Welcome Bonus before you can make a cash withdrawal (including, but not limited to, any cash winnings or deposits related to the applicable bonus) from your member account.
You must wager **2 times** the value of the Welcome Bonus before you can make a cash withdrawal (including, but not limited to, any cash winnings or deposits related to the applicable bonus) from your member account.

- Current:

7. Wagering requirements: Wagering is when you place a cash bet (or wager) on a game. Wagering requirements apply to the Welcome Bonus before you can make a cash withdrawal (including, but not limited to, any cash winnings or deposits related to the applicable bonus) from your member account.

You must wager **4 times** the value of the Welcome Bonus before you can make a cash withdrawal (including, but not limited to, any cash winnings or deposits related to the applicable bonus) from your member account. Please note that using the Welcome Bonus to purchase advance tickets or to wager in advance of the relevant game or event occurring (including, but not limited to, bingo tickets purchased in advance of the bingo game starting) will not cause the Welcome Bonus to expire or satisfy the wagering requirements unless and until the relevant games or wagers have completed and the value of your Welcome Bonus has been wagered through four times.

SPRUCE POINT CAPITAL MANAGEMENT

Why Buy Something For Which You Have Limited Control?

Intertain purchased an asset for a large payment upfront, ongoing licensing fees, an earn-out thereafter and it does not control this asset? Are all funds flowing back to original Gamesys shareholders?

- Intertain's acquisition of the Gamesys assets appear to be temporary in nature
- The Intertain agreements with Gamesys clearly specify that Intertain has little control over the assets purchased:

2. **GENERAL PRINCIPLES**

2.1 The following principles will apply with regards to this Agreement and this Schedule:

2.1.1 notwithstanding any other provision of this Agreement, and always in the case of Branded Sites subject to Gambling Approvals in Spain, during the applicable Earn-Out Period:

2.1.1.1 Gamesys shall have complete discretion and ultimate power of decision as to the marketing, operation, development and management of the Branded Sites (including the Games, content, features and functionality made available thereon); and

2.1.1.2 the Budget(s) and Business and Development Plan(s) shall be as determined by Gamesys in its sole discretion and such Budget(s) and Business Development Plans shall be deemed agreed by Intertain;

Source: Real Money Gambling Services Agreement

- Interestingly, Gamesys control over the assets does not appear to change after the five year earn-out period is over: *"following expiry of the applicable Earn-Out Period: Gamesys shall exercise its good faith, reasonable discretion as to the precise details of the marketing, operation, development and management of the Branded Sites"*

More Questions About Gamesys

Intertain acquired none of Gamesys growth assets and lost the driving force behind Gamesys' success – Noel Hayden (founder)

- The timing of the acquisition was unfortunate for Intertain shareholders given Noel Hayden was able to sell the asset in February 2015, shortly after the implementation of the POC Tax which would significantly impact free cash flow generation from the business. **The POC tax could be a direct C$50-60 million hit to cash flows annually**
- It is questionable that Noel Hayden joined Intertain's as a non-executive board member
  - Given Noel's reputation, Intertain had a real shot with the Gamesys assets: *"Will Hayden's lucky streak continue? With his track record, it probably wouldn't be a gamble to bet that it will."* (source)
  - However, within a few months of the closing of the Gamesys assets, Noel Hayden stepped down from his role as CEO passing it to COO Lee Fenton - It seems odd that the founder would jump ship at his first opportunity (source)
  - Fenton is also managing the remaining Gamesys assets that were not sold to Intertain
  - **There appears to be a conflict of interest with Hayden and Fenton both managing their own assets and the Intertain assets**
- Intertain acquired Gamesys assets, but not the entire Gamesys entity, the specific assets that were acquired appear to be the mature Bingo assets; not included in the acquisition were the majority of assets we believe were growth assets for Gamesys including:
  - Caesars Casino.com – *Gamesys partnership with Caesars Entertainment Corp, the world's largest provider of branded casino entertainment, to bring the superior quality of Las Vegas style gaming to the UK with Caesars Casino online*
  - Heart Bingo – *Launched by Gamesys in march 2010, Heart Games introduced online games and bingo to Global Radio, the UK's largest commercial radio brand*
  - Caesars Bingo – *The world-renowned Caesars Entertainment Corporation chose Gamesys to launch their first and only online Bingo site from CAESARS Palace*
  - Fabulous Bingo – *News International chose Gamesys for a second time to launch the nation's most fashionable Bingo site, using the brand from magazine supplement of the year, Fabulous, found inside The Sun every Sunday*
  - Virgin Games – *Virgin Games is licensed and operated by Nozee Limited on the basis of an underlying software system licensed by Gamesys Limited. Nozee Limited, a subsidiary of Gamesys Limited is licensed by the Government of Gibraltar and regulated by the Gibraltar Gambling Commissioner*
  - Virgin Casino – *Virgin Casino is authorized to conduct Internet gaming in the State of New Jersey under a license issued to Tropicana Entertainment, Inc (NJIP#13-005). Virgin Casino is regulated by the State of New Jersey, Division of Gaming Enforcement*

SPRUCE POINT CAPITAL MANAGEMENT

Why Is Intertain Bahamas Overseeing Its Prized UK-Based Operation?

It appears that Darren Rennick, head of Intertain Bahamas, is the company's nominee for the key position of the Gamesys Governance Board.

- There is a governance board established by Gamesys and Intertain and the Intertain nominee is Darren Rennick who is head of its Bahamas business
- From our perspective given Rennick's background, we fail to understand why he is responsible for Intertain's flagship asset in the UK. How is this responsible oversight?

Governance Board Per Gamesys Agreement

3. **GOVERNANCE BOARDS**

3.1 Each Party shall notify the other Party of an individual nominated by it as being the principal contact point for managing and coordinating the business relationship created under this Agreement and having the appropriate authority of the relevant Party to fulfil that role (each such individual being that Party's "**Nominated Manager**").

3.2 As at the Commencement Date, the Nominated Manager for Intertain shall be: the President of Wagerlogic, Bahamas and the Nominated Manager for Gamesys shall be [redacted]. Either Party may change its Nominated Manager at any time by notifying the other Party in writing. Furthermore, each of the Nominated Managers shall be entitled to appoint an alternate to act on their behalf and during periods of absence due to annual leave or sickness on written notice to the other Party.

Rennick Bahamas President

Darren Rennick
President, Intertain Bahamas

- Founder of Digital Gaming Solutions (DGS), supplier of point of sale, online and call centre software to the global sports wagering industry
- Former President of sports and casino software supplier IQ Ludorum, one of the first Internet gaming companies to IPO (AIM market)
- Former CEO of Prolexic Technologies

Source: Autumn 2015 IR

Why Was Jackpotjoy Suspended From Operations in Italy?

jackpotjoy.it

AVVISO AI GIOCATORI

Starting from 1 September 2014, Spin Leisure Ltd., the concessionaire that manages gaming platform www.jackpotjoy.it, suspended the offer of games on the site www.jackpotjoy.it. In order to withdraw your balance, players will need to send a request to the email address assistenza@jackpotjoy.it the email address associated with the account of the game on the platform indicating: • full name and social security number of the owner of the game account To this end, we note that in accordance with the applicable law will be possible to withdraw the outstanding balances of the game only after providing for Leisure Spin-sided copy of an identity document valid and readable. The suspension of the jackpotjoy.it 'was authorized in According to AAMS.

Sincerely *Team Jackpotjoy*

18+ GAMCARE GAMCARE CERTIFICATION aams gioco legale e responsabile

leisurespin gamesys

Critical Analysis of Q3 2015 Financial Results

Q3 2015 | Looks Impressive Until You Look Closely

All that glitters is not always gold – Q3 2015 resulted in Adj. Net Income that was down 8% YoY

- Management was quick to highlight knocking it out of the park with revenue growth, but we note that management omitted any operating or net income results in the press release
- A review of year-over-year growth in adjusted net income illustrates that not all assets are growing
  - JPJ was down due to incremental marketing spend and December 2014 initiation of POC taxes
  - V&J expansions have not worked and the company describes it as such *"Vera&John's ability to secure UK market share has been slower than anticipated, however this segment will benefit in the future from the knowledge and experience of other UK brands owned by the Company."*
  - Mandalay appears to have a decent year-over-year comp, however, this is after years of decline
  - InterCasino marketing spend was increased helping the top line but once again this did not trickle down to the bottom line. InterCasino results are likely even worse as the below figures include the Amaya revenue guarantee
- We will focus our analysis on Gamesys as the lion share of revenue comes from this entity. The remaining entities represent approx. 30% of revenues (excluding the revenue guarantee)
  - Mandalay and InterCasino represent less than 10% of revenues whereas V&J is approximately 15%
- **Adjusted net income in a constant currency base would be down 8% year-over-year**
  - **It is not surprising that Intertain chose not to disclose this – but why have shareholder not been asking the questions?**
  - **Why has the company not prominently illustrated that their top line has benefited from the devaluation of the Canadian Dollar**

Q3 2015 Results	Quarter			YTD		
	2014	2015	Change	2014	2015	Change
Revenue						
Intercasino	$6	$6	9%	$14	$19	36%
Mandalay	£5	£5	15%	£14	£16	12%
V&J	€10	€12	21%	€29	€35	22%
JPJ	£34	£41	21%	£98	£113	15%
Adjusted Net Income						
Intercasino	$3	$3	(21%)	$10	$9	(8%)
Mandalay	£2	£2	5%	£5	£6	23%
V&J	€3	€2	(16%)	€6	€7	6%
JPJ	£18	£16	(7%)	£51	£44	(13%)
Adj Net Inc. (Constant Currency)	**$48**	**$44**	**(7.7%)**	**$128**	**$117**	**(8.6%)**

Q3-2015 Earnings Call Littered With Bait To Keep Investors From Jumping Ship

Topic	Intertain Management Comment	Reality
Debt Refinancing	*"I'd be surprised if in Q3 next year, we didn't refinance our debt facility, which could allow for reduced rates and-or an increase in facility size."*	There is no guarantee credit markets will be receptive to a refinancing and offer better terms.
Takeover Target	*"For these reasons, I believe we may be at risk for a predatory buyer, especially as we trade in the mid digits on 2015 earnings whilst most of our peers trade in the high teens. "*	Intertain's stock trades on artificially high earnings that aren't tax adjusted. Furthermore, we believe it should trade at a discount given the issues we've identified. We don't believe there are any current interested buyers for Intertain; rather, the comment was made to entice investors to stick around
Growth through acquisition	*"We continue to review accretive and strategic acquisitions that we can fund to a number of outlets"*	It is integral that Intertain keep the growth through acquisition story alive. The reality is that Intertain needs to prove to investors it can integrate and execute on its recent deals
We will be promoting the stock	*"We are about to embark on a long marketing programs throughout North America and Europe highlighting our business"*	Intertain appears to be still reeling from the MIP disaster, and marketing to investors appears to be a preferred use of time than focusing on operations
Update on Management Incentive Plan	*"We expect to have the dialog with our shareholders throughout the month of November and the contractual documentation done no later than the end of the year."*	After spending six months evaluating options for their first management incentive plan which was fraught with issues and a conflict of interest; Intertain is spending more shareholder cash on evaluating the same options over another half a year
Jackpotjoy Growth	*"Well, Q2 only grew 10%, but Q1 grew 20%, Q4 grew 20%. So, as I said before, this is gaming and it is a game of chance, we are pure chance."*	Management appears to have limited knowledge of how Q4 results will be
Reiterating Guidance	*"I'd like to mention that we are reiterating our guidance for 2015"*	Cutting guidance after the MIP debacle would be financial suicide. Without significant FX tailwinds as benefits, and some questionable acct'g maneuvers such as changing its functional currency, it is questionable how Intertain could maintain guidance. Let's see how Intertain is able to hit lofty 29% and 23% 2016E sales and EPS growth targets

Source: Q3'2015 Conf Call

Spruce Point Capital Management

Intertain's Description of Q3'2015 Cash Usage Not Making Sense

Cash flow from operations does not appear to be utilized for the purposes that management suggested in its Q3 press release

- The Q3 2015 results announced on Oct 29, 2015 highlight the company's direction of its operating cash flows

Generated $41.5 Million in Operating Cash Flows Used to Pay Down Debt and Fund Earn-outs

- For the Q3 period the Company generated $41.5 million of operating cash flow representing an adjusted EBITDA conversion rate of 94%.
- As well as for general corporate purposes, the Company used operating cash flow generated during Q3 and cash on hand to:
  - Repay $10.6 million in senior term debt;
  - Purchase for cancellation 972,712 shares for $11.4 million under its NCIB (as further described below); and
  - Set aside $18.2 million to fund the earn-out associated with the Jackpotjoy business.

- However the above statement describing the use of 'operating cash flows' appears inaccurate
- Per Intertain's footnote on Restricted Cash below, it clearly states it is to set aside 65% of excess cash flow in a non-operational bank account. However, between Q2'2015 and Q3'2015 its Restricted Cash account on the balance sheet grew by just C$0.7m
- Given that the Restricted Cash account barely increased, how can Intertain claim it "Set aside C$18.2m to fund the earn-out"
  - Further, it appears the earn-out was funded by cash on Intertain's balance sheet (not from operating cash flows)

5. RESTRICTED CASH

The restricted cash balance as at September 30, 2015 totalled $10.1 million. The balance includes $9.8 million in funds pledged as security for the payback of the Vera&John vendor take back loan and working capital balance payable described in note 12. The remaining restricted cash balance consists of $0.3 million held as collateral on the Company's leased premises in Toronto and Tel Aviv.

In accordance with the terms of the Jackpotjoy earn-out payment, the Company is required to segregate 65% of the Company's excess cash flow, less mandatory repayments of the Company's long-term debt, as discussed in note 7, in a non-operational bank account.

The Intertain Group Limited
Unaudited Interim Condensed Consolidated Balance Sheets
September 30, 2015
(Canadian dollars)

	As at September 30, 2015	As at June 30, 2015	As at December 31, 2014
ASSETS	($000's)	($000's)	($000's)
Current assets			
Cash	94,502	90,674	31,252
Restricted cash	10,061	9,341	328
Prepaid expenses	1,904	2,640	829
Customer deposits	12,678	13,060	1,356
Receivables	24,754	23,978	10,363
Taxes receivable	12,869	10,266	6,296
Total current assets	156,768	149,959	50,424

Source: Intertain financials at SEDAR

An Aggressive Share Repurchase Plan Temporarily Supporting the Stock

In our view the share repurchase, a response to the Management Incentive Plan debacle, is a poor use of cash in the long run and would have been better directed towards deleveraging

- Sep 16, 2015: Intertain announced a limited Normal Course Issuer Bid (NCIB) otherwise known as a share buyback program to purchase and cancel up to 3,617,640 common shares, which represents approx. 5% of shares outstanding
- We estimate through the first month of the NCIB, Intertain aggressively purchased shares often representing 10-20% of daily volume
- Once the repurchase is completed, what new buyers will emerge and want to own Intertain's shares?
- This use of cash is interesting given the company is required to put aside a good portion of excess cash flow for debt repayment and the earn-out which still remains unfunded

Share Repurchase Data

	Insider Buys			Trading	% of total
Date	Volume	C$ mm Value	Share Price	Volume	volume
Sept 2015	981,212	$11	$11.64	7,220,487	13.6%
Oct 2015	1,520,424	$19	$12.74	14,150,914	10.7%
Total	**2,527,436**	**$31**	**$12.19**	**33,853,947**	**7.5%**

Source: TSX data, Intertain filings. Note: Volume reflects days that Intertain repurchased stock, so starting Sept 21

- Cash pressures unlikely to go away any time soon
  - Mandatory term loan debt amortization of approximately $8.3m per quarter and interest expense of $5.6m
  - Q4 2015: It appears that Intertain could owe up to £15 million on its Mandalay earn-out in Q4 2015, further putting pressure on their poor cash management; on going share buyback
  - Q1 2016: Potential V&J earn-out up to €8 million and the Amaya revenue guarantee falling off

Accounting, Financial Presentation, and Disclosure Concerns

Spruce Point Capital Management

Summary of Key Accounting Concerns

Item	Timing	Implication
Multiple Auditor Changes	2013-14	IT has cycled through three auditors which should be a cautionary sign for investors
Bridge Loan Misclassification	Q4'14	IT classified a bridge loan (a short-term obligation) as a long-term liability, distorting its financial condition. Adjusting the balance sheet, would've resulted in a (C$ 16.9m) working capital deficit
Mysterious Change in Revenue Recognition and Amortization of Intangibles	Q3'14	IT disclosed a cryptic change in revenue recognition and amortization of intangibles deep in its financial footnotes. The company did not clearly specify the changes, but said it had no impact on its reported balance sheet but did not disclose the actual impact on revenues or earnings. Piecing together some language changes we observe the following: • Q4-14: *Revenues from* ***online bingo and casino*** *consists of the difference between total amount wagered by players less all winnings payable to players, bonuses allocated, and jackpot contributions ("Net Revenue")* • Q3-14: *Revenues from* ***online casino and poker operations*** *consists of the difference between total amount wagered by players less all winnings payable to players, bonuses allocated,* ***gaming taxes****, and jackpot contributions ("Net Revenue")*
Change in Revenue and Recognition Among Carve-Out Financial Statements	Q2'15	The Jackpotjoy carve-out statements mysteriously boosted revenue by £4.7M with a vague explanation that suggested IT changed it from net to gross revenue recognition. Upon reviewing Gamesys revenue recognition policies and the carve-out entities, it appears IT has made subtle changes (eg. Recognize revenues on transaction date vs. settle date) that could accelerate revenue
Purchase Price Accounting (PPA) for Jackpotjoy transaction changes significantly	Q2'15	Purchase Price Accounting (PPA) for the Jackpotjoy transaction changes significantly. Key payable accounts related to expenses disappeared. There are many financial questions related to this deal, including how Jackpotjoy's revenues increased 9% while its accounts receivables and payables ballooned by 39% and 35%, respectively. Additionally, Jackpotjoy's margins have expanded dramatically post acquisition
Change in Functional Currency	Q3'15	IT disclosed a change in functional currency for the parent co. to US$. Its justification was based on its US$ financing deal, whereas we believe it should be based on the operating revenue or costs of the underlying businesses which suggest that British Pounds are the dominant currency

Spruce Point Capital Management

Summary of Key Financial Reporting Concerns

Item	Timing	Implication
Lack of Key Performance Indicators	All Periods	IT does not report operational data to allow for better evaluation of its operating business. For example its competitor Bwin reports active player days, daily average players, yield per active player and new player additions
Adjusted Net Income Presentation Appears Overstated	All Periods	In presenting its Adjusted Net Income and EPS figures, IT does not tax adjust its figures to present results on an after-tax basis. IT discloses its corporate tax rate at 26%. By our estimate, its true Adj. EPS is approximately 50% lower
Moving from "Gross Win" to "Revenue" for Jackpotjoy	Q3'15	From deal announcement in Feb 2015 through Q2'15, IT disclosed "Gross Win" as the headline number to evaluate the Jackpotjoy business, yet never provided a clear definition. Starting in Q3'15, IT now discloses the headline figure in terms of revenues
Inconsistent Adj. EBITDA Presentation	Q2'15	IT increases Adj. Net Income by the PV adjustment for the contingent consideration, but didn't increase Adj. EBITDA by the same amount until Q2'15
Inconsistent Presentation of FX gains/losses	Q1'15	In FY 2014, IT presented its loss on FX as a non-operating item below interest expense. Starting in Q1'15, IT reclassified FX gains/losses as operating expenses
Point of Consumption (POC) Tax	Q1'15	IT has sought to downplay the significance of the 15% UK POC tax affecting its UK gaming operations. Despite owning Mandalay for most of 2014, IT didn't discuss the POC much until well into 2015 after it went into effect 12/31/15. Did they not know or worse?
Numerous Errors	Multiple Examples	Errors and restatements reported in relation to intangible assets, goodwill and acquisition cost reporting
Early Release of Q3'15 Financial Results	Q3'15	Last quarter, IT experience an issue that resulted in the early release of its financial results. This issue increases our concern that IT may have financial control issues

A New Auditor A Day, Keeps the Doctor Away

Three auditors in three years, are problems brewing?

Starting Date	Auditor
Prior to Jun 24, 2013	MNP LLP
Jun 24, 2013	Collins Barrow Chartered Accountants
Jun 17, 2014	Grant Thornton
Dec 5, 2014	BDO LLP

- **Intertain's auditor was again changed within 2 weeks of the following reporting error**
  - Nov 12, 2014: Intertain announced adjusted Q3 2014 ($6.955m) financial results with adjusted EBITDA up 50% over Q2 2014 ($4.609m)
  - Nov 20, 2014: Intertain slips in an announcement about erroneous EBITDA in a press release about warrant exercise
    - *Interest accretion was inadvertently* ***added back twice to calculate adjusted EBITDA figures in the Q3 MD&A and the error, which is deemed to be immaterial, was overlooked both by management and Intertain's auditors reviewing the MD&A****. There are no resulting corrections to either the financial statements or adjusted net income per share.*
    - The adjusted EBITDA's are Q3 2014 ($6.444M) and Q2 2014 ($4.242M), which represented changes of 7% and 8% respectively
    - Research does not seem to have a good sense of materiality because apparently 7% is not material: *"We found this error to be immaterial to our target price calculation."* Global Maxfin Nov 24, 2014
- From the business acquisition report of Vera & John, *"The auditors of the Dumarca Audited Financial Statements have not given their consent to include their audit report in this Report. "* – how many billion dollar companies have notes like this?
- The prospectus also illustrates that V&J also used multiple auditors *"Other Matter: The consolidated financial statements of the Group for the year ended 31 December 2012 were audited by* ***another auditor*** *who expressed an unmodified opinion on those statements on 19 February 2015."* (source)

Spruce Point Capital Management

Material and Misleading Misclassification of Debt

- A bridge loan is typically a short-term loan used during a period where a company seeks long-term committed funding
- With respect to the Vera&John acquisition, IT disclosed that its management had provided an arm's length bridge loan to the company in the amount of approximately C$10 million, at the prime Canada business rate, and maturing on December 22, 2019
- On April 8, 2015, upon closing of the Jackpotjoy acquisition and with proceeds raised, the bridge loan was repaid
- Curiously, IT classified its bridge loan as a long-term liability. A long-term liability is by definition any liability maturing over 1 year. In this case, IT's bridge loan was issued and settled in little more than 3 months
- **We conclude that IT's financial statements appear to be materially misstated during this period. Adjusting IT's balance sheet by reclassifying the bridge loan as short-term would have substantially worsened IT's negative working capital deficit to (C$16.9m)**

Bridge Loan as Long-Term Debt

The Intertain Group Limited
Unaudited Interim Condensed Consolidated Balance Sheets
March 31, 2015
(Canadian dollars)

	Note	As at March 31, 2015 ($000's)	As at December 31, 2014 ($000's)
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	6	52,411	22,001
Interest payable		1,316	–
Payable to customers		1,409	1,356
Vendor take back loan	8	8,828	9,187
Contingent consideration	9	16,690	15,621
Provision for taxes		11,235	9,196
Total current liabilities		91,889	57,361
Interest payable		561	226
Contingent consideration	9	10,860	10,732
Deferred tax liability		4,195	4,426
Vendor take back loan		–	3,774
Convertible debentures	10	14,364	14,444
Bridge loan		9,995	9,995
Debentures		47,518	47,393
Total liabilities		179,382	148,351

Source: Q1'2015 Financials

Bridge Loan With 4-5 Year Maturity?

DECEMBER 31, 2014	ON DEMAND $	< 1 YEAR $	1-2 YEARS $	4-5 YEARS $
Payable and accrued liabilities	22,001,474	—	—	—
Interest payable	—	—	226,422	—
Payable to customers	1,355,505	—	—	—
Contingent considerations	—	15,708,102	11,984,180	—
Convertible debentures	—	—		17,500,000
Bridge loan	—	—	—	9,995,084
Debentures	—	—	—	51,175,000
Vendor take-back loan	—	9,187,345	—	3,773,702
	23,356,979	24,895,447	12,210,602	82,443,786

Source: 2014 Annual Report (p. 62)

IT Discloses Changes in Revenue Recognition and Amortization Policy (With Scant Details)

Single Disclosure in the 2014 Annual Report

SUMMARY OF RESULTS BY QUARTER

	3 MONTHS ENDED DECEMBER 31, 2014 $	3 MONTHS ENDED SEPTEMBER 30, 2014 $	3 MONTHS ENDED JUNE 30, 2014 $	3 MONTHS ENDED MARCH 31, 2014 $
Total revenue and other income*	18,281,704	13,696,413	5,667,989	3,130,133
Net loss	(12,044,986)	(11,959,397)	(837,475)**	(2,499,122)
Basic loss per share	(0.50)	(0.67)	(0.06)	(0.13)
Diluted loss per share	(0.50)	(0.67)	(0.06)	(0.13)

* BALANCES ADJUSTED TO REFLECT THE CHANGE IN ACCOUNTING POLICIES RELATED TO REVENUE RECOGNITION AND AMORTIZATION OF INTANGIBLE ASSETS ADOPTED IN THE 3 MONTH PERIOD ENDED SEPTEMBER 30, 2014.

** BALANCE INCLUDES AN UNREALIZED FOREIGN EXCHANGE LOSS OF $1.3M WHICH WAS REALIZED AT $0.9 MILLION IN THE SUBSEQUENT QUARTER.

Apparent Revenue Recognition Change Listed in Q3'14, Note 4 Business Combination

"Gaming revenue for InterCasino was previously presented net of certain affiliate fees and other revenue related expenses amounting to $737,788. Following the acquisition of Mandalay, the Company has aligned the accounting policy with that of Mandalay to show revenue gross of expenses which are included in selling and marketing expenses. In addition, income arising under the revenue guarantee has been shown separately as other income"

Unclear Amortization Policy Change Pieced Together From Language Change

- Intertain does not exactly specify the change that was made to the amortization policy
- On the next slide, we have compared footnote language between Q2 and Q3 2014
- It appears that Intertain has given itself wide ranging discretion to recognize amortization expenses

Source: SEDAR

Other Clues of the Revenue Recognition Change

A text compare indicates that gaming taxes were also removed from the netting in revenue. This simple change would inflate revenues and appears to be a material change in light of the UK's implementation of the POC tax that would be enacted in Fiscal Year 2015

Q3 2014 Financial Statements (Old)	2014 Annual Report (New)
The Company earns its revenue from operating casino and bingo online websites, and affiliate services. Affiliate services revenue is derived from affiliate services provided to gaming operators. The commission revenue is calculated in line with the contracts, typically based on fixed price per player and is recognized to the extent that its probable economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognized in the accounting periods in which the transactions occur. **Revenues from online casino and poker operations consists** of the difference between total amount wagered by players less all winnings payable to players, bonuses allocated, **gaming taxes**, and jackpot contributions ("Net Revenue").	The Company earns its revenue from operating casino and bingo online websites, and affiliate services. Affiliate services revenue is derived from affiliate services provided to gaming operators. The commission revenue is calculated in line with the contracts, typically based on fixed price per player and is recognized to the extent that its probable economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognized in the accounting periods in which the transactions occur. **Revenues from online bingo and casino consists** of the difference between total amount wagered by players less all winnings payable to players, bonuses allocated, and jackpot contributions ("Net Revenue").

Source: SEDAR

IT's Intangible Asset Amortization Change is Vague, Appears Beneficial

Q2'2014 Intangible Asset Footnotes

Intangible assets are capitalized on the basis of the costs incurred to acquire the asset. These are subsequently accounted for using the cost model whereby capitalized costs are amortized in line with the below table. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment. Amortization is calculated at the following rates, which are based on the estimated useful lives of the assets:

Brand	Straight-line over 20 years
Customer lists	Straight-line over 6 years
Revenue guarantee contract	Straight-line over the term of the contract

Q3 2014 Intangible Asset Footnotes

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization for finite life intangible assets is calculated at the following rates:

Brand	Straight-line over 20 years
Gaming licenses	Straight-line over 20 years
Software	Straight-line over 5 years
Revenue guarantee contract and customer lists	Based on the timing of when estimated cash inflows will be earned

Loose language appears to give Intertain wide discretion towards recognizing expenses

Source: SEDAR

Creating Revenues Out of Thin Air?

- Intertain's revised Business Acquisition Report (BAR) notes a restatement that increases both revenue and distribution costs by £4.7M

The Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited

Notes forming part of the financial statements for the year ended 31 March 2015 ***(continued)***

2 Significant accounting policies *(continued)*

Carve-out statement of cashflow

The Business Unit does not have its own bank account or cashflows of its own. Operating cashflows are accounted for through an adjustment to the related inter-company balances less notional net distributions.

Carve-out statement of other comprehensive income

There were no other comprehensive income transactions in any of the years.

Earnings per share

The Business Unit is not within the scope of IAS 33 as it is not a statutory entity and has no share capital.

Presentation of comparative information

The 2014 carve-out statement of comprehensive income has been restated to increase revenue by £4,709,000 with a corresponding increase in distribution costs. Revenue had been shown net of distribution costs in the prior year. The restatement has no impact on the reported profit or net asset position for the prior year.

- Although carve out statements often come with significant amounts of qualifications, we think that a change in revenue recognition at this time increases our suspicions on how revenue numbers are being managed. Especially when that change happened between initial and revised carve out statements. The 'Rest of the World' revenues increase mysteriously by over 20%

Interim Feb 11, 2015

Geographical Analysis of Revenues

	Unaudited 6 month period ended 30 September 2014 £'000s	Audited Year ended 31 March 2014 £'000s
United Kingdom	55,464	104,657
Rest of the World	11,215	21,578
	66,679	126,235

BAR Filing – Sept 4, 2015

Geographical Analysis of Revenues

	2015 £'000s	2014 £'000s
United Kingdom	117,275	104,811
Rest of the World	25,825	26,133
	143,090	130,944

Source: Business Acquisition Report, SEDAR

Spruce Point Capital Management

Revenue Recognition Changes To Accelerate Revenue Growth?

Something appears wrong – no matter where we look, there appears to either be negligent error or worse which is a function of poor oversight and management

- The revenue recognition for the carve out is much looser since Intertain accounts for revenue when *'the transaction occurs'* vs Gamesys which accounts for revenues when *'wagers are settled'*
- It would appear that this allows for faster revenue recognition by the JPJ unit of Intertain

Gamesys Group Revenue Recognition

Turnover

Revenue derived from online instant win, casino and bingo gambling games is represented as player wagering less player winnings and certain bonuses granted. Revenue is recognised when wagers are settled. Revenue derived from social games is represented by sales of credits and is recognised at the point of purchase. Revenue generated from providing hosting services is recognised as the service is delivered.

Source: Companies-House

Jackpotjoy Asset Carve-Out Revenue Recognition

Revenue

Net gaming revenue derives from online and social gaming operations and is defined as the difference between the amounts of bets placed by the players less the amount won by players. It is stated after deduction of certain bonuses, jackpots and prizes granted to players. Net gaming revenue is recognised to the extent that it is probable that economic benefits will flow to the business units and the revenue can be reliably measured. Revenue is recognised in the accounting periods in which the transactions occur.

Source: SEDAR

Spruce Point Capital Management

More Revenue Recognition Gimmicks

- The Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited financial statements are provided for two separate periods
  - Interim: 6 month period ended 30 September 2014 and 2013 and years ended 31 March 2014 and 2013
  - Latest: For the year ended March 31, 2015 period
- **Pay very close attention to the language changes in the revenue discussion below:**
  - Revenue has been changed to exclude "platform costs from social gaming"
  - Gaming taxes are included in both "Cost of sales" and "Distribution costs"

Interim

Revenue

Net gaming revenues derives from online and social gaming operations and is defined as the difference between the amounts of bets placed by the players less the amount won by players. It is stated after deduction of certain bonuses, jackpots, prizes granted to players and in the case of social gaming, platform costs. Net gaming revenue is recognised to the extent that it is probable that economic benefits will flow to the business units and the revenue can be reliably measured. Revenue is recognised in the accounting periods in which the transactions occur.

Distribution costs

Distribution costs represent the costs of delivering the service to the customer and primarily consist of technology infrastructure royalties, promotional and advertising together with gaming and regulatory testing all of which are recognised on an accruals basis.

Source: Feb 11, 2015 Preliminary Short Form Prospectus at SEDAR

Latest

Revenue

Net gaming revenue derives from online and social gaming operations and is defined as the difference between the amounts of bets placed by the players less the amount won by players. It is stated after deduction of certain bonuses, jackpots and prizes granted to players. Net gaming revenue is recognised to the extent that it is probable that economic benefits will flow to the business units and the revenue can be reliably measured. Revenue is recognised in the accounting periods in which the transactions occur.

Cost of sales

Cost of sales relates to gaming taxes.

Distribution costs

Distribution costs represent the costs of delivering the service to the customer and primarily consist of technology infrastructure royalties, gaming taxes, promotional and advertising together with gaming and regulatory testing all of which are recognised on an accruals basis.

Source: Sept 4, 2015 Business Acquisition Report at SEDAR

Spruce Point Capital Management

Jackpotjoy Carve-Out Financials
Pre-Purchase Price Allocation

Pay close attention to the carve-out financials for the Jackpotjoy and related assets before Intertain consolidated them into its financials. On the next slide, it appears that certain expenses related to taxation and progressive prize pools disappeared.

Gamesys Carve-Out Pre-Purchase Price Allocation

Carve-out statement of financial position at 31 March 2015

	Note	2015 £'000s	2014 £'000s
Assets			
Current assets			
Trade and other receivables	6	**18,602**	13,367
		18,602	13,367
Liabilities			
Current liabilities			
Trade and other payables	7	**31,721**	23,445
		31,721	23,445
Net liabilities		**(13,119)**	(10,078)
Business Unit deficit		**(13,119)**	(10,078)

Multiple Components of Jackpotjoy's Receivables and Payables

6 Trade and other receivables

	2015 £'000s	2014 £'000s
Trade receivables	**11,261**	7,002
Other receivables	**110**	107
Prepayments	**2,197**	1,739
Amounts due from related undertakings	**5,034**	4,519
	18,602	13,367

7 Trade and other payables

	2015 £'000s	2014 £'000s
Trade payables	**6,878**	4,052
Client liabilities and progressive prize pools	**5,034**	4,519
Other payables	**8,370**	3,635
Corporation tax	**11,439**	11,239
	31,721	23,445

Source: Business Acquisition Report, Filed 9/4/15 and 10/29/15 at SEDAR

Playing Games With Purchase Price Allocations to Hide Costs?

It is notable that Intertain dramatically changed its initial purchase price allocation for the Jackpotjoy acquisition. Intertain renamed and collapsed key receivables and payable accounts detailed on the prior slide into 'customer deposits' and 'payable to customers.'

Preliminary Purchase Price Allocation of Jackpotjoy Businesses

C$ in thousands

	The Intertain Group Ltd as at March 31, 2015	The Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited as at March 31, 2015	Notes	Pro Forma Adjustments	Pro Forma Consolidated
Assets					
Current Assets					
Cash and cash equivalents	25,650	-	*a*	483,000	137,393
			b	(20,113)	
			a	424,881	
			c	(20,800)	
			f	(9,995)	
			f	(47,518)	
			d	(697,712)	
Restricted cash	482,511	-	*a*	(472,793)	9,718
Prepaid expenses	1,638	-		-	1,638
Customer deposits	1,409	-		-	1,409
Receivables	9,635	35,035		-	44,670
Derivative financial asset	2,478	-		-	2,478
Taxes receivable	7,913	-		-	7,913
Total Current Assets	531,234	35,035		(361,050)	205,219
Tangible assets	481	-		-	481
Intangible assets	131,443	-	*d*	666,724	798,167
		-		-	-
Goodwill	146,496	-	*d*	447,059	593,555
Long term deposits	407	-			407
Un-allocated goodwill		-			-
Total Assets	810,061	35,035		752,733	$ 1,597,829
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable and accured liablities	52,411	59,743	*b*	(9,906)	102,248
Interest payable	1,316	-		-	1,316
Payable to customers	1,409	-		-	1,409
Vendor take back loan	8,828	-		-	8,828
Contingent consideration	16,690	-		-	16,690
Provision for taxes	11,235	-		-	11,235
Total Current Liabilities	91,889	59,743		(9,906)	141,726
Interest payable	561	-			561
Contingent obligation	10,860	-	*d*	264,895	275,755
Deferred tax liablity	4,195	-		-	4,195
Long-term loan payable	-	-	*a*	424,881	404,081
			b	(20,800)	
Bridge loan	9,995	-	*f*	(9,995)	-
Convertible debentures	14,364	-		-	14,364
Debentures	47,518	-	*f*	(47,518)	-
Total Liabilities	179,382	59,743		601,557	840,683

Source: Business Acquisition Report, Filed 9/4/15 and 10/29/15 at SEDAR

Reported Purchase Price Allocation Q2 and Q3 2015 Financial Report

C$ in thousands

	$000
Assets acquired	
Intangible assets	660,705
Goodwill	415,708
Customer deposits	8,369
	1,084,782
Liabilities assumed	
Payable to customers	8,369
Net assets acquired	1,076,413
Consideration	
Cash*	688,397
Share Capital	125,512
Fair value of contingent consideration	262,504
	1,076,413

*This balance is net of gains from hedging the foreign exchange rate movements on the purchase price.

Source: IT Q2'15 and Q3'15 Financial Reports, Note 3 Business Combinations, Filed 8/12/15 and 10/29/15 at SEDAR

Note: It is likely that a working capital adjustment resulted in deposits=payables at closing, but it still is not clear where other key accounts went. Note the deal closed 4/8/15 not long after the 3/31/15 financials in the left side table

Spruce Point Capital Management

Growth in Accounts Receivables / Payables Exploding Faster Than Revenues?

Revenues increased by 9% in in 2015, yet accounts receivables grew by 39% and accounts payables grew 35%. When revenues diverge from balance sheet accounts by such a large magnitude, it is often a substantial red flag.

The Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited

Carve-out statement of comprehensive income for the year ended 31 March 2015

	Note	2015 £'000s	2014 £'000s
Revenue		143,090	130,944
Cost of sales		7,410	-
Gross profit		135,680	

The Jackpotjoy, Starspins and Botemania Business Unit of Gamesys Limited

Carve-out statement of financial position at 31 March 2015

	Note	2015 £'000s	2014 £'000s
Assets			
Current assets			
Trade and other receivables	6	**18,602**	13,367
		18,602	13,367
Liabilities			
Current liabilities			
Trade and other payables	7	**31,721**	23,445
		31,721	23,445

Source: Business Acquisition Report, Filed 9/4/15 and 10/29/15 at SEDAR

Spruce Point Capital Management

Shuffling Acquisition Cost Recognition?

- Management indicates that there are no changes to the financial statements, but there are in the Business Acquisition Report (“BAR”)

> *“Intertain re-filed its business acquisition report in connection with the Jackpotjoy Acquisition of Fifty States Limited, completed on April 8, 2015 to include a pro forma consolidated financial statement for the annual period ended December 31, 2014 which was unintentionally omitted when the report was filed on September 4, 2015. The re-filing is a result of review by staff of the Ontario Securities Commission. The Company has also filed its auditor’s report dated March 9, 2015 together with the amended annual financial statements filed on March 11, 2015.* ***Other than the addition of the auditor’s report, there are no changes to the financial statements.”***

Figures referenced in C$ mm

	Initial Jackpotjoy Business Acquisition Report	Second Filing of Jackpotjoy Business Acquisition Report	Questions
Filing date	**Sep 4, 2015**	**Oct 29, 2015**	
Acquisition related costs increased by $11.5M	***Note 2***: *Acquisition cost for this transaction were $27.5 million, which included $16.4 million of management compensation.*	***Note 2***: *Acquisition related costs for this transaction were $39.0 million, which included $16.4 million of management compensation*	Where did the extra $11.5M come from? The deal closed in April!
PF Consolidated Income Statement: various changes	• $27m of adjustments to “Acquisition Related Costs” line item • Wtd Avg Shares o/s of 32,703,188 prior to acquisition • PF Consolidated EPS of ($0.85)	• No adjustments to Acq Related Costs • Wtd Avg Shares o/s of 32,668,000 prior to acquisition • PF Consolidated EPS of ($0.47)	Are these errors? How did $27M of acquisition related expenses disappear? How could share count change?

Warning: Recent Q3'15 Unusual Change in Functional Currency

New Significant Accounting Policies

The Company has applied hedge accounting in respect of certain derivative financial instruments acquired to hedge foreign exchange risk related to the purchase price of acquisition denominated in a foreign currency where the instruments are applied against the asset to which they related to when realized. Additionally, The Intertain Group Ltd., the non-consolidated parent company ("Entity") re-assessed its functional currency due to the Term Facility requirements to make interest, amortization, and annual cash sweep payments in USD which made the Entity's' liabilities, expenses, and cash payments to be predominantly in USD. As a result, the Entity changed its functional currency from CAD to USD effective July 1, 2015.

The Company translated all items into the new functional currency using the July 1, 2015 opening exchange rate. This change was applied prospectively. The Company's consolidated financial statements will continue to be presented in Canadian dollars. Differences arising on the retranslation of all foreign currency subsidiaries will continue to be recorded in other comprehensive income.

Source: Q3'2015 MD&A

Pay close attention!
IT justifies its choice of functional currency by referencing the non-consolidated parent company

According to IFRS, the following factors should determine functional currency choice, sales being the leading indicator:

Functional currency is the currency of the primary economic environment in which the entity operates. The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash.

An entity considers the following factors in determining its functional currency: (a) the currency: (i) that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled); and of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. (b) the currency that mainly influences labour, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).

Pay close attention to the rules!
Revenues and cost of sales sold expenses (not financing expenses) are the primary functional currency criteria

Source: IFRS "The Effects of Changes in Foreign Exchange Rates"

Why Would IT Change the Functional Currency?

- IT's change in functional currency of the parent company to US$ is unusual insofar as the company is primarily doing business in British Pounds as a result of the Jackpotjoy and Mandalay acquisitions

- This is confirmed by the CFO's quote from the Q1'2015 Earnings Conf Call:

  "I think post Gamesys fair to say that you know low to mid 70s percent of our revenue will be U.K. based."

- Furthermore, on a consolidated basis in Q3'2015 interest expense on long-term debt amounted to just C$8.3m or just 6.1% of total operating and financing expense on a consolidated basis

- Although we are not accountants, our understanding is that any re-measurement of FX gains or losses from a functional currency change, should go through the Comprehensive Income account in equity and not through the income statement. It is noteworthy that IT uses the FX charge for purposes of increasing its Adjusted EBITDA and Adjusted Net Income figures

FX Change Added to Adj. Net Income

Three months ended September 30, 2015:

	InterCasino $000	Mandalay $000	Vera&John $000	Jackpotjoy $000	Corporate $000	Totals $000
Revenue and other income	8,111	10,998	17,763	82,609	-	119,481
Net income (loss) for the period	2,895	1,078	(1,312)	9,244	(29,403)	(17,498)
Share-based compensation	-	-	-	-	1,200	1,200
Amortization of acquisition related purchase price intangibles	598	3,629	3,930	24,021	-	32,178
Acquisition related costs	-	-	207	671	1,712	2,590
Foreign exchange	46	-	190	(612)	4,029	3,653
Interest accretion	-	-	-	-	6,699	6,699
Debt settlement expense	-	-	-	-	-	-
Fair value adjustments for contingent consideration	-	-	-	-	6,244	6,244
Gain on sale of intangible assets	-	-	-	-	-	-
Adjusted Net Income (Loss)	3,539	4,707	3,015	33,324	(9,519)	35,066

Source: Q3'2015 Financials

FX Change Added to Adj. EBITDA

	3 month period ended September 30, 2015 $000	3 month period ended September 30, 2014 $000
Net income (loss) for the period	**(17,498)**	(11,759)
Interest expense, net	**15,169**	1,502
Taxes	**107**	(65)
Amortization	**32,238**	9,023
EBITDA	**30,016**	(1,299)
Share-based compensation	**1,200**	289
Fair value adjustments for contingent consideration	**6,244**	-
Acquisition related costs (3)	**2,590**	6,564
Foreign exchange	**3,653**	891
Adjusted EBITDA	**43,703**	6,445

Source: 2014 Annual Report (p. 62)

Spruce Point Capital Management

FX Impact: To Be An Operating Expense, or Non-Operating Is the Question!

Intertain has inconsistently presented the effect of foreign exchange gains/losses on its financials

The Intertain Group Limited
Consolidated Statements of Comprehensive Income (Loss)
FOR THE YEAR ENDED DECEMBER 31, 2014 (CANADIAN DOLLARS)

	NOTE	YEAR ENDED DECEMBER 31, 2014 $	PERIOD ENDED DECEMBER 31, 2013 $
Gaming revenue		23,465,981	—
Other income earned from revenue guarantee	5	17,310,258	—
		40,776,239	—
Costs and expenses			
Selling and marketing		11,078,814	—
Platform licensing fees		3,977,552	—
Processing fees		722,239	—
Gaming tax		382,303	—
Compensation and benefits		3,409,700	—
General and administrative		1,067,519	26,130
Professional fees		1,192,057	—
Amortization	10	14,831,041	—
Acquisition related costs		19,779,817	895,539
Total costs and expenses		56,441,041	921,669
Interest income	7	(167,680)	—
Interest expense	7	8,104,837	81,570
Financing expenses		7,937,157	81,570
Loss on foreign exchange	9	(2,084,053)	—
Net loss for the period before taxes		(25,686,012)	(1,003,239)
Current tax	11	793,934	—
Deferred tax recovery	11	(412,000)	—
Net loss for the period		(26,067,946)	(1,003,239)
Foreign currency translation gain		(263,618)	—
Total comprehensive loss for the period		(26,331,564)	(1,003,239)
Net loss for the period per share			
Basic	13	(1.46)	(0.71)
Diluted	13	(1.46)	(0.71)

Source: FY 2014 Annual Report

The Intertain Group Limited
Unaudited Interim Condensed Consolidated Statements of Comprehensive Income
For the three and nine months ended September 30, 2015 and 2014
(Canadian dollars)

	Note	Three months ended September 30, 2015 ($000's)	Three months ended September 30, 2014 ($000's)	Nine months ended September 30, 2015 ($000's)	Nine months ended September 30, 2014 ($000's)
Revenue and other income					
Gaming revenue		115,753	8,585	231,576	10,520
Other income earned from revenue guarantee		3,728	5,112	15,935	11,975
	21	119,481	13,697	247,511	22,495
Costs and expenses					
Selling and marketing		28,118	4,546	62,118	5,833
Licensing fees		16,910	1,530	34,306	1,712
Processing fees		4,812	207	10,499	400
Gaming tax		13,055	–	24,176	–
Compensation and benefits		11,505	787	27,986	1,787
General and administrative		2,040	194	4,981	531
Technology and development		14	–	287	–
Professional fees		524	277	1,774	417
Amortization		32,238	9,023	71,054	10,644
Acquisition related costs	4	2,590	6,564	55,973	10,921
Foreign exchange		3,653	891	2,751	891
Total costs and expenses		115,459	24,019	295,905	33,136
Gain on sale of intangible assets		–	–	(430)	–
Debenture settlement expense	8, 15	–	–	5,692	–
Fair value adjustments on contingent consideration	8, 14	6,244	–	6,842	–
Interest income	8	(77)	(54)	(557)	(122)
Interest expense	8	15,246	1,556	32,256	2,971
Financing expenses		21,413	1,502	44,233	2,849
Net loss for the period before taxes		(17,391)	(11,824)	(92,197)	(13,490)
Current tax		331	182	943	539
Deferred tax recovery		(224)	(247)	(665)	(247)
Net loss for the period		(17,498)	(11,759)	(92,475)	(13,782)

Source: Q3'2015 Financials at SEDAR

Intertain's Bingo Competitors Give Substantially More Disclosures

Intertain does not provide any key performance indicators; how is this possible for a company of this size?

- Normally, the best companies lead the pack in terms of disclosure; smaller and lower quality companies hide behind poor and ever changing disclosure
  - Most simply, if a company has such robust growth, why would it not disclose its underlying metrics
- How can investors have comfort with an investment in Intertain without any real data on the underlying operational movements within the company?

Bwin Party Bingo (Foxy Bingo)						
(€ millions unless otherwise noted)		2010	2011	2012	2013	2014
Active player days (million)		9.2	8.5	7.1	6.4	5.7
% growth			*(7.6%)*	*(16.5%)*	*(9.9%)*	*(10.9%)*
Daily average players (000s)		25.2	23.3	19.4	17.5	15.6
% growth			*(7.5%)*	*(16.7%)*	*(9.8%)*	*(10.9%)*
Yield per active player day (€)		7.8	7.5	8.9	8.2	9.0
% growth			*(3.8%)*	*18.7%*	*(7.9%)*	*9.8%*
New player sign-ups (000s)		232.2	160.5	141.1	123.5	117.5
% growth			*(30.9%)*	*(12.1%)*	*(12.5%)*	*(4.9%)*
Average daily net revenue (€000)		195.3	174.5	173.5	143.8	141.1
% growth			*(10.7%)*	*(0.6%)*	*(17.1%)*	*(1.9%)*

- Even Intertain's second largest acquisition, a private company, provided this information to investors, see extract from its 2013 Annual Report (source)

6. Net gaming revenue

	2013 EUR	2012 EUR
Wagers	773 905 342	343 630 933
Player's winnings	(742 450 107)	(329 434 020)
Bonuses	(4 485 192)	(1 705 619)
Movement in Jackpot	(1 060 240)	(914 570)
Total	**25 909 803**	**11 576 724**

Shifting the Definition of Adjusted EBITDA

IT has presented its EBITDA inconsistently and is overstating its Adjusted Net Income and EPS by not Tax-Adjusting Items

- To illustrate, IT made a subtle change in its Adjusted EBITDA calculation. IT now adds back the fair value adjustments for contingent consideration
- As can be seen in the table below on the left, IT had not increased its EBITDA by this change, whereas on the right side table they are now increasing Adjusted EBITDA by this fair value adjustment
- Furthermore, IT's Adjusted Net Income appears overstated as a result of not tax-adjusting the pre-tax itemized deductions. This is a kin to comparing apples (pre-tax items) to oranges (post-tax) items

Adjusted EBITDA and Net Income – FY 2014

	YE 2014	YE 2013	Q4 2014	Q4 2013
Net loss for the period	**(26,067,946)**	(1,003,239)	**(12,044,986)**	(1,003,239)
Financing costs, net	**7,937,157**	81,570	**5,089,060**	81,570
Income taxes	**381,934**	-	**89,871**	-
Amortization	**14,831,041**	-	**4,187,133**	-
EBITDA	**(2,917,814)**	(921,669)	**(2,678,922)**	(921,669)
Loss on foreign exchange	**2,084,053**	-	**1,193,022**	-
Share-based compensation	**1,116,537**	-	**253,901**	-
Acquisition related costs	**19,779,817**	895,539	**8,858,642**	895,539
Adjusted EBITDA	**20,062,593**	(26,130)	**7,626,643**	(26,130)

	YE 2014	YE 2013	Q4 2014	Q4 2013
Net loss for the period	**(26,067,946)**	(1,003,239)	**(12,044,986)**	(1,003,239)
Share-based compensation	**1,116,537**	-	**253,901**	-
Amortization of acquisition related purchase price intangibles	**14,778,217**	-	**4,154,738**	-
Loss on foreign exchange	**2,084,053**	-	**1,193,022**	-
Acquisition related costs	**19,779,817**	895,539	**8,858,642**	895,539
Interest accretion	**1,492,003**	-	**414,974**	-
Fair value adjustment for contingent consideration	**3,381,140**	-	**3,381,140**	-
Adjusted Net Income	**16,563,821**	(107,700)	**6,211,431**	(107,700)

Source: FY 2014 Press Release

Adjusted EBITDA and Net Income – Q3'2015

	3 month period ended September 30, 2015 $000	3 month period ended September 30, 2014 $000
Net income (loss) for the period	**(17,498)**	(11,759)
Interest expense, net	**15,169**	1,502
Taxes	**107**	(65)
Amortization	**32,238**	9,023
EBITDA	**30,016**	(1,299)
Share-based compensation	**1,200**	289
Fair value adjustments for contingent consideration	**6,244**	-
Acquisition related costs (3)	**2,590**	6,564
Foreign exchange	**3,653**	891
Adjusted EBITDA	**43,703**	6,445
Net income (loss) for the period	**(17,498)**	(11,759)
Share-based compensation	**1,200**	289
Amortization of acquisition related purchase price intangibles	**32,178**	9,015
Acquisition related costs (3)	**2,590**	6,564
Foreign exchange	**3,653**	891
Interest accretion	**6,699**	511
Fair value adjustments for contingent consideration	**6,244**	-
Adjusted Net Income	**35,066**	5,511

Source: Q2'2015 Earnings Release

IT's Adjusted Net Income (Adjusted for Taxes) Reduces Reported Results By Approx. 50%

There are countless examples of public companies correctly tax-affecting adjustments to bridge the gap between GAAP or IFRS net income and "adjusted" net income:

1. Barracuda Networks (CUDA) – GAAP US Issuer – "*We believe providing financial information with and without the income tax effect of excluding items related to our non-GAAP financial measures provide our management and users of the financial statements with better clarity regarding the ongoing performance and future liquidity of our business*"
2. Spin Master - IFRS Canadian Issuer - "*Adjusted Net Income is calculated as net income excluding one time or other items that do not necessarily reflect the Company's underlying financial performance including.... and the corresponding impact these items have on income tax expense.*"
3. Oasis Petroleum – GAAP US Issuer – "*The tax impact is computed utilizing the Company's effective tax rate on the adjustments for certain non-cash and non-recurring items.*"

LTM Adjusted Net Income Decline By Approximately 50% Upon Tax Adjusting Results

C$ in millions	As Presented By Management				As Adjusted For Taxes (1)			
	FY	9m Ended		LTM	FY	9m Ended		LTM
	2014	2014	2015	9/30/2015	2014	2014	2015	9/30/2015
Net Income	($26,069)	($13,782)	($92,475)	($104,762)	($26,069)	($13,782)	($92,475)	($104,762)
Stock Comp	1,117	863	4,808	5,062	1,117	863	4,808	5,062
Amortization*	14,778	10,615	71,054	75,217	10,936	7,855	52,580	55,661
Acquisition Costs*	19,780	10,921	55,973	64,832	14,637	8,082	41,420	47,976
Interest Accretion	1,492	1,122	14,307	14,677	1,492	1,122	14,307	14,677
Debt Settlement Costs*	0	0	5,692	5,692	0	0	4,212	4,212
FV Adj Contingent Consideration	3,381	0	6,842	10,223	3,381	0	6,842	10,223
FX effect	2,084	891	2,751	3,944	2,084	891	2,751	3,944
Gain on sale of intangble assets*	0	0	(430)	(430)	0	0	(318)	(318)
Adjusted Net Income	**$16,563**	**$10,630**	**$68,522**	**$74,455**	**$7,578**	**$5,031**	**$34,127**	**$36,674**
per diluted share	**$0.80**	**$0.62**	**$1.10**	**$1.28**	**$0.37**	**$0.30**	**$0.57**	**$0.63**

(1) Items (*) Tax adjusted at IT's corporate tax rate of 26% per Note 11 of the 2014 Annual Report

Source: *IT's Earnings releases*

Fuzzy Terminology For Gamesys: Gross Wins vs. Revenues?

Why Intertain has changed disclosure from 'gross win' to 'revenue' is unknown, however, it does appear to allow Intertain to claim significant growth – color us skeptical

- Gamesys Acquisition Announcement: *For the last twelve months ending September 2014, the Jackpotjoy Business* ***generated £130.9 million of gross win*** *and £67.0 million of EBITDA1, representing an EBITDA margin of 51.2%, before taking into account UK point-of-consumption tax that was introduced in December 2014;*
- Q1 2015 Press release: *For the three months ended March 31, 2015, the Jackpotjoy Business* ***generated £35.7 million of gross win and £13.9 million of EBIT****.*
- Q2 2015 Press release: *For the three months ended June 30, 2015, the Jackpotjoy Business* ***generated £33 million of gross win and £12 million of EBIT*** *and includes results as of April 9, 2015.*
- Q3 2015 Press release: *Jackpotjoy* ***generated revenues of £40.7 million*** *for the quarter compared with £33.6 million in Q3 2014, representing 21% growth.*
- **Why did Intertain wait until Q3 2015 to change from Gross Win to Revenues?**

SPRUCE POINT
CAPITAL MANAGEMENT

Disclosure of Point of Consumption ("POC") Taxation In UK

Between announcement and closing of the Gamesys assets acquisition, Intertain disclosures mention POC taxes a few times – and appear to downplay its significance

- Feb 5, 2015: When Intertain announced the acquisition of the acquisition of the Gamesys Assets, POC was mentioned once and on a gross basis: *"For the last twelve months ending September 2014, the Jackpotjoy Business generated £130.9 million of gross win and £67.0 million of EBITDA, representing an EBITDA margin of 51.2%, before taking into account UK point-of-consumption tax that was introduced in December 2014; "*
- March 2015**:** Annual Report makes just one mention of the POC and downplays its significance*, "The new 15% UK Place of Consumption (POC) tax for UK facing gaming operators went into effect on December 1, 2014. The POC tax actually provides Intertain with opportunity for future acquisitions because it also puts pressure on the bottom line of some of our competitors. We have the ability to leverage our size, which is significant in the UK market"*
- Apr 17, 2015: the credit agreement filed between Macquarie and Intertain makes one reference to the POC tax where they adjust EBITDA for three quarters of 2014
- Apr 17, 2015: the 'Real Money Gambling Services Agreement' and 'Social Gaming Services Agreement' makes reference to it: *"All fees payable by Gamesys to Intertain and/or by Intertain to Gamesys shall be inclusive of any applicable VAT, sales tax and any other applicable consumption-based taxes"*
- May 13, 2015: Intertain provided its Q1 2015 results along with guidance for the 2015 year. In this press release, the POC taxes were referred to once *"Revenue guidance is listed gross of UK Point of Consumption tax"*
- The initial pro forma statements allocated nil 'gaming taxes' for the JPJ entity

More Errors Adding Insult to Injury

Once again, either negligent errors or worse

- Ongoing issues with acquisition related costs and potential stuffing continues
  - Q3 2015 had C$3m of acquisition related costs with only C$2.6m of acquisitions (for Parlay software)
- The new auditors and management of Intertain continue to produce erroneous filings, how can their filings be trusted?

BY SEDAR

March 11, 2015

Dear Sirs/Mesdames:
Re: 2014 Audited Annual Financial Statements

On March 9, 2015, Intertain Group Ltd. ("the Company") released its 2014 Audited Consolidated Annual Financial Statements ("the Financial Statements"). Subsequent to the release of the Financial Statements, the Company noted a typographical error on the Balance Sheet resulting in Intangible assets being understated by $4,913,295 and Goodwill being overstated by an equal amount. These being two asset categories of the same nature, there was no impact to any other area of the Financial Statements. A corrected version of the Financial Statements is attached hereto. Please contact Intertain's Investor Relations department with any questions you may have.

Yours truly,

THE INTERTAIN GROUP LTD.

Unfunded Earn-Outs That Will Likely Stretch Intertain's Liquidity

An Overview of Earn-Outs

Significant unfunded earn-outs which limit Intertain's share price upside; earn-outs have increased in size over time

- The majority of Intertain earn-outs are currently unfunded and Intertain will either have to tuck away significant operating cash flow or raise additional financing assuming earn-outs turn out to be payable
- In our opinion, based on the magnitude of the potential big earn-outs, they are a lose-lose situation for Intertain
  - Either Intertain meets unrealistic expectations and pays earn-outs which significantly limit its upside; or
  - Intertain fails to meet expectations and the stock is not worth as much
- It appears that the first of the Intertain earn-outs to Mandalay Media will come due in Q3 2015
  - The earn-out must be paid within 5 business days following settlement of statements for the period
  - The period for the earn-out is 18 months ended Oct 31, 2015
  - The maximum amount of the earn-out is £15m (approximately C$30m)
- The V&J earn-out has a cap of €8.1m (approximately C$12m) – it may be due in Mar 2016 and 2017 respectively
- The Jackpotjoy (JPJ) earn-out could be significantly above the estimate here and that is highlighted in the following slides

Illustrative Intertain Earn-Outs (in millions)

	Amount		
Acquisition	**Low**	**Base**	**High**
JPJ Earn-Out			
9x EBITDA of £63.1M		£568	
Less: initial purchase price		£426	
Potential Earn-Out (£)	£123	£142	£313
C$/£ at Sep 30, 2015	2.0140	2.0140	2.0140
Potential Earn-Out ($)	**$248**	**$286**	**$630**
Mandalay Earn-Out			
Max Earn-Out (£)	-	£13	£15
C$/£ at Sep 30, 2015	-	2.0140	2.0140
Potential Earn-Out ($)	**-**	**$26**	**$30**
V&J Earn-Out			
Max Earn-Out (€)	-	€8	€8
C$/€ at Sep 30, 2015	-	1.4880	1.4880
Potential Earn-Out ($)	**-**	**$12**	**$12**

Earn-out Size and Potential Shortfall

Gamesys earn-out appears significantly larger than suggested and is likely unfunded

- The below table highlights the potential size of the Gamesys asset earn-out as reflected by the examples provided in the acquisition agreements
  - These amounts significantly outpace the provisions taken by Intertain, which currently stand at C$294m at 9/30/15
  - These amounts remain unfunded and appear unlikely to be funded through cash flow of Intertain as per our review of current operations
  - It is difficult based off of disclosure to determine how the earn-out calculation will work – for instance, will the 'EBITDA' be before or after POC taxes

Gamesys | Potential Earn-Out Sensitivity	Low	Mid	High	Low	Mid	High
JPJ & Starspins	£114	£177	£241	C$231	C$358	C$486
Botemania	£9	£41	£72	C$18	C$82	C$145
Total Gamesys Earn-out	**£123**	**£218**	**£313**	**C$249**	**C$440**	**C$631**

Source: Intertain filings

Note: does not include earn-out related to years 3-5 which could be £0-15M

- Intertain is required to set aside 65% of excess cash flow, less mandatory repayments of its long-term debt
  - It is specifically suggested that the cash be segregated in a non-operational account
  - This cash segregation provision to secure the earn-out could be an indication that bond holders view its repayment at risk

Open Questions For Investors to Consider and Management To Address

Significant Open Questions For Investors To Consider

Gamesys Acquisition

- Intertain purchased an asset for a payment up front (C$812m), ongoing licensing fees (C$50-C$60m annually), an earn-out thereafter (C$249-C$632m) and it does not control this asset?
- Was there ever a formal sales process for the assets? Why would such a coveted asset not undergo a formal sales process?
- Why did Intertain not acquire the technology assets of Gamesys (also known as its secret sauce)?
- Why would Intertain agree not to be involved in day-to-day operations at Gamesys for the first 5 years?
- Why would Intertain not purchase the growth assets (eg. Virgin Gaming, Tropicana, etc.), the blue sky?
- Are the assets not acquired from Gamesys profitable? If they are, how did profits increase for the carved out financial statements (we have Gamesys historical financials that have margins half the percentage of the carve out financials)?
- Does the Gamesys management team, namely Hayden and Fenton, not have an inherent conflict of interest given they are managing both assets they own and ones that Intertain "owns" but that they control?
    - Why are they no longer involved in operations (especially as Noel was the driving force behind Gamesys)?
- Why did the interest rate on the credit facility with Macquarie increase by over 150 basis points between announcement of the transaction and close? How could debt terms and the underlying fundamentals of the Gamesys assets change so significantly over the two months that this change was reflected over? Was an original issue discount increased over this time?
- What incentives do Gamesys principals have to continue to drive results for Jackpotjoy after year 5? What obligations does Gamesys owe to Intertain after year 5? Can Gamesys walk away from Intertain after year 5?
- Why were Jackpotjoy operations suspended in Italy?
- How could a dealmaker like FitzGerald agree to a deal like this?

Management

- Why is WG Limited not noted in FitzGerald's history?
- Why did the governance committee of Intertain not meet in 2014?
- Why did GGA have to be hired for the same compensation analysis twice? Was the first report of alternatives not good enough?
- Why do FitzGerald and Laslop suggest Intertain is their first public company when they were clearly at CryptoLogic and Gerova (both public companies), respectively?

Open Questions (cont'd)

Management (cont'd)

- Who are the owners of Parlay and The Gaming Network? Was FitzGerald or his friends paid out in this transaction?
- Why has Intertain removed references to its CFO having been the COO/Director at Gerova Financial?
- Why was Darren Rennick apparently placed in such an important role at Intertain (liaison with Gamesys)?
- Is Intertain concerned that a board member and other connections are tied to the ongoing Amaya insider trading probe (aka FINRA investigation)?
- Why are the shell company directors still on Intertain's board (Choi, Dunford, Fielding, Redmond)?
- Why do Andrew Dixon and Robin Tombs not show up in any acquisition documents despite being founders alongside Noel?
- What is the total amount that FitzGerald and Laslop earned from the Management Incentive Plan fees over all acquisitions? Have FitzGerald and Laslop invested more in Intertain or extracted more money? Please provide calculations?
- When will the new management incentive plan be formally adopted; why taking so long to establish a plan?
- What does Ethoca Nominees do? Why was it created within a few days of the acquisition of Gamesys? Did Intertain principals have a hand in its formation?

Acquisitions

- Intertain is paying a rich price for Gamesys at metrics that would reflect a control premium but IT doesn't have control– why?
- Why have customer deposits never been a big part of acquisition accounting? Where are all the customer deposits?
- Why are the owners of the entity usually not disclosed? Who are they?
- Who is receiving the "Finder's Fee" paid to an unnamed individual for the following deals:
    - 1.0% Finder's Fee for Mandalay
    - 1.0% Finder's Fee for Vera&John
    - 0.5% for the Jackpotjoy closing purchase price amount **and** the earn-out payments?
- Why have earn-outs been getting larger as a percent of up-front payment (source)?

Spruce Point Capital Management

Open Questions (cont'd)

Valuation
- Why is the company assuming 3-9% forecasted revenue growth for Jackpotjoy for the purposes of the DCF to value the contingent consideration (p. 15, Q3'15 financials)? Why is this range meaningfully lower than historical reported (an analyst forecasted) results
- Why did Gamesys issue and buyback stock at valuations for C$284 - C$384 million whereas Intertain has paid multiples of this (and for only a portion of the company)?

Cash Management and Liquidity
- Can the company disclose more details about upcoming contractual payments and commitments in quarterly filings (similar to p. 27 of the Annual Report) so that investors can better understand upcoming maturities for valuation purposes?
- Why does it appear that Intertain is not reporting as "restricted cash" the money set-fund earn-outs (as per required in the agreement) Note: Intertain's Q3'15 press release said it "*set aside C$18.2m to fund the Jackpotjoy earn-out*" but the restricted cash account only rose by C$0.7m in Q3'15?

Financial Results
- How has the company doubled margins immediately after acquisition from Gamesys (when compared with Gamesys historical financial statements)? How is this possible with the introduction of the POC tax as well as new licensing costs?
- Why were Q2 and Q3 2015 results not currency adjusted to account for windfall from currency on both top and bottom line?
- Why have welcome bonuses (for Gamesys) changed since the acquisition? How is this accounted for and what impact does this have on the presentation of Intertain's financial statements (notably revenues) for the short and long-term?
- Why were room moderators changed when the prior moderators were so well engrained and appreciated by JPJ user base?
- Have return to player percentages changed at all since Intertain has acquired the Gamesys assets?

Industry
- Can Intertain comment on what appears to be a significant drop in player data since 2013 per external site Loquax?
- How is Jackpotjoy growing when the industry is clearly in decline?
- How does JPJ say it's the biggest in UK when Tombola appears to be the unanimous winner?
- Based on JPJ high profile cases of women stealing to fund gambling addiction, what steps is JPJ taking to ensure responsible gambling?

Open Questions (cont'd)

Disclosure and Accounting red flags

- Why has Intertain changed auditors three times since going public?
- If Intertain is so bullish on Jackpotjoy, shouldn't they provide honest and clear disclosure with KPIs?
    - Why does Intertain not disclose gross gaming revenues and additional information typical of a gaming company?
- Why have there been various revenue recognition and disclosure changes?
    - Why has revenue recognition changed from when bets are settled to when transactions occur? Does this allow Intertain to recognize revenue sooner or more aggressively?
    - Why did carve-out statements of Jackpotjoy increase revenue by £4.7 million in 2014?
    - Why did Intertain shift from Gross Wins to Revenues between Q2 2015 and Q3 2015?
    - Why did Intertain change revenue recognition in Q3 2014?
- Why did Intertain not tax effect adjustments to arrive at adjusted net income in Q3 2015? What is the actual appropriate adjusted net income?
- Why did Intertain shift segment disclosure from EBIT to Adjusted Net Income between Q2 2015 and Q3 2015 on the conf call?
- Why did Intertain not disclose Spain metrics for Q3 2015 after disclosing in Q2 2015?
- Why did the Mandalay earn-out increase so much from Q2 2015 to Q3 2015?
- Carve-out statements - Why were cost of sales added to revised carve out statements? Why were costs relating to social gaming and platform fees removed from net revenues? Has this increased revenues? Why did accounts receivable increase so much from 2014 to 2015 in the carve out statements?
- Why did the company appear to avoid almost all mention of POC taxes in 2014 when the impact to the business is material?
- Could Intertain do a better job of discussing the foreign currency impacts on its business, esp the Canadian dollar devaluation?

Relationship with Canaccord

- Are there any conflicts of interest between Canaccord and Intertain (we note Canaccord owned over 12% at inception)?
- How much of the C$127m of fees paid by Intertain have been to Canaccord (please add trading fees)?
- Just how material is Intertain to Canaccord's banking business. For the 12 months ended 3/31/15 Canaccord reported C$238m of investment banking fees according to its Annual Report.
- How much income has Canaccord generated from Amaya, Intertain, NYX Gaming and related entities on an aggregate basis?
- Are there any conflicts of interest in advising the entire family of companies related to Amaya?

Valuation Disconnect: Debunking Analyst Kool-Aid

Spruce Point Capital Management

Analyst Tenuous And Rosy Predictions For Intertain At Risk of Not Materializing

Analysts' and IT Investment Highlights	Spruce Point's Rebuttal
Consensus analysts are forecasting over 29% revenue growth in 2016E. They are also forecasting an increase in EBITDA of over 35%	Revenue growth is very suspect. Gamesys asset growth is questionable as JPJ appears to be in decline and expansion in new markets seems difficult. InterCasino and Mandalay assets have been in decline for some time now. V&J growth is possible but is not enough to drive the bus here. This material EBITDA growth is also questionable – how has Intertain been able to significantly increase Gamesys asset profit margins in the face of new POC and licensing taxes which are approximate 25-30% on a combined basis? Note 19 of the Q3 2015 financials suggests that the earn-out is based off of 3-9% revenue growth – why are research analysts even more bullish than management?
"Our investment thesis in Intertain is based on the strong EBITDA to free-cash flow through"	Almost two years since coming public through a reverse takeover, Intertain has yet to demonstrate consistent free cash flow. Cumulative operating cash flow amounts to C$12m. The POC tax and licensing fees reduce both EBITDA and FCF
"Exposure to regulated jurisdictions should increase the certainty and predictability of revenues and garner a premium valuation"	Regulation provides do not make revenues predictable. Regulated markets tend to be mature, competitive, and add significant taxes. A premium valuation should be predicated on a quality management team and stable cash flow producing assets. Intertain appears to lack both.
"Our 12 month $28 price target (a 2016E EV multiple of 14x) based on the integration and success of Jackpotjoy is the main catalyst for this stock "	We have many questions surrounding the structure of the Jackpotjoy deal, its accounting, and market share. Management does not appears focused on integrating its businesses, nor have any control
"The company reiterated its plans to seek international expansion with the list of potential new markets growing since the last conference call."	Managements ability to integrate current acquisitions is unproven. We question its focus on int'l expansions. Further, int'l expansion appear fraught with multiple business risks and competitive pressures
"We believe that management addressing the MIP could be the near-term catalyst that sees the stock move higher."	Wrong! Intertain's stock has continued to trade lower even after management sought to explain the MIP fiasco. The 6 month review yielded no new information about the new MIP.
"Management continues to look at potential acquisitions but stressed that the absence of a recent transaction does not reflect that it is sitting back"	Acquisitions seem off the table until management rebuilds its limited credibility after the MIP debacle. This is not surprising given the company has spent C$30m buybacks, has significant financial obligations (debt+earn-outs), and interest costs

Comparative Company Analysis

- Considering the numerous issues we have with the Intertain investment story (management, governance, excessive leverage and unfunded earn-outs), we believe Intertain should trade at a steep discount to peer multiples.
- We think this discount will increase in 2016 as it becomes evident that it is at risk of missing analysts' rosy sales and EPS estimates

US$ in millions, except per share amounts

		Stock		'15E-'16E		LTM				Enterprise Value				Net Debt/
		Price	Ent.	Revenue	EPS	EBITDA	FCF	P/E		EBITDA		Sales		2015E
Name	**Ticker**	**12/16/2015**	**Value (1)**	**Growth**	**Growth**	**Margin**	**Margin**	**2015E**	**2016E**	**2015E**	**2016E**	**2015E**	**2016E**	**EBITDA (1)**
Amaya	AYA	$15.00	$5,498	14.3%	67.4%	44.9%	44.2%	23.9x	14.3x	13.3x	11.8x	5.7x	5.0x	4.5x
Playtech	PTEC	$11.93	$3,029	19.5%	13.5%	42.1%	36.5%	18.4x	16.2x	11.0x	9.1x	4.3x	3.6x	-1.6x
Bwin	BPTY	$1.83	$1,453	-0.6%	99.0%	18.2%	5.9%	NM	59.7x	12.8x	12.3x	2.2x	2.2x	-0.6x
888 Holdings	PGEM	$2.70	$898	5.8%	15.4%	20.6%	20.1%	20.8x	18.0x	12.1x	11.0x	2.0x	1.9x	-0.9x
NYX Gaming	NYX	$2.36	$186	67.6%	207.1%	-4.2%	-54.9%	NM	21.5x	NM	8.7x	4.9x	2.9x	NM
			Max	67.6%	207.1%	44.9%	44.2%	23.9x	59.7x	13.3x	12.3x	5.7x	5.0x	4.5x
			Average	23.1%	83.7%	24.3%	10.4%	21.0x	25.9x	12.3x	10.6x	3.8x	3.1x	0.3x
			Min	-0.6%	13.5%	-4.2%	-54.9%	18.4x	14.3x	11.0x	8.7x	2.0x	1.9x	-1.6x
Intertain	**IT**	**$8.98**	**$1,273**	**28.3%**	**23.1%**	**36.2%**	**2.2%**	**7.9x**	**6.4x**	**13.6x**	**9.9x**	**4.8x**	**3.7x**	**5.8x**

(1) Includes contingent liabilities
Source: Company financials, Wall St. estimates.

Estimates appear too high given underlying performance of current assets, and diminishing likelihood Intertain has the bandwidth or financial ability for larger acquisitions. Intertain's internal valuation is just 3-9% sales growth for its largest asset JPJ

Multiples appear low because IT analysts use inflated estimates. On a tax-adjusted basis, we estimate IT trades at 15x and 12.3x

High leverage adds risk premium to the equity

Spruce Point Capital Management

We See Approximately 45% – 70% Downside Potential For Intertain's Share Price

C$ in millions

	2016E EV/EBITDA Multiple		
	7.0x	**--**	**8.0x**
2016E Sales	$403.7	--	$422.1
% growth	10%	--	15%
2016E EBITDA	$141	--	$148
% margin	35%	--	35%
Implied Enterprise Value	**$989**	**--**	**$1,182**
Less: Financial Obligations	($774)	--	($774)
Plus: Cash	$69	--	$69
Equity Value	**$283.6**	**--**	**$476.3**
Shares o/s	71.4	--	71.4
Price Target	$3.97	--	$6.67
Current Price	$12.30	--	$12.30
% Downside	-68%	--	-46%

Note: Financial obligations include earn-outs. Cash and shares adjusted for stock repurchases
(1) Based on the £4.7m pick-up in revenue Intertain received from the change at Jackpotjoy in 2014

We believe Intertain should trade at a discount to peers, for the numerous reasons articulated in our overall analysis

Street estimates for 29% revenue growth appear high: 1) limited ability to acquire
2) Intertain's own 3-9% internal sales growth estimates for JPJ (largest asset)
3) FX benefits cannot last forever, and
4) We estimate it is getting a 4-5% benefit from the revenue recognition change(1)

The Street models over 200bps of margin expansion in 2016, but we fail to see the rationale and assume no expansion

Spruce Point Capital Management

Consensus Price Targets And Recommendations Are Way Too High

Intertain's analysts have a resounding "Buy" recommendation an average of 123% upside from the current price

Broker	Rating	Price Target
Mackie	Overweight	$27.00
National Bank	Overweight	$26.00
Canaccord	**Overweight**	**$27.00**
Cantor Fitzgerald	Overweight	$28.00
Cormark	Overweight	$23.65
Global Maxfin	Overweight	$26.00
Clarus	Overweight	$28.00
Dundee	Overweight	$27.00
Macquarie	Overweight	$28.00
	Average Target Price **% Premium to Price Tgt**	**$26.74** **117%**

Source: Bloomberg

100% Buys vs. Holds and Sells

Appendix: Upcoming Catalyst of Shares To Come Unlocked

Spruce Point Capital Management

Share Unlocks That Will Impact Intertain

2.5 - 5.0 million shares (or ~7% of total shares outstanding) unlock in late Dec 2015

- Up to 5 million shares issued to V&J owners may be subject to unlock in late December 2015
  - The initial agreement with V&J owners suggest a 12 month lock up, however it appears that 2.5M shares were required to vote alongside with Intertain interests for 12 months

~5 million shares (or ~7% of total shares outstanding) unlock in April 2016

- Most of the holders are likely to strongly consider cashing out
- Most of holders that came through the Gamesys acquisition are likely to hold immaterial positions as Hayden has the largest and notable position
  - Intertain has not disclosed who the other shareholders are, but our diligence suggests Andrew Dixon and Robin Tombs are likely large shareholders, especially as founders and initial financiers of Gamesys respectively (source)

Intertain Share Unlock from Gamesys Acquisition

Holder	Shares	Date	% of Total O/S
All others	4,933,657	08-Apr-16	6.8%
Noel Hayden	2,427,708	08-Apr-17	3.4%
Total	**7,361,365**		**10.2%**

  - Comically, Andrew Dixon and Robin Tombs appear to own more shares than FitzGerald and Laslop – they own 1.2 million shares (or 1.8%) and 1.1 million shares (or 1.6%)
    - These 2.3 million shares will be freely trading as of Apr 8, 2016
    - This checks out as *"**Co-founders Noel Hayden and Robin Tombs and early investor Andrew Dixon** took the lion's share of the payout from Gamesys, which owns Jackpotjoy.com and runs online bingo for The Sun, a stablemate of The Sunday Times."* (Source: The Sunday Times)

Spruce Point Capital Management

Institutional Ownership of Intertain is Light, Predominately a Retail Oriented Shareholder Base

With a relatively small group of institutional holders, the retail investor market will have to absorb the majority of new shares coming to market.

- Intertain is generally a top holding and often held by Canadian money managers that are already down significantly this year
  - When the pressure hits, Intertain could be a hot potato

Shareholder	Shares	%
Institutional Holdings		
Amaya Gaming Group	1,900,000	2.6%
Manulife Financial Corp	1,532,157	2.1%
Natcan Investment Management	1,512,714	2.1%
Sprott Asset Management	1,291,856	1.8%
Bank of Nova Scotia	957,620	1.3%
IG Investment Management	865,329	1.2%
BMO Investments	521,825	0.7%
IA Clarington Investments	413,152	0.6%
Fiera Capital Corp	320,019	0.4%
MD Management Ltd	309,100	0.4%
Royal Bank of Canada	271,850	0.4%
GBC Asset Management	243,050	0.3%
Nuveen Asset Management	209,600	0.3%
Goldman Sachs Asset Management	197,760	0.3%
Top Institutional Holdings	**10,546,032**	**14.6%**
Total Shares Outstanding - at Sep 30, 2015	**72,354,817**	**100.0%**

Source: Bloomberg

Appendix: Additional Jackpotjoy Concerns

Online Customer Feedback

Jackpotjoy payouts/bonuses appear have fallen from the 95% prior to the acquisition; key hosts have left the business which may put into question Intertain's angle on social gaming and atmosphere in bingo rooms

User, Date	Selected Commentary
Xxtuti60, Nov 6, 2015 & Aug 8, 2015	***After nearly 10 years with JPJ closed my account last week…*** *Been with Jackpotjoy for nearly 10 years. It was a classy site, really the best. Operative word "was". Not any more. Never played high stakes, never won big, but used to have lots of fun losing my 10 or 20 depo: few good winning spins or bonuses. And hosts - best ever.* ***New hosts not up to standarts.***
Kish1111, Aug 25, 2015	*Steer well clear. I've played on other sites but this one is the worst by a long shot.*
Walsh1970, Aug 20, 2015	***things have changed at Jackpotjoy. Wins on slots have decreased***
Forsureoutlook, Aug 14, 2015	***found it to be a money taking machine…look at the chat rooms, constantly stating 'This site is not what it used to be'***
Madkaz73, Aug 1, 2015	***I have been a loyal member of Jackpotjoy for over 13 years and i will now no longer put another penny onto the site in light of recent decisions*** *to effectively end the employment of 36 home based hosts who in my opinion were the reason that the site was so successful. The decision has totally ripped the heart out of a once excellent and caring community of hosts and players. The home base hosts were friends to a lot of us and there for nearly all of us at one point through the years during difficult situations. That i fear will not be the same with the new hosts.*
Ubbingob, Aug 11, 2015	*I have not been on Jackpotjoy for a few weeks and i must say i am so,so saddened to hear that these home based hosts have left. Also, now it is owned by a Canadian company just makes this even sadder. I'm not sure now if i will go back*
Penelope, Jul 29, 2015	*Have come on here just because* ***I feel so strongly about the 36 home-based hosts who have been put on "leave"*** *with a choice of move to work in the Stoke offices or leave the company. I really think JPJ should be stripped of their Best Chat Hosts award this year, as most people who voted would have been voting for JPJ based on those long-term, mostly home-based hosts, who were absolutely fantastic…If that's the way JPJ is going (cheapening the site!), it's not going to keep its long-term customers*

Note: there are some positive reviews, they have been left out of the above
Source: www.whichbingo.co.uk/sites/jackpotjoy/

Online customer feedback (cont'd)

Jackpotjoy's player enjoyment appears to have fallen which may be the result of short-term thinking whereby costs are cut (change to lower cost moderators and lesser prizes) to maximize the earn-out payment

User, Date	Selected Commentary
Sarah1, Jul 29, 2015	*There now seems no fun or personality or laughter in the chat rooms at Jackpotjoy.* ***The original 36 hosts that won the site awards have recently sadly gone due to 'home hosts no longer being a business requirement'****…Also sadly the winning odds on slots seem to have dropped dramatically since the takeover, maybe or maybe not a coincidence?!.*
Sweetpea, Jul 26, 2015 & Jul 31, 2015	*On jpj early hours of this morning chat was up in arms because of all the regular hosts leaving and the taking on of lots of new ones due too expansion of the site…Maybe it is true they are only interested in the money and not the loyal members. I have seen a rapid change in jpj and i expect a lot of other members have to.*
Dibbleman, Jul 25, 2015	***Jackpotjoy will take ya money and mute u plus they sacked home hosts unless they moved to stoke.***
Kry306, Jul 24, 2015	*Jackpotjoy used to be a top site and ive spent loads and won some good pots, but now 36 home hosts being got rid of.*
Westie11, Jun 10, 2015	***I'm actually trying to take this to the gaming commission.***
Emmad5559, Sep 12, 2015	*but this was beyond have never come across such a site that just does not or will not let you win.*
Happy Days, May 26, 2015	*This site has changed and not for the better. I used to enjoy gamesys sites but not anymore!*
Noluckme, May 22, 2015	***Another rip off site with the same winners over and over!*** *If your a small depositor you will be lucky to win anything. Slots pay out a pittance too. Dont waste your time and money. The only winners are the company itself! This site along with their sister site sun bingo used to give loyalty bonuses, but they seem to have disappeared! Not for me I'm afraid!*
Donnastep, May 9, 2015	*I don't know what's happened to jpj. I took a break for a while and since coming back I have noticed some changes.* ***The loyalty bonuses have disappeared*** *and the slots pay out a pittance compared to what they used to. I am still a member but only make small deposits. It used to be my favourite site but not anymore.*
Mrsj42, May 8, 2015	*Would not recommend jpj. Hard to have any quality fun on the site as money disappears so fast,* ***no decent wins or bonuses and the loyalty bonuses seem to have disappeared.*** *Save your money and have a look at some of the competitors, they reward old players as well as new. Jackpotjoy totally gone down hill i am afraid and i have been a member for over nine years, but not for much longer!*
Weeme72, May 7, 2015	*but the past few months i don't play as much as wins are few and far between.* ***Slots dont pay out as much as they used to***

Note: there are some positive reviews, they have been left out of the above
Source: www.whichbingo.co.uk/sites/jackpotjoy/

Jackpotjoy Core Customers Facing Challenges

Katryn Jones, 53
Swindles £550,000 from Dog Charity and a Business

Source: Dailymail

Jacqueline Balaam, 41
Swindles £300,000 from Cambridge Univ, Blows £6m

Source: Mirror

Shelley Reilly, 41,
Swindles £231,000 from Colleagues

Source: Evening Standard

Lisa Varville
34
Swindles £50,000

Source: Belfast Telegraph

David Bradford, 59
Stole from Employer,
Lost £500,000

Source: Mirror

Irene Mungins, 70
Stole from Dart Club,
Stole £23,000

Source: Express

Appendix:
Detailed Management Incentive Plan Analysis

MIP Debacle | Conf. Call Commentary

Call Comments	Our Interpretation or Questions
"the board tends to reevaluate the MIP and until such time [indiscernible] (1:35) re-evaluation is completed, John Kennedy FitzGerald and Keith Laslop have volunteered to forego all bonuses under the MIP on any future transactions completed by the company."	Intertain has made no material acquisitions subsequent to the change in the Management Incentive Plan – this is not surprising
"The board is of the view that the MIP has well-served the interests of both Intertain and investors generating substantial reinvestment in the company, rewarding management for a performance, and contributing to a substantial increase in shareholder value."	▪ How would it be in the best interest of shareholders if management is given short-term compensation? ▪ Why did the board approve payment of the MIP in cash? ▪ How are shareholder interests protected if management incentives are not tied to performance of the underlying acquisition (other than to see the impact to the share price between announcement and closing, which is again short-term)? ▪ How are shareholder interested aligned with management if management is compensated more by paying a larger dollar figure for acquisitions? Would it not be management's job to negotiate the lowest possible acquisition cost?
"Despite approval by the board of the principles and terms contained in the MIP in November of 2014, management agreements were only signed and the MIP formally approved by the Compensation Committee in May of 2015."	▪ Despite the management incentive plan being effective as of November 19, 2014, it was not disclosed to shareholders until May 27, 2015 ▪ Although management provided a press release and hosted a call, they did not disclose the amount of cash management was paid as a result of the management incentive plan (on the call)

Source: MIP Investor Conf Call, 9/1/15

MIP debacle | Conf. Call Commentary

Call Comments	Our Interpretation or Questions
FitzGerald: *And Keith and I plan on issuing a update of trading in the next couple of weeks just to remind people about our business and our free cash flow conversion…we plan to release that, I think, on September 8.*	The September 8, 2015 update never occurred. Why were Laslop & FitzGerald paid cash bonuses, did they not want to own more equity?
"But honest – the honest statement is, it couldn't be disclosed until it was finalized as part of our employment agreement in May. And Keith and I were exposed for the previous 18 months, as part – not having employment agreement. So that was a concern that we had to deal with, but our really first chance to focus on sort of ourselves and not our company was in May, after we completed the Jackpotjoy acquisition."	▪ Does this mean that entering a management incentive plan was easier than completing the employment contracts? ▪ This also appears highly misleading given the company's management information circular suggests employment agreements were effective as of Jan 1, 2015 (source)
"[David C. Danziger says] Mr. FitzGerald and Mr. Laslop are amongst two of the largest individual shareholders of Intertain."	Were shares issued to owners of acquired companies such as Gamesys + V&J considered when making this statement?
"We really are the founders of this business. We didn't take a big promote at the beginning like many founders would."	▪ The Company was established through a shell transaction whereby Aumento Capital II Corporation acquired Goldstar Acquisitionco Inc. with the main holders of the Intertain Group being FitzGerald, Rennick and Laslop who received 9% of the pro forma company in exchange for their shares in Intertain ▪ It is noted that Goldstar was given 9% of the pro forma company when it appears that only $1m was raised by Goldstar Acquisitionco Inc. according to SEC Form D

Source: MIP Investor Conf Call, 9/1/15

Our Analysis of Cash In / Out By Intertain's Management

Management claimed on the MIP call that it had made more stock purchases than cash received as compensation, this appears inaccurate as our calculations cannot reconcile this statement

Key Statement By Intertain

- *CEO: This is a very important that every dollar that Keith and I have invested in our business, did not come on the back of any guarantee of bonus. So, people keep making the statement that we've used our MIP awards for the purposes of investment. That is 100% incorrect, that our employment agreements were only signed in May of this year, as Keith and I focused entirely on our business, increasing shareholder value, whilst we left – we were left exposed. So, every dollar that we've invested in this business came on the basis of our own free will and out of our own cash, and not backed by any cash that we received by the company…I think combined we're around CAD 900,000 that we've invested more into the company than we've received whether it's through salary or bonus after tax.*
- *Laslop: Worth reiterating as well what David had said that if you look at it on an after tax basis, each -- myself and Fitz have invested more into Intertain securities than we've received, whether it's from salary or bonus. So, another way to answer your question, Kevin, is that we actually already have invested the total amount and more of any bonus that we've received.*
- *Danziger: On an after-tax basis, with respect to the aggregate salary and bonuses paid by them in 2014 and 2015 to-date, Mr. FitzGerald and Mr. Laslop have invested more money during that period for the purchase of Intertain equity securities than they've received in total after-tax compensation.*

Source: *MIP Investor Conf Call, 9/1/15*
Press release, 8/31/15

Figures in C$ millions

Summary of Investment vs Extracted Compensation in Intertain (as at Aug 31, 2015)			
During Time Period	**Laslop**	**Fitzgerald**	**Total**
Mandalay (through Public Financing Round)	$0.5	$2.0	$2.5
Vera & John (through Warrants Held)	$0.2	$0.7	$0.9
Jackpotjoy (through Financing Round)	$3.0	$4.4	$7.4
August 31, 2015 (Open Market Purchase)(1)	$1.2	$1.2	$2.3
(A) Total Estmated C$ Invested into Intertain By Mgmt.	**$4.8**	**$8.3**	**$13.1**
Acquisition Incentive			
Total Fee paid for acquisition of Gamesys (2)	$6.6	$9.8	$16.4
Total Fee paid for acquisition of V&J and Mandalay (3)	$2.4	$3.6	$6.0
(B) Total Fees Paid for Acquisitions	**$8.9**	**$13.4**	**$22.4**
Management Cash Comp During Time Period	**Laslop**	**Fitzgerald**	**Total**
(C) Bridge Loan Interest (4)	$0.04	$0.04	$0.07
Base Pay Year 2014 (5)	$0.2	$0.3	$0.5
Base Pay Year 2015 (5)	$0.1	$0.2	$0.3
(D) Total Base Salary Cash	**$0.3**	**$0.5**	**$0.8**
(E) = (B)+(C)+(D) Total Management Cash Comp (pre-tax)	**$9.3**	**$13.9**	**$23.2**
Less: Assumed tax rate (42%) (6)	($3.9)	($5.8)	($9.8)
(F) Management Total Cash Comp (after tax)	**$5.4**	**$8.1**	**$13.5**
Management Net Investment in Intertain Pre-Tax (A - E)	**($4.5)**	**($5.6)**	**($10.1)**
Management Net Investment in Intertain After-Tax (A - F)	**($0.6)**	**$0.2**	**($0.4)**

(1) Per 8/31/15 press release and $11.5182 price per sedi.ca
(2) Based on filing disclosures
(3) Based on May 2015 Info Circular
(4) C$10m bridge loan at 2.85% outstanding for 3 months
(5) Per the May 2015 Info Circular. 2015 base pay is pro-rated
(6) Assumed to be the highest Canadian tax bracket at 42%
Note: management bonuses on the Mandalay, V&J and JPJ transactions can increase as they would receive 2% of any future earn-outs