

# Scientific Games Announces Definitive Agreement to Acquire DEQ Systems



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*DEQ's Table Product Portfolio Complements Scientific Games' Leading Table Solutions to Offer More Robust Portfolio for Casino Pit*

- Acquisition strengthens Scientific Games' table products offering, adding to the Company's "one-stop-shop" for casino operators
- Adds more proprietary table games and table progressive systems to Scientific Games' rich table solutions library
- DEQ's intellectual property licensing drives high margin long-term recurring revenue
- Transaction expected to be accretive to earnings and operating cash flow to Scientific Games in 2017

LAS VEGAS and LEVIS, Quebec, Aug. 31, 2016 /PRNewswire/ -- Scientific Games Corporation (NASDAQ: SGMS) ("Scientific Games" or the "Company") and DEQ Systems Corp.(TSXV: DEQ) ("DEQ"), today announced that they have entered into a definitive agreement (the "Agreement") under which Scientific Games will acquire all of DEQ's issued and outstanding common shares for a cash payment of CAD\$0.38 per share.

The transaction is expected to close in the fourth quarter of 2016 or the first quarter of 2017, subject to approval by DEQ's shareholders, receipt of gaming approvals in certain jurisdictions, and other customary closing conditions. DEQ generated revenue of CAD\$9.5 million with gross profit of CAD\$8.1 million on a trailing 12-month basis for the period ended May 31, 2016.

Scientific Games Senior Vice President – Table & Utility Products Roger Snow said, "The DEQ team has grown a fantastic business focused on providing revenue-generating and entertaining solutions for casino operators around the world. Their established and high-performing library of table games, table progressives, and random bonusing systems will enhance our offerings, add to our recurring revenue base, and provide even more ways for casinos to engage players through Scientific Games' extensive end-to-end casino portfolio of gaming machines, casino systems, table products, and interactive solutions. We're especially excited about DEQ's *EZ Baccarat*®, the world's leading baccarat brand with nearly 800 table games in 150 casinos worldwide."

Scientific Games, already a leader through its successful and proven *Shuffle Master* brand, now adds depth and breadth to its portfolio with the acquisition of DEQ Systems' table games and table game progressives, including its suite of table progressives which provide a recurring revenue stream.

DEQ Systems President and Chief Executive Officer Joseph Bertolone said, "We believe that this is a very good transaction for our company. We look forward to working closely with the Scientific Games team to ensure a smooth transition and continued innovation for gaming operators and their players around the world. I am incredibly proud of the entire team at DEQ for all that we have achieved."

## **Transaction Details**

The acquisition of the shares of DEQ will be completed by a court approved plan of arrangement under the *Canada Business Corporations Act* (the "Arrangement") and will require the approval of 66 2/3 percent of the votes cast by DEQ shareholders at a special meeting of shareholders of DEQ expected to be held in late October or early November.

All of the directors and executive officers of DEQ have entered into support agreements pursuant to which they have agreed to vote in favor of the Arrangement.

In addition to the requisite shareholder and court approvals, completion of the Arrangement will be subject to certain regulatory approvals, including that of the TSX Venture Exchange and the satisfaction of certain other closing conditions customary for a transaction of this nature.

The Agreement contains customary representations and warranties of each party and interim operations covenants by DEQ. The Agreement includes customary deal protections, including a covenant of DEQ not to solicit other acquisition proposals and a right to match provision in favor of Scientific Games.

### **Recommendation of the DEQ Board of Directors**

DEQ formed a special committee of independent directors to conduct an exhaustive process to identify and evaluate a variety of potential strategic alternatives to enhance shareholder value and act in the best interests of DEQ as a whole. Based on the recommendation of the special committee, DEQ's Board of Directors unanimously approved the transaction and will recommend that its shareholders vote in favor of the transaction. The DEQ Board has determined that the Arrangement is in the best interests of DEQ based on a number of factors, including a fairness opinion received from Union Gaming Securities, LLC.

### **Information Circular and DEQ Shareholders Meeting**

A management proxy circular for the DEQ special meeting of shareholders is expected to be mailed to DEQ's shareholders in late September or early October, providing shareholders with important information about the transaction. Details of the transaction, as well as the rationale for the support of the transaction by DEQ's Board of Directors and a copy of the Fairness Opinion, will be set out in the proxy circular.

A copy of the Agreement, the DEQ proxy materials and related documents will be filed on DEQ's profile on SEDAR and will be available at [www.sedar.com](http://www.sedar.com).

### **Advisors on the Transaction**

McMillan LLP is acting as legal counsel to Scientific Games. Union Gaming Securities, LLC is acting as financial advisor to DEQ, and Osler, Hoskin & Harcourt LLP is acting as legal counsel to DEQ.

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### **About Scientific Games**

Scientific Games Corporation (NASDAQ: SGMS) is a leading developer of technology-based products and services and associated content for worldwide gaming, lottery and interactive markets. The Company's portfolio includes gaming machines, game content and systems; table games products and shufflers; instant and draw-based lottery games; server-based lottery and gaming systems; sports betting technology; loyalty and rewards programs; and interactive content and services. For more information, please visit [ScientificGames.com](http://ScientificGames.com).

### **About DEQ Systems**

DEQ Systems Corp. (TSXV: DEQ) is one of the market leaders in Table Games, Progressive Systems, Proprietary Table Games content and Utility solutions. DEQ's systems and games are installed in over 300 casinos, in 30 countries around the world. The combination of our services, industry leading products and revenue generation capabilities make DEQ a leader for innovation in the table game bonusing segment of the global gaming market. For more information, please visit [www.deq.com](http://www.deq.com).

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**Forward-Looking Statements**

This press release includes "forward-looking statements" and "forward looking information" (collectively "forward looking statements") within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities laws. Forward-looking statements describe future expectations, plans, results or strategies and can often be identified by the use of terminology such as "may," "will," "estimate," "intend," "plan," "continue," "believe," "expect," "anticipate," "estimate," "should," "could," "potential," "opportunity," or similar terminology. These statements are based upon management's current expectations, beliefs, assumptions and estimates and are not guarantees of timing, future results or performance. Similarly, statements herein that describe the proposed transaction, including its financial impact, and other statements of management's expectations, beliefs, assumptions, estimates and goals regarding the proposed transaction are forward-looking statements. It is uncertain whether any of the events or results anticipated by the forward-looking statements (including consummation of the proposed transaction) will transpire or occur, or if any of them do, what impact they will have on the results of operations and financial condition of the combined company or the price of Scientific Games' or DEQ's stock. These forward-looking statements involve certain risks and uncertainties and other factors that could cause actual results to differ materially from those indicated in such forward-looking statements, including but not limited

to: uncertainties as to the timing of the consummation of the proposed transaction and the ability of the parties to consummate the proposed transaction; the satisfaction of the conditions precedent to consummation of the proposed transaction, including the approval of DEQ's stockholders; the ability to obtain required gaming approvals at all or in a timely manner; litigation related to the proposed transaction; disruption of current plans and operations as a result of the proposed transaction; competitive responses to the proposed transaction; unexpected costs, charges or expenses resulting from the proposed transaction; the ability of Scientific Games to integrate DEQ's businesses; the ability of Scientific Games to implement its plans, forecasts and other expectations with respect to DEQ's business after the completion of the transaction; and the other risks, uncertainties and important factors contained and identified (including under the heading "Risk Factors") in Scientific Games' filings with the Securities and Exchange Commission and under the heading "Business Risks and Uncertainties" in DEQ's filings with Canadian securities commissions, any of which could cause actual results to differ materially from the forward-looking statements. The forward-looking statements included in this press release are made only as of the date hereof and, except for Scientific Games' and DEQ's ongoing obligations under applicable securities laws, neither Scientific Games nor DEQ undertakes any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise. DEQ is responsible for the information in this press release concerning DEQ and Scientific Games is responsible for the information in this release concerning Scientific Games. Readers are cautioned not to place undue reliance on any of these forward-looking statements.

NEITHER THE TSX VENTURE EXCHANGE NOR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSX VENTURE EXCHANGE) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

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