



# H1 2019 Results Presentation

July 29<sup>th</sup>, 2019



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# Executive Summary

## H1 results highlights

### Strong focus on financial delivery

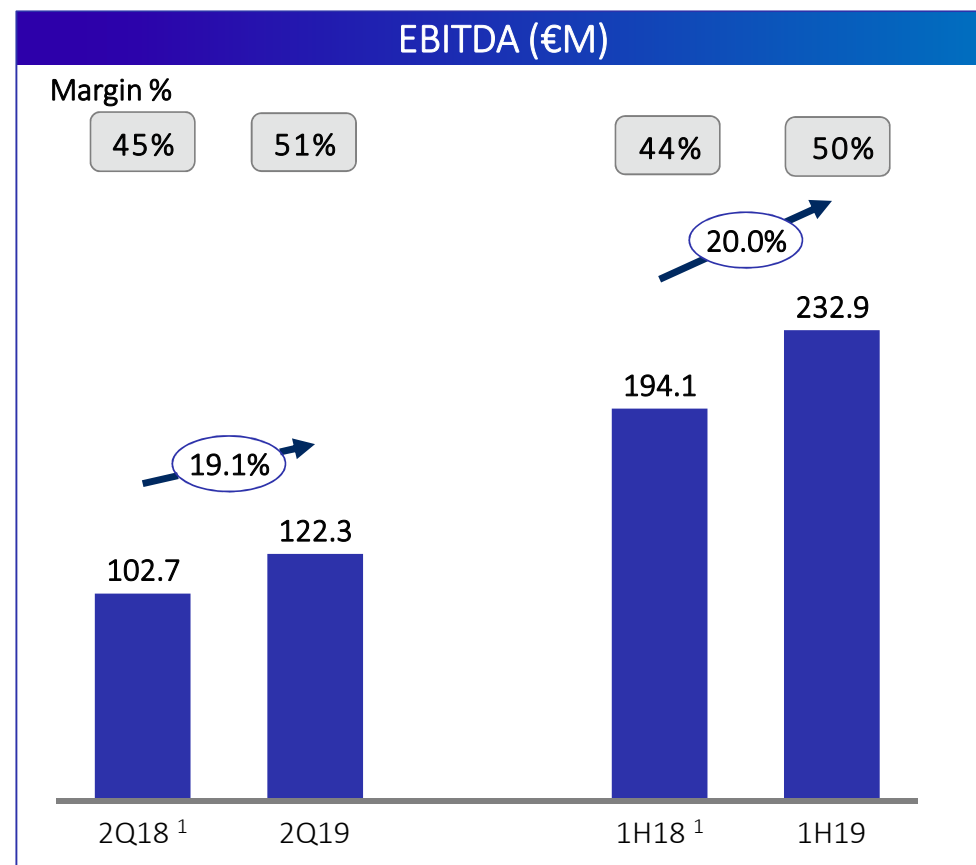
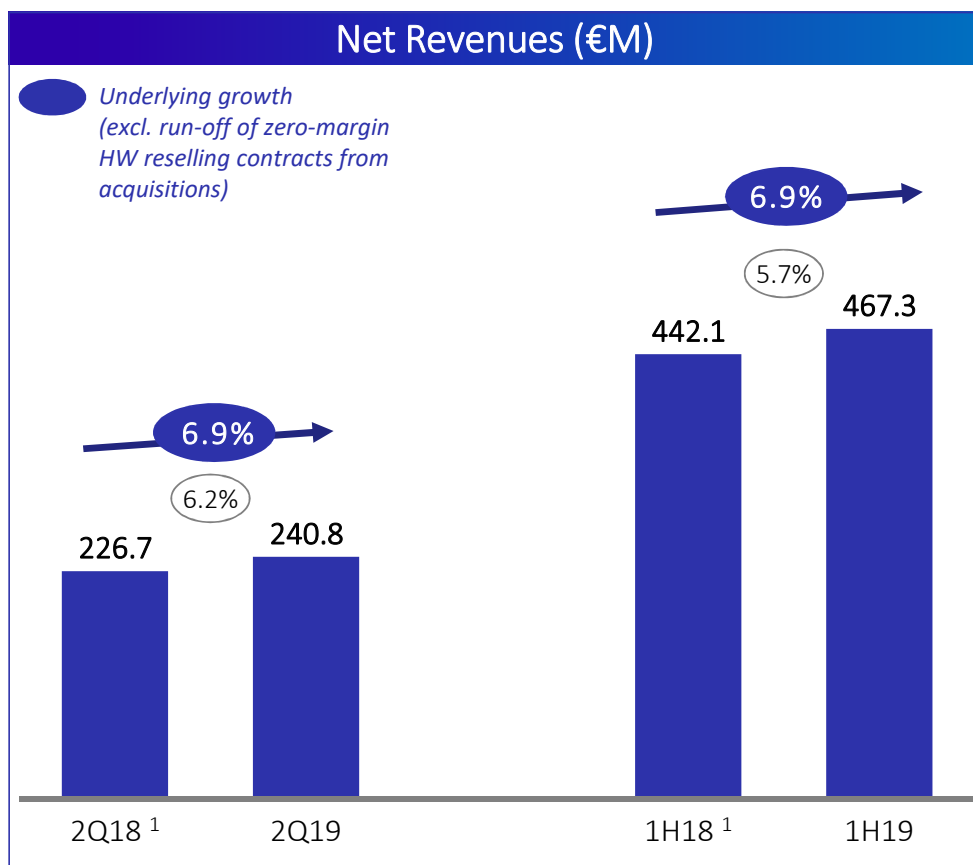
- EBITDA +20.0% y/y growth, at 232.9 €M in H1 2019
- Revenues +6.9% y/y underlying growth excluding run-off of zero-margin hardware reselling contracts from acquisitions. +5.7% y/y reported growth at 467.3 €M in H1 2019

### Continued progress on key business initiatives

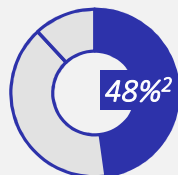
- **Merchant Services and Solutions** (48% of Revenues): continued traction on SmartPOS proposition, good progress in E-Commerce and large merchants omni-channel, ramp-up of omni-acceptance to additional rails
- **Cards and Digital Payments** (40% of Revenues): continued growth of International Debit, YAP millennials payments app and CVM up/cross selling activities
- **Digital Banking Solutions** (12% of Revenues): good progress on strategic initiatives to support H2 growth
- Cost initiatives and integration synergies contributing to -5.5% y/y reported costs reduction, -3.7% y/y excluding run-off of zero-margin hardware reselling contracts, despite continued investments
- Transformation costs below EBITDA **-60% y/y**
- Continued focus on investments in Technology and Innovation: Capex at 59 €M (**13%** of H1 2019 Revenues)
- Debt refinancing successfully completed. Gross Debt now at 1.8 €B (net 1.5 €B) with a significant average cost decrease

Overall H1 results well on track to deliver Financial Guidance, with 2019 expected EBITDA raised to ~500 €M (vs ~490 €M), +18% y/y and 2019 Net financial Debt/EBITDA improved to ~3.0x EBITDA (vs < 3.2x)

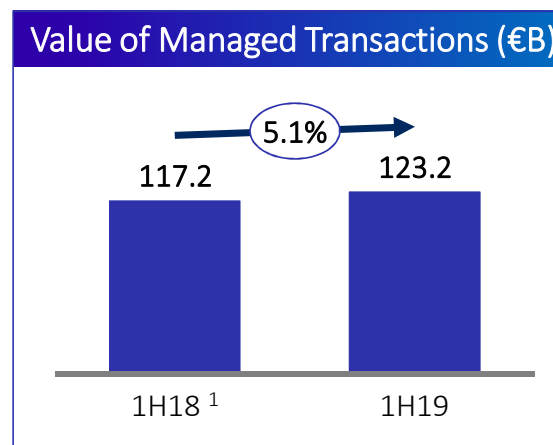
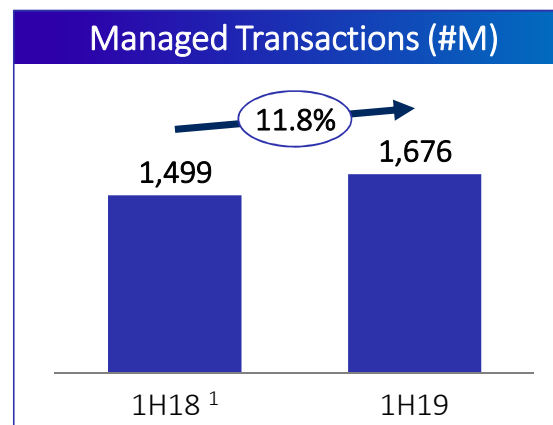
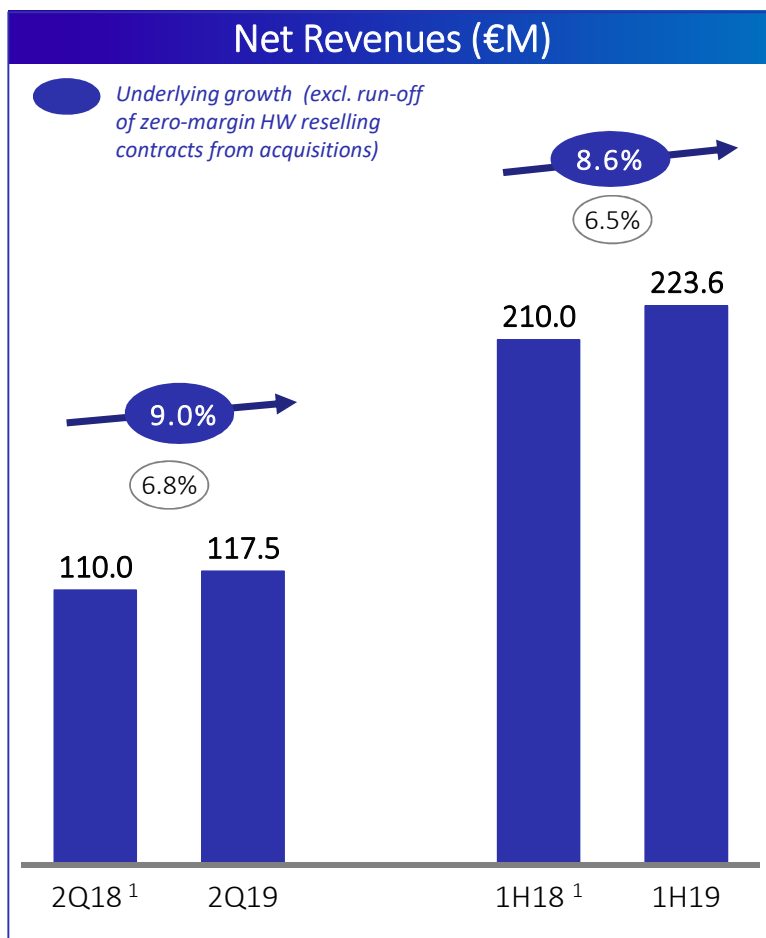
# Healthy Revenue growth and strong EBITDA performance



# Merchant Services & Solutions: continued strong growth



Merchant Services & Solutions



- ### Key Highlights
- Value of managed transactions sustained by strong International Schemes growth (+11.9% y/y)
  - Continued E-Commerce growth (+17% y/y transaction value)
  - Y/y growth negatively affected by fewer working days in the semester, neutral in Q2

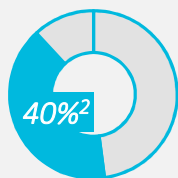
## Merchant Services & Solutions: key business update

*Be the payment services provider of choice for every Italian merchant, in partnership with our partner banks*

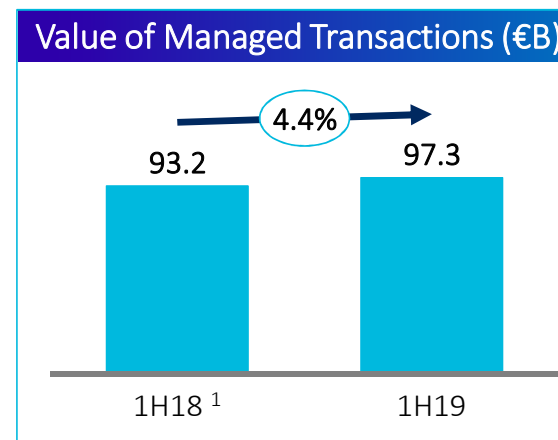
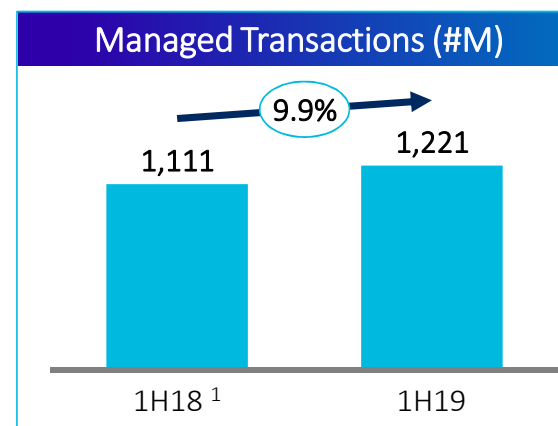
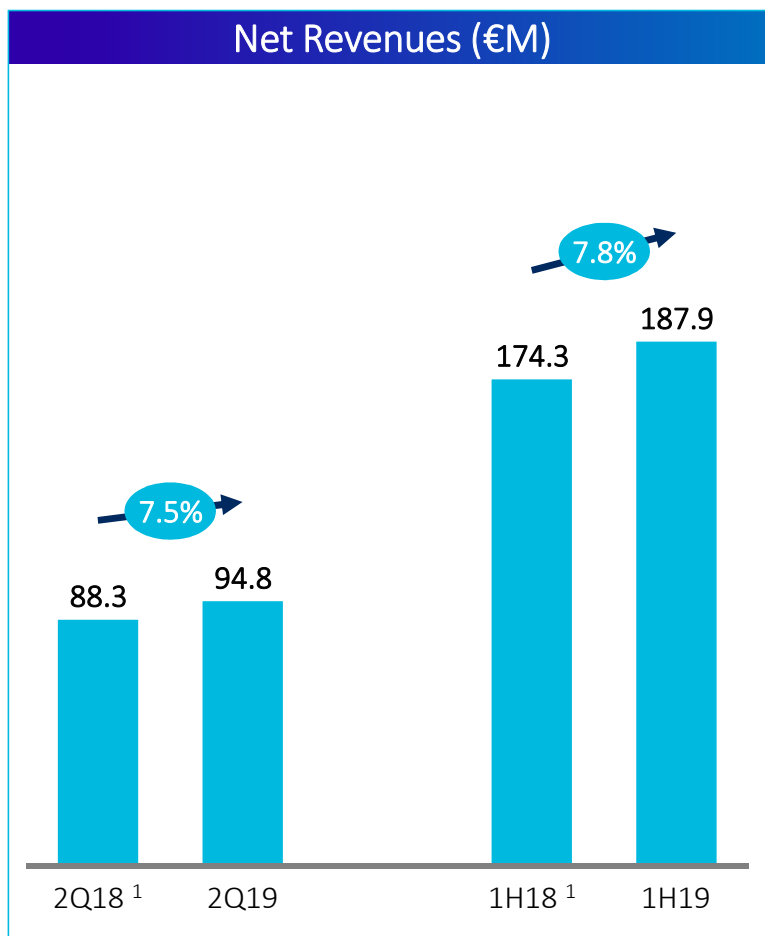
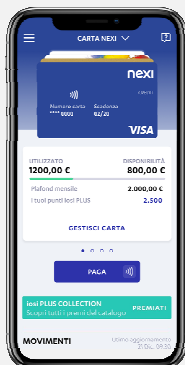
SmartPOS	<ul style="list-style-type: none"> <li>Continued traction on <b>SmartPOS proposition</b> (now including SmartPOS Mini), with <b>frontbook penetration up to 30%</b> during CVM-supported campaigns</li> <li>Strong interest across all merchant segments, from <b>SME to Large Merchants</b>, and industries</li> <li><b>Growing success of SmartPOS Cassa</b> (i.e. incl. cash register), also due to new regulation on electronic tax data transmission</li> </ul>
Large Merchants Omni-Channel	<ul style="list-style-type: none"> <li>Progressing on development of <b>new omni-channel proposition</b>, incl. cross border capabilities from 4Q19</li> <li>Further investment on <b>dedicated team</b>, with focus on vertical industry experts and solution engineers</li> <li>Rolling out <b>Large Merchants solutions on different verticals</b> (insurance, supermarkets, travel &amp; mobility,..)</li> </ul>
E-Commerce	<ul style="list-style-type: none"> <li><b>Continued growth</b> supported by <b>physical customer base cross-selling</b> (with full cross-channel contractual enablement already in place), partnerships with <b>developers</b> and <b>Public Administration payments</b> (Pago PA)</li> </ul>
Omni-Acceptance	<ul style="list-style-type: none"> <li>Acceleration of <b>multiple payment rails acceptance</b></li> <li><b>Partnership on meal voucher acceptance</b> (5 contracts with EMV issuers signed)</li> <li><b>Partnership with UnionPay</b></li> </ul>
Nexi Business data app	<ul style="list-style-type: none"> <li>Nexi Business Merchant app, data/business intelligence service, achieving <b>&gt;180k enrolled merchants</b> (+80k from December 2018), with <b>positive customer feedback</b> (4.6 rating on Apple store)</li> <li>Overall penetration on addressable merchant base at 35%, with best practice at ~62%</li> </ul>



# Cards & Digital Payments: continued strong growth



## Cards & Digital Payments

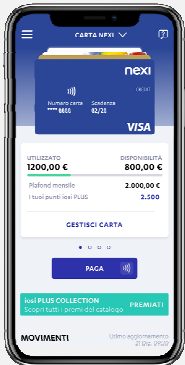


### Key Highlights

- Value of managed transactions sustained by strong International Schemes growth (+9.6% y/y)
- Y/y growth negatively affected by fewer working days in the semester, neutral in Q2

# Cards & Digital Payments: key business update

*Be the Italian banks' partner of choice, offering a full portfolio with best-in-class Cards and Digital Payments services for customers*



## Credit

- **New full corporate proposition including virtual account B2B and lodge solutions** ready by 3Q19
- Growing spontaneous interest from corporates across multiple industrial sectors

## Debit

- **Continued growth of International Debit** (+30% y/y transaction value). Further launches under development
- **National Debit upgrade** under development

## Customer Value Management

- **Distinctive capabilities** to drive usage and up/cross selling to higher value products through campaigns with banks and cardholder engagement programs
- **~38 up/cross-selling campaigns available** supported by internal data scientist team with about 25 banks already engaged

## Digital

- **Continued evolution of Nexi Pay mobile app**, with new features being released every month
- **Growing support to large banks on their digital properties**, both via API integrations and whitelabel projects

## YAP millennials payments app

- **Continued progress on YAP**, with ~550k enrolled clients to date. Positive customer feedback, with 50 Net Promoter Score and 4.8 rating on Apple store
- Solution now ready for **banks' engagement**, with multiple ongoing discussions



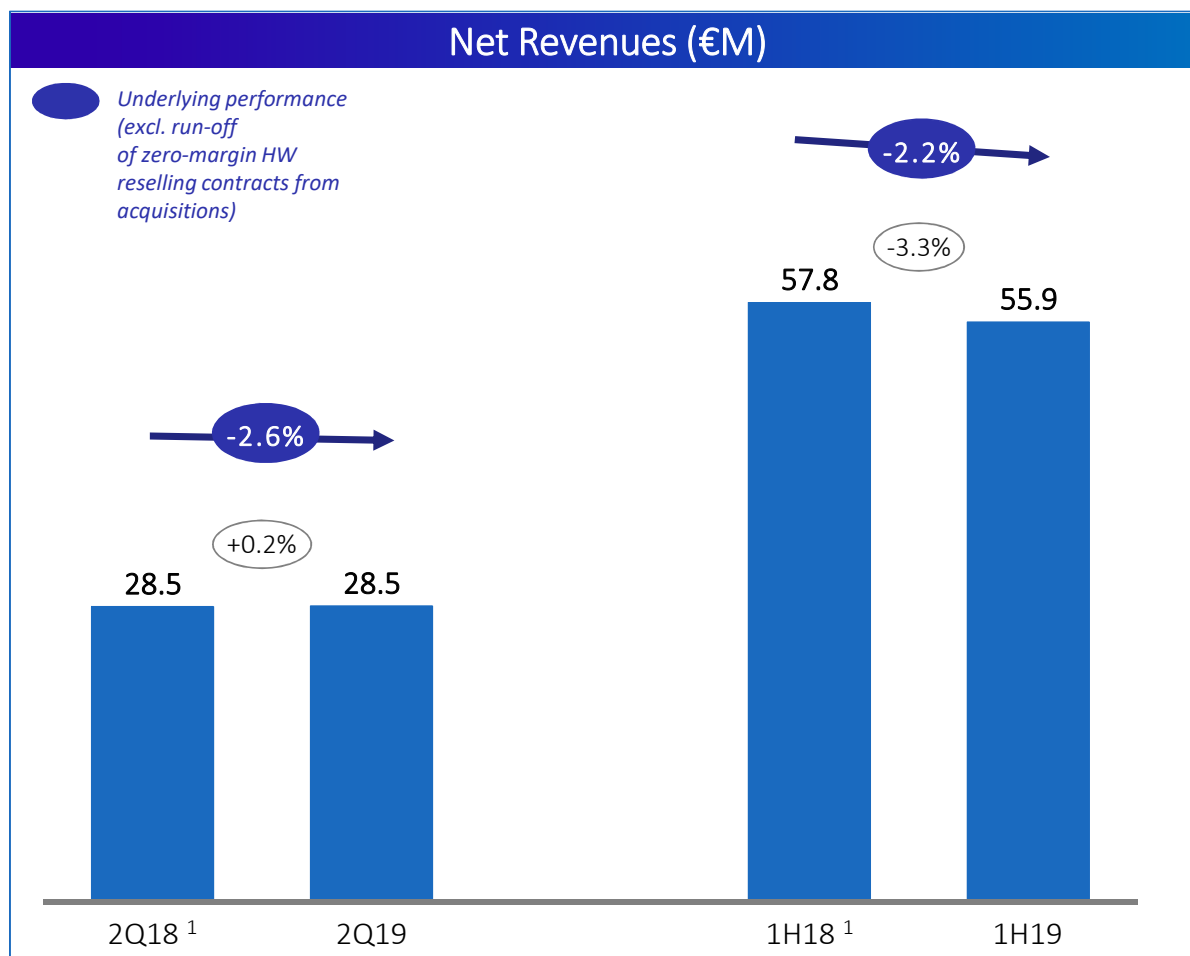
## Digital Banking Solutions: expected return to growth in H2

12%<sup>2</sup>

Digital Banking Solutions

CBI GLOBE

€



### Key Highlights

- Underlying revenue performance consistent with Q1 2019 trend, affected by banking sector consolidation in prior year
- Expected underlying growth in H2 2019 thanks to rollout of new propositions and the unwinding of the impact on revenues from banking consolidation in prior year

# Digital Banking Solutions: key business update

*Provide state-of-the-art innovative solutions to support Bank customers digitalization with E2E outsourcing models*



## Self-banking

- Rolling out new higher value **self banking products/platform** (front-end /back-end) with positive early customer feedback
- Growing demand for **advanced ATMs**, with ongoing activities to support Banks' transformation

## Instant Payments

- Continued progress on **Banks' onboarding and rollout**

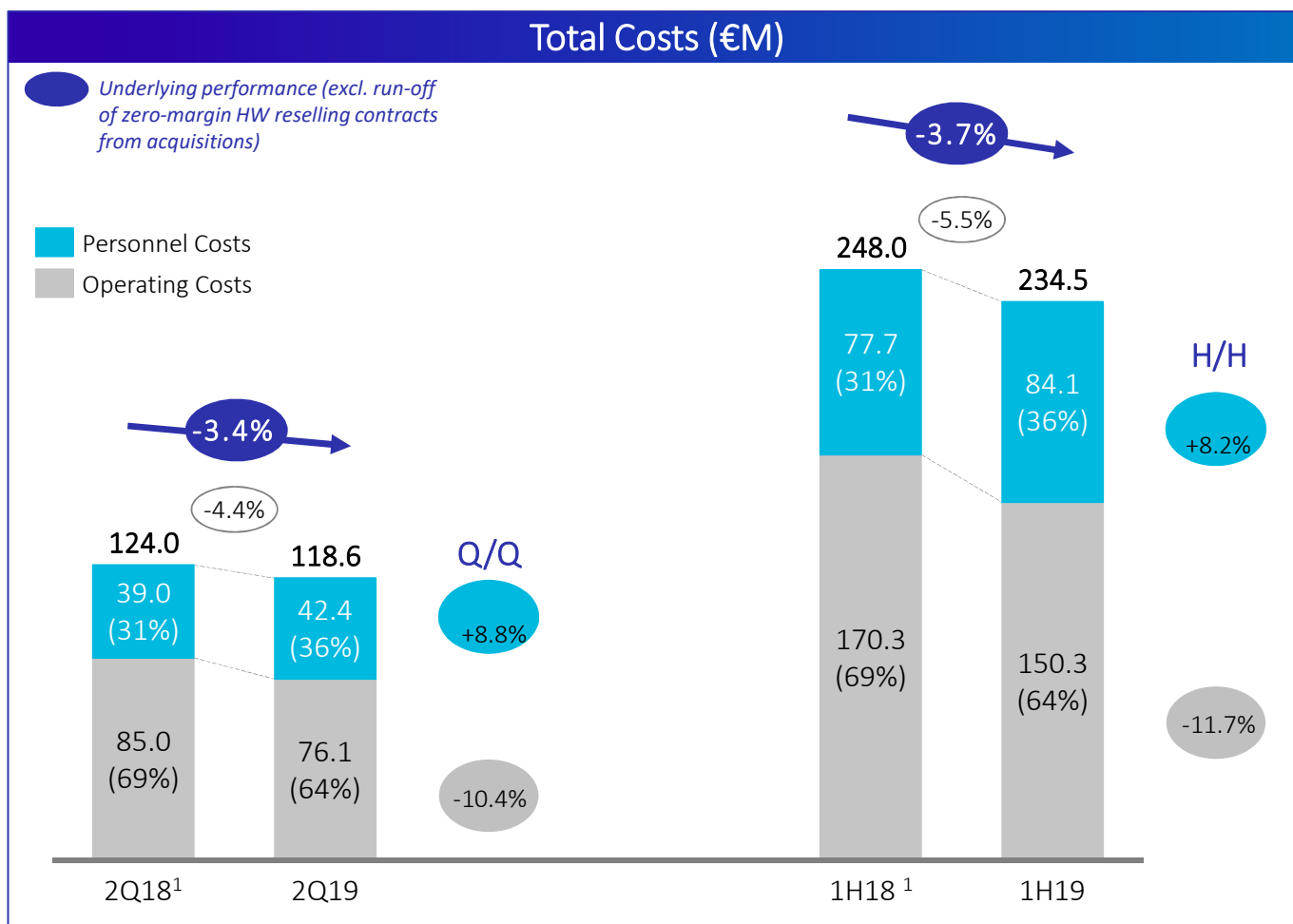
## Digital Corporate Banking

- **Good progress on onboarding and roll-out of bank customers** on the new advanced platform
- **Continued growth of installed workstations** confirming Digital Corporate Banking, and Corporate Payments more in general, as key strategic opportunity

## Open Banking/ PSD2

- **Open Banking Gateway (CBI Globe) now live**, largest PSD2 Platform in the Eurozone
- 280+ banks/financial institutions live (over 78% of Italian market) and 20+ third parties already connected to gateway
- Growing focus on delivering **innovative value added services, both cooperative and competitive**

## Costs: strong reduction supported by saving initiatives and integration synergies



- ### Key Highlights
- Strong decrease in operating costs despite continuous investment in development initiatives driven by:
    - ✓ saving initiatives and accelerated integration in H1 of acquired businesses
    - ✓ early results in terms of improved efficiency from implementation of IT strategy
    - ✓ IFRS16 impact ~5.9 €M in H1 2019
  - Continuous investment in people capabilities

# Investing in leading capabilities in Technology to drive quality and security, innovation and Next Generation Platform deployment

December 2018

People and Capabilities ✓

- ✓ IT Team & Tech capabilities in place
- ✓ 6 Digital Factories, 3 specialized structures, 4 CoE in place
- ✓ Basilichi and Sparkling integration
- ✓ ...

- 330+ FTEs (end 2018)
- ~ 70% new IT managers
- ~ 110 new hiring

Ordinary continuous improvement

Quality and Security ✓

- ✓ Live service process 24x7x365
- ✓ Hot line with main Banks
- ✓ Robotic check and prevention
- ✓ Security framework and capabilities
- ✓ ...

- 72% y-o-y improvement in Service Stability Index
- 99.99% core service availability in 2018
- No data and GDPR breaches

Ordinary continuous improvement

Innovation and Delivery ✓

- ✓ SmartPOS, E-Com, Merchant App
- ✓ Mobile Payments, Credit Installment, Debit Evolution, next-gen CVM
- ✓ Instant Payments, new Digital Corporate Banking, Self Banking/new ATMs
- ✓ YAP, Data, ...

- 4,200 new IT releases in 2018 vs. 1,400 in 2017
- 6 digital factories

Ordinary continuous improvement

- Omni-channel payment gateway
- Digital Corp. Banking completion
- Open banking gateway completion

WIP

Next Generation Platform

- ✓ Data Center insourcing
- ✓ POS and ATM management platform
- ✓ Merchant Services sales tools and Issuing Onboarding ready
- ✓ ...

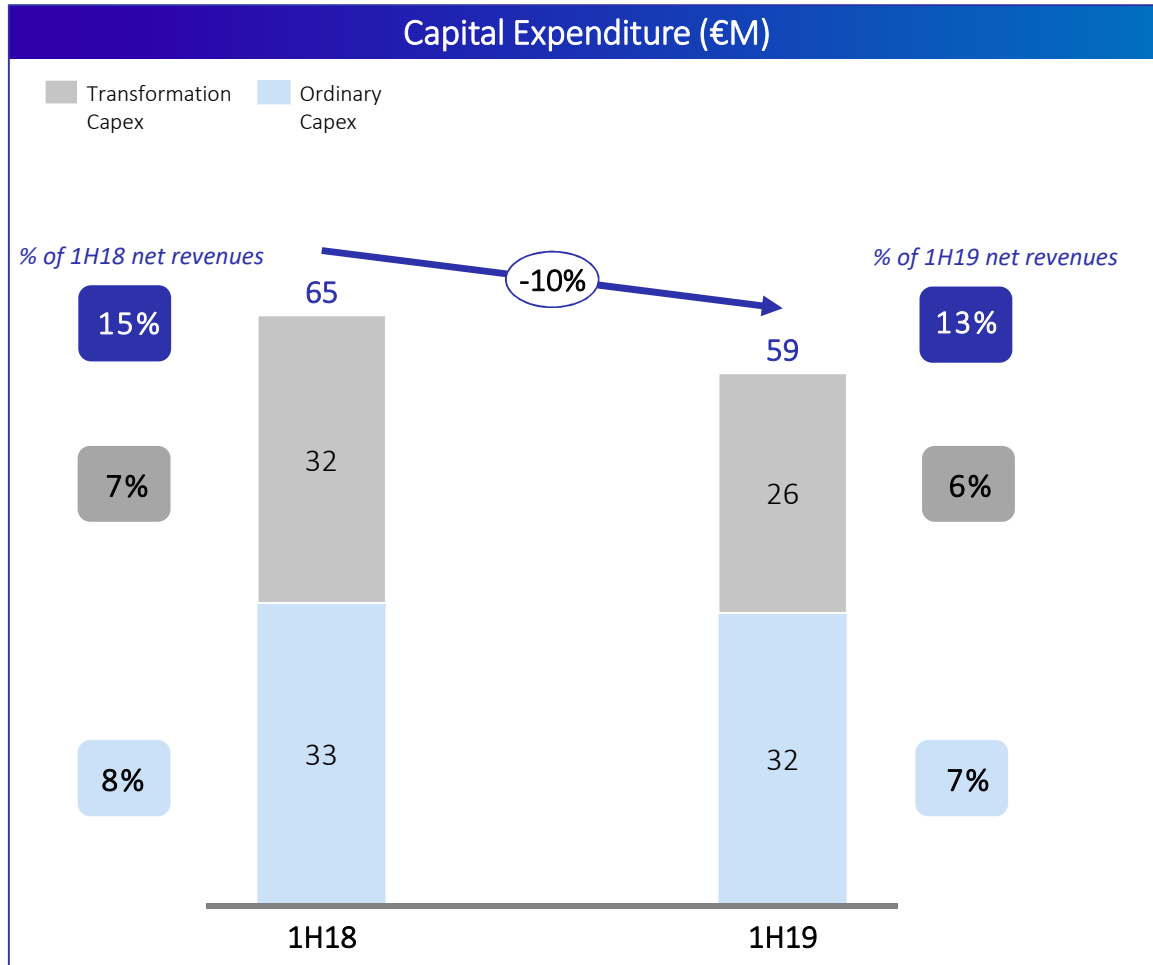
- Clear integrated architectural vision
- Step by step modular execution on going

- Data & Analytics implementation
- CRM and ops transformation
- Processing Hubs consolidation
- ....

2016 - 2018

Ordinary Effort    Extraordinary Transformation Effort

# Capex: 59 €M invested in H1 2019, equal to 13% of Revenues



## Ongoing investments (H1 2019): key examples

### Transformation Capex 26

#### Extraordinary Innovation:

- ✓ Open Banking Gateway (CBI Globe)
- ✓ New ATM Front End
- ✓ Next generation omni-channel payment gateway

#### Next Generation Platform:

- ✓ Next Generation Datacenter
- ✓ New Debit Card Platform
- ✓ Cloud Big Data Activation

### Ordinary Capex 32

#### Continuous Innovation and Delivery:

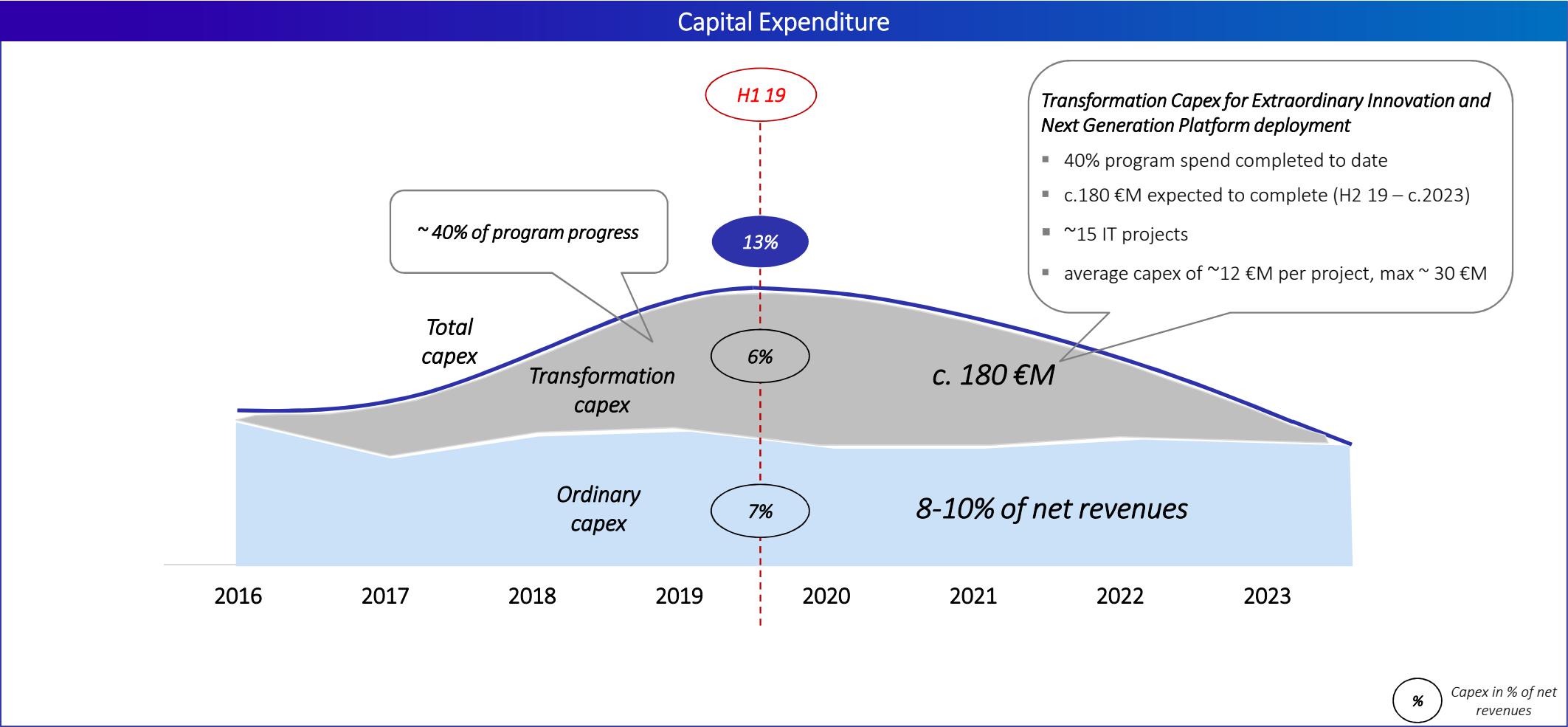
- ✓ PSD2 compliance
- ✓ Debit Card mobile wallet enablement
- ✓ Mobile Wallets evolution
- ✓ New commercial corporate cards
- ✓ SmartPOS Onboarding
- ✓ Banks migrations and new launches

#### Running and Maintenance/ Quality/ Security:

- ✓ Advanced service monitoring solutions
- ✓ Small product and service upgrades for customers
- ✓ Cyber security continuous improvement
- ✓ Hardware upgrade/refresh

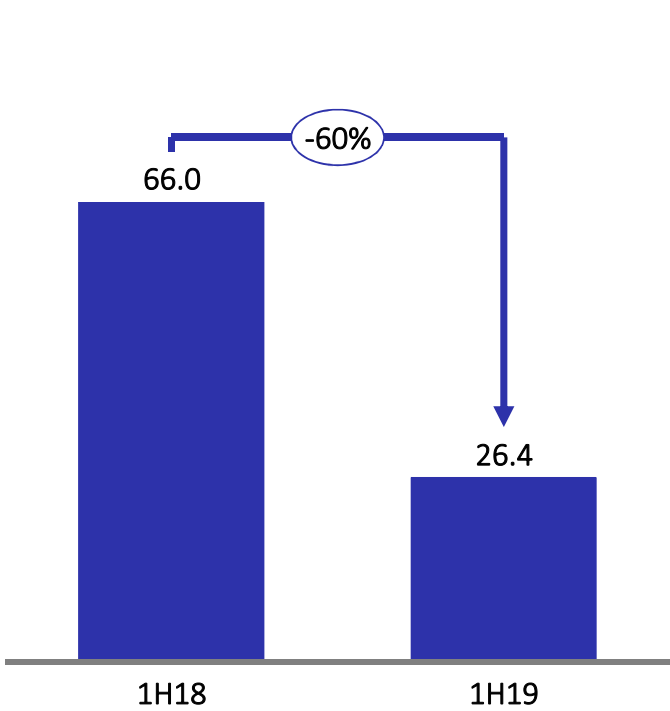
POS and ATM purchase

# Cumulative Transformation Capex required to complete transformation program by 2023 of c.180 €M (included in guidance) on top of 8-10% Ordinary Capex

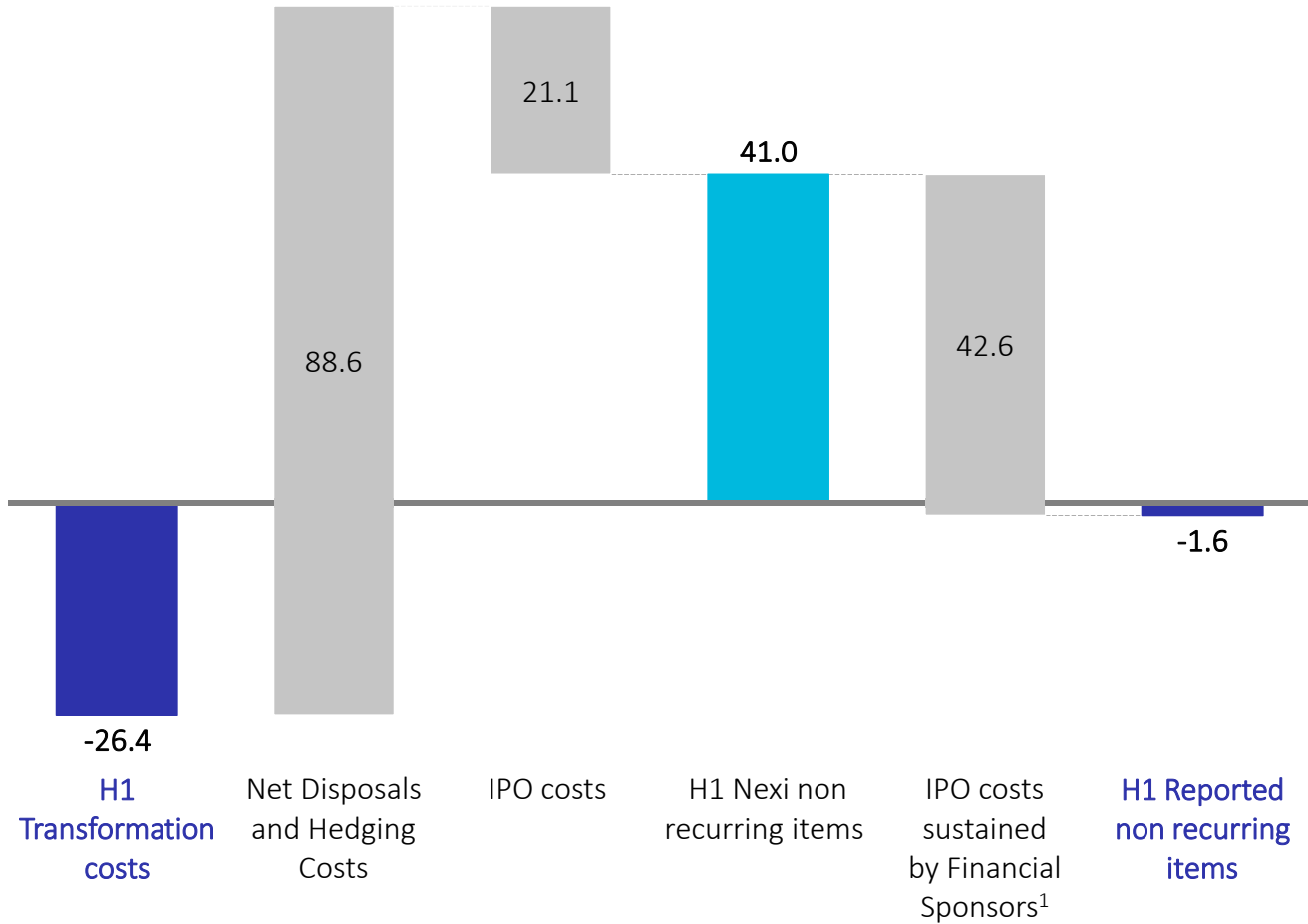


# H1 2019 Transformation Costs in line with guidance

Transformation Costs (€M)

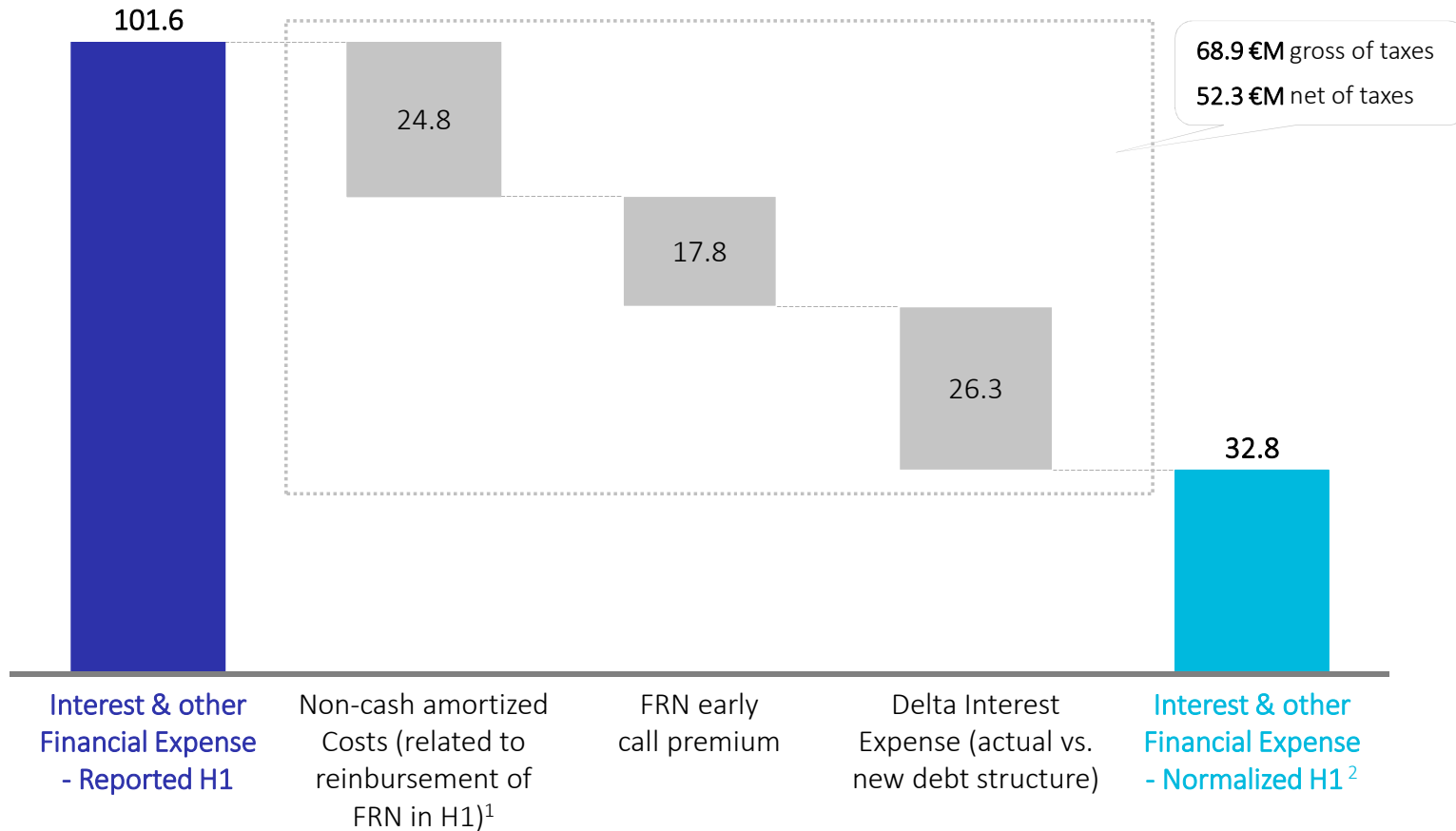


Bridge from H1 2019 Transformation Costs to Reported non recurring items (€M)



# H1 2019 Reported Interest Expense affected by extraordinary events. Run rate of Interest Expense based on new capital structure from H2 2019 onwards

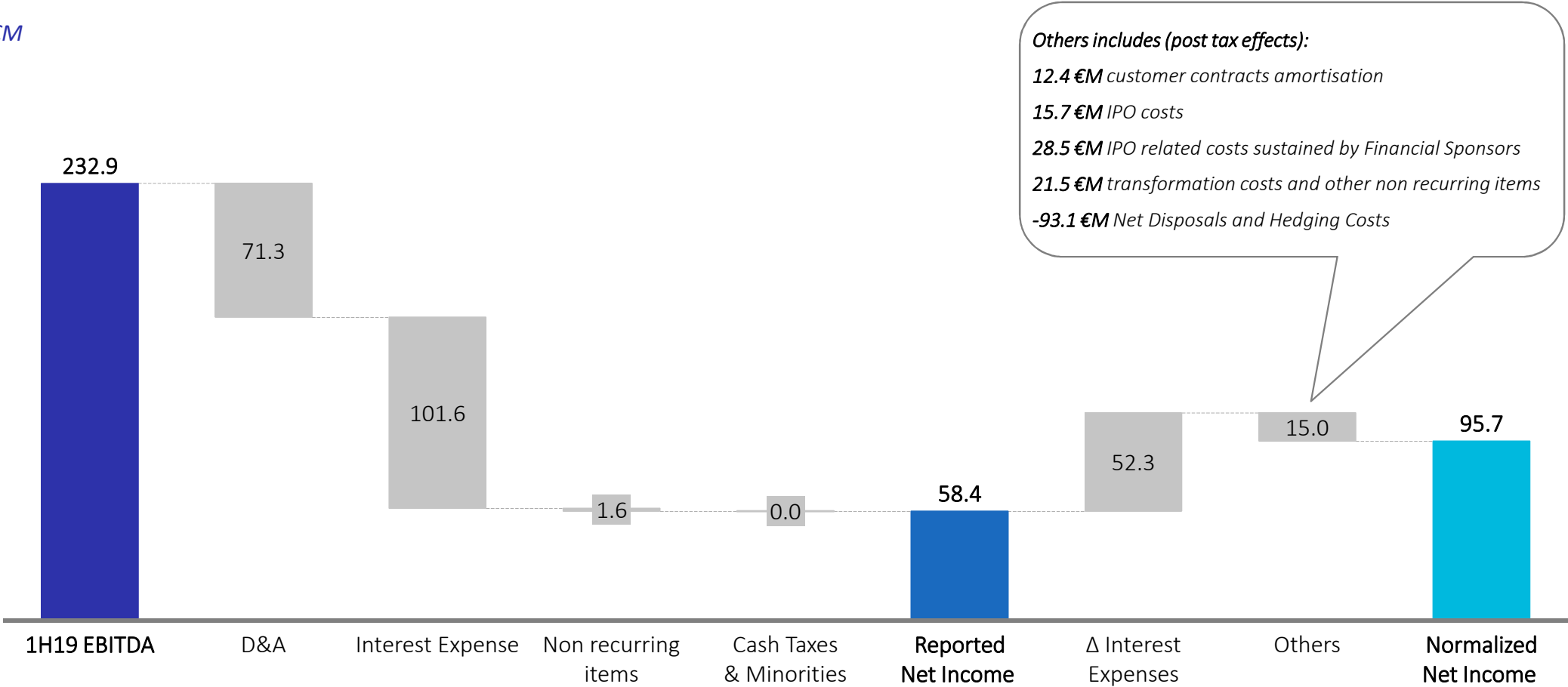
Reported and Normalized Interest Expenses H1 2019 (€M)





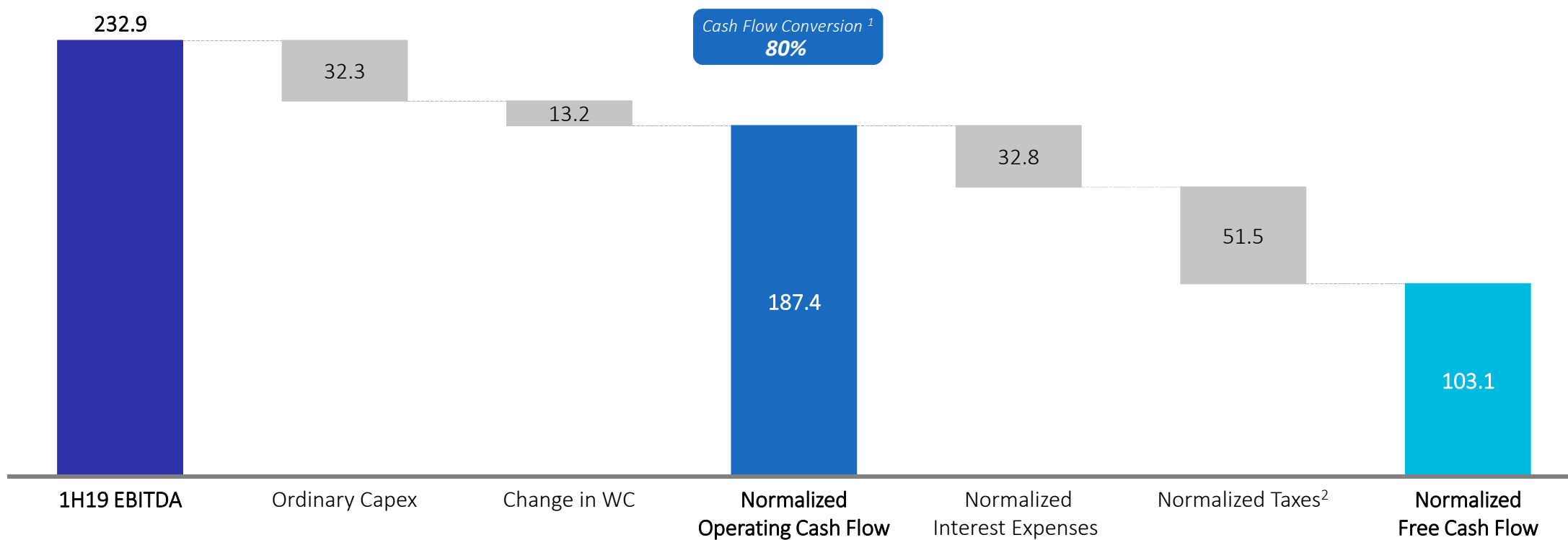
# Bridge from EBITDA to normalized Net Income

€M



## Cash Flow conversion increased to 80% vs 74% in FY 2018

€M

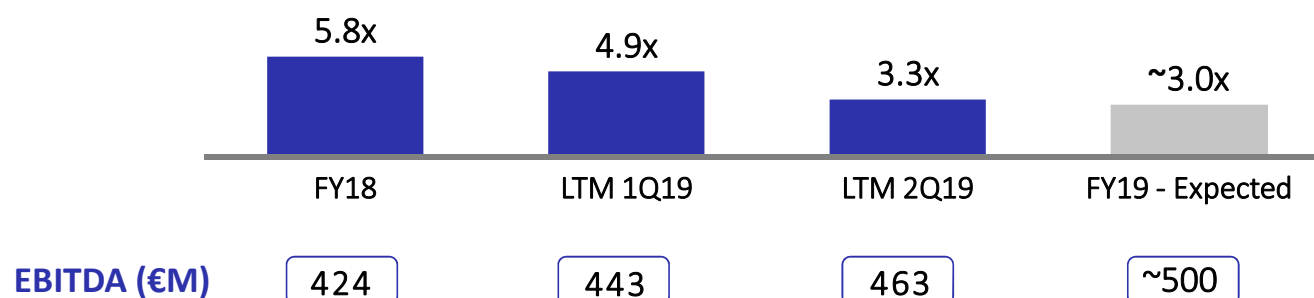


## Net Financial Debt / EBITDA expected to be ~3.0x at year-end

### Net Financial Debt (€M)

	FY18	1Q19	2Q19
Gross Financial Debt	2,605	2,656	1,845
Cash	(41)	(361)	(231)
Cash Equivalents <sup>1</sup>	(110)	(110)	(92)
Net Financial Debt	2,454	2,185	1,523

### Net Financial Debt / EBITDA (€M)



### Key Highlights

Rating update:  
Fitch upgraded Nexi IDR to BB- with Positive outlook and Nexi outstanding Bond (825 €M Senior Secured Notes) rating to BB

1 €B 5 year Senior Secured Term Loan together with IPO primary proceeds and available cash, used to redeem:

- Senior FRN (1,375 €M)
- Private Notes (400 €M)

Current Debt structure:

- 1 €B SS Term Loan due 2024
- 825 €M SS Fixed-Rate Note due 2023
- Other residual debt (mainly IFR 17)

Nexi also benefits from access to an undrawn 350 €M SS Revolving Credit Facility, committed to 2024, that further support its liquidity profile

## Financial guidance updates

	Guidance	Guidance updates
2019 EBITDA	~490 €M (~ +16% y/y)	~500 €M (~+18% y/y)
Net Debt/EBITDA Dec. 2019	< 3.2x	~ 3.0x
Total Capex	<ul style="list-style-type: none"> <li>Ordinary Capex: 8-10% Revenues over long term</li> <li>Tot Capex to trend towards Ordinary Capex over m/l term</li> <li>Tot Capex in 2019: 16-17% Revenues</li> </ul>	<div style="text-align: right; background-color: #808080; color: white; padding: 5px; transform: rotate(-10deg); display: inline-block;">Clarification</div> <ul style="list-style-type: none"> <li>Ordinary Capex: 8-10% Revenues over long term</li> <li><b>Transformation Capex on top of Ordinary Capex: ~180 €M (H2 2019 – c.2023)</b></li> <li>Tot Capex to trend towards Ordinary Capex over m/l term</li> <li>Tot Capex in 2019: 16-17% Revenues</li> </ul>

**Q&A**



**Annex**



## Normalized P&L

€M	1H18	1H19	1H19 vs. 1H18 <sup>(1)</sup>	1H19 vs. 1H18	2Q18	2Q19	2Q19 vs. 2Q18 <sup>(1)</sup>	2Q19 vs. 2Q18
Merchant Services & Solutions	210.0	223.6	+8.6%	+6.5%	110.0	117.5	+9.0%	+6.8%
Cards & Digital Payments	174.3	187.9	+7.8%	+7.8%	88.3	94.8	+7.5%	+7.5%
Digital Banking Solutions	57.8	55.9	-2.2%	-3.3%	28.5	28.5	-2.6%	+0.2%
<b>Operating revenue</b>	<b>442.1</b>	<b>467.3</b>	<b>+6.9%</b>	<b>+5.7%</b>	<b>226.7</b>	<b>240.8</b>	<b>+6.9%</b>	<b>+6.2%</b>
Personnel & related expenses	(77.7)	(84.1)	+8.2%	+8.2%	(39.0)	(42.4)	+8.8%	+8.8%
Operating Costs	(170.3)	(150.3)	-9.4%	-11.7%	(85.0)	(76.1)	-9.3%	-10.4%
<b>Total Costs</b>	<b>(248.0)</b>	<b>(234.5)</b>	<b>-3.7%</b>	<b>-5.5%</b>	<b>(124.0)</b>	<b>(118.6)</b>	<b>-3.4%</b>	<b>-4.4%</b>
<b>EBITDA</b>	<b>194.1</b>	<b>232.9</b>	<b>+20.0%</b>	<b>+20.0%</b>	<b>102.7</b>	<b>122.3</b>	<b>+19.1%</b>	<b>+19.1%</b>
D&A	(30.6)	(52.8)	+72.5%	+72.5%				
Interests & financing costs	(32.2)	(32.8)	+2.0%	+2.0%				
<b>Normalized Pre-tax Profit</b>	<b>131.3</b>	<b>147.2</b>	<b>+12.1%</b>	<b>+12.1%</b>				
Income taxes	(46.2)	(51.5)	+11.4%	+11.4%				
Minorities	(0.6)	(0.0)	-95.9%	-95.9%				
<b>Normalized Net Profit</b>	<b>84.5</b>	<b>95.7</b>	<b>+13.3%</b>	<b>+13.3%</b>				

## Reported P&L vs Normalized P&L

€M	Reported 1H19	Delta	Normalized 1H19
Merchant Services & Solutions	223.6		223.6
Cards & Digital Payments	187.9		187.9
Digital Banking Solutions	55.9		55.9
<b>Operating revenue</b>	<b>467.3</b>		<b>467.3</b>
Personnel & related expenses	(84.1)		(84.1)
Operating Costs	(150.3)		(150.3)
<b>Total Costs</b>	<b>(234.5)</b>		<b>(234.5)</b>
<b>EBITDA</b>	<b>232.9</b>		<b>232.9</b>
D&A	(71.3)	18.4	(52.8)
Interests & financing costs	(101.6)	68.8	(32.8)
Non recurring items	(1.6)	1.6	-
<b>Pre-tax Profit</b>	<b>58.4</b>	<b>88.8</b>	<b>147.2</b>
Income taxes	0.1	(51.5)	(51.5)
Minorities	(0.0)		(0.0)
<b>Net Profit</b>	<b>58.4</b>	<b>37.3</b>	<b>95.7</b>
<i>Transformation costs</i> <sup>1</sup>	(26.4)		(26.4)

### Delta

*D&A: D&A customer contracts*

*Interests & financing costs: coherent with the new debt structure (detailed bridge on slide 16)*

*Non recurring items: detailed bridge on slide 15*



## Updated Financial guidance

### Net Revenues

- 5-7% annual net revenue growth over medium term
- 2019 growth at lower end of range due to one-time effect of selected contracts run-offs<sup>1</sup>; growth after 2019 at higher end of the range

### EBITDA

- 13-16% annual EBITDA growth over medium term
- **2019 EBITDA ~500 €M (~+18% y/y)**
- Continued strong operating leverage

### Non-recurring Items

- >60% reduction in non-recurring items in 2019<sup>2</sup>
- Rapid further decrease of non-recurring items affecting reported EBITDA thereafter

### Capex

- 8-10% ordinary capex as % of net revenues over long term
- **Transformation capex on top of ordinary capex of ~180 €M cumulative (2H19 – c.2023)**
- Total capex to trend towards ordinary capex as % of net revenues over medium to long term

### Capital Structure & Capital Allocation

- **2019 net debt of ~3.0x EBITDA**
- Organic de-leveraging with target net debt of ~2.0-2.5x EBITDA over medium to long term
- Invest in organic growth; potentially consider accretive and strategically compelling M&A
- Progressive moderate dividend policy, targeting pay-out ratio of 20-30% of distributable profits in medium to long term

# Thank You for Your Attention

**Investor Relations**

[investor.relations@nexi.it](mailto:investor.relations@nexi.it)

**Stefania Mantegazza**

[stefania.mantegazza@nexi.it](mailto:stefania.mantegazza@nexi.it)

