

SisalPay 2019 Full Year Results - Presentation

Ended December 31st, 2019

June 5th, 2020



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Agenda

Agenda

- 1 2019 FY Pro – forma Business Update
- 2 2019 FY Pro – forma Financial Results
- 3 Covid19 Focus
- 4 Q&A

Speakers



Emilio Petrone
CEO



Marco Festari
CFO

Agenda

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3 Covid19 Focus

4 Q&A

Key highlights 2019

- **Consolidated leadership** in Payments
- **Segregated Sisal Payments business** from Gaming
- **Created NewCo** through an investment agreement among CVC and Intesa Sanpaolo
- **Issued new financing**

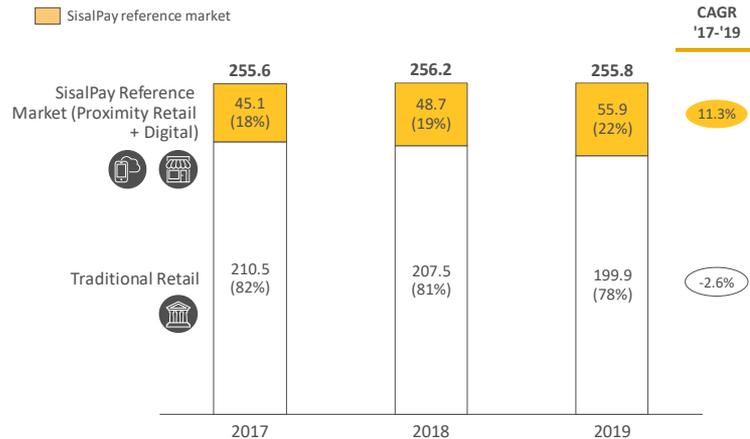
Mission

*Be the **first and most accessible** European proximity banking company*

Key Factors affecting 2019

- **Macroeconomic factors:** The macroeconomic environment is almost flat: the Italian GDP was slightly up 0.3% compared to 2018 while unemployment was 0.6 p.p. down (from 10.4% to 9.8%)
- The **overall Payments & Banking Transaction Services** addressable **market** is substantially **stable** compared to 2018, reaching EUR 255.8 bn in 2019, with different trends among segments
- **NewCo core market segments** (Proximity Retail + Digital) growing at **11.3% CAGR₁₇₋₁₉**

Turnover [EUR bn]



SisalPay reference market segments showing a growing trend – **11.3% CAGR₁₇₋₁₉** – specifically:

- **Proximity Retail** (bar, tobacconists, newsstands): **4.5% CAGR₁₇₋₁₉**
- **Digital:** **19.7% CAGR₁₇₋₁₉**

SisalPay Market Intelligence based on Istat Data, Bank of Italy and Politecnico di Milano

Basis of preparation

- In order to provide meaningful information to investors, this document includes financial information relating to the Sisal Payments Business and the Banca 5 Payments Business on a stand-alone basis for the year ended December 31, 2019, as well as pro forma financial information relating to the combined SisalPay Group business for the relevant period
- This financial information is presented for illustrative purposes only and does not purport to represent or to be indicative of the results of operations or financial position as of any future date or results of operations for any future period. All information set forth herein is unaudited
- The Unaudited Pro Forma Consolidated Financial Information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Exchange Act. Neither the adjustments nor the resulting Unaudited Pro Forma Consolidated Financial Information have been audited or reviewed in accordance with International Standards on Auditing (Italy), or any other auditing standards

SisalPay Key Achievements 2019

- **2019 turnover** amounted to **EUR 16.3 bn**, declining vs. **EUR 17.3 bn** in **2018** mainly due to the **termination of the commercial relationship with PostePay**, which led **Sisal to develop SisalPay proprietary prepaid card**, whose margins are **higher than the PostePay ones**; **like – for – like without Postepay**, turnover has **grown by EUR 3.3 bn (+24.9%)**
- **Revenues** amounted to **EUR 340.5 m**, up approximately **EUR 17.1 m** or **+5.3%** compared to **EUR 323.4 m** in 2018, mainly due to:
 - **Bill payments revenues** increasing by **EUR 37.7 m**, primarily driven by the **launch of Pre-filled Bill payments** and development of **PagoPA volumes**
 - **Other revenues including** prepaid on Banca5 network, SisalPay card, **merchant services, banking and other products** increasing by **EUR 11.6 m**

Such increases in revenues **enabled to** offset revenue decline linked to **termination of the PostePay contract on SisalPay network** (-EUR 32 m revenues); **like – for – like without Postepay**, revenues have **grown by EUR 49.3 m (+16.9%)**

- **EBITDA¹⁾** amounted to **EUR 91.8 m²⁾**, slightly declining vs. **EUR 93.8 m** in **2018** by **EUR 2.0 million**, or **-2.1%**; **like – for – like without Postepay**, **EBITDA¹⁾** has **grown by EUR 13.2 m (+16.8%)**, mainly due to the **increase in revenues discussed above**.

1) EBITDA adjusted for the effect of non-recurring items, other one-off transactions and the depreciation of certain shared assets owned by Sisal Group; and (v) share of net profit (or loss) of associates or associated entities of associated accounted for using the equity method

2) Excluding Postepay from B5 figures Ebitda 2019 equal to EUR 86.8 m

Agenda

1 2019 FY Pro – forma Business Update

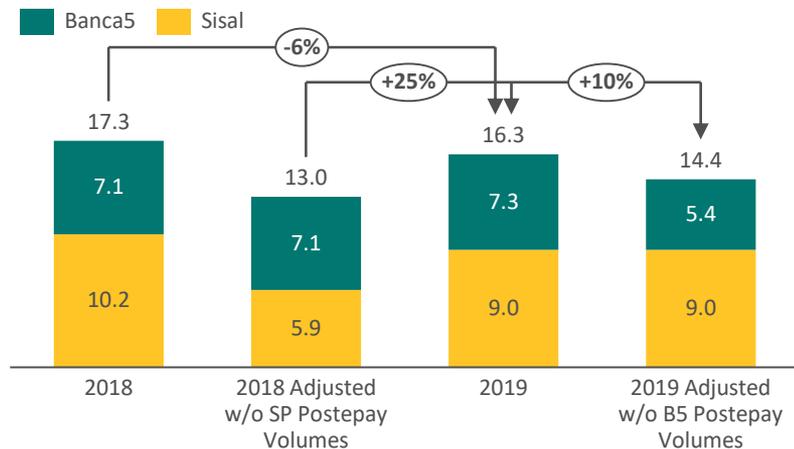
2 2019 FY Pro – forma Financial Results

3 Covid19 Focus

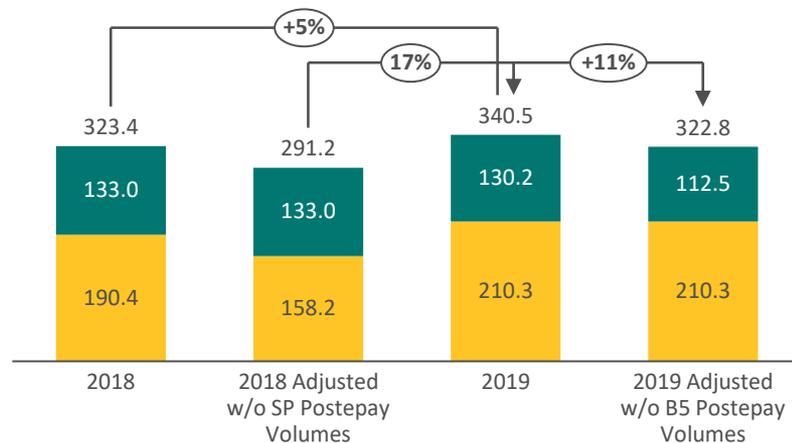
4 Q&A

Turnover & Revenues Pro-forma - Breakdown Sisal / Banca5

Turnover [EUR bn]



Revenues [EUR m]

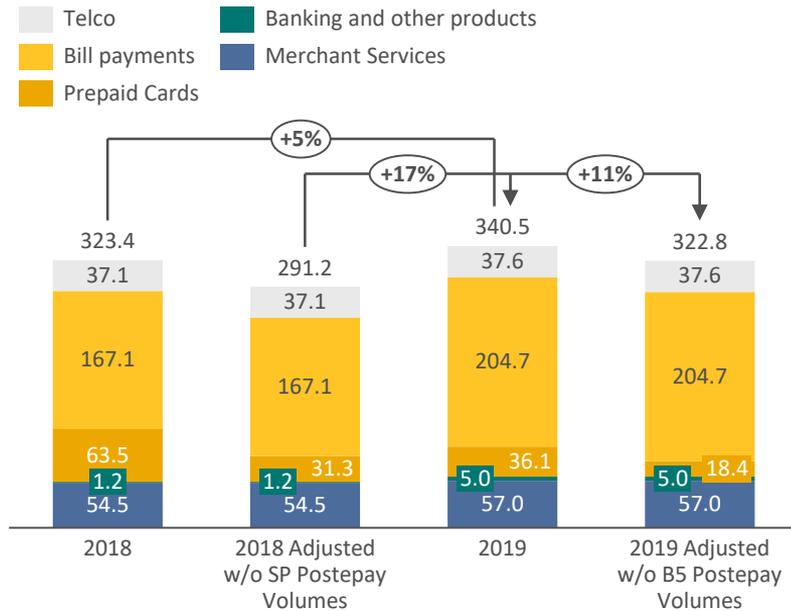


- **Turnover 18-19 declining -6%, +25% like for like without Postpay:**
 - **Sisal declining** by EUR 1.2 bn (-11.8%), +EUR 3.1 bn (+52.5%) like for like without Postpay, mainly due to **increasing Bill Payments volumes**, driven by **prefilled bill payments** and **PagoPA** volumes
 - **Banca5 slightly increasing** by EUR 0.2 bn (+2.8%)
- **2019 Adj. w/o Postpay from Banca5 figures +EUR 1.4 bn or +10% vs. 2018 Adj.**

- **Revenues 18-19 growing +5%, +17% like for like without Postpay:**
 - **Sisal growing** by EUR 19.9 m (+10.5%), +EUR 52.1 m (+32.9%) like for like without Postpay, mainly due to **increasing revenues on Bill Payments**, following turnover trend
 - **Banca5 slightly declining** by EUR 2.8 m (-2.1%) due to **discontinuation of products** such as INPS (National Institute for Social Security) voucher issuance service
- **2019 Adj. w/o Postpay from Banca5 figures +EUR 31.6 m or +11% vs. 2018 Adj.**

Revenues Split by Segment

Revenues split by segment [EUR m]



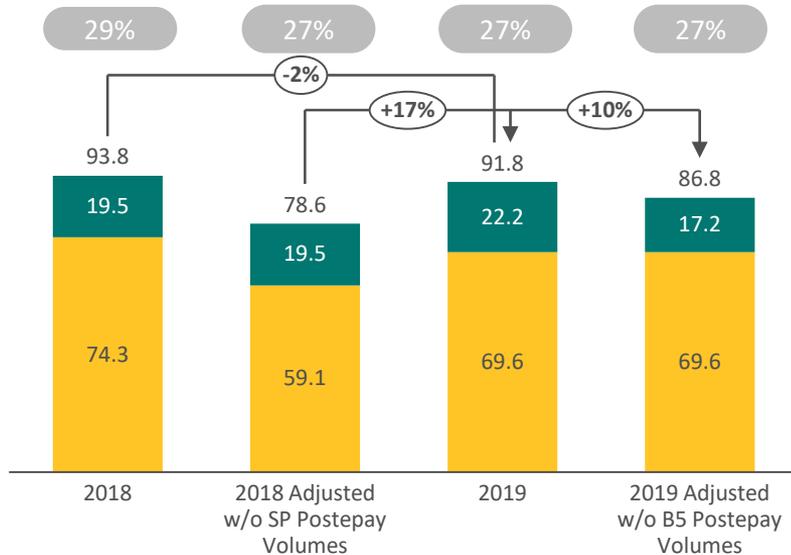
Comments

- **Revenues 18-19 growing +5%, +17% like for like without Postepay:**
 - **Telco showing stable trend: +EUR 0.5 m (+1.3%)**
 - **Bill Payments showing major growth trend: +EUR 37.7 m (+22.5%)**
 - **Prepaid cards declining due to Postepay contract termination with Sisal (-EUR 27.3 m, -43.1%); like-for-like without Sisal Postepay volumes +EUR 4.9 m (+15.6%)**
 - **Other products growing by EUR 3.8 m, mainly linked to banking offering expansion**
 - **Merchant services growing by +4.5%, mainly due to increasing demand from merchants for Sisal Payment services**
- **2019 Adj. w/o Postepay from Banca5 figures +EUR 31.6 m or +11% vs. 2018 Adj.**

Pro-forma Ebitda

EBITDA¹⁾ [EUR m]

EBITDA¹⁾ Margin [% on revenues]



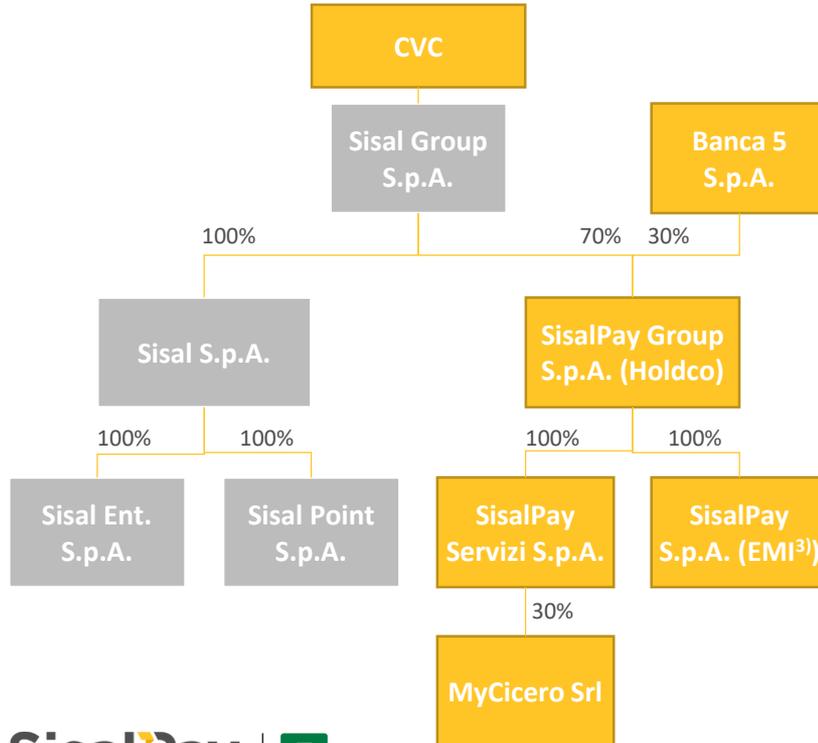
Comments

- **EBITDA slightly declining -2%, +17% like for like without Postepay, in line with revenues trend:**
 - **Sisal declining by EUR 4.7 m (-6.3%), mainly due to Postepay contract termination with Sisal**
 - **Like-for-like thanks to strategic initiatives implemented (prefilled bill payments, PagoPA, ACI) Sisal has grown by EUR 10.5 m (+17.8%)**
 - **Banca5 slightly increasing by EUR 2.7 m (+13.9%), mainly due to banking offering expansion**
- **2019 Adj. w/o Postepay from Banca5 figures +EUR 8.2 m or +10% vs. 2018 Adj.**

1) EBITDA adjusted for the effect of non-recurring items, other one-off transactions and the depreciation of certain shared assets owned by Sisal Group; and (v) share of net profit (or loss) of associates or associated entities of associated accounted for using the equity method

Corporate and Financing Structure

Group structure



Summary

- Pursuant to the **Gallo Investment Agreement**:
 - **Sisal Group** has contributed the **Sisal Payments Business** in exchange for **70% of the share capital** of SisalPay Group S.p.A. (SisalPay)
 - **Banca 5** has contributed the **Banca 5 Payments and Banking Business** in exchange for **30% of the share capital** of SisalPay Group S.p.A. (SisalPay)
- **The Transaction** has been financed through:
 - **EUR 530 m of Senior Secured Floating Rate Notes** due 2026, issued by SisalPay
 - **EUR 92.5 Super Senior Revolving Credit Facility**
- **Other sources** include:
 - **Shareholder funding¹⁾: EUR 286 m**
 - **Equity contribution²⁾: EUR 214 m**

Consolidated Balance Sheet December 31st, 2019

Consolidated financial statements show negative equity since the businesses purchased from Sisal must be accounted for in continuity of values with the previous financial statements, without expressing the related goodwill despite the transaction taking place at market values

Balance Sheet SISALPAY GROUP (€/000)	2019	2018
Non-Current Assets	698.524	0
<i>o/w Goodwill</i>	<i>546.843</i>	
Current Assets	168.148	50
<i>o/w cash and cash equivalents</i>	<i>69.549</i>	<i>50</i>
Total Assets	866.672	50
Total Equity	(214.154) ¹⁾	32
Non Current Liabilities	820.115	0
<i>o/w financial liabilities</i>	<i>797.044</i>	
Current Liabilities	260.711	18
<i>o/w financial liabilities</i>	<i>8.572</i>	
Total Liabilities & Equity	866.672	50

Comments

Total assets value includes:

- **Goodwill EUR 547 m:**
 - EUR 239 m conferred by Banca5 accounted using the *fair value model*
 - EUR 308 conferred by Sisal corresponding to the Book Value of the Sisal Payments Business, as per IAS IFRS (transaction "under common control")
- **Tangible and intangible conferred assets: EUR 152 m**
- **Current assets, mainly relating to account receivables (EUR 73 m), cash and cash equivalents (EUR 70 m), restricted cash (EUR 17 m)**

Total liabilities include:

- **Non Current Liabilities: mainly secured notes and DPP vs. shareholders**
- **Current liabilities: mainly RCF, accounts payable vs. payments partners, contribution settlement (EUR 56 m)**

1) - EUR 214 m =

+ EUR 64 m contributed by Banca5 at fair value

+ EUR 23.5 m contributed by Sisal at net book value (fair value EUR 150 m)

- EUR 296 m difference between Sisal contribution at book value (EUR 304 m) and purchase price by SisalPay Group (EUR 600 m)

- EUR 5 m net loss 2019

Consolidated Balance Sheet December 31st, 2019 – “Fair value view”

In order to make it clear what the effects would be if the transaction were represented by also enhancing the business contributed by the Sisal group at fair value, the following pro forma balance sheet was prepared

Balance Sheet SISALPAY GROUP (€/000)	2019	2018
Non-Current Assets	1.121.614 ¹⁾	0
<i>o/w Goodwill</i>	969.933	
Current Assets	168.148	50
<i>o/w cash and cash equivalents</i>	69.549	50
Total Assets	1.289.762	50
Total Equity	208.936 ¹⁾	32
Non Current Liabilities	820.115	0
<i>o/w financial liabilities</i>	797.044	
Current Liabilities	260.711	18
<i>o/w financial liabilities</i>	8.572	
Total Liabilities & Equity	1.289.762	50

Net Financial Position Pro-forma December 31st, 2019

SISALPAY GROUP NET FINANCIAL POSITION COVENANT GROUP ('000)	2019 Dec. 31st
Short term debt/loan - ssRCF	5.692
Long Term debt	530.443
Interests matured on pool financing (not yet paid or capitalized)	799
Other financial liabilities	5.988
Total Cash	(69.549)
Total Net Financial Position	473.373
Business Contributions settlement (M2 2020)	56.307
Total Net Debt Covenant Group (pro forma)	529.680

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Covid 19 – Implemented measures to support employees, network and community

SisalPay reacted to the epidemic by putting in place a **Corporate Social Responsibility action plan** to ensure the **safety and well-being of its employees**, while at the same time supporting its network and the community. Adopted measures include:

■ Support for People:

- Signing of a **COVID19 Health Policy for all employees** and implementation in the space of a week of the **“100% Smart Working” plan**, a major organizational, logistical and technological effort to ensure personnel safety

■ Support for Retail Network:

- **Postponement to H2 of Merchant Services payments due in March and April** for the entire network and distribution of protective masks to retail PoS, by prioritizing the ones remaining open (tobacconists and newsagents)

■ Support for the Community:

- **Fundraising for the Italian Civil Protection** (and/or another comparable operator playing an active role in handling the emergency) and **direct donation to a leading non-profit organization** –“Francesca Rava Foundation” – to support Policlinico and Sacco Hospitals in Milan

Covid 19 – Economic impact and adopted measures

Starting from March 12th Government decree forced Bars to close, approximately 25% of the SisalPay PoS network. While Tobacconists which opted to close represent approximately 5-10% of the SisalPay PoS network. As a consequence of this the SisalPay network opened during the period March-May has been about 65%-70% and was represented by Tobacconists and newsagents.

Since the outset of the crisis, SisalPay has put in place **several initiatives to support its affiliated merchants and sustain volumes**, such as:

- **Launch of new products** enriching merchants' portfolio
 - **Increase number of PoS** permitted to sell our **branded prepaid card**
 - **Support on technical issues** also leveraging **commercial salesforce**
 - **Postponement to H2 of Merchant Services** payments due in March and April for the entire network
- **Starting from May 18th the Government**, considering the progressive decline of the epidemic, has decided to reduce the restrictive measures, **allowing the reopening of the bars. We are recording a gradual recovery in volumes**
 - We **do not anticipate liquidity issues** relating to the COVID-19 outbreak, as we continue to leverage our structurally negative Working Capital and strong cash conversion
 - We opted to **draw our RCF in full** and expect to **reduce borrowings as business volumes return to normal**. At March 31st our available **liquidity was above EUR 100 million**
 - **Our business**, given the **non-discretionary nature of the services it provides**, has demonstrated **resilience** during downturns and periods of slow economic growth: **from 2008 to 2018**, we estimate that **Sisal Payments Business' transaction revenues increased at a CAGR of 15%**, well above the **Italian GDP CAGR of 0.8%** over the same period

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