

# SisalPay H1 2020 Results

Ended June 30<sup>th</sup>, 2020

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

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# Speakers

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**Emilio Petrone**  
CEO



**Marco Festari**  
CFO

# SisalPay

# H1 2020 Results

# Agenda

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01 Executive Summary

02 Key Initiatives

03 Covid Impact

04 SisalPay H1 2020 Proforma Financial Results

05 Q&A

# 01

## Executive Summary

## 01 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 tripled in 6 months, from 98 k in January to 320 k in June 2020)
  - Strong growth of **banking services** business (+55% 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 17.7% in Q2 2020 vs. Q2 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

## 01 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. The Company H1 results were **EUR 149.2 m** in terms of **Revenues** and **EUR 36.0 m** in terms of **EBITDA**

# 02

## Key Initiatives



## 02 Key Initiatives – Key Projects Delivered

In the first half 2020 we completed all key projects

### Key Projects

### Due date

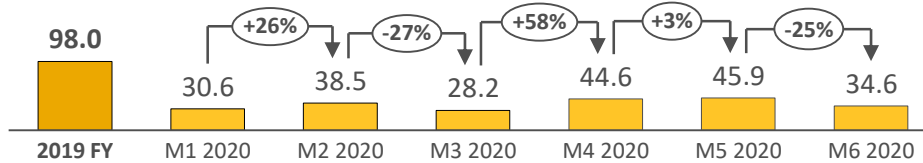
### Status

1	Synergies on bill payments	January	✓
2	Launch of T-Ricarica service	February	✓
3	Covid-19 Smart-working/ Disaster Recovery Plan	March/ April	✓
4	Expansion of T-Ricarica on ex-Sisal Network	May	✓
5	Launch of "New Clients Opening" boost plan	June	✓
6	Expansion of TIM/ Vodafone top-ups on Total Network	June/ July	✓

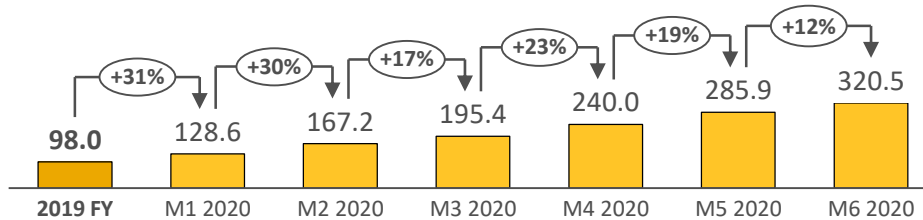
## 02 Key Initiatives – Prepaid Card

### Successful expansion of our Prepaid Card

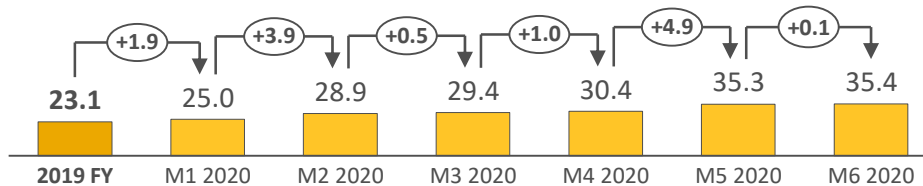
Issued cards  
[# k]



Cards Stock  
[# k]



PoS Network  
[# k]



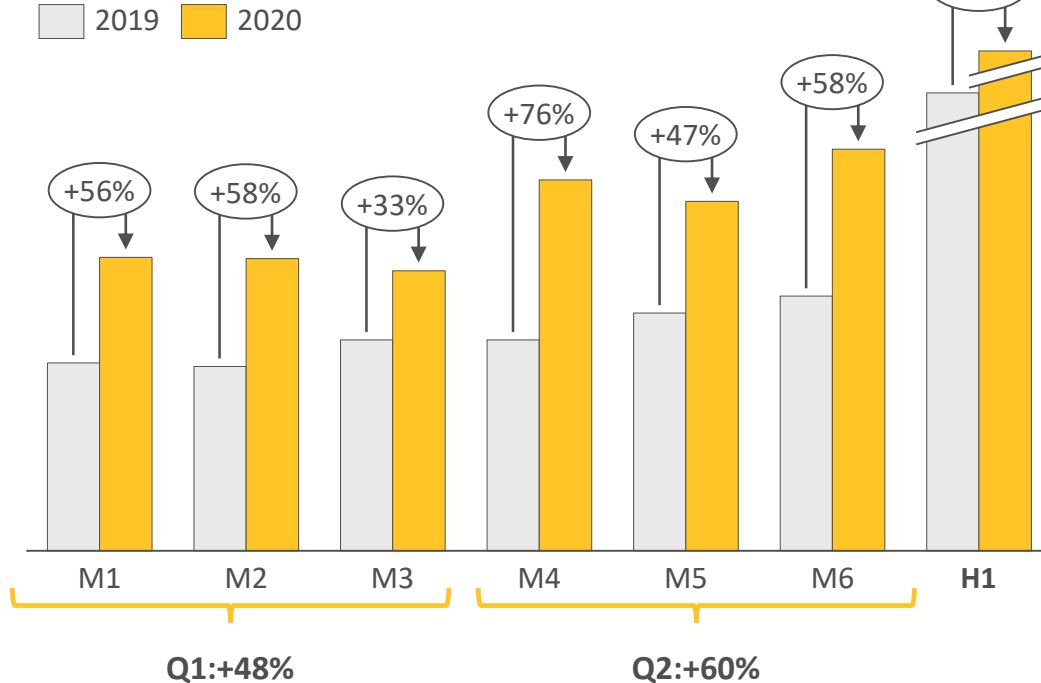
### Comments

- M6 performance affected by block of cards operations following Wirecard issue on June 26<sup>th</sup> 1)
- M4–M6 posted record number of issued cards
  - ≈ 195 k cards at the end of Q1
  - ≈ 320 k cards at the end of H1
- Cards stock almost tripled in 5 months despite Covid outbreak and Wirecard issue
- PoS network expansion executed also in M4 and M5 during lockdown period (≈ +6 k PoS)

## 02 Key Initiatives – Banking Business

### Banking services growing by 55% vs. prior year in H1 despite Covid outbreak

Delta net revenues<sup>1)</sup> from banking services vs. 2019

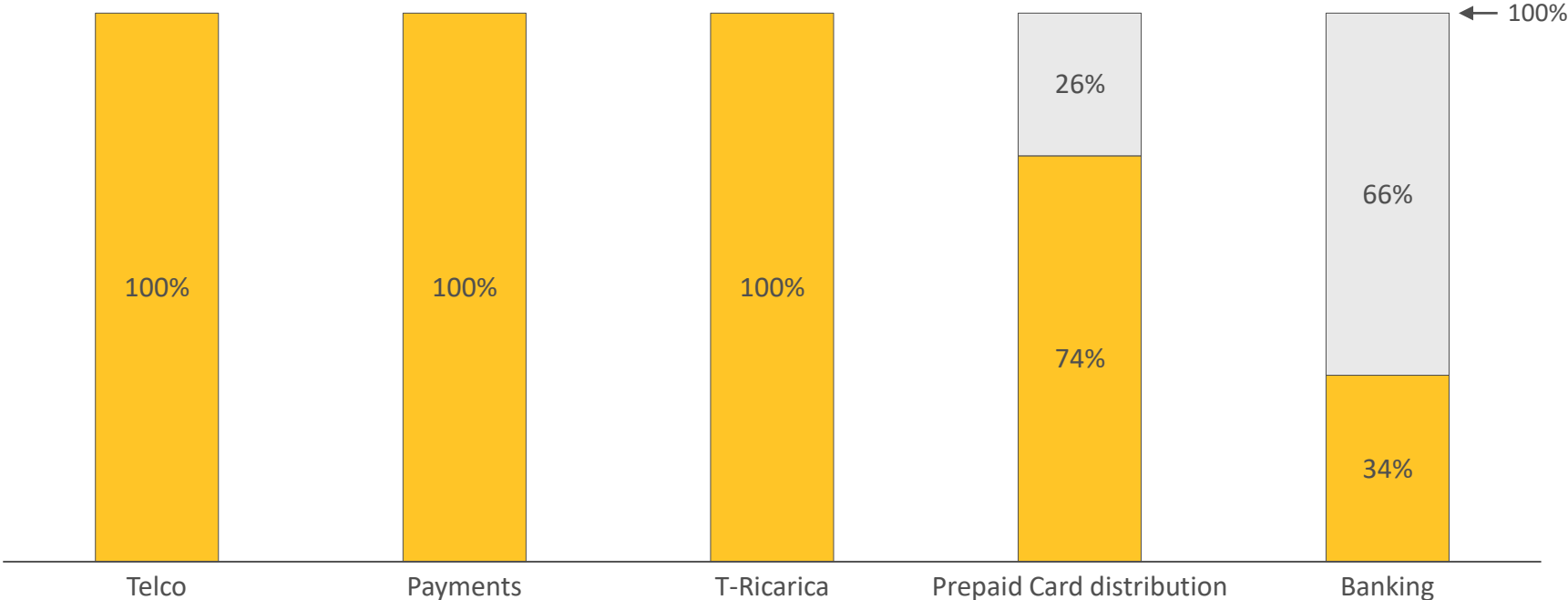


### Comments

- We have been able to expand **Banking business** also during Covid lockdown period (M3-M5)
- At the end of H1, Banking Business was **distributed only in 34% 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) – **Distribution expansion started in July**

## 02 Key Initiatives – Distribution Expansion

In the first six months we will fully cover our distribution with Telco and Payments, we are completing the distribution of our product covering 100 of the network by year-end



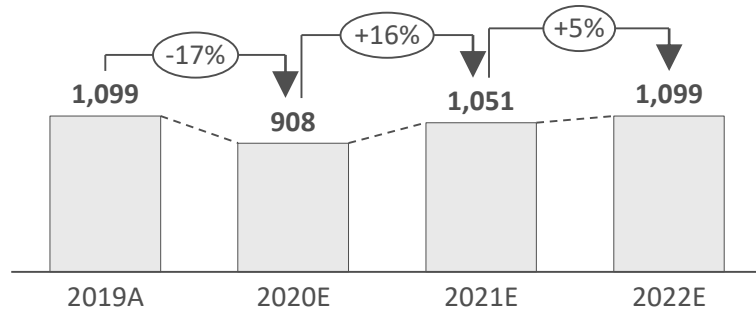
03

## Covid Impact

### 03 Covid Impact – Italian Scenario

- **Macroeconomic factors:** The macroeconomic environment in the first half of 2020 has been severely impacted by the pandemic spread of the Covid-19 virus: Italian GDP fell by 6.5% in Q1 2020 and by 17.7% in Q2 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**

## 03 Covid Impact – Corporate Social Responsibility Plan

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

### 03 Covid Impact – Business Mitigation Plan

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

Starting from **March 12<sup>th</sup> 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 18<sup>th</sup>** 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



04

# SisalPay H1 2020 Proforma Financial Results

## 04 SisalPay H1 2020 Proforma Financial Results – 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 six months ended June 30<sup>th</sup>, 2020 are not comparable with the corresponding data for the six months ended June 30<sup>th</sup>, 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 six months ended June 30<sup>th</sup>, 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 six months ended June 30<sup>th</sup>, 2020, derived from the unaudited interim condensed consolidated financial statements of the Company as of and for the six months ended June 30<sup>th</sup>, 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 six-month period ended June 30<sup>th</sup>, 2019 that could be compared with the data for the six months ended June 30<sup>th</sup>, 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

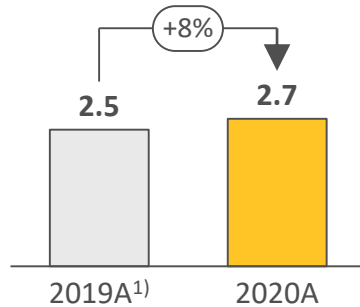
## 04 SisalPay H1 2020 Proforma Financial Results

- **Turnover: EUR 6.9 bn**, -7% or -EUR 0.5 bn vs. 2019 like-for-like mainly due to Covid-19 outbreak. Our estimate is that the **epidemic negatively impacted volumes for ≈ EUR 1.0 bn**, therefore **Turnover would have grown by ≈ 7%**. After lockdown period, **volumes in June re-started to grow with a +11% performance** thanks to the network reopening and the mitigation actions implemented
- **Revenues: EUR 149.2 m**, -5% or -EUR 7.0 m vs. 2019 like-for-like;
  - **Telco and Payments** (-10% vs. 2019) have been affected more than other products due to partial network closure, PoS footfall reduction and postponement of some tax payments
  - Excellent growth of **Banking Services & Other Products** (+35% vs. 2019)
  - Strong performance of **Prepaid Cards** (+97% vs. 2019 like-for-like), boosted by branded prepaid card growth despite Wirecard issue at the end of June
  - **Merchant Services & Other Revenues** slightly above 2019 (+2% vs. 2019)
- **EBITDA<sup>1)</sup>: EUR 36.0 m**, -11% or -EUR 4.5 m vs. 2019 like-for-like. We estimate that **Covid-19 negatively impacted EBITDA for ≈ EUR 7 m**, therefore **EBITDA would have grown by ≈ 6%**
- Capex: **EUR 9.0 m** allowing us to generate **EUR 26.9 m of Operating FCF** with a Cash Conversion of over 75%, despite epidemic impact

## 04 SisalPay H1 2020 Proforma Financial Results – Turnover

### Turnover Jan-Feb

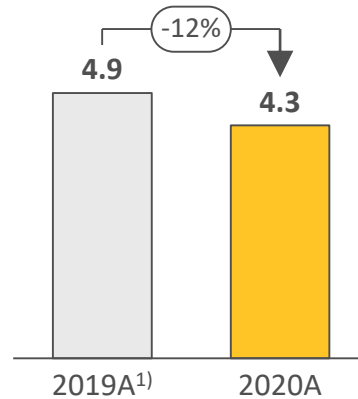
[EUR bn]



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

### Turnover Mar-June

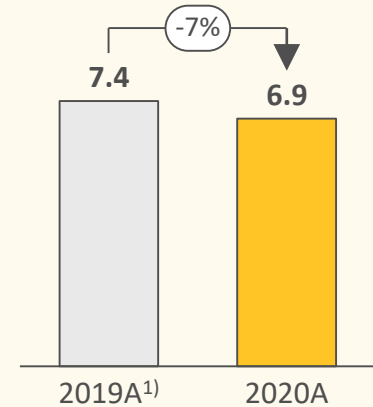
[EUR bn]



- Due to **government restrictions and network partial closure**, volumes **dropped by 12% between March and June**, despite strong June performance (+11%)

### Turnover H1

[EUR bn]

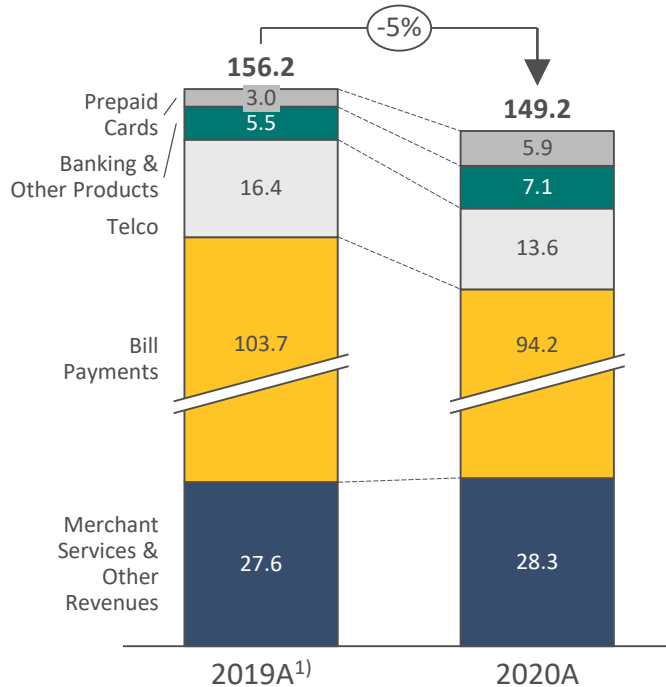


- **Turnover EUR 6.9 bn**, -7% or -EUR 0.5 bn vs. 2019 like-for-like excluding Postepay
- In H1 **Covid epidemic impact estimated in ≈ EUR 1.0 bn<sup>2)</sup>**

## 04 SisalPay H1 2020 Proforma Financial Results – Revenues split by product line

### Revenues H1

[EUR m]



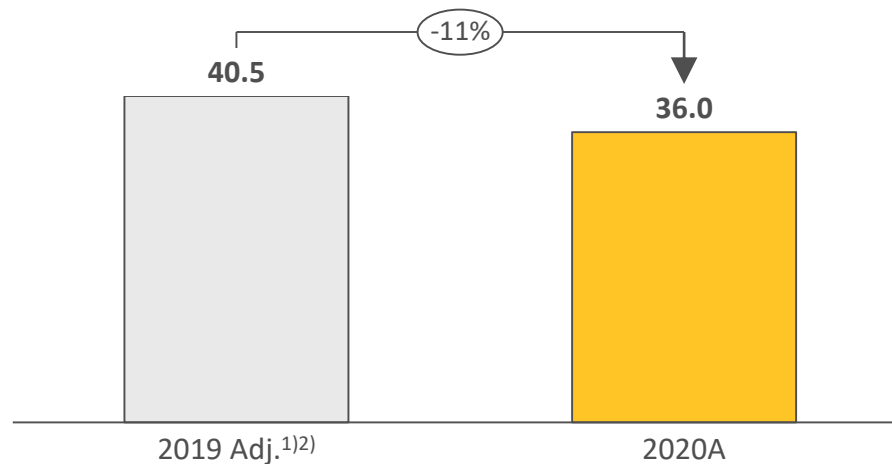
### Comments

- Like-for-like revenues H1 -5% vs. 2019
- **Telco and Payments (-10% vs. 2019)** have been **affected more than other products** due to **partial network closure, PoS footfall reduction and postponement of some tax payments**
- **Banking Services & Other Products (+35% vs. 2019)**, in H1 sold only in **33% of network**, have **continued to grow** even during **Covid-19 lock-down**
- **Prepaid Cards (+97% vs. 2019)** has grown despite Covid-19 outbreak **leveraging distribution expansion, sales force remote working support and marketing campaign**
- **Merchant Services & Other Revenues +2% vs. 2019** in the first half

## 04 SisalPay H1 2020 Proforma Financial Results – EBITDA

### EBITDA H1

[EUR m]



- EBITDA -11% like-for-like or -EUR 4.5 m
- Adjusted for Covid estimated impact (EUR 7.0 m) EBITDA would have grown by 6%

## 04 SisalPay H1 2020 Proforma Financial Results – Cash Flow

### Cash Flow H1 [EUR m]

EBITDA	36.0 <sup>1)</sup>
Capex	(9.0)
<b>Operating FCF</b>	<b>26.9</b>
<i>Cash Conversion</i>	75%
Special Items/Non recurring	(10.9)
Change in working capital	9.4
<b>Unlevered Cash Flow<sup>2)</sup></b>	<b>25.5</b>
Business Contribution Settlement	(56.4)
Cash interest	(17.2)
RCF incremental drawn	61.8
<b>Cash Flow</b>	<b>13.7</b>
<b>Cash 2019 December 31st</b>	<b>69.5</b>
<b>Cash 2020 June 30th</b>	<b>83.3</b>

### Comments

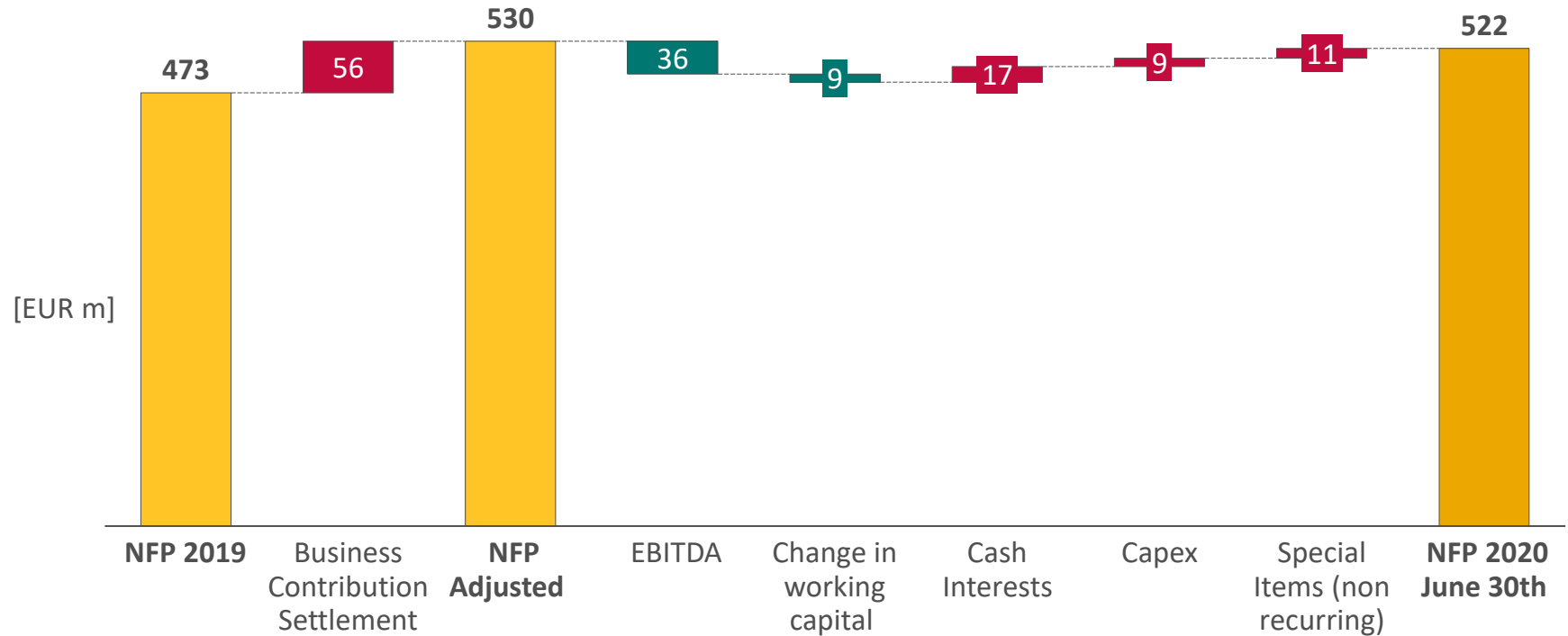
#### Operating FCF +EUR 26.9 m with 75% of Cash conversion:

- Capex related to intangible assets for EUR 7.4 m and tangible assets for EUR 1.6 m

#### 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

## 04 SisalPay H1 2020 Proforma Financial Results – Net Financial Position (as per Covenant)





## 04 SisalPay H1 2020 Proforma Financial Results – Consolidated Balance Sheet H1 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 (EUR k)	2019	H1 2020
Non Current Assets	698,524	697,697
<i>o/w goodwill/other intangibles</i>	<i>546,843</i>	<i>546,843</i>
Current Assets	168,148	226,623
<i>o/w cash and cash equivalent</i>	<i>69,549</i>	<i>83,285</i>
<b>Total Assets</b>	<b>866,672</b>	<b>924,320</b>
Total Equity	(214,154)	(228,926) <sup>1)</sup>
Non Current Liabilities	820,115	833,908
<i>o/w financial liabilities</i>	<i>797,044</i>	<i>811,352</i>
Current Liabilities	260,711	319,338
<i>o/w financial liabilities</i>	<i>8,572</i>	<i>71,439</i>
<b>Total Liabilities &amp; Equity</b>	<b>866,672</b>	<b>924,320</b>

### 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 91 m**), cash and cash equivalents (**EUR 83 m**), restricted cash (**EUR 43 m**)

Total liabilities include:

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

## 04 SisalPay H1 2020 Proforma Financial Results – Consolidated Balance Sheet H1 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 (EUR k)	2019	H1 2020
Non Current Assets	1,121,614	1,120,787
<i>o/w goodwill/other intangibles</i>	969,933	969,933
Current Assets	168,148	226,623
<i>o/w cash and cash equivalent</i>	69,549	83,285
<b>Total Assets</b>	<b>1,289,762</b>	<b>1,347,410</b>
Total Equity	208,936	194,164
Non Current Liabilities	820,115	833,908
<i>o/w financial liabilities</i>	797,044	811,352
Current Liabilities	260,711	319,338
<i>o/w financial liabilities</i>	8,572	71,439
<b>Total Liabilities &amp; Equity</b>	<b>1,289,762</b>	<b>1,347,410</b>

05

Q&A

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