



# FY 2019 Preliminary Results

February 12<sup>th</sup>, 2020



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# Executive Summary

## 2019 highlights

### Strong focus on financial delivery

- **EBITDA +18.5% y/y growth**, at 502.5 €M in FY 2019
- **Revenues +7.1% y/y underlying growth** excluding zero-margin hardware reselling contracts. +5.7% y/y reported growth at 984.1 €M in FY 2019
- Improved **Net financial Debt/EBITDA** at **2.9x** from 3.5x post IPO

### Continued progress on key business initiatives

- **Merchant Services and Solutions** (49% of Revenues): continued growth on SmartPOS proposition, release of new omni-channel capabilities, acceleration of omni-acceptance, further acceleration on E-Commerce
- **Cards and Digital Payments** (39% of Revenues): continued growth of International Debit, YAP millennials payments app and CVM up/cross selling activities
- **Digital Banking Solutions** (12% of Revenues): underlying FY growth thanks to new propositions acceleration, further step into Open Banking leadership thanks to the tender win for extending CBI Globe capabilities and use cases
- **Cost** initiatives and integration synergies contributing to -4.9% y/y reported costs reduction, **-2.9% y/y** excluding 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 167 €M, **17%** of Revenues

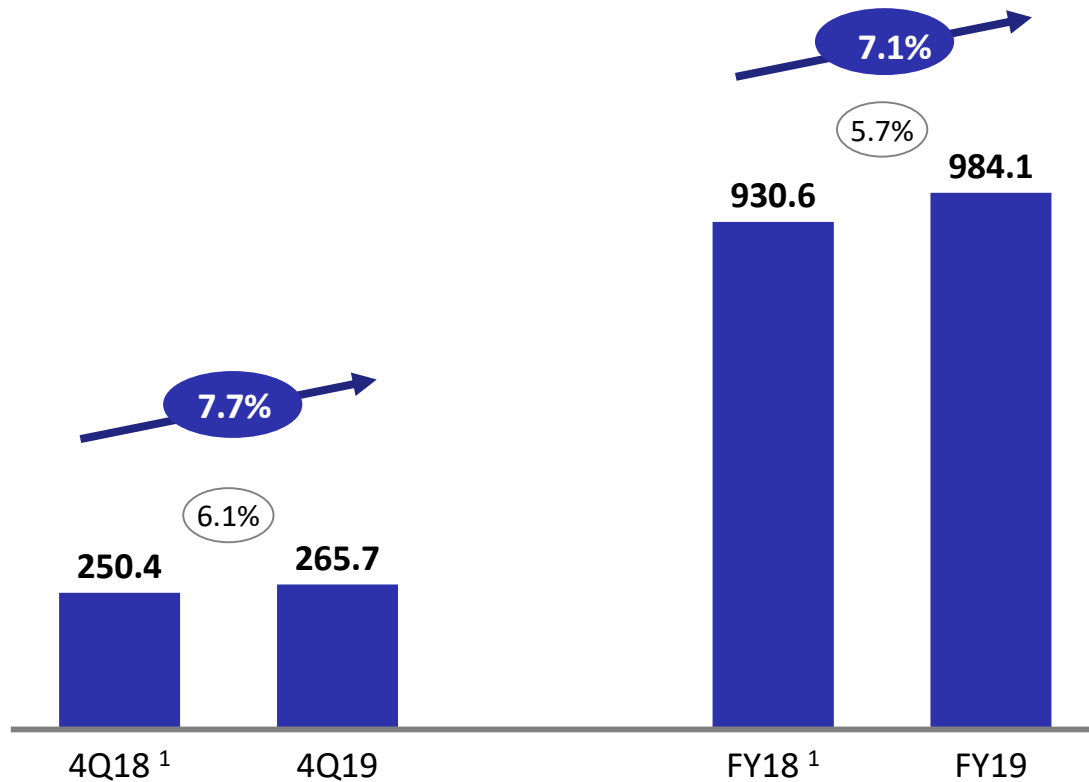
**FY 2019 performance better than IPO guidance**

**2020 target growth in line with IPO medium/long term guidance, starting from a stronger 2019**

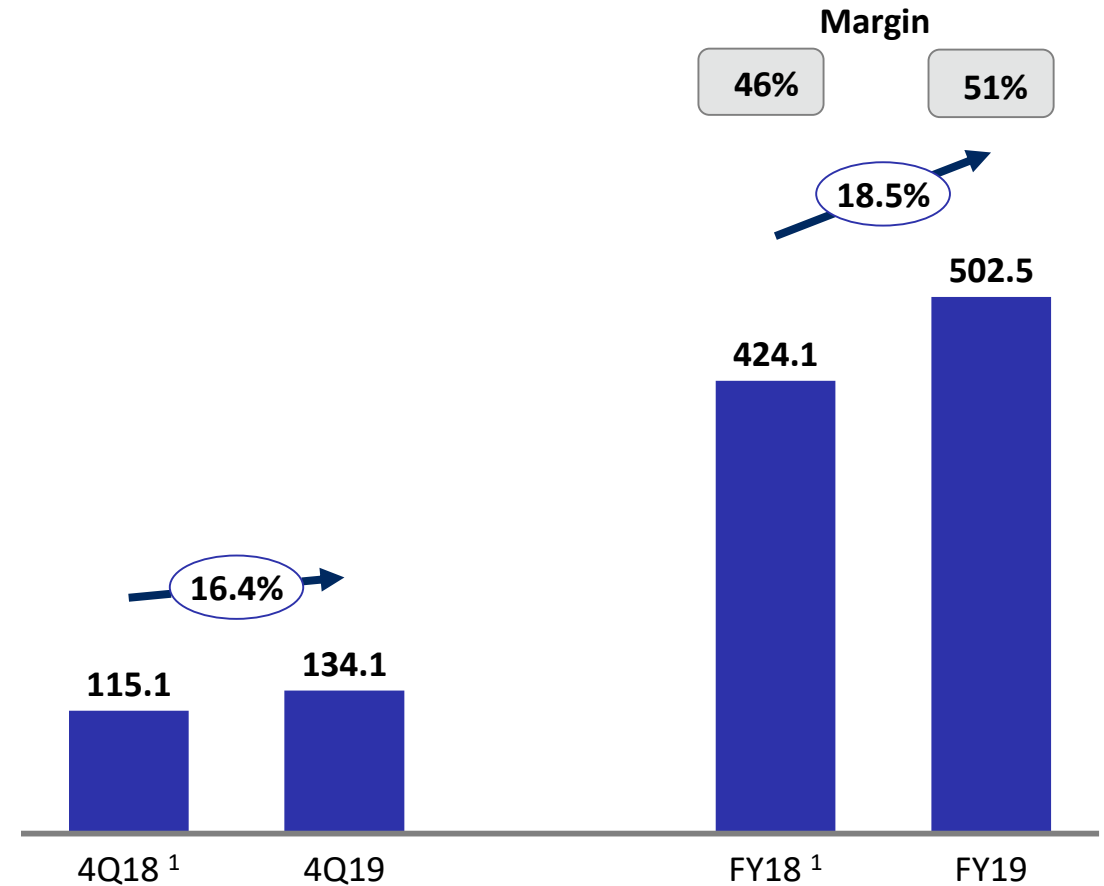
# Healthy Revenue growth and strong EBITDA performance

## Net Revenues (€M)

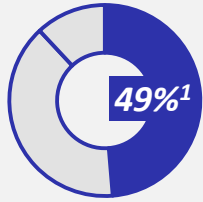
Underlying performance  
(excl. zero-margin HW reselling contracts)



## EBITDA (€M)



# Merchant Services & Solutions: continued strong growth

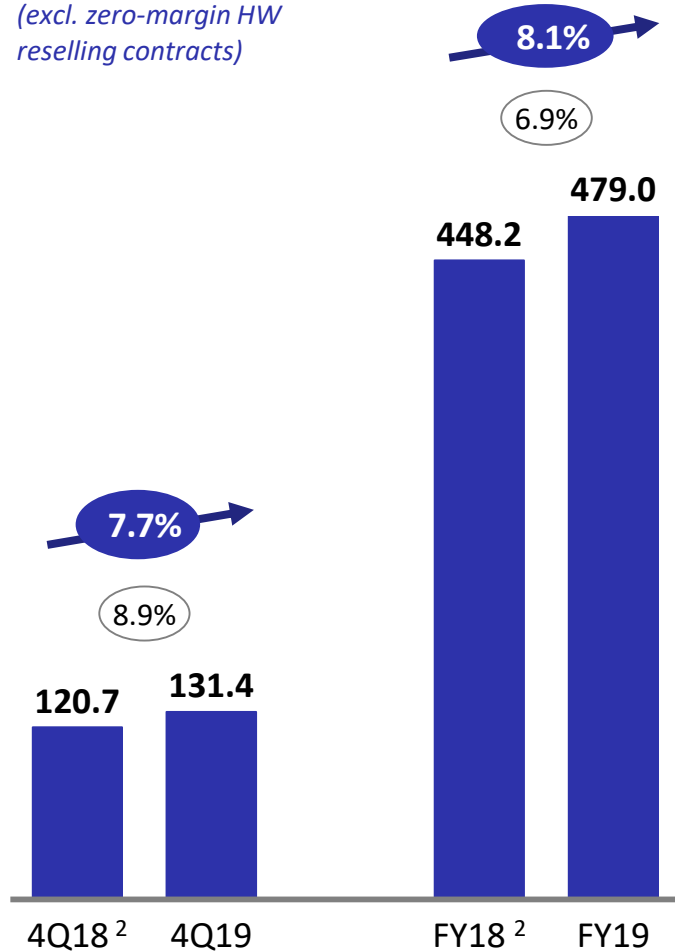


Merchant Services & Solutions



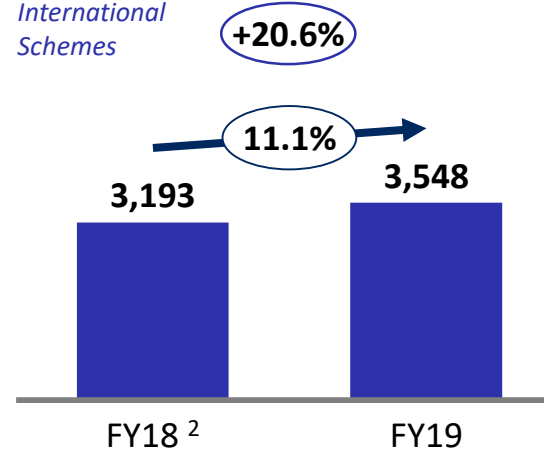
## Net Revenues (€M)

Underlying performance (excl. zero-margin HW reselling contracts)



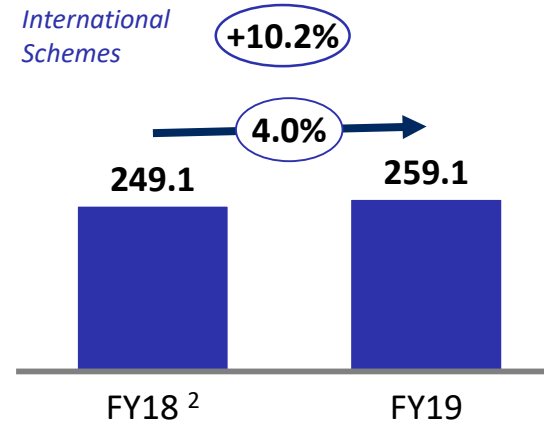
## Managed Transactions (#M)

International Schemes



## Value of Managed Transactions (€B)

International Schemes



## Key Highlights

- Managed transactions sustained by International Schemes growth (+20.6% y/y) and growing adoption on lower tickets and day-by-day usage
- Value of managed transactions sustained by International Schemes growth (+10.2% y/y), partially offset by reduction in certain domestic debit low value/margin services
- Accelerated E-Commerce growth in 4Q19 (+22% y/y transaction value), leading to +19% y/y transaction value in FY19

# Merchant Services & Solutions: key business update

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

## SmartPOS

- Continued progress on **SmartPOS proposition**, with **frontbook penetration up to 40%** during CVM-supported campaigns on active banks
- Strong interest across all merchant segments, from **SME to Large Merchants**, and industries
- **Growing success of SmartPOS Cassa<sup>1</sup>**, also due to new regulation on electronic tax data transmission, with frontbook penetration at 24% in 4Q on SmartPOS sales

## Large Merchants Omni-Channel

- Release of **new omni-channel capabilities** including cross border and most advanced solutions
- Further investment on **dedicated team**, with focus on vertical industry experts and solution engineers
- Acceleration of **advanced vertical solutions on Large Merchants** (insurance, grocery, mobility,..); ~50% of flagship initiatives on International Brands

## E-Commerce

- **Continued growth** supported by **physical customer base cross-selling** (with full cross-channel contractual enablement already in place), partnerships with **developers** and **software vendors**, large omnichannel merchants and Public Administration

## Omni-Acceptance

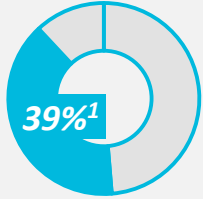
- Acceleration of **multiple payment rails acceptance** (meal vouchers and Asian schemes)
- Roll-out of new PagoBancomat capabilities (c-less, mobile payments enabling) with over 50% upgraded POS acceptance in 1 year

## Nexi Business data app

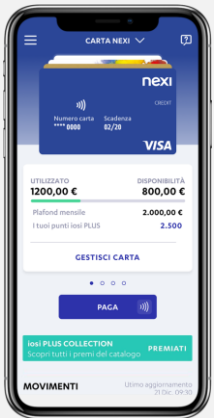
- Nexi Business Merchant app, data/business intelligence service, achieving **>220k enrolled merchants** (+100k from December 2018), with **positive customer feedback** (4.6 rating on Apple store)
- Overall penetration on addressable merchant base at 42%, with best practice at ~80%



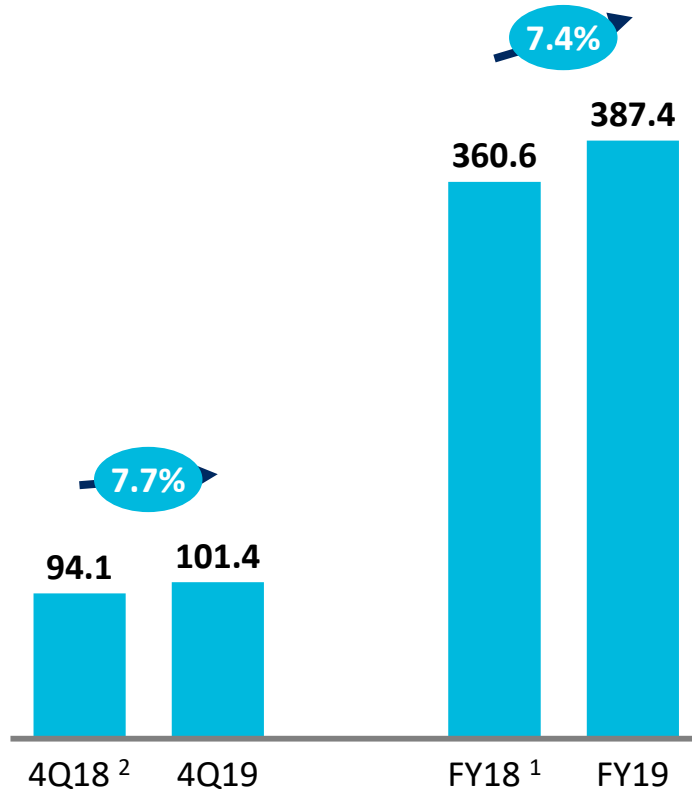
# Cards & Digital Payments: continued strong growth



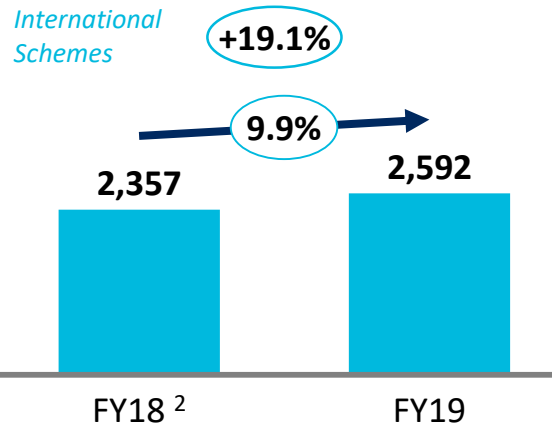
## Cards & Digital Payments



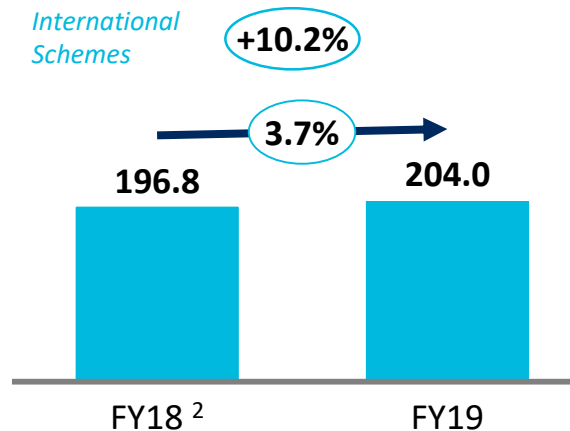
### Net Revenues (€M)



### Managed Transactions (#M)



### Value of Managed Transactions (€B)

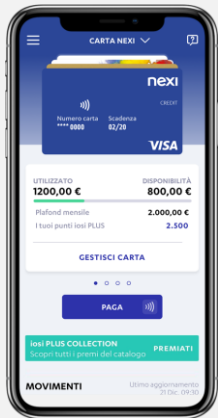


### Key Highlights

- Managed transactions sustained by International Schemes growth (+19.1% y/y) and growing adoption on lower tickets and day-by-day usage
- Value of managed transactions sustained by International Schemes (+10.2% y/y) with strong Debit growth (+30% y/y), partially offset by reduction in certain domestic debit low value/margin services

# 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** now fully launched. Growing spontaneous interest from corporates across multiple industrial sectors
- **New premium credit cards** with leading capabilities (fully digital experience, world elite program,...)

## Debit

- **Continued growth of International Debit** (+30% y/y transaction value) with 34 banks now active
- **National Debit upgrade delivered:** c-less and tokenization, mobile features under development

## Customer Value Management and Value-Added Services

- Further development and roll out of **distinctive capabilities** supported by internal data scientist team to drive usage and up/cross selling to higher value products: ~200 available campaigns, 90 banks engaged
- Strong usage elasticity with **ioVINCO instant lottery**: +13p.p. faster growth in managed transactions (active versus not active) and +34% y/y active users
- Redesign of **premium loyalty program** with +30% y/y subscribers

## Digital

- All Banks now active with **mobile payments**. Wearable experience now extended to Fitbit and Garmin
- **Supporting large banks on their digital properties** (API gateway integrations and whitelabel projects) while continuing to push for the adoption of Nexi digital properties (Nexi Pay app and Nexi portals)

## YAP millennials payments app

- **Continued progress on YAP**, with ~750k enrolled clients to date (up from 105k at the end of 2018). Positive customer feedback, with >50 Net Promoter Score and 4.8 rating on Apple store
- **“Bank-connect” solution** to engage banks in go-to-market; early implementations now live



# Digital Banking Solutions: accelerated underlying performance

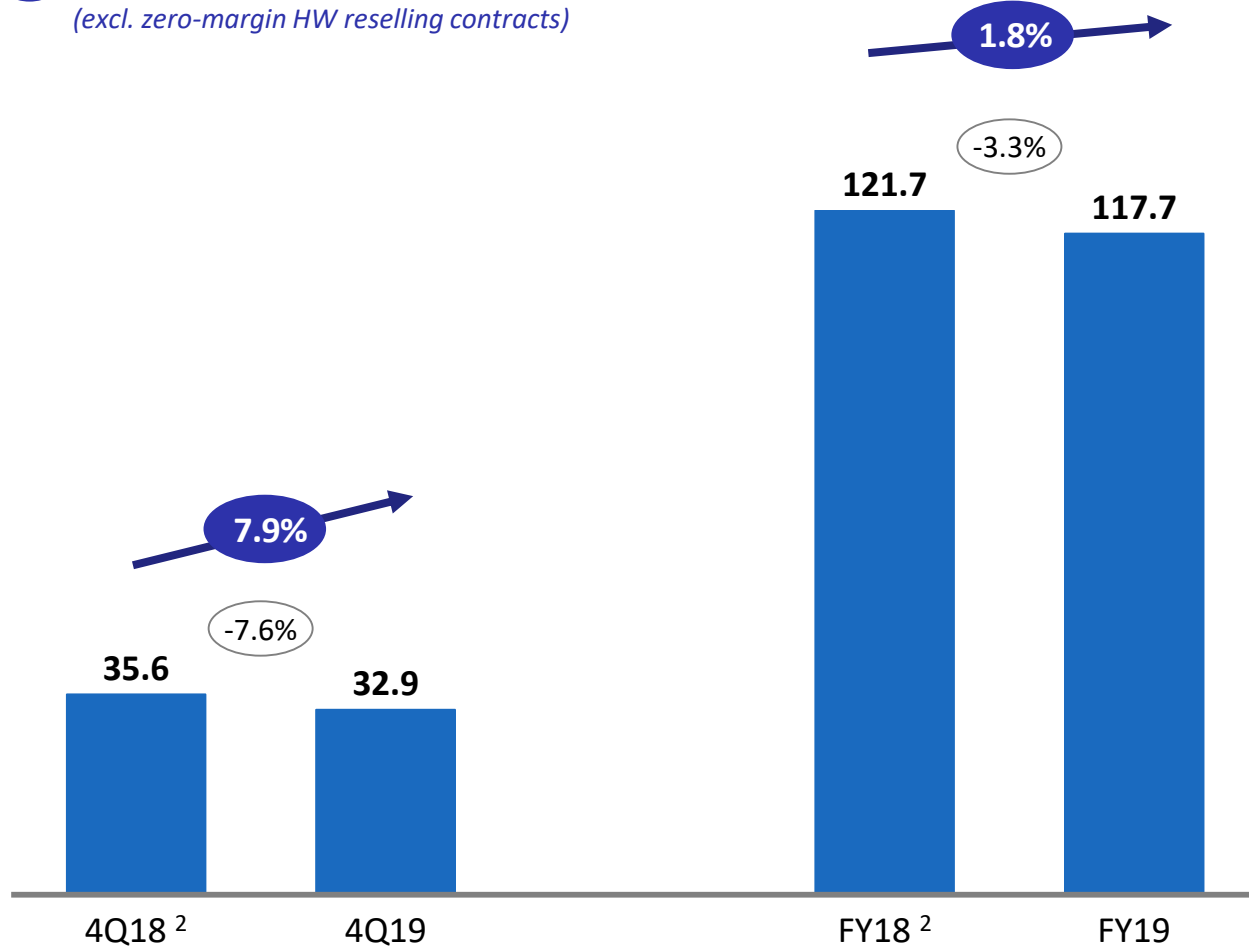
**12%<sup>1</sup>**

**Digital Banking Solutions**

**CBI GLOBE**

## Net Revenues (€M)

**Underlying performance**  
(excl. zero-margin HW reselling contracts)



## Key Highlights

- Return to growth confirmed, with FY19 Net revenues at +1.8% y/y
- Growth acceleration supported by roll out of new higher value and more advanced self banking products/platform and Digital Corporate Banking
- Early contribution from Open Banking solutions deployment

# Digital Banking Solutions: key business update

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



## Self-banking

- Continued roll out of new higher value advanced **self banking products/ solutions**
- Continued growth of **advanced ATMs installations**, in the context of Banks' branches transformation plans

## Digital Corporate Banking

- Rolling out of **new advanced platform** with key partner banks. Live with new innovative **corporate mobile app**
- **Continued organic growth of installed workstations** on active partner banks

## Instant Payments

- Continued progress on **new banks/financial institutions onboarding and rollout**

## Open Banking

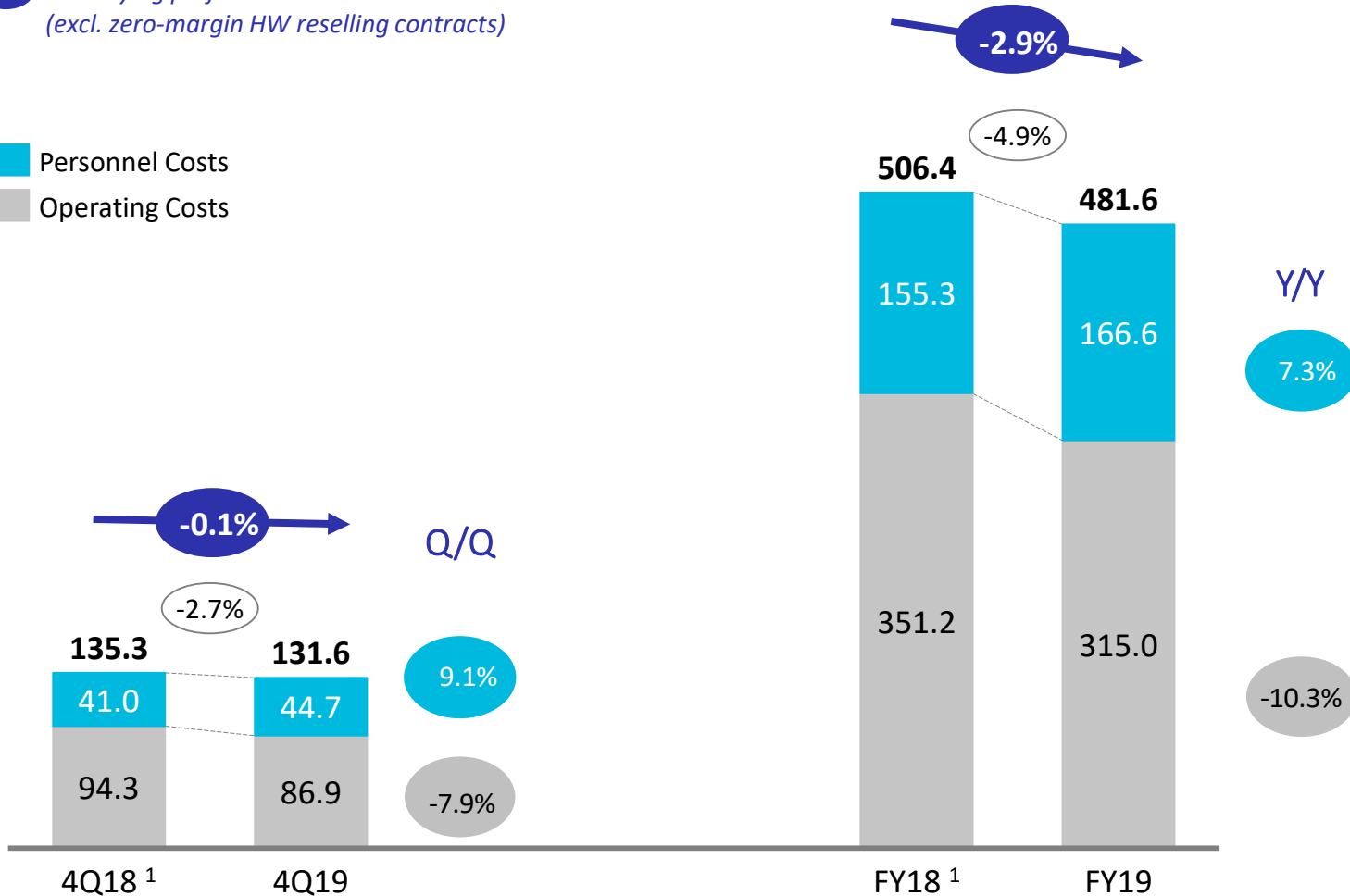
- 280+ banks/financial institutions live (over 78% of Italian market) and 80+ third parties already connected to PSD2 Open Banking gateway
- **Won banking system tender for the new CBI Globe TPP Gateway capabilities** aggregating and harmonizing other Italian and European gateways and enabling new fintech services from banks and third parties
- **Innovative value added services for financial institutions and corporates** under development, also leveraging partnerships with fintech leading vertical players

# Costs: strong reduction despite continuous investment in development initiatives

## Total Costs (€M)

Underlying performance  
(excl. zero-margin HW reselling contracts)

Personnel Costs  
Operating Costs



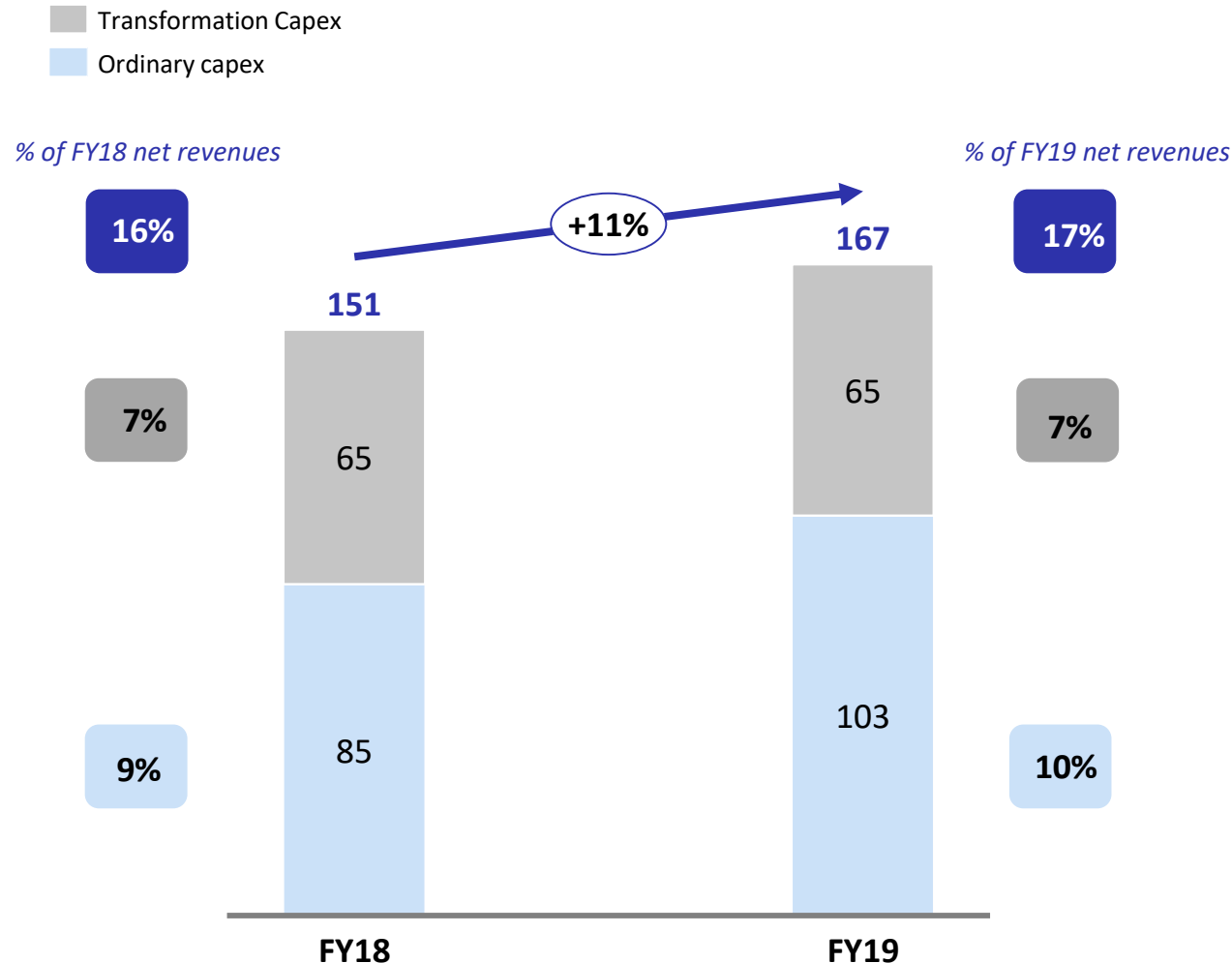
## Key Highlights

- Strong decrease in operating costs driven by:
  - continuous saving initiatives
  - synergies from the integration of acquired businesses slightly ahead of plan
  - early impacts from implementation of IT strategy
  - IFRS 16 impact ~13.6 €M in FY 2019
- Continued investment in people capabilities

# Continued investments to support quality, innovation and IT transformation

## Ongoing investments (FY 2019): key examples

### Capital Expenditure (€M)



### Transformation Capex

65

#### Extraordinary Innovation:

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

#### Next Generation Platform:

- ✓ Next Generation Datacenter & network infrastructure
- ✓ New GT POS Platform
- ✓ New Debit Card Platform
- ✓ New CRM and channel management platforms – starting phase
- ✓ Acquiring Core Platform – starting phase
- ✓ ...

### Ordinary Capex

103

#### Continuous Innovation and Delivery:

- ✓ Mobile Wallets evolution
- ✓ New commercial corporate cards
- ✓ SmartPOS eco-system evolution
- ✓ Banks migrations/integrations
- ✓ New product roll-out on Banks
- ✓ PSD2 compliance & AML
- ✓ ....

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

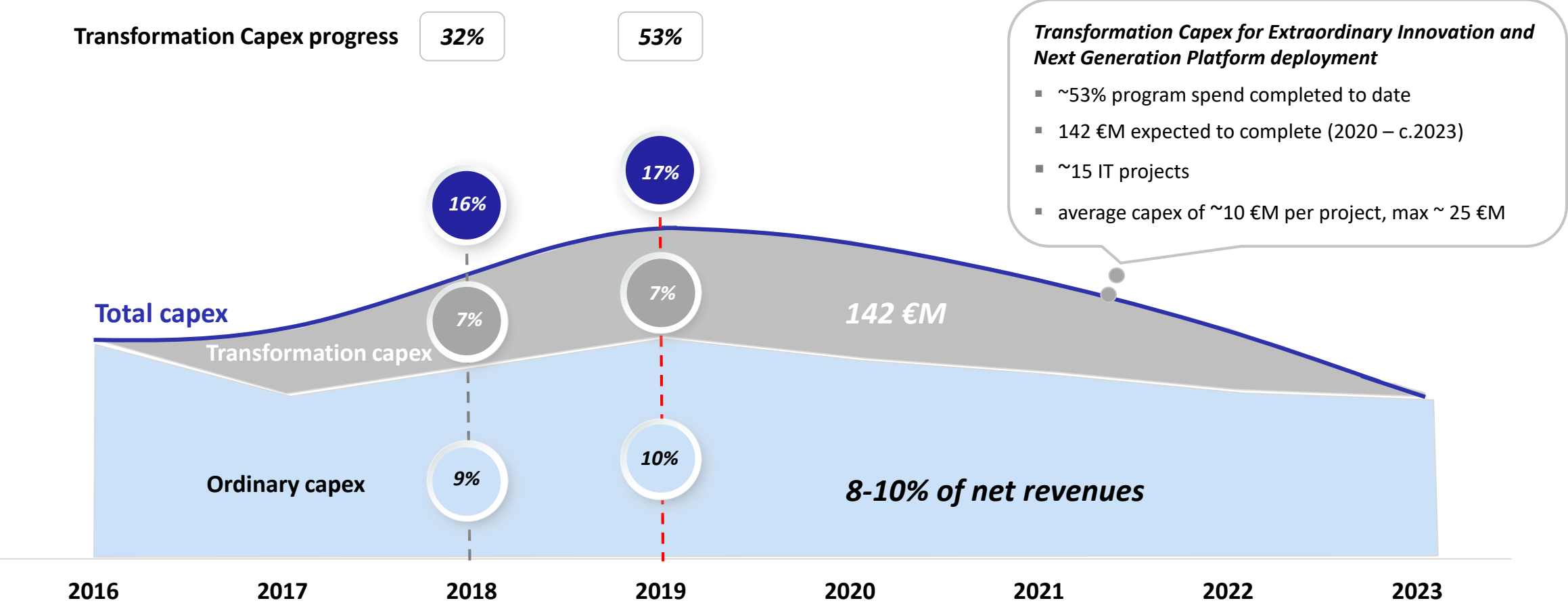
- ✓ Advanced service monitoring solutions
- ✓ Cyber security continuous improvement
- ✓ Hardware upgrade/refresh
- ✓ Facility investments and other assets

#### POS and ATM purchase (4% net revenues FY19 vs 2% FY18):

- ✓ Smart POS acceleration
- ✓ POS service level improvement
- ✓ Advanced ATM acceleration

# IT strategy progressing in line with plan. 142 €M expected to complete by 2023 (included in guidance)

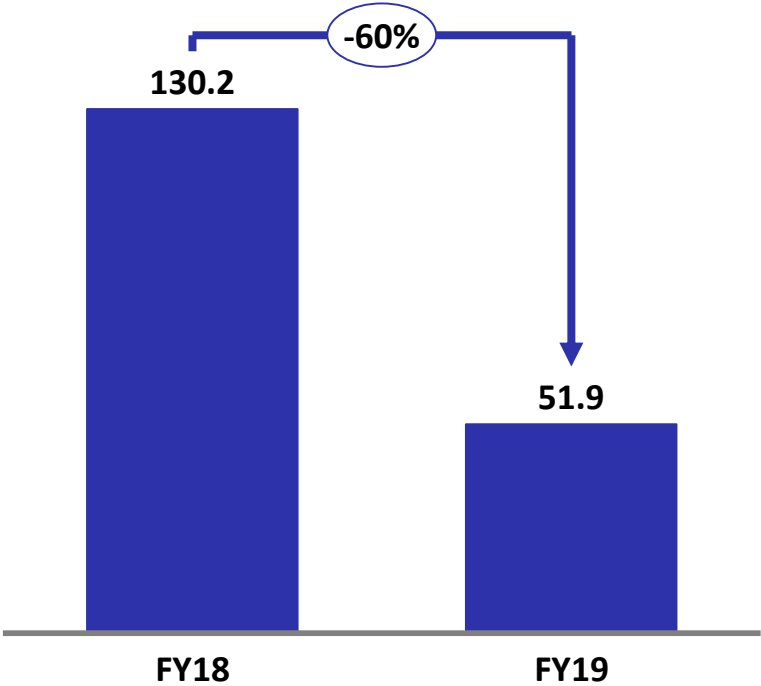
## Capital Expenditure (€M)



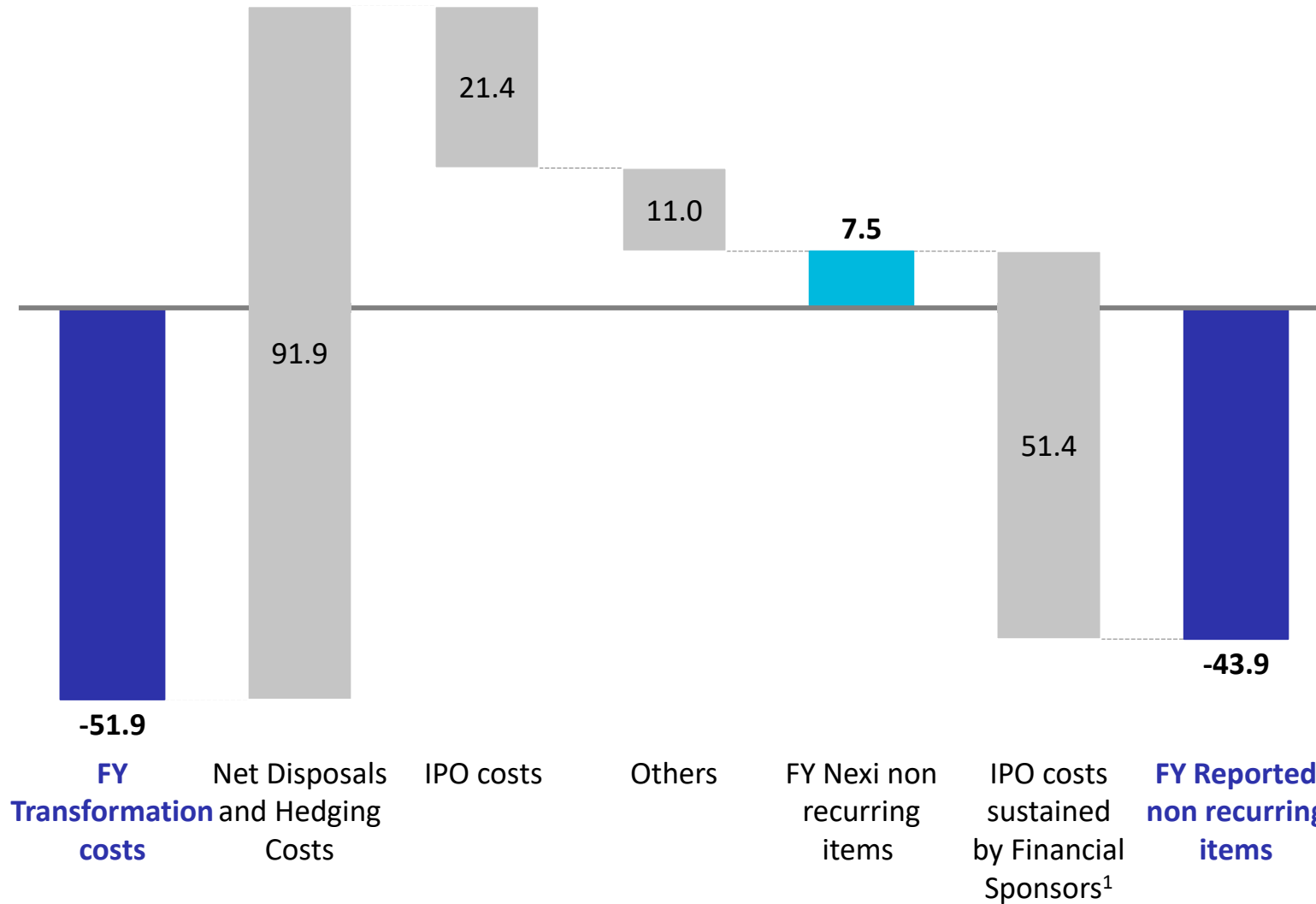
% Capex in % of net revenues

# FY 2019 Transformation Costs in line with guidance

**Transformation Costs (€M)**

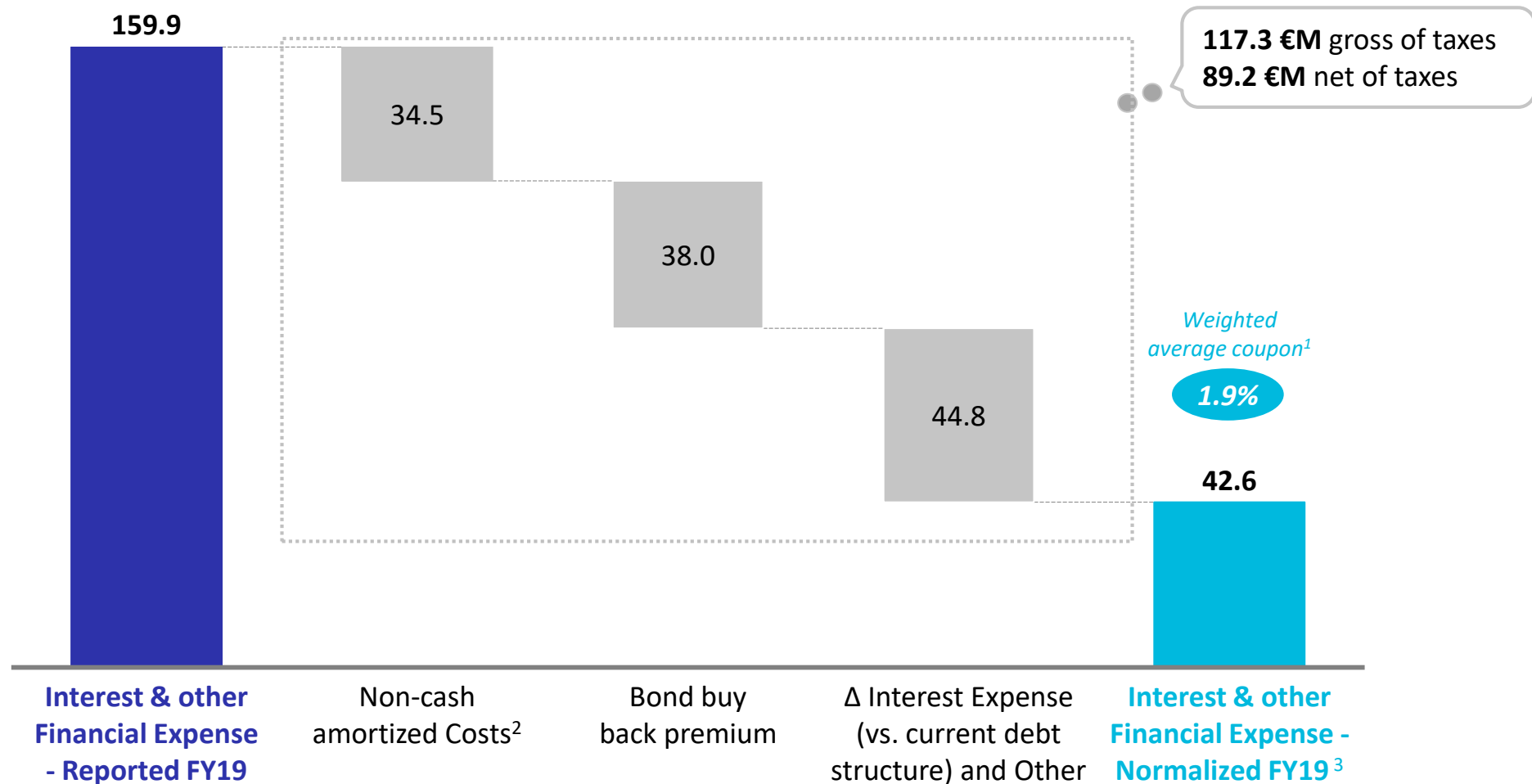


**Bridge from FY 2019 Transformation Costs to Reported non recurring items (€M)**



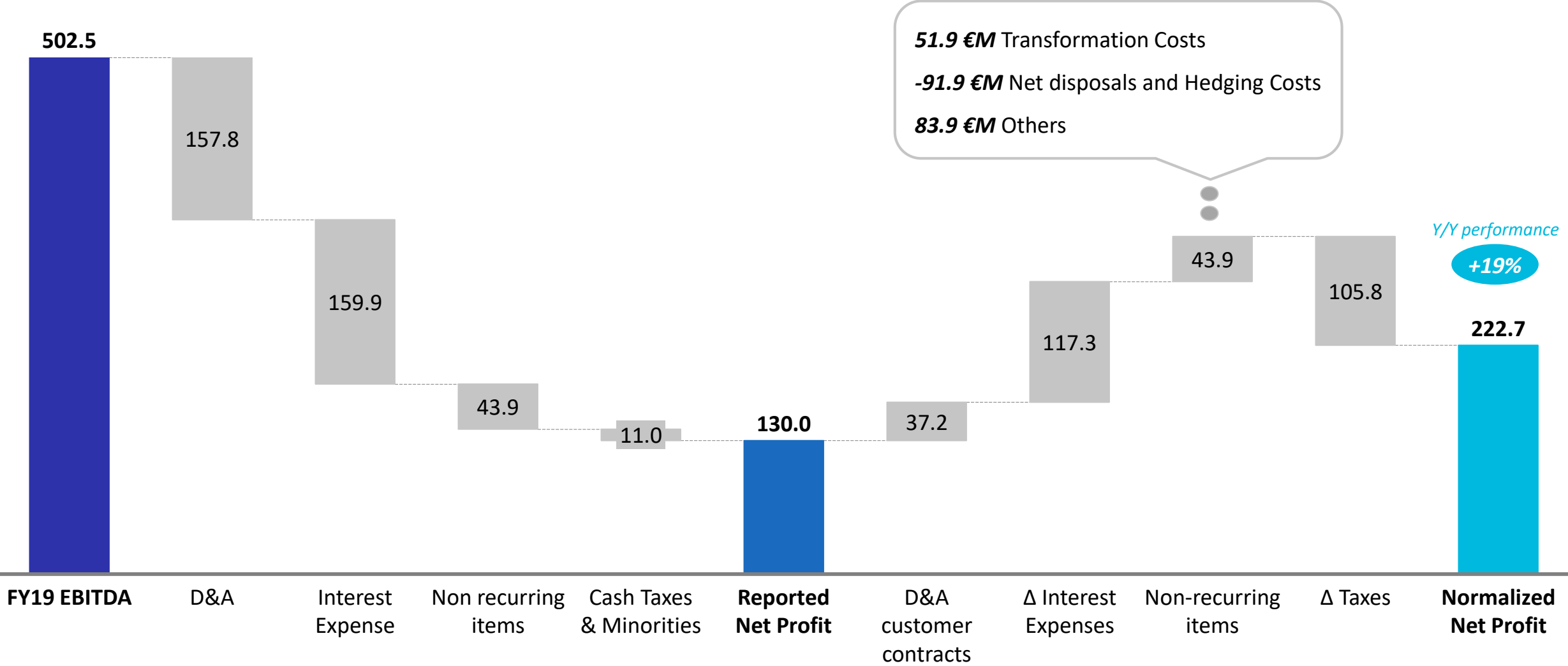
# Cost of debt reduced to 1.9% from 3.8% post reorganization in July 2018. Extraordinary events impacted 2019 Reported Interest Expenses

## Reported and Normalized Interest Expenses FY 2019 (€M)



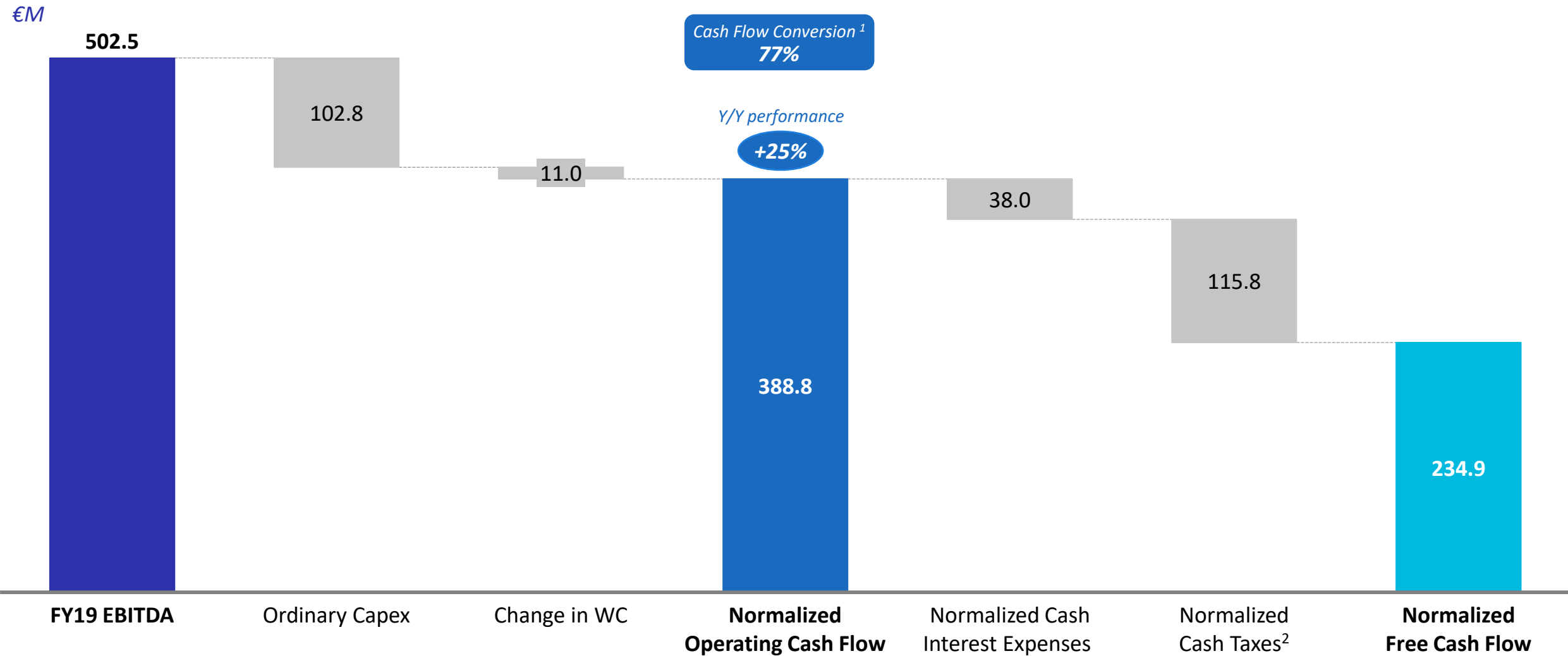
# Normalized Net Profit growing 19% Y/Y

€M





# Cash Flow conversion increased to 77% vs 74% in FY 2018

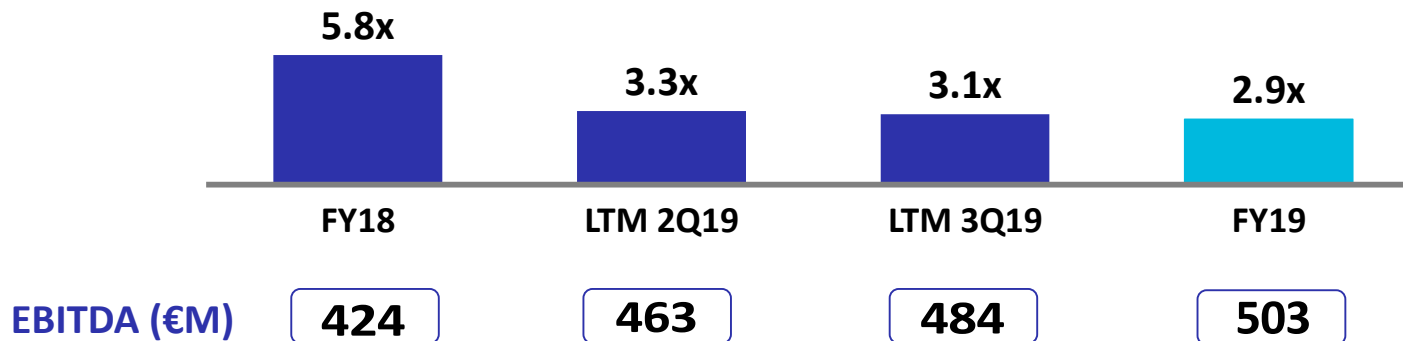


# Net Financial Debt / EBITDA at 2.9x at year-end

## Net Financial Debt (€M)

	Dec 18	Dec 19
<b>Gross Financial Debt</b>	2,605	1,840
<b>Cash</b>	(41)	(248)
<b>Cash Equivalents <sup>1</sup></b>	(110)	(123)
<b>Net Financial Debt</b>	<b>2,454</b>	<b>1,470</b>

## Net Financial Debt / EBITDA (€M)



## Key Highlights

Nexi's credit ratings unchanged following announcement of ISP's merchant acquiring business acquisition<sup>2</sup>

- 825 €M 1.75% Senior Unsecured Notes (due Oct2024) issued in October to repay 825 €M 4.125% Senior Secured Notes (due Nov2023)
- Indebtedness now fully unsecured
- Weighted average pre-tax cash coupon per annum reduced from 3.1% post IPO to 1.9% (3.8% post reorganization)

Current Debt structure:

- 1 €B Term Loan due 2024
- 825 €M Fixed-Rate Note due 2024
- Other residual debt (mainly IFRS 16)

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

# Government initiatives to support digital payments

## Main measures approved in 2020 Fiscal Decree and 2020 Budget Law

### **Cash-back bonus for consumers**

*from 1st July 2020*

Cash-back for digital payments: 3 €B yearly allocated to finance cash-back.

Operational execution still under definition.

In place for 2 years

### **Tax credit on merchant fees**

*from 1st July 2020*

30% tax credit on merchant fees for card/digital transactions dedicated to small merchants (merchant's revenues <€400k in the previous tax year).

In place for 2 years

### **Lottery on receipts**

*from 1st July 2020*

Prize draw for consumers: 3 €M yearly allocated for cash payments, 45 €M for electronic payments.

In place for 3 years

### **Progressive reduction of cap on the use of cash**

Cap on cash usage per single purchase:  
- from €3,000 to €2,000 from 1st July 2020  
- to €1,000 from 1st January 2022

### **Tax deductibility**

*from 1st July 2020*






19% tax deduction on tax deductible expenses (i.e. interests on mortgages, sport centers/school expenses; some medical expenses excluded) if payments are made by traceable instruments

# Acquisition of ISP's Merchant Acquiring: a strategic transaction strengthening Nexi's role as the leading Italian paytech

## Key components of the transaction

- ~180k merchants<sup>1</sup> and ~€66bn of transaction volumes<sup>2</sup>
- Marketing and distribution agreement for merchant acquiring. Extension of remaining existing processing contract related to issuing and ATM acquiring services until 2044
- 1 €B cash consideration (plus potential earn-out payable in 2025), with committed bridge financing already in place
- Implied multiples: 10.5x EV/EBITDA 2020E, 16.4x P/E 2020E
- Cash flow generated by the acquiring book from Jan 1st to closing transferred to Nexi at the closing date

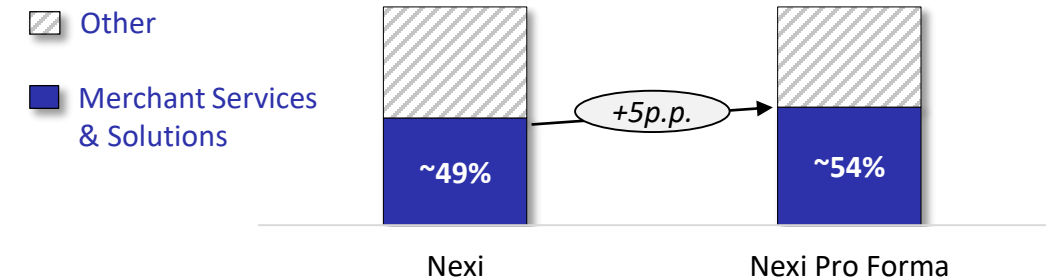
## A strategic transaction

-  Enhanced platform and positioning in the acquiring segment
-  Greater coverage of the acquiring value chain and enhanced ability to drive further innovation and value for merchants
-  Increased scale with diversification of revenue streams
-  Value enhancing transaction with cash EPS accretion in the high teens from 2020E
-  Deepening of partnership across businesses with the largest bank in Italy

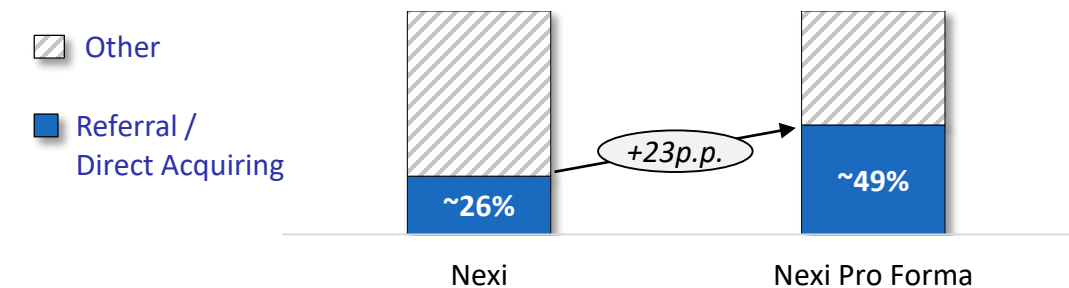
## Key 2020 P&L Figures: Incremental economics for Nexi



## Nexi Net Revenues Mix 2020E<sup>4</sup>



## Merchant Services & Solutions Net Revenues Mix 2020E<sup>4</sup>



# Reiterating IPO guidance growth starting from a stronger 2019

<b>Net Revenues</b>	<ul style="list-style-type: none"><li>• 5-7% annual net revenue growth over medium term, targeting higher end of the range</li></ul>
<b>EBITDA</b>	<ul style="list-style-type: none"><li>• 13-16% annual EBITDA growth over medium term</li><li>• Continued strong operating leverage</li></ul>
<b>Non-recurring Items</b>	<ul style="list-style-type: none"><li>• Rapid further decrease of non-recurring items affecting reported EBITDA</li></ul>
<b>Capex</b>	<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><li>• Total capex to trend towards ordinary capex as % of net revenues over medium to long term</li></ul>
<b>Capital Structure &amp; Capital Allocation</b>	<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>• Invest in organic growth; potentially consider accretive and strategically compelling M&amp;A</li><li>• Progressive moderate dividend policy, targeting pay-out ratio of 20-30% of distributable profits in medium to long term</li></ul>

# 2019: strong financial delivery and progress in building a stronger Nexi

## Strong financial delivery

### Healthy growth in all Business Areas

**984 €M** 2019 reported Net Revenues

**+7%** Underlying y/y growth (MSS +8%, CDP +7%, DBS +2%)

### Over delivery vs IPO guidance

**+18.5%** EBITDA y/y growth (vs 13-16% IPO guidance)

**2.9x** Net Debt/EBITDA (vs 3-3.5x IPO guidance)

### Improved Cash Flow Generation

**389 €M** 2019 Normalized Operating Cash Flow<sup>1</sup> (+25% y/y)

**77%** 2019 Cash Flow Conversion<sup>2</sup> (+3p.p. vs 2018)

### Active and effective capital structure management

**1.9%** Cost of debt (from 3.1% post IPO)

**43 €M** Normalized yearly interest expenses<sup>3</sup>

## Building a stronger Nexi

### Accelerated penetration of key propositions

SmartPOS, International Debit, Digital Corporate Banking, ...

### Strengthened position in key strategic areas

Multichannel/e-commerce, Open Banking, Mobile, ...

### Progressed IT Transformation, further invested in key capabilities

Technology, Big Data/AI, Vertical segments competence, ...

### Extended strategic position in acquiring through disciplined and value accretive M&A

ISP's Merchant Acquiring strategic transaction

**Q&A**



**Annex**





Underlying growth excluding run-off of zero-margin HW reselling contracts from acquisitions

Underlying growth excluding run-off of zero-margin HW reselling contracts from acquisitions

€M	FY18	FY19	Δ% vs. FY18	Δ% vs. FY18	4Q18	4Q19	Δ% vs. 4Q18	Δ% vs. 4Q18
Merchant Services & Solutions	448.2	479.0	+8.1%	+6.9%	120.7	131.4	+7.7%	+8.9%
Cards & Digital Payments	360.6	387.4	+7.4%	+7.4%	94.1	101.4	+7.7%	+7.7%
Digital Banking Solutions	121.7	117.7	+1.8%	-3.3%	35.6	32.9	+7.9%	-7.6%
<b>Operating revenue</b>	<b>930.6</b>	<b>984.1</b>	<b>+7.1%</b>	<b>+5.7%</b>	<b>250.4</b>	<b>265.7</b>	<b>+7.7%</b>	<b>+6.1%</b>
Personnel & related expenses	(155.3)	(166.6)	+7.3%	+7.3%	(41.0)	(44.7)	+9.1%	+9.1%
Operating Costs	(351.2)	(315.0)	-7.6%	-10.3%	(94.3)	(86.9)	-4.4%	-7.9%
<b>Total Costs</b>	<b>(506.4)</b>	<b>(481.6)</b>	<b>-2.9%</b>	<b>-4.9%</b>	<b>(135.3)</b>	<b>(131.6)</b>	<b>-0.1%</b>	<b>-2.7%</b>
<b>EBITDA</b>	<b>424.1</b>	<b>502.5</b>	<b>+18.5%</b>	<b>+18.5%</b>	<b>115.1</b>	<b>134.1</b>	<b>+16.4%</b>	<b>+16.4%</b>
D&A	(74.8)	(120.5)	+61.1%	+61.1%				
Interests & financing costs	(64.4)	(42.6)	-33.8%	-33.8%				
<b>Normalized Pre-tax Profit</b>	<b>285.0</b>	<b>339.4</b>	<b>+19.1%</b>	<b>+19.1%</b>				
Income taxes	(95.8)	(115.8)	+20.9%	+20.9%				
Minorities	(1.5)	(0.9)	-41.1%	-41.1%				
<b>Normalized Net Profit</b>	<b>187.7</b>	<b>222.7</b>	<b>+18.7%</b>	<b>+18.7%</b>				

# Reported P&L vs Normalized P&L

€M	Reported FY19	Delta	Normalized FY19
Merchant Services & Solutions	479.0		479.0
Cards & Digital Payments	387.4		387.4
Digital Banking Solutions	117.7		117.7
<b>Revenues</b>	<b>984.1</b>		<b>984.1</b>
Personnel & related expenses	(166.6)		(166.6)
Operating Costs	(315.0)		(315.0)
<b>Total Costs</b>	<b>(481.6)</b>		<b>(481.6)</b>
<b>EBITDA</b>	<b>502.5</b>		<b>502.5</b>
D&A	(157.8)	37.2	(120.5)
Interests & financing costs	(159.9)	117.3	(42.6)
Non recurring items	(43.9)	43.9	-
<b>Pre-tax Profit</b>	<b>140.9</b>	<b>198.5</b>	<b>339.4</b>
Income taxes	(10.1)	(105.8)	(115.8)
Minorities	(0.9)		(0.9)
<b>Net Profit</b>	<b>130.0</b>	<b>92.7</b>	<b>222.7</b>
<i>Transformation costs</i> <sup>1</sup>	<i>(51.9)</i>		<i>(51.9)</i>

## Delta

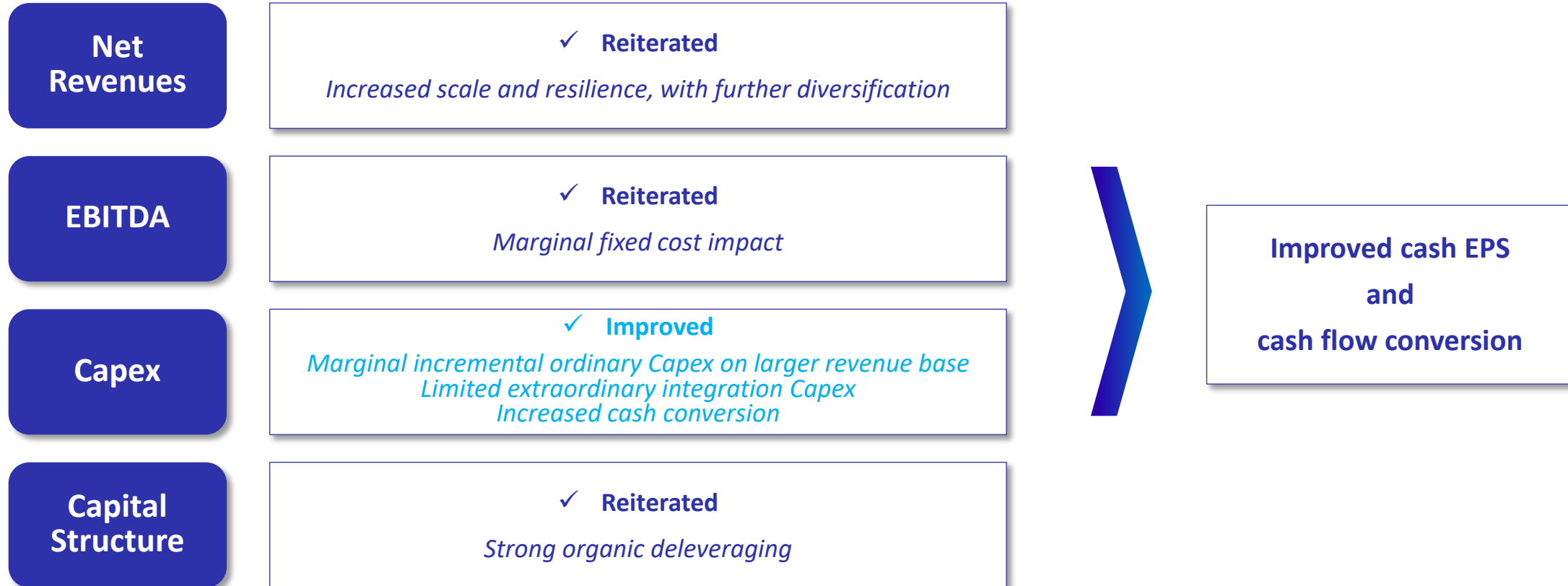
**D&A:** D&A customer contracts

**Interests & financing costs:** coherent with the new debt structure (detailed bridge on slide 15)

**Non recurring items:** detailed bridge on slide 14

**Income taxes:** Partecipation Exemption regime on Oasi disposal and favourable tax ruling (DTA) on certain corporate transactions

# ISP transaction: impacts on guidance (as per December 19<sup>th</sup> presentation)





## Investor Relations

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

**Stefania Mantegazza**

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