

# The Leading PayTech

Redefining Payments in Italy

September 2019



# Italy: Large and underpenetrated market with unique structural characteristics



#4 Largest economy  
in Europe<sup>(1,3)</sup>

€851bn  
2018  
Consumer  
spend<sup>(1)</sup>

3.7m  
Largest SME  
population in  
Europe<sup>(2)</sup>

One of the most underpenetrated  
card  
payments markets in Europe<sup>(4)</sup>

26%  
Italy vs 45% Western Europe  
card payment penetration<sup>(1)</sup>

Strong and resilient  
secular growth

+ ~10%  
Italy vs. ~6% for Western Europe<sup>(4)</sup>  
card payments transaction value  
15-18 CAGR<sup>(1)</sup>

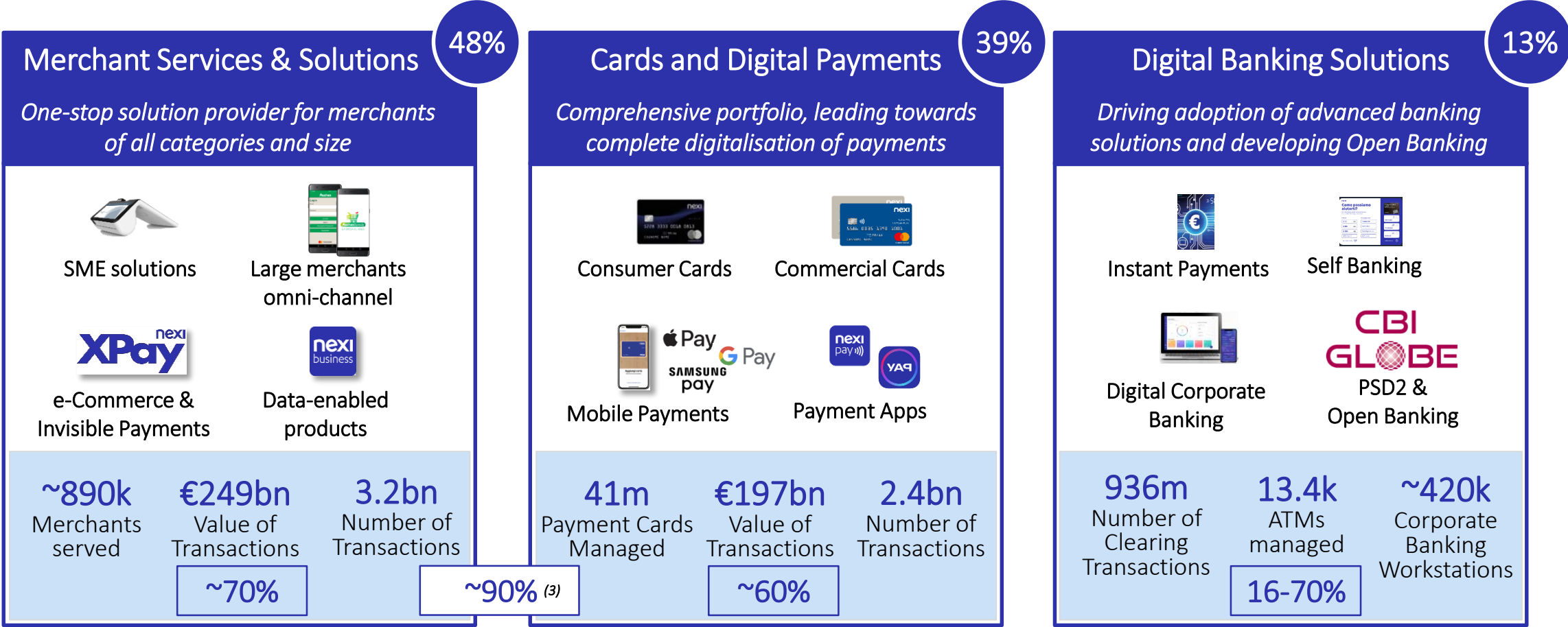
Unique structural  
characteristics

- SME-dominated and mainly physical commerce market
- Underdeveloped and fast growing e-commerce market (6.5% penetration<sup>(5)</sup>)
- Fragmented and bank led distribution (93% of acquiring<sup>(6)</sup>)
- Country digitalization core for national agenda

Note: Selected countries include Western European countries and exclude Turkey and countries with data based on modelled assumptions made by Euromonitor International. Total Consumer Spending is defined as the sum of Card Payment Transactions (Excl Commercial), Cash Transactions, Other Paper Payment Transactions and Electronic Direct/ACH Transactions. This tracks retail purchases, purchases of services, utility payments, rent payments, etc. Excluded transactions include peer-to-peer payments, taxes, fines, loan interest charges, and investments (including real estate). Card Payment Penetration is defined as Card Payment Transactions (Excl Commercial) divided by Total Consumer Spending. Consumer Card Payments is defined as Card Payment Transactions (Excl Commercial).

# Nexi: The leading PayTech with full coverage of the payment ecosystem

● % of Group Pro-Forma 2018 Revenues



**Clients Served**



150 Banks >800k SMEs ~30m Cardholders



Source: Company information. Note: leading Italian PayTech in terms of revenues. (1) 2018 data. (2) Merchant Acquiring and Card Issuing data refer to International Schemes only 2018; Digital Banking solutions shares are based on 2018 data (excl. Clearing based on 2017). (3) Spending Flows through Nexi. Market share calculated as a ratio of Nexi's Net Issuing + Acquiring volumes on Total Market Acquiring volumes, estimated allocating proportionally Other Issuers' cards volumes among Nexi's clients and Other Merchants. Data refer to International Schemes only (VISA and MC) for 2018.

# Nexi: The leading PayTech redefining payments in Italy



1

Europe's most attractive payments market with strong secular growth drivers

2

Established market leader at scale with extensive payments ecosystem coverage

3

Long term, extensive and value-oriented partnerships with Italian banks

4

Superior products driving multiple growth opportunities

5

Leading technology capabilities driving innovation and Next Generation Platform deployment

6

Strong leadership team with proven track record across all value creation levers

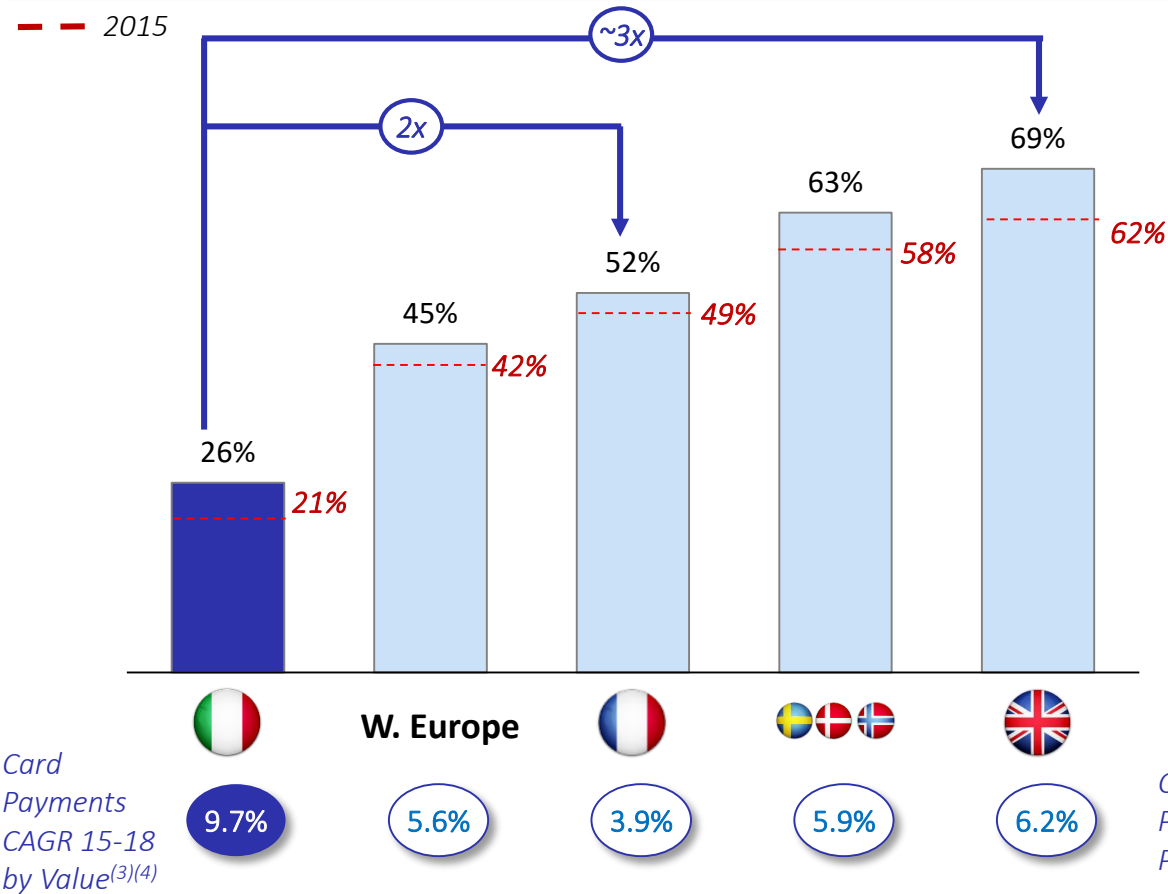
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Attractive financial profile combining profitable growth, resilience, operating leverage and strong cash flow generation

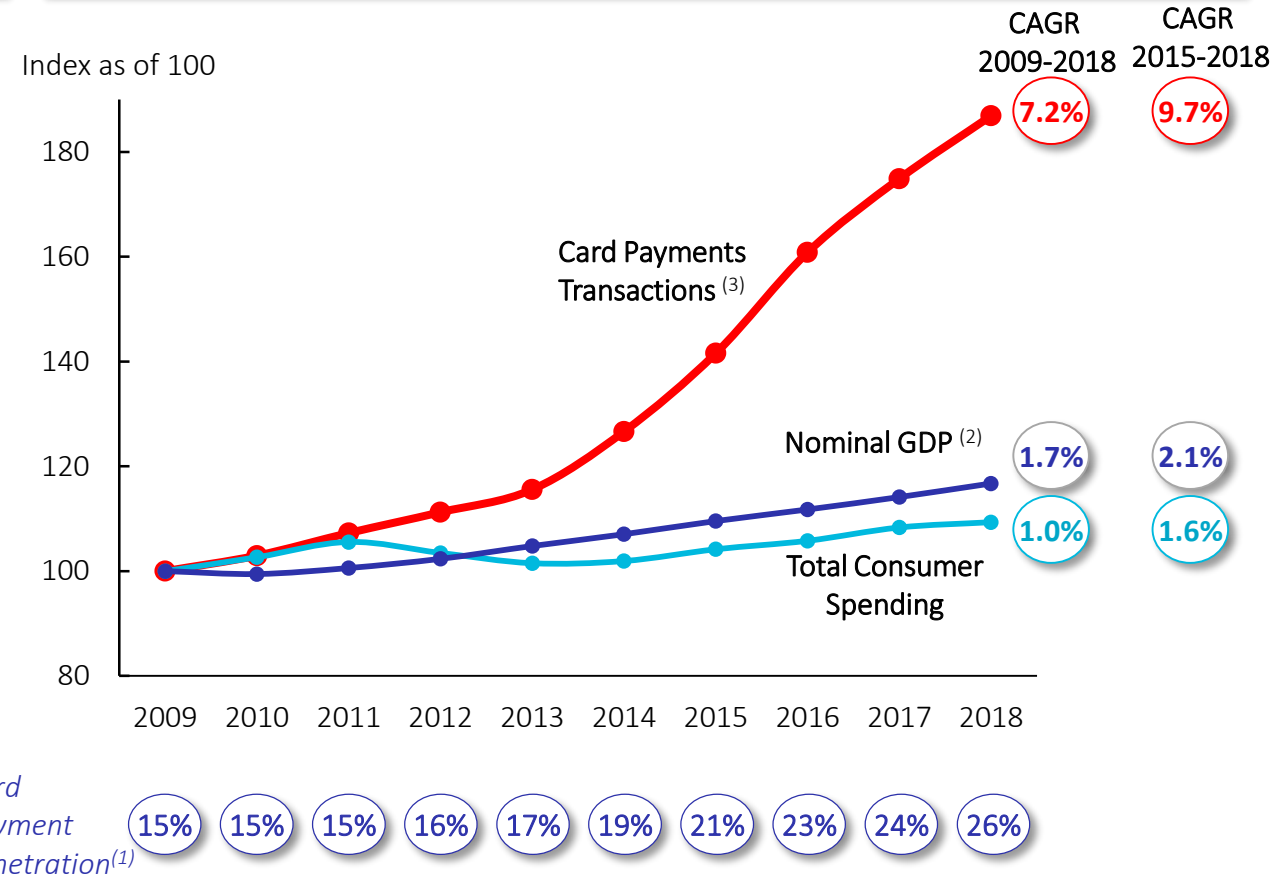
# Significantly underpenetrated digital payments market with strong and

## 1 resilient growth, broadly independent from the economic cycle

2018 Card payment penetration (% by value)<sup>(1)</sup>



Growth of Italian card payments values outperforming Italian total consumer spending and nominal GDP <sup>(1,2)</sup>



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## 2 Extensive payments ecosystem coverage extending to digital and technology solutions

### Covering Traditional Card Payments Rails...



Merchant Acceptance



Merchant Processing



Co-issuing (no credit risk)



Card Issuer Processing



POS terminal lifecycle management



Antifraud, disputes and chargebacks

...

### ...Relevant Adjacent Digital Services...



Advanced POS Solutions



SME Software



E-Commerce & Invisible Payments



Mobile Payments



Payment Apps



Data-Enabled Products



Engagement Platforms

...

### ...and Extended Payment Solutions



Instant Payments



Self Banking



Digital Corporate Banking



B2B & e-invoicing



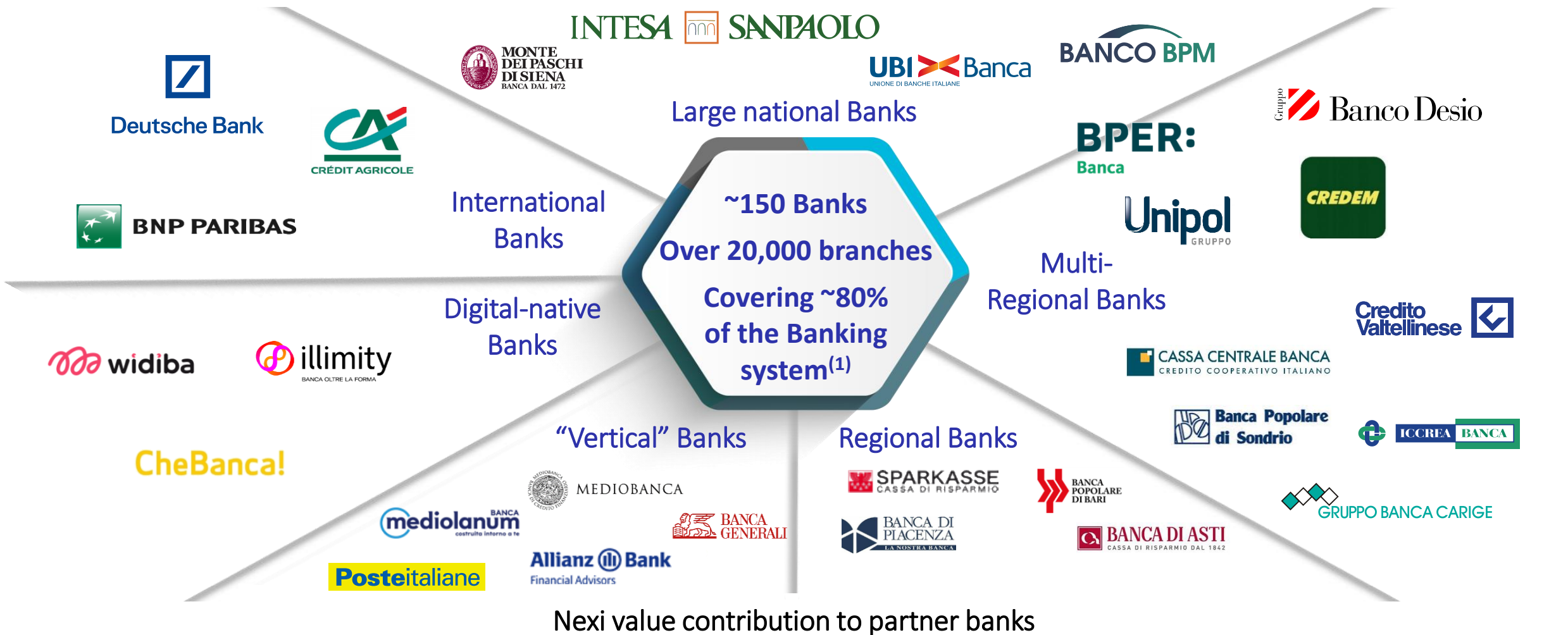
Omni Acceptance



PSD2 Gateway & Open Banking

...

### 3 Long-term, extensive and value-oriented partnerships with 150 banks across all segments




- Mission Critical Services
- Quality of Service and Reliability
- Extensive Portfolio of Superior Products
- Broad Range of Service Models
- Payments Advanced Knowledge Transfer
- Scale Benefits / Advantages
- Support to Commercial Activity


# 4 A rich portfolio of growth drivers and emerging opportunities

Growth Drivers


## Merchant Services & Solutions




SmartPOS




Large Merchant Omnichannel



E-Commerce & Invisible Payments




Omniacceptance




Merchant App

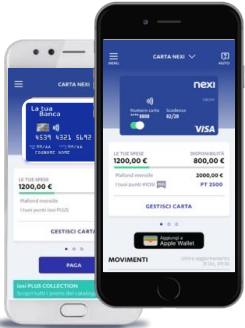
## Cards & Digital Payments



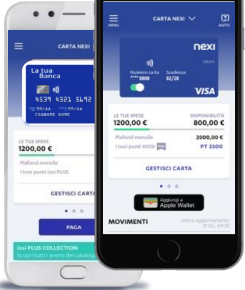
Credit Full Potential




Corporate Cards Solutions



Debit evolution



Mobile Payments



Next Generation CVM

## Digital Banking Solutions



Instant Payments Solutions



Self Banking



Digital Corporate Banking for Large-Mid




...and for Small/Micro Business



PSD2 Gateway & Open Banking

Emerging Growth Opportunities



YAP Millennials Mobile Payments



Data Enabled Solutions



B2B/Corporate Payments



Dual-sided Opportunities



## 5 Leading technology capabilities driving innovation and Next Generation Platform deployment



### Capabilities

Strong investment in technology capabilities.  
Best in class technology team combining engineering and advanced digital capabilities

- **356 €M** invested from H2 2016 to H1 2019
- **~1,500** dedicated resources (in + out)
- **6** digital factories



### Quality

Quality and Security excellence as foundations to grow our business

- **99.9999%** core service availability in 2018
- **No** data and GDPR breaches



### Innovation

Strong innovation delivery and complex project execution capabilities

- Product portfolio completely transformed in 2017-2019
- **3x** new IT releases 2018 vs. 2017



### Next Generation Platform

Next Generation Platform with modular, progressive, evolutionary deployment enabling competitive advantage via innovation and cost efficiency

- Step by step modular execution on going
- **40%** program spend completed; **180 €M** capex expected to complete (H2 2019 – c. 2023)
- Further innovation agility, cost efficiency and operating leverage (e. g. insourcing)

## 6 Strong and experienced extended Leadership Team

~2000 FTEs; ~1000 new vs. 2016

350 new talent hired coming from >100 corporates

83% new in Top 100



**Paolo Bertoluzzo**  
Group CEO



**Enrico Trovati**  
Merchant Services & Solutions



**Andrea Mencarini**  
Cards & Digital Payments



**Renato Martini**  
Digital Banking Solutions



**Roberto Catanzaro**  
Business Development



**Giuseppe Dallona**  
CIO



**Bernardo Mingrone**  
Group CFO



**Marco Ferrero**  
Commercial Division



**Stefania Gentile**  
Mercury Payments



**Federico Ferlenghi**  
Operations & Help Line



**Silvia Beraldo**  
CAO



**Saverio Tridico**  
Corporate & External Affairs



**Daniela Bragante**  
Compliance & AML



**Emanuele Boati**  
Audit



**Alessia Carnevale**  
Risk



# Attractive financial profile combining profitable growth, resilience, operating leverage and

## 7 strong cash flow generation<sup>(1)</sup>

### Unmatched Scale in Italy

€931

2018 Pro-Forma Net Revenues

€519m

2018 Pro-Forma EBITDA Incl. Initiatives<sup>(2)</sup>

### Consistent Profitable Organic Growth

7.8%

2016-2018 Revenues CAGR Organic

15.5%

2016-2018 EBITDA CAGR Organic

### Resilient and Diversified Recurring Revenues

7.2x

Cards Spend vs. Consumer Spend CAGR '09-'18 in Italy

47% / 53%

Revenue Split (Volume-Driven / Installed Base)

### Proven Operating Leverage

64%

Fixed Costs as % of Opex

46%

2018 EBITDA Margin

### Strong Cash Flow Generation

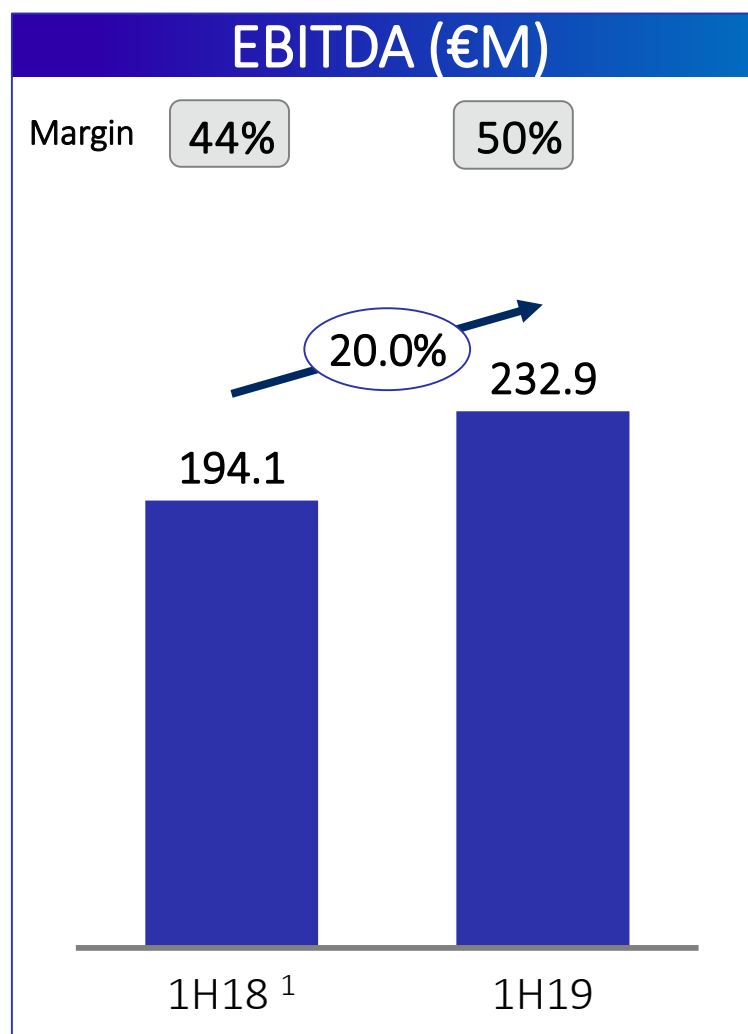
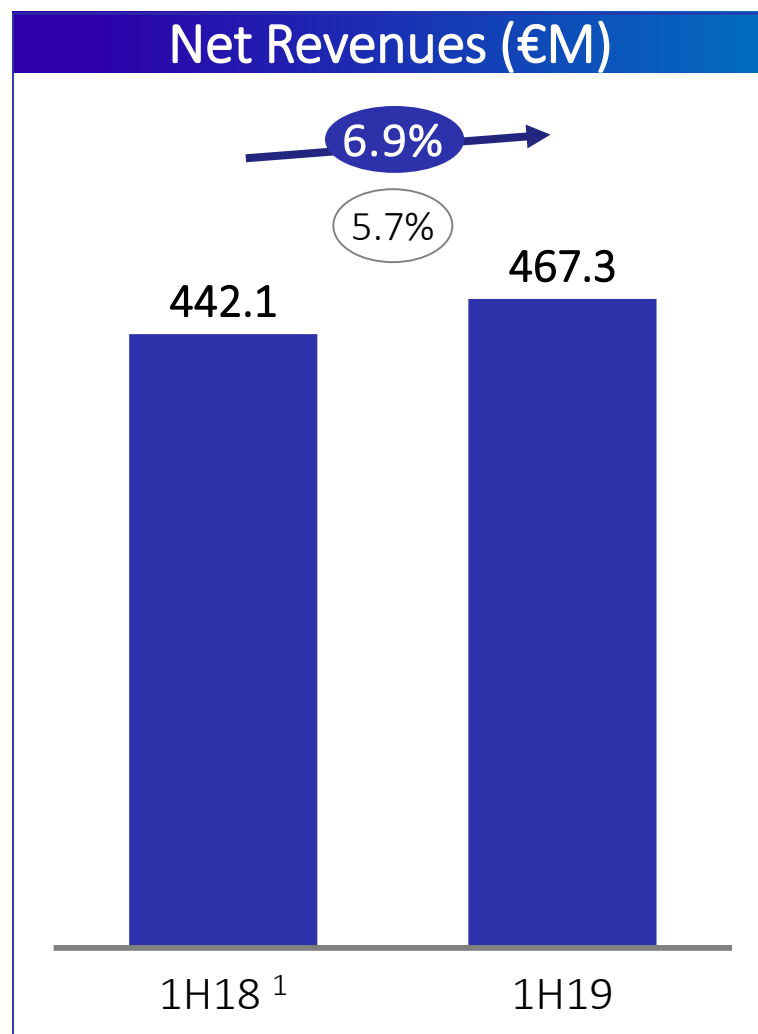
€312m

2018 Operating Cash Flow<sup>(3)</sup>

74%

2018 Cash Flow Conversion<sup>(4)</sup>

## 7 2019 Financial performance so far



### Additional H1 2019 highlights

- Transformation Costs: -60% y/y
- Capex: 59 €M in H1 2019 (13% of Revenues)
- Normalized Cash Flow conversion: 80%
- Net Financial Debt/EBITDA: ~3.0x expected for FY19

Underlying growth (excl. run-off of zero-margin HW reselling contracts from acquisitions)

## 7 Updated Financial guidance

### Net Revenues

- 5-7% annual net revenue growth over medium term
- 2019 growth at lower end of range<sup>1</sup>; growth after 2019 at higher end of the range

### EBITDA

- 13-16% annual EBITDA growth over medium term. Continued strong operating leverage
- 2019 EBITDA ~500 €M (~+18% y/y).

### Non-recurring Items

- >60% reduction in non-recurring items in 2019<sup>2</sup>
- Rapid further decrease of non-recurring items affecting reported EBITDA thereafter

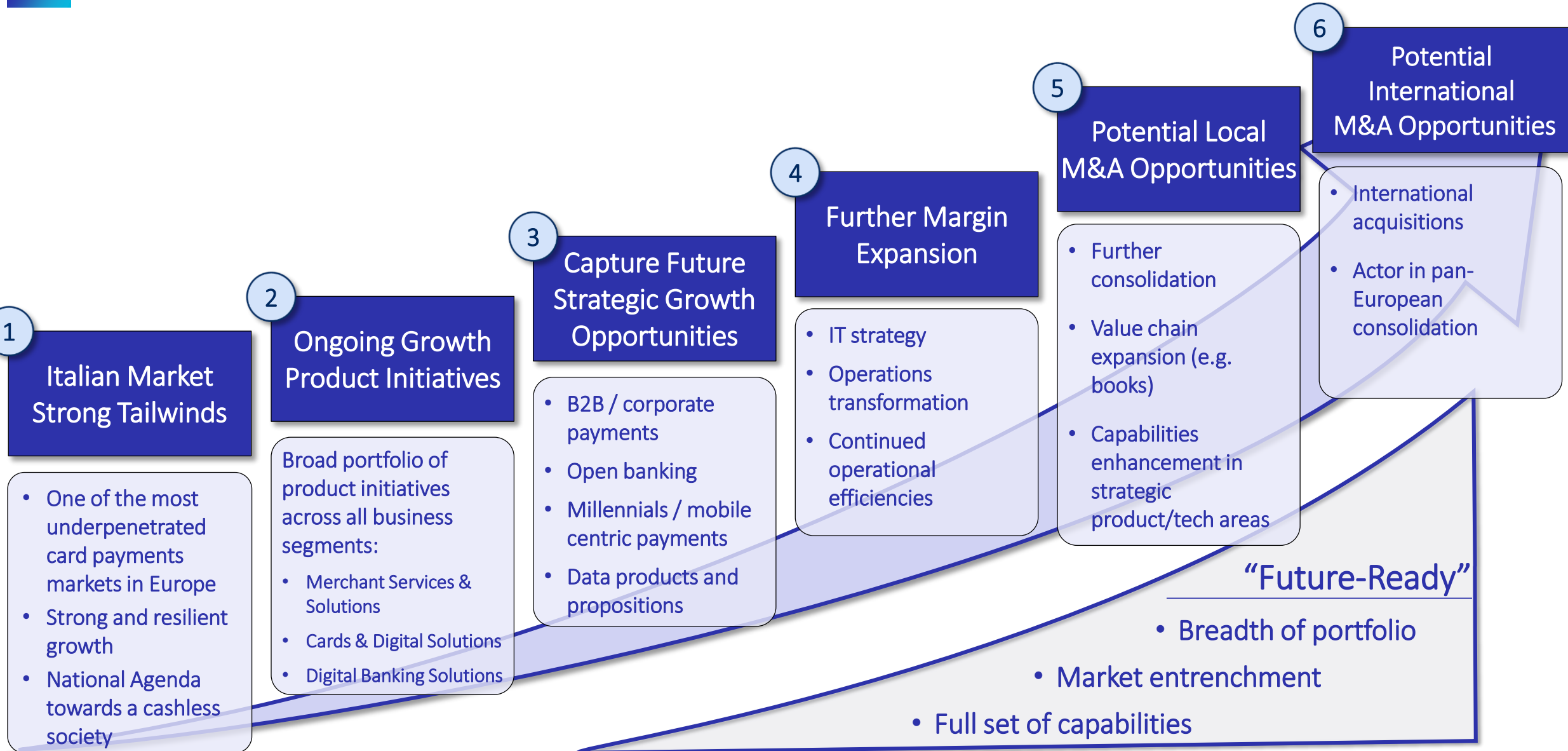
### Capex

- 8-10% ordinary capex as % of net revenues over long term
- Transformation capex on top of ordinary capex of ~180 €M cumulative (2H19 – c.2023)

### Capital Structure & Capital Allocation

- 2019 net debt of ~3.0x EBITDA. Organic de-leveraging with target net debt of ~2.0-2.5x EBITDA over mid-long term
- Invest in organic growth; potentially consider accretive and strategically compelling M&A
- Progressive moderate dividend policy, targeting pay-out ratio of 20-30% of distributable profits in mid-long term

# Nexi: Best poised to capture multiple avenues for future value growth



**nexi**  
every day, every pay