



# 9M 2020 Results Presentation

November 11<sup>th</sup>, 2020



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# Executive Summary

## Covid-19 update

- **Overall acquiring volumes rapidly recovered across all categories on the back of improving Covid-19 situation, with acceleration in August. Acquiring volumes on Italian cards back to pre-Covid growth level, while Travel/tourism and International travelers contribution still behind last year**
- **Transaction volumes (acquiring + issuing) at 118 €B, -4.1% y/y, in 3Q20 and 304 €B, -12.4% y/y, in 9M20 from ~-50% during the peak of the health emergency**
- **From October first signs of a progressive slowdown in volumes** due to Covid-19 second wave and related progressive restrictions in the Country. Compared to last Spring:
  - Regions segmented in three risk tiers based on Covid-19 situation, reviewed periodically
  - Most affected Regions subject to **soft lockdown measures** from November 6<sup>th</sup> for at least 15 days
  - **More selective lockdown**: industrial production and B2B activities open, only selected retail businesses closed
- **Following Covid-19 second wave, Acquiring volumes in the last week rolling (29<sup>th</sup> October-4<sup>th</sup> November) at -8% y/y<sup>1</sup> driven by high impact consumption category performance** (e.g. travel/tourism related sectors and restaurants)
- **Overall E-commerce strong acceleration in 2020 net of high impact consumption sectors: +35% y/y in 9M20 and +35% y/y in 3Q20<sup>1</sup>**
- **Continued signs of acceleration from cash to digital transactions**

# Executive Summary

## Results highlights

- **EBITDA** at 167.0 €M, **+7.0% y/y in 3Q20**. EBITDA at 428.9 €M, **+0.4% y/y in 9M20**
- **Revenues** at 276.0 €M, **+1.0% y/y in 3Q20**. Revenues at 753.6 €M, **-3.6% y/y in 9M20**

## Key business update

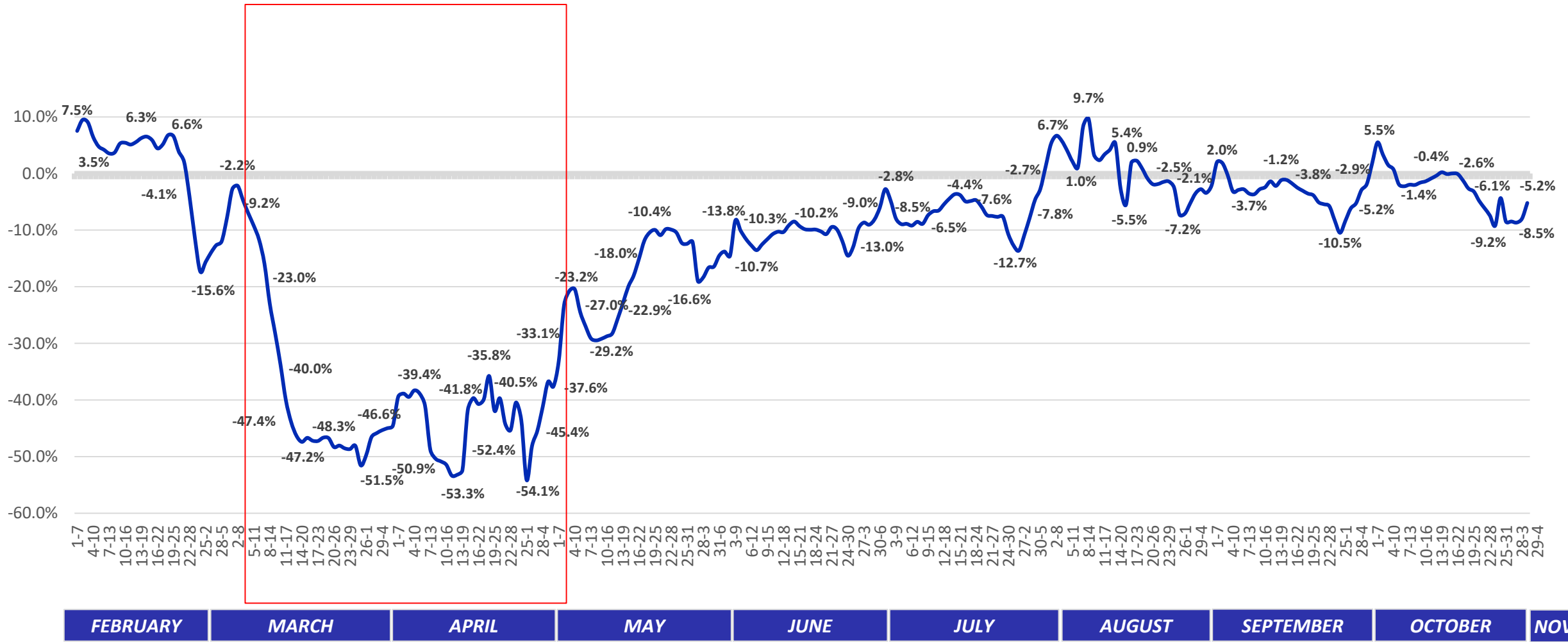
- **Merchant Services & Solutions** (52% of Revenues): continued growth of POS installations and acceleration in mPOS demand, step up on e-commerce gateway activations despite shops reopening
- **Cards and Digital Payments** (37% of Revenues): accelerated banks interest on International Debit, continued evolution on National Debit digital capabilities and increased incidence of mobile payments and c-less transactions
- **Digital Banking Solutions** (11% of Revenues): continued extension of Nexi Open ecosystem, banks go-to-market progressing; continued roll out of new higher value advanced self banking and digital corporate banking solutions
- **Costs -8.4% y/y in 9M20** thanks to the 100+ €M cash cost containment plan well in execution and the continued focus on efficiency
- **9M20 Net financial Debt/EBITDA down at 3.7x**

## SIA transaction update

- Finalizing transaction documentation and confirmatory due diligence ongoing with signing of binding documentation expected over the next two months and closing in Q3 2021
- **EBITDA** at 81.1 €M, **+8.3% y/y in 3Q20**. EBITDA at 194.9 €M, **-0.7% y/y in 9M20** thanks to a resilient business model, the focus on operating cost efficiency and the increasing transaction volumes in Cards&Merchant Solutions and Digital Payment Solutions divisions
- **Revenues** at 189.9 €M, **+2.3% y/y in 3Q20**. Revenues at 525.8 €M, **+0.5% y/y in 9M20**

# Transaction volumes rapidly recovery and back to growth in August. Signals of slow down following Covid-19 second wave and restrictions

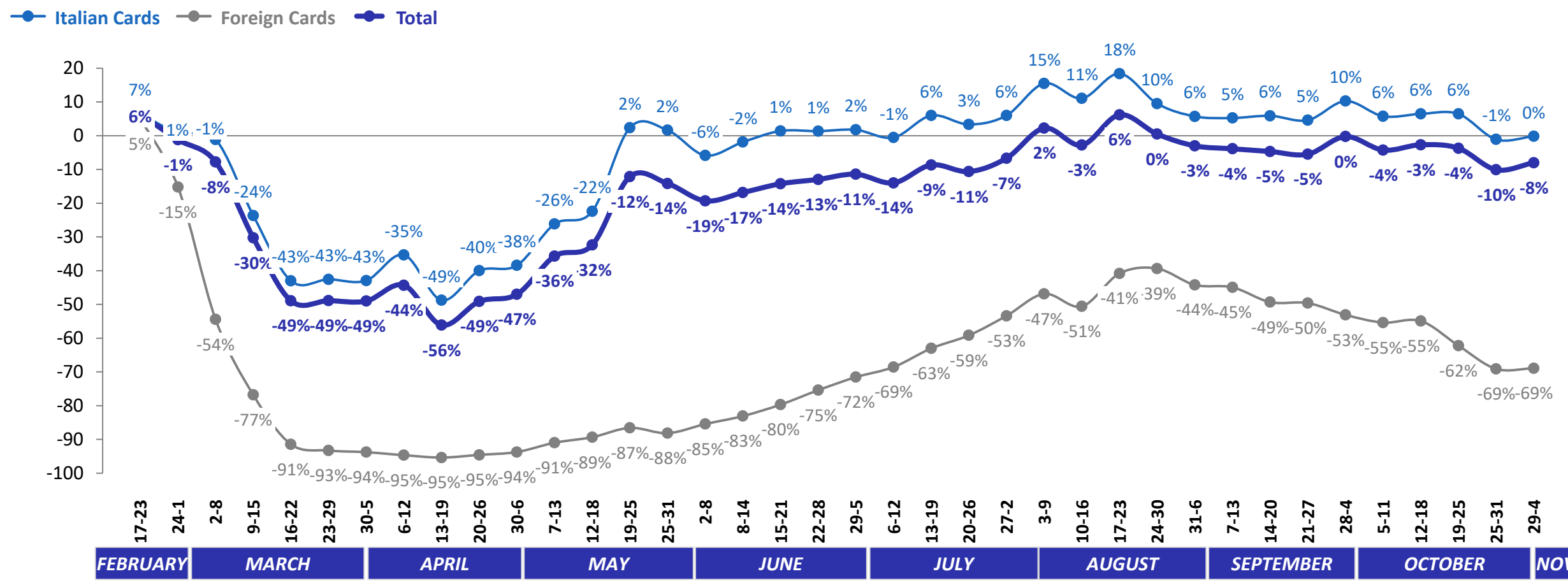
Total Acquiring and Issuing volumes - 7-days rolling % change Y/Y



Covid-19 lockdown in Italy

# Acquiring volumes recovery driven by Italian Cards back to pre-Covid growth in Q3. Foreign Cards slower recovery before second wave new slowdown

Acquiring volumes – Italian Cards vs Foreign Cards – Y/Y trend

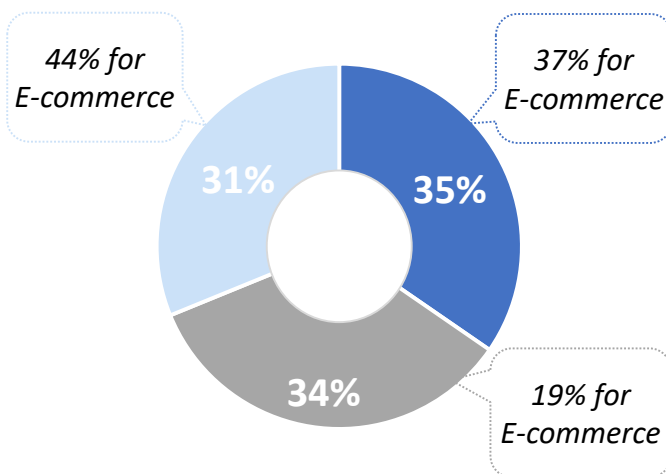


2019 monthly weight Foreign Cards on total volumes



# Rapid recovery across categories from May after the easing of lockdown measures and accelerating in August. Slow down following recent restrictions

## Acquiring volumes by category<sup>1</sup>



### Basic consumption

Groceries, medical retail, utilities and services (e.g. insurance, bank services)

### Generic/discretionary consumption

Clothing, household, other non-alimentary retail and other services (e.g. laundries, beauty)

### High-impact consumption

Hotels and restaurants, travel and transports, entertainment, etc.

## Product category

### Basic consumption

of which Physical  
of which E-commerce

### Generic/discretionary consumption

of which Physical  
of which E-commerce

### High-impact consumption

of which Physical  
of which E-commerce

### Total

of which Physical  
of which E-commerce

## % change Y/Y

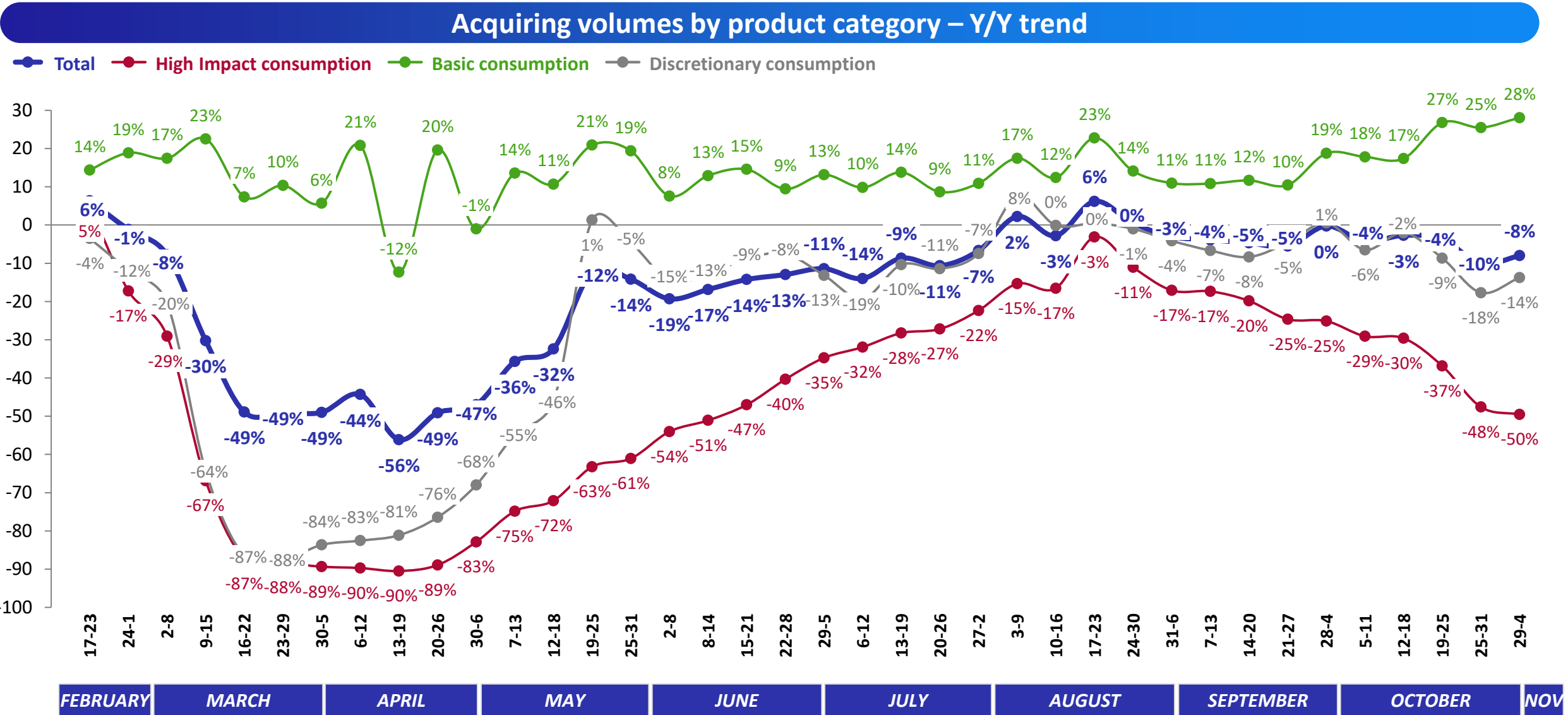
	Jan + Feb	March	April	May	June	July	August	Sept	LWR <sup>2</sup>
<b>Basic consumption</b>	<b>15%</b>	<b>13%</b>	<b>11%</b>	<b>13%</b>	<b>14%</b>	<b>12%</b>	<b>13%</b>	<b>14%</b>	<b>28%</b> <span>+30%</span>
of which Physical	15%	12%	9%	12%	11%	10%	12%	13%	27%
of which E-commerce	27%	31%	42%	29%	55%	44%	32%	30%	45%
<b>Generic/discretionary consumption</b>	<b>6%</b>	<b>-62%</b>	<b>-77%</b>	<b>-33%</b>	<b>-11%</b>	<b>-13%</b>	<b>-1%</b>	<b>-5%</b>	<b>-14%</b> <span>-6%</span>
of which Physical	5%	-65%	-81%	-37%	-13%	-14%	-2%	-6%	-16%
of which E-commerce	25%	8%	47%	47%	51%	32%	36%	33%	39%
<b>High-impact consumption</b>	<b>10%</b>	<b>-68%</b>	<b>-89%</b>	<b>-70%</b>	<b>-46%</b>	<b>-29%</b>	<b>-13%</b>	<b>-22%</b>	<b>-50%</b> <span>-41%</span>
of which Physical	10%	-67%	-89%	-69%	-46%	-29%	-12%	-20%	-47%
of which E-commerce	10%	-75%	-90%	-81%	-42%	-22%	-32%	-48%	-76%
<b>Total</b>	<b>11%</b>	<b>-35%</b>	<b>-48%</b>	<b>-27%</b>	<b>-14%</b>	<b>-10%</b>	<b>-1%</b>	<b>-3%</b>	<b>-8%</b> <span>0%</span>
of which Physical	10%	-36%	-50%	-28%	-15%	-12%	-1%	-4%	-8%
of which E-commerce	19%	-21%	-17%	-14%	7%	11%	2%	-2%	-9%

○ % change Y/Y on Italian Cards

## 2020 Acquiring volumes: split between Physical and E-commerce

	Jan + Feb	March	April	May	June	July	August	Sept	LWR <sup>2</sup>
Physical	93%	92%	90%	92%	92%	93%	95%	94%	93%
E-commerce	7%	8%	10%	8%	8%	7%	5%	6%	7%

# Rapid recovery across categories from May after the easing of lockdown measures and accelerating in August. Slow down following recent restrictions





# 9M Business update: commercial activities back to pre- Covid levels.

## Preparation ongoing to support Government 'cashless promotion' initiatives

### Merchant Services & Solutions

- **Continued growth of POS installations** (+10% y/y after spring lockdown)
- **Further acceleration in mPOS demand** for small/micro merchants
- **Continued strong demand on E-commerce** despite shops reopening
- **Nexi Business app** with over 50% penetration on enabled merchants (active users +60% y/y in 3Q 2020)

### Cards & Digital Payments

- **Accelerated bank interest on International Debit** as a mass market ecommerce-enabled product
- **Continued evolution on National Debit digital capabilities**; Next generation platform tender ongoing
- Accelerated pipeline of digital onboarding/digital issuing projects for banks
- **Step up in mobile payments transaction volumes** (~+190% 3Q20 vs 3Q19) and **progressive increase in c-less transactions incidence** (from 38% pre lockdown to 45% in October)

### Digital Banking Solutions

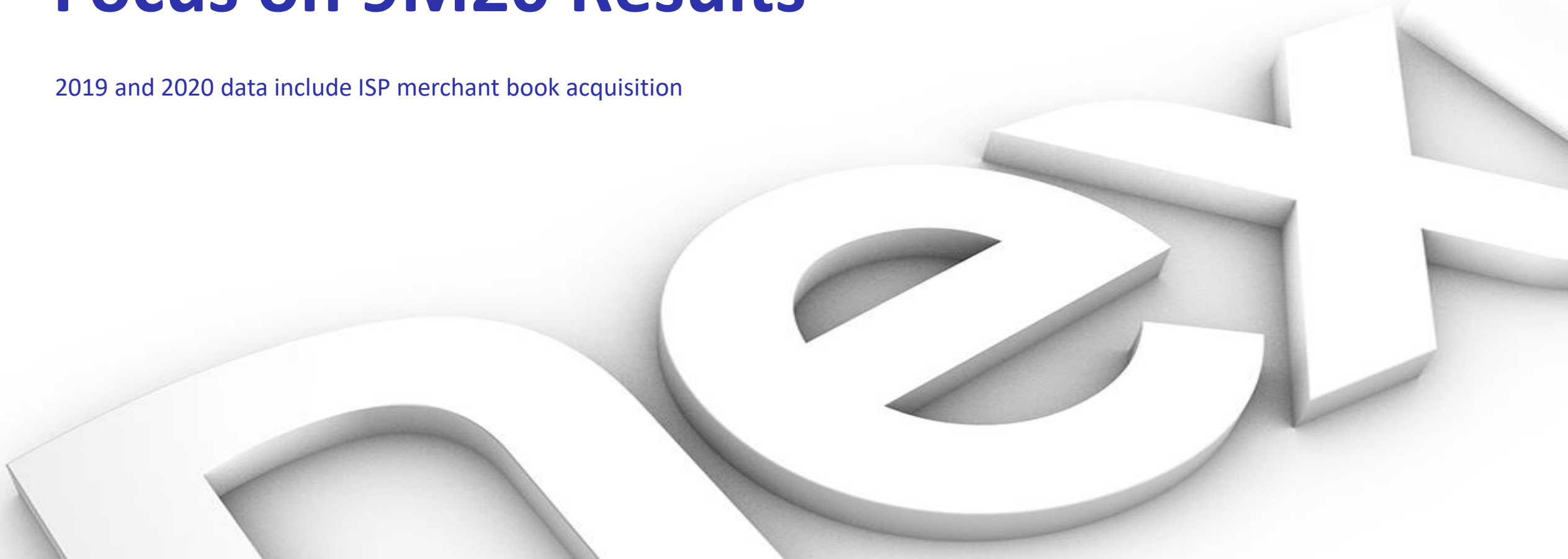
- Progress on advanced ATMs. Adoption of **new ATM front-end by Nexi clients completed**
- **Continued growth of Digital Corporate Banking installed workstations.** Rollout of the new platform completed.
- **Instant Payments** progress continuing, with further players adopting Nexi platform
- New relevant players adopted **CBI Globe open banking TPP gateway.** Continued extension of **Nexi Open ecosystem**, banks go-to-market progressing

### Preparation ongoing to support Government 'cashless promotion' initiatives

- **Cashback bonus for consumers from Dec 1<sup>st</sup> 2020:** 10% cashback of in-store transactions. Entry gate 50 transactions every 6 months. Each transaction eligible up to 150€. Special bonuses for consumers with the highest number of transactions. In place for 2 years: 1.75bn Dec 2020-2021 and 3bn in 2022 to finance the mechanism.
- **Lottery on receipts from Jan 1st 2021:** Prize draw for consumers: 45 €M for electronic payments. In place for 2 years

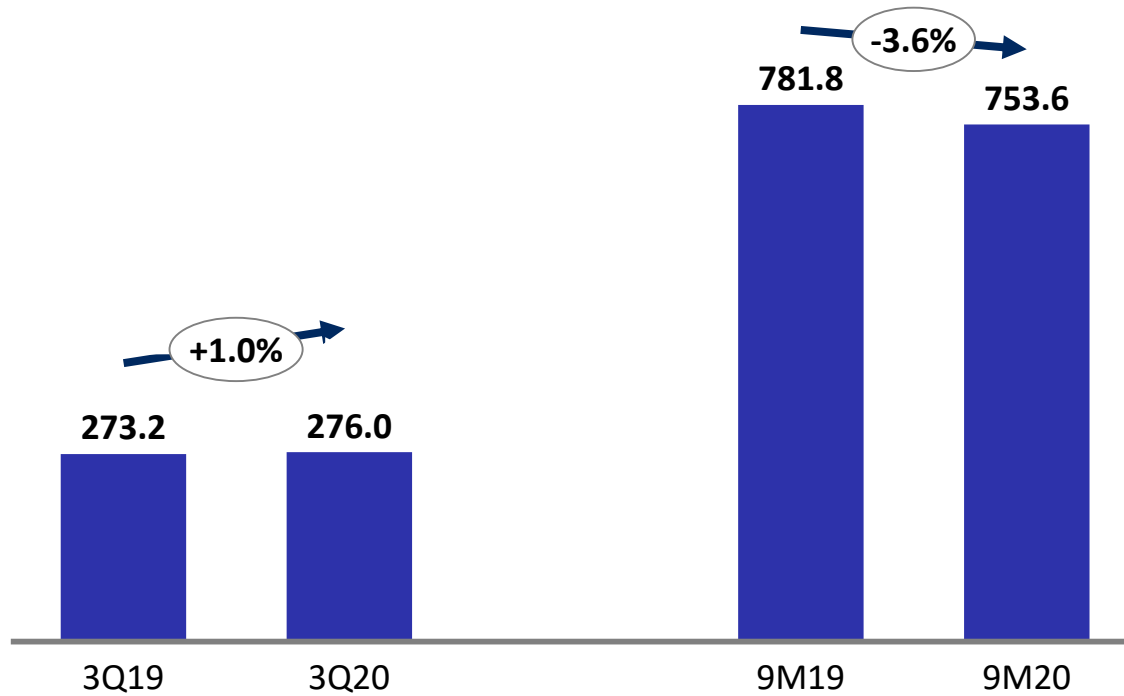
# Focus on 9M20 Results

2019 and 2020 data include ISP merchant book acquisition

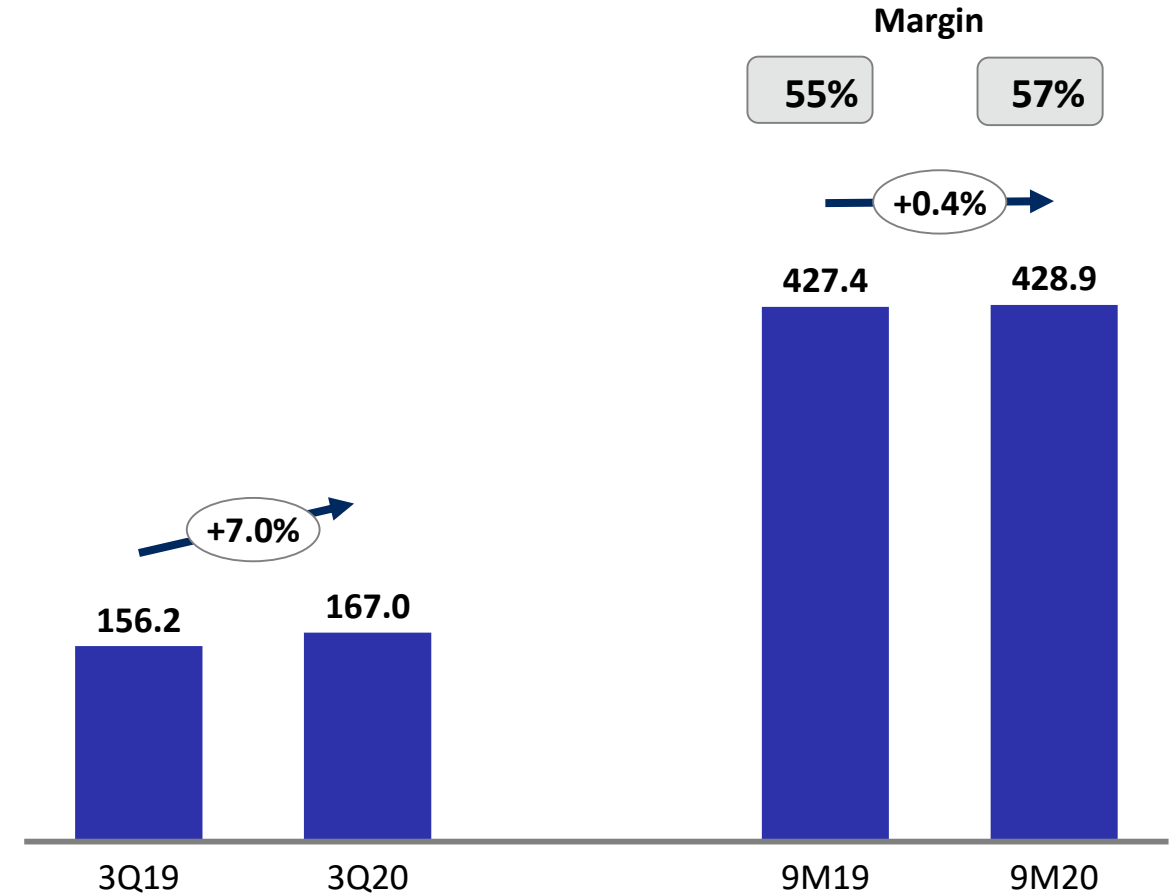


# Net Revenues back to growth in 3Q, earlier than 2020 Ambition. EBITDA back to material growth in 3Q, slightly positive year-to-date

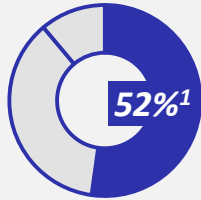
## Net Revenues (€M)



## EBITDA (€M)



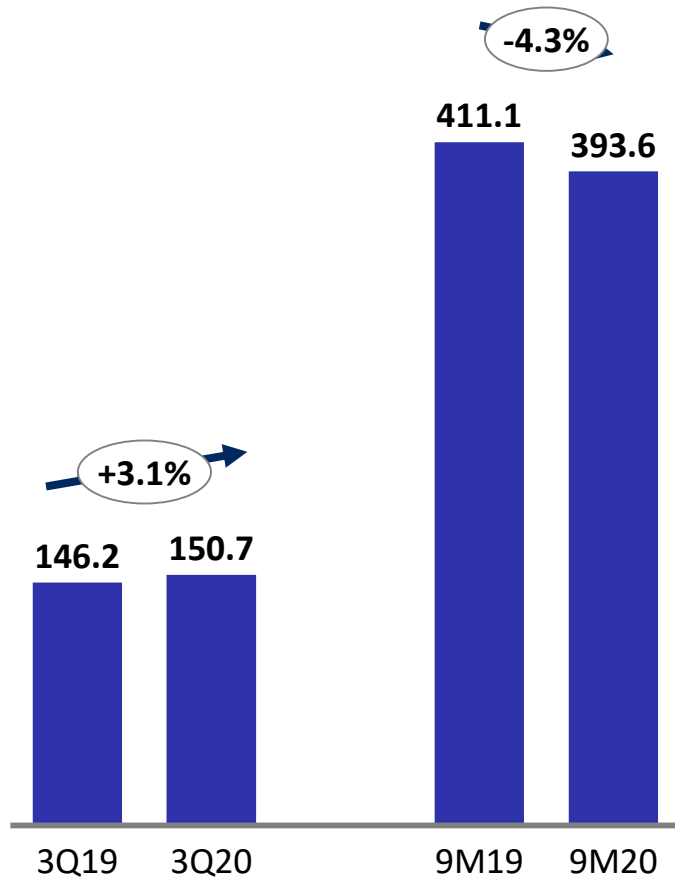
# Merchant Services & Solutions: back to growth in 3Q



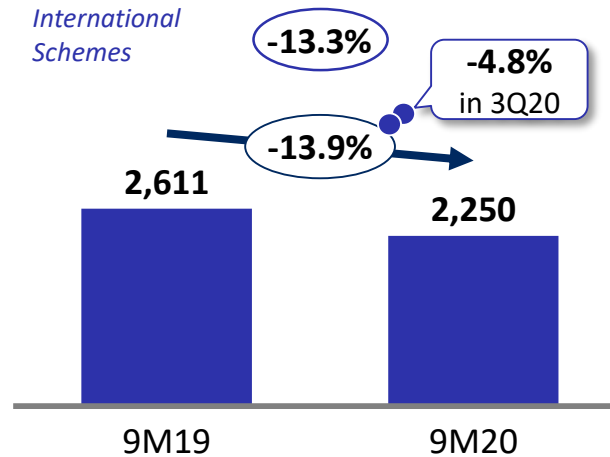
Merchant Services & Solutions



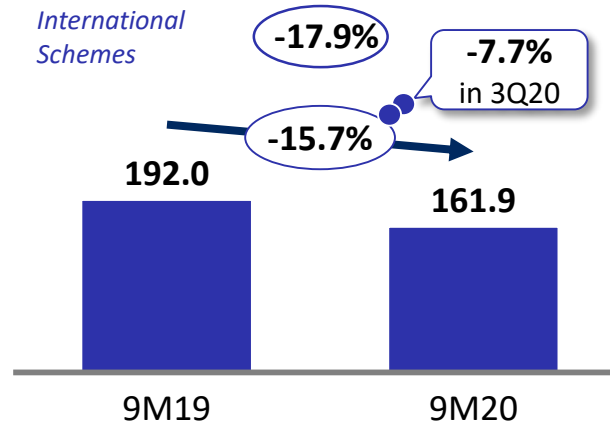
## Net Revenues (€M)



## Managed Transactions (#M)



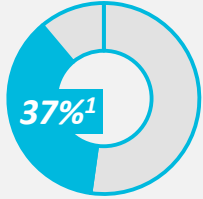
## Value of Managed Transactions (€B)



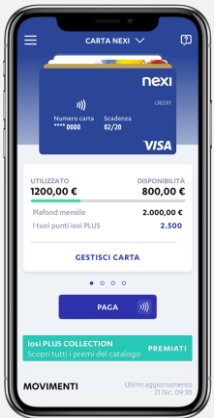
## Key Highlights

- Rapid recovery of Managed transactions and Value of managed transactions well progressing in 3Q
- E-commerce performance supported by non travel/tourism related sectors (+35% y/y in 9M20 and +35% y/y in 3Q20)<sup>2</sup>; overall 9M20 performance less impacted by Covid-19 compared to physical sales (-1.1% y/y transaction value)
- 3Q Net Revenues positively impacted by volume mix more skewed towards Italian cards while Foreign cards still suffering

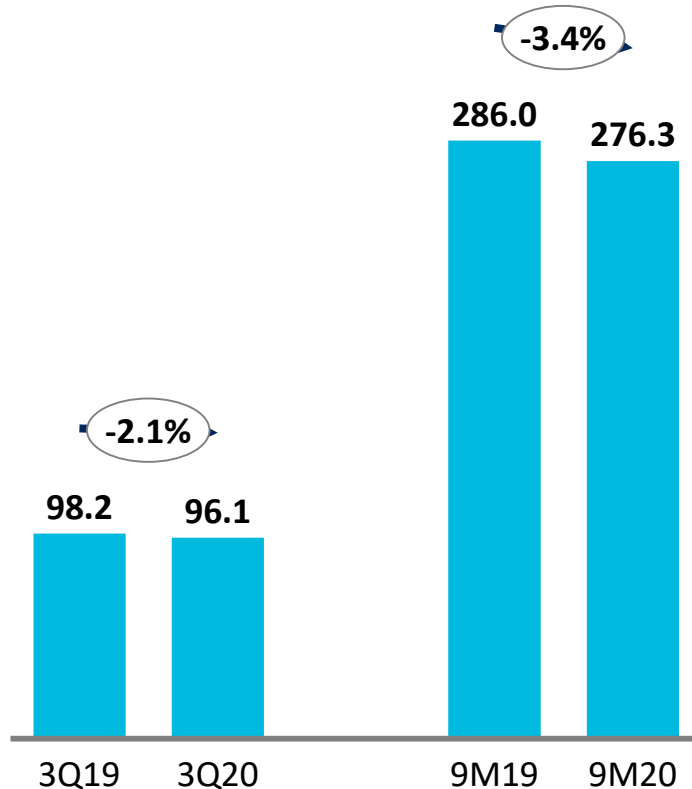
# Cards & Digital Payments: International schemes volumes back to growth in 3Q



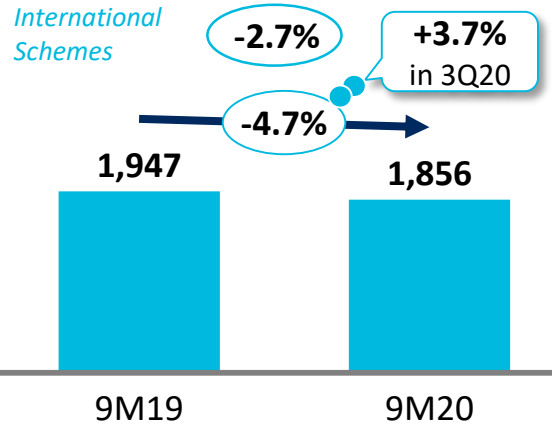
## Cards & Digital Payments



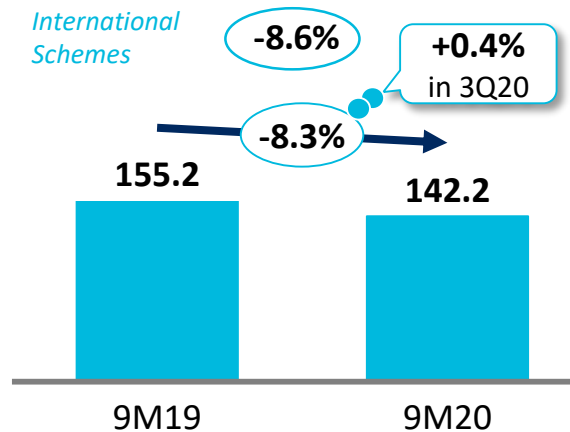
### Net Revenues (€M)



### Managed Transactions (#M)



### Value of Managed Transactions (€B)



### Key Highlights

- Progressive recovery of Managed transactions and Value of managed transactions starting from May and back to growth in Q3
- Managed transactions on international schemes back to growth in Q320 (+1.9% y/y)
- Continued push on international debit, with increasing cards stock and Value of managed transactions (+7.5% y/y in Q3)
- Net Revenues affected by lower domestic travellers spending extra EU and lower commercial cards volumes

# Digital Banking Solutions: marginally impacted by Covid-19



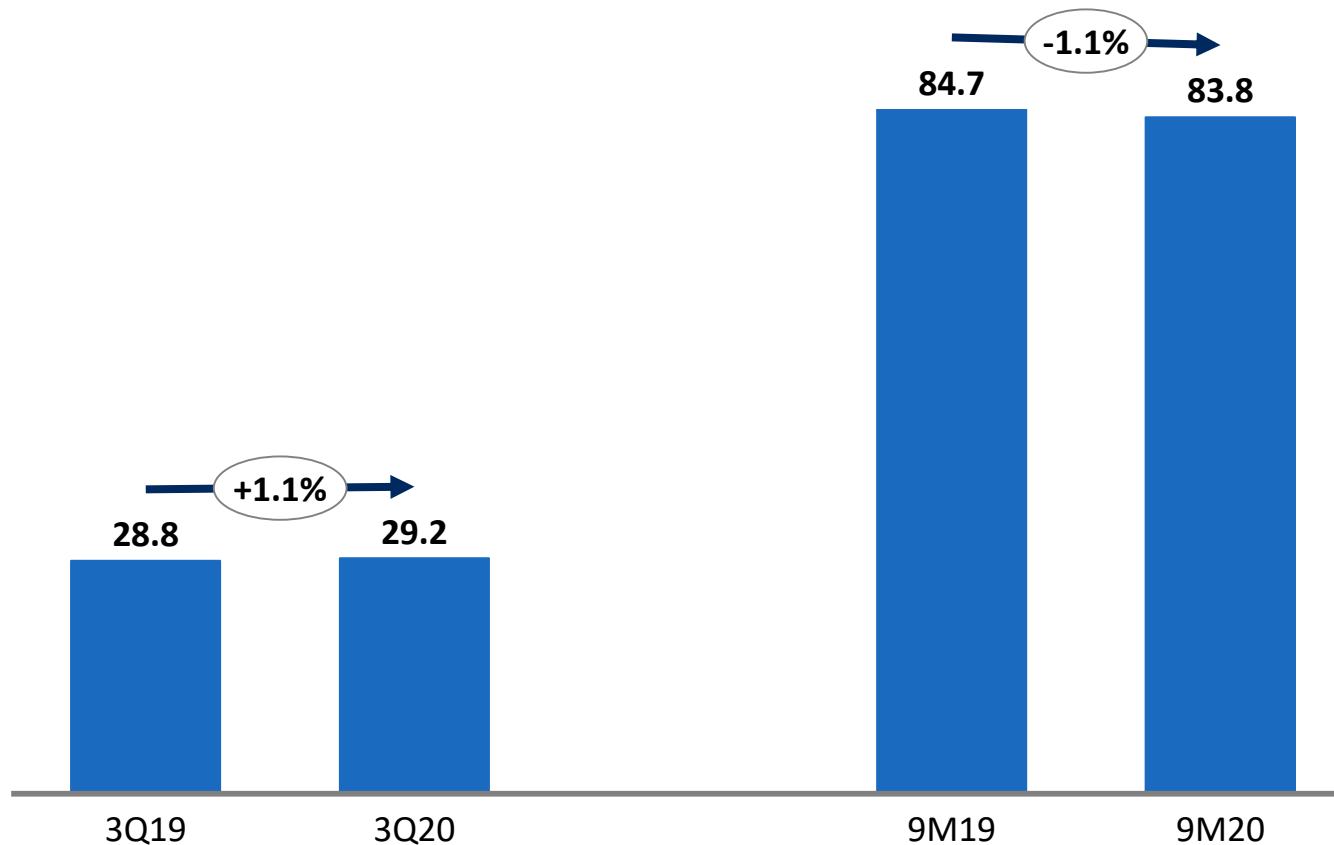
11%<sup>1</sup>

Digital Banking Solutions

CBI GLOBE



## Net Revenues (€M)

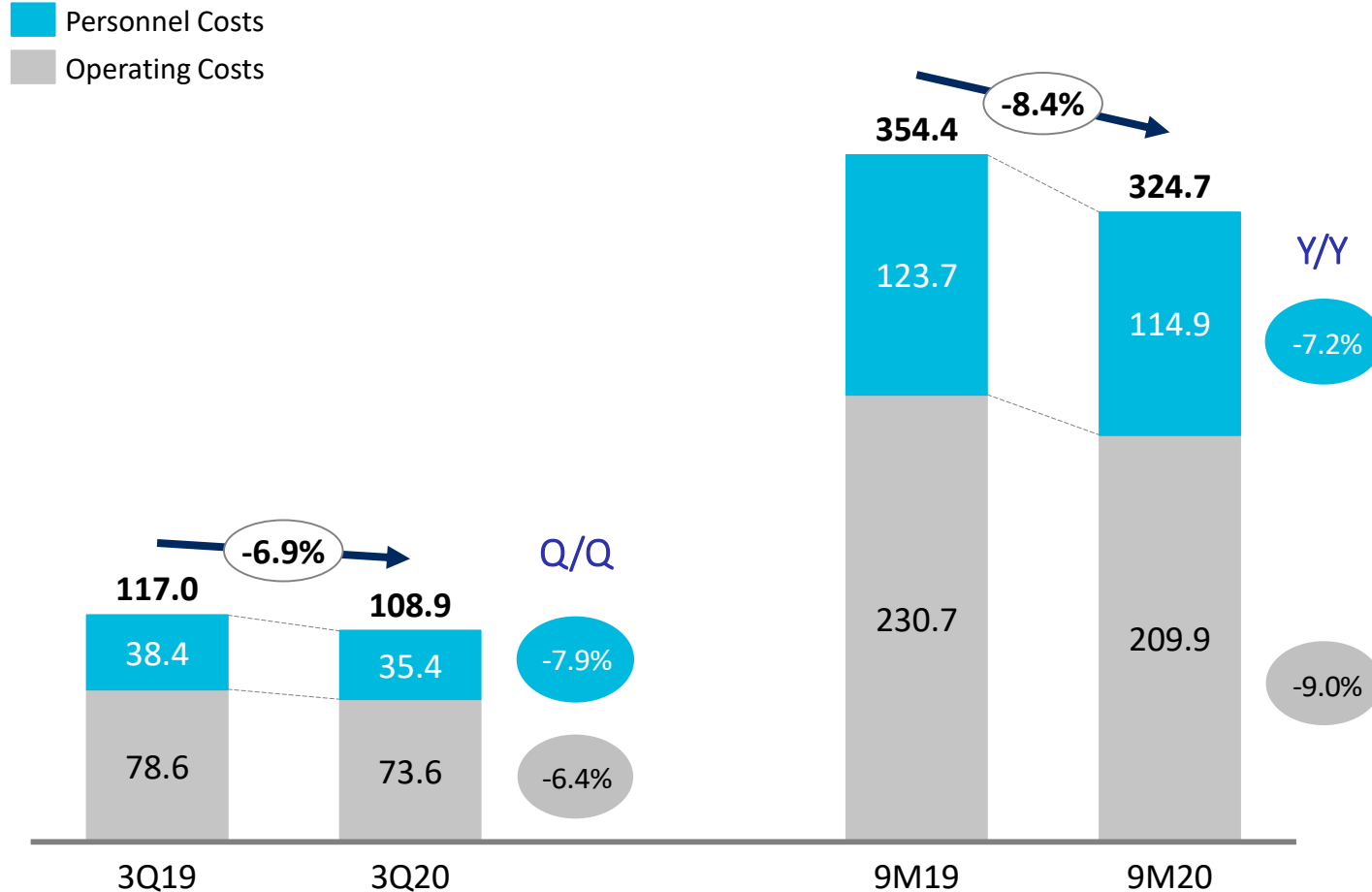


## Key Highlights

- Substantially flat performance despite Covid-19; 3Q revenue growth after the phasing of certain low margin banks-related projects in 2Q

# Strong costs reduction delivered in the quarter and year-to-date

## Total Costs (€M)



## Key Highlights

Decrease in total costs (-29.7 €M) mainly driven by:

- 100+ €M cash cost containment plan well on track
- continued focus on efficiency
- impacts from implementation of IT strategy partially offset by variable costs related to increasing volumes in the quarter

# Well progressing on 100+ €M cash cost containment plan to mitigate Covid-19 impacts. 63% already delivered in six months

% % realized in Q320 YTD



## Cost containment plan

### Volume-base costs

59%

- Personnel expenses (variable compensation, other related costs)
- Processing: reduction in line with volume trends
- External contact center calls

### Discretionary spending

78%

#### Operating Expenses

- Hiring
- Consulting expenses
- Internal and external events, travels, etc..
- Voluntary waiver by Top management of their 2020 short term variable compensation

#### Transformation Costs

- Postponement of few activities:
  - YAP development
  - Other transformation projects

#### Capex

47%

- Postponement of non strategic project spending (e.g. IT systems optimization)
- Limited re-phasing of IT strategy
- Postponement of real-estate investments

**Confirmed continued focus and investments on key initiatives to drive future growth and efficiency**



# Strong cash position. Net Financial Debt / EBITDA temporarily affected by Covid-19

## Net Financial Debt (€M)

	Sept 19	Dec 19	June 20	Sept 20
<b>Gross Financial Debt</b>	1,878	1,840	2,741	2,747
<b>Cash</b>	271	248	316	406
<b>Cash Equivalents <sup>1</sup></b>	90	123	118	143
<b>Net Financial Debt</b>	<b>1,517</b>	<b>1,470</b>	<b>2,307</b>	<b>2,198</b>

## Key Highlights

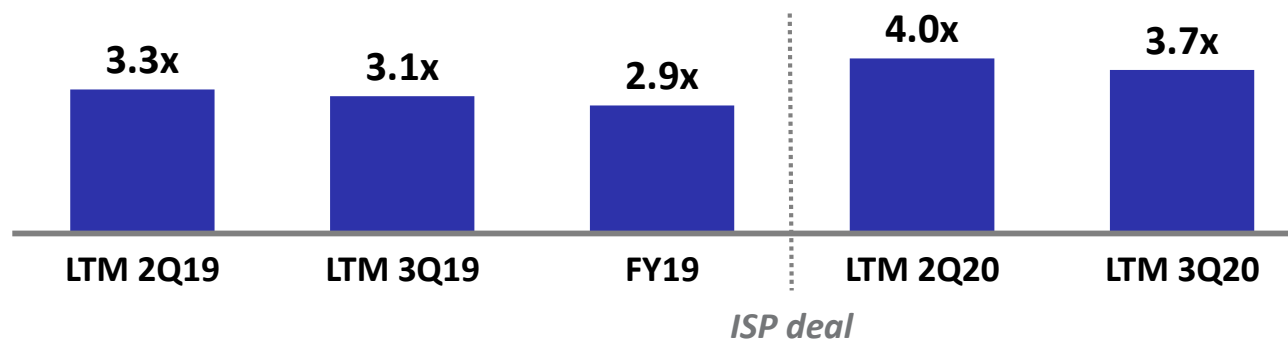
Current Debt structure includes:

- 1 €B Term Loan due 2024
- 825 €M Fixed-Rate Note due 2024
- 500 €M equity-linked due 2027
- 466.5 €M term loan due 2025
- Other residual debt (mainly IFRS 16)

Nexi benefits of an undrawn 350 €M Revolving Credit Facility, committed to 2024, that further supports its liquidity profile

Weighted average pre-tax cash coupon per annum at 2.1%, still well below 3.8% post reorganization in July 2018 and 3.1% post IPO

## Net Financial Debt / EBITDA (€M)



EBITDA (€M)

463

484

503

576

588

# 2020 Guidance suspended. Ambition to grow EBITDA and EBITDA - Capex vs 2019

## Previous Guidance<sup>1</sup>: suspended

Net Revenues	5-7% annual net revenue growth over medium term, targeting higher end of the range
EBITDA	<ul style="list-style-type: none"> <li>13-16% annual EBITDA growth over medium term</li> <li>Continued strong operating leverage</li> </ul>
Non recurring Items	Rapid further decrease of non-recurring items affecting reported EBITDA
Capex	<ul style="list-style-type: none"> <li>8-10% ordinary capex as % of net revenues over long term</li> <li>Transformation capex on top of ordinary capex of 142 €M cumulative (2020 – c.2023)</li> </ul>
Capital Structure & Capital Allocation	<ul style="list-style-type: none"> <li>Organic de-leveraging with target net debt of ~2.0-2.5x EBITDA over medium to long term</li> <li>Progressive moderate dividend policy, targeting pay-out ratio of 20-30% of distributable profits in medium to long term</li> </ul>

## 2020 Ambition

- 2020 volume-driven revenues depending on speed of recovery and dynamics by sector
  - **Possible return to revenue growth by year-end**  
*assuming continued path of recovery at current trajectory*
- 100+ €M cash cost (Opex/Capex) containment plan to mitigate the impact on EBITDA and cash flow targeting:
  - **EBITDA growth vs 2019 including organic ISP book contribution, broadly in line without. FY2020 EBITDA close to ~600 €M.**
  - **Material growth in EBITDA – Capex with and without ISP contribution**
- Strong cash position

- Revenue growth positive in 3Q, ahead of plan
- From late October new gradual Covid-19 restrictions in place
- Government Cashback mechanism starts on Dec 1<sup>st</sup>

- EBITDA back to growth in 3Q and YTD, ahead of plan
- 100+ €M Cash cost containment being executed in line with plan

**Q&A**



**Annex**



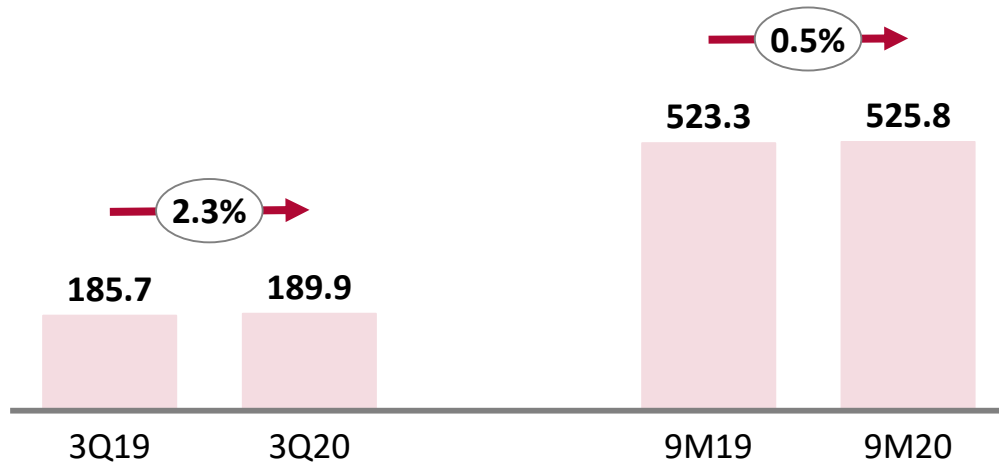
# P&L

€M	9M19	9M20	Δ% vs. 9M19	3Q19	3Q20	Δ% vs. 3Q19
Merchant Services & Solutions	411.1	393.6	-4.3%	146.2	150.7	+3.1%
Cards & Digital Payments	286.0	276.3	-3.4%	98.2	96.1	-2.1%
Digital Banking Solutions	84.7	83.8	-1.1%	28.8	29.2	+1.1%
<b>Operating revenue</b>	<b>781.8</b>	<b>753.6</b>	<b>-3.6%</b>	<b>273.2</b>	<b>276.0</b>	<b>+1.0%</b>
Personnel & related expenses	(123.7)	(114.9)	-7.2%	(38.4)	(35.4)	-7.9%
Operating Costs	(230.7)	(209.9)	-9.0%	(78.6)	(73.6)	-6.4%
<b>Total Costs</b>	<b>(354.4)</b>	<b>(324.7)</b>	<b>-8.4%</b>	<b>(117.0)</b>	<b>(108.9)</b>	<b>-6.9%</b>
<b>EBITDA</b>	<b>427.4</b>	<b>428.9</b>	<b>+0.4%</b>	<b>156.2</b>	<b>167.0</b>	<b>+7.0%</b>

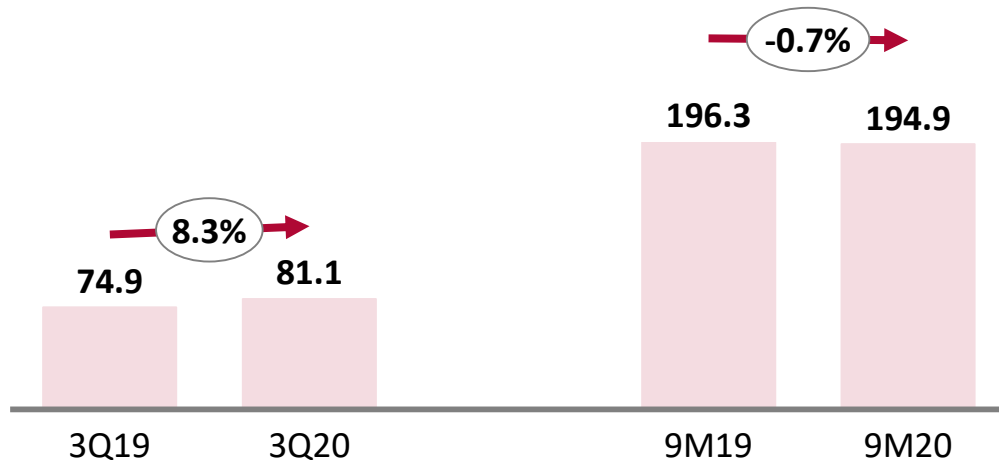
2019 and 2020 data include ISP merchant book acquisition - quarterly data restated after ISP deal transaction close

# SIA performance

## Revenues (€M)



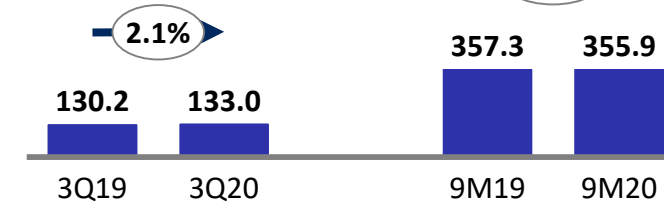
## EBITDA (€M)



## Cards & Merchant Solutions

68%<sup>1</sup>

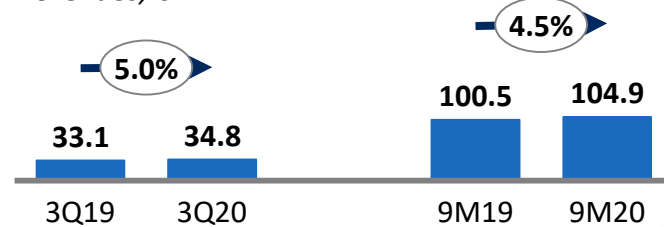
Revenues, €M



## Digital Payment Solutions

20%<sup>1</sup>

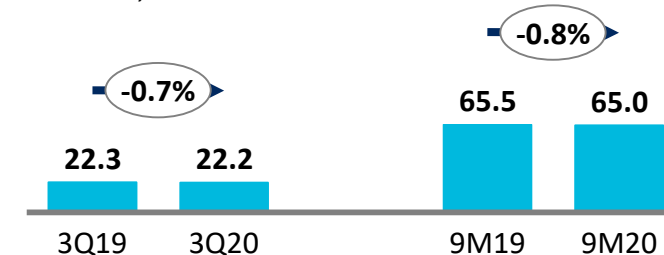
Revenues, €M



## Capital Market & Network Solutions

12%<sup>1</sup>

Revenues, €M



## Key Highlights

- Resilient and diversified business model
- Increase in transaction volumes during 3Q in Cards&Merchant Solutions and Digital Payment Solutions divisions
- 9M20 EBITDA flat y/y on an organic basis thanks to focus on operating costs efficiency



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