

SisalPay Q1 2020 Results

Ended March 31st, 2020

June 25th, 2020

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Speakers



Emilio Petrone
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SisalPay

Q1 2020 Results

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1 Executive Summary

2 Key Initiatives

3 Covid Impact

4 Q1 2020 Proforma Financial Results

5 Q&A

Executive Summary

- We started first year of **NewCo** in a **positive way**, thanks to:
 - Timely execution of **synergies** and **integration plan**
 - Successful expansion of our **own prepaid card** (cards stock almost tripled in 5 months, from 98 k in January to 286 k in May 2020)
 - Strong growth of **banking services** business (+54% vs. prior year)
 - Distribution expansion of **SisalPay/Banca 5 products**
 - New team successfully merged and blended together
- Covid-19 epidemic **severely affected Italian economy** (GDP was down 6.5% in Q1 2020 vs. Q1 2019) – and **Consumer Payments market**, which is expected to **decline by 17% in 2020 vs. 2019**; government "lockdown" measures **caused SisalPay** to have about **30% of its PoS network closed**, together with strong footfall reduction

Executive Summary

- We quickly **reacted to the epidemic** by putting in place a **Corporate Social Responsibility plan** to ensure the **safety and well-being of our employees**, while at the same time **supporting** our merchant **network and the community**
- We have also activated **several initiatives to sustain volumes**, such as:
 - Launch of new products enriching merchants' portfolio
 - Branded prepaid card distribution enlargement
 - Support on technical issues also leveraging commercial salesforce
 - Postponement to H2 of Merchant Services payments due in March and April for the entire network
- The **above mitigation plan has allowed us** to **limit** the **negative impact** of the epidemic. On a like for like basis¹⁾ the Company Q1 results were only about 4% down vs. prior year:
 - **Revenues** at **EUR 75.9 m** (-4% vs. 2019)
 - **EBITDA** at **EUR 18.5 m** (-4% vs. 2019)

1) Excluding Postepay Volumes, If we do include Postepay 2019 volumes revenues were -13% and Ebitda was -15%

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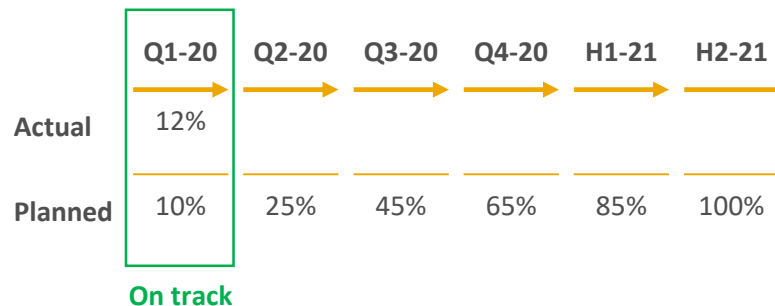
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Key initiatives - Synergies and integration

Timely execution of SisalPay, Banca 5 synergies and integration

Synergies

Synergies execution %



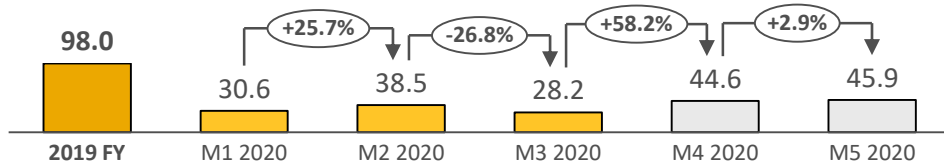
Integration project – Key ongoing initiatives

- Bill Payments synergies activated
- Integration of hardware and software
- Merchant and customer database standardization
- Integration and streamlining of operations
- Suppliers harmonization and optimization
- Integration of policies, procedures and central operating systems

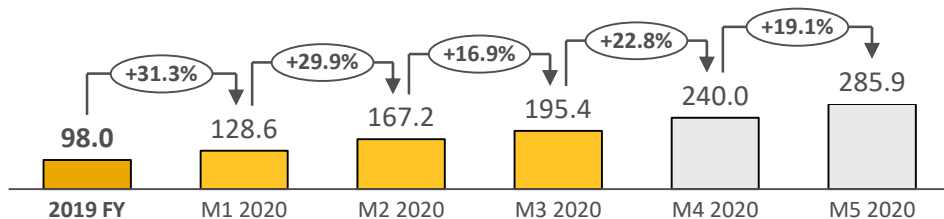
Key initiatives - Prepaid Card

Successful expansion of our Prepaid Card

Issued cards
[# k]



Cards Stock
[# k]



PoS Network
[# k]



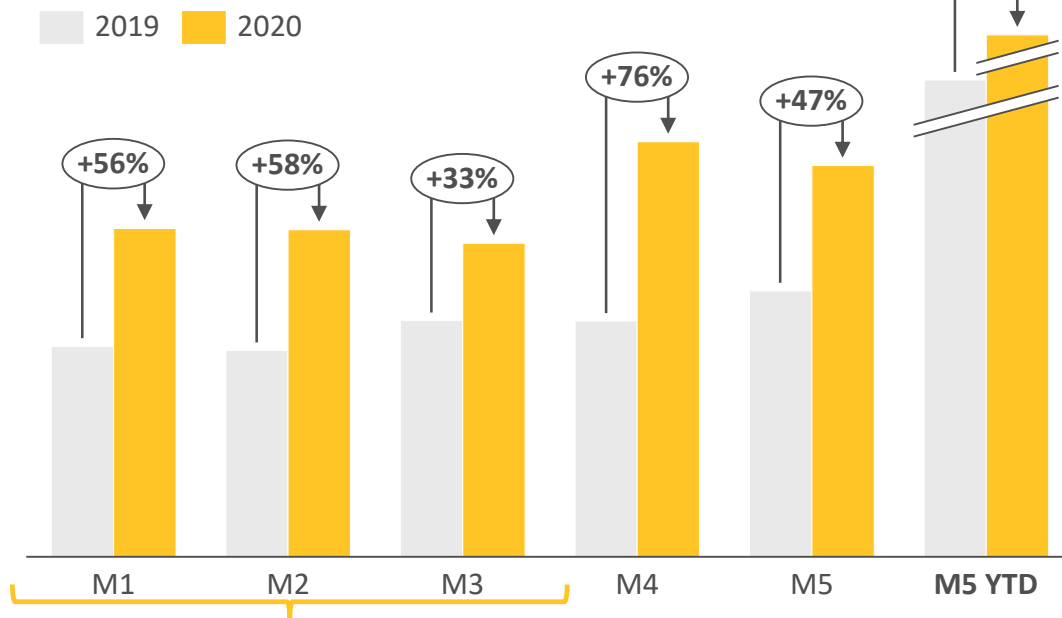
Comments

- M4 and M5 posted record number of issued cards:
 - ≈ 195 k cards at the end of Q1
 - ≈ 286 k cards at the end of M5
- Cards stock almost tripled in 5 months despite Covid outbreak
- PoS network expansion executed also in M4 and M5 during lockdown period (≈ +6 k PoS)

Key initiatives - Banking Business

Banking services growing by 54% vs. prior year (May Ytd) despite Covid outbreak

Delta revenues from banking services vs. 2019



Q1:+42%

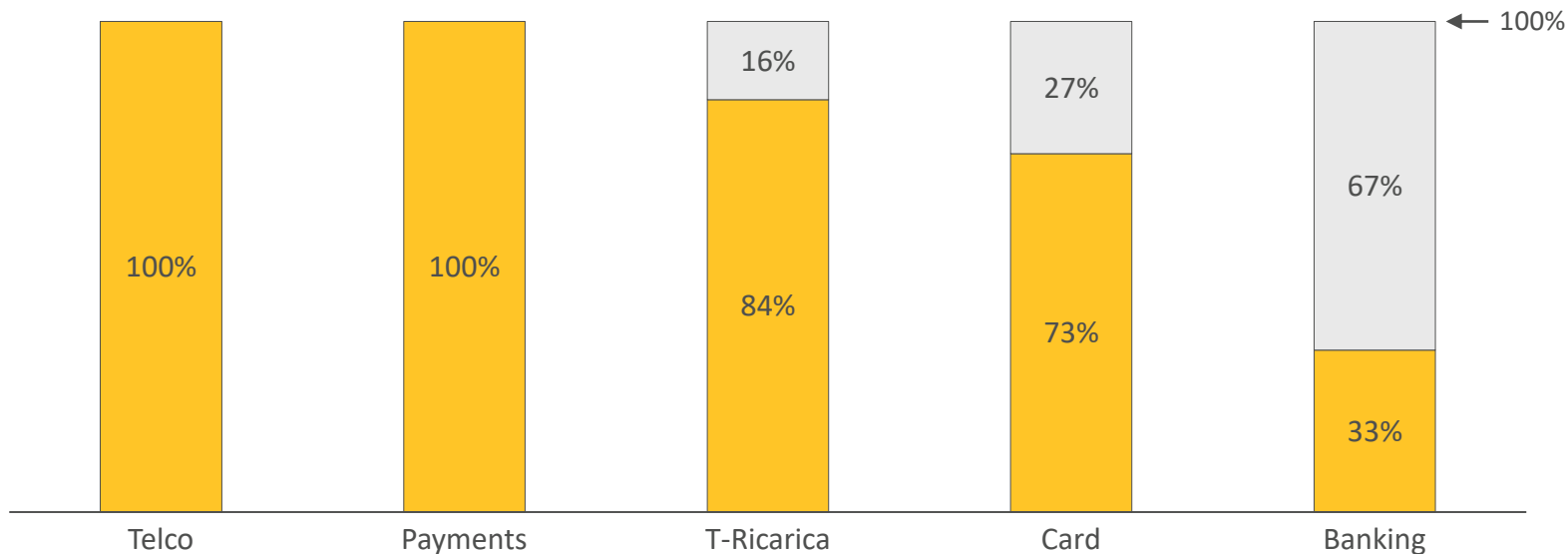
Comments

- We have been able to expand **Banking business** also during Covid lockdown period (M3-M5)
- Today Banking Business is **distributed only in 33% of our network**
- **Major growth is expected** in the **second half** of the year **when distribution** will be **extended** to the 100% merchant network (+30k PoS)

Key initiatives - Distribution expansion

In H1 we have already significantly expanded our key products distribution

In H2 we are going to complete the distribution of our product covering 100% of the network



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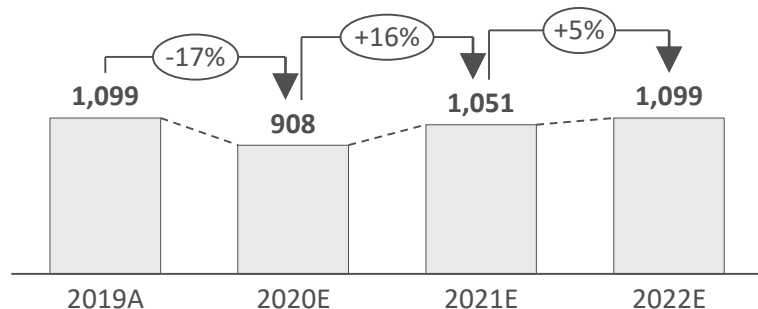
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Covid - Italian Scenario

- **Macroeconomic factors:** The macroeconomic environment in the first three months 2020 has been severely impacted by the pandemic spread of the Covid-19 virus: Italian GDP fell by 6.5% in the first quarter of 2020 compared to the same period of last year
- **Covid-19 is affecting people's freedom of movement**, their **spending power** and the **mood** that generally leads to **increased savings** by **reducing consumption**; all aspects, these, which particularly affect our industry, or rather mainly on the retail operating sector
- Below a snapshot of **Italian Consumer Payments market** estimated by Politecnico di Milano, that shows how 2020 will be negatively impacted by Covid-19: -17% full year vs. 2019

Italian Consumer Payments Market [EUR bn; 2019-2022]



- **Consumer spending** heavily impacted by **government lockdown** measures
- **Mobility, hospitality** and **retail commerce** sectors expected to **suffer the most**
- **Recovery** expected starting **from 2021**; **current consumption levels** expected to be only reached in **2022**

SisalPay Market Intelligence based on Istat Data and Politecnico di Milano

Covid - Corporate Social Responsibility Plan

Sisalpay has 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 Covid-19 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 - Business Mitigation Plan

Covid-19 epidemic negatively impacted business since last week of February.

Starting from **March 12th Government decree forced all coffee shops to close**, consequently SisalPay lost about 30% of it's Network.

Since the outset of the crisis, SisalPay has put in place a dedicated Business mitigation plan to sustain our volumes. Key elements of the plan are:

- Launch of new products **enriching merchants' portfolio** (T-Ricarica)
- Branded **prepaid card** boost plan
- Special marketing plan, including **multichannel advertising**
- Merchant support:
 - Postponement of fees payment due in March April to H2
 - Extra technical support during Covid outbreak
 - Free shipping of "safety kit" to all our merchants
 - Launch of MYNEWS dedicated video newsletter
- 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 coffee shops**. This is helping a gradual recovery of the volumes.

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Basis of preparation

Considering that the completion of the Gallo Investment occurred in December 2019, the interim condensed consolidated financial statements of the Company as of and for the three months ended March 31, 2020 are not comparable with the corresponding data for the three months ended March 31, 2019. Consequently, in order to provide meaningful information to investors, this document includes:

- The combined financial information of the Sisal Payments Business and the Banca 5 Payments Business for the three months ended March 31, 2019, derived from the historical financial information included in the consolidated financial statements of Sisal Group S.p.A. and in the financial statements of Banca 5 S.p.A. for the same reporting period, and
- The consolidated financial information of SisalPay Group for the three months ended March 31, 2020, derived from the unaudited interim condensed consolidated financial statements of the Company as of and for the three months ended March 31, 2020

It should be noted that the combined financial information has been calculated as the sum, without any changes, of the Sisal Payments Business and the Banca 5 Payments Business. The combined financial information is presented for illustrative purposes only, in order to present economic and financial data for a three-month period ended March 31, 2019 that could be compared with the data for the three months ended March 31, 2020 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. In addition, the combined financial information does not represent the actual financial position or results of operations of the SisalPay Group for the periods indicated. All information set forth herein is unaudited

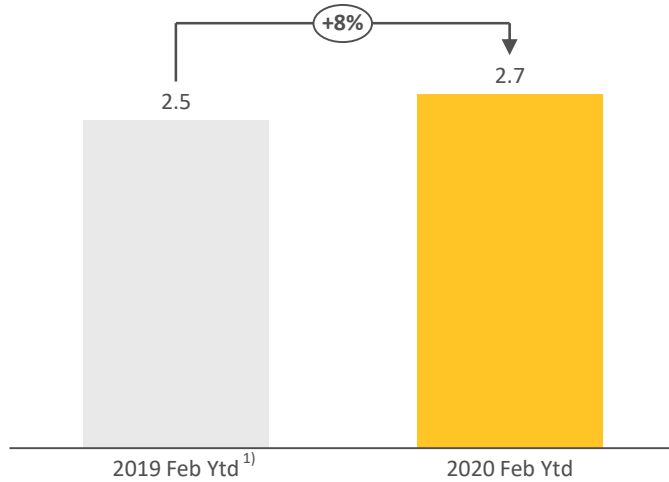
SisalPay Key results Q1 2020

- **Turnover EUR 3.6 bn**, -3% or -EUR 0.1 bn vs. 2019 like for like; **volumes were growing by 8% vs. 2019** before Covid outbreak (February YTD). Our estimate is that the epidemic negatively impacted volumes for 11% in Q1
- **Revenues EUR 75.9 m**, -4% or -EUR 3.3 m vs. 2019 like for like;
 - **Telco and Payments** (-9% vs. 2019) have been affected more than other products due to partial network closure, PoS footfall reduction and postponement of some tax payments
 - Strong performance of **Prepaid Cards** (+86% vs. 2019)
 - Excellent growth of **Banking Services** (+42% vs. 2019)
 - **Merchant services** positive trend (+3,6% vs. 2019)
- **EBITDA¹⁾ EUR 18.5 m**, -4% or -EUR 0.8 m vs. 2019 like for like
- We have invested only **EUR 3,6 m in Capex** consequently we have generated EUR 14,9 m of FCF with a Cash Conversion over 80%, despite epidemic impact

1) EBITDA adjusted for the effect of non-recurring items, special items, other one-off transactions and the depreciation of certain shared assets for the three months ended March 31, 2019

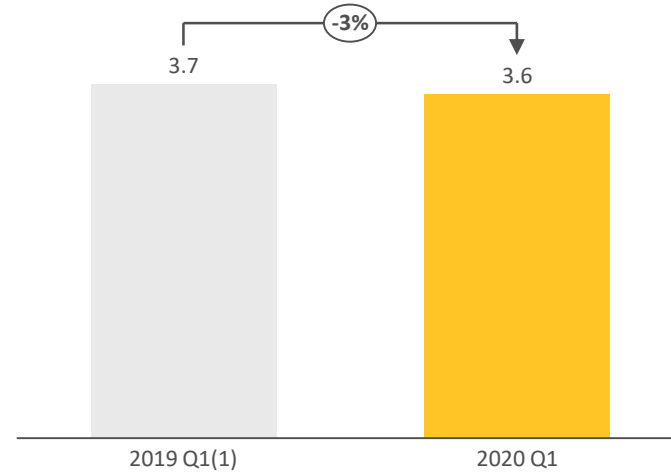
Turnover

Turnover Feb YTD [EUR bn]



- **Volumes were growing by 8%** vs. 2019 before Covid outbreak

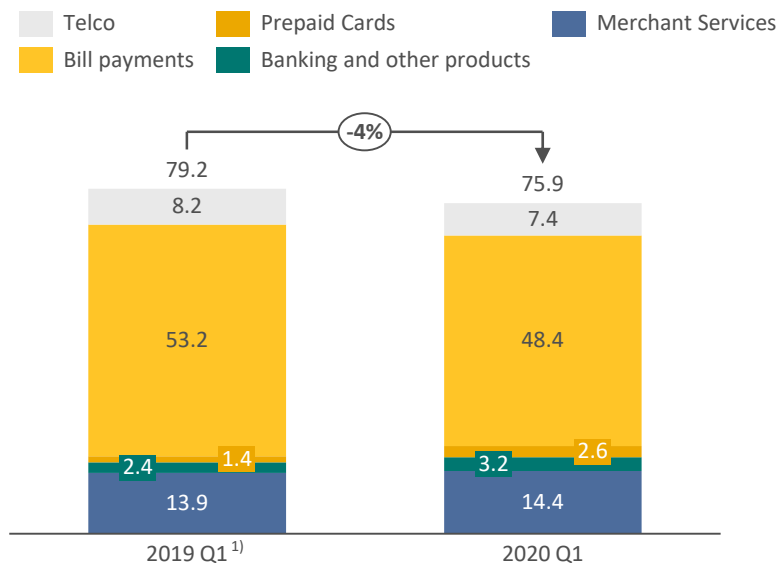
Turnover Q1 2020 [EUR bn]



- **Turnover EUR 3.6 bn**, -3% or -EUR 0.1 bn vs. 2019 like for like excluding Postepay
- In Q1 Covid epidemic impact **estimated in -11%**

Revenues

Revenues Split by Product Line [EUR m]



1) Like for like excluding Postepay Revenues (EUR 7,7 m in Q1)

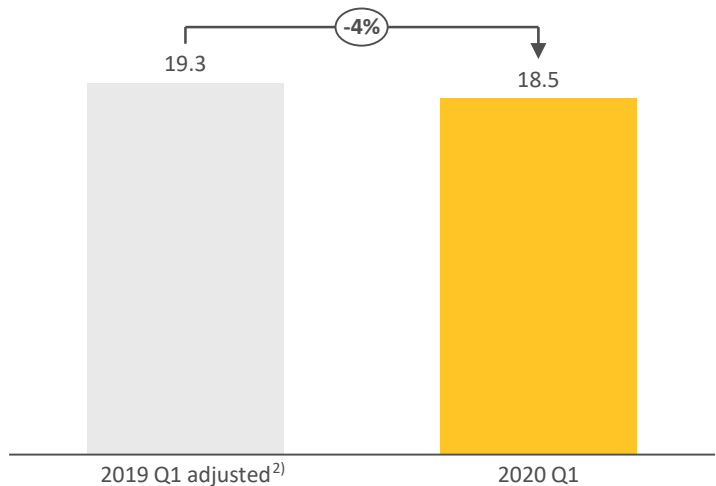
Comments

- **Like for like revenues -4% vs. 2019**
- **Telco and Payments (-9% vs. 2019)** have been affected more than other products due to partial network closure, PoS footfall reduction and postponement of some tax payments
- **Prepaid Cards (+86% vs. 2019)** has grown despite covid-19 outbreak leveraging on distribution expansion, sales force remote working support and marketing campaign
- **Banking Services (+42% vs. 2019)**, currently sold only in 33% of network, have continued to growth even during covid-19 lock-down
- **Merchant services** slightly increase in the first quarter (+3,6% vs. 2019)

EBITDA⁽¹⁾

EBITDA -4% like for like or -EUR 0.9 m

Adjusted for Covid estimated impact (EUR 2,0 m) Ebitda would have grown by 6%



1) EBITDA adjusted for the effect of non-recurring items, special items, other one-off transactions and the depreciation of certain shared assets for the three months ended March 31, 2019

2) Excluding Postepay (EUR 1,2 m in Q1); G&A right-sizing (EUR 1,3 m)

Cash flow

Operating FCF Q1 +EUR. 14,9m with 80% of cash conversion

Cash Flow Q1 [EUR m]

Ebitda	18,5¹⁾
Capex	(3,6)
Operating FCF	14,9
<i>Cash Conversion</i>	<i>80%</i>
Special Items/Non recurring Costs	(4,2)
Change in working capital	10,3
Unlevered Cash Flow⁽²⁾	20,9
Business Contribution Settlement	(56,4)
Cash interest	(6,1)
RCF incremental drawn	87,5
Cash Flow	46,0

Comments

Operating FCF +EUR 14,9 m with 80% of Cash conversion:

- Capex mainly relating to intangible assets

Other Items:

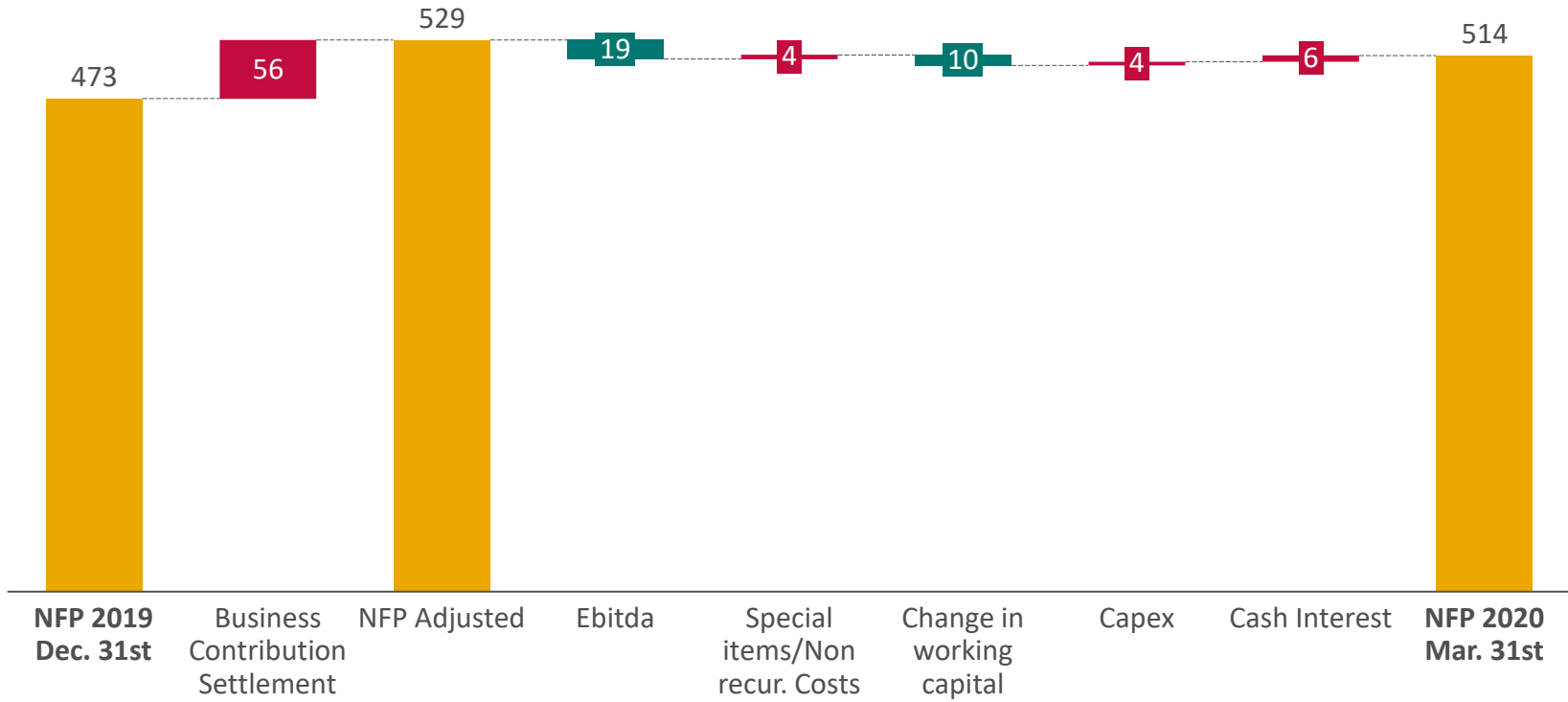
- Special Items/Non recurring costs mainly relating to SisalPay/Banca 5 integration and launch of new prepaid card program
- Change in working capital mainly related to advance income and vat payables
- Business contribution settlement represent the payments due to Sisal Group and Banca 5 as defined by investment agreement
- Cash interest mainly relating to Senior Secured Notes quarterly payments

1) EBITDA adjusted for the effect of non-recurring items, special items, other one-off transactions and the depreciation of certain shared assets for the three months ended March 31, 2019

2) Excluding Business Contribution settlement

Net Financial Position (as per Covenant)

EUR m



Consolidated Balance Sheet Q1 2020

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	Q1 2020
Non Current Assets	698.524	697.377
<i>o/w goodwill/other intangibles</i>	546.843	546.843
Current Assets	168.148	205.283
<i>o/w cash and cash equivalent</i>	69.549	115.543
Total Assets	866.672	902.660
Total Equity	(214.154)	(220.279) ¹⁾
Non Current Liabilities	820.115	826.833
<i>o/w financial liabilities</i>	797.044	803.929
Current Liabilities	260.711	296.106
<i>o/w financial liabilities</i>	8.572	95.460
Total Liabilities & Equity	866.672	902.660

Comments

Total assets value includes:

- **Goodwill EUR 547 m:**
 - **EUR 239 m** conferred by Banca5 accounted using the *fair value model*
 - **EUR 308 m** 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 151 m**
- **Current assets** mainly relating to account receivables (**EUR 48 m**), cash and cash equivalents (**EUR 116 m**), restricted cash (**EUR 34 m**)

Total liabilities include:

- **Non Current Liabilities:** mainly secured notes and DPP vs. shareholders
- **Current liabilities:** mainly RCF and accounts payable vs. payments partners

Consolidated Balance Sheet Q1 2020 – “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 PRO FORMA FAIR VALUE (€/000)	2019	Q1 2020
Non Current Assets	1.121.614	1.120.467
<i>o/w goodwill/other intangibles</i>	969.933	969.933
Current Assets	168.148	205.283
<i>o/w cash and cash equivalent</i>	69.549	115.543
Total Assets	1.289.762	1.325.750
Total Equity	208.936	202.811
Non Current Liabilities	820.115	826.833
<i>o/w financial liabilities</i>	797.044	803.929
Current Liabilities	260.711	296.106
<i>o/w financial liabilities</i>	8.572	95.460
Total Liabilities & Equity	1.289.762	1.325.750

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